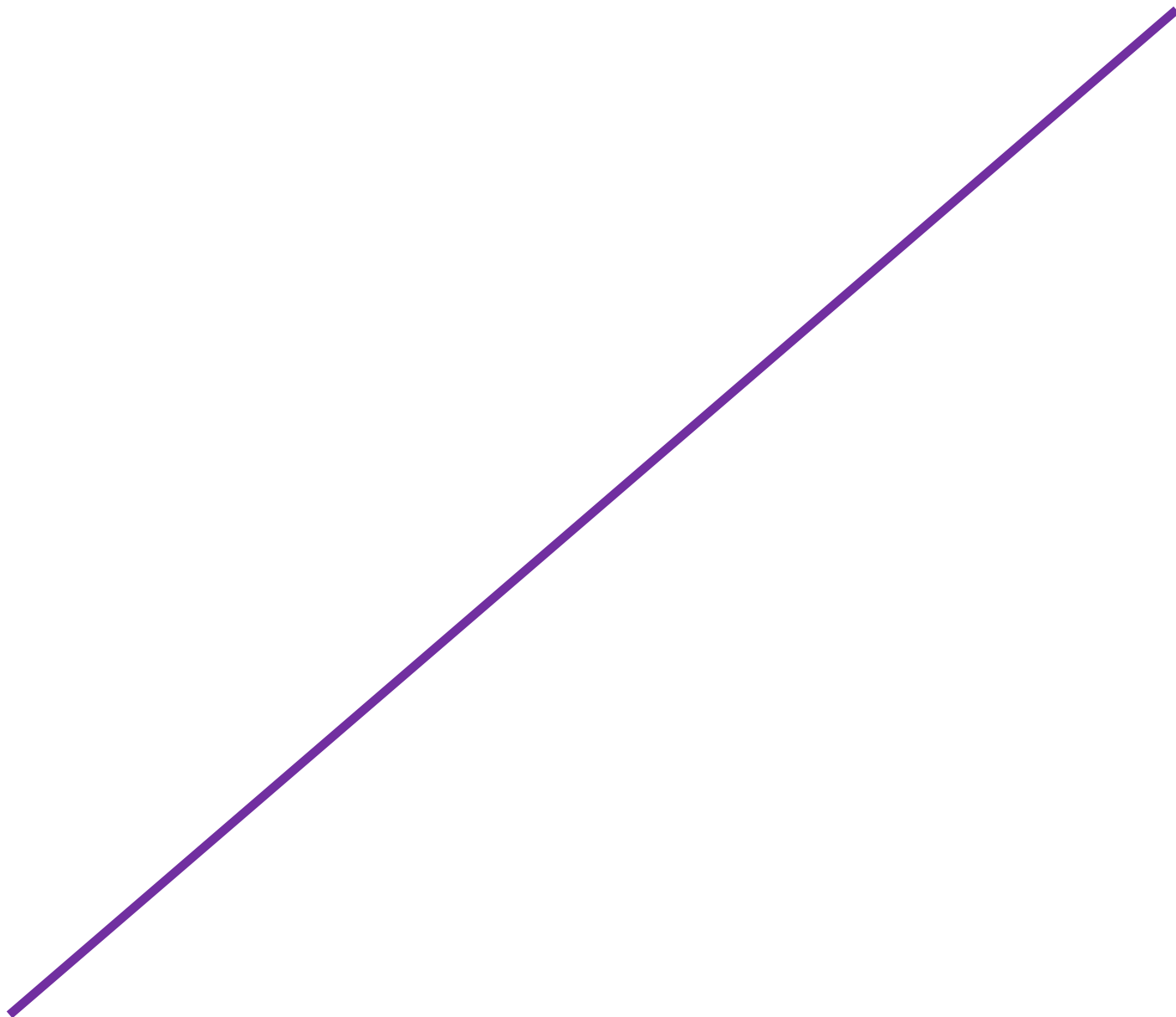


2024

Module Three

**Membership, Trading,
And Derivatives Rules**



Module Three: MEMBERSHIP, TRADING AND DERIVATIVES RULES

Clause

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1. PRELIMINARY

1.1 Introduction

- (a) This Module contains the Market's rules on:
 - (i) Members and the main activities that they may carry out on the Market; and
 - (ii) the Market's criteria and process for admitting persons as Members (including Foreign Members), as well as for carrying out other activities on the Market; and
 - (iii) the continuing obligations of Members; and
 - (iv) specific provisions on:
 - (A) Direct Market Access; and
 - (B) Electronic Trading; and
 - (C) Proprietary Trading; and
 - (D) Market Making; and
 - (E) Liquidity Provider activity; and
 - (F) Regulated Short Selling; and
 - (G) Allocation Accounts provision; and
 - (H) Omnibus Accounts; and
 - (I) Margin Trading; and
 - (J) Short Term Margin Trading; and
 - (K) Price Stabilisation; and
 - (L) Authorised Investment Fund Participant activity; and
 - (M) Derivatives Membership and Trading; and
 - (v) the Market's general trading rules for Members; and
 - (vi) any other subject deemed relevant by the Market.
- (b) Failure to comply with any of these Rules will amount to a contravention, in respect of which remedial action may be taken and penalties may be imposed, at the Market's discretion and in accordance with the Market's General Rules.

1.2 Interpretation

Terms used in these Rules have the meanings specified in the Glossary Rules approved by the Market.

2. GENERAL PROVISIONS

2.1 Transfer of membership

A Member may not transfer its membership of the Market without first obtaining the prior written consent of the Market.

2.2 Liability of Members

A Member shall be responsible and liable to the Market in all of its activities with the Market (including when trading, clearing and settling on behalf of a Client).

2.3 Liability of Market

- (a) Subject to Rule 2.3(d), the Market shall have no obligation or liability to any Member or any of its Clients, including without limitation in the event of:
 - (i) any loss or damage (including consequential loss or damage) which may be suffered or incurred or which may arise directly or indirectly in respect of the Market's activities unless it was caused by the Market's error, fraud, gross negligence or omission; and
 - (ii) a Member's or other person's use or inability to use the Market's systems, technology or the Market facilities, including the Trading System and any electronic facilities (including any mobile or other device-based application or website); and
 - (iii) any loss or damage in respect of:
 - (A) the result of trading on the Market, or the suspension, interruption, cancellation or closure of trading on such Market; or
 - (B) any inoperability or malfunction of equipment, software or any other product supplied to a Member, or in respect of its installation, maintenance or removal; or
 - (C) the exercise by the Market of a decision making power; or
 - (D) the Market accepting a Member's resignation or the Market's decision to suspend or terminate a Member; or
 - (E) any breach by the Member of its obligations under these Rules.
- (b) The Market makes no warranty, express or implied, and shall have no liability to any person unless it was caused by the Market's error, fraud, gross negligence or omission in respect of, or in connection with, any of the following:
 - (i) the correctness, accuracy, timeliness or completeness of Market data or information; and
 - (ii) results obtained from the use of any Market data, information or indices in respect of any Security, product or instrument or index-linked or index-related products, whether in the form of contracts or options; and
 - (iii) the merchantability and fitness for a particular purpose of, or use of, Market data, information or indices; and
 - (iv) any direct, special, indirect or consequential damages (including loss of profits), even when notified of the possibility of such damages; and

- (v) any instruments or products referencing Market data, information or indices, whether in the form of contracts or options.
- (c) The Market may require a Member to pay the Market's costs of producing (pursuant to court order, regulatory request or any other legal process) records relating to the business or affairs of a Member, any of its board of directors, Senior Management, officers, partners, Trading Manager, Operation Manager, Representatives, employees or staff.
- (d) Without prejudice to any immunity or defence available to the following persons by statute or in law, none of the following persons is liable for, on account of or in respect of anything done or omitted to be done, any statement made or omitted to be made by such persons or on behalf of such persons in good faith in connection with the discharge or performance or purported discharge or performance of any function or duty, or the exercise or intended exercise of any power under these Rules or any Applicable Law or in respect of any decision made or enforcement action taken or notice of publication in relation to such enforcement action, unless it was caused by error, fraud, negligence or omission of:
 - (i) the Market or the Market's holding company; and
 - (ii) any person acting on behalf of the Market or the Market's holding company, including:
 - (A) any member of the board of the Market or Market holding company or any member of any committee or sub-committee of the Market or the Market's holding company;
 - (B) any officer of the Market or the Market's holding company; or
 - (C) any agent of, or any person acting under the direction of the Market or the Market's holding company.

2.4 Waiver

Any exemption granted by the Market to any person in relation to the requirements of the Market Rules shall be limited to the state case and period for which the exemption is granted. Any omission or delay in exercising any Market rights or powers shall not constitute a waiver thereof.

3. MEMBERSHIP OF THE MARKET

3.1 Requirements for all Members

- (a) An Applicant shall, prior to being admitted as a Member, satisfy the Market that:
 - (i) it holds one of the following appropriate licences:
 - (A) the Applicant has a valid SCA License covering the scope of activities under each category of membership sought; or
 - (B) the Applicant meets the recognition criteria for Foreign Members provided for in Rule 3.2; and
 - (ii) the Constitutional Documents of the Applicant do not prohibit it from conducting the activities as Member for which it is seeking membership on the Market;
 - (iii) it has the professional and organisational capabilities that are appropriate to allow it to discharge its obligations under each category of membership for which admission is sought; and

- (iv) it has in place policies, procedures, systems and controls to ensure that it will comply, on a continuous basis and in respect of each category of membership sought, with all requirements imposed pursuant to these Rules, including but not limited to those for the prevention of money laundering and the prevention of terrorist financing; and
 - (v) it has the technical capacity to be connected to the Market's systems and shall, if required, make such modifications to its technical systems as may be required by the Market; and
 - (vi) it will, either directly itself or indirectly through a General Clearing Member, meet all applicable clearing and settlement obligations that it will have for each category of membership under these Rules.
- (b) An Applicant intending to be a Trading Member only shall have appointed a General Clearing Member to clear Transactions for it and ensure that they are settled by way of an agreement including the rights and obligations of each party.
- (c) An Applicant intending to be a Clearing Member shall satisfy the Market that it is or will be able to:
- (i) meet all requirements for becoming a Clearing Member under the rules of the CCP; and
 - (ii) satisfy all obligations to which it will be subject under the rules of the CCP, notifying the Market which category of Clearing Member it will fall under for the purposes of those rules.
- (d) The Market may liquidate a guarantee provided by a Member to ensure its compliance with its obligations towards the Market, in accordance with the Market's related Procedures.

3.2 Recognition criteria for Foreign Members

- (a) The recognition criteria for a Foreign Member to be eligible to be admitted as a Member are that:
- (i) it is licensed or authorised to trade on or use the facilities of an exchange, or alternative trading system in a state or financial free zone acceptable to the Market; and
 - (ii) it is regulated in respect of the trading on the Market by an Equivalent Regulatory Authority and is in compliance with all Applicable Law (and has not breached such Applicable Law), including the rules of that Equivalent Regulatory Authority; and
 - (iii) when conducting its proposed scope of activity on the Market, it does not exceed the scope of the activities it is licensed to carry on by the Equivalent Regulatory Authority; and
 - (iv) when trading on the Market, it does so only for:
 - (A) Clients not in the State; or
 - (B) Clients in the State:
 - I. that are Professional Clients; or
 - II. for whom it deals as a result of a 'reverse solicitation' (i.e. upon the initiative of an investor inside the State to open an account with a Member, without that being based on the solicitation of a Member, provided that the Member can evidence this) for execution-only services; and

- (v) its principal place of business is outside of the State (or in a financial free zone in the State).
- (b) A brokerage firm or member of a Recognised Local and Free Zone Exchange shall be deemed to have satisfied the criteria set out in paragraph (a)(i) and (ii).

3.3 Membership application process

- (a) An Applicant that wishes to be admitted as a Member shall submit an application to the Market using the prescribed form issued by the Market, including the following information and documentation where applicable:
 - (i) copies of the Applicant's Constitutional Documents; and
 - (ii) a copy of the Applicant's commercial registration certificate or commercial licence, and
 - (iii) a copy of its SCA License or equivalent license issued by an Equivalent Regulatory Authority to engage in the proposed activities on the Market (along with a statement issued by such Equivalent Regulatory Authority stating that it has no objection to the Applicant engaging in the regulated activities in the Market); and
 - (iv) a description of the Applicant's business profile, its regulated activities in the Market, along with a statement of each category of membership sought; and
 - (v) details of the personnel and technical resources that the Applicant will allocate to its activities as a Member; and
 - (vi) details of the Applicant's internal policies and procedures which will apply in relation to trading and, where relevant, clearing and settling of trades executed on the Market, including in relation to risk management; and
 - (vii) details of all other relevant Foreign Markets and professional associations of which the Applicant is a member or equivalent; and
 - (viii) details of the Applicant's governance, corporate structure and a list of the Applicant's Board of Directors and Senior Management; and
 - (ix) copies of the policies, procedures, systems and controls provided for by Rule 3.1(a)(iv); and
 - (x) documentation including the undertakings required by the Market; and
 - (xi) documentation evidencing that it has satisfied the additional requirements stated in:
 - (A) Rule 3.1(b) (in the case of a Trading Member), including a copy of the agreement entered into with the appointed General Clearing Member; or
 - (B) Rule 3.1(c) (in the case of a Clearing Member); and
 - (xii) in the case of an Applicant that wishes to be admitted as a Foreign Member, a copy of the contract between it and the CCP.

- (b) An application for admission as a Member to be a Member shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.
- (c) The Market may impose different requirements in different cases and may vary or waive requirements in particular cases.
- (d) The application shall be signed by the chairman (or equivalent officeholder) of the Applicant or a member of its Senior Management authorised by such officeholder of the Applicant.

3.4 Liability for application

- (a) The board of directors or equivalent body of the Applicant shall be liable for the accuracy of the information included in and attached to the application, as well as related documentation submitted to the Market.
- (b) The Market's review shall not be deemed an acknowledgement that the contents of the application and the related documentation are accurate.

