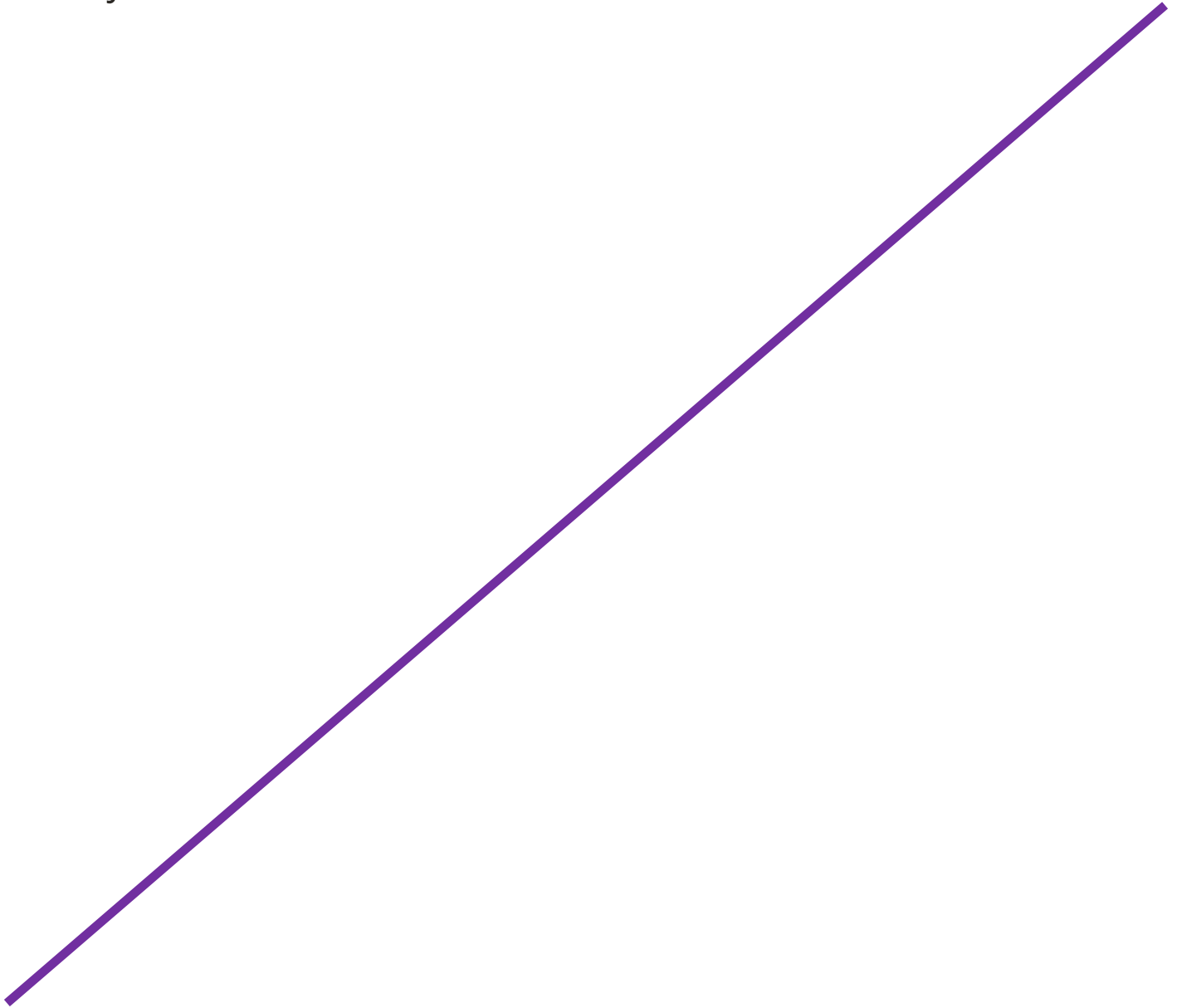


2022
Module Four
Penalty Rules



Module FOUR: PENALTIES RULES

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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 the following financial penalties.
- (b) Subject to Article 5(c), the Market may impose the following sanctions:

