

SCA enables Electronic Invitation, Registration of Attendance and E-voting in General Meetings of Listed PJSCs

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What's new?

As part of its efforts to streamline governance requirements and enhance the use of technology in securities markets, the United Arab Emirates Securities and Commodities Authority ('SCA') has issued Resolution No. (03/RM) of 2019 amending Resolution No. (7/RM) of 2016 concerning Standards of Institutional Discipline and Governance in Public Joint Stock Companies ('PJSC Governance Rules').

The new amendments to the PJSC Governance Rules include:

- enabling listed PJSCs to invite their shareholders to attend general meetings (other than general meetings postponed for a lack of quorum) via text messages or emails (as opposed to the traditional method, which required the use of registered physical mail) if their articles of association allow; and
- allowing shareholders in listed PJSCs to register their attendance and vote electronically in general meetings, without having to be physically present.

The SCA is the second regulator in the Gulf Co-operation Council countries to adopt e-voting after the Capital Markets Authority in Saudi Arabia.

How does it Work?

In order for a PJSC to avail itself of the use of electronic media to disseminate general meeting notices, its articles of association must already allow for this or be amended accordingly.

In order to implement e-voting, each market regulated by the SCA is required to adopt its own e-voting mechanism. We understand that the relevant markets intend to employ blockchain technology to apply these mechanisms: the DFM already offers the “investor card” that can be used by investors to collect dividends. We also understand that the DFM is likely to also allow investors to use the investor card for e-voting.

What are the Benefits?

The possibility for shareholders to be invited to general meetings via text messages or emails would reduce the cost of using physical mail (especially for PJSCs with large numbers of shareholders) and would ensure that notices would reach a higher number of shareholders (particularly those who might have changed their residential address without updating the PJSC). Please note that PJSCs would still be required to publish the invitation in two local newspapers.

Investors have been eagerly awaiting the ability to vote electronically. It encourages companies to use general meetings for decision-making, saves travel expenses, especially for those holding minority stakes, and improves minority rights by allowing more minority shareholders to register attendance and vote in meetings that, under the previous requirement of physical attendance, they would have most likely decided not to attend. E-voting further increases the chances of fulfilling the required quorum for the first meeting, and so potentially allowing PJSCs to save the expenses required to hold a second adjourned meeting.

The general assembly presents an excellent opportunity for PJSCs to engage with their shareholders and stakeholders and electronic communication and e-voting helps to assist this pillar of good corporate governance.

How can PJSCs Avail themselves of the New Rules?

To benefit from these new rules, the PJSC Governance Rules require PJSCs:

- to amend their articles of association to expressly allow for inviting shareholders to general meetings via text messages or emails, electronic registration of attendance and e-voting in meetings; and
- to obtain written acknowledgements from shareholders willing to use e-voting confirming that they accept and understand the mechanism applied by the relevant market for such purpose.

How we can Help You?

If you are a PJSC looking to benefit from the new rules, Al Tamimi & Company’s Equity Capital Markets Team can assist you in:

- updating your articles of association to allow for electronic invitations and e-voting;
- preparing the required draft acknowledgement that must be executed by shareholders in relation to e-voting; and
- liaising with the SCA and the relevant market to obtain the approvals required to implement the above.

Al Tamimi & Company's [Equity Capital Markets](#) team regularly advises on legal and regulatory matters pertaining equity markets and products. For further information please contact [Abdelrahman Sherif](#) (a.sherif@tamimi.com)