3.5 Assessment of the application

- (a) The Market shall acknowledge receipt of the application promptly upon receiving an application. The Market shall notify the Applicant as to its determination on whether the application is deemed complete or incomplete as soon as reasonably practicable.
- (b) The Market shall determine whether to approve or refuse the application in principle within thirty (30) Business Days of receiving an application that it has deemed complete.
- (c) The Market may at any time during its assessment period request that the Applicant provide any additional information or documents necessary to complete the approval process. Where the Market has requested additional information or documents, the assessment period provided for in paragraph (b) of this Rule shall be interrupted until such time as the Market receives to its satisfaction the requested information and documentation.
- (d) In assessing an application, the Market or its agents may:
 - (i) carry out any enquiries which it considers appropriate including enquiries independent of the Applicant; and
 - (ii) require any information submitted by the Applicant to be verified in such manner as the Market may specify; and
 - (iii) inspect the premises or operational systems of the Applicant, including for the purposes of ensuring the Applicant's technical capacity and systems to ensure that it is capable of connecting with the Market's systems; and
 - (iv) take into account any information which the Market considers appropriate in relation to the Applicant.
- (e) An approval in principle by the Market for admission as a Member is not considered final until such time that the requirements of Rule 3.6 are satisfied.

3.6 Final approval

- (a) An Applicant shall not be admitted as a Member unless:

- (i) it has obtained an approval from the Market to be a Member and such approval is final; and
 - (ii) such approval remains valid and has been renewed when required.
- (b) In the case of an Applicant that meets the recognition criteria for Foreign Members provided for in Rule 3.2, an approval by the Market to be a Member shall be considered final for the purposes of Rule 3.6(a)(i) when:
- (i) the Market has notified the Applicant that the approval is final; and
 - (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).
- (c) In the case of an Applicant that holds a SCA License that is approved by the Market, the approval by the Market to admit the Applicant as a Member shall be considered final on the date notified by the Market to the Applicant.

3.7 Commencement of activities

- (a) Following admission as a Member on the date specified by the Market in its notification of final approval, and subject to the continuing satisfaction of the requirements of this Part 3, the Member shall be entitled to conduct business in respect of each category of membership for which it has been admitted.
- (b) No person may carry out any activity for which admission as a Member is required under these Rules before it has been admitted as a Member.
- (c) If a Member has not commenced business in respect of the relevant category within six (6) months of receiving final approval, the Market may, in coordination with the Authority, suspend or revoke the Member's admission without notice.

3.8 Continuing obligations

- (a) A Member shall at all times:
 - (i) comply with every provision of its Membership Agreement and every other undertaking and agreement entered into between the Member and the Market and its agents; and
 - (ii) ensure that it continues to satisfy the requirements of Rule 3.1(a) and otherwise to comply with these Rules; and
 - (iii) hold the appropriate and valid regulatory licences and authorisations and comply with all applicable obligations attaching to that regulatory licence or authorisation; and
 - (iv) comply with operational, procedural and technical requirements of the Market's systems and networks, as specified by the Market from time to time; and
 - (v) maintain sufficient personnel with adequate knowledge, experience, training and competence to ensure the Member's compliance with these Rules and the decisions of the Authority (or the rules of an Equivalent Regulatory Authority, in the case of a Foreign Member); and
 - (vi) maintain adequate procedures and controls in relation to its membership of the Market, including a business continuity plan; and

- (vii) pay fees, commissions and fines due to the Market on their due dates; and
 - (viii) observe high ethical standards and act with honesty, integrity, fairness, due skill and care; and
 - (ix) comply with the provisions of all Applicable Law, including in relation to anti-money laundering, counter-terrorist financing and data protection requirements; and
 - (x) refrain from engaging in any market misconduct and any act or course of conduct which is likely to harm the reputation of the Market.
- (b) In addition to Rule 3.8(a), a Trading Member shall at all times in respect of each category of membership for which it is a Trading Member, in each case to the extent satisfactory to the Market:
- (i) maintain systems for the execution, recording and reporting of Transactions; and
 - (ii) maintain systems or arrangements for clearing and settlement.
- (c) In addition to Rule 3.8(a), a Clearing Member shall at all times in respect of each category of membership for which it is a Clearing Member:
- (i) maintain satisfactory systems for the execution, recording, reporting, clearing and settlement of Transactions and Settlement Transactions; and
 - (ii) at all times comply with the rules, policies and procedures issued by the CCP.

3.9 Member conduct

A Member must not engage in:

- (a) any action or any course of conduct that is aimed at artificially moving the price or value of any Security, Derivative or the level of any index of which a Security or Derivative is a component; or
- (b) any activity designed to create a false, misleading or artificial appearance of activity in any Security, Derivative or the level of any index of which a listed Security or Derivative is a component; or
- (c) the activity of entering into the Trading System artificial Orders or entering into or causing any artificial Transaction; or
- (d) submitting a fictitious Order or any other false data to the Market or inputting such data into the Market's systems; or
- (e) any action or any course of conduct that creates (or is a cause of) a false or misleading impression as to the market in, or price or value of, any Security, Derivative or the level of any index of which a Security or Derivative is a component; or
- (f) any action or any course of conduct that causes or contributes to a breach of any Applicable Law or regulation or Rule by any person, including without limitation any Applicable Law, regulation or Rule relating to market misconduct, financial crime, money laundering and terrorist financing; or
- (g) any action which would hinder or disrupt the fair and orderly functioning of the Market; or
- (h) any other action or any other course of conduct that may damage the integrity and the transparency of the Market; or

- (i) agreeing or acting in concert with, or providing any assistance to, any person (whether or not a Member) with a view to or in connection with any action or course of conduct referred to in this Rule.

3.10 Notifying the Market

- (a) A Member shall give the Market prior written notice of:
 - (i) a change of name or the name under which it does business; and
 - (ii) a change in the address of its principal place of business; and
 - (iii) a change in its legal, corporate or partnership structure; and
 - (iv) a change in the identity of any person that directly or indirectly has the ability to exercise control over 25 percent of the Applicant's shares or voting rights; and
 - (v) where the Member is a Trading Member, a change of its appointed General Clearing Member.
- (b) A Member must notify the Market of each of the following, providing all relevant details, immediately following the occurrence of the relevant event (unless an alternative timeframe is stipulated in the specific Rule):
 - (i) any Event of Default; and
 - (ii) any breach of these Rules or the decisions of the Authority or those of a relevant Equivalent Regulatory Authority committed by the Member or its staff, as well as any decision to suspend or revoke a licence by such authority; and
 - (iii) any material change in information submitted to the Market, including all information submitted pursuant to this Part 3; and
 - (iv) 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; and
 - (v) the appointment of or any change of trading manager, operation manager, Representative or other such authorised personnel under the decisions of the Authority or an Equivalent Regulatory Authority; and
 - (vi) any facts or circumstances that may affect the legal form or organisation of the Member or its trading or settlement activities including (without limitation) any consolidation, reorganisation, merger, change of control or similar event to which the Member is or will become a party, provided that it is relevant to the Member's membership of the Market; and
 - (vii) any material change to the Orders system used by the Member; and
 - (viii) the identity of any Client that fails to meet its obligations.
- (c) Following notification from a Member under Rule 3.10(a) or Rule 3.10(b):
 - (i) a Member shall make such additional information available to the Market as it may request; and

- (ii) the Market may take such action as it considers appropriate.

3.11 Representatives

- (a) Acting in accordance with the decisions of the Authority (or an Equivalent Regulatory Authority, where applicable), a Member shall appoint, in writing, an individual as its Representative, who shall be:
 - (i) fit and proper (as determined by the Market); and
 - (ii) a senior officer, director or partner of the Member or seconded to the Member from a company within the same Group as the Member (and the Member shall accept full responsibility for the person so seconded).
- (b) The Representative shall:
 - (i) represent the Member in all dealings with the Market, and shall have full power to bind the Member;
 - (ii) take all reasonable steps to ensure that the Member, including each member of the Member's Senior Management and its other staff, complies with these Rules; and
 - (iii) act in accordance with the decisions of the Authority (or an Equivalent Regulatory Authority, where applicable).
- (c) The Market may decline to recognise an individual as a Representative or terminate such recognition if it considers that the individual is not or is no longer fit and proper to act as the Representative.
- (d) Registration as the Representative of a Member is personal and may not be transferred, nor shall the Representative delegate all or any part of its obligations without the prior written consent of the Market (and the Authority, if applicable).

3.12 Trading Manager and Operation Manager

- (a) A Trading Clearing Member must appoint one or more individuals to act as:
 - (i) Trading Manager; and
 - (ii) Operation Manager.
- (b) A Trading Member that engages in Proprietary Trading must appoint an individual to act as Trading Manager.
- (c) The Market may require a Member to appoint additional Trading Managers or Operation Managers.
- (d) A relevant Member shall ensure that a Trading Manager is contactable during Trading Hours.
- (e) A relevant Member must register each Trading Manager and Operation Manager with the Market and must ensure that such manager is fit and proper to fulfil the role of Trading Manager and Operation Manager (as applicable, and in accordance with the Market's Procedures).
- (f) A Trading Manager and Operation Manager shall keep confidential the username and password for the Market's trading system, and shall be fully responsible not to allow any other employee of the Member to use the password or username.

- (g) Registration as a Trading Manager or Operation Manager is personal and may not be transferred, nor shall the Trading Manager or Operation Manager delegate all or any part of its obligations.
- (h) Trading Managers shall be responsible for selecting and supervising the trades of the Representative and must act in accordance with the decisions of the Authority (or an Equivalent Regulatory Authority, if applicable).
- (i) Trading Managers must ensure that the Traders are fit and proper and possess sufficient qualifications to conduct business on the Market.
- (j) Operation Managers shall carry out the duties assigned to them by the decisions of the Authority (or an Equivalent Regulatory Authority, if applicable).
- (k) If a Trading Manager or Operation Manager no longer complies with the requirements of paragraph (e) of this Rule or has acted in a manner that is or could be in the opinion of the Market detrimental to the interests of the Market or the Member (including a breach of these Rules) then the Market may, without appeal, decline to register an individual as a Trading Manager or Operation Manager or terminate such registration.
- (l) The obligations of a Trading Manager and an Operation Manager and all persons working at a Member are the obligations of the Member, so that a breach by those persons of this Rule or the Market's other Rules shall be considered a breach by the Member.

3.13 Maintenance of records

- (a) A Member shall maintain adequate accounting and other records to document all of its Transactions, the clearing and settlement of Transactions. The records shall contain at a minimum the information specified in the decisions of the Authority (or, if applicable, in the rules of an Equivalent Regulatory Authority).
- (b) Members are required to keep books and records to maintain the information and instructions of Clients, whether written, recorded on the phone or having been received in any other appropriate electronic means.
- (c) Each Member shall maintain the data, information, financial statements, forms, books, records, Client complaints, instructions, reports and filings relating to its activity on the Market for a period of ten (10) years (or, if applicable, in accordance with and for the period specified in the rules of an Equivalent Regulatory Authority).

3.14 Use of the Market's systems

- (a) No Member shall use the Market's Trading System without the Market's approval. In case of a Member experiencing unforeseen technical issues, it may apply for the approval of the Market to use the Market's Trading System. A Member must report any Order that it places using Market's Trading System to the Market and the Authority, in the manner instructed by the Market.
- (b) Each Member shall have responsibility for connecting its own trading system to the Market's systems in accordance with Applicable Law.
- (c) A Member shall not engage in conduct that is likely to impair the operation of the Market's systems. Such practices include, but are not limited to, submitting unwarranted or excessive electronic messages or requests to the Market's systems (provided that the use of an electronic trading engine shall not of itself be considered to give rise to excessive electronic messages).

3.15 Cooperation with the Market

- (a) In dealing with the Market or other Members, a Member shall act in an open and cooperative manner, be honest and truthful and not mislead or conceal any material matter.
- (b) A Member shall comply with the spirit as well as the letter of these Rules.

3.16 Additional reporting for Foreign Members

A Foreign Member shall provide the Market with the following reports:

- (a) an annual compliance report prepared by the Foreign Member's internal audit, showing the extent of the Foreign Member's compliance with these Rules and Applicable Law, as well as the effectiveness of its internal control systems; and
- (b) the periodic financial reports prepared in accordance with the rules of the relevant Equivalent Regulatory Authority (provided that, where a Foreign Member is conducting only brokerage activities on the Market, it is sufficient to provide an annual financial report, audited by the Foreign Member's external auditor and signed by its chairman (or equivalent officeholder) or a member of its Senior Management authorised by such officeholder of the Applicant); and
- (c) any other financial statements or reports that may be requested by the Authority or the Market, as soon as possible following such request.

3.17 Termination of Membership

- (a) A Trading Member and Trading Clearing Member may terminate its Membership of the Market and cease to be a Member by providing written notification of termination to the Market. The termination shall take effect on a date specified by the Market in a written notice given to the Member.
- (b) A General Clearing Member may terminate its Membership of the Market and cease to be a Member by providing written notification of termination to the Market. The termination shall take effect twelve (12) months from receipt of the notification unless the Market and the General Clearing Member agree an earlier date. A General Clearing Member shall also promptly submit to the Market a program setting out the manner and timing of the winding down or the transfer of the General Clearing Member's business.
- (c) A Member who has sent a termination notice in accordance with Rule 3.17(a) or (b) shall not enter into Transactions or Settlement Transactions with Settlement Dates later than the last day of such Member's Membership (or other day prescribed by the Market).

3.18 Termination of access to Market's trading system

- (a) The Market may suspend or terminate a Client's access to the trading system of the Market without notice where, in the Market's determination, the Client has:
 - (i) misused the Market's trading system or has interfered with fair and orderly markets; or
 - (ii) failed to comply with Applicable Law or these Rules; or
 - (iii) engaged in conduct that is detrimental to the interests of the Market.
- (b) A Member must terminate a Client's access to the Market's trading system immediately upon receiving notice from the Market to terminate the Client's access and the Member shall not reinstate that Client's access to the Market's trading system without the prior written approval of

the Market. A Member may also terminate such access in accordance with its agreement with the Client.

