LISTING STANDARDS OF ARAB STOCK EXCHANGES
Select findings from the OECD Survey of MENA Stock Exchanges

Alissa Amico, Programme Manager, MENA

Background

- Large investors continue to see limited opportunities in individual MENA markets in terms of blue chip stocks and portfolio diversification opportunities
- Consolidation and regulatory harmonisation of Arab stock exchanges is an old story, but with limited results
- Some consolidation/harmonisation previewed in GCC markets and new initiatives (i.e. cross listing in Saudi) might foster this
- Integration of market infrastructure also discussed to facilitate trading across the region; cost of trading significantly higher than in other regions
- A first step to facilitate cross listing and regulatory harmonisation is a better understanding of the requirements and their comparability
- OECD survey findings to input into the on going revision of listing requirements (i.e. Bahrain, Kuwait, Morocco, Muscat, Tunis)
Ammendments to listing rules: some examples

• Egypt: Listing rules amended regularly to include provisions of the voluntary corporate governance code
• Qatar: standards being lowered to encourage SMEs to list on secondary market
• NASDAQ Dubai: listing standards revised and listing authority transferred to DFSA
• Tadawul: new listing regime announced in 2012
• Kuwait: new listing rules issued by the CMA in 2011
• Lebanon: new listing rules to be issued as part of the capital markets reform
• Reform of listing rules address local weaknesses but some trends: e.g., increasingly differentiated requirements for large cap and small cap companies (Dubai, Qatar)
• Alternative models exist: Saudi Arabia’s CMA introduces mandatory requirements every year without it being part of listing rules

The listing environment

• Lackluster performance except for few markets due to Gulf stock market crisis, global financial crisis and events of the Arab spring
• Slump in listings worldwide, Arab world not an outlier
• Competition developing as part of the broader ambitions to establish financial centers
• Over 30 large Arab companies listed in London, some through GDRs others through direct listing
• Very little evidence of regional integration in capital markets
• Exchanges not focused on attracting foreign listings except Casablanca, NASDAQ Dubai; this is not happening so far
• Privatisation momentum is down and family owned firms reluctant to list
OECD survey of listing requirements

- Integration is still relatively low, very few cross-listings except Egypt and Bahrain, Saudi initiative might change that
- All listings of equity and debt subject to prospectus requirements (except gov't bonds, etc.) and to be approved by the respective CMA
- Some markets have sponsorship requirements (Bahrain, Jordan, Saudi, Dubai), but no exchange requires market makers
- The level of due diligence requirements varies significantly
- For debt issues, large differences in approaches and requirements for listing
- Minimum number of shareholders between none (in Morocco) to 200 (Saudi) to 300 in Syria, generally no difference between tiers
- Free float requirement vary significantly 10% (i.e. Egypt) - 40% (Oman)

OECD survey results (continued)

- Several jurisdictions require additional approvals for banks or financial companies listing
- In rare cases, exemptions to listing requirements (i.e. UAE and Qatar)
- Foreign companies generally required to be listed domestically first and local office/representative usually required
- In some markets, no mechanisms for foreign companies to list
- There is a clear move to make company disclosures available in both Arabic and English to facilitate investor access
- Generally, no minimum turnover requirements for listed equities which may explain low overall velocity
- In some markets, requirement to have advisors for listing and for them to be accountable to the CMA
Corporate governance specific requirements

- Corporate governance codes in most jurisdictions, comply or explain basis in most advanced jurisdictions, for all tiers
- For instance, most countries have requirements on board and committee composition by virtue of the code, but requirements on frequency of board meetings less firmly set
- Disclosure of insiders is required in most but not in all markets
- Some variance in practices regarding disclosure of remuneration
- Almost all countries require disclosure of beneficial owners and changes in ownership changes exceeding 5%
- IFRS is the applicable standard except for Saudi and Tunisia
- Variable responses to requirements on legal risks and internal controls

Corporate governance codes complement listing rules

<table>
<thead>
<tr>
<th>Country</th>
<th>General Corporate Governance Code</th>
<th>Date of issuance</th>
<th>Compliance required</th>
<th>Other Codes/Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>Yes</td>
<td>2009</td>
<td>No</td>
<td>Code for state owned enterprises considered</td>
</tr>
<tr>
<td>Bahrain</td>
<td>Yes</td>
<td>2010</td>
<td>No</td>
<td>Guidelines for banks</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>Yes</td>
<td>2007</td>
<td>Yes</td>
<td>Code for banks</td>
</tr>
<tr>
<td>Egypt</td>
<td>Yes</td>
<td>2005</td>
<td>No</td>
<td>Code for state-owned enterprises</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Code for banks being drafted</td>
</tr>
<tr>
<td>Jordan</td>
<td>Yes</td>
<td>2008</td>
<td>Yes</td>
<td>Code for banks</td>
</tr>
<tr>
<td>Kuwait</td>
<td>Yes</td>
<td>2013</td>
<td>-</td>
<td>Code for small and medium-size enterprises</td>
</tr>
<tr>
<td>Lebanon</td>
<td>Yes</td>
<td>2008</td>
<td>No</td>
<td>Code for small and medium-size enterprises</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Code for state-owned enterprises</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Code for banks being drafted</td>
</tr>
<tr>
<td>Morocco</td>
<td>Yes</td>
<td>2008</td>
<td>No</td>
<td>Code for small and medium-size enterprises</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Code for state-owned enterprises</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Code for banks being drafted</td>
</tr>
<tr>
<td>Tunisia</td>
<td>Yes</td>
<td>2008</td>
<td>No</td>
<td>CG code for SOEs being considered</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Yes</td>
<td>2006</td>
<td>Yes</td>
<td>Guidelines for banks</td>
</tr>
<tr>
<td>Oman</td>
<td>Yes</td>
<td>2012</td>
<td>Yes</td>
<td>Guidelines for banking organisations</td>
</tr>
<tr>
<td>Qatar</td>
<td>Yes</td>
<td>2009</td>
<td>Yes</td>
<td>Corporate governance guidelines for banks</td>
</tr>
<tr>
<td>Syria</td>
<td>Yes</td>
<td>2008</td>
<td>No</td>
<td>Code of governance for financial intermediaries</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>Yes</td>
<td>2010</td>
<td>No</td>
<td>Code for banks being drafted</td>
</tr>
<tr>
<td>Palestinian Authority</td>
<td>Yes</td>
<td>2009</td>
<td>No</td>
<td>Code for banks</td>
</tr>
<tr>
<td>Libya</td>
<td>No</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Iraq</td>
<td>No</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Preliminary suggestions

- Standards for issuance of debt less developed though debt has overtaken equity (especially in the Gulf, Egypt, Tunis)
- Bearer shares still exist in some markets (i.e. Egypt, Kuwait, Beirut, Saudi)
- Some issues need to be explicitly addressed either through the cg code or listing requirements (e.g. number of board meetings)
- Review of practical arrangements to facilitate cross-listings helpful
- Disclosure of beneficial ownership and related party transactions dealt with in principle but the “devil is in the details”
- Need to review rates of adoption of voluntary corporate governance codes
- Facilitating disclosure in English and Arabic necessary to attract foreign investor interest
- Better technical integration between market infrastructure providers to lower cost of trading
- If consolidation or integration is considered, further alignment is necessary