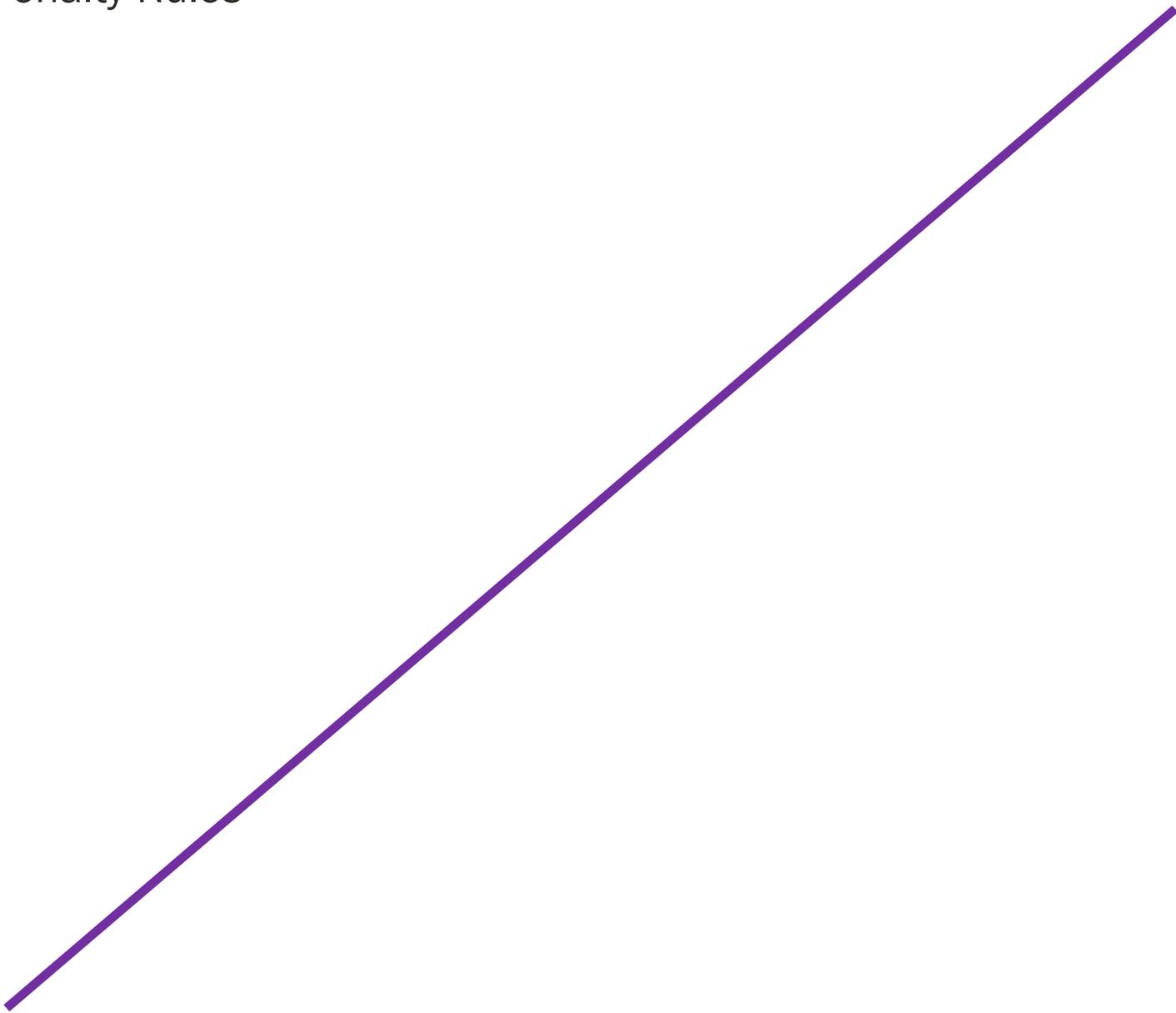


2026
Module Four
Penalty Rules



Module FOUR: PENALTIES RULES

Clause

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MODULE FOUR: PENALTIES RULES

1. INTRODUCTION, SCOPE AND INTERPRETATION

- (a) The provisions of these Rules apply to Members and Issuers in relation to the violations specified below, without prejudice to Applicable Law, including the decisions of the Authority, and with due regard to the powers of the Market .
- (b) These Penalties Rules set out the penalties that can be applied by the Market in relation to its Rules.
- (c) The Market may impose financial penalties in the cases permitted under Applicable Law, including those set out in Article 6 of these Rules, provided that no penalty exceeds one hundred thousand (100,000) AED.
- (d) The terms used in these Penalty Rules have the meanings given to them in the Glossary Rules.

