



# DFM Regulated Derivatives Contracts Trading 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, and its amendments;

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, and its amendments;

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 Dubai Financial Market's Board of Directors;

The SCA's Board Chairman Decision No. (22/R.M) of 2018 Concerning the Regulation of Derivatives Contracts, and

The Regulations, Resolutions and Rules issued by the Dubai Financial Market;

**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:

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**SCA:** Securities and Commodities Authority

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**Market:** Dubai Financial Market

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**Foreign Market:** Securities market established outside the State and licensed by a regulatory authority which is counterparty to the SCA.

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<b>Central Counterparty Clearing House (CCP):</b>	Legal person licensed by the SCA to carry out the business of central counterparty clearing house.
<b>Securities:</b>	The Securities stipulated in the Regulations and decisions of the SCA.
<b>Foreign Securities:</b>	Stocks, bonds, sukuk, units of investment funds, indices and other Securities or other financial instruments issued by the foreign issuer.
<b>Underlying Securities:</b>	Securities or Foreign Securities, or local or foreign indices, subject to the Derivative Contract.
<b>ISIN:</b>	International Securities Identification Number as a specific symbol for identifying specific securities issued by the relevant national coding agency and is used worldwide to facilitate transactions between specialists.
<b>Brokerage Firm:</b>	Brokerage firm licensed by SCA to carry out the financial brokerage activities.
<b>Market Makers:</b>	The person licensed by the Market to carry out the market making activities.
<b>Derivatives Member:</b>	Brokerage Firm or a Market Makers approved by the Market to carry out the functions of a Derivatives Member in accordance with the provisions of this Regulations.
<b>Derivatives Contract:</b>	Financial contracts that determine its specific value by the parties to the contract. These contracts derive their value from the value of the Underlying Securities and depend on the change in the value of those securities.
<b>Regulated Derivatives Contracts:</b>	Derivatives Contracts issued in accordance with the Market's provisions and controls.
<b>Contract Specifications:</b>	Specifications of Regulated Derivatives Contracts according to their type (futures, options, or other Derivatives Contracts) issued by the Market after being approved by the SCA.
<b>Initial Margin:</b>	Cash amount, a number of Securities or a bank letter of guarantee deposited by both the seller and the buyer of the Regulated Derivatives Contract upon contracting in their own account with the CCP as per the rates and provisions specified by the CCP.



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<b>Maintenance Margin:</b>	Minimum Initial Margin agreed upon between the Derivatives Member and its client, whereby the client shall deposit an amount of cash or additional Securities to return its account with the CCP to the Initial Margin.
<b>Mark to Market Settlement:</b>	evaluating the position of the parties to the contract by settling the profits or losses on a daily basis at the end of each session, as per the price determined by the CCP.
<b>Block Trades:</b>	a high-volume transaction in Regulated Derivatives Contracts executed in the Market Outside the Central Order Register in accordance with the provisions of this Regulations.
<b>Cross Trades:</b>	Regulated Derivatives Contracts which are identical in terms of the type of the Underlying Securities, the quantity, and the price, which are entered into the Central Order Register simultaneously through one or two Derivatives Members in accordance with the provisions hereof.
<b>Series:</b>	Single-standard Regulated Derivatives Contracts in terms of type or quantity of the Underlying Securities, or the expiry date of the contract.
<b>Central Order Register:</b>	The electronic system approved by the Market to display, trade, execute and safeguard the orders related to the Regulated Derivatives Contracts.

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## **Article (2)**

### **Approval of Exercising the Functions of a Derivatives Member**

The functions of a Derivatives Member may not be carried out without obtaining an approval from the Market in accordance with the terms, provisions and procedures stipulated in this Regulations and the technical requirements set by the Market.