4. DIRECT MARKET ACCESS

4.1 Introduction

No person shall be permitted to provide DMA mechanism without obtaining the final approval of the Market in accordance with this Part 4.

4.2 Requirements

- (a) An Applicant shall, prior to being approved to provide DMA mechanism, satisfy the Market that:
 - (i) it is admitted as a Member (or satisfies the requirements of the Market to be admitted as a Member in accordance with section 3.1); and
 - (ii) it:
 - (A) has an SCA Broker license; or
 - (B) in the case of a Foreign Member, is (i) licensed by an Equivalent Regulatory Authority (and providing DMA mechanism on the Market does not exceed the scope of the activities it is licensed to carry on by the Equivalent Regulatory Authority); and (ii) when providing DMA mechanism, it does so only for:
 - I. Clients not in the State; or
 - II. Clients in the State: (i) that are Professional Clients; or (ii) upon initiation from the investor in the State to deal with the Member outside the State for execution-only services; and
 - (iii) it has in place effective IT systems and controls for the purposes of providing the DMA mechanism to the specification and standards established by the Market, including that it ensures the following:
 - (A) the information exchanged between a Client using DMA mechanism and the Member shall be archived and recorded via the Audit Trail Log showing the date, time, and place of issuance thereof (including IP address); and
 - (B) the retention of backup copies, for a period of (10) years, of all data and documents related to the provision of this service (or, if applicable, in accordance with and for the period specified in the rules of an Equivalent Regulatory Authority).
 - (C) the Client using the DMA mechanism shall be provided with the ability to make queries or extract reports relating to: (1) the order status (pending, partially executed, fully executed, order cancelled) at any time, showing the status time; (2) the position of its Securities portfolio and Cash Trading Account; and (3) statements of accounts and movements of balances thereof; and
 - (D) information and security protection systems, including protection systems to secure communications between the Member and each of (1) the Market and (2) the Client using the DMA mechanism, that are approved by the Market; and

- (iv) it has in place effective systems and controls which ensure a proper assessment and review of the suitability of Clients using the DMA mechanism; and
- (v) it has mechanisms to identify and distinguish orders placed by the Member from those orders placed through DMA mechanism; and
- (vi) it has the ability to access and modify Orders of, or trading by, Clients using DMA mechanism; and
- (vii) it properly monitors trading by Clients using the DMA mechanism and that appropriate risk controls are established to prevent trading that may create risks to the Member itself or that could create or contribute to a disorderly market or could be contrary to Applicable Law or these Rules; and
- (viii) its Clients using DMA Mechanism are prevented from exceeding appropriate pre-set trading and credit thresholds; and
- (ix) it has entered into a binding written agreement with its Clients using DMA mechanism regarding the essential rights and obligations arising from the provision of the DMA mechanism, which has been prepared in accordance with the Market's Procedures and any related requirements of the Authority (to the extent applicable), and under the agreement the Member retains responsibility under Applicable Law and these Rules.

4.3 Application

- (a) An Applicant that wishes to provide DMA mechanism shall submit an application to the Market using the prescribed form issued by the Market, including the following information and documentation (where applicable, in the Market's opinion):
 - (i) a copy of the Applicant's SCA Licence or authorisation by an Equivalent Regulatory Authority to provide services equivalent to those of an SCA licensee that provides direct-market-access services in its place of incorporation; and
 - (ii) information and documents demonstrating that the Applicant has in place effective systems and controls, to the required technical specifications of the Market, to provide DMA mechanism in accordance with these Rules and any other technical rules established by the Market; and
 - (iii) the form of the agreement to be entered into with Clients for the performance of DMA mechanism, referred to in Rule 4.2(a)(ix).
- (b) An application for approval to provide DMA mechanism shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.
- (c) The Market may impose different requirements in different cases and may vary or waive requirements in particular cases.
- (d) The application shall be signed by the chairman (or equivalent officeholder) of the Applicant or a member of its Senior Management authorised by such officeholder of the Applicant.

4.4 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

4.5 Final approval

- (a) A person shall not provide DMA mechanism unless:
 - (i) it has obtained an approval from the Market to provide DMA mechanism and such approval is final; and
 - (ii) such approval remains valid and has been renewed when required.
- (b) An approval by the Market to provide DMA mechanism shall be considered final for the purposes of Rule 4.5(a) when:
 - (i) the Market has notified the Applicant that the approval is final; and
 - (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).

4.6 Commencement of services

Following approval to provide DMA mechanism on the date specified by the Market in its notification of final approval, and subject to the continuing satisfaction of Rule 4.2, the Member shall be entitled to provide DMA mechanism.

4.7 Continuing obligations

- (a) In addition to any other continuing obligations as a Member, a Member that provides DMA mechanism shall:
 - (i) make available to the Market all information and documentation relating to the DMA mechanism, including details in respect of orders of, or trading by, Clients using DMA mechanism; and
 - (ii) maintain effective IT systems and controls for the purposes of providing the DMA mechanism to the specification and standards established by the Market, including by obtaining a user name specified by the Market for each Member engaging in this service (USERS MAPPING); and
 - (iii) by the end of June and December each year or any other date specified by the Market, undertake and make available the report in respect of an external audit of its technical systems used for the purposes of providing the DMA mechanism for compliance with these Rules and any other technical rules or Market Procedures; and
 - (iv) maintain effective systems and controls which ensure a proper assessment and review of the suitability of Clients using the DMA mechanism and that ensure the accuracy of the information submitted by its Clients using the DMA mechanism; and
 - (v) accept liability for any trading conducted by a Client using the DMA mechanism in breach of these Rules, the Market's Procedures or Applicable Law; and
 - (vi) provide a Client using DMA mechanism with:
 - (A) a detailed monthly account statement showing the Securities traded through this service and the cash balance in the account; and

- (B) upon request by the Client, a report indicating (1) the status of an order (closed, partially executed, fully executed, cancelled); (2) the position of the Securities account and the Cash Trading Account; and (3) account statements and movements in the related balances.
- (vii) maintain its financial solvency according to the financial solvency criteria issued by the Authority (where applicable).

5. ELECTRONIC TRADING

5.1 Introduction

No person shall be permitted to provide Electronic Trading mechanism without obtaining the final approval of the Market in accordance with this Part 5.

5.2 Requirements

- (a) An Applicant shall, prior to being approved to provide Electronic Trading mechanism, satisfy the Market that:
 - (i) it is admitted as a Member (or satisfies the requirements of the Market to be admitted as a Member in accordance with section 3.1); and
 - (ii) it:
 - (A) has an SCA Broker license or other SCA Licence; or
 - (B) in the case of a Foreign Member: (i) is licensed by an Equivalent Regulatory Authority (and providing Electronic Trading mechanism on the Market does not exceed the scope of the activities it is licensed to carry on by that authority) and; (ii) when providing Electronic Trading mechanism, it does so only for:
 - I. Clients not in the State; and
 - II. Clients in the State: (i) that are Professional Clients; or (ii) upon initiation from the investor in the State to deal with the Member outside the State for execution-only services; and
 - (iii) it has in place effective IT systems and controls for the purposes of providing the Electronic Trading mechanism to the specification and standards established by the Market; and
 - (iv) it has in place effective systems and controls which ensure a proper assessment and review of the suitability of Clients using the Electronic Trading mechanism; and
 - (v) it has entered into a binding written agreement with its Client using Electronic Trading mechanism regarding the essential rights and obligations arising from the provision of the Electronic Trading mechanism, which has been prepared in accordance with the Market's Procedures and any related requirements of the Authority (to the extent applicable), and under the agreement the Member retains responsibility under Applicable Law and these Rules.

5.3 Application

- (a) An Applicant that wishes to provide Electronic Trading mechanism shall submit an application to the Market using the prescribed form issued by the Market, including the following information and documentation (where applicable, in the Market's opinion):
 - (i) a copy of the Applicant's SCA Licence or authorisation by an Equivalent Regulatory Authority to provide services equivalent to those of an SCA licensee that provides Electronic Trading mechanism in its place of incorporation; and
 - (ii) information and documents demonstrating that the Applicant has in place effective systems and controls, to the required technical specifications of the Market, to provide Electronic Trading mechanism in accordance with these Rules and any other technical rules established by the Market; and
 - (iii) the form of the agreement to be entered into with Clients for the performance of Electronic Trading mechanism, referred to in Rule 5.2(a)(v).
- (b) An application for approval to provide Electronic Trading mechanism shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.
- (c) The Market may impose different requirements in different cases and may vary or waive requirements in particular cases.
- (d) The application shall be signed by the chairman (or equivalent officeholder) of the Applicant or a member of its Senior Management authorised by such officeholder of the Applicant.

5.4 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

5.5 Final approval

- (a) A person shall not provide Electronic Trading mechanism unless:
 - (i) it has obtained an approval from the Market to provide Electronic Trading mechanism and such approval is final; and
 - (ii) such approval remains valid and has been renewed when required.
- (b) An approval by the Market to provide Electronic Trading Mechanism shall be considered final for the purposes of Rule 5.5(a) when:
 - (i) the Market has notified the Applicant that the approval is final; and
 - (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).

5.6 Commencement of service

Following approval to provide Electronic Trading mechanism on the date specified by the Market in its notification of final approval, and subject to the continuing satisfaction of Rule 5.2, the Member shall be entitled to provide Electronic Trading mechanism.

5.7 Continuing obligations

- (a) In addition to any other continuing obligations as a Member, a Member that provides Electronic Trading mechanism shall:
- (i) make available to the Market all information and documentation relating to the Electronic Trading mechanism, including details in respect of Orders of, or Transactions entered into by, Clients using Electronic Trading mechanism; and
 - (ii) maintain effective IT systems and controls for the purposes of providing the Electronic Trading mechanism to the specification and standards established by the Market, including by obtaining a user name specified by the Market for each Member providing this mechanism; and
 - (iii) by the end of June and December each year or any other date specified by the Market, undertake and make available the report in respect of an external audit of its technical systems used for the purposes of providing the Electronic Trading mechanism for compliance with these Rules and any other technical rules or Market Procedures; and
 - (iv) maintain effective systems and controls which ensure a proper assessment and review of the suitability of Clients using the Electronic Trading mechanism and that ensure the accuracy of the information submitted by its Clients using the Electronic Trading mechanism; and
 - (v) accept liability for any trading conducted by a Client using the Electronic Trading mechanism in breach of these Rules, the Market's Procedures or Applicable Law; and
 - (vi) provide a Client using Electronic Trading mechanism with a detailed monthly account statement showing the Securities traded through this mechanism and the cash balance in the account; and
 - (vii) maintain its financial solvency according to the financial solvency criteria issued by the Authority (where applicable).

6. PROPRIETARY TRADING

6.1 Introduction

A Member shall not be permitted to engage in Proprietary Trading on the Market without obtaining the final approval of the Market in accordance with this Part 6.

6.2 Application

- (a) A Member that wishes to undertake Proprietary Trading on the Market shall submit an application to the Market using the prescribed form issued by the Market, including the following information and documentation (where applicable, in the opinion of the Market):
- (i) evidence it has been admitted as a Member (or that it satisfies the requirements of the Market to be admitted as a Member in accordance with section 3.1); and
 - (ii) a copy of its SCA Licence (as Broker) or authorisation by an Equivalent Regulatory Authority to provide services equivalent to those of an SCA licensee that engages in Proprietary Trading; and
 - (iii) a copy of the resolution concluded in accordance with the Member's Constitutional Documents authorising the Proprietary Trading; and

- (iv) a statement of the Member's bank accounts held with banks in and outside the State and an undertaking to keep this information up-to-date; and
 - (v) a signed authority executed in the form prescribed by the Market, permitting the Market to receive information on the disclosed accounts held with banks in and outside the State; and
 - (vi) a summary of the investment policy applying to the Proprietary Trading, including at a minimum details of:
 - (A) The volume of funds that have been allocated for this purpose, a statement of the funding sources and the extent to which the investment in Securities affects its financial solvency, and its plans to address this impact in the event of a decrease in the values of the Securities in which it is invested
 - (B) the use of leveraging associated with the Proprietary Trading, if any;
 - (C) the nature and extent of Securities Trading to be conducted outside the Market over-the-counter;
 - (D) the nature and extent of trading conducted by the Member on any markets other than the Market; and
 - (vii) information and a statement on the arrangements and the internal system implemented to ensure Proprietary Trading is segregated from any other trading activity undertaken for and on behalf of Clients (including a statement explaining the internal control system that prevents a Member engaged in Proprietary Trading from benefitting unduly from financial consultancy or financial analysis that it has provided but which have not been published and have an effect on the price of a Security) and a statement that it will refrain from carrying out any trading related to it during the periods determined by the Authority; and
 - (viii) information on the internal control function and procedures relating to the Proprietary Trading, including information on the administrative and technical staff authorised to carry on Proprietary Trading.
- (b) An application for Proprietary Trading under this Rule 6.2 shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.
 - (c) The Market may impose different requirements in different cases and may vary or waive requirements in particular cases.
 - (d) The application shall be signed by the chairman (or equivalent officeholder) of the Applicant or a member of its Senior Management authorised by such officeholder of the Applicant.

6.3 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

6.4 Final approval

- (a) A person shall not undertake Proprietary Trading on the Market unless:
 - (i) it has obtained an approval from the Market to undertake Proprietary Trading and such approval is final; and

- (ii) such approval remains valid and has been renewed when required.
- (b) An approval by the Market to undertake Proprietary Trading shall be considered final for the purposes of Rule 6.4(a) when:
 - (i) the Market has notified the Applicant that the approval is final; and
 - (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).

6.5 Commencement of activities

A Member shall be entitled to conduct Proprietary Trading on the date specified by the Market in its notification of final approval.

