

Appendix 9

In this appendix underlining indicates new text and striking through indicates deleted text.



Notice of Amendments

Islamic Finance Rules

(IFR)

<u>Consequential changes</u>

1. INTRODUCTION

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1.2 Overview of the IFR module**Guidance**

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5. Chapter 7 contains specific requirements that apply to Reporting Entities which Offer Securities as Shari'a compliant. However, the general requirements that apply to such Offers with which the Reporting Entities must comply continue to be in the ~~Offered Securities Markets~~ Rules (~~OSR MKT~~ module).
6. Chapter 8 contains the additional requirements applying to Persons who carry on Insurance Business or Insurance Intermediation as Takaful Insurance.

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2 ISLAMIC FINANCE

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2.4 Islamic financial instruments and products**Guidance**

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2. The DFSA will, when considering the treatment of Islamic Financial Business arrangements, take a "substance over form" approach.
3. The issue of financial products which are Securities such as Shares, Debentures or Units as defined in GEN A2.1.2 (which are a subset of the definition of Investments – see Guidance Note 5), attracts product specific disclosure requirements such as Prospectus or Exempt Disclosure Statements. Where such products are included on an Official List of Securities or made available to the public in the DIFC, there are initial and ongoing disclosure and other obligations that apply to the Reporting Entity (generally the issuer) under the ~~Offered Securities Rules (OSRMKT)~~ module. These ~~OSRMKT~~ obligations are quite

distinct from the obligations that apply to Persons carrying on Financial Services in respect of such financial products.

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7. CONDUCT RULES FOR OFFERS OF ISLAMIC SECURITIES

7.1 Application

- 7.1.1**
- (1) Subject to (2), this chapter applies to any Person who Offers Islamic Securities in or from the DIFC.
 - (2) A Person making Offers of Islamic Securities in or from the DIFC must comply with the requirements in the Markets Law ~~2004~~2012 and the ~~OSRMKT~~ module except to the extent otherwise provided in this chapter.
 - (3) Islamic Securities, for the purposes of this chapter, do not include Units of an Islamic Fund.

Guidance

1. The issue of Securities is not an activity that constitutes a Financial Service. Therefore, the activities such as the issue of Shares, Debentures (Sukuks) or Warrants do not attract the Financial Services prohibitions in the Regulatory Law 2004. However, the Offer of Securities is an activity to which the Markets Law ~~2004~~2012 and the ~~OSRMKT~~ module apply. Under the Markets Law ~~2004~~2012, a Person making an Offer of Securities in or from the DIFC is subject to numerous disclosure requirements, unless exempt.
2. Offers of Islamic Securities which are Units of a Fund are not subject to the requirements in this section because the Collective Investment Law 2010 and CIR module provide for such activities to be regulated. Chapter 6 of this module sets out additional requirements that apply to the Fund Manager when Offering Units of an Islamic Fund.
3. The definition of the term Islamic Securities is in the GLO module.

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7.2 Contents of a Prospectus for Islamic Securities

7.2.3 Where the relevant Securities are held out as being in accordance with Shari'a, the Prospectus relating to those Securities must include:

- (a) details of the members of the Shari'a Supervisory Board appointed by the Issuer who have undertaken the review of the relevant Securities;
- (b) details of the qualifications and experience of each of those Shari'a Supervisory Board members; and

- (c) in the case of issuance of Sukuks:
 - (i) the opinion of the Shari'a Supervisory Board in respect of whether the Securities are Shari'a compliant;
 - (ii) a description of the structure of the underlying transaction and an explanation of the flow of funds; and
 - (iii) where applicable, the disclosures required by the Shari'a Standards published from time to time by AAOIFI in respect of investment Sukuks; and
- (d) a statement in bold, on the front page of the Prospectus as follows:

"A copy of this Prospectus has been filed and registered with the Dubai Financial Services Authority (DFSA) in accordance with the Markets Law ~~2004~~2012 and the ~~Offered Securities~~Markets Rules. In accordance with the Rules, the DFSA has no responsibility for the contents of the Prospectus and has not approved this Prospectus nor has it reviewed or verified the information in it, nor has it determined whether it is Shari'a compliant. If you do not understand the contents of this document you should consult an authorised financial adviser".

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