### **Article (3)** **Conditions for Approval**

Carrying out the functions of a Derivatives Member in the Market shall be conditional upon the satisfaction of following conditions:

First: The applicant shall be licensed to undertake one of the following activities:

1. A Brokerage Firm which meets the following conditions:
  - a. The technical and administrative capabilities and competencies necessary for carrying out the duties.
  - b. The solvency necessary for carrying out the duties.
  - c. No material violations of the financial solvency standards or the Regulations for separating accounts as approved by SCA should have been committed during the six months preceding the date of submitting the application.
2. A Market Makers which meets the following conditions:
  - a. Effective separation of the financial activities that it engages in, to ensure that those persons working therefore in the Market-making activity do not execute the client's orders or have access to their orders or information.
  - b. Use of separate open interface devices exclusively dedicated for the Market Making activity.
  - c. Market Maker Agreement.

Second: The Derivatives Member shall provide the electronic programs and technical systems necessary for the trading in the Regulated Derivatives Contracts as determined by the Market.

Third: The applicant must sign the agreements necessary to perform the tasks as determined by the Market.



## Article (4)

### Application for Approval

First: Without prejudice to any other obligations contained in the law, Regulations or decisions of the SCA, in order to exercise the functions of a Derivatives Member, an application shall be submitted to the market as per the form designated for this purpose, together with the information, details and supporting documents, particularly the following:

1. Copy of the valid license issued by SCA on conducting the financial brokerage activity - if the applicant is a Brokerage Firm.
2. Copy of payment of the fees due to the Market.
3. Report explaining the technical system used in trading Regulated Derivatives Contracts.
4. Availability of an Order Management System (OMS), with an embedding function to issue a message to the client containing the contents of the issued order.
5. Report explaining the system of maintaining the documents related to the trading transactions of the Regulated Derivatives Contracts.
6. Report explaining the internal control and review systems and principles of the trading transactions of the Regulated Derivatives Contracts.
7. The client agreement form which shall include, at least, the following information:
  - a. A definition of the concept of trading in the Regulated Derivatives Contracts and the resulting risks to which the client may be exposed.
  - b. Determining the ratio of the Initial Margin and the Maintenance Margin, provided that they shall not be less than the percentages specified by the CCP.
  - c. A detailed statement of the rights and obligations of both the client and the Derivatives Member.
  - d. Determining the method of notifying the client if the net Initial Margin value falls below the Maintenance Margin.
  - e. A client undertaking form to replenish the trading account of the Regulated Derivatives Contracts if the percentage of his/her ownership falls below the Maintenance Margin, after being notified by the Derivatives Member
  - f. Satisfaction of the client's suitability criteria as prescribed by the SCA.

Second: The Market may request any additional clarifications, information, or other documents as it may deem appropriate.



## **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 submission date of the application, which is fulfilling all the conditions, requirements and technical standards set by the Market in accordance with the provisions of this Regulations.
2. The Applicant 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 Approval**

1. The approval shall be valid for 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 fee payable for such approval shall be collected in proportion to the remaining period of the year, noting that any part of a month shall be calculated as a full month.
2. The approval shall be renewed upon an application submitted to the Market at least one month before its expiry, together with the payment of the renewal fees due to the Market, after ensuring that all approval requirements are maintained, provided that the registration with the SCA 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 Derivatives Member if a complete renewal application is not made within the specified time-limit, provided that the SCA shall be informed of the same within a period not exceeding (5) working days.



## **Article (7)**

### **Obligations of the Brokerage Firm as a Derivatives Member**

Without prejudice to any other obligations contained in the law, Regulations, or decisions of the SCA, the Brokerage Firm which carries out the functions of the Derivatives Member shall:

