



Short-term Trading Regulations of Dubai Financial Market

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Address	Short-term Trading Regulations	Owner	Listing & Disclosure Department - DFM
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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 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'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:

SCA	Securities and Commodities Authority
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Market	Dubai Financial Market
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Securities	The shares, bonds, promissory notes issued by the shareholding companies, bonds and promissory notes issued by the federal government, local governments, general authorities and corporations in the State and any other local or non-local financial instruments acceptable to the SCA
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Brokerage Firm	A brokerage firm licensed by the SCA to carry out the financial brokerage activities
Short-term Trading Account	The Client's account with the clearing house, through which the Short-term Trading transactions are made
Short-term Trading	The financing carried out by the Brokerage Firm for a percentage of the market value of the securities purchased by the client, provided that the client shall sell the financed securities within a period not exceeding the period specified by the Market in accordance with the provisions hereof
Initial Margin	Cash amounts or securities deposited by the client with the Brokerage Firm into the Short-term Trading Account according to the percentage determined herein before executing the buy order
Maintenance Margin	The minimum percentage set by the Market for the client contribution to the market value of securities in a Short-term Trading Account at any time after the date of purchase

Article (2)

Approval for Providing Short-term Trading Service

The Brokerage Firm may not provide Short-term Trading services unless it obtains the market approval in accordance with the terms, conditions and procedures mentioned herein.

Article (3)

Requirements for Approval

To get the approval of providing Short-term Trading services the brokerage firms should fulfil the following requirements:

1. It shall have obtained the Market's approval to practice margin trade.
2. It shall have the technical and administrative capabilities and competence required to conduct the Short-term Trading process and manage its accounts.
3. It shall have not failed to settle any transaction executed within the period of six months preceding the date of submitting the application for approval.
4. It shall have not committed any material violations of the criteria for financial solvency or the rules concerning the separation of accounts issued by the SCA within the period of six months preceding the date of submitting the application for approval.
5. It shall have an Order Management System (OMS) that distinguishes the Short-term Trading orders from other orders and with the capability to send a message to the client summarising the issued order.



Article (4)

Obligations of the Price Stabilization Manager

1. The Price Stabilization Manager shall disclose to the Market when conducting the additional offering during the offering period.
2. Starting from the first day of listing the shares on the Market, the Price Stabilization Manager shall disclose to the Market at the end of every (5) five-days trading period until the end of the Price Stabilization period the details of all Price Stabilization transaction executed by him, including disclosure of the quantity of purchased shares and the price range for such shares.
3. After the expiry of the Price Stabilization period, the Price Stabilization Manager shall disclose to the Market before the opening of the trading session for the next day:
 - a. Whether the buy option has been exercised.
 - b. The number of shares on which the buy option was exercised.
 - c. The number of remaining shares on which the buy option has not been exercised, if any.
 - d. The beginning and end of the Price Stabilization Period.
 - e. The price range within which the buy orders were executed in order to achieve Price Stabilization.
 - f. Any such additional information as the Market may require to be disclosed by the Price Stabilization Manager.
4. The Price Stabilization Manager shall have a bank account according to Market procedures, dedicated to maintaining the sums obtained from subscribing to the additional offering. The transactions therein shall be limited to buying shares during the Price Stabilization period or transferring those funds to the Founders if the buy option is not exercised in accordance with the agreement concluded between him and the Issuer and/or the Founders.
5. The Price Stabilization Manager shall have, with the Dubai CSD, a securities account in which the dealings shall be limited to the transfer of shares purchased during the period of exercising the Price Stabilization Mechanism to the Founders in accordance with the agreement concluded between him and the Issuer and/or the Founders.
6. The Price Stabilization Manager may not execute any sell of the shares that have been purchased to implement the Price Stabilization Mechanism during the Price Stabilization Period.
7. The Price Stabilization Manager shall handle cases of conflict of interest in accordance with the relevant decisions and rules issued by the SCA and the Market.
8. The Price Stabilization Manager shall take into account the Issuer 's interests when exercising the Price Stabilization Mechanism, in a manner that does not conflict with the provisions hereof.



Article (5) **The Market's Decision**

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 in accordance with the provisions hereof, is submitted.

The brokerage firm shall register the approval issued by the Market with the SCA 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 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.
2. The approval shall be renewed upon an application to be submitted to the Market at least one month prior to its expiry, provided that the registration of the renewed approval with the SCA shall be completed within a period of no more than (5) working days from the date whereon the approval is renewed with the Market.
3. The approval issued to the Brokerage Firm shall be deemed cancelled entirely in the event that the complete application for renewal is not submitted within the period specified in Clause (2) of this Article. In such a case, the Brokerage Firm shall be required to refrain from conducting any new dealings and/or purchasing any new securities for the clients in Short-term Trading Accounts, except for settling accounts and the procedures preceding the cancellation of approval. In case the Brokerage Firm fails to comply with the same, it shall solely assume the full responsibility.



