

**THE CENTRAL BANK BOARD OF DIRECTORS'**  
**RESOLUTION NO. 58/3/96**  
**REGARDING THE REGULATION FOR FINANCE COMPANIES**

The Chairman of the Board of Directors,

Having perused Union Law No. (10) of 1980, regarding the Central Bank, the monetary system and organization of the banking profession, particularly Articles Nos. 114 - 119,

And Federal Decree No. (80) of 1995, regarding the formation of the Board of Directors of the Central Bank of the UAE,

And the Board of Director's Resolution taken in its meeting on 14/4/1996,  
the following has been decided:

**Article (1)**

**Definitions**

1.1 For the purpose of this resolution:

- a) 'Juridical Person' shall mean any company incorporated in accordance with the provisions of Union Law No. (8) of 1984 and its subsequent amendments.
- b) 'Licence' shall mean authorization to conduct the business of finance companies issued by the Central Bank.
- c) 'Licencee' shall mean the juridical person licensed by the Central Bank to conduct the finance business as per the provisions of this Resolution.
- d) 'Finance Company' shall mean the juridical person who conducts one or more of the main finance activities.

1.2 The terms, contained in Union Law No. (10) of 1980, shall bear the definitions in that law whenever used in this resolution, unless other definitions are attributed to them in this resolution.

**Article (2)**

**Finance Companies' Business**

A) Finance companies may conduct one or more of the following principal business activities:

A.1) Extending advances and/or personal loans for personal or other consuming purposes.

A.2) Financing small trade and small businesses, as well as opening letters of credit and issuing guarantees on behalf of customers.

A.3) Participating in the capital of projects and/or in the issuance of shares or bonds and/or Certificates of Deposit. Such participation, however, should not exceed 7% of the finance company capital.

B) The finance company cannot conduct any other additional business activities without the prior approval of the Board of Directors of the Central Bank; such activities cannot be amended without the approval of the Board of Directors of the Central Bank.

### **Article (3)**

#### **Finance Company's Financial Resources**

3.1 The finance company's financial resources consist of the following:

- a) The company's paid-up capital;
- b) Reserves available with the company;
- c) Retained profits;
- d) Debt instruments or loans from banks, other financial institutions, companies and establishments as well as deposits from such entities - provided that such deposits do not exceed twice the finance company's capital and reserves.

3.2 The finance company is strictly prohibited from accepting deposits or loans from individuals, and from opening accounts of any kind and in any form for individuals.

The finance company's loans and deposits which it obtains from customers are not just subject to cash reserve requirements.

### **Article (4)**

#### **Obtaining a Licence - An Imperative**

No juridical person is allowed to conduct finance business in the country unless licenced to do so by the Central Bank as per a resolution from the Board of Directors. Article (5)

Applying for a Licence

Any juridical person is allowed to apply for a licence from the Central Bank to conduct finance business. The application must be presented on the form prepared by the Central Bank from time to time, and the following documents should be attached:

- a) A statement identifying the nature and scope of the finance business which the applicant intends to conduct. In addition, the statement should specify any plans the applicant may have with regard to the future developments of these kinds of business, as well as details regarding the applicant's arrangements related to managing this business.
- b) The names, addresses, nationalities and share ratios of founders, in addition to a certified copy of the Articles and Memorandum of Association after the completion of the establishment procedures, as per the provisions of Union Law No. (8) of 1984 and its amendments; also, copies of passports of expatriate founders and a copy of the family list record of national founders.
- c) The organizational structure of the proposed finance company, and the C.V.s of the persons recommended for main posts.
- d) A certificate issued by a bank operating in the country indicating the depositing of no less than AED 15 Mn of the authorized capital of the company - as declared in its Articles and/or Memorandum of Association; in addition to an undertaking to deposit the remaining of the capital immediately after obtaining a preliminary approval from the Central Bank.

An undertaking to abide by the provisions of Union Law No. (10) of 1980, Union Law No. (8) of 1984 and its amendments, as well as the provisions of this regulation and any decisions, instructions, directives, circulars or correspondence issued by the Central Bank with regard to finance business; also, an undertaking to make available records and documents to be supervised, examined and reviewed by the Central Bank.