1. Maintain the satisfaction of all approval requirements on an ongoing basis.
2. Execute an agreement to trade in Regulated Derivatives Contracts with every client wishing to trade in Regulated Derivatives Contracts.
3. Open a dedicated account for each client with a Derivatives Member to be called the (Derivatives Contracts Trading) account for executing orders solely related to the Derivatives Contracts and separate this account from any other accounts for the client.
4. Ensure that the client deposits the Initial Margin in its Derivatives Contracts Trading Account as per the specified percentage, and obtain its explicit consent regarding the Brokerage Firm's retention of such margin until the client's position is closed, before placing any order.
5. Conduct the daily settlement (Mark to Market) for the Regulated Derivatives Contracts.
6. Obtain an undertaking from the client to replenish the (Derivatives Contracts Trading) account immediately when the Initial Margin value drops below the Maintenance Margin.
7. Maintain the orders and trading orders received from the clients after being received or make any amendment thereto, arranged by date, and make them available upon request.
8. Immediately and automatically inform the Market of trading orders related to the Regulated Derivatives Contracts.



## Article (8)

### Notifications to Clients

Without prejudice to any other obligations contained in the law, Regulations, or decisions of the SCA, the Brokerage Firm which carries out the functions of a Derivatives Member shall:

1. Provide a notice of confirmation to the client of any trading transactions as soon as possible and not later than two days after the date of executing the order.
2. Include the following information in the notice of confirmation:
  - a. The client's name, address, account number and other identifying information.
  - b. A clear and understandable statement of what has been executed for the client, for example "We bought / sold to you as a client".
  - c. Nature, type and quantity of the Regulated Derivatives Contract.
  - d. Specification of whether the order is a buy order or a sell order for a Regulated Derivatives Contract.
  - e. Specification of whether the order is open-ended or close-ended.
  - f. The unit price at which the trade was executed, the due amount in full and the payment due date.
  - g. The date and time whereon the order was executed.
  - h. The fees due and payable by the client as a trading commission, and any other amounts.
  - i. Any amount due or applicable dates related to the delivery date or expiry date and related to the order.
  - j. The member may combine the items contained in (f) and (h) with respect to the order when the client requests a notice of confirmation in relation to the execution which shows one price (net price) that combines both items together, indicating the net price in the notice of confirmation.
3. Immediately notify the client when the percentage of ownership in the (derivatives trading) account decreases below the Maintenance Margin, so that the client will cover the deficiency in its account as soon as he is notified. The Brokerage Firm may close the client's position if they breach the obligations thereof.



## Article (9) Clients' Statements

Without prejudice to any other obligations contained in the law, Regulations, or decisions of the SCA, the Brokerage Firm which carries out the functions of a Derivatives Member shall:

1. Provide the client with a detailed monthly statement on its (derivatives trading) account, which includes, at least, the following:
  - a. The number, specifications, type and value of each Regulated Derivatives Contract
  - b. The sum of money held in the account.
  - c. A statement detailing the basis for calculating the value of each order (Regulated Derivatives Contract).
  - d. The margin payments details.
  - e. The details of executed orders.
  - f. The details of open contracts and the expiry dates of closed contracts.
  - g. The profits or losses realized for the client before deducting or adding any commissions to be paid upon closing each open transaction in the account at the end of the account period.
  - h. The profits or losses realized for the client after deducting or adding any commissions, in relation to every transaction that was executed during the account period to close the client's transaction.
  - i. The details of the client's portfolio or details related thereto when the trading sessions are closed on the settlement day, such as the amounts of money, the collateral value, administrative fees, and commissions.
2. Send a statement to the client that contains a list of the guarantees maintained with the Brokerage Firm, and the market value of those guarantees as at the date of preparing the statement in the event that the Brokerage Firm maintains those guarantees for the purposes of terminating and closing the transaction, provided that it shall be sent to the client within (25) days from the date of such statement.
3. Send a statement to the client at least every six months, or at such time intervals to be agreed upon in writing, provided that they shall not be more than such periods.



