

DFM Foreign Brokerage Firms Remote Access Regulations (Remote Access)

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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;

The Chairman of the SCA's Board of Directors Decision No. (26 / R.M) of 2016 Regulating Some Financial Services Activities and the Trading Mechanism.

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;

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:

The State: The United Arab Emirates.

The companies Law: The Federal Law No. 2 of 2015 on Commercial Companies, as amended.

The law: The Federal Law No. (4) of 2000 concerning Emirates Securities and Commodities Authority and Market, as amended.



The Authority: Securities and Commodities Authority

Market: Dubai Financial Market.

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.

Remote Access Trading The entry by a Foreign Brokerage Firm of Securities Sell or Buy orders from outside the State in order for the same to be directly executed in the Market in accordance with these Regulations.

Foreign Brokerage Firm: A Brokerage Firm licensed to conduct Financial Brokerage activity by a counterpart regulator similar to the authority and member of the International Organization for Securities Committees (IOSCO)

Clearing Member: Local banks or branches of foreign banks licensed to carry out the custody of securities activity in the State.
A local bank or branch of a foreign bank licensed to operate in the State, and has the approval of the authority to carry out clearing and settlement operations for the account of brokers and their customers.

Article (2) **Remote Access Trading**

Remote Access trading can be conducted only by a Foreign Brokerage Firm and after obtaining the approval from the Market in accordance with the terms, conditions and procedures set out in these Regulations and such technical requirements as established by the Market.



Article (3)

Remote Access Trading Conditions

After having obtained the approval from the Market, the Foreign Brokerage Firm shall satisfy the following requirements in order to conduct remote access trading:

1. The Foreign Brokerage Firm shall be licensed to conduct Financial Brokerage activity in its country of incorporation by a regulatory body equivalent to the authority and member of the International Organization for Securities Committees (IOSCO) which applies rules and procedures not less than those applied in the State with regard to Know Your Customer (KYC), Customer Due Diligence (CDD) and Anti-Money Laundry/Combating the Finance of Terrorism (AML/CFT).
2. It shall obtain the approval of the competent authority within the State to carry out the financial brokerage activity in accordance with the provisions of the Companies Law.
3. The equivalent regulatory body in the country of incorporation shall similarly treat the Brokerage Firms licensed within the State.
4. The amount of its trading for the last three years in the foreign market may not be less than the total value trading average of the largest (5) Brokerage Firms in the Market.
5. It shall provide the Market with a collateral in accordance with such requirements and procedures as may be determined by the Market.
6. It shall enter into a contract with a Clearing Member to carry out clearing and settling process for the trading transactions.
7. The license thereof shall not have been rejected by any regulatory entity equivalent to the authority.
8. Its professional record with the licensing regulatory bodies shall not include suspension decisions or serious violations such as violations of the financial solvency criteria, or the separation of accounts.
9. Provide the necessary electronic programs and technical systems according to the requirements determined by the Market.
10. Such approval fees as may be determined by the Market shall be paid.



Article (4)

Application for Approval

First: The Foreign Brokerage Firm interested in remote access trading, shall submit an application to the Market as per to the form designated for this purpose together with supporting information, details and documents, particularly the following:

1. The approval of the competent authority within the State that the Foreign Brokerage Firm may carry out its activity in the State in accordance with the Companies Law.
2. The legal form of the Foreign Brokerage Firm.
3. A copy of valid license to carry out the financial brokerage activity granted to Foreign Brokerage Firm in the home country.
4. Non-objection certificate (NOC) from the equivalent regulatory body in the home country.
5. A copy of the contract between the Foreign Brokerage Firm and the Clearing Member of within the State.
6. A copy of the internal control system to ensure the proper application of the law and the regulations, decisions and circulars issued pursuant thereto and the by-laws applicable in the Market.
7. A copy of the company's operative manual for risk management.
8. An undertaking to disclose to the authority and the Market of any information about the Company or its customers, upon request, any changes in the Company's organizational or financial position or which might have an effect on its conduct of its activity or any decisions taken in its home country or any other country where it operates.

Second: The Market may request such clarifications, information, or other documents as it may deems necessary.

