

# The Brokerage Firms' Trading in its Name and for its Own Account Regulations

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## Recitals

### The Board of Directors of Dubai Financial Market,

Having reviewed the Federal Law No. (4) of 2000 concerning Emirates Securities and Commodities Authority and Market, as amended;

The SCA's Board of Directors Decision No (2/R) of 2000 concerning the Regulations on the Market Membership;

The SCA's Board of Directors Decision No. (2) of 2001 concerning the Regulations as to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities, as amended;

The SCA's Board of Directors Decision No. (3/R) of 2001 concerning the Regulations as to the Functioning of the Market, as amended;

The SCA's Board of Directors Decision No. No. (27) of 2014 concerning Brokerage in Securities, as amended;

Resolution of the Chairman of the SCA's Board of Directors No. (26/R.M) of 2016 Regulating some Financial Services Activities and the Trading Process; The Regulations, Decisions and Instructions issued by DFM's Board of Directors;

The Emirate of Dubai Decree No. (14) of 2000 concerning the Establishment of the Dubai Financial Market, as amended; and

The Regulations, Resolutions and Rules issued by the DFM's Board of Directors;

IT IS HEREBY RESOLVED as follows:

### Article (1) Definitions

The following words and expressions shall have the meaning assigned thereto hereunder, unless the context otherwise requires:

Authority:	The UAE Securities and Commodities Authority
Market:	Dubai Financial Market
Clearing House	An entity which conducts clearing and settlement operations for all orders executed in the Market in accordance with the regulatory rules and decisions.
Securities:	Shares, bonds and notes issued by joint stock companies, bonds and notes issued by the Federal Government or Local Governments, public authorities and public institutions in the State, and any other domestic or non-domestic financial instruments accepted by the Authority.



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<b>Brokerage Firm (Broker):</b>	A brokerage firm licensed by the SCA to carry out the financial brokerage activities.
<b>Investor Number (IN):</b>	The identification number assigned by the Market to each investor in the Securities to be able to trade in the Market.

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## Article (2)

### Approval for the Brokerage Firm to Trade in its Name and for its Own Account

The Brokerage Firm may not trade in its name or for its own account without obtaining the approval of the Market in accordance with the terms, conditions and procedures mentioned herein and the technical requirements set by the Market.

## Article (3)

### Approval Requirements and Application

**First:** Without prejudice to any other obligations set out in the law, regulations or decisions of the Authority, the Brokerage Firm, to be able to trade in its name and for its own account, shall submit an application to the Market as per the form designated for this purpose, together with the information, data and supporting documents, particularly the following:

1. A copy of a valid license issued by the Authority to carry out the financial brokerage activity.
2. A statement of the accounts of the Brokerage Firm maintained with national and foreign banks, together with an undertaking to notify the Market of any changes thereto.
3. A letter signed by the members of Board of Directors or Board of Managers granting the Market the right to inquire about the Firm's accounts with national and foreign banks.
4. A report from the Board of Directors or Board of Managers of the Brokerage Firm clarifying the following:
  - a. The investment policy and the amount of funds allocated for this purpose.
  - b. Statement of source of funding.
  - c. The extent to which the investment in Securities affects the Broker's financial solvency, and its plans to address such effect in case the value of the invested Securities decline.
5. Copy of the resolution passed by the Board of Directors or Board of Managers, including the name, capacity and qualifications of the person authorized to operate the account of the Brokerage Firm to invest in securities.
6. A statement indicating that there is an internal control system in place, preventing the Brokerage Firm, when trading in its name and for its own account, from taking advantage of financial advices or financial analysis reports issued thereby, but which have not been revealed and which have an impact on the price of the security.

**Second:** Payment of the Market fee.

**Third:** The Market may request such clarifications, information, or other documents as it may deem necessary.



#### **Article (4)**

##### **The Market's Decision**

1. The Market shall make its decision whether to approve or reject the application within thirty days from the date on which the application, which is compliant with the conditions, requirements and technical standards set by the Market, is made.
2. The Brokerage Firm shall register the approval issued by the Market with the Authority within a period of no more than (5) working days from the date of issue.

#### **Article (5)**

##### **Duration and Renewal of the Approval**

1. The duration of the approval shall be of one year and shall expire at the end of December each year. The duration of the first approval shall commence on the date on which such approval is granted until the end of December of the same year. The fees due for such approval shall be charged for such year, noting that any part of a month shall be calculated as a full month.
2. The approval shall be renewed upon an application to be made to the Market at least one month before its expiry, together with the payment of the renewal fees due to the Market, provided that the registration with the Authority shall be renewed within a period of no more than (5) working days from the date whereon the approval is renewed with the Market.
3. The General Manager of the Market shall have the right to cancel the approval granted to the Brokerage Firm to trade in its name or for its own account if a complete renewal application is not made within the specified time-limit.

#### **Article (6)**

##### **Obligations of the Brokerage Firm**

Without prejudice to any other obligations set out in the law, regulations, or decision of the Authority, the Brokerage Firm, which obtained the approval to trade in securities in its name and for its own account shall:

1. Obtain an Investor Number from the Clearing House to be assigned for the purpose of the Brokerage Firm's trading in its name and for its own account.
2. Maintain the financial solvency criteria required in the conduct of its activity in order to ensure compliance with its obligations.
3. Always check that there is an adequate cash balance in hand or in its accounts with banks before executing the buy transaction, and shall not pay from the clients' balances.
4. Create a special register of the trading operations made for the Firm's own account, wherein all the details of the trading transactions and the approvals issued by the Market shall be recorded.
5. Priorities the execution of the clients' orders over the orders of the Brokerage Firm.



6. Ensure that volume of the Brokerage Firm's investments in securities may not exceed (40%) of the total Tier 1 and Tier 2 capital as set out in the financial solvency criteria approved by the Authority, and that its investments in a single security shall not exceed (10%) of the amount allocated for investment in securities for its own account.
7. Issue the orders related to its own trading operation through the person authorized to operate the investment account.
8. Not trade in foreign financial markets with more than (10%) of the amount allocated for investment in securities for its own account.
9. Provide the Market with any agreement entered into by the Brokerage Firm or any of its subsidiaries with banks, which causes the Firm to incur financial liabilities towards the banks, and any undertaking or guarantee given to any other party.
10. Not to execute any trading transaction for its own account in relation to a security which was subject to a financial advice or financial analysis report issued thereby, nor to trade in any financial derivatives related to such security, during the periods specified in the Authority's decision concerning the financial consultation and financial analysis.
11. Not to execute, for its own account, any trading transaction related to a security or any financial derivatives thereof in contravention of the recommendations set out in the financial advice or the financial analysis report issued thereby, during the periods specified in the SCA's decision concerning the financial consultation and financial analysis.

## **Article (7)**

### **Penalties**

In case these regulations are not complied with, the Market may take any of the following actions:


1. Serve a notice of warning.
2. Realize or utilize the collateral provided by the Brokerage Firm, wholly or partially, for the intended purpose of the collateral and to the extent it is not inconsistent with the regulations or decisions of the Authority.
3. Cancel the approval granted to the Brokerage Firm to trade in its name and for its own account.
4. Impose a financial fine on the Brokerage Firm in an amount that may not exceed the maximum fine mentioned in the Authority's law and the regulations issued pursuant thereto.
5. Suspend the Brokerage Firm from conducting its activity for a period of no more than one week. The Board of Directors of the Market may make a recommendation to the Authority to suspend the Firm for a longer period or cancel its license.


## **Article (8)**


Any decisions, circulars, regulations, or procedures issued by the Market in contrary to the provisions of these Regulations shall be abrogated.

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