## **Article (10)**

### **Obligations of the Market Makers as a Derivatives Member**

Without prejudice to any other obligations contained in the law, Regulations, or decisions of the SCA, the Market Maker which carries out the functions of a Derivatives Member shall:

1. Maintain the satisfaction of all approval requirements on an ongoing basis.
2. Fulfill all the terms and conditions stated in the Market Makers Agreement and the Derivatives Member Agreement.
3. Trade in his/her own account only.
4. Open a special account to be called the (Derivatives Contracts Trading) account.
5. Not transfer the executed orders from the account designated for the trading transactions of Regulated Derivatives Contracts to another account.
6. Ensure that employees and those involved in trading in the Regulated Derivatives Contracts Trading Account have sufficient experience in the Derivatives Market.
7. Ensure that the number of employees assigned to manage the Regulated Derivatives Contracts trading account is sufficient at all times.
8. Enter the bid and ask orders for all Regulated Derivatives Contracts orders as a Market Maker for them.

## **Article (11)**

### **General Obligations of the Derivatives Member**

Without prejudice to any other obligations contained in the law, Regulations, or decisions of the SCA, the Derivatives Member which carries out the functions of a Derivatives Member shall:

1. Maintain commercial books and records or utilize computers and other modern technology devices in accordance with the international accounting standards and rules issued by the SCA, and maintain the clients' details and orders whether in writing, recorded on phone or received by any other electronic means approved by the SCA for a period of (10) years, provided that backup copies of those details and documents shall be maintained for the same period in order to preserve the client's details and transactions and ensure that they are not exposed to any source of damage.
2. Maintain, at any time, the records, documents, accounts and financial statements that clarify its financial position, the financial position of its clients, their transactions, and account opening agreements for each of them, and enable the Market to have access to review and inspect everything related to them upon request.
3. Observe the principles of honesty and integrity, and avoid conflict of interests, not favor personal interests or the interests of third parties over the interests of clients, not discriminate between between its clients, and execute their orders on a first received first served basis.
4. Refrain from using any high-risk electronic trading programs or mechanisms that are not permitted or authorized by the Market. The Derivatives Member shall assume full responsibility for any liability arising from the use of any of them.



## Article (12)

### Central Order Register

1. The Derivatives Member shall trade in the Regulated Derivatives Contracts in the Market only through the Central Order Register, provided that the following conditions are met:
  - a. Automatic matching of the orders without defining the identity of the Derivatives Member, on the basis of price and time priority, which leads to the emergence of binding transactions to members.
  - b. Prioritize orders that do not carry price limits in the Central Order Register. In case the price limits are equal, priority shall be assigned according to the time of order entry.
  - c. The matching shall be made between a buy and sell order within the Market systems, or when it is reported and confirmed by members of derivatives trading through the Market systems.
2. The Derivatives Member shall, upon entering its orders into the Central Order Register, fulfill the minimum requirements specified below:
  - a. Defining the identity of the applicant client.
  - b. ISIN, or the Ticker Symbol given by the Market
  - c. Determining whether the order is a buy or sell order.
  - d. Order quantity.
  - e. The price, in cases where the order is applicable.
  - f. Determining whether the order is for the member itself, for a client, or for the activity of the Market Maker.
3. The Derivatives Member shall not enter buy or sell orders for the Regulated Derivatives Contracts into the Central Order Register that exceed the price limits set by the Market.
4. The orders entered into the Central Order Register may be either for immediate execution, valid for one business day, valid until a certain date, or valid until being cancelled, provided that the period of any order shall not extend to more than (365) days from the date of its entry into the Central Order Register. In the absence of a specific time validity, the order shall be considered valid for one business day.
5. Through the Central Order Register, the Derivatives Member may amend or cancel the existing orders for the current and next business day during the period specified by the Market before and after the close of trading.
6. The Derivatives Member cannot amend or cancel the executed orders except in the event of a fundamental error caused by one of the members, provided that the Market shall be notified within (15) minutes of executing the transaction, and in no event the notification served on the Market within the specified period shall constitute an obligation on it to cancel the executed transaction.
7. The Market may specify the minimum or maximum limits for the order quantity or value for the Regulated Derivatives Contracts, provided that it shall disclose the same.