2. VIOLATIONS AND SANCTIONS

- (a) If an Issuer, Member, or other person violates the Rules or Procedures of the Market, the Market may take one or more of the following actions:
 - (i) issuing a warning notice; and
 - (ii) freezing the username given to the Member in the trading system; and
 - (iii) dispose or liquidate part or all of the bank guarantee deposited with the Market in accordance with its requirements, for the purpose of settling any of the financial obligations or dues owed by the Member or any other person who has obtained the approval of the Market; and
 - (iv) obligate a Member or other person to take certain actions, including closing or settling transactions at the time specified by the Market, where applicable; and
 - (v) pursuant to Articles 3 and 4, suspension or termination of:
 - (A) membership of a Member in the Market; and
 - (B) any other approval given to the Member or other person under the Market Rules; and
 - (vi) refer the actual or suspected violators to the Authority to investigate the violation and decide the appropriate penalty.

3. SUSPENSION

- (a) In coordination with the Authority, the Market shall be entitled to suspend a the membership of a Member licensed by the Authority in any of the following circumstances:
 - (i) any breach of the Market's Rules; or
 - (ii) any potential breach of the Market's Rules where such breach, if proven, could have a material or adverse effect on the Market; or
 - (iii) an Event of Default. or any gross error or fraud
- (b) Subject to paragraph (a), the Market shall be entitled to suspend the membership of a Member or an approval in any of the following circumstances:

- (i) any breach of the Market's Rules; or
 - (ii) any potential breach of the Market's Rules where such breach, if proven, could have a material adverse effect on the Market; or
 - (iii) an Event of Default or any gross error or fraud; or
 - (iv) the inability to set right the matters that led to the suspension to the Market's satisfaction.
- (c) A suspension shall be for a fixed period as determined by the Market in its sole discretion.
 - (d) A suspension shall remain in force for any period notified to the Member or other person. The Market may determine that the suspension is to be extended or membership or other approval is to be terminated.
 - (e) In respect of paragraphs (a) and (b) of this Rule, the Market may issue a warning notice, containing such conditions as it deems appropriate.
 - (f) The Market shall immediately inform the Authority upon suspension of a member's membership or any approval.

4. TERMINATION

- (a) In coordination with the Authority, the Market shall be entitled to terminate the membership of a Member that is an SCA Licensed Broker in any of the following circumstances:
 - (i) any breach of the Market's Rules; or
 - (ii) an Event of Default or any gross error or fraud; or
 - (iii) dissolution; or
 - (iv) the Member ceasing to carry on transacting business in Securities for a period of six (6) months or more.
- (b) Subject to paragraph (a), the Market shall be entitled to terminate the membership of a Member or an approval in any of the following circumstances:
 - (i) any breach of the Market's Rules; or
 - (ii) an Event of Default any gross error or fraud ; or
 - (iii) dissolution; or
 - (iv) ceasing to carry on transacting business in Securities for a period of six (6) months or more; or
 - (v) the inability to set right the matters that led to the suspension, to the Market's satisfaction.
- (c) The Market shall immediately inform the Authority upon suspension of a member's membership or any approval.

5. GENERAL PROVISIONS

- (a) The Market shall inform the Authority of any violation that comes to its attention and constitutes a violation of the Authority's decisions.

- (b) The Market, before issuing a penalty, shall notify the violator to submit his opinion on the violation within (4) four working days from the date on which the Market notified him.
- (c) The Market may, in the cases it determines, not comply with the penalty specified in the table contained within Article 6 of these Rules in light of the repetition or severity of the violation, the extent of its impact on the Market, the extent of bad faith in committing it and the result obtained from it.
- (d) The Market shall submit periodic reports to the Authority regarding the decisions issued by the Market to impose penalties.
- (e) Those concerned may appeal against the decisions issued by the market, within the period and by the mechanism specified by the market.

6. VIOLATIONS AND SANCTIONS

- (a) The Market may impose on Members and Issuers the following financial penalties.
- (b) Subject to Article 5(c), the Market may impose the following sanctions:

| S. | The violator | Description of Violation | First Sanction | Second Sanction | Third Sanction |
|----|---|---|----------------------|-----------------|-----------------|
| 1. | Members (not licensed by the Authority) | Refraining from executing orders for Clients without reason or justification | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 2. | Members (not licensed by the Authority) | Non-compliance with the professional due diligence such as discriminating between Clients and not executing their orders on a first received first served basis. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 3. | Members | Allowing any person who is not licensed or registered to use the electronic trading system or the electronic clearing system | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 4. | Members | 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 information or reports. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |

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| 5. | Members | Failure to notify the Market of any material change affecting the Member, its operations, business, reputation, financial position, solvency or its ability to meet its obligations towards the Market, its Clients, including any lawsuit, attachment, pledge, ruling or regulatory proceeding. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 6. | Members | Member trading on his own account without market approval. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 7. | Members (not licensed by the Authority) | Failing to abide by the ethics of the profession towards the Market's representatives, investors or other related party, harming the reputation of the Market, its members or traders, or spreading rumors about it. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 8. | Members | Allowing unauthorized persons to enter the trading room without permission from the Market controller, for offices located within the market trading floor. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 9. | Members | Adding software, hardware or devices to the company's office in the trading floor without approval or permission from the Market management. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 10. | Members (not licensed by the Authority) | Disclosure of Client names or giving any data or information on their Orders (failure to maintain confidentiality of information) | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 11. | Members | Entering repeated orders for the same investor at the same price. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 12. | Members | The Member's failure to notify the Market of its use of the DFM trading system | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 13. | Members | The member's breach of the membership | Warning notification | Fine 10,000 AED | Fine 20,000 AED |