Article (5)

The Market's Decision

1. The Market shall issue its decision whether to approve or reject the application within thirty days from the date of submission of the application complying with the conditions, requirements and technical standards set by the market.
2. The Applicant 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.
3. The Market shall be entitled to grant the approval to the Foreign Brokerage Firm to trade in its own name or for its own account, or to carry out margin trading transactions for its clients, or to provide E-trading service to its clients, provided that such firm shall satisfy all necessary legal and technical requirements.



Article (6)

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 on such approval shall be charged on a pro-rata basis, based on the actual duration of 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 from the Market if a complete renewal application is not made within the specified time-limit.

Article (7)

Obligations of the Foreign Brokerage Firm

Without prejudice to any other obligations set out in the law, regulations, decisions or circulars of the authority, the Foreign Brokerage Firm shall:

1. Provide a business continuity plan (BCP)
2. Not execute trading orders for investors within the State.
3. Maintain an evidence showing that the annual license to carry out the financial brokerage activity in the home country is renewed.
4. Maintain the commercial records, and the records related to customer's details, accounts, trades and orders in the Market, of all types and means, for a period of no less than (10) years, and maintain backup copies of those details and records for the same period.
5. Develop codes of conduct for its employees, supervise, organize and monitor their personal transactions in securities to ensure their compliance with the provisions of the law, regulations, decisions and circulars issued by the authority, especially those related to trust, integrity and conflict of interest.
6. Act according to the prudent man rule, maintain the confidentiality of details and information when conducting the activity in the State, and comply with the provisions of the law and the regulations, decisions, rules and circulars issued pursuant thereto.



7. Provide the Market with the following reports:

- a. Annual compliance report prepared by the internal auditor within 90 days of the end of the fiscal year, showing the extent of compliance and the effectiveness of the company's internal control system.
- b. The below described financial reports in case the Firm carries out the brokerage activity only:
- c. Quarterly Financial Reports, audited by the company's external auditor within (45) days from the end of the specified time limit, signed by the Chairman of the Board of Directors or his authorized signatory.
- d. An Annual Financial Report, audited by the company's external auditor within 90 days of the end of the fiscal year, signed by the Chairman of the Board of Directors or his authorized signatory.
- e. The following reports in case the company carries out the brokerage activity in addition to other activities:
- f. Quarterly Reports within 45 days from the end of that quarter period, signed by the manager in charge of the brokerage activity.
- g. An Annual Report within 90 days from the end of the fiscal year, signed by the manager in charge of the brokerage activity.
- h. Any other financial statements or reports as may be required by the SCA or the Market.

Article (8)

Control and Inspection over the Foreign Brokerage Firm

1. The authority shall be entitled to supervise and inspect any transactions, records, information or documents of the Foreign Brokerage Firm concerning its trading or activity in the Market in order to ensure its compliance with the authority 's law, regulations and decisions issued pursuant thereto.
2. The Market shall be entitled to supervise and inspect the operations of the Foreign Brokerage Firm which obtained the Remote Access approval or any other approval from the market concerning its trading operations and transactions in the Market, with a view to ensure its compliance with the SCA's law, regulations and decisions issued pursuant thereto, and the Market's regulations, and shall advise SCA of any violation they committed and any penalties levied thereupon.



Article (9) **Penalties**

1. Without prejudice to any penalties imposed by the authority under the Law or the regulations or decisions issued pursuant thereto, in case these regulations are not complied with, the Market may take any of the following measures:
2. Serving a notice of warning.
3. Liquidating or using the collateral, wholly or partially, for the intended purpose of the collateral to the extent it is not inconsistent with the law, regulations or decisions of the SCA or the relevant regulations and instructions issued by the Market.
4. Suspending the Foreign Brokerage Firm from remote access trading for a period of no more than one year.
5. Imposing penalties pursuant to market's regulations to the extent it is not inconsistent with the authority's law and regulations.
6. Cancelling the approval granted by the Market, in such case the Market shall return the collateral to the Foreign Brokerage Firm after making sure that all its liabilities (obligations) are settled, provided that the authority shall be informed of the same within (5) working days.
7. Refer any non-compliant person to the authority to consider its violation and decide on the appropriate penalty.


Article (10) **General Provisions**


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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