6.6 Continuing obligations

- (a) In addition to any other continuing obligations as a Member, a Member that carries on Proprietary Trading shall:
 - (i) comply with all requirements imposed by the Authority on the Member, including in relation to financial solvency; and
 - (ii) obtain an investor number from the CCP to be used when undertaking Proprietary Trading; and
 - (iii) ensure that Proprietary Trading is segregated from Customer Business;
 - (iv) ensure that all Orders constituting Proprietary Trading are executed through that Member's own trading systems and with through the trading systems of another Member.
 - (v) undertake Proprietary Trading only through the administrative and technical staff authorised to carry on Proprietary Trading; and
 - (vi) prioritise the execution of trades for and on behalf of Clients over Proprietary Trading; and
 - (vii) prepare a quarterly report confirming compliance of the Proprietary Trading with Applicable Law and the investment policy submitted to the Market, such report to be approved by the Board of Directors of the Member and submitted to the Market within five (5) days following the end of each quarter; and
 - (viii) provide the Market with copies of:
 - (A) any banking agreement imposing any financial obligation entered into by the Member or its Subsidiaries; and
 - (B) any undertaking or guarantee given to any other party by the Member or its Subsidiaries.

7. MARKET MAKERS

7.1 Introduction

- (a) No person shall be permitted to engage in Market Making activity without obtaining the final approval of the Market in accordance with this Part 7.

- (b) The Market shall identify in its trading systems the trading activity of a Member that is attributable to its Market Making activity, separate from its other trading activity, for the purposes of monitoring adequate separation of a Member's Market Making activity from its other trading activities.

7.2 Requirements

- (a) An Applicant shall, prior to being admitted as a Market Maker, satisfy the Market that:
 - (i) it:
 - (A) is admitted as a Member (or satisfies those requirements to be admitted as a Member in accordance with section 3.1 that relate, in the Market's opinion, to engaging in Market Making activity); or
 - (B) in the case of a Foreign Member: is authorised by an Equivalent Regulatory Authority in a Foreign Market (and provided that engaging in Market Making activity on the Market does not exceed the scope of the activities it is licensed to carry on by the Equivalent Regulatory Authority and that it has at least one (1) year of experience acting as a Market Maker in a Foreign Market); or
 - (C) it is a company established in the State whose main purpose is to practice the activity of a Market Maker, or a company licensed by the Authority which adheres to the controls relating to the prevention of conflicts between activities issued by the Authority; and
 - (ii) it has sufficient financial solvency and has not committed any material violations of the financial solvency criteria or the rules or decisions concerning the separation of accounts approved by the Authority (where applicable) within the six (6) months preceding the date of submitting the application form for approval; and
 - (iii) it has qualified administrative and technical staff sufficient to carry on Market Making activity; and
 - (iv) where applicable, it has appointed and concluded an agreement with one or more relevant Members for the execution of Orders on the Market and the clearing of Transactions.
 - (v) satisfy the requirements of the paid-up or allocated capital for this activity, which shall not be less than (30) million UAE dirhams, or its equivalent in any other currency, unless the market stipulates otherwise.

7.3 Application

- (a) An Applicant that wishes to be admitted as a Market Maker shall submit an application to the Market using the prescribed form issued by the Market, including the following information and documentation (where applicable, in the opinion of the Market):
 - (i) evidence that it is admitted as a Member or meets the admission requirements of a Member (or meets the other relevant criteria set out in Rule 7.2(a)(i)); and
 - (ii) a copy of the Market Maker Agreement; and
 - (iii) a detailed report describing the policies, procedures, systems and controls that it maintains in relation to Market Making activity, including in relation to financial auditing; and

- (iv) a statement of the agreed Collateral to be paid by the Applicant to the Market in relation to its Market Making activity, in accordance with Rule 7.6; and
 - (v) a licence or letter issued by the Authority or an Equivalent Regulatory Authority (as applicable) that the Applicant is fit and proper for carrying on Market Making activity on the Market; and
 - (vi) where the Applicant is not a Trading Member, a copy of the agreement with one or more relevant Members for the execution of Orders on the Market and clearing of Transactions; and
 - (vii) where the Applicant is a Trading Member only, a copy of the agreement with the General Clearing Member for the purposes of clearing Transactions.
- (b) An application for admission as a Market Maker shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.
 - (c) The Market may impose different requirements in different cases and may vary or waive requirements in particular cases.
 - (d) The application shall be signed by the chairman (or equivalent officeholder) of the Applicant or a member of its Senior Management authorised by such officeholder of the Applicant.

7.4 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

7.5 Final approval

- (a) A person shall not be admitted as a Market Maker unless:
 - (i) it has obtained an approval from the Market to be a Market Maker and such approval is final; and
 - (ii) such approval remains valid and has been renewed when required.
- (b) An approval by the Market to be a Market Maker shall be considered final for the purposes of Rule 7.5(a) when:
 - (i) the Market has notified the Applicant that the approval is final; and
 - (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).

7.6 Collateral requirements

- (a) The Market Maker shall provide Collateral to the Market of the type and amount so determined by the Market.
- (b) Where the Market Maker has an agreement with a Trading Member or Trading Clearing Member for the execution of Orders:

- (i) that Member shall provide such information and documentation that may be requested by the Market to demonstrate that the Member is financially solvent and is able to meet its obligations under the agreement; and
- (ii) that Member shall provide Collateral to the Market of the type and amount so determined by the Market.

7.7 Commencement of activities

- (a) Following admission as a Market Maker on the date specified by the Market in its notification of final approval, and subject to the continuing satisfaction of Rule 7.2, the Market Maker shall be entitled to conduct Market Making activity in respect of each Security for which it has been appointed to act as a Market Maker by the Market (and any related Short Selling and Securities Lending and Borrowing).
- (b) Following admission as a Market Maker on the date specified by the Market in its notification of final approval, the Market shall update the register of Market Makers and eligible Securities for Market Making made available by the Market.

7.8 Market Making activity

- (a) The Market may but is under no obligation to appoint one or more Market Makers in respect of a specific Security.
- (b) The provisions of the Market Maker Agreement may supplement or modify the provisions of this Rule 7.8. In the event of conflict between the Market Maker Agreement and this Rule 7.8, the provisions of the Market Maker Agreement shall prevail.
- (c) A Market Maker shall enter Sell Orders and Buy Orders for each Security for which it is registered as a Market Maker.
- (d) Subject to the Market Maker Agreement, a Market Maker shall enter and maintain its Sell Orders and Buy Orders in respect of each specific Security for which it is a Market Maker:
 - (i) in at least the minimum Order size; and
 - (ii) within the maximum spread between the bid and ask prices; and
 - (iii) for the minimum required time period.
- (e) If a Market Maker fails to enter and actively maintain its Sell Orders and Buy Orders as provided for in accordance with Rule 7.8(d), then the Market may require the Market Maker to enter or re-enter, as the case may be, its Sell Orders and Buy Orders. If the Market determines that the Market Maker has failed to enter or maintain its Sell Orders and Buy Orders or that its Sell Orders and Buy Orders do not comply with the provisions of Rule 7.8(d), then the Market may take all or any of the actions set out in Rule 7.8(h).
- (f) The Market may grant the Market Maker 'excused withdrawal status' permitting a Market Maker:
 - (i) an exemption from its obligation to submit Sell Orders and Buy Orders (either in respect of a specific Security for which it is a Market Maker or generally); or
 - (ii) to withdraw all or certain of its Sell Orders and Buy Orders during Trading Hours.
- (g) The Market may grant the Market Maker 'excused withdrawal status' in any of the following circumstances:

- (i) if:
 - (A) there are public holidays at the place of operation of the Market Maker; and
 - (B) the Market Maker submits a written request to the Market no less than one Business Day prior to such religious or public holiday; and
 - (C) the Market in its sole discretion determines that there are exceptional circumstances for granting such a request; or
 - (ii) if a Market Maker's ability to submit Sell Orders and Buy Orders is impaired by reasons beyond its control and the Market Maker has immediately notified the Market of this fact with supporting reasons or evidence; or
 - (iii) if the Market Maker is subject to other applicable regulations that prevent it from trading in the Security including those relating to permitted ownership requirements, or the Security is placed on that Market Maker's restricted trading list and the Market Maker provides details of this restriction; or
 - (iv) if the Market declares a fast market; or
 - (v) during scheduled and unscheduled bidding periods, such as opening bid period and closing bid period; or
 - (vi) during the opening and closing period; or
 - (vii) if any other exceptional situation occurs that has an adverse effect on the ability of the Market Maker to submit Sell Orders and Buy Orders and the Market Maker has provided prior notification to the Market.
- (h) A Market Maker that does not meet the requirements of Rule 7.8(g) shall be deemed to have withdrawn on an unexcused basis. In such circumstances, the Market may, without limitation and without right of appeal take all or any of the following actions:
- (i) assess trading fees at the rate applicable to Members not acting as a Market Maker; and
 - (ii) take such other action as may be provided for in the Market Maker Agreement.
- (i) In the event a Market Maker ceases to enter and actively maintain its Sell Orders and Buy Orders as provided for in accordance with Rule 7.8(d), it shall, as soon as practicable notify the Market of the cessation as well as the reasons for it.
- (j) Upon resumption of its activity as Market Maker, the Market Maker shall, as soon as practicable notify the Market.
- (k) The Market may suspend trading in Securities in accordance with these Rules and a Market Maker shall not undertake Market Making activity in a Security that is suspended from trading.
- (l) Notwithstanding Rule 7.8(k), the Market may prescribe conditions under which a Market Maker may undertake Market Making activity in a Security that is suspended from trading.

7.9 Continuing obligations

- (a) In addition to any other continuing obligations that apply under these Rules, a Market Maker shall:

- (i) comply with Rule 3.8(a) Rule 3.9(a), 3.10, Rule 3.13, Rule 3.14 and Rule 3.15; and
 - (ii) notify the Market immediately of any irregular trading on the Securities for which it has been appointed as a Market Maker; and
 - (iii) establish adequate segregation between its Market Making activity and any other trading activity; and
 - (iv) provide the Market with the following reports and information:
 - (A) a monthly report of profit and loss and the size of the Securities portfolio in relation to which it carries out Market Making activity; and
 - (B) a biannual report covering the Market Maker's internal control function; and
 - (v) maintain its financial solvency according to the financial solvency criteria issued by the Authority (where applicable).
- (b) A Market Maker shall promptly provide at the request of the Market a report of:
- (i) profits, losses and the overall size of its portfolio related to the activities of Market Making; and
 - (ii) any other information that the Market considers appropriate to monitor the activities of the Market Maker, including any changes to its organizational and financial status.
- (c) If the Market Maker carries on no other activity on the Market other than Market Making, it shall provide to the Market:
- (i) its unaudited but reviewed quarterly financial statements, within forty-five (45) days following the end of the quarter; and
 - (ii) its audited year-end financial statements, within (90) ninety days following the end of the year.
- (d) The decisions of the Authority and controls issued thereunder, as well as the provisions of these Rules shall apply to the trading conducted by the Market Maker.
- (e) The Market Maker must refrain from using its facilities as a Market Maker for trading on behalf of Clients.

7.10 Terminating Market Making activities

- (a) In addition to the circumstances specified elsewhere in these Rules and the Market Making Agreement, the Market may terminate the appointment of a Market Maker in respect of all Securities for which it is appointed Market Maker or in respect of a specific Security where it considers any of the following to apply:
 - (i) where the Market in its sole discretion deems the Market Making activities of the Market Maker no longer serves the interest of the Market; or
 - (ii) on its own initiative or upon application of the Market Maker following the expiration of the minimum period provided for in the Market Maker Agreement; or
 - (iii) in any other circumstance where the Market may terminate the admission of a Member under these Rules.

- (b) Upon termination of the appointment of a Market Maker in accordance with the provisions of paragraph (a) of this Rule, the Market shall update the register of Market Makers and eligible Securities made available on its website.

8. LIQUIDITY PROVIDERS

8.1 Introduction

A person shall not be permitted to engage in Liquidity Provider activity without obtaining the final approval of the Market in accordance with this Part 8.

8.2 Requirements

- (a) Subject to paragraph (b), an Applicant shall, prior to being admitted as a Liquidity Provider, satisfy the Market that:
- (i) it is:
 - (A) admitted as a Member (or satisfies the requirements of the Market to be admitted as a Member in accordance with Rule 3.1); or
 - (B) authorised by an Equivalent Regulatory Authority in a Foreign Market (and provided that engaging in Liquidity Provider activity on the Market does not exceed the scope of the activities it is licensed to carry on by the Equivalent Regulatory Authority); or
 - (C) a company established in the State whose main purpose is to practice the activity of a Market Maker, or a company licensed by the Authority, which adheres to the controls relating to the prevention of conflicts between activities issued by the Authority;
 - (D) in the case of a Foreign Member: (i) is authorised by an Equivalent Regulatory Authority in a Foreign Market (and provided that engaging in Liquidity Provider activity on the Market does not exceed the scope of the activities it is licensed to carry on by the Equivalent Regulatory Authority; and (ii) when engaging in Market Making activity, it does so only for:
 - I. Clients not in the State; and
 - II. Clients in the State: (i) that are Professional Clients; or (ii) upon initiation from the investor in the State to deal with the Member outside the State for execution-only services; and
 - (ii) it has sufficient financial solvency and has not committed any material violations of the financial solvency criteria or the rules or decisions concerning the separation of accounts approved by the Authority (where applicable) within the six (6) months preceding the date of submitting the application form for approval; and
 - (iii) it has qualified administrative and technical staff sufficient to carry on Liquidity Provider activity; and
 - (iv) where applicable, it has appointed and concluded an agreements with one or more relevant Members for the execution of Orders on the Market and clearing of Transactions; and

- (v) it has concluded an agreement (a **Liquidity Provider Agreement**) with the Issuer of the listed Security regarding the provision of liquidity in respect of that Security, including the following minimum provisions:
 - (A) the Security subject to the Liquidity Provider activity; and
 - (B) whether the Liquidity Provider is the exclusive Liquidity Provider for the Security; and
 - (C) the term of the agreement; and
 - (D) the scope and objective of the Liquidity Provider activity; and
 - (E) the minimum obligations imposed on the Liquidity Provider in respect of the Liquidity Provider activity, including the agreed minimum quoting time, minimum volume and maximum spread; and
 - (F) details of the fees and other compensation information; and
 - (G) termination provisions; and
- (b) For the purposes of this Rule, an Applicant that holds a valid approval from the Market to act as a Market Maker is only required to satisfy subparagraph (v) of paragraph (a) above.