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| | | agreement and other pledges and agreements concluded between the member, the market and its agents. | | | |
| 14. | Members | The member's failure to comply with effective information technology regulations and controls in accordance with the technical specifications and standards set by the market for its licensed activities. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 15. | Members (not licensed by the Authority) | The member's failure to provide a qualified and sufficient administrative and technical staff to carry out the licensed activities. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 16. | Members (not licensed by the Authority) | The member's failure to maintain data, information, financial statements, forms, books, records, customer complaints, instructions, reports, and files related to his activities in the market for a period of ten (10) years, whether written, recorded on the telephone, or received by any other electronic means. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 17. | Members (not licensed by the Authority) | The member's failure to provide the necessary notifications, data and reports to each of its clients regarding licensed activities within the time frames specified for each activity. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 18. | Members (not licensed by the Authority) | The Member's failure to notify the Market of its use of the DFM trading system | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 19. | Members | The Member's entry of cross orders for the same investor (corporate institutional) in the trading system without obtaining approval of the market. | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 20. | Members | Non-compliance with separate trading process | Warning notification | Fine 10,000 AED | Fine 20,000 AED |

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| | | 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. | | | |
| 21. | Members | Failure by a Market Maker or Liquidity Provider to enter buy or sell Orders that are capable of being executed in the Securities for which it is responsible, in accordance with the terms and conditions in the Rules and Procedures of the Market and the Market Maker agreement or Liquidity Provider agreement | Warning notification | Fine 10,000 AED | Fine 20,000 AED |
| 22. | Local Company | Failure to submit the annual preliminary financial reports within the specified deadlines (45 days from the end of the financial period) | Fine 5,000 AED + trading suspension | Fine 5,000 AED + trading suspension | Fine 5,000 AED + trading suspension |
| 23. | Foreign Company | Failure to submit the annual preliminary financial reports within the specified deadlines (45 days from the end of the financial period) | Fine 5,000 AED | Fine 5,000 AED | Fine 5,000 AED |
| 24. | Local Company Foreign Company Free Zone Company | Failure to submit quarterly and annual financial reports within the specified deadlines (45 days for quarterly reports and 90 days for annual reports) | Fine 10,000 AED + trading suspension | Fine 10,000 AED + trading suspension | Fine 10,000 AED + trading suspension |
| 25. | Cooperative Association | Failure to submit semi-annual and annual financial reports within the specified deadlines (45 days for semi-annual reports and 120 days for annual reports) | Fine 10,000 AED + trading suspension | Fine 10,000 AED + trading suspension | Fine 10,000 AED + trading suspension |
| 26. | Private Company | Failure to submit semi-annual and annual financial reports within the specified deadlines (45 days for semi-annual | Fine 10,000 AED + trading suspension | Fine 10,000 AED + trading suspension | Fine 10,000 AED + trading suspension |

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| | | reports and 90 days for annual reports) | | | |
| 27. | Local Company Foreign Company Free Zone Company Cooperative Association Private Company | Providing the market with information and reports that are incorrect or misleading and do not comply with applicable legislation | Fine 10,000 AED | Fine 10,000 AED | Fine 10,000 AED |
| 28. | Local Company Foreign Company Free Zone Company Cooperative Association Private Company | Failure to appoint one of its employees as an official responsible for using the disclosure system in the Market | Fine 10,000 AED | Fine 10,000 AED | Fine 10,000 AED |
| 29. | Local Company Foreign Company Free Zone Company Cooperative Association Private Company | Failure to update the list of insiders promptly as per market requirements | Warning notification | Fine 10,000 AED | Fine 10,000 AED |
| 30. | Local Company Foreign Company Free Zone Company Cooperative Association Private Company | Allowing an unauthorized person from the market to use the disclosure system | Fine 10,000 AED | Fine 10,000 AED | Fine 10,000 AED |
| 31. | Local Company Foreign Company Free Zone Company Cooperative Association Private Company | Failure to disclose Inside Information (material information) in accordance with market rules that affects the share price | Fine 10,000 AED | Fine 10,000 AED | Fine 10,000 AED |
| 32. | Local Company Foreign Company Free Zone Company Cooperative Association Private Company | Violation of market rules and regulations related to share buybacks | Fine 10,000 AED | Fine 10,000 AED | Fine 10,000 AED |
| 33. | Local Company Foreign Company Free Zone Company Cooperative Association Private Company | Failure to provide the market with the information or documents required regarding its disclosures or any additional requirements related to the company based on the market's request. | Fine 10,000 AED | Fine 10,000 AED | Fine 10,000 AED |