- f) Any information or documents requested by the Central Bank for the purpose of deciding on the application for a licence.

## **Article (6)**

### **Conditions for Granting a Licence**

6.1 The Central Bank, after reviewing the application for a licence prepared in line with the provisions of this resolution, and after obtaining all requested information, documents and reports, may grant or deny the licence.

6.2 No licence shall be granted to a finance company unless the following conditions are met:

- a) The paid-up capital must not be less than AED 35 Mn.

- b) National ownership should not be less than 60% of total paid-up capital, and in way that does not contradict with the provisions of Union Law No. (8) of 1984 and any of its subsequent amendments.
- c) The elected or legally appointed Board of Directors of the finance company should include a majority of nationals.

6.3 No licence shall be granted unless the founding members of the finance company meet the necessary requirements with regard to personal integrity and professional qualifications as deemed appropriate by the Central Bank:

a) Personal Integrity

Every founding member of the finance company should be characterized by good conduct and behaviour, and should not have been convicted in any crime which stains honour or ethics, or which involves violence. He should not as well have failed to honour his liabilities towards banks or any other creditors. Furthermore, he should not have declared bankruptcy, nor reached a settlement agreement with his creditors; also, he should not have had his properties confiscated, nor had he been put under court receivership.

b) Professional Qualifications

The person who is nominated by the applicant as manager or supervisor should be theoretically and practically familiar with the finance business, and should as well have relevant managerial experience.

6.4 In deciding on the application for a licence, all matters regarding personal integrity or professional qualifications, concerning any other company within the applicant's group, or any manager or supervisor in that group, shall be taken into consideration.

### **Article (7)**

#### **Notification of Approval or Refusal**

In the case of an approval or refusal of an application for a licence, the Central Bank shall notify the applicant in writing, pointing out the reasons in case of refusal.

### **Article (8)**

#### **Scope of Licence**

The following are considered in the licence issued by the Central Bank:

- a) The licence shall be valid for two years, and may be renewed for further year.
- b) The licence shall contain the terms which the Central Bank deems appropriate.

## **Article (9)**

### **Licence Cancellation, Restriction or Alteration**

9.1 The Central Bank may at any time, through a decision by its Board, cancel, change, restrict, impose or withdraw any condition imposed on a licence, after receiving comments of the concerned juridical person granted a licence with regard to the reasons for cancellation, alteration, restriction, imposition or withdrawal.

9.2 The Central Bank may, through a decision by its Board, cancel a licence in the following cases:

If the Central Bank finds out any violation in any of the continuous commitments referred to in Article (10) of this resolution, or in any of the licence terms.

- b) If the licensee violates the provisions of this resolution, or the provisions of Union Law No. (10) of 1980, or any other instructions or circulars issued by the Central Bank, or if he fails to meet the licence terms or if it is found out that he cannot meet these terms.
- c) If the Central Bank is provided with false, misleading or inaccurate information by the licensee or on his behalf or by any of his managers, supervisors or auditors.
- d) If the interests of the current or potential clients of the licensee are at risk, whether the risk is the result of the manner exercised by the licensee in handling his business, or the manner in which he intends to conduct that business, or of any other significant reason.
- e) If an order to liquidate the business of the licensee or any of his principal owners is issued by any relevant judicial authority.
- f) If a court receiver, or manager, or any other similar officer is appointed on the business of the licensee.
- g) If a bankruptcy order or a sentence to declare bankruptcy against the licensee is issued.
- h) If the licensee has not commenced to operate the finance business he is licensed to conduct within one year of the date of the licence.
- i) If the licensee ceases to operate for a period of (3) three consecutive months.

j) If the Central Bank finds out, from its own viewpoint, that the licensee is unable to repay his due debts, or that the value of his assets, as viewed by the Central Bank, is less than that of his liabilities, after taking into consideration his potential as well as future claims.

k) If the concerned local authorities have withdrawn any licences granted by them to the licensee.

