

**DFSA Policy Statement on
Sponsors**

Introduction

1. Rule 4.2.6 of the OSR Module requires a Person who makes or intends to make a Prospectus Offer in the DIFC (“Prospectus Offers”) to appoint a sponsor in sufficient time to enable the sponsor to comply with the requirements of Chapter 10 of the OSR Module.
2. This Policy Statement describes the views of the DFSA on matters relating to sponsors, including;
 - (a) the purpose and role of a sponsor;
 - (b) what kind of knowledge, experience, qualifications and resources a sponsor should have;
 - (c) what are the regulatory obligations of a sponsor; and
 - (d) what are the obligations of a Person who makes a Prospectus Offer regarding its sponsor.
3. This Policy Statement deals only with the mandatory sponsorship regime for Prospectus Offers under the OSR Module. The Dubai International Financial Exchange (DIFX) has its own Rules requiring a listing applicant to appoint a sponsor. Nothing in the OSR Module or this Policy Statement affects the DIFX requirements.

To whom does this Policy apply?

4. This Policy Statement applies to:
 - (a) a Person who makes or intends to make a Prospectus Offer in the DIFC; and
 - (b) a sponsor appointed under Rule 4.26 of the OSR Module.
5. Sponsors are not defined in the Markets Law 2004 or DFSA Rules.

What is the purpose and role of a sponsor?

6. The requirement of the appointment of a sponsor is designed to ensure that a Person who makes or intends to make a Prospectus Offer is aware of and complies with all applicable conditions for Offering Securities and other relevant requirements under the Markets Law 2004 and OSR Module.
7. The DFSA believes that it is in the interests of the developing DIFC capital markets for a Person who makes or intends to make a Prospectus Offer to have a sponsor to ensure the offering documents comply with regulatory requirements and that the offering itself proceeds properly. OSR Rule 4.2.6(1) provides that the appointment of a sponsor remains in effect for the period the Prospectus Offer remains open.

8. It is important to understand that although the requirement to have a sponsor is imposed by law and a sponsor has regulatory obligations of its own, the Person who makes or intends to make a Prospectus Offer does not, and cannot, avoid or diminish its regulatory obligations simply because it has a sponsor. The responsibility for the Person making the Prospectus Offer to comply with the Markets Law 2004 and OSR Module remains the responsibility of the Person who is making a Prospectus Offer.

What kind of expertise and resources does the DFSA expect a sponsor to have?

10. A sponsor should be a person fully familiar with the Markets Law 2004 and OSR Module and have appropriate knowledge, experience, qualifications and resources to be able to assist and guide a Person who makes or intends to make a Prospectus Offer.
11. The obligation is on the Person who makes or intends to make a Prospectus Offer to demonstrate that its sponsor possesses the necessary knowledge, experience, qualifications and, resources, including systems and controls, to be able to advise the Person on its obligations under the Markets Law and OSR Module.
12. The DFSA expects a sponsor to have a track record in providing advice on all applicable conditions for Offering Securities and other related matters to companies whose securities trade publicly in the DIFC or in jurisdictions whose regulatory and legal regimes are relatively comparable to the DIFC.
13. A sponsor may be a specialist corporate finance advisory firm, investment bank or a firm that provides legal, accounting or compliance services in the financial services field. The DFSA expects sponsors will be partnerships or corporations with significant financial services and compliance experience. The DFSA expects key employees of the sponsor to have professional training in accounting, finance, economics or law and at least 5 years relevant experience. The DFSA may require a sponsor to be domiciled in the DIFC.

What are a sponsor's obligations?

15. A sponsor's regulatory obligations under the OSR Module are statutory obligations and are found under Rules 10.3, 10.4 and 10.5(2). Rule 10.4 provides the standard of care which must be exercised by the sponsor in relation to its obligations to the Person who appointed the sponsor. A sponsor may also be bound by other obligations that flow from its contractual relationship with the Person who appointed it. This Policy Statement does not deal with those obligations.
16. However, a sponsor's regulatory obligations flowing from the OSR Module should not be interpreted as imposing strict liability on a sponsor. While a sponsor has regulatory obligations of its own, as discussed in paragraph 17, the DFSA's intention is not to impose strict liability on the sponsor in circumstances where the sponsor has taken all reasonable steps to ensure that the Person who makes or intends to make a Prospectus Offer has complied with all applicable conditions related to the Offering of Securities.
17. Any breach of the sponsor's regulatory obligations in Rules 10.3, 10.4 and 10.5(2) of the OSR Module will subject the sponsor to its own regulatory liability

under the Markets Law 2004 and OSR Module. Under these provisions, it is the obligation of the sponsor to, among other things:

- (a) provide to the DFSA any information that the DFSA may require for verifying that the OSR Module is being complied with by both the Offeror and Issuer;
- (b) to exercise a duty of care to the Person to which it is appointed;
- (c) notify the DFSA in the case of a failure by a Reporting Entity to comply with its obligations under the Markets Law 2004 and OSR Module; and
- (d) notify the DFSA of any non co-operation by the Offeror, Issuer or their Employees.

What are the obligations of Person making a Prospectus Offer regarding its sponsor?

18. A Person making a Prospectus Offer in the DIFC has specific regulatory obligations in relation to its sponsor. These are found under Rules 10.2, 10.5 and 10.6. Under these provisions it is the obligation of the Person making a Prospectus Offer to, among other things:
- (a) take all reasonable steps to ensure that the proposed sponsor has the required knowledge, experience, qualifications and resources to carry out its duties;
 - (b) take reasonable steps to ensure that the relevant sponsor is independent and has managed conflicts of interest appropriately;
 - (c) ensure the Person and its employees cooperate with the sponsor and do not interfere with the sponsor's ability to discharge its duties;
 - (d) report to the sponsor any matter which may significantly affect the financial position of the Person issuing the Securities or the price or value of the Securities;
 - (e) promptly advise the DFSA in writing when a sponsor resigns or is terminated including providing details of all relevant facts and circumstances.

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