Article (7)

Obligations of the Brokerage Firm

Without prejudice to any other obligations set out in the law, regulations or decisions of the SCA, the Brokerage Firm licensed to provide Short-term Trading services shall comply with the following:

1. Opening an account with the clearing house designated (Short-term Trading Account) for the client who wishes to use such services. Transactions in the Short-term Trading Account shall be limited to the purchase and sale of securities and the funds and securities deposited into that account as a guarantee in accordance with the provisions hereof.
2. Ensuring the legal capacity and financial solvency of each Client.
3. Making sure that the client has deposited the Initial Margin into the Short-term Trading Account held within it in accordance with the specified percentage, prior to purchasing any securities.
4. Registering the securities purchased for the client hereunder into the clearing house in the name of the client.
5. Reviewing the Short-term Trading Account of each and every client on a daily basis and providing the client with a detailed daily statement of account.
6. Notifying the client as soon as the Maintenance Margin falls below the agreed threshold, via the agreed method of the need to deposit money or securities listed in one of the licensed markets into the Short-term Trading Account to the extent required to reinstate the Maintenance Margin to the threshold agreed upon between the Brokerage Firm and the client no later than the next day (T+1) as from the shortfall of the Maintenance Margin.
7. Selling all or part of the securities in the short term trading account at the prevailing market price immediately upon the expiry of the grace period agreed upon in Clause (6) of the same article, and to the extent required to reinstate the Maintenance Margin to the agreed limit in the event that the client fails to cover the required margin.
8. In case the trading of the securities held in the Short-term Trading Account is suspended or discontinued for any reason whatsoever, the Brokerage Firm shall be entitled to request additional guarantees from the client immediately to the extent required to reinstate the Short-term Trading Account to the Initial Margin.
9. The amounts allocated by the Brokerage Firm to Short-term Trading hereunder shall be deemed to be within the limits stipulated in the Margin Trading Regulations.
10. The Initial Margin shall not be less than 25% of the market value of the securities to be purchased in the Short-term Trading Account.
11. The Initial Margin shall be cash amounts or securities listed in one of the markets licensed in the State in which the Brokerage Firm operates, and such margin shall be deposited into the Short-term Trading Account.
12. The Maintenance Margin shall not be less than 15% of the market value of the securities held in the Short-term Trading Account at any time after the date of purchase.
13. Providing the Market with such reports, details and documents related to the Short-term Trading service as it may request for the purposes of supervising and overseeing the Brokerage Firm.



Article (8)

Short-term Trading Mechanism

1. The client shall be required to sell the financed securities within a period not exceeding the third session following the date of purchase (T+3). The broker may extend such period to a maximum of (T+7) from the date of purchase.
2. If the client fails to sell the financed securities during the period specified in the previous clause of this Article, the Brokerage Firm shall be required to sell the same securities during the next trading session for the period specified at the prevailing market price, and the client shall bear any loss resulting therefrom.
3. The Brokerage Firm shall bear the losses arising from the following:
 - a. Its failure to sell the financed securities in accordance with Clause (2) of this Article.
 - b. Its failure to sell securities held in the Short-term Trading Account to the extent required to reinstate the Maintenance Margin to the agreed margin in the event that the client violates Clause (7) of Article (7) hereof.
 - c. The inability to sell the financed securities for any reason whatsoever during the next trading session, in accordance with the provisions of Clause (2) of this Article.
4. The client may terminate the transaction related to the Short-term Trading Account by paying off the sums due and payable by him. In such a case, he shall be entitled to transfer his securities to any other account. Also, he may transfer any cash or securities held in the Short-term Trading Account to any other account after closing and settling the Short-term Trading Account.

Article (9)

General

1. The Market may at any time increase the Initial Margin or Maintenance Margin Ratio for Short-term Trading. The increase may be limited to a specific security, a specific Brokerage Firm, or a specific client.
2. The securities which are acceptable for margin trading shall be acceptable for Short-term Trading. The Market may at any time reconsider the securities acceptable for Short-term Trading.
3. The Brokerage Firm may not open more than one account for the client for Short-term Trading purposes.
4. In case the Market cancels the approval for margin trading granted to the Brokerage Firm, the approval for Short-term Trading shall be automatically and directly canceled.
5. The Market shall notify the SCA immediately upon canceling the Brokerage Firm's approval for margin trading or Short-term Trading.



Article (10)

Penalties

In case the Brokerage Firm violates these regulations, the Market may take any of the following actions:

1. Serving a notice of warning.
2. Monetizing or utilizing the collateral provided by the Brokerage Firm, wholly or partially, for the intended purpose of the collateral and to the extent it is consistent with the regulations or decisions of the SCA and the provisions hereof.
3. Cancelling the approval granted to the Brokerage Firm to provide the Short-term Trading service.
4. Imposing a financial fine on the Brokerage Firm in an amount that may not exceed the maximum fine mentioned in the SCA's law and the regulations issued pursuant thereto.
5. Suspending 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 SCA for suspending the Firm for an extended period or cancelling its license.


Article (11)


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


H.E. Essa Kazim
Chairman

Contact Us:

Listing & Disclosure Department
Operations Division
T: +971 4 305 5673
E: Disclosure@dfm.ae

 @DFMalerts

 @dubaifinancialmarket

 Dubai Financial Market

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