8.3 Application

- (a) An Applicant that wishes to be admitted as a Liquidity Provider shall submit an application to the Market using the prescribed form issued by the Market, including the following information and documentation (where applicable, in the opinion of the Market):
 - (i) a copy of the Liquidity Provider Agreement; and
 - (ii) a detailed report describing the policies, procedures, systems and controls that it maintains in relation to Liquidity Provider activity, including evidence that it complies with the Market's requirements relating to technical connectivity; and
 - (iii) evidence that it is admitted as a Market Maker or meets the admission requirements of a Market Maker under Part 7, or, where it is not admitted as a Market Maker and does not meet those admission criteria, each of the following:
 - (A) where the Applicant is not a Trading Member, a copy of the agreement with one or more relevant Members for the execution of Orders on the Market and clearing of Transactions; and
 - (B) where the Applicant is a Trading Member only, a copy of the agreement with the General Clearing Member for the purposes of clearing Transactions.
- (b) An application for admission as a Liquidity Provider shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.
- (c) The Market may impose different requirements in different cases and may vary or waive requirements in particular cases.
- (d) The application shall be signed by the chairman (or equivalent officeholder) of the Applicant or a member of its Senior Management authorised by such officeholder of the Applicant.

8.4 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

8.5 Final approval

- (a) A person shall not be admitted as a Liquidity Provider unless:
 - (i) it has obtained an approval from the Market to be a Liquidity Provider and such approval is final; and
 - (ii) such approval remains valid and has been renewed when required.
- (b) An approval by the Market to be a Liquidity Provider shall be considered final for the purposes of Rule 8.5(a) when:
 - (i) the Market has notified the Applicant that the approval is final; and
 - (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).

8.6 Commencement of activities

Following admission as a Liquidity Provider on the date specified by the Market in its notification of final approval, the Liquidity Provider shall be entitled to conduct Liquidity Provider activity in respect of each Security for which it has been appointed to act as a Liquidity Provider under a Liquidity Provider Agreement accepted by the Market.

8.7 Liquidity Provider activity

- (a) A person may not undertake Market Making activity and Liquidity Provider activity in respect of the same Security.
- (b) A Liquidity Provider shall not hold in excess of any percentage, specified in Market Procedures, of issued Securities in respect of which it is undertaking Liquidity Provider activity.

8.8 Continuing obligations

- (a) In addition to any other continuing obligations that apply under these Rules, a Liquidity Provider shall:
 - (i) comply with Rules 3.8(a), 3.9(a), 3.10, 3.13, 3.14 and 3.15 as if the obligations contained in those Rules were stated to apply to Liquidity Providers; and
 - (ii) notify the Market immediately of any irregular trading on the Securities for which it has been appointed as a Liquidity Provider; and
 - (iii) establish adequate segregation between its Liquidity Provider activity and any other trading activity; and
 - (iv) maintain its financial solvency according to the financial solvency criteria issued by the Authority (where applicable).
- (b) A Liquidity Provider shall promptly provide at the request of the Market a report of:

- (i) profits, losses and the overall size of its portfolio related to the activities as Liquidity Provider; and
 - (ii) any other information that the Market considers appropriate to monitor the activities of the Liquidity Provider, including any changes to its organizational and financial status.
- (c) If the Liquidity Provider carries on no other activity on the Market other than Liquidity Provider, it shall provide to the Market:
- (i) its unaudited but reviewed quarterly financial statements, within forty-five (45) days following the end of the quarter; and
 - (ii) its audited year-end financial statements, within (90) ninety days following the end of the year..
- (d) The Liquidity Provider shall not benefit from the facilities granted to the Market Maker in relation to:
- (i) short sale of a security without Collateral;
 - (ii) exemptions prescribed for the Market Maker from certain disclosures; and
 - (iii) the exemption prescribed for the Market Maker from all or some trading commissions.

9. REGULATED SHORT SELLING

9.1 Introduction

- (a) No person shall be permitted to engage in the RSS mechanism without obtaining the final approval of the Market in accordance with this Part 9.
- (b) The Market is not considered a party to the RSS mechanism or responsible for the failure of any party engaging in the RSS mechanism to fulfil their obligations towards each other.
- (c) The RSS mechanism is defined as the sale by a Member of a Security that its Client does not own but has either:
 - (i) obtained a signed confirmation from the lender, who is a party to the lending and borrowing agreement; or
 - (ii) borrowed Securities.
- (d) A person solely engaged in securities lending is subject to the rules of the CCP and is not, when carrying out such securities lending, deemed to be carrying out RSS services.

9.2 Requirements

- (a) An Applicant shall, in order to be eligible for approval to engage in the RSS mechanism, satisfy the Market that:
 - (i) it is admitted as a Member (or satisfies the requirements of the Market to be admitted as a Member in accordance with section 3.1); and
 - (ii) it:
 - (A) has an SCA Broker license; or

- (B) in the case of a Foreign Member: (i) is licensed by an Equivalent Regulatory Authority (and engaging in the RSS mechanism on the Market does not exceed the scope of the activities it is licensed to carry on by that authority); and (ii) when engaging in the RSS mechanism, it does so only for:
 - I. Clients not in the State; and
 - II. Clients in the State: (i) that are Professional Clients; or (ii) upon initiation from the investor in the State to deal with the Member outside the State for execution-only services; and
- (iii) it has qualified administrative and technical staff sufficient to engage in the RSS mechanism; and
- (iv) it has a form of RSS Agreement containing the information listed in Rule 9.3(a)(vi); and
- (v) it has sufficient financial solvency and has not committed any material violations of the financial solvency criteria or the rules or decisions concerning the separation of accounts approved by the Authority (where applicable) within the six (6) months preceding the date of submitting the application form for approval.

9.3 Application

- (a) A Member that wishes to engage in the RSS mechanism shall submit an application to the Market, using the prescribed form issued by the Market, including the following information and documentation (where applicable, in the opinion of the Market):
 - (i) a copy of its valid SCA Licence, or, where applicable its licence issued by an Equivalent Regulatory Authority; and
 - (ii) a report describing the technical system used to manage RSS Accounts; and
 - (iii) a description of its order management system for distinguishing RSS Orders from other Orders, and sending messages to Clients about the content of relevant Orders; and
 - (iv) a report explaining its document retention system with respect to RSS mechanism; and
 - (v) a report describing its internal controls for the RSS mechanism; and
 - (vi) an agreement with the Client (an **RSS Agreement**) in a form acceptable to the Market, including the following minimum information:
 - (A) a detailed description of the rights and obligations of both the Client and the Member; and
 - (B) a statement describing the RSS offering and the risks that the Client may bear as a result of taking part in the RSS mechanism;
 - (C) (except in the case of a delivery versus payment investor), terms and conditions of the arrangements implemented by the Member (either acting as lender or acting as Lending Agent) to facilitate the RSS mechanism undertaken for the Client, including:
 - I. a determination of the Collateral to be provided as Initial Margin and Maintenance Margin; and

- II. a determination of the method by which the Client is to be notified in case the Collateral value becomes less than the Maintenance Margin; and
 - III. an undertaking from the Client to supplement the RSS Account in case the Collateral value becomes less than the Maintenance Margin, after being notified by the Member; and
 - IV. the Client's express consent that the Member shall retain the Collateral provided as Maintenance Margin, in order to secure the repurchase of the Securities that are short sold.
- (b) An application to engage in RSS mechanism shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.
 - (c) The Market may impose different requirements in different cases any may vary or waive requirements in particular cases.
 - (d) The application shall be signed by the chairman (or equivalent officeholder) of the Applicant or a member of its Senior Management authorised by such officeholder of the Applicant.

9.4 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

9.5 Final approval

- (a) A person may not engage in the RSS mechanism unless:
 - (i) it has obtained an approval from the Market to engage in such mechanism and such approval is final; and
 - (ii) such approval remains valid and has been renewed when required.
- (b) An approval by the Market to engage in the RSS mechanism shall be considered final for the purposes of Rule 9.5(a) when:
 - (i) the Market has notified the Applicant that the approval is final; and
 - (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).

9.6 Continuing obligations

In addition to any other continuing obligations provided for in this Part 9, a Member that engages in the RSS mechanism shall:

- (a) maintain its financial solvency according to the financial solvency criteria issued by the Authority (where applicable); and
- (b) make sure that each Client is financially solvent before executing an RSS sell Order; and
- (c) ensure that RSS mechanism involve only RSS Eligible Securities; and

- (d) conclude an RSS Agreement in an internationally recognised form that is acceptable to the Market with each Client wishing to use the RSS functionality; and
- (e) open an account for Regulated Short Selling and/or securities lending and borrowing in accordance with Market procedures for RSS mechanisms and central clearing procedures for securities lending and borrowing.

9.7 Member Obligations towards DVP Clients

In respect of delivery-versus-payment Clients, a Member shall, when providing the RSS mechanism, comply with the Market's Procedures relating to such Clients.

9.8 Member Obligations towards the Market

A Member shall, when conducting the RSS services, inform the Market of the matters specified in the relevant Market Procedures, as well as provide it with the reports and obtain any relevant approvals specified in those Market Procedures.

9.9 RSS eligible Securities

The Market shall specify the criteria for determining the Securities that are eligible for RSS Transactions in its Market Procedures. A Member must comply with those Market Procedures.

9.10 Security price decreases

A Member must comply with Market Procedures specifying the consequences of certain large decreases in price of a Security subject to RSS.

10. ALLOCATION ACCOUNTS

10.1 Introduction

- (a) This Part 10 describes the operational model and procedures to be followed when operating Allocation Accounts.
- (b) No person shall be permitted to operate Allocation Accounts without first obtaining the final approval of the Market in accordance with this Part 10.

10.2 Opening of Allocation Accounts

- (a) Subject to Rule 10.2(b), a Member may open one Allocation Account only for all of its Clients, according to the classification set out in this Part 10.
- (b) A Member may open more than one Allocation Account where its Client is a foreign broker or a Fund manager or a portfolio manager.

10.3 Requirements

- (a) A Member shall, prior to opening and operating Allocation Accounts, satisfy the Market that it:
 - (i) it is admitted as a Member (or satisfies the requirements of the Market to be admitted as a Member in accordance with section 3.1); and
 - (A) it has an SCA Broker license or other SCA Licence acceptable to the Market; or

- (B) in the case of a Foreign Member, is licensed by an Equivalent Regulatory Authority (and operating Allocation Accounts in the Market does not exceed the scope of the activities it is licensed to carry on by that authority); and
- (ii) it has qualified administrative and technical staff sufficient to operate an Allocation Account; and
- (iii) it has sufficient financial solvency and has not committed any material violations of the financial solvency criteria or the rules or decisions concerning the separation of accounts approved by the Authority (where applicable) within the six (6) months preceding the date of submitting the application form for approval.

10.4 Application for approval to use Allocation Accounts

- (a) A Member that wishes to use the Allocation Account mechanism must submit an application to the Market, using the prescribed form issued by the Market, including the following information and documentation (where applicable, in the opinion of the Market):
 - (i) a report describing the technical system used to manage Allocation Accounts;
 - (ii) a report showing the document retention system with respect to the operation of Allocation Accounts;
 - (iii) a report explaining the rules and basis of internal audit and controls with respect to the operation of Allocation Accounts;
 - (iv) an agreement with the Client (an **Allocation Account Agreement**), including the following minimum information:
 - (A) a statement describing the Allocation Account, and the risks that the Client may bear as a result of using Allocation Accounts; and
 - (B) a detailed description of the rights and obligations of both the Client and the Member.
- (b) An application to open and operate Allocation Accounts shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.
- (c) The Market may impose different requirements in different cases any may vary or waive requirements in particular cases.
- (d) The application shall be signed by the chairman (or equivalent officeholder) of the Applicant or a member of its Senior Management authorised by such officeholder of the Applicant.

10.5 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

10.6 Final approval

- (a) A person may not operate an Allocation Account unless:
 - (i) it has obtained an approval from the Market to engage in such services and such approval is final; and

- (ii) such approval remains valid and has been renewed when required.
- (b) An approval by the Market to operate Allocation Accounts shall be considered final for the purposes of Rule 10.6(a) when:
 - (i) the Market has notified the Applicant that the approval is final; and
 - (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).

10.7 Continuing obligations

- (a) In addition to any other continuing obligations provided in this Part 10, a Member shall:
 - (i) limit using the Allocation Account to DVP Clients and any other cases as accepted by the Market; and
 - (ii) sign an agreement with each Client willing to use an Allocation Account; and
 - (iii) link the Allocation Account number with the Client's investor number for the purposes of allocation;
 - (iv) not execute Clients' orders except through actual execution in the Market;
 - (v) execute trading orders in the Allocation Account based on the prevailing market price, and use the weighted rate of prices of these orders as a common price to execute the allocations; and
 - (vi) comply with the other requirements relating to Allocation Accounts set out in the relevant Market Procedures

10.8 Allocation Period

- (a) When allocating Securities from an Allocation Account, a Member shall:
 - (i) ensure that the Transactions carried out using an Allocation Account are not in violation of any Applicable Law, especially in relation to ownership limitations and percentages and disclosures related thereto, and ban periods prior to any allocation process; and
 - (ii) allocate all Transactions carried out using an Allocation Account during the Allocation Period to the Clients' accounts according to the Clients' instructions; and
 - (iii) allocate Securities using either of the following methods:
 - (A) manually, via the mechanism provided by the Market; or
 - (B) uploading the allocation particulars using the (CSV) file provided by the Market according to the details stated in the system manuals.

