



CONSULTATION PAPER NO. 35

23 JULY 2006

**PROPOSALS TO EXTEND THE ANNUAL REPORTING PERIOD
APPLICABLE TO REPORTING ENTITIES**

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Why are we issuing this paper?

1. This Consultation Paper seeks public comment on the DFSA's proposal to extend the current annual reporting period that applies to Reporting Entities. Reporting Entities are persons who have their Securities admitted to an Official List of Securities or who have filed a prospectus with the DFSA. Under the current requirements in the OSR Module of the DFSA Rulebook, a Reporting Entity must make Market disclosure of its annual report and annual financial statements as soon as possible after Board approval but in any case no later than 90 days after the end of its financial year. The DFSA is now proposing to extend the maximum period for making such disclosure to 120 days from the end of the financial year (see Schedule A for the proposed change).

Why are we extending the annual reporting period?

2. We recognise that it is important to have in place periodic reporting requirements that are consistent with global standards to make the DIFC attractive to international players, particularly those seeking multi listings of their Securities. When the EU Transparency Directive (2004/109 EC) comes into effect on 20 January 2007, it requires all member countries to have a 120 day period for annual reporting and a 60 day period for interim reporting. Accordingly, we think it appropriate to extend the annual reporting period applying to a Reporting Entity from its current 90 days to 120 days (with no change required relating to the interim reporting period of 60 days as it is the same under the EU Transparency Directive).
3. Already, the DFSA has provided individual relief to extend the annual reporting period from its current 90 days to 120 days to facilitate a Reporting Entity that was seeking a secondary listing on the DIFX.
4. Further, this proposed extension of reporting period will be consistent with the recently introduced DFSA's Collective Investments Fund regime ("CIF regime"), (where Operators of Domestic Funds have a 120 day period for annual reporting and a 60 day period for interim reporting (Rule 9.2.2(1) of the CIR Module of the DFSA Rulebook).

5. The proposed change will facilitate business and promote the DIFC as a financial centre especially because many EU based financial institutions, as the member countries move towards implementation of the EU Directive, would find the reporting requirements an impediment to their listing on the DIFX. This would also remove the need for case by case consideration of applications for extensions.

Who should read this paper?

6. The proposal in this paper would be of primary interest to persons who have, or intend to have, their Securities admitted to an Official List of Securities or have a prospectus filed with the DFSA under Article 15 of the Markets Law 2004.

How to provide comments

7. All comments should be provided to the person specified below. You may, if relevant, identify the organisation you represent in providing your comments. The DFSA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise at the time of making comments.

What happens next?

8. **The deadline for providing comments on these proposals is 4 September 2006.** Once we receive your comments, we will consider if any further refinements are required to these proposals. We will then make the necessary changes to the OSR Module of the DFSA Rulebook. However, because the change recommended in this paper is still a proposal, you should not act on it until the relevant change to the DFSA Rulebook is made. We will issue a notice on our website telling you when this happens.

Comments to be addressed to:

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Schedule A

Proposed changes to the OSR Appendix A2.1

Financial Information Relating to a Reporting Entity									
									A2.1
	Event	Requirements	Time	Shares	Warrants over Shares	Debentures	Warrants over Debentures	Certificates over Shares	Certificates over Debentures
13.	Annual report and annual financial statements.	<p>(1) Market disclosure of the annual report and annual financial statements. The annual report must include in respect of the financial year to which it relates:</p> <ul style="list-style-type: none"> (a) a review of operations during the year and the results of those operations; (b) details of any significant changes in the Reporting Entity's state of affairs during the financial year; (c) the Reporting Entity's principal activities during the year and any significant changes in the nature of those activities during the year; (d) details of any matter or circumstance that has arisen since the end of the year that has significantly affected or may significantly affect: <ul style="list-style-type: none"> (i) the Reporting Entity's operations in future financial years; (ii) the results of those operations in future financial years; or (iii) the Reporting Entity's state of affairs in future financial years; and (e) likely developments in the Reporting Entity's operations in future financial years and the expected results of those operations; (f) A statement by the auditors that the accounts give a true and fair view of the state of the Reporting Entity's affairs, profit and loss and additional information as may be required. <p>(2) The annual financial statements must be audited by an independent, competent and qualified auditor in accordance with the International Auditing and Assurance Standards Board Financial or other standards acceptable to the DFSA or where appropriate, AAOFI standards.</p>	As soon as possible after the accounts have been approved but no later than <u>120</u> days after the end of the financial period.	X	X	X	X	X	X