



CMP/DEC/2015/0021

31<sup>st</sup> December 2015

**Mr. Hassan Al Serkal**

EVP, COO – Head of Operations Division

Market Operations Division

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Dear Mr. Al Serkal,

**Subject: Complementary Announcement on Announcement dated 29th Dec. 2015**

As per the request of the Capital Markets Authority-Kuwait (CMA) via their letter dated 30<sup>th</sup> December 2015, GFH Financial Group (“GFH”) would like to clarify to its shareholders and the markets the basis on which the Board of Directors took its decision to suspend its earlier resolution to de-list from Kuwait Stock Exchange (KSE), based on the issuance of the new Implementing Regulation with respect to disclosure and transparency as per the CMA’s Resolution No. (72) of 2012.

- 1) As it is known, GFH is listed on various stock markets, including KSE where it had been summoned for investigation several times in the past due to the difference in understanding and applying the regulations on material information disclosure. This had impacted GFH’s reputation, although the other markets where the Group is listed have not taken any such actions against the Group.

Additionally, it is obvious that there are inconsistencies in the supervisory regulatory requirements, especially between those in Kuwait and the Kingdom of Bahrain, where GFH is licensed. Such conflicts have caused GFH to submit a letter to the Chairman of the Commissioners Committee of the CMA and the General Director of the KSE on 21<sup>st</sup> June 2015 due to the investigation summon by KSE regarding the preparation of its financial statements in accordance with AAOIFI, as required by the Central Bank of Bahrain (GFH’s main regulatory body), while the Minister of Commerce’s Resolution No. 1/2014 requires the implementation of IFRS. Furthermore, most of the foreign companies listed in KSE have been summoned for investigation for the same reason, and many of them have responded with letters similar to GFH.

Subsequent to its disclosure of Q3 financial statements for the period ended 30<sup>th</sup> September 2015 and following its earlier announcement of de-listing from KSE, GFH was not summoned for an investigation regarding its financial accounting standard. Accordingly, this showed the CMA and KSE’s understanding of the regulatory requirements of other non-Kuwaiti companies.

2) The new Implementing Regulations are flexible especially with regards to disclosure, and particularly the areas where GFH was summoned for investigations in the past based on misunderstanding the application of the regulations on disclosure of material information. This has been resolved in the new Implementing Regulations, and examples of the same are as follows:

- a. Article 4.3 of the Disclosure and Transparency Book permits a company to evaluate postponing the disclosure of a material information, in contrary to the provisions in the fifth clause of the preceding regulations on disclosure of material information which require prior approval. The new requirement is considerate of the terms of the majority of the contracts which include confidentiality clauses that should be complied with during negotiations stages.
- b. Article 4.3.1 of the Disclosure and Transparency Book permits a company to consult the CMA on the reasons for postponing a disclosure and this was not available in the preceding regulations.
- c. Article 4.1.1 (26) of the Disclosure and Transparency Book specifies the discussion topics/subjects of the Board of Directors meetings which require to be disclosed, while such information on the discussion topics were not specified in preceding regulations.
- d. Article 4.1.1 of the Disclosure and Transparency Book includes exceptions with respect to disclosure of material information, while such exceptions were not included in the preceding regulations.
- e. Article 4.2.2 of the Disclosure and Transparency Book which is addressed to companies with multiple listings in other markets (as the case is with GFH) provides more logical obligations, as compared with the preceding regulations (clause 4/2) which required publication in two local newspapers.
- f. Article 4.5.1 of the Disclosure and Transparency Book obliges the KSE to notify the company in case of any extraordinary trading activity that requires disclosure, in contrary to clause (9) of the preceding regulation which placed that obligation on the listed company. Such requirement had resulted in issues for GFH in the past where there was a misunderstanding on the perception of extraordinary trading.
- g. Disclosure by the listed company of the beneficiary who owns over 5% of the company's capital at the beginning of the year as per Article 2.2.1 of the Disclosure and Transparency Book, in contrary to Article 395 of the previous regulation.



- 3) The amendments made by CMA to the Implementing Regulations have added a great deal of smoothness and flexibility for dealing with listed companies. This was perceived by our Legal team that had attended all of the CMA workshops on disclosure of material information, being the most controversial topic in terms of application for GFH.
- 4) GFH Financial Group hereby confirms that its earlier decision to de-list from KSE, and the subsequent suspension of such decision was led by an important factor being the issuance of the new Implementing Regulations which was highly appraised by all without exception. This has led the Group to continue its listing on KSE, which it deems as a reasonable justification.

Finally, GFH hereby confirms its full compliance with CMA's instructions in respect of complete disclosure in accordance with the provisions of the CMA's letter addressed to GFH, dated 30<sup>th</sup> December 2015, and will ensure that disclosure notifications are served to CMA and KSE in a timely manner.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Nabeel Mirza', enclosed within a large, loopy oval scribble.

**Nabeel Mirza**  
Compliance Director & MLRO