

Regulations of Sanctions Concerning Violation of Dubai Financial Market

Classification:	Violations	Type:	English Booklet
Version:	1	Title:	Regulations of Sanctions Concerning Violation of Dubai Financial Market
Pages:	8	Owner:	Market Operations
SCA Ref.	إش ق/خ/54/2108/07/25	Date:	August 2018



Introduction

Dubai Financial Market's Board of Directors;

Having reviewed the Federal Law No.(4) of 2000 concerning the Emirates Securities and Commodities "ESCA" Authority and Market, and its amendments;

SCA Board of Directors' Resolution No. (2/r) of 2000 related to the regulations on Market Membership;

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;

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

SCA Board of Directors' Resolution No. (27) of 2014 concerning the Brokerage in Securities and its amendments;

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 DFM;

IT IS HEREBY RESOLVED as follows:

Article (1) **Definitions**

The following words and expressions shall have the meanings set forth opposite each of them, unless the context of the provision requires otherwise:

The Law: Federal Law No. (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market.

SCA authority: Securities and Commodities Authority.

Market: The Dubai Financial Market.



companies operating in the field of securities:	Companies that are licensed or having the approval of SCA or the Market to carry out financial activities or services in the Market.
Securities:	Shares, bonds and notes issued by joint stock companies, bonds and notes issued by the Federal Government, Local Governments, public authorities and public institutions in the State, and any other domestic or non-domestic financial instruments accepted by the Authority.
Regulations of the Market:	Any decisions, regulations or circulars issued by the Market.
Rules :	Rules of violations and the sanctions related to application of the regulations of the Market.

Article (2)

Scope of Application

Without prejudice to any violations contained in the law of SCA or any of the regulations or decisions issued pursuant thereto, the provisions of these regulations shall apply to any violation of market regulations by companies operating in the field of securities or listed companies and any employees of such companies.



Article (3) Violations and Sanctions

The sanctions listed below shall apply to any of the violations indicated opposite each of them as follows:

S.	Violation	Violator	First Sanction	Violation
1	Refraining from execution of any orders for the clients without reason or justification, or requiring a minimum amount for opening the account.	Brokerage Firms	Warning notification	Fine from 5,000- to 20,000 AED.
2	Non-compliance with the professional due diligence expected from a highly experienced specialist, non-observance of principles of integrity and trust and avoidance of any conflict of interest while conducting the activity, prioritizing the personal interest or the interest of third parties over the interest of clients, or discriminating between clients and non-performance of their orders on a first received first served basis.	- Market Maker - Liquidity Provider - Lending Agent	Warning notification	1.Imposition of the fine sanction where the Lending Agent is a Brokerage Firm, without exceeding the maximum limits of the law. 2.Referring the Violator to authority SCA for imposition of the fine sanction. 3.Suspension or cancellation of the license or approval issued by the Market, according to the severity of the violation.
3	Entering any order of any security to the electronic trading system of the Market, if, in the event of its execution, it violates the Articles of Association of the Market listed entity, or violates any of the Market Regulations.	Brokerage Firms	5,000 AED fine.	15,000 AED fine.
4	Non- notifying the Market of any material changes occurs in the data, information and documents contained in the registration form, or the approval or license issued by the Market or that was updated later.	companies operating in the field of securities excluding Brokerage Firms •Companies listed in the Market. •Brokerage Firms.	Warning notification Warning notification	1- Referring the Violator to authority SCA for imposition of the fine sanction. 2- Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation. Fine from 5,000-to 20,000 AED.



S.	Violation	Violator	First Sanction	Violation
5	Non-existence of employees in the Company's offices within the DFM trading floor, in accordance with the Market Regulations.	Brokerage Firms	Warning notification	5,000-20,000 AED fine.
6	Allowing any person who is not licensed or registered to use the electronic trading system or the electronic clearing system, or allowing the use of username by unauthorized persons.	Companies operating in the field of securities excluding Brokerage Firms.	Warning notification	1- Referring the Violator to authority SCA for imposition of the fine sanction. 2- Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
7	Lack of cooperation in any investigation conducted by the Market; failure to provide the Market with the information, statistics and documents it requires; and submitting documents, information or reports that are forged, incorrect, incomplete or inaccurate within the registration form, approval or license issued by the Market, renewal thereof, amendment to the data or any other requirements.	- Market Maker - Liquidity Provider - Lending Agent	Warning notification	1- Referring the Violator to SCA for imposition of the fine sanction. 2- Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
8	Failure to notify the Market of any material change or development relating to the Company, which would have a negative impact on its financial position, continuity in the Market or its obligations towards the Market.	•Companies listed in the Market. •Brokerage Firms.	Fine from 10,000- to 50,000 AED.	Fine from 50,000- to 100,000 AED.
		- Market Maker - Liquidity Provider - Lending Agent	Warning notification	1- Referring the Violator to SCA for imposition of the fine sanction. 2- Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
		Companies listed in the Market.	Fine from 10,000- to 50,000 AED.	Fine from 50,000-to 100,000 AED.