10.9 Failure in Securities' allocation

- (a) Upon the expiry of the Allocation Period, Securities that have been not allocated during the Allocation Period should be automatically allocated to a special account of the Member (the **Automatic Allocation Account**). Such Securities will be settled accordingly to the mechanism provided by the Market.

- (b) The Automatic Allocation Account must be classified into sub-account as follows:
 - (i) “Automatic Local” – for the automatic allocation of Securities that are not allocated from the Allocation Account labelled “Local”;
 - (ii) “Automatic GCC” – for the automatic allocation of Securities that are not allocated from the Allocation Account labelled “GCC”; and
 - (iii) “Automatic Foreign” – for the automatic allocation of Securities that are not allocated from the Allocation Account labelled “Foreign”.
- (c) The settlement of failure allocation incidents should follow the same procedures related to the settlement of DVP Transactions.
- (d) If a Member finds that it has mistakenly allocated Securities to a Client’s account, it may take the necessary steps to correct this during the Allocation Period.

11. OMNIBUS ACCOUNTS

11.1 Introduction

- (a) This Part 11 describes the operational model to be followed when operating the Omnibus Accounts when such account is for the purpose of trading.

11.2 Opening of Omnibus Accounts for the purpose of trading

- (a) The Omnibus Account may be for the purpose of trading, in which case the Omnibus Account Operator, whether the Omnibus Account Operator is a Member or a not a Member, shall obtain the approval of the Market to trade in that account in accordance with this Section 11.
- (b) The Omnibus Account Operator must open a Trading Account with a Member if the Omnibus Account Operator is not a Member.
- (c) The Omnibus Account Operator may have more than one Omnibus Account for the purpose of trading, provided that each Omnibus Account has one Trading Account with the Market.

11.3 Requirements

- (a) An Omnibus Account Operator who is a Member shall satisfy the Market that:
 - (i) it has qualified administrative and technical staff and systems sufficient to operate an Omnibus Account; and
 - (ii) it has sufficient financial solvency and has not committed any material violations of the financial solvency criteria or the rules or decisions concerning the separation of accounts approved by the Authority or Equivalent Regulatory Authority (where applicable) within the six (6) months preceding the date of submitting the application form for approval.

11.4 Application for approval to use Omnibus Account as Trading Account

- (a) A Member wishing to open an Omnibus Account for the purpose of trading for himself or for an Omnibus Account Operator who is not a Member shall submit an application to the Market, using the prescribed form issued by the Market, including the following information and documents (where applicable, in the opinion of the Market):

- (i) a report describing the technical system used to manage Omnibus Account provided the technical system should have the following but not limited to:
 - (A) capability of onboarding the Investor in Omnibus Account in compliance with the Authority's decisions, DCSD rules, Market Rules and/or rules and regulation or Equivalent Regulatory Authority with this regard;
 - (B) each Investor in Omnibus Account to be assigned a Unique Client Code (UCC) for trading;
 - (C) capability of segregating each Investor in Omnibus Account transactions and maintaining records accordingly;
 - (D) capability of identifying the Investor in Omnibus Account as Insider, if applicable and follow the Market procedures for insider trading procedures;
 - (E) capability of sending Orders to the Market with the Unique Client Code (UCC) assigned to the Investor in Omnibus Account as reference in addition to the trading account of the Omnibus Account;
 - (F) capability to prevent self-match Orders for the same Investor in Omnibus Account;
 - (G) capability of notifying and providing relevant reports related to the Investor in Omnibus Account for the transactions effectuated;
 - (H) capability of providing the details of the Investor in Omnibus Account and the transactions effectuated on the Omnibus Account for the Investor in Omnibus Account to the Market as per the set format, schedule and procedures.
- (ii) a report showing the document retention system with respect to the operation of Omnibus Accounts; and
- (iii) a report explaining the rules and basis of internal audit and controls with respect to the operation of Omnibus Accounts; and
- (iv) Comply with the CSD's requirements related its Omnibus Accounts and ensure that Omnibus Account Operators who are not Members comply with the CSD requirements prior to opening a Trading Account.

11.5 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

11.6 Final approval

- (a) A person may not open an Omnibus Account when such account is for the purposes of trading unless:
 - (i) it has obtained an approval from the CSD on opening the Omnibus Account and an approval from the Market to engage in such services and such approval is final; and
 - (ii) such approval remains valid and has been renewed when required.
- (b) An approval by the Market to open an Omnibus Account for the purpose of trading shall be considered final for the purposes of Rule 11.6(a) when:

- (i) the Market has notified the Applicant that the approval is final; and
- (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).

11.7 Continuing obligations

- (a) A Member, that opens an Omnibus Account for the purpose of Trading shall:
 - (i) link the Omnibus Account number with the Investor in Omnibus Account investor number; and
 - (ii) not execute Investor in Omnibus Account orders except through actual execution on the Market; and
 - (iii) ensure that the Omnibus Account Operator has available and sufficient balance of Securities and/or Foreign Securities to ensure the completion of settlement process; and
 - (iv) Internal trade related transactions are prohibited unless it is in the provision related to Negotiated Deals (Direct Deals); and
 - (v) execute Orders in the Omnibus Account based on the prevailing market price, and use the weighted rate of prices of these Orders as a common price to execute the allocations; and
 - (vi) provide the Market on daily basis (after the end Trading Hours) with reports on all transactions in any and all Omnibus Accounts including details and identifier of the Investor in Omnibus Account in accordance with the Market's procedures; and
 - (vii) provide immediately the details of Investor in Omnibus Account, (including without limitation the names, nationality, domicile and contact details) to the Market upon the Market's request in accordance with the Market procedures and these Rules. The Market shall have the right to provide such information to the Authority, the CSD and/or the Issuer or any other regulatory or judicial authority; and
 - (viii) ensure compliance of the Omnibus Account Operator with the CSD procedures; and
 - (ix) comply with the other requirements relating to Omnibus Accounts set out in the relevant Market and CSD procedures.

12. MARGIN TRADING

12.1 Introduction

No person shall be permitted to provide the Margin Trading mechanism without obtaining the final approval of the Market in accordance with this Part 12.

12.2 Requirements

- (a) An Applicant shall, prior to being permitted to provide the Margin Trading mechanism, satisfy the Market that:
 - (i) it is admitted as a Member (or satisfies the requirements of the Market to be admitted as a Member in accordance with section 3.1); and

- (ii) it:
 - (A) has an SCA Broker license or other SCA Licence acceptable to the Market; or
 - (B) in the case of a Foreign Member: (i) is licensed by an Equivalent Regulatory Authority (and providing the Margin Trading mechanism on the Market does not exceed the scope of the activities it is licensed to carry on by that authority); and (ii) when providing the Margin Trading mechanism, it does so only for:
 - I. Clients not in the State; and
 - II. Clients in the State: (i) that are Professional Clients; or (ii) upon initiation from the investor in the State to deal with the Member outside the State for execution-only services; and
- (iii) it has qualified administrative and technical staff sufficient to provide the Margin Trading mechanism and manage Margin Trading Accounts; and
- (iv) it has ensured that the Margin Trading Account opening form and the form of Margin Trading agreement (**Margin Trading Agreement**) is drafted in accordance with the Market's Procedures and contains the following information at a minimum as well as the information set out in Rule 12.7 (unless specified otherwise in such Market Procedures):
 - (A) identification of the Initial Margin and Maintenance Margin according to the prescribed ratios; and
 - (B) determination of the amount of commissions, expenses and charges payable by the Client in return for the Margin Trading mechanism; and
 - (C) a detailed statement of the rights and obligations assumed by the Client and the Member; and
 - (D) an undertaking by the Client to replenish the Margin Trading Account if the percentage of its ownership falls below the Maintenance Margin, after being notified by the Member;
 - (E) A clear indication, upon agreement, of the Member's ability to add the capital increase shares subscribed by the Client and related to the Margin-Financed Securities to the Margin Trading Account in the event that the Member finances all or part of that subscription within the initial margin limits and in accordance with other terms of the Margin Trading Agreement; and
 - (F) the mechanism for Margin Trading, along with the mechanism for disposing of the Securities in accordance with this Part; and
 - (G) confirmation of the Client's right to pay the price or the balance of the price of the Securities into the Margin Trading Account at any time; and
 - (H) methods for communicating with and notifying Clients, including when the Maintenance Margin falls below the agreed percentage; and
 - (I) determination of the conditions for terminating a Margin Trading Agreement, as well as stating the mechanism for settlement of rights and obligations arising therefrom, particularly in relation to disposing of Securities financed on margin, without prejudice to Applicable Law; and

- (v) it has an order-management system that distinguishes Margin Trading orders from other orders, with the capability to send electronic messages to the Client summarising the issued order; and
- (vi) it has sufficient financial solvency and has not committed any material violations of the financial solvency criteria or the rules or decisions concerning the separation of accounts approved by the Authority (where applicable) within the six (6) months preceding the date of submitting the application form for approval.

12.3 Application

- (a) A Member that wishes to provide the Margin Trading mechanism must submit an application to the Market, using the prescribed form issued by the Market, including the following information and documentation (where applicable, in the opinion of the Market):
 - (i) a copy of its valid SCA Licence or the equivalent licence issued by an Equivalent Regulatory Authority; and
 - (ii) externally audited financial statements for the financial quarter preceding the date of submitting the application; and
 - (iii) a report describing the technical system for the processing of Margin Trading Account data, as well as proof of co-ordination with the Market on the readiness of such system in a manner which enables monitoring and inspection; and
 - (iv) a report describing the system used by the Member to maintain Margin Trading records; and
 - (v) a report describing the Member's systems and bases of internal controls and financial audit with respect to the Margin Trading mechanism; and
 - (vi) a Margin Trading Account opening form and Margin Trading Agreement form, which shall include all of the information and data contained in Rule 11.2; and
 - (vii) a copy of the Member's business-continuity strategy.
- (b) An application to provide the Margin Trading mechanism shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.
- (c) The Market may impose different requirements in different cases any may vary or waive requirements in particular cases.
- (d) The application shall be signed by the chairman (or equivalent officeholder) of the Applicant or a member of its Senior Management authorised by such officeholder of the Applicant.

12.4 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

12.5 Final approval

- (a) A person may not engage in Margin Trading unless:

- (i) it has obtained an approval from the Market to engage in such mechanism and such approval is final; and
 - (ii) such approval remains valid and has been renewed when required.
- (b) An approval by the Market to engage in Margin Trading shall be considered final for the purposes of Rule 12.5(a) when:
- (i) the Market has notified the Applicant that the approval is final; and
 - (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).

12.6 Obligations of Members

A Member shall:

- (a) open an account designated Margin Trading Account for the Client that wishes to use such mechanism. Transactions in the Margin Trading Account shall be limited to the purchase and sale of Securities financed on margin and Securities deposited in that account as a guarantee; and
- (b) ensure the legal capacity and financial solvency of each Client; and
- (c) separate the same Client's Cash Trading Account from that Client's Margin Trading Account; and
- (d) enable the Market to examine all the data and documents relating to Margin Trading orders, as soon as possible following a request by the Market; and
- (e) provide the Market with the reports, data and documents relating to Margin Trading services that the Market requests for the purposes of supervising and overseeing the Member; and
- (f) comply with the requirements of the Market Procedures relating to Margin Trading Accounts and Margin Trading; and
- (g) maintain its financial solvency according to the financial solvency criteria issued by the Authority (where applicable).

12.7 Margin Trading Agreement: Member's rights

In addition to the information referred to in Rule 12.2(a)(iii), the Margin Trading Agreement must include the following:

- (a) the Client's express consent that the Securities in its Margin Trading Account are considered as Collateral for the outstanding amounts payable to the Member as a result of the Margin Trading mechanism; and
- (b) the Client's express consent to grant the Member the right to sell all or some of the Securities in the Margin Trading Account immediately after the expiry of the Client's specified period to cover the shortage to the extent that such selling returns the Client's ownership percentage to the Maintenance Margin, according to the market value of those Securities on the date of sale.
- (c) the Member's consent to grant the Client the right to dispose of the Securities financed on margin throughout the duration of the Margin Trading Agreement, according to the applicable Market Procedures.

12.8 Collateral in the Margin Trading Account

- (a) Subject to Rule 12.8(b), it is not permissible to accept Collateral in Margin Trading Accounts other than the Securities listed on the Market (or securities listed on any other licensed market in the State).
- (b) A Member may only accept additional Collateral in the Margin Trading Account in addition to the securities in the Margin Trading Account, in the following cases:
 - (i) where there is a continuing fall in the market value of a security in the Margin Trading Account as a result of exceptional circumstances; or
 - (ii) where trading in a security financed on margin is suspended or discontinued for more than seven (7) Business Days.
- (c) The additional Collateral referred to in Rule 12.8(b) may be bank guarantees or any other collateral as agreed between the Member and the Client.

12.9 Shari'a-compliant Financing

Financing that complies with the provision of Islamic Shari'a shall be deemed acceptable insofar as consistent with the contents of this Part 12.

