



IPO regulatory requirements for the Compliance function

Paving the path to public markets

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KPMG Lower Gulf Limited
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Foreword

Preparing for an Initial Public Offering (IPO) marks a pivotal moment in an organization’s journey. Beyond the opportunity to access new capital and enhance market visibility, it brings an increased focus on governance, transparency, and regulatory compliance. Building a strong compliance framework is vital to not only meet these obligations but to instill trust among investors and stakeholders. It lays the foundation for sustainable growth and ensures long-term success in a competitive marketplace.

The process of going public introduces specific regulatory complexities that demand meticulous planning and execution. Organizations embarking on this path must ensure their compliance infrastructure is robust, adaptable, and capable of meeting stringent regulatory standards. By addressing these requirements early, they can reduce risks and avoid delays, paving the way for a seamless transition to the public market. A forward-looking approach also strengthens organizational resilience and operational efficiency, equipping businesses to thrive in an evolving regulatory environment.

While regulatory frameworks provide guidance, many companies encounter challenges in implementing them effectively. Balancing compliance with business objectives while addressing unique market conditions requires a thoughtful and tailored strategy. Closing this gap not only facilitates IPO readiness but also helps organizations achieve sustained governance and operational excellence.



Compliance operating model

A comprehensive compliance operating model, aligned with the SCA Governance Guide, helps to facilitate robust regulatory oversight, risk mitigation, and governance excellence for IPO companies in the UAE. Article 69 of the SCA Governance Guide outlines the requirements for establishing and maintaining a Compliance function.

Structure and responsibilities



- Establish a Compliance function with clear reporting lines to the board and senior management
- Define the job description of the Head of Compliance, emphasizing their role in regulatory oversight, policy implementation, and risk mitigation

Compliance framework and programs



- **Compliance risk assessment:** Maintain an obligation register to identify and document regulatory risks
- **Third party due-diligence protocols:** Implement measures to evaluate and monitor third-party relationships
- **Training and awareness:** Conduct regular training sessions to enhance employee understanding of compliance policies
- **Monitoring program:** Establish a schedule for periodic audits and reviews to ensure adherence

Non-compliance management



- Develop procedures for:**
- The detection and investigation of non-compliance incidents
 - Guidelines for case resolution and corrective action

Reporting protocols



- Ensure that the Compliance function subordinates directly to senior management in terms of administration, and the Audit committee in exercising their duties. The Compliance function should report to the board on significant matters and irregularities
- Reports should include updates on compliance risks, investigations, and mitigation measures

Compliance policies and procedures

Robust compliance policies are essential for navigating the IPO journey, ensuring regulatory adherence, building investor confidence, and establishing a foundation for long-term compliance success.



AML and CTF policy

Reference:

- Federal Decree-Law No. 20 of 2018, Article 5: Requires AML/CTF measures, customer due diligence, and suspicious transaction reporting
- SCA Circular No. 12/2019, Section 2: Specifies AML/CTF obligations for listed companies



Whistleblower policy

Reference:

SCA Governance Guide:

- **Article 15:** Mandates mechanisms for employees to report unethical practices confidentially and safely, protecting whistleblowers from retaliation



Anti-fraud policy

Reference:

SCA Governance Guide:

- **Article 15:** Requires mechanisms for reporting fraud or unethical practices confidentially
- **Article 16:** Mandates procedures to address and prevent fraudulent activities



Conflict of interest policy

Reference:

SCA Governance Guide:

- **Article 34:** Requires companies to establish policies for managing conflicts of interest
- **Article 35:** Mandates disclosure and board approval of related-party transactions



Code of conduct and ethics policy

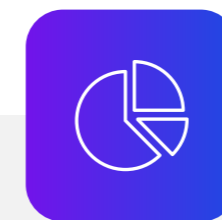
Reference:

SCA Governance Guide:

- **Article 16:** Mandates adopting a code of conduct to ensure ethical behavior
- **Article 18:** Requires disclosure of the code to stakeholders

Oversight with the second line of defense

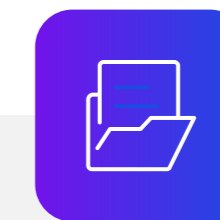
Implementing these additional lines of defense is crucial to establishing the governance framework, enabling proactive risk management, and maintaining robust oversight crucial for IPO readiness.