S.	Violation	Violator	First Sanction	Violation
9	The Company trading in its own name and for its benefit without approval of the Market.	- Brokerage Firms	Warning notification	5,000-20,000 AED fine.
10	Non-abidance by the ethics of the profession towards the Market's representative, investor or other related party, harming the reputation of the Market, its members or traders, or spreading rumors about it.	<ul style="list-style-type: none"> •Market Maker •Liquidity Provider •Lending Agent 	Warning notification	1- Referring the Violator to SCA for imposition of the fine sanction. 2- Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
		Companies listed in the Market	Warning notification	Fine from 5,000-to 50,000 AED.
11	Allowing unauthorized persons to enter the trading room without permission from the Market controller, for the offices located within the market trading floor.	<ul style="list-style-type: none"> - Market Maker - Liquidity Provider - Lending Agent 	Warning notification	1- Referring the Violator to SCA for imposition of the fine sanction. 2- Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
12	Adding software, hardware or devices to the Company's office in the trading floor without approval or permission from the Market management.	Brokerage Firms	Warning notification	Fine from 5,000- to 20,000 AED.
13	Disclosure the clients names or giving any data or information on their orders (failure to maintain confidentiality of information) concerning the activities or services licensed or approved by the Market.	<ul style="list-style-type: none"> - Market Maker - Liquidity Provider - Lending Agent 	Warning notification	1- Referring the Violator to SCA for imposition of the fine sanction. 2- Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
		Companies listed in the Market	100,000 AED fine.	Suspension of trading.



S.	Violation	Violator	First Sanction	Violation
14	Entering repeated orders for the same investor at the same price.	Companies operating in the field of securities, excluding Brokerage Firms.	Warning notification	Suspension from conducting the activities, cancellation of the approval issued by the Market or referring to SCA, according to the severity of the violation.
		Brokerage Firms	Warning notification	Fine from 5,000-to 20,000 AED.
15	Failure to notify the Market of the content of the company's advertising campaigns.	- Market Maker - Liquidity Provider - Lending Agent	Warning notification	1- Referring the Violator to SCA for imposition of the fine sanction. 2- Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
16	Non-compliance with the approval conditions of using the online trading mechanism.	Brokerage Firm.	5,000 AED fine.	10,000 AED fine.
17	Non-application and activation of the Order Management System.	Brokerage Firms	1,000 AED fine.	5,000 AED fine.
18	The Brokerage Firm's failure to notify the Market of its use of the DFM trading system.	Brokerage Firms	Warning notification	Fine from 5,000-to 20,000 AED.
19	The Brokerage Firm's entry of cross orders for the same investor (corporate institutional) in the trading system without obtaining approval of the market, as per its procedures.	Brokerage Firms	Warning notification	Fine from 5,000-to 20,000 AED.
20	Non-compliance to separate trading process through the identification of a separate and unique user name in each of the mechanisms of electronic trading, such as trading online and other electronic or smart trading mechanisms.	Brokerage Firms.	Warning notification	Fine from 5,000-to 20,000 AED.



S.	Violation	Violator	First Sanction	Violation
21	Sale or purchase of unregistered securities within the contract of Market Maker or Liquidity Provider.	- Market Maker - Liquidity Provider	Warning notification	1- Referring the Violator to SCA for imposition of the fine sanction. 2- Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
22	Market Maker or Liquidity Provider's failure to enter sell or buy orders executable on eligible securities under its responsibility, in accordance with the conditions and controls stipulated in the Market Regulations and the contract of Market Maker or Liquidity Provider.	- Market Maker - Liquidity Provider	Warning notification	1- Referring the Violator to SCA for imposition of the fine sanction. 2- Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
23	Non-compliance with the provisions of the Market's regulations on Allocation account.	Brokerage Firms	Warning notification	1. Fine from 5,000-to 20,000 AED. 2. Suspension or cancellation of the approval issued to the company.
24	Non-compliance with the provisions of the Market's regulations on Regulated Short Selling.	Brokerage Firms	Warning notification	Fine from 5000-to 20000 AED. Suspension or cancellation of the approval issued to the Brokerage Firm.
25	Non-compliance with the provisions of the Market's regulations on Direct Market Access (DMA).	Brokerage Firms	Warning notification	1. Fine from 5000-to 20000 AED. 2. Liquidating or utilizing the guarantee provided by the Company, wholly or partially. 3. Cancellation of the approval issued to the Company for trading in its own name and for its own benefit. 4. Suspension of the Company for no more than one week.