12.10 General

- (a) The Market may at any time increase the Initial Margin or Maintenance Margin for Margin Trading. The increase may be limited to a specific Security, a specific Member, or a specific Client.
- (b) The Market may at any time limit or create eligibility criteria for the Securities acceptable for Margin Trading.
- (c) A Member may not open more than one account for a Client for Margin Trading.
- (d) The purchase of margin-financed Securities must not exceed the limit deposited by the Client specified for the purchase (the total initial margin deposited by the Client, and the amount of financing granted by the company).
- (e) In the event that the Client purchases margin-funded Securities in an amount less than the limit specified for the purchase, the Client may use the remaining amount to purchase other Securities in the Margin Trading Account provided that this does not affect the Maintenance Margin.
- (f) The Client may withdraw funds from the Margin Trading Account, transfer the amounts to the Cash Trading Account, or use them for additional Margin Trading if such amounts exceed the Initial Margin.
- (g) The Client may, in agreement with the Member, sell all or part of the margin-funded Securities for the purpose of purchasing other margin-funded Securities, provided that this does not affect the Maintenance Margin and provided the market value of the purchased Securities does not exceed the value of the proceeds of the Securities sold.
- (h) In the event that the Client desires to buy Securities whose value exceeds the proceeds of selling the Securities financed on margin, the Client must top-up that account in order to maintain the special financing ratio brokerage firm in accordance with Market procedures

- (i) Securities financed on margin from the Client's Margin Trading Account with a brokerage firm may be transferred to a Margin Trading Account with another Member in accordance with the following procedures:
- i. Provide the Market with a copy of the margin transfer financing agreement signed by the Client and the two relevant brokerage firms, including a list of the Securities financed by margin in the Client's account and the total value of the Client's receivables with the financing brokerage firm.
 - ii. The new brokerage firm, to which the Margin Trading Account will be transferred, deposits the total value of the receivables owed by the Client to the funding brokerage firm in the settlement and clearing account with the Market.
 - iii. The funding brokerage firm that holds the Securities financed on margin transfers the Securities to the CCP.
 - iv. The CCP transfers the Securities to the Client's account for margin trading with the new brokerage firm, and at the same time the CCP transfers the value of the accounts receivable to the funding brokerage firm.

13. SHORT TERM MARGIN TRADING

13.1 Introduction

No person shall be permitted to provide the Short Term Margin Trading mechanism without obtaining the final approval of the Market in accordance with this Part 13.

13.2 Requirements

- (a) A Member shall, prior to being permitted to provide the Short Term Margin Trading mechanism, satisfy the Market that:
- (i) it holds a valid Market approval for Margin Trading (or satisfies the requirements of the Market to carry out Margin Trading);
 - (ii) it:
 - (A) has an SCA Broker license or other acceptable SCA Licence; or
 - (B) in the case of a Foreign Member: (i) is licensed by an Equivalent Regulatory Authority (and providing the Short Term Margin Trading mechanism on the Market does not exceed the scope of the activities it is licensed to carry on by that authority); and (ii) when providing a Short Term Margin Trading mechanism, it does so only for:
 - I. Clients not in the State; and
 - II. Clients in the State: (i) that are Professional Clients; or (ii) upon initiation from the investor in the State to deal with the Member outside the State for execution-only services; and
 - (iii) It has qualified administrative and technical staff sufficient to provide Short Term Margin mechanism and manage the related accounts; and
 - (iv) it has ensured that the Short Term Margin Trading account opening form and the form of Margin Trading agreement satisfies the contents requirements of Rule 13.3(a)(iii); and

- (v) it has sufficient financial solvency and has not committed any material violations of the financial solvency criteria or the rules or decisions concerning the separation of accounts approved by the Authority (where applicable) within the six (6) months preceding the date of submitting the application form for approval (and it has not failed to settle any trade within the six (6) months preceding the date of submitting the application form for approval); and
- (vi) it has an order-management system that distinguishes Short Term Margin Trading Orders from other Orders, with the capability to send electronic messages to the Client summarising the issued Order.

13.3 Application

- (a) An Applicant that wishes to provide the Short Term Margin Trading mechanism must submit an application to the Market, using the prescribed form issued by the Market, including the following information and documentation (where applicable, in the opinion of the Market):
 - (i) a copy of its valid Market approval for Margin Trading (or evidence that it satisfies the requirements of the Market to carry out Margin Trading); and
 - (ii) a copy of its valid SCA Licence or an equivalent licence issued by an Equivalent Regulatory Authority; and
 - (iii) the form of Short Term Margin Trading agreement (**Short Term Margin Trading Agreement**), which shall contain the descriptions, statements and other information listed below, in addition to the information set out in Rule 12.7 (as incorporated by Rule 13.9):
 - (A) a description of the Short Term Margin Trading mechanism, the potential risks to which the Client may be exposed as a consequence of using this mechanism in trading and a detailed statement of the rights and obligations assumed by the Client and the Member, including:
 - I. a statement of the possibility that the Client may lose all or part of the funds or Securities deposited in the Short Term Margin Trading Account; and
 - II. an undertaking by the Client to replenish the Maintenance Margin if the percentage falls below the required percentage, after being notified by the Member of that fall;
 - III. the right of the Member to sell all or part of the Securities held in the Short Term Margin Trading Account where:
 - (1) the Maintenance Margin falls below the required percentage and the Client fails to reinstate the Maintenance Margin to the required percentage within the period specified in the agreement; or
 - (2) the Client fails to sell the financed Securities at the time stipulated in Rule 13.7; and
 - IV. the right of the Member to dispose of the Collateral held as Maintenance Margin to cover the amounts due and payable to the Member upon the expiry of the Short Term Margin Trading transaction, in accordance with this Part; and

- V. determination of the Initial Margin and the Maintenance Margin, provided that each is not less than the percentages stipulated in this Part; and
- VI. determination of the amount of commissions, expenses and charges payable by the Client in return for the Short Term Margin Trading mechanism; and
- VII. A clear indication, upon agreement, of the Member's ability to add the capital increase shares subscribed by the Client and related to the financed Securities to the short-term Margin Trading Account if the Member financed all or part of that subscription within the limits of the Initial Margin and in accordance with the other terms of the Short Term Margin Trading Agreement; and
- VIII. the mechanism for trading with the Short Term Margin Trading Agreement, along with the mechanism for disposing of the Securities in accordance with the this Part; and
- IX. the Client's explicit approval and acceptance of the terms of the Short-Term Margin Trading mechanism and of the mechanism for trading and dealing in that account, as well as the mechanism for disposing of the Securities in it in accordance with the provisions of these controls; and
- X. the Client's right to receive dividends on Securities held in the Short Term Margin Trading Account when they fall due, and its right to vote in the general assembly meetings of the Issuers; and
- XI. methods for communicating with and notifying Clients, including when the Maintenance Margin falls below the agreed percentage; and
- XII. determination of the conditions for terminating a Short Term Margin Trading Agreement, as well as stating the mechanism for settlement of rights and obligations arising therefrom, particularly in relation to disposing of Securities financed on margin, without prejudice to Applicable Law.

- (b) An application to provide the Short Term Margin Trading mechanism shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.
- (c) The Market may impose different requirements in different cases any may vary or waive requirements in particular cases.
- (d) The application shall be signed by the chairman (or equivalent officeholder) of the Applicant or a member of its Senior Management authorised by such officeholder of the Applicant.

13.4 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

13.5 Final approval

- (a) A person may not engage in Short Term Margin Trading unless:

- (i) it has obtained an approval from the Market to engage in such mechanism and such approval is final; and
- (ii) such approval remains valid and has been renewed when required.
- (b) An approval by the Market to engage in Short Term Margin Trading shall be considered final for the purposes of Rule 13.5(a) when:
 - (i) the Market has notified the Applicant that the approval is final; and
 - (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).
- (c) Where the Market cancels the approval for Margin Trading granted to a Member, the approval for Short Term Margin Trading shall be automatically and directly cancelled.

13.6 Obligations of Members

A Member that holds an approval from the Market for Short Term Margin Trading shall comply with each obligation stated in Rule 12.6 (except 12.6(f)), as if references to 'Margin Trading' in that Rule were references to 'Short Term Margin Trading', and shall comply with the Market's Procedures relating to Short Term Margin Trading.

13.7 Short Term Trading Mechanism

- (a) The Client shall be required to sell the financed Securities within a period not exceeding the third Trading Session following the date of purchase (T+3). The Member may extend such period to a maximum of (T+7) from the date of purchase.
- (b) If the Client fails to sell the financed Securities during the period specified in Rule 13.7(a), the Member 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.
- (c) The Member shall bear the losses arising from the following:
 - (i) its failure to sell the financed Securities in accordance with Rule 13.7(b);
 - (ii) its failure to sell Securities held in the Short Term Margin Trading Account at the to the extent required to reinstate the Maintenance Margin to the agreed limit in the event the Client fails to cover the required margin;
 - (iii) any inability to sell the financed Securities for any reason whatsoever during the next Trading Session, in accordance with Rule 13.7(b).
- (d) The Client may terminate the transaction related to the Short Term Margin Trading Account by paying off the sums due and payable by them. In such a case, the Client shall be entitled to transfer their Securities held in the Short Term Margin Trading Account to any other account after closing and settling the Short Term Margin Trading Account.

13.8 General

- (a) The Market may at any time increase the Initial Margin or Maintenance Margin for Short Term Margin Trading. The increase may be limited to a specific security, a specific Member, or a specific Client.

- (b) The securities that are acceptable for Margin Trading shall be acceptable for Short Term Margin Trading. The Market may at any time reconsider the securities acceptable for Short Term Margin Trading.
- (c) A Member may not open more than one account for a Client for Short Term Margin Trading.

13.9 Other requirements

Except as modified by this Part, the requirements of Rules 12.8 and 12.9 shall apply to Short Term Margin Trading as if references to 'Margin Trading' in each of those Rules were references to 'Short Term Margin Trading'.

14. PRICE STABILIZATION

14.1 Introduction

No person shall be permitted to provide the Price Stabilization mechanism without obtaining the final approval of the Market in accordance with this Part 14.

14.2 Requirements

An Applicant shall, prior to being permitted to provide the Price Stabilization mechanism, satisfy the Market that:

- (a) it has been admitted as a Member (or satisfies the requirements of the Market to be admitted as a Member in accordance with section 3.1); and
- (b) it:
 - (i) has an SCA Licence (Financial Advisor) acceptable to the Market, in accordance with the related Market Procedures; or
 - (ii) a person who obtained the approval of the Market to carry on the activity of a Market Maker, in accordance with the related Market Procedures; or
 - (iii) in the case of a Foreign Member: (i) is licensed by an Equivalent Regulatory Authority (and providing the Price Stabilization mechanism on the Market does not exceed the scope of the activities it is licensed to carry on by that authority); and (ii) when providing a Price Stabilization mechanism, it does so only for:
 - I. Clients not in the State; and
 - II. Clients in the State: (i) that are Professional Clients; or (ii) upon initiation from the investor in the State to deal with the Member outside the State for execution-only services.

14.3 Application

- (a) An Applicant that wishes to provide the Price Stabilization mechanism must submit an application to the Market, using the prescribed form issued by the Market, including a report describing the technical system used to provide the Price Stabilization mechanism and any other information and documentation required by the Market.
- (b) An application to provide the Price Stabilization mechanism shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.

- (c) The Market may impose different requirements in different cases any may vary or waive requirements in particular cases.
- (d) The application shall be signed by the chairman (or equivalent officeholder) of the Applicant or a member of its Senior Management authorised by such officeholder of the Applicant.

14.4 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

14.5 Final approval

A person may not provide the Price Stabilization mechanism unless:

- (a) it has obtained an approval from the Market to engage in such mechanism and such approval is final; and
- (b) such approval remains valid and has been renewed when required.
- (C) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).

14.6 Price Stabilization Mechanism

- (a) The Price Stabilization Mechanism is designed to:
 - (i) regulate and support the price stabilization processes for the Securities of newly listed Issuers, during the first (30) thirty Business Days following listing on the Market (capable of being extended, where requested by the Issuer); and
 - (ii) ensure that the trading price of an Issuer's Securities does not fall below the offering price, whereby the Price Stabilization Manager may buy Securities for a short period in the event of a decline in the Security price, in order to maintain the stability of the Security price.
- (b) In the event that the Price Stabilization Mechanism is applied, the Issuer shall disclose in the subscription prospectus or its subsequent supplementary disclosures:
 - (i) the number of additional Securities to be offered in accordance with the Additional Offering agreement, provided the same shall not exceed the maximum permissible limit for the Additional Offering; and
 - (ii) the Price Stabilization Period; and
 - (iii) any other restrictions imposed by the Issuer or the underwriter upon the Price Stabilization Manager; and
 - (iv) the Price Stabilization Manager.
- (c) Such Additional Offering may only be made during the offering period specified in the subscription prospectus.
- (d) The number of Shares offered in an Additional Offering must:

- (i) be higher than the minimum limit specified for the ownership of the founders, in accordance with the Companies Law; and
- (ii) not exceed 15% of the total number of Shares offered for subscription.
- (e) The Issuer shall notify the Market immediately in the event that the Price Stabilization service is terminated or the Price Stabilization Manager has served a termination notice in accordance with Rule 3.17(a) or (b) stating the reasons for termination, provided that it shall appoint another such Price Stabilization Manager and ensure its suitability to carry out the role as soon as possible.

14.7 Obligations of Price Stabilization provider

- (a) The Price Stabilization Manager shall inform the Market in good time before conducting the Additional Offering during the offering period.
- (b) Starting from the first day of listing the Securities on the Market, the Price Stabilization Manager shall disclose to the Market at the end of every (5) five-day trading period until the end of the Price Stabilization Period the details of all Price Stabilization transaction executed by it, including disclosure of the quantity of purchased Securities and the price range for such Securities.
- (c) 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:
 - (i) whether the buy option has been exercised; and
 - (ii) the number of Securities on which the buy option was exercised; and
 - (iii) the number of remaining Securities on which the buy option has not been exercised, if any; and
 - (iv) the beginning and end of the Price Stabilization Period; and
 - (v) the price range within which the Buy Orders were executed in order to achieve price stabilization; and
 - (vi) any such additional information as the Market may require to be disclosed by the Price Stabilization Manager.
- (d) The Price Stabilization Manager shall have a bank account according to Market Procedures, dedicated to maintaining the sums relating to subscribing to the Additional Offering. The transactions therein shall be limited to buying Securities during the Price Stabilization period (or transferring funds to the founders if the buy option is not exercised in accordance with the agreement concluded between him and one or more of the Issuer and/or the founders.
- (e) The Price Stabilization Manager shall have, with the CSD, a securities account in which the dealings shall be limited to the transfer of Securities purchased during the Price Stabilization Period in accordance with the agreement concluded between him and one or more of the Issuer and/or the founders.
- (f) The Price Stabilization Manager may not execute any sell of the Securities that have been purchased to implement the Price Stabilization mechanism during the Price Stabilization Period.
- (g) The Price Stabilization Manager shall handle cases of conflict of interest in accordance with the relevant decisions issued by the Authority (where applicable) and the Market.

