

**Circular No.:** 02/2023  
**Issuance Date:** 07/03/2023  
**Effective Date:** 07/03/2023

## Transacting and Reporting of Direct Deals on DFM

DFM introduces a new Market procedure attached herein on Direct Deal Transactions (“DDT”) to replace DFM Circular No. 1 of 2022 (Direct Deals Service).

DDTs are off-market transactions executed outside the Order Book and are considered a type of block trade. DDTs will not affect the price statistics for the day’s last closing, high & low prices, or the 52-week high or low prices.

All DDTs will be published under Market summary on DFM’s website and market watch.

The new Market procedures will allow Brokers to:

- Arrange and report large transactions booked outside the Order-Book as per the reporting requirements mentioned below in the Direct Deal Reporting section.
- Offer brokers and their clients more flexibility with respect to the price and timing of those transactions when entering into large transactions.
- Eliminates restrictions on the number of counterparties involved in a Direct Deal; and
- Provide a smooth administrative execution process.

The DDT Market procedures will enter into effect on March 07, 2023.

## Market Procedures on Direct Deals

### I. Direct Deal Eligibility Requirements

- (a) A Broker that wishes to execute a Direct Deal shall have a minimum size equal to or larger than the Normal Block Amount (NBA) thresholds as set forth below:

Lower Band ADTV	Upper Band ADTV	Normal Block Amount (NBA)
100 Mio AED	None	15 Mio AED
10 Mio AED	100 Mio AED	10 Mio AED
2 Mio AED	10 Mio AED	5 Mio AED
0 AED	2 Mio AED	1 Mio AED

- (b) A review of the ADTV Bands and NBA thresholds will be conducted on a semi-annual basis and published on DFM's website. Initial Public Offerings ("IPOs") will be classified based on expected ADTV and will be announced via Market Circular.

### II. Brokers Continuing Obligations

- (a) Brokers executing DDT should ensure that securities and funds obligation settlement arising from DDT reported under these procedures is settled in full on the Settlement Date unless otherwise provided for in Dubai Clear rules.
- (c) Brokers should ensure that the quantity of Securities subject to the DDT are available in the seller's Securities Account and that such Securities are a tradeable balance.
- (d) Brokers should ensure that the buyer has sufficient funds to settle the DDT by the Settlement Date either directly or indirectly.
- (e) Brokers are not permitted to short sell DDT.

### III. Market Commission

Trading commissions for DDT are calculated based on the trade execution price.

#### IV. Permitted Price Variations

The Market will allow DDT to be executed with the below variations away from the previous close price:

DDT Value Band	Price Variation (upper and lower limit from previous close price)
DDT Value < 2 times of NBA	< 10 %
DDT Value $\geq$ 2 times of NBA and < 3 times of NBA	< 25 %
DDT Value $\geq$ 3 times of NBA	= < 25 %

Brokers may submit a written request to the Market to amend the thresholds set forth above. The Market may at its sole discretion approve or reject the amendment. The Market is under no obligation to provide any justification for accepting or rejecting a request.

#### V. Direct Deal Execution Process

- (a) Brokers will be able to place and execute DDTs directly in the Trading System either by entering the Orders for DDTs through the new Deal Order window on the Market's Trading System or through the Broker's Order Management System using FIX protocol message.
- (b) The Broker should submit a DDT application and a notification request through DFM e-service portal.
- (c) The Market will verify that the DDTs applications submitted are in compliance with the requirements set forth in these procedures and the technical details. The Market will confirm the DDTs for trade execution or issue a rejection of the DDT in the event the DDT does not comply with such requirements.
- (d) Brokers will receive confirmation through the Trading System when a DDT is executed and can view the information of the executed DDT on the Market's website.
- (e) Brokers who intend to conduct DDTs are required to perform one round of testing in the Market UAT test environment in coordination with Market Operations at DFM and provide the Market with their testing conformance letter to mc@dfm.ae.
- (f) Brokers and Brokers' client should comply on a continuous basis with these procedures.

#### VI. Margins for DDT:

- (a) DDTs will incur initial margin and variation margins as per Dubai Clear margin policy and procedure.
- (b) The Broker and the Clearing Member may request for variation margin benefit subject to the following conditions:
  - (i) No onward sells are permitted unless the broker is in a position to ensure that funds are settled in full successfully on the Settlement Date.

- (ii) No rejections/late confirmation permitted for settlement of Direct Deals for DVP investors.
  - (iii) Where the buying Broker's Clearing Member fails to settle the DDT funds obligation, Dubai Clear will reverse the securities delivered by the seller broker's Clearing Member.
- (c) For more information, please refer to Dubai Clear's circular for DDT settlement.

#### **VII. Direct Deal Execution Timing**

Execution time is during Market's continuous trading session from 10:00 to 14:00 excluding auction sessions.

#### **VIII. Direct Deal Reporting Process for deals booked outside the Order Book:**

- (a) Brokers are required to enter the Direct Deal request on the Trading System within 15 mins after the DDT is matched at the Broker's side during the Trading Session.
- (b) Brokers are required to enter the DDT request on the Trading System on the next Trading Day in case a DDT is matched after closing of the Trading Session.
- (c) Brokers should ensure on continuous basis that the execution of the DDT complies with, Applicable Laws, the decisions of the Securities and Commodities Authority (SCA) and the Market Rules (including without limitation insider trading, wash trading, and foreign ownership limits).
- (d) DDTs are permitted on Securities of listed companies subject to suspension.

#### **IX. DDT Cancellation**

The Market may cancel any DDT that in its reasonable judgment does not comply with Applicable Law or in the event of an error detected.