## **Article (13)**

### **Types of Orders**

The Derivatives Member shall enter only the orders shown below into the Central Order Register:

1. **Limit Price Orders:** Buy or sell orders that can only be executed at the specified price or at a better price.
2. **Market Orders:** Buy or sell orders that do not carry price limits, which are executed during continuous trading immediately at the best corresponding price (there shall be an order on the corresponding side) while any remaining quantity that was not executed is automatically converted into a price limit order at the best corresponding price limit, and added to the Central Order Register.
3. **Stop Orders:** Buy or sell orders that arise when a specific price for the transaction is reached during trading. In the event of a stop-loss order, a Market Order is generated automatically and added to the Central Order Register. But in the event that a stop-loss limit is ordered, a price limit order is automatically generated and added to the Central Order Register.
4. **Special Conditions:** Certain types of orders that are subject to volume-related requirements according to the order types matrix and execution conditions specified by the Market.

## **Article (14)**

### **Block Trades and Cross Trades**

1. The Derivatives Member may negotiate or plan in advance to make Regulated Derivatives Contracts Cross Trade transactions, provided that the execution is carried out in accordance with the Market procedures, through the Central Order Register.
2. The Derivatives Member may make Block Trades in Regulated Derivatives Contracts through the mechanism and conditions determined by the Market, outside the Central Order Register.

## **Article (15)**

### **Prohibited Practices**

Any person shall refrain, either by himself or through the cooperation with a third party, from any of the following acts:

1. Committing or engaging in any act or any course of conduct that creates or is likely to create a false or misleading impression in the Market, in the price or value of any Regulated Derivatives Contract or Underlying Securities, or that harms the integrity of the markets.
2. Entering any fake orders or a false price in the Central Order Register.
3. Influencing the orders by entering a price that is not within the reasonable limits of the prices displayed on the trading system in the Regulated Derivatives Contracts or any Underlying Securities.

4. Committing or engaging, with other Derivatives Members, in any act or any course of conduct that causes, or leads to the breach of Regulated Derivatives Contracts rules.



## Article (16)

### Market Procedures

1. The Regulated Derivatives Contracts shall be listed and traded in the Market in accordance with the provisions hereof in two cases:
  - a. In the event that the Underlying Securities are either Securities or local indices.
  - b. In the event that the Underlying Securities are Foreign Securities and after obtaining the approval of the SCA.
2. From time to time, the Market may delete, update and publish a list of Underlying Securities or local indices approved by the Market, that are subject to the Derivatives Contracts, provided this shall also be disclosed.
3. The Market shall consider non-deletion of any of the Underlying Securities included in such list if there are open Regulated Derivatives Contracts related to those Underlying Securities that have not been settled.
4. The Market will disclose of the specifications of Regulated Derivatives Contracts approved by SCA.
5. The Market may, from time to time, modify the specifications of the Regulated Derivatives Contract after being approved by the SCA provided that such modifications will be disclosed as they occur, taking into account that they shall not be enforced if there are existing Regulated Derivatives Contracts that have not been settled.
6. The Market shall be entitled to issue the necessary instructions specifying the price limits for Regulated Derivatives Contracts and any other protection procedures it deems appropriate (Trading Safeguards), provided this shall also be disclosed.
7. Settlement of all transactions through the CCP, in accordance with the procedures and central clearing agreement.
8. The Market may designate one or more Market Makers in respect of a particular Regulated Derivatives Contract. The Market shall clarify whether the Market Maker should constantly practice the market making activities, just in response to offer orders, or both.
9. The Market will determine the working days and hours of Regulated Derivatives Contracts trading and opening and closing times. The Market shall be entitled to modify any of those times or days, from time to time provided that this shall be disclosed.
10. Through a disclosure issued by The Market, it shall have the right to determine the limits to the number of Regulated Derivatives Contracts and the Series, the Underlying Securities, the contract expiry month, the contract month, and the contract expiration date for the contracts registered at the Market. The Market shall have the right to assign such limits for any specific Regulated Derivatives Contract or for all contracts.