## **Article (10)**

### **Continuous Commitments**

10.1 The finance company is prohibited from conducting money changing business or investment companies' business or any other unlicensed business, or the business conducted by other financial institutions

10.2 The finance company is prohibited to do the following:

a) to lend, deposit or invest more than 7% of its paid-up capital and reserves in any one institution or in one group.

b) to extend loans or advances to its board members or to their related companies.

c) to own property apart from what is permitted by the Central Bank.

10.3 The licensed finance company shall strictly adhere to the following:

a) its capital adequacy shall not be less than 15%.

b) to manage its business by persons who are acceptable to the Central Bank.

c) not to change its legal status or ownership or size of its capital without prior approval in writing from the Central Bank.

d) not to merge or consolidate with any other person or entity, without the prior approval in writing from the Central Bank.

e) to conduct its business from independent and appropriate premises, approved by the Central Bank, and to refrain from conducting any other business of any kind at the same premises; relocation of premises is not allowed without approval from the Central Bank.

f) its commercial name should not include the terms "bank", "investment company", "commercial or real estate company" or any of what might indicate anything other than the finance business.

- g) not to open any branches except after obtaining prior approval in writing from the Central Bank. Licence to open a new branch shall not be granted except if the financial position of the company is sound and that it has not committed any violations.
- h) appointing a statutory auditor acceptable to the Central Bank, maintaining proper accounting records, and submitting statements about these records to the Central Bank on the required forms.
- i) dealing with clients on the basis of official documents with regard to all transactions.
- j) issuing all its correspondence and documents in its own name, duly signed by authorized persons.
- k) not to incur any commitments on any of its assets without prior approval in writing from the Central Bank.
- l) none of its partners shall withdraw any amounts exceeding his shares of the annual net profits identified in the provisions of the Companies' Law No. (8) of 1984 and its amendments.
- m) none of the partners, managers or auditors of the company shall obtain any loans from it; none of them shall have any current accounts or other accounts with the company.
- n) providing the Central Bank with a period not exceeding 3 months from the end of the financial year with a certified copy of its audited annual accounts including the external auditors' report; the financial year of the licensed company must commence on 1st January and end on 31st December.
- o) providing the Central Bank with any statements, information or statistics required at any time and regarding any specific period, and which should conform with the records of the licensed company; all these statements, and information shall be considered confidential and shall be treated on that basis.
- p) obtaining a licence to conduct finance business from the local authorities, and commencing business within a period of one year from the date of notification of approval of licence as per this resolution; the Central Bank shall be provided with a copy of the said licence by the local authorities as soon as it is received from such authorities.
- q) applying to the Central Bank for renewal of the licence within a period no less than 2 months before the expiry date of the existing licence or any of its renewal.
- r) complying with the prevailing laws in the UAE, as well as with regulations issued by the Central Bank.

#### **Article (11)**

##### **Examination of Records**

The Central Bank conducts periodical examination on the business of the licensed company to ensure the soundness of its financial position and the application of the provisions of this resolution.

#### **Article (12)**

##### **Application Scope and Enforcement Date**

This resolution shall apply to all finance companies licensed after the issuance of this resolution. With regard to existing companies, they have to adjust their positions, except for the percentage of ownership of their capital which may remain unchanged, in accordance with the provisions of this regulation during a period not exceeding one year of its issuance date. The Governor may extend this duration for a period or periods, the durations of each is (3) three months, if satisfactory reasons are presented to Him.

#### **Article (13)**

The Central Bank, through a decision of its Board, may grant new licenses for the establishment of representative offices or branches of foreign finance companies in the country, whenever the Board is satisfied that this would be complimentary to the banking and financial services and is in the interest of national economy.

#### **Article (14)**

##### **Interpretation of Resolution**

The Governor of the Central Bank is the sole interpreter of the provisions of this resolution, and His interpretations are considered final.

#### **Article (15)**

##### **Publication of Resolution**

The contents of this resolution shall be notified to the concerned authorities to ensure the application of its provisions, and shall be published in the Official Gazette in both Arabic and English.

Issued in Abu Dhabi, dated: 14/4/1996

Mohamed Eid Al Meraikhi  
Chairman