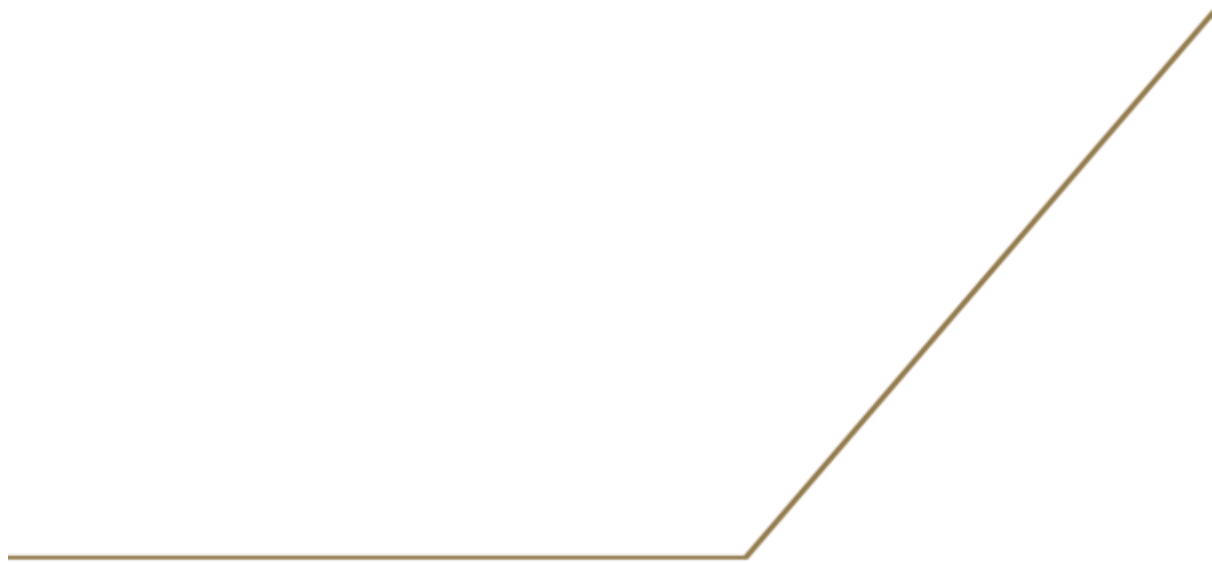




COMPANIES REGULATIONS (AMENDMENT No. 2) 2020



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Regulations to amend the Companies Regulations 2020

Date of Enactment: [•]

The Board of Directors of the Abu Dhabi Global Market, in exercise of its powers under Article 6(1) of Law No. 4 of 2013 concerning the Abu Dhabi Global Market issued by His Highness the Ruler of the Emirate of Abu Dhabi, hereby enacts the following Regulations.

1. AMENDMENTS TO THE COMPANIES REGULATIONS 2020

- (1) The Companies Regulations 2020 are amended as follows:
- (2) In paragraph 418(5)(a), delete the words “(where the auditor is a firm)”.
- (3) In paragraph 420(4)(a), delete the words “(where the auditor is a firm)”.
- (4) In paragraph 421(4)(a), delete the words “(where the auditor is a firm)”.
- (5) In Section 447, a new sub-section (5) is inserted immediately after sub-section (4) as follows:

"A company that is not exempt from audit must appoint an auditor who is eligible for appointment under Part 35 of these Regulations and any Rules made thereunder, including, in the case of public interest entities and financial institutions, satisfying any additional requirements for auditors of such companies."

and sub-sections (5) and (6) are renumbered accordingly.

- (6) In sub-section 473(3):
 - (a) delete the words “Where the auditor is a firm” and replace those words with “The”;
 - (b) insert the words “of the company’s auditor” immediately after the word “right”.
- (7) Section 475 is replaced by the following:

"475. Senior auditor

- (1) The senior auditor means the individual appointed by the audit firm as the audit principal in relation to the audit in accordance with Rules made by the Registrar under Part 35 of these Regulations.
- (2) The senior auditor must be eligible for appointment as audit principal of the company in question, including, in the case of public interest entities and financial institutions, satisfying any additional requirements for audit principals of such companies."
- (8) In paragraph 476(1)(a), delete the words “(where the auditor is a firm)”.

- (9) In sub-section 477(1), delete the words “where the auditor is a firm,”.
- (10) In paragraph 477(2)(b)(iii), delete the words “(where the auditor is a firm)”.
- (11) Section 491 is amended as follows:
- (a) in the title to the section the words “appropriate audit authority” are deleted and the word “Registrar” inserted;
 - (b) in paragraph 491(1)(b) the word “his” is deleted and the word “their” inserted;
 - (c) in paragraph 491(1)(c) the words “the appropriate audit authority and” are deleted; and
 - (d) in paragraph 491(2)(a):
 - (i) the words “appropriate audit authority” are deleted and the word “Registrar” inserted;
 - (ii) the words “he has” are deleted and the words “they have” inserted”;
 - (e) in paragraph 491(2)(b), delete the words “by him”;
 - (f) in sub-section 491(3), delete the word “his” and insert “their”;
 - (g) in paragraph 491(4)(a), delete the word “he” and insert “they”;
 - (h) in sub-section 491(7), delete the words “A person” and insert the words “An auditor”;
 - (i) in sub-section 491(8), delete the words “If that person is a firm” and insert the word “A”;
 - (j) in sub-section 491(9):
 - (i) delete the words “A person” and insert the words “An auditor and any officer of the auditor”;
 - (ii) delete the words “he shows” and insert the words “they show”; and
 - (iii) delete the word “he” before the word “took” and insert the word “they”.
 - (k) in sub-section 491(10), delete the words “A person” and insert the words “An auditor”.
- (12) Section 1032 is replaced by the following:

"1032. Eligibility for appointment as an auditor

No firm may be appointed or act as an auditor of an audited person unless the first-mentioned firm is:

- (a) registered or treated as having been registered as an auditor pursuant to rules made by the Registrar under section 1032A;

- (b) holds any permit as may be required to act as such auditor; and
 - (c) is otherwise in compliance with the requirements of this Part."
- (13) The following new sections 1032A and 1032B are inserted after section 1032:

"1032A. Registration of auditors and audit principals

- (1) The Registrar may make rules which require or allow:
 - (a) the registration of auditors and certain individuals who are appointed by an auditor with responsibility for managing the conduct or provision of audit services by the auditor or for signing on behalf of the auditor audit or other reports or any other matters as may be provided for in such rules ("audit principals");
 - (b) an auditor or an audit principal to apply to the Registrar for the issue to it of a registration or permit to act as a registered auditor or registered audit principal for such categories of company, entity or body carrying on such business or activities as may be prescribed by the Registrar in such rules or in such registration or permit;
 - (c) auditors and audit principals whose names are entered on the register to comply with or satisfy such conditions or requirements as may be prescribed in or pursuant to such rules or any such registration or permit as may be issued to them as mentioned in (b) above;
 - (d) the Registrar to exercise such powers and rights with respect to the regulation of such auditors and audit principals as the Registrar may consider appropriate, including powers to impose sanctions, whether by way of fine, censure or otherwise, on any auditor or audit principal who contravenes any requirement applicable to it or him pursuant to such rules and, in such circumstances as such rules may prescribe, to suspend or withdraw any registration of, or the issue of any registration or permit to, an auditor or audit principal pursuant to such rules; and
 - (e) the Registrar from time to time to amend, revise, withdraw or supplement any rules so made by him as he may consider appropriate or desirable for the purposes of such rules.
- (2) The Registrar may, on the application of a person to whom Part 35 applies, direct by notice in writing to that person, that any of the rules made by the Registrar pursuant to section 1032A:
 - (a) are not to apply to that person, as specified in a direction notice from the Registrar; or
 - (b) are to apply to that person with modifications, specified in a direction notice from the Registrar.
- (3) The Registrar may only exercise the direction power in subsection (2) where, in the reasonable discretion of the Registrar, public policy grounds exist.
- (4) The Registrar may request from an applicant under subsection (2) any information it reasonably requires to exercise the Registrar's discretion.

1032B. Registration of auditors and Commercial Licences

The registration of an auditor as a registered auditor by the Registrar shall be deemed to be a "licensed person" with respect to all controlled activities relating to audit services, for the purposes of the Commercial Licensing Regulations 2015. For the avoidance of doubt, these Regulations, and not the Commercial Licensing Regulations 2015, shall apply with respect to all licensing matters for registered auditors."

- (14) The following new section 1033 shall be inserted in place of the existing section 1033:

"1033. Effect of ineligibility

- (1) If at any time a firm who has been appointed or is acting as an auditor, or a person who has been appointed or is acting as an audit principal, ceases to be a registered auditor or a registered audit principal under rules made pursuant to section 1032A, such a firm or person must immediately:
- (a) resign each appointment (with immediate effect) that they may hold as an auditor or audit principal in relation to an audited person, and
 - (b) give notice in writing to the audited person that they have resigned such appointment by reason of being no longer registered as an auditor or, as the case maybe, audit principal under rules made pursuant to section 1032A.
- (2) A firm or person (as the case may be) will commit a contravention of these Regulations if:
- (a) they act as an auditor or audit principal in contravention of subsection (1), or
 - (b) they fail to give the notice mentioned in paragraph (b) of subsection (1) in accordance with that subsection.
- (3) A firm, or person, who commits the contravention referred to in subsection (2) shall be liable to up to a level 6 fine.
- (4) In proceedings against a firm or person for any contravention under this section it is a defence for them to show that they did not know and had no reason to believe that they had ceased to be a registered auditor or registered audit principal."
- (15) Section 1035 is amended as follows:
- (a) in sub-section 1035(1):
 - (i) delete the word "his" and insert the word "their";
 - (ii) delete the word "he" and insert the word "they";
 - (b) in paragraph 1035(1)(a), delete the word "his" and insert the word "their";

- (c) in paragraph 1035(1)(b):
 - (i) delete the word “he” and insert the word “they”;
 - (ii) delete the word “his” and insert the word “their”;
 - (d) in sub-section 1035(2), delete the words “A person” and insert the words “An auditor”;
 - (e) in paragraph 1035(2)(a), delete the word “he acts” and insert the words “they act”;
 - (f) in paragraph 1035(2)(b), delete the word “he fails” and insert the words “they fail”;
 - (g) in sub-section 1035(3), delete the words “A person” and insert the words “An auditor”;
 - (h) in sub-section 1035(4), delete the words “A person” and insert the words “An auditor”;
 - (i) in sub-section 1035(5):
 - (i) delete the words “A person” and insert the words “An auditor”;
 - (ii) delete the word “him” and insert the word “them”;
 - (iii) delete the word “he” and insert the word “they”; and
 - (iv) delete the words “he was” and insert the words “they were”.
- (16) Sub-sections (1)-(3) of the existing section 1039 are deleted and replaced as follows:
- (1) The Registrar may make rules which require one or more registers of the firms eligible for appointment as an auditor, or the persons eligible for appointment as an audit principal, to be kept.
 - (2) The rules may require each firm or person’s entry in the register to contain relevant information about firms or persons recorded therein, including but not limited to—
 - (a) a name and address,
 - (b) in the case of a firm eligible for appointment as an auditor, the specified information relating to the individuals responsible for audit work on its behalf,
 - (c) in the case of a firm eligible for appointment as an auditor by virtue of Chapter 2, the information mentioned in sub-section (3).
 - (3) The information referred to in subsection (2)(c) is—
 - (a) in relation to a body corporate, the name and address of each person who is a director of the body or holds any shares in it,

(b) in relation to a partnership, the name and address of each partner.

(17) Sections 1037, 1038, 1040 and 1043 are deleted.

2. SHORT TITLE, EXTENT AND COMMENCEMENT

(1) These Regulations may be cited as the Companies Regulations (Amendment No. 2) 2020.

(2) These Regulations apply in the Abu Dhabi Global Market.

(3) These Regulations come into force on the date of their publication.