S.	Violation	Violator	First Sanction	Violation
26	Non-compliance with the provisions of the Market's regulations on the Brokerage Firm's trading in its own name and for its own benefit.	Brokerage Firms	Warning notification	<ol style="list-style-type: none"> 1.Fine from 5000-to 20000 AED. 2.Liquidating or utilizing the guarantee provided by the Company, wholly or partially. 3.Cancellation of the approval issued to the Company for trading in its own name and for its own benefit. 4.Suspension of the Company for no more than one week.
27	Non-compliance with the provisions of the Market's regulations on Margin Trading.	Brokerage Firms	Warning notification	<ol style="list-style-type: none"> 1.Fine from 5000-to 20000 AED. 2.Liquidating or utilizing the guarantee provided by the Company, wholly or partially. 3.Cancellation of the approval issued to the Company for trading in its own name and for its own benefit. 4.Suspension of the Company for no more than one week.
28	Non-compliance with the provisions of the Market's regulations on Online Trading.	Brokerage Firms	Warning notification	<ol style="list-style-type: none"> 1.Fine from 5000-to 20000 AED. 2.Liquidating or utilizing the guarantee provided by the Company, wholly or partially. 3.Cancellation of the approval issued to the Company for trading in its own name and for its own benefit. 4.Suspension of the Company for no more than one week.
29	Non-compliance with the provisions of the Market's regulations on Foreign Brokerage Firms' Remote Access.	Foreign Brokerage Firms	Warning notification	<ol style="list-style-type: none"> 1.Liquidating or utilizing the guarantee, wholly or partially, for the intended purpose of the guarantee. 2.Suspending the Company from trading for a period of no more than one year. 3.Cancellation of the approval issued by the Market. 4.Referring any Violator to SCA to consider its violation and decide on the appropriate sanction.



S.	Violation	Violator	First Sanction	Violation
30	Non-compliance with the provisions of the Market's regulations on Securities Lending and Borrowing.	Brokerage Firms	Warning notification	1.Fine from 5000-to 20000 AED. 2.Prohibiting the Brokerage Firm from lending securities to its clients.
		Lending Agent	Warning notification	Suspension or cancellation of the approval issued to the Lending Agent.
		Representative of Lender or Borrower (Brokerage Firm or Custodian)	Warning notification	1.Fine from 5,000-to 20,000 AED, if a Brokerage Firm. 2.Suspension or prohibition of acting as lender or borrower.
31	Non-compliance with the provisions of the Market's regulations on Trading of Derivatives Contracts.	Brokerage Firms	Warning notification	Fine from 5000-to 20000 AED. Cancellation of the approval issued by the Market to the Company as Derivatives Member.
		Market Maker	Warning notification	1- Referring the Violator to SCA for imposition of the fine sanction. 2- Suspension or cancellation of the approval issued by the Market to the Market Maker as Derivatives Member.
32	Non-compliance with the provisions of the Market's regulations on Market Maker.	Market Maker	Warning notification	Liquidating or utilizing the guarantee provided by the Market Maker, wholly or partially. Suspension for a period of no more than one year. Cancellation of the license or approval issued to the Market Maker. Referring any Violator to SCA to consider its violation and decide on the appropriate sanction.
33	Non-compliance with the provisions of the Market's regulations on Liquidity Provider.	Liquidity Provider	Warning notification	1.Liquidating or utilizing the guarantee provided by the Market Maker, wholly or partially. 2.Suspending the Market Maker from providing liquidity service for a period of no more than one year. 3.Cancellation of the approval issued to the Market Maker for provision of liquidity service.



Article (4)

General Provisions

1. The Market may impose any sanction it deems appropriate at its discretion and within the limits of its authority, wherever the violation is not referred to in these Regulations.
2. The Market may alert or advise the Violator to rectify their infringement and avoid its repetition in the future, where such an incident is related to formalities, or if said breach was not carried out in bad faith when committed, or does not constitute a method followed by the Violator.
3. The Market shall inform SCA of any violation that comes to its attention and which constitutes a violation of the provisions of SCA Law or the regulations or decisions issued pursuant thereto.
4. Prior to issuing the violation decision, the Market shall notify the Company operating in the field of securities, or the listed company in order for it to express its opinion on the violating action within four business days from the date of such notification.
5. If the violation is repeated within one year from the date of issuance of the Market decision on the first violation, the second sanction, or any other sanctions at the discretion of the Market, shall be imposed on a case-by-case basis.
6. At its discretion, the Market may not adhere to the sanction prescribed in the table herein, in light of recurrence or severity of the violation, its impact on the Market, the extent of bad faith intended in its commission, and its consequences.
7. Affected parties may object to the decisions issued by the Market within the period, and in the manner, specified by SCA, provided that a copy of such objection shall be forwarded to the Market.
8. The Market shall submit periodic report to SCA on the decisions issued by the Market for imposition of violationssanctions.

Article (5)


The provisions of these Regulations shall take effect as from the date of their issuance, and they shall repeal any conflicting regulations, circulars or provisions.


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