Board committees (Article 11-27):

Establish mandatory committees:

- **Audit committee:** Oversees financial reporting, internal controls, and auditor relationships
- **Nomination and remuneration committee:** Manages board appointments and executive compensation policies
- **Risk committee:** Monitors and mitigates enterprise risks. Develop terms of reference (TOR) for each committee, specifying responsibilities, authority, and reporting obligations



Corporate governance policy:

- Reference: SCA Governance Guide, Article 7: Mandates a governance framework outlining roles, responsibilities, and oversight mechanisms. Article 23: Requires board approval and oversight of the governance framework

Internal controls policy:

- Reference: SCA Governance Guide, Article 13: Requires an internal control system for financial reporting, risk management, and compliance oversight. Article 14: Mandates periodic audits of the internal control system by the internal audit committee

Risk management policy:

- Reference: SCA Governance Guide, Article 12: Mandates establishing a risk management framework and committee. Article 40: Requires companies to integrate risk management into decision-making and report risks to stakeholders



How KPMG can help

At KPMG Lower Gulf, we specialize in guiding organizations through the complexities of IPO readiness by providing a comprehensive range of compliance services. Focusing on alignment with regulatory frameworks like the SCA Governance Guide, our team works closely alongside your organization to ensure all compliance requirements are effectively addressed. Our services include, but are not limited to:

Compliance gap assessment:

Identifying gaps in your compliance practices and offering actionable recommendations to align with regulatory standards.

Compliance framework design and implementation support:

Developing and supporting the roll-out of a robust compliance structure tailored to your organization's specific needs and IPO objectives.

Identification of key applicable laws and regulations:

Clarifying the regulatory landscape by identifying the laws and regulations applicable to your company.

Obligation register development:

Creating a comprehensive register for the identified laws and regulations, to track and manage your organization's legal and regulatory obligations.

Policy and procedure design:

Designing compliance policies and procedure manuals as per regulatory requirements, including detailed methodologies, process flows, reporting lines etc.

Compliance training and support:

Delivering customized training programs to equip compliance staff, employees, and senior management with the tools and knowledge to fulfill their roles effectively and embed a culture of compliance.

Compliance risk assessment development:

Establishing a systematic approach to identify, assess, and prioritize compliance risks for proactive mitigation.

Our experienced team collaborates with you to build a compliance framework that addresses immediate IPO requirements while supporting sustainable governance and operational success.

About KPMG Lower Gulf



For more than 50 years, KPMG Lower Gulf Limited has been providing audit, tax and advisory services to a broad range of domestic and international, public and private sector clients across all major aspects of business and the economy in the United Arab Emirates and in the Sultanate of Oman.

KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms. KPMG firms operate in 143 countries and territories. Established in 1973, KPMG in the UAE and

Oman is well connected with its global member network and combines its local knowledge with international expertise.

We are committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public's trust through our actions and behaviors both professionally and personally.

Our Values guide our behavior day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, and all of our stakeholders. They are: Integrity: We do what is right; Excellence: We never stop learning and improving; Courage: We think and act boldly; Together: We respect each other and draw strength from our differences; For Better: We do what matters.

To meet the changing needs of our clients, we have adopted an approach aligned with our global purpose: Inspiring Confidence, Empowering Change.

At KPMG Lower Gulf, we believe that ESG is core to sustainable growth. KPMG's Global ESG Plan details its commitments across four ESG categories: planet, people, prosperity, and governance. These four priority areas assist us in defining and managing our environmental, social, economic and governance impacts to create a more sustainable future. We aim to deliver growth with purpose. We unite the best of KPMG to help our clients fulfil their purpose and deliver against the SDGs, so all our communities can thrive and prosper.

Disclaimer: Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



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