## Article (17)

### DFM Precautionary Measures

1. The Market's General Manager may decide to suspend or temporarily suspend trading in any Regulated Derivatives Contracts or Series listed in the Market, under exceptional circumstances or in the event of any circumstances that may threaten the good workflow and order in the Market, provided that SCA shall be immediately notified of such decision. The Market's General Manager may also take such decision pursuant to instructions issued by SCA.
2. If any decision has been issued in accordance with paragraph (1), the Market may take any of the following procedures:
  - a. Stating the time by which trading may be resumed on the same day of suspension or on the next trading day.
  - b. Stating whether the prices set within the defined limits represent a fair reflection to the market, as deemed appropriate.
  - c. Stating whether trading in one or more of the Regulated Derivatives Contracts or Series must be resumed while postponing the settled closing time to a later date.
3. The Market may advise the Derivatives Member or compel it to close one or more of the counterparty transactions either instantly or within a specific period of time, even in case the limits of the financial position are not exceeded, if the Market considers that the number of the central counterparty transactions related to a specific Regulated Derivatives Contract or Series, where the Derivatives Member is a party in such contracts, is excessive or inappropriate. the Market may take any other measure it deems appropriate.
4. Without causing any damage to good faith third parties, the Market may cancel any of Regulated Derivatives Contracts or Series trading transactions in the event of violation of any of the Regulations issued.
5. Trading in the Underlying Securities or local indices of the Regulated Derivatives Contract shall be suspended as per the Regulations and decisions issued by the SCA in this regard.



## **Article (18)**

### **Market Disclosures**

The Market shall:

1. Disclose the precautionary exceptional measures once taken or occurred in case trading orders of Regulated Derivatives Contracts are cancelled during the trading session. If cancellation occurred after closing the trading session, the Market must notify Derivatives Members before the start of the next trading session.
2. Immediately after the full or partial execution of any order, send to relevant Derivatives Members a confirmation of all Regulated Derivatives Contracts Orders. The confirmation shall include the volume of unexecuted orders (if any).
3. Should always include in the pre-trading disclosure, to Derivatives Members and clients, the number of orders and the total volume of the requests set out in every price offered or bided for every trading order in Regulated Derivatives Contracts.
4. Should promptly disclose in the post-trading disclosure the volume, price and execution time of orders with respect to every trading order in Regulated Derivatives Contracts. The Market shall also disclose the Block Trades and Cross Trades.

## **Article (19)**

### **The Market Liability**

1. The Market shall be liable for direct damages and losses arising from willful misconduct or gross negligence or default by the Market or its employees only. The Market shall not be liable for any damages or losses arising from circumstances beyond its control.
2. The Market fulfills the required disclosures stipulated herein once they are displayed on the trading screen or published on the Market's website.

## **Article (20)**

### **Applicable Fees**

The Market Shall charge a trading commission or any other fees on Regulated Derivatives Contracts in accordance with SCA Regulations, and disclosed by the Market.

## **Article (21)**

### **Monitoring and Inspection**

The Market shall have the right to take monitoring and inspection procedures with respect to the execution of these Regulations, in order to ensure the compliance of Market participants. The Market shall have the right to request all information and documents it deems necessary for the purposes of monitoring and inspecting Derivatives Members, or employees or clients.



## **Article (22)**

### **Penalties**

In the event of violation of these Regulations, the Market may take the following:

1. Advising the Derivatives Member or compelling it to close one or more of the counterparty transactions either instantly or within a specific period of time.
2. Serving a notice of warning to the Derivatives Member.
3. Suspension of the approval granted to the Derivatives Member.
4. Cancellation of the approval granted to the Derivatives Member.
5. Impose a fine on the Brokerage Firm which obtained the approval of Derivatives Member, within the maximum limit stipulated in SCA law and the Regulations issued pursuant thereto.
6. Impose penalties and other fines pursuant to the Regulations of the Market and to the extent it is not inconsistent with the law and Regulations of the SCA.
7. Referring any violator to SCA to consider its violation and decide on the appropriate penalty.