S.	Description of Violation	First Sanction	Second Sanction
1.	Refraining from executing orders for Clients without reason or justification, in accordance with the Market's Rules and Procedures. Requiring a minimum amount for opening a relevant account), in contravention of the Market's Rules and Procedures	Warning notification	Fine from 5,000 to 20,000 AED.
2.	Non-compliance with the professional due diligence expected of a highly experienced specialist, non-observance of principles of integrity and trust and avoidance of any conflict of interest while conducting the activity, prioritizing personal interests or the interests of third parties over the interests of Clients, or discriminating between Clients and not executing their orders on a first received first served basis, in accordance with the Market's Rules and Procedures	Warning notification	1. Imposition of a fine, without exceeding the maximum limits of the Market's powers. 2. Referring the violation to the Authority for imposition of a fine or other penalty. 3. Suspension or cancellation of the license or approval issued by the Market, according to the severity of the violation
3.	Entering any Order for any Security onto the electronic trading system of the Market, if, in the event of its execution, it violates the Articles of Association of an Issuer or violates any of the Market's Rules or Procedures	5,000 AED fine.	15,000 AED fine.

4.	Not notifying the Market of any material changes in the data, information and documents provided, in accordance with the Market's Rules and Procedures.	Warning notification	<ol style="list-style-type: none"> 1. Referring the violation to the Authority for imposition of a fine or other penalty. 2. Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation. 3. Fine from 5,000 to 20,000 AED.
5.	Non-existence of employees in the relevant company's offices within the DFM trading floor, in accordance with the Market's Rules and Procedures.	Warning notification	5,000 to 20,000 AED fine.
		Warning notification	<ol style="list-style-type: none"> 1. Referring the violation to the Authority for imposition of a fine or other penalty. 2. Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
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 usernames by unauthorized persons, in contravention of the Market's Rules and Procedures.	Warning notification	<ol style="list-style-type: none"> 1. Referring the violation to the Authority for imposition of a fine or other penalty. 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, in contravention of the Market's Rules and Procedures.	Warning notification	<ol style="list-style-type: none"> 1. Referring the violation to the Authority for imposition of a fine or other penalty. 2. Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
		Fine from 10,000 to 50,000 AED.	Fine from 50,000 to 100,000 AED.

8.	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, the CCP or its Clients, including any lawsuit, attachment, pledge, ruling or regulatory proceeding.	Warning notification	1. Referring the violation to the Authority for imposition of a fine or other penalty. 2. Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
		Fine from 10,000 to 50,000 AED.	Fine from 50,000 to 100,000 AED.
9.	A person undertaking Proprietary Trading without approval of the Market or in a way that contravenes the Market's Rules and Procedures	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. 4. Suspension of the company for no more than one week.
10.	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, in contravention of the Market's Rules and Procedures.	Warning notification	1. Referring the violation to the Authority for imposition of a fine or other penalty. 2. Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
		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 offices located within the market trading floor, in contravention of the Market's Rules and Procedures.	Warning notification	1 - Fine from 5,000 to 20,000 AED Authority
12.	Adding software, hardware or devices to the company's office in the trading floor without approval or permission from the Market management, in	Warning notification	Fine from 5,000 to 20,000 AED/

	contravention of the Market's Rules and Procedures		
13.	Disclosure of Client names or giving any data or information on their Orders (failure to maintain confidentiality of information) concerning the activities or services approved by the Market, in contravention of the Market's Rules and Procedures.	Warning notification	1. Referring the violation to the Authority for imposition of a fine or other penalty. 2. Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
		100,000 AED fine.	Suspension of trading.
14.	Entering repeated orders for the same investor at the same price, in contravention of the Market's Rules and Procedures.	Warning notification	Suspension from conducting the activities, cancellation of the approval issued by the Market or referring to the Authority, according to the severity of the violation.
		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 in accordance with the Market's Rules and Procedures	Warning notification	1. Referring the violation to the Authority for imposition of a fine or other penalty. 2. Suspension or cancellation of license or approval issued by the Market, according to the severity of the violation.
16.	The Member's failure to notify the Market of its use of the DFM trading system Non-compliance with the provisions of the Market's Rules and Procedures on Electronic Trading.	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. 4. Suspension of the company for no more than one week.
17.	Non-compliance with the conditions imposed by the Market for using the online trading mechanism in accordance with the Market's Rules and Procedures.	5,000 AED fine.	10,000 AED fine.
18.	Non-application and activation of the Order Management System in	1,000 AED fine.	5,000 AED fine.

