



# DFM Liquidity Provider Regulations

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# Introduction

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;

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 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.
Brokerage Firm (Broker):	A brokerage firm authorised by the authority to carry out the financial brokerage activities.



<b>Liquidity Provision:</b>	The service under which a Market Maker undertakes to improve the liquidity of a listed security based on a liquidity provision agreement with the issuer of that security.
<b>Liquidity Provider:</b>	A market maker engaged with an issuer of a listed security in order to provide liquidity on that security in accordance with the provisions of these Regulations.
<b>Market Maker:</b>	A corporate person authorised or holding the approval of the Market to carry out the Market Making activity in the State.

## Article (2)

### Approval for Offering Liquidity Provision Service

It is not permissible for non-market maker to provide Liquidity provision service and after obtaining the Market's approval in accordance with the terms, conditions and procedures set out in these Regulations and the technical requirements set by the Market..

## Article (3)

### Requirements for Approval

The Market Maker's provision of the Liquidity Provision service shall be dependent on the satisfaction of the following conditions:

1. A valid license or approval issued by the Market to carry out the Market Making activity.
2. The Market's fees shall be paid.
3. The Market Maker shall have the technical and administrative capabilities necessary to provide the service.
4. A liquidity provision agreement shall be concluded with an issuer of a listed security regarding the provision of liquidity to that security, provided that the agreement shall regulate the relationship between them and contain all mutual rights and obligations. The shall agreement shall, in particular:
  - a. Determine the type of security, subject matter of the agreement.
  - b. State the content and objectives of providing liquidity to such security and the duration of the agreement.
  - c. Provide sell and buy offers for the security and its volume and determine the price difference between them, as well as the periodic adjustment thereof.
  - d. State the minimum limit of the volume of price offers which the Liquidity Provider shall be required to maintain.
  - e. State whether the Liquidity Provider is the exclusive Liquidity Provider for such a security, or the issuer may contract with other Liquidity Providers for the same security.
  - f. Determine the fees payable to the Liquidity Provider in consideration of the service.
  - g. Determine the mechanism of terminating the agreement with respect to the procedures that should be followed and means of notification.



## Article (4)

### Application for Approval

**First:** In order for a Market Maker to provide the Liquidity Provision service, an application shall be submitted to the Market in accordance with the form designated for this purpose together with the information, details and supporting documents, particularly the following:

1. A copy of the valid license or approval issued by the Market to carry out of the Market Making activity.
2. A report explaining the system of keeping the Liquidity Provision documents.
3. The Liquidity Provision Agreement Form including all the information and details.

**Second:** 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 Market Maker 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 thereof.

## Article (6)

### Duration and Renewal of the Approval

1. The duration of the approval shall be one year and shall expire at the end of December of 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 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 to the liquidity provider in case a complete renewal application is not made within the specified time-limit.



## **Article (7)**

### **The Liquidity Provider's Obligations**

Without prejudice to any other obligations set out in the law, regulations, decisions or circulars of the authority, the Liquidity Provider shall comply with the followings:

1. The Liquidity Provider shall refrain from performing the Liquidity Provision functions for listed Securities before signing a Liquidity Provision Agreement with the issuer and obtaining the Market's approval thereof.
2. His ownership of the security, subject matter of the agreement, shall not exceed, at any time, (5%) of the total number of the listed security.
3. The Liquidity Provider shall notify the Market and the authority of any irregular trading in the securities, which he assumes liability thereof.

## **Article (8)**

### **The Security Issuer's Disclosure**

The issuer of the security, subject matter of the Liquidity Provision Agreement, shall:

1. Disclose to the Market the name of the Liquidity Provider and the percentage of the securities he is permitted to own under the agreement once executed. The Market shall disclose such information to the public.
2. Disclose to the Market in the event of termination of the Liquidity Provision Agreement and the date of termination. The Market shall disclose the same to the public.

## **Article (9)**

### **Market's Functions**

1. Reviewing the Liquidity Provision Agreements.
2. Specifying the securities that can be the subject matter of a Liquidity Provision.
3. Drafting internal regulations to supervise and control Liquidity Providers.
4. Ensuring compliance with the procedures of terminating the Liquidity Provision Agreement in case of termination of the agreement.

## **Article (10)**

### **General Provisions**

1. Subject to the Market's approval, Securities may have more than one Liquidity Provider.
2. A Liquidity Provider may not be, at the same time, a Market Maker for the same security.
3. A Liquidity Provider may not benefit from the facilities granted to the Market Maker in connection with the following:
  - a. Short-selling the security without a collateral.
  - b. The exemptions available to the Market Maker from some disclosures.
  - c. The exemptions available to the Market Maker from all or some trading commissions.



## **Article (11)** **Control and Inspection**

1. The authority may supervise and inspect the operations of the market maker who provides the Liquidity Provision service in order to ensure its compliance with the SCA's law, regulations and decisions issued pursuant thereto.
2. The Market may supervise and inspect the operations of the market maker who provides the Liquidity Provision service in order to ensure its compliance with the SCA's law, regulations and decisions issued pursuant thereto and the regulations of the Market, and shall advise the authority of any violation.

## **Article (12)** **Penalties**

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

1. Serve a warning.
2. Liquidating or using the collateral provided by the Market Maker, 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. Suspend the Market Maker from providing the Liquidity Provision service for a period of no more than one year.
4. Cancel the approval granted to the Market Maker to provide the Liquidity Provision service.
5. Suspend the Market Maker, or cancel the license or approval issued by the Market to carry out the Market Making activity.
6. Impose such other penalties and fines pursuant to the regulations of the Market and to the extent, it is not inconsistent with the law and regulations of the authority.
7. Refer any non-compliant person to the authority to consider its violation and decide on the appropriate penalty.

## **Article (16)** **Fees**

The Liquidity Provider shall pay the fees prescribed by the Market to the extent it is not inconsistent with the law, regulations and decisions of the authority and the provisions of these Regulations.

## **Article (17)** **Fees**

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


**H.E. Essa Kazim**


**Chairman of the DFM Board of Directors**

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