- (h) 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.
- (i) The Price Stabilization Manager shall maintain its financial solvency according to the financial solvency criteria issued by the Authority (where applicable).

14.8 Price Stabilization transactions register

- (a) The Price Stabilization Manager shall establish and maintain a register to be updated on a daily basis, in which every transaction it executes shall be entered in accordance with the provisions of this Rule.
- (b) The Price Stabilization Manager shall ensure that the register in paragraph (a) of this Rule contains the following information:
 - (i) the quantity and price of Securities for each transaction executed during the Price Stabilization Period; and
 - (ii) the date and time of each such transaction; and
 - (iii) the register referred to in paragraph (a) of this Rule, as well as the statements and all details.
- (c) Information related to the implementation of the Price Stabilization Mechanism shall be kept for a period of no less than (10) ten years after the expiry of the Price Stabilization Period.

15. AUTHORISED INVESTMENT FUND PARTICIPANT

15.1 Introduction

No person shall be permitted to act as an Authorised Investment Fund Participant on the Market without obtaining the final approval of the Market in accordance with this Part 15.

15.2 Requirements

An Applicant shall, prior to being permitted to act as an Authorised Investment Fund Participant on the Market, satisfy the Market that:

- (a) it has been admitted as a Member (or satisfies the requirements of the Market to be admitted as a Member in accordance with section 3.1); and
- (b) it:
 - (i) has an SCA Licence acceptable to the Market; or
 - (ii) in the case of a Foreign Member: (i) is licensed by an Equivalent Regulatory Authority (and acting as an Authorised Investment Fund Participant on the Market does not exceed the scope of the activities it is licensed to carry on by that authority); and (ii) when acting as an Authorised Investment Fund Participant, it does so only for:
- (c) it has qualified administrative and technical staff sufficient to provide the serve of establishing and redeeming fund units; and
- (d) it has sufficient financial solvency and has not committed any material violations of the financial solvency criteria or the rules or decisions concerning the separation of accounts approved by the

Authority (where applicable) within the six (6) months preceding the date of submitting the application form for approval.

15.3 Application

- (a) An Applicant that wishes to act as an Authorised Investment Fund Participant on the Market shall submit an application to the Market using the prescribed form issued by the Market, including the following information and documentation (where applicable, in the opinion of the Market):
 - (i) evidence that it has been admitted as a Member (or satisfies the requirements of the Market to be admitted as a Member in accordance with section 3.1); and
 - (ii) a copy of its SCA Licence that is acceptable to the Market or licence issued by an Equivalent Regulatory Authority; and
 - (iii) a copy of the resolution concluded in accordance with the Member's Constitutional Documents authorising it to act as an Authorised Investment Fund Participant on the Market; and
 - (iv) information on the arrangements implemented to ensure that its activity as an Authorised Investment Fund Participant is segregated from any trading or other activity on the Market; and
 - (v) information on the internal control function and procedures relating to its acting as an Licensed Investment Fund Participant, including information on the related administrative and technical staff.
- (b) An application to act as an Authorised Investment Fund Participant shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.
- (c) The Market may impose different requirements in different cases and may vary or waive requirements in particular cases.
- (d) The application shall be signed by a member of the Applicant's Senior Management.

15.4 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

15.5 Final approval

- (a) A Member shall not act as an Authorised Investment Fund Participant on the Market unless:
 - (i) it has obtained an approval from the Market to undertake such activity and such approval is final; and
 - (ii) such approval remains valid and has been renewed when required.
- (b) An approval by the Market to act as an Authorised Investment Fund Participant on the Market shall be considered final for the purposes of Rule 15.5(a) when:
 - (i) the Market has notified the Applicant that the approval is final; and

- (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).

15.6 Commencement of activities

A Member shall be entitled to act as an Authorised Investment Fund Participant on the Market on the date specified by the Market in its notification of final approval.

15.7 Additional continuing obligations as Authorised Investment Fund Participant

In addition to any other continuing obligations as a Member, a Member that has an SCA Licence and acts as an Authorised Investment Fund Participant shall:

- (i) transact with the Issuers of investment funds to create and redeem units, in accordance with its agreement with each such Issuer and the Market's Procedures; and
- (ii) sell and buy units on the Market, in accordance with its agreement with each such Issuer and the Market's Procedures; and
- (iii) comply with any Market Procedures in relation to acting as an Authorised Investment Fund Participant; and
- (iv) comply with all requirements imposed by the Authority on the Member, including in relation to financial solvency.

16. TRADING RULES

16.1 Introduction, trading days and hours

- (a) This Part applies to trading in Securities, subject to paragraph (d).
- (b) Business Days and holidays, as well as the timing of Trading Sessions, will be published by the Market by Circular.
- (c) Trading hours may be extended or shortened in exceptional circumstances at the discretion of the Market.
- (d) This Part does not apply to trading in Shares issued by Cooperative Associations, except to the extent specified in Rule 16.23.

16.2 Currency of trading

Unless otherwise provided for by the Market by Circular, all Orders shall be expressed in Emirati dirham.

16.3 Trading Session workflow

- (a) Subject to paragraph (b) of this Rule, each Trading Session is divided into the following sessions:
 - (i) the Pre-Opening Session; and
 - (ii) the Opening Session; and
 - (iii) the Continuous Trading Session; and
 - (iv) the Pre-Closing Session; and

- (v) the Trade At Last Session; and
 - (vi) the Post Trading Session; and
 - (vii) the Buy-In Session.
- (b) The Market may choose, in its sole discretion, whether to operate a Continuous Trading Session in respect of a specific Security, or to operate a Buy-In Session in respect of a specific Security, or to combine a Buy-In Session with a Continuous Trading Session for a specific Security. The method of trading for a specific Security will be notified by Circular.
- (c) The method used to calculate the Opening Price and Closing Price for a Security may be set out via Circular.

16.4 The Pre-Opening Session

- (a) No matching of Orders may be conducted during the Pre-Opening Session.
- (b) A Member may enter a Market Order during the Pre-Opening Session.
- (c) Unexecuted and continuing Orders from the previous day's Trading Session, except those relating to Securities that are suspended from trading or subject to ongoing corporate actions, shall be transferred into the Pre-Opening Session after being successfully validated in accordance with the Market's Procedures.
- (d) During the Pre-Opening Session, the Trading System arranges Orders by priority; Market Orders take priority over Limit Orders.
- (e) Save for a final period within the Pre-Opening Session (the length of which is specified by the Market's Procedures), Orders may be amended or cancelled during the Pre-Opening Session (but the quantity of Securities offered for purchase or sale cannot be changed).
- (f) The purpose of the Pre-Opening Session is to determine the Opening Price of listed Securities to be used in the Continuous Trading Session. The submission of Market Orders into the Order Book in the Pre-Opening Session will contribute to the calculation of the Opening Price calculated in accordance with Rules 16.4(g).
- (g) The Opening Price is calculated for each listed Security as the Theoretical Auction Price, in accordance with Rule 16.22.

16.5 The Opening Session

- (a) Orders submitted during the Pre-Opening Session shall be executable at the applicable Opening Price during the Opening Session.
- (b) Where an Opening Price has been calculated for a Security, unexecuted Market Orders at the end of the Opening Session shall be converted to Limit Orders at the Opening Price, placed in the Order Book and transferred to the Continuous Trading Session.
- (c) Where an Opening Price has not been calculated for a Security, unexecuted Market Orders in that Security will expire.

16.6 The Continuous Trading Session

- (a) The Market operates continuous Trading of the Order Book during the Continuous Trading Session.

- (b) A Member may enter an Order during the Continuous Trading Session.
- (c) Members may amend or cancel, suspend or activate any Orders that have not been executed or that have been partially executed.
- (d) If a Buy Order is entered at an equal or higher price than the price set on the selling side, or if a Sell Order is entered at an equal or lower price than the price on the buying side, the Transaction is executed at the price set on the other side.
- (e) If a Buy Order is entered with an executable volume at more than one price set on the other side, these Orders shall be executed in order of priority until all the Orders are executed. If the Order is not fully executed, then the remaining unexecuted volume remains in the Order Book within the Trading System, set at the last executed price.
- (f) The Market may in its sole discretion define via Market Circular the price levels that are allowed for an Order to match an Order on the other side.

16.7 The Pre-Closing Session

- (a) No Trading may be conducted during the Pre-Closing Session.
- (b) A Member may enter a Limit Order or a Market Order during the Pre-Closing Session.
- (c) Unexecuted and continuing Orders from the previous session shall be transferred into the Pre-Closing Session.
- (d) During the Pre-Closing Session, the Trading System arranges Orders by priority; Market Orders take priority over Limit Orders.
- (e) Save for a final period within the Pre-Closing Session (specified by the Market's Procedures), Orders may be amended or cancelled during the Pre-Closing Session.
- (f) Orders may be amended or cancelled during the Pre-Closing Session.
- (g) At the end of the Pre-Closing Session, Orders are matched at the Theoretical Auction Price, in accordance with Rule 16.22.

16.8 The Trade-At-Last Session

- (a) Unexecuted Orders from the Pre-Closing Session shall be transferred into the Trade-At-Last Session.
- (b) Orders entered and adjusted during the Trade-At-Last Session may only be executed at the trade-at-last reference price. (This reference price is calculated on the basis of the last trading price for the previous Trading Session and, if there is no such last price, it is the Closing Price for the previous day, or, on the first day of the listing of the Security, the price at which the Security has been listed).

16.9 The Post Trading Session

- (a) The Market shall set and display the Closing Price during the Post Trading Session.
- (b) Members are not permitted to enter new Orders into the Order Book or amend or cancel existing Orders in the Order Book during the Post Trading Session.

- (c) Members can cancel their existing Orders.
- (d) Trade allocation is allowed during the Post Trading Session.

16.10 The Buy-In Session

- (a) Members may acquire Securities required to satisfy settlement of an executed Sell Order during the Buy-In Session in accordance with the operational Market Procedures for the Buy-In Session.
- (b) Members may submit Sell Orders against available buy-in Buy Orders during the Buy-In Session in accordance with the Market Procedures for the Buy-In Session.

16.11 Order requirements

Indications for any Order submitted to the Order Book shall include, at a minimum:

- (a) identification of the Member submitting the Order; and
- (b) the ISIN or the trading symbol assigned by the Market to such Security; and
- (c) the Trading Account Number; and
- (d) whether the Order is for a Buy Order or a Sell Order; and
- (e) the Order quantity and duration; and
- (f) the price, where applicable; and
- (g) any other information required to be included by the Market from time to time.

16.12 Order types and parameters

- (a) Orders that may be submitted to the Trading System are classified as follows.
 - (i) *Limit Orders*: Limit Orders are Buy Orders or Sell Orders that can only be executed at a specified price limit or a better price.
 - (ii) *Market Orders*: Market Orders are Buy Orders or Sell Orders with no price limit which, in continuous Trading during the Continuous Trading Session, are executed at the best opposite price limit.
 - (A) Market Orders can be entered during the Pre-Opening Session, the Continuous Trading Session and the Pre-Closing Session.
 - (B) If a Market Order is entered into the Order Book at market price, it is executed at the best price available on the other side until the matching quantity is available on the other side at prices of the Order in the Order Book.
 - (C) If the Market Order is partially executed, the remaining part of it is displayed at the last execution price.
 - (D) If a Market Order is entered into the Order Book as 'Market At Best', it is executed only at the best-priced quantity available at the top of the Order Book. The second-best-priced and lesser-priced quantities will not be matched with the remaining quantity. Instead, the remaining quantity is displayed as a Limit Order at the price of the best-priced quantity mentioned in this paragraph.

- (E) Market Orders are rejected if no Orders exist on the other side.
- (iii) *Trigger Orders*: Trigger Orders are Buy Orders or Sell Orders at limit or market price that will only be triggered under specific conditions (i.e. last price / best bid / offer). If the trigger condition is met, the Order becomes open and is entered into the Order Book. If the trigger condition is not met, the Order shall retain an 'Inactive' status in the Order Book.
 - (iv) *Day Orders*: Day Orders are Buy Orders or Sell Orders that expire if they are not executed by the end of the Trading Session on the day they were entered into the Order Book.
 - (v) *Good-Till-Cancelled (GTC) Orders*: GTC Orders are Buy Orders or Sell Orders that remain in the Order book until the Order is executed or cancelled by the Client. The maximum duration of a GTC Order is 365 days.
 - (vi) *Immediate-Or-Cancel (IOC) Orders*: IOC Orders are purchase or sale Orders that are only valid during the Continuous Trading Session and must be executed immediately. Any portion of an IOC Order that cannot be filled immediately shall be cancelled.
 - (vii) *Good-Till-Date (GTD) Orders*: GTD Orders are Buy Orders or Sell Orders that expire at a specified date or time, unless they have already been fulfilled or cancelled. Orders shall be automatically removed from the Order Book upon expiry.
 - (viii) *Fill-or-Kill (FOK) Orders*: FOK Orders are Orders that can only be executed in full depending on market conditions at the time they are entered and at the specified price or better (which would be a limit price or at market price). If a FOK Order cannot be immediately executed, it shall expire.
 - (ix) *Fill-and-Kill (FAK) Orders*: FAK Orders are Orders that can be executed to the fullest extent possible at the time they are entered and at the specified price or better (which could be a limit price or at market price). The remaining part of any FAK Order that is not executed immediately shall expire.
 - (x) *All-Or-None (AON) Orders*: AON Orders are Orders that must be executed in full and cannot be partially executed. If an AON Order is not executed immediately, it shall remain on the Order Book.
 - (xi) *Minimum Fill (MF) Orders*: MF Orders allow Members to specify the minimum number of Securities by which an Order should be filled. Following execution of the MF Order, the minimum fill requirement is rescinded and the Order shall be treated like other regular Orders.
 - (xii) