

UAE Capital Markets Overhaul 2026: New Regulatory Framework for the Capital Market Authority

January 20, 2026

His Highness Sheikh Mohamed bin Zayed Al Nahyan, President of the United Arab Emirates (“UAE”), has issued Federal Decree-Law No. 32 of 2025 concerning the Capital Market Authority (the “**CMA Law**”) and Federal Decree-Law No. 33 of 2025 concerning the Regulation of the Capital Market (the “**Capital Markets Law**”, and together with the CMA Law, the “**Decree-Laws**”).

The Decree-Laws entered into force on January 1, 2026, repealing Federal Law No. 4 of 2000 concerning the Emirates Securities and Commodities Authority and Market in its entirety, together with any conflicting provisions in existing legislation and administrative resolutions, and introducing a comprehensive, statute-driven regime governing onshore capital markets.

The CMA Law reconstitutes the Securities and Commodities Authority (“SCA”) as the Capital Market Authority (the “CMA”), which assumes all rights, obligations and contracts of the SCA as its legal successor, and sets out the CMA’s governance structure, objectives and key competencies as the federal capital markets regulator. The Capital Markets Law introduces a comprehensive statutory framework for onshore capital markets regulation, including (i) a statutory prospectus liability framework in connection with securities offerings, (ii) a safe harbor for conducting price stabilization activities, (iii) significant increases to criminal and administrative penalties for violations; (iv) a recovery and resolution regime granting the CMA early-intervention powers over systemically important licensed persons; and (v) integration of virtual assets regulation into the capital markets perimeter.

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Taken together, the Decree-Laws represent a substantial modernization of the UAE's federal securities law framework, bringing onshore capital markets regulation closer to international standards as part of a broader legislative push to modernize UAE business and financial law. The Decree-Laws follow a series of major legislative reforms in the last year that modernize the regulatory and legal infrastructure of the UAE, including amendments to Federal Decree-Law No. 32 of 2021 on Commercial Companies¹ (the "CCL"), the issuance of Federal Decree-Law No. 6 of 2025 concerning the Central Bank and the Regulation of Financial Institutions and Activities and Insurance Business, and Federal Decree-Law No. 5 of 2025 concerning Civil Transactions.

This alert memorandum provides a high-level overview of the notable aspects of the Decree-Laws and their practical implications. However, it does not purport to be an exhaustive summary of the Decree-Laws, or the laws and regulations applicable to UAE entities.

I. Scope

The Capital Markets Law adopts a broad approach to its scope. In addition to dealing with financial products and carrying out financial activities within the UAE, the Capital Markets Law explicitly applies to foreign issuers, including issuers incorporated in financial free zones such as the Abu Dhabi Global Market ("ADGM") or the Dubai International Financial Centre ("DIFC"), when offering or trading their securities in the UAE. The scope of the law also applies to any person targeting clients in the UAE with regulated activities, even when operating from outside the UAE or from a financial free zone. In that respect, the Capital Markets Law codifies an expansive approach to regulatory reach. Entities engaging in cross-border offerings, marketing, solicitation or investment services directed at onshore UAE clients will fall within scope, even when execution occurs outside the UAE or from a financial free zone.

Otherwise, activities conducted exclusively within the financial free zones remain outside the scope of the Capital Markets Law and the CMA's authority.

Entities to whom the Decree-Laws apply must regularize their status within one year from entry into force (i.e., by January 1, 2027), subject to any extension granted by the CMA Board of Directors. Pre-existing Cabinet decisions and SCA resolutions continue to apply to the extent not conflicting with the Decree-Laws, until replaced or repealed.

II. Key Changes

Set out below are notable developments introduced by the Decree-Laws.

Institutional Repositioning: From SCA to CMA

The CMA Law reconstitutes the Securities and Commodities Authority as the Capital Market Authority. The CMA assumes all rights, obligations and contracts of the SCA as its legal successor, and is vested with statutory objectives to regulate and develop the capital markets sector in the UAE, including in relation to investor protection, market integrity, fairness and transparency.

While ostensibly a rebranding, this change is better understood as a formal elevation of the capital markets function to a dedicated authority with an expanded mandate and closer alignment to peer securities regulators.

Statutory Clarifications Affecting Market Practice

Several provisions codify areas where the prior framework relied on practice, market rules or interpretive comfort:

- **Prospectus Liability Regime.**

The Capital Markets Law introduces a unified statutory prospectus liability regime for all issuers in the UAE. Under Article 29 of the Capital Markets Law, statutory liability for the prospectus is explicitly imposed on the issuer's board of

¹ Refer to [Cleary Gottlieb's alert memorandum dated December 18, 2025](#) on the notable amendments to the Federal Decree-Law No. 32 of 2021 on Commercial Companies and their practical implications.

directors, executive management, and advisers. The standard for this liability is stringent: these parties are liable for any failure to provide required data, or for providing any misleading or incorrect data or information within the prospectus for matters within their competence. Furthermore, the law introduces severe criminal penalties, including imprisonment for not less than one year and substantial fines, for anyone who, acting within their competence, intentionally introduces incorrect or misleading data into a prospectus or signs/distributes it knowing it to be incorrect.

By anchoring these provisions within the Capital Markets Law, which expressly applies to both “onshore” and foreign (including free zone-incorporated) issuers, the new framework ensures that all issuers are subject to the same statutory liability standards. This harmonized approach ensures that whether an issuer is incorporated onshore or in a free zone, its leadership and advisors face identical accountability regarding the accuracy and completeness of their offering documents.

- **Statutory Stabilization Safe Harbor.**

Price stabilization is a critical, internationally recognized mechanism in equity capital markets, particularly for initial public offerings (“IPOs”). It allows a stabilization manager (typically an investment bank) to support the share price for a limited period post-listing, smoothing out volatility and preventing precipitous price drops that can harm investor confidence.

Historically, the UAE legal framework presented a significant challenge to this practice. While the rulebooks of the Abu Dhabi Securities Exchange (“ADX”) and the Dubai Financial Market (“DFM”) contained provisions regulating price stabilization, Article 355 of the CCL criminalized any “transaction intended to influence the prices of securities.” Crucially, this prohibition provided no explicit safe harbor or exception for authorized stabilization activities. This created a theoretical risk that standard stabilization trades – which are,

by definition, intended to influence the stock price – and those persons involved in them could be prosecuted as engaging in market manipulation, causing hesitancy among certain UAE and international investment banks to act as stabilization managers.

The Capital Markets Law resolves this long-standing ambiguity. Article 37(2) codifies a safe harbor, stating that the exercise of price stabilization mechanisms shall not constitute a breach of the law or the CCL provisions prohibiting influence over stock prices, provided such activities are carried out under the controls issued by the CMA or the relevant markets (ADX or DFM).

This development is a welcome and long-awaited clarification that aligns the UAE's capital markets framework with major global jurisdictions like the UK and US. We expect this robust legal protection to significantly encourage UAE and international banks to undertake stabilization roles, thereby enhancing the trading performance of future IPOs in the UAE.

- **Delayed Disclose of Inside Information.**

Consistent with the disclosure approach followed in Europe based on the EU Market Abuse Regulations, UAE issuers are required to immediately disclose material information to the public. While the rules of both the ADX and DFM allow issuers to delay the disclosure of material information to protect legitimate interests (e.g., ongoing negotiation of a significant transaction), the Capital Markets Law now codifies this accommodation. According to Article 33(2) of the Capital Markets Law, an issuer is permitted to delay disclosure of inside information where it has reasonable grounds to believe that the immediate disclosure would cause serious harm to its interests and/or the interests of its shareholders. The issuer must submit a justified written request to the CMA for unlisted securities or the relevant market (ADX or DFM) for listed securities, which may either accept the request subject to conditions, reject it

and require disclosure, or subsequently amend or revoke its decision if circumstances change.

- **Margin-Lending Priority.**

The Capital Markets Law grants licensed margin lenders a super-priority right of recovery:

- A margin lender may recover its funds in priority to the client's other creditors by selling securities in the client's margin account, without recourse to the client.
- This right is triggered in specified circumstances, including the client's death, liquidation, bankruptcy, guardianship, attachment over securities, or other CMA-specified cases.

This provision strengthens margin lenders' legal position, addressing an area previously dependent on contractual arrangements and general insolvency principles. The introduction of this enforcement priority for margin lenders is expected to encourage increased margin lending activity within the UAE.

- **Whistle-Blower Protections.**

The Capital Markets Law introduces whistle-blower protections:

- Disclosure to the CMA does not breach confidentiality obligations;
- Any person may report suspected violations to the CMA, the relevant market, employers, compliance officers or the Public Prosecution service or other competent judicial authorities;
- Whistle-blowers benefit from immunity from criminal, civil and contractual liability, protection against compensation claims, and protection from adverse employment action;
- Reporter identity is confidential and may only be disclosed to judicial authorities or with consent; and
- The CMA may issue reporting regulations and provide financial rewards.

This framework is significantly more robust than prior SCA rules and should encourage more active reporting of market abuse.

Virtual Assets Within the Capital Markets Perimeter

The Capital Markets Law brings virtual assets within the federal capital markets regulatory perimeter. Virtual assets, such as cryptocurrencies and tokens, are digital representations of value that can be traded or transferred digitally and used for investment purposes, and are now included as a "Financial Product" under the law.

The CMA is responsible for regulating virtual asset trading, related activities and services, and supervising licensed virtual-asset trading platforms. Under the law, trading a virtual asset in the UAE is prohibited unless the virtual asset has been accepted onto the official list maintained by a CMA-licensed platform operator and registered with the CMA.

Enhanced Enforcement Framework

The Decree-Laws significantly expand both criminal and administrative enforcement powers in respect of capital markets misconduct.

The Capital Markets Law introduces a tiered enforcement framework that significantly strengthens penalties compared to the previous regime. Under the previous regime, relevant markets (ADX or DFM) were limited to modest disciplinary sanctions (with fines capped at AED 100,000), while higher fines of up to AED 1 million were available only as criminal sanctions imposed by the courts. The new law recalibrates this structure by (i) enabling relevant markets to impose administrative fines of up to AED 1 million per violation, (ii) establishing a CMA-led administrative sanctions regime with fines of up to AED 200 million and a broad range of regulatory measures including suspensions, management bans and license revocations, and (iii) substantially increasing criminal exposure through court-imposed penalties of up to AED 250 million and mandatory custodial sentences for serious market misconduct.

Article 75 introduces criminal settlement mechanisms:

- Before criminal proceedings are initiated, the CMA may settle with violators, subject to Cabinet-prescribed conditions.
- If no settlement is concluded or the violator rejects terms, the CMA must refer the matter to the Public Prosecution service.
- The Public Prosecution service may also settle after proceedings commence but before final judgment.

Investor Protection

The Capital Markets Law provides for investor protection mechanisms:

- An Investor Protection Fund, established by the CMA with independent legal personality, to protect investor funds against specified risks.
- A Settlement Guarantee Fund, which may be established by the central clearing house to guarantee settlement of market transactions.

These vehicles, once implemented, should enhance trading and post-trade infrastructure resilience and align the UAE framework with international norms on investor compensation and default management.

Financial Stability and Resolution Powers

Enhanced Preventive Powers

The Decree-Laws grant the CMA authority beyond the general insolvency framework to impose additional procedures or conditions on preventive settlement, restructuring, bankruptcy, or liquidation proceedings involving CMA-regulated persons, in coordination with relevant authorities.

Recovery and Resolution Regime for Systemically Important CMA Licensees

Separate to the enhanced preventive powers, the Decree-Laws introduce a recovery and resolution regime for CMA-regulated entities designated as systemically important – an area without equivalent under the prior SCA framework. Key features include:

- The CMA may designate any licensed person as systemically important.
- Designated persons must prepare and maintain recovery plans.
- The CMA has broad early-intervention powers, including imposing additional capital or liquidity requirements, directing structural changes, ordering mergers, removing management, appointing temporary administrators and ordering liquidation.
- In resolution, the CMA (or appointed resolution authority) may: remove or appoint management; terminate, assign or vary contracts; write down or convert debt; transfer assets and liabilities to third parties or bridge entities; impose temporary stays on termination rights; and conduct orderly wind-downs with a statutory hierarchy of claims.

III. Key Takeaways

The Decree-Laws mark a structural shift from a rulebook-driven and interpretive regime to one that is statutory, consolidated and enforcement-oriented. Careful comparison of existing positions against the new framework will be essential to identify compliance requirements and opportunities created by greater legal certainty, particularly in areas such as stabilization, margin lending, virtual assets and recovery/resolution planning.

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