	accordance with the Market's Rules and Procedures.		
19.	The Member's failure to notify the Market of its use of the DFM trading system in accordance with the Market's Rules and Procedures.	Warning notification	Fine from 5,000 to 20,000 AED.
20.	The Member's entry of cross orders for the same investor (corporate institutional) in the trading system without obtaining approval of the market in accordance with Market's Rules and Procedures.	Warning notification	Fine from 5,000 to 20,000 AED
21.	Non-compliance with 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, in accordance with the Market's Rules and Procedures.	Warning notification	Fine from 5,000 to 20,000 AED.
22.	Non-compliance with the provisions of the Market's Rules and Procedures on Market Making activity.	Warning notification	1. Referring the violation to the Authority for imposition of a fine or other penalty. 2. Suspension or cancellation of approval issued by the Market, according to the severity of the violation.
23.	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	1. Referring the violation to the Authority for imposition of a fine or other penalty. 2. Suspension or cancellation of approval issued by the Market, according to the severity of the violation.
24.	Non-compliance with the provisions of the Market's Rules and Procedures on Allocation Accounts.	Warning notification	1. Fine from 5,000 to 20,000 AED. 2. Suspension or cancellation of the approval issued to the Member.
25.	Non-compliance with the provisions of the Market's Rules and Procedures on Regulated Short Selling.	Warning notification	1. Fine from 5,000 to 20,000 AED. 2. Suspension or cancellation of the approval issued to the Member.
26.	Failure by a Member to deliver the RSS Eligible Securities on the settlement day.	Warning notification (or immediately a sanction specified within these Penalty Rules)	1. AED 1,000 or 0.01% of the RSS trade value, whichever is the higher, if the settlement is made on the Business Day following the intended settlement day (i.e. T+3); and 2. AED 3,000 or 0.05% of the RSS trade value, whichever is the higher, if the settlement is made after two (2) Business Days following the intended settlement day (i.e. T+4); and

			3. AED 5,000 or 0.1% of the RSS trade value, whichever is the higher, if the settlement has still failed after two (2) Business Days from the intended settlement date and the settlement is made through cash compensation of the buyer. This fine shall be paid in addition to the buyer cash compensation.
27.	Non-compliance with the provisions of the Market's Rules and Procedures on Direct Market Access (DMA).	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. 4. Suspension of the company for no more than one week.
28.	Non-compliance with the provisions of the Market's Rules and Procedures on Margin Trading.	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. 4. Suspension of the company for no more than one week.
29.	Failure to comply with the Market's Rules regarding Short Term Margin Trading.	Warning notification	Penalty from 5,000 to 20,000 AED. Suspension or cancellation of the approval issued by the market to the Member.
30.	Non-compliance with the provisions of the Market's Rules and Procedures on Regulated Derivatives.	Warning notification	<ol style="list-style-type: none"> 1. Fine from 5000 to 20000 AED. Cancellation of the approval issued by the Market to the company as Derivatives Member. 2. Referring the violator to Authority for imposition of a fine or other penalty. 3. Suspension or cancellation of the approval issued by the Market to the Market Maker as Derivatives Member.
31.	Refusal or delay in submitting the Information Security Report (Vulnerabilities Assessment Report) within the allocated time frame in accordance with the Market's Rules and Procedures.	Warning notification	Penalty from 5,000 to 20,000 AED.
32.	Non-compliance with the provisions of the Market's Rules and Procedures on Liquidity Provider activity.	Warning notification	<ol style="list-style-type: none"> 1. Liquidating or using all or part of the guarantee lodged by the Liquidity Provider 2. Suspension or cancellation of approval issued by the Market, according to the severity of the violation.