



# DFM Market Making Regulations

Classification: Rules & Regulations

Type: Booklet

Version: 1

Title: Market Maker Regulations

Pages: 11

Owner: Listing & Disclosure

SCA Ref. 15/02/2018 - إ.ش.ق.هـ -

Date: 13 December 2018



# Introduction

Dubai Financial Market ("DFM")'s Board of Directors,

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

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:

---

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

---

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

---

**The authority:** Securities and Commodities Authority

---



---

<b>Market:</b>	Dubai Financial Market
<b>Securities:</b>	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.
<b>Brokerage Firm (Broker):</b>	A brokerage firm licensed by the SCA to carry out the financial brokerage activities.
<b>Market Making:</b>	The activity which mainly depends on providing continuous prices for the purchase and sale of a certain security with a view to increase the liquidity on such security in accordance with the provisions of these Regulations.
<b>Market Maker:</b>	A corporate person licensed or having the approval of the Market to carry out the Market Making activity.
<b>Foreign Market Maker:</b>	The Market Maker incorporated outside the State, or in a financial Free Zone within the State and having the approval of the Market to carry out the Market Making activity in the State.
<b>Eligible Securities:</b>	Securities that comply with the standards set by the Market and that are traded with the support of Market Makers.

---

## **Article (2)** **Conducting Market Making Activity**

Market making activity may not be carried out in the State without obtaining a license or approval from the Market in accordance with the terms, conditions and procedures stipulated in these Regulations and the technical requirements set by the Market.



### Article (3)

#### Conditions for Conducting the Activity

To conduct the Market Making activity, a license or approval shall be obtained from the Market in accordance with the following requirements:

**First:** Obtaining a license from the Market in accordance with the following conditions:

1. The applicant for the license shall take one of the following forms:
  - a. A company incorporated in the State, provided that one of its objects shall be the conduct of the Market Making activity, or shall be licensed by the authority, with the compliance of the regulations issued by the authority as to preventing conflict between activities.
  - b. A commercial bank or investment company licensed by the UAE Central Bank, or a branch of a foreign bank, provided that the parent bank of the foreign bank shall be licensed to carry out the Market Making activity, and subject to the approval of the UAE Central Bank in any of these cases.
2. The paid up capital or the allocated capital for conducting the Market Making activity may not be less than AED (30) million or its equivalent in any other currency.
3. The financial solvency and qualified administrative and technical staff necessary to practice Market Making activity shall be available in accordance with the conditions and regulations set by the Market, and the regulatory controls of the financial activities and services issued by the authority.
4. There shall be a professional code of conduct, company internal procedures manual and risk management regulations in place.
5. Such license fees as may be determined by the Market shall be paid.
6. The applicant for the license shall continuously meet the conditions of the license.

**Second:** The Foreign Market Maker shall obtain the approval of the Market to conduct the activity in accordance with the below conditions:

1. The applicant for approval shall be a foreign company licensed to conduct Market Maker activity in its country of incorporation by a counterpart regulator similar to the authority and member of the International Organization for Securities Committees (IOSCO) which applies rules and procedures similar to 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), or applicant for approval shall be a company licensed to conduct Market Making activity in a financial free zone within the State.
2. In case the Foreign Market Maker is a foreign company, it shall obtain the approval of the competent authority to conduct the Market Making activity within the State. In case the Foreign Market Maker is a company established in a financial free zone within the State in accordance with the Companies Law, it shall comply with the conditions of the Cabinet of Ministers in relation to registration.
3. The counterpart regulator in the country of incorporation shall similarly treat the Market Maker licensed within the State.
4. The Foreign Market Maker shall have at least five years of experience in the same field.
5. Such approval fees as may be determined by the Market shall be paid.
6. A contract shall be concluded with a Brokerage Firm (member of the Market) to execute the orders through it.



## **Article (4)**

### **Application for Conducting the Market Making Activity**

The applicant for the license or approval to conduct the Market Making activity shall submit an application to the Market as per the form designated for this purpose, together with the information, details and supporting documents, particularly the following:

First: The Applicant for License:

1. The legal form of the applicant and a list of names of the members of the board of directors, the executive management and persons authorized to sign and submit the application.
2. A report describing the system of maintaining the documents related to the practice of the activity.
3. A report describing the regulations and basis of internal control and financial audit.
4. If the applicant is an entity authorized by the authority to practice any other activity or financial services, a letter from the authority indicating the following:
  - a. The company have not committed any material violations of the criteria for financial solvency or the rules concerning the separation of accounts approved by the authority within the six months preceding the date of submitting the application for license.
  - b. The company has the financial solvency required to practice the activity in accordance with the relevant criteria.

Second: Applicant for Foreign Market Maker Approval

1. Non-objection letter (NOC) from the counterpart regulator similar to the authority in the country of incorporation, or from a regulator in the financial free zone if it is incorporated in such zone.
2. An undertaking to the Market to disclose any information it may request and any changes to its organizational and financial status, that might have impact on its conduct of the activity, or any decisions taken against it in the country of incorporation, any other country or the free zone wherein it practices the Market Making activity.
3. A copy of the contract concluded with the Brokerage Firm licensed in the State (member of the Market).

Third: 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 submitted.
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.



## **Article (6)**

### **Application for Conducting the Market Making Activity**

1. The duration of the license or approval shall be one year and shall expire at the end of December each year. The duration of the first license or 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 license or approval shall be charged as a proportion of the fees due for the license or approval period for the year, noting that any part of a month shall be calculated as a full month.
2. The approval or license 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 license or approval granted by the Market if a complete renewal application is not made within the specified time-limit.

## **Article (7)**

### **Collaterals required from the Market Maker**

1. The Market shall determine the type and amount of the collaterals to be provided by the Market Maker.
2. The Brokerage Firm, through which the Foreign Market Maker's orders are executed, shall verify its financial solvency and ability to meet its obligations. The Market shall determine the type and amount of collaterals that need to be provided by the Brokerage Firm.



## Article (8)

### Market Maker Obligations

1. Without prejudice to any other obligations set out in the law, regulations, decisions or circulars of the authority, the Market Maker shall:
2. Sign an agreement with the Market prior to commencing the activity, provided that it shall include the conditions, requirement and regulations of its business and trading in the Market, and shall determine the eligible securities which fall under its responsibility.
3. Inform the Market of any irregular trading on the securities which fall under its responsibility.
4. Refrain from using its own Market Maker facilities to trade on behalf of the clients.
5. Maintain the financial solvency required to conduct the activity in accordance with the solvency criteria issued by the authority, or the standards issued by the regulator for the Foreign Market Maker.
  - a. Provide the Market with the following reports:
  - b. A monthly report of profit and loss and the size of the portfolio with respect to the activities of Market Making.
  - c. The Quarterly Financial Statements audited by an auditor, if the Market Maker is a company practicing Market Making activities only.
  - d. The audited Annual Financial Statements if the Market Maker is a company practicing Market Making activities only.
  - e. A half- yearly report on the internal control function covering the following minimum aspects:
    - The procedures of organizing internal control.
    - A list of internal control processes implemented and their outcomes.
    - A list of issues discovered and the corrective action plan, especially those related to market risk, settlement and liquidity.
6. Maintenance of commercial records, registers, statements, and all information and details related to trading and practicing the activity for a period not less than (10) years, and maintenance of an electronic back-up copies of such details for the same period.
7. Conducting the activity according to the prudent man rule in accordance with the provisions of the law, regulations, decisions, rules and circulars issued pursuant thereto, taking into account relevant commercial practises and the principles of honesty, justice and equality.



## Article (9)

### Market Maker Trading

1. The Market shall specify trading numbers concerning the Market Maker so that it is distinguished from the other trading numbers and to ensure a complete separation between the activity of the Market Maker and any other activity it conducts.
2. The Market trading system shall specify the transactions related to the Market Maker and classifies them as from the Market Maker.
3. In case the Market Maker is a Foreign Market Maker, it shall enter the orders in the trading system directly or through a Brokerage Firm (contracting member of the market).
4. The Market Maker shall have the same priorities of other investors in executing transactions.
5. The Market Maker trading transactions shall be subject to the laws of the authority, the regulations, decisions, rules issued pursuant thereto and the provisions of these Regulations.
6. The Market Maker shall enter sell or buy orders executable on eligible securities under its responsibility without violating or contradicting with the details set forth in the agreement concluded between the Market Maker and the Market, including:
  - a. Minimum Orders Size.
  - b. Maximum difference between buy and sell orders.
  - c. Minimum presence of Market Maker's Orders in orders book in a continuous trading session during the day.
  - d. Updating sell and buy orders over minimum time period, and updating the same on executing sell and buy orders or both in full and on cancellation of the order or expiry of its duration.
  - e. The entered sell or buy order shall be within the top three positions in the orders register at the time on which the Market Maker's order is entered.
7. The Market Maker shall be exempted from its obligations to enter executable sell and buy orders on eligible securities in the following conditions:
  - a. During scheduled and unscheduled bidding periods, such as opening bid period and closing bid period
  - b. During suspension of trading in the eligible security which falls under its responsibility.
  - c. Exceeding the permitted ownership limits.
  - d. if exceeds its permitted trading threshold.
  - e. During the opening and closing periods.
8. The Market may exempt the Market Maker from its obligations, wholly or partially, based on a request submitted by it, in accordance with the conditions and in such cases as provided for in the agreement, or such circumstances as may be determined at the discretion of the Market.





## **Article (10)**

### **Facilities Granted to the Market Maker**

1. Articles (3), (4), (5), (6), and (7) of the authority's Board Decision No. (3) of 2000 concerning the Regulations as to Disclosure and Transparency shall not apply to Market Makers.
2. At such exceptional circumstances, as may be determined at the discretion of the Market, the Market may exempt Securities that are subject to Market Making from the application of Article (9) of the authority's Board Decision No. (2) of 2001 concerning the Regulations as to Trading, Clearing, Settlement, Transfer of Ownership and Safe Custody of Securities.
3. The Market Maker may conduct the short selling and Securities Lending and Borrowing transactions in accordance with the relevant regulations set by the Market.
4. At such exceptional circumstances, as may be determined at the discretion of the Market, the Market may exempt Securities that are subject to Market Making from the application of Article (9) of the authority's Board Decision No. (2) of 2001 concerning the Regulations as to Trading, Clearing, Settlement, Transfer of Ownership and Safe Custody of Securities.
5. A security may have more than one Market Maker.

## **Article (11)**

### **De-registration of Eligible Security**

1. The Market Maker may apply for the eligible security under its responsibility to be de-registered after the lapses of the minimum duration provided for in the agreement.
2. The Market may de-register one or more eligible securities under the Market Maker responsibility if it deems that the performance of the Market Maker does not serve the interests of the Market.

## **Article (12)**

### **The Market Disclosures**

1. The Market, at the beginning of each financial year, publishes a list of the securities eligible for Market Making, and have the same updated as required.
2. The Market shall publish any license or approval to conduct the Market Making activity and the eligible securities which fall under its responsibility, as well as the cancellation of any license or approval of any Market Maker on the Market's website or any other means as the Market may deem appropriate.



### **Article (13)**

#### **Control and Inspection over the Market Maker**

1. The authority shall have the right to supervise and inspect the operations of the market maker 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 firms which carries out the Market Making activity, with a view to ensure its compliance with the authority's law, regulations and decisions issued pursuant thereto, and the Market's regulations, and shall inform the authority of any violation and any penalties levied thereupon.

### **Article (14)**

#### **Suspension and Cancellation of License or Approval**

1. The Market may suspend the Market Maker from conducting the activity if the Market finds that the Market Maker's performance does not serve the interests of the Market, or upon the expiry of the agreement concluded between them, without prejudice to its previously arisen obligations.
2. The Market may cancel the license or approval of the Market Maker in any of the following cases:
  - a. Failure to comply with any of the conditions of the license or approval stipulated in the Law, regulations, decisions, controls, or instructions issued in implementation thereof.
  - b. Serious breach of any of the duties or obligations set out in the Law, regulations, decisions, controls or instructions issued in implementation thereof.
  - c. Failure to pay the applicable fees or the imposed fines.
  - d. The entry of a final judgment declaring the licensed company bankrupt.
  - e. Wind-up or liquidation of the company.
  - f. Pursuant to a decision from the authority.

The decision of cancelling the approval or license shall be published in two daily newspapers issued in the State with at least one in the Arabic language at the company's expense.



## **Article (15)** **Penalties**

In the event of violation of these regulations, the Market may take any of the following actions:

1. Serving a notice of 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 authority regulations or decisions.
3. Suspending the Market Maker for a period no more than one year.
4. Cancelling the license or approval issued by the Market for the practice of Market Making activity.
5. Imposing penalties pursuant to the regulations of the Market and to the extent it is not inconsistent with the authority law and regulations.
6. Refer any non-compliant person to the SCA to consider its violation and decide on the appropriate penalty.

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

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


## **Article (17)**


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**

#### 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.