## **Appendix (1)**

### **Provisions related to the Specifications of Futures Contracts**

Futures: A standardized Regulated Derivatives Contract that obligates the contracting parties to buy and sell specific amounts of Underlying Securities for a specific price at a specific future date.

The Market shall observe the provisions set out below:

## **Article (1)**

### **Futures Contracts with Daily Settlement (Mark to Market):**

A contract under which the seller and the buyer shall be committed to do, on each trading day, a cash settlement in the form of daily settlement (Mark to Market).

### **Futures Contracts with Daily Settlement (Mark to Market) and delivery the Underlying Securities:**

A contract under which the seller and the buyer shall be committed to do, on each trading day, a cash settlement in the form of daily settlement (Mark to Market). Under such settlement, the buyer shall, upon the expiration of the Contract, buy from the seller the Underlying Securities against payment of the set value.



## Article (2)

1. In the Futures Contract, the Buyer shall be committed to executing the settlement and shall have the right to buy the Underlying Securities or to execute cash settlement when the price moves down, as provided in the Contract Specifications and in these provisions and Regulations. The Seller shall be committed to executing the settlement and shall have the right to sell the Underlying Securities or to execute cash settlement when the price increases, as provided in the Contract Specifications and in these provisions and Regulations.
2. The Underlying Securities shall give the Futures Contract the key components as a security against which compliance shall arise and shall form the base for calculating the daily settlement (Mark to Market) and the final settlement, upon expiration of the Contract due to delivery or cash settlement.
3. Contract Size, which includes the number of Underlying Securities, shall be stated in the Contract Specifications.
4. The Volume of Price Movement (tick size), which means the scope of the price movement volume with respect to the Contract.
5. The Forward Price, which means the price agreed upon between the parties. The Forward Price shall be stated in the Contract Specifications.
6. Mechanism of closing the transaction, which means the revocation of the obligations of the parties to the Contract by closing their positions. It shall be stated in the Contract Specifications.
7. Final Trading Time, which refers to the deadline for executing and registering the orders upon expiration of the Contract. They shall be provided for in the Contract Specifications.
8. Fixation Value is the value calculated to the Underlying Securities, which represents the basis for calculating Contract expiration settlement or calculating the daily settlement (Mark to Market).
9. Mechanism and Dates of Settlement
10. Contract Expiration Date is the last day of the month under which the final settlement between the Buyer and the Seller shall take place, while the details relating to month and year of expiration shall be defined upon designation of the Series.
11. Duration of the Series in Futures Contracts shall start from the first trading day and shall end upon expiration of the Contract.
12. Trading currency shall be in AED.
13. In case the Market has listed new Series during the period pertaining to the same Series, such Series shall be distinguished by the same volume and designation with respect to the actual listed Contracts.
14. Designation of contract Series shall be as follows:
  - a. Each Series shall be designated to each Futures Contract, so as to contain unified symbols.
  - b. Contract expiration year shall be designated by referring to the final figure of the year in which the Series ends.
  - c. Contract expiration month shall be designated using a code that refers to such a month.



### **Article (3)**

1. Upon amendment of the provisions of the Contract, the Market shall notify the Derivatives Members of such amendments and the Derivatives Member shall be liable for notifying its Clients of the same.
2. The Market shall amend Futures Contracts provisions in the following cases:
  - a. Share capital increase
  - b. Share capital reduction.
  - c. Stock split and classification them into categories.
  - d. Stock consolidation.
  - e. Dividend (bonus shares).
  - f. Merger or acquisition or suspension or cancellation of the listing.
  - g. Any other cases at the discretion of the Market.
3. In the event of any amendments to the Futures Contract, such amendment shall be reflected on the designation of the Series.

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