



# Electronic Trading

Classification: Rules & Regulations

Type: English Booklet

Version: 1

Title: E-trading Regulations

Pages: 8

Owner: Market Operations

SCA Ref. 15/10/2017 - إ.ش.ق.هـ

Date: November 2017



## 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 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

---

**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.

---



---

**Brokerage Firm (Broker):** A brokerage firm licensed by SCA to carry out the financial brokerage activities.

---

**E-trading System:** The system used by the Brokerage Firm, which enables the client to enter buy or sell orders of securities directly through the Internet. Once the order is received, the system verifies the possibility of execution and then automatically sends the order to the Electronic Trading System applicable at the Market.

---

## **Article (2)** **Approval to Provide E-trading Service**

The Brokerage Firm may not provide the E-trading service 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)** **Requirements for Approval**

The Brokerage Firm's provision of the E-trading service shall be dependent on the satisfaction of the following conditions:

1. The Market fees shall be paid.
2. The Brokerage Firm shall have the technical and administrative capabilities necessary to provide the E-Trading Service.
3. The Brokerage Firm shall have qualified technical personnel in the following fields:
  - a. Operating systems and networks.
  - b. Database systems.
  - c. Information security systems.



4. The Brokerage Firm shall obtain the prior approval of the Market on the E-Trading Agreement Form, which shall include in particular the information and details shown hereinafter. The market may request such amendments on this form as it may consider appropriate:
- a. Identifying the concept of E-trading service, indicating the extent of the client's knowledge in securities trading which is required to enable him to benefit from this service.
  - b. Determining the value of charges incurred by the client for using this service.
  - c. A detailed statement of the rights and obligations of both the client and Brokerage Firm, and the duration of the agreement.
  - d. Highlighting the fact that the client shall be liable for maintaining his own user number and password and all the orders executed through it.
  - e. Determining the means of communication with the client.
  - f. Determining the nature of business of the client and his employer and indicating his knowledge in securities trading.
  - g. Highlighting the fact that the client understands the risks and losses that may be incurred on his investments in securities through E-trading, and in particular the following:
    - I. The orders may not be processed immediately and the relevant regulatory procedures shall apply in this regard.
    - II. The processing of electronically entered orders may involve risks due to the speed of price change according to the supply and demand mechanism in the Market.
    - III. Some orders may not be executed, may be delayed in execution, or cancelled due to the supply and demand mechanism in the Market.
    - IV. Losses may be suffered as a result of delays in executing orders or failure to execute orders due to any technical reason, unless the same is a result of an error or negligence on the part of the Brokerage Firm.
  - h. Highlighting the fact that the client shall be solely liable for all obligations arising from his investment through the e-trading system.



## Article (4)

### Application for Approval

1. Without prejudice to any other obligations set out in the law, regulations or decisions of the authority, the Brokerage Firm, to be able to provide the E-trading service, 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:
  - a. A copy of valid license issued by the authority to carry out the financial brokerage activity.
  - b. A report clarifying the technical system used by a Brokerage Firm to process information and showing that there is an electronic connection between the Brokerage Firm and the Market for follow-up and control.
  - c. A report clarifying the technical system used by a Brokerage Firm to receive and record the clients' orders entered through the E-trading system, in accordance with the technical regulations and requirements set by the Market.
  - d. A report showing the information security systems designed to protect information from hacking, in accordance with the technical regulations and requirements set by the Market.
  - e. A report showing the available technical devices and communication systems to provide the e-trading service, in accordance with the regulations and technical requirements set by the Market.
  - f. The e-trading agreement form, including all information and details contained in Article (3) hereof.
  - g. There shall be written policies and procedures for e-trading.
2. The Market may request such clarifications, information, or other documents as it may deem necessary.

## Article (5)

### 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 (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 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 if a complete renewal application is not made within the specified time-limit.

## **Article (7)**

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

Without prejudice to any other obligations set out in the law, regulations or decisions of the authority, the Brokerage Firm, when providing the e-trading service, shall:

1. Obtain a user name specific for this service that the Market assigns to each Brokerage Firm wishing to provide this service.
2. Provide the client with a detailed monthly statement of account showing the securities trading made through the e-trading service and the cash balance in the account.
3. Enable the Market to have access to all the information and documents related to the e-trading orders.
4. Provide the Market with an external auditor's report stating that he has audited the information security and programs of the Brokerage Firm.
5. Retain backup copies of all information and documents related to the provision of this service for a period of (10) years, in order to maintain and protect the clients' data and transactions from any damage.
6. Assign the compliance officer to handle client complaints.



## **Article (8)** **General Provisions**

The Market provides the infrastructure for connecting the e-trading system with the Brokerage Firm's system to provide e-trading service.

## **Article (9)** **Penalties**

In the event 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 the Brokerage Firm to provide the DMA service.
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 for suspending the Firm for a longer period or cancel its license.

## **Article (10)** **Penalties**


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


**H.E. Essa Kazim**  
**Chairman**

#### Contact Us:

Listing & Disclosure Department  
Operations Division  
T: +971 4 305 5673  
E: [Disclosure@dfm.ae](mailto:Disclosure@dfm.ae)

 @DFMalerts

 @dubaifinancialmarket

 Dubai Financial Market

#### Disclaimer:

The information provided in this document (“Information”) is provided by way of general information and comment only. While reasonable care has been taken in producing this Information, changes in circumstances may occur at any time and may impact on the accuracy of the Information. The Information does not constitute professional advice or provision of any kind of services and should not be relied upon as such. Neither Dubai Financial Market (“DFM”) nor Nasdaq Dubai Limited (“Nasdaq Dubai”) and/or their affiliates, officers or employees, give any warranty or representation as to the accuracy, reliability, timeliness or completeness of the Information now or in the future. Neither of DFM or Nasdaq Dubai shall be liable for any loss suffered, directly or indirectly by any person acting in reliance upon the Information contained herein.

No part of the Information provided is to be construed as a solicitation to make any financial investment. Information, including forecast financial information and examples should not be considered as a recommendation in relation to holding, purchasing or selling securities or other instruments. The information does not take into account any investor’s individual investment objectives, financial position and particular investment needs. As such, before making any decision, investors should conduct their own due diligence and consult their financial advisors. The performance of trading securities or instruments is not guaranteed and past performance is not an indication of future performance. Unless otherwise stated, DFM and Nasdaq Dubai own copyright in the Information contained herein. The Information may not otherwise be reproduced and must not be distributed or transmitted to any other person or used in any way without the express approval of DFM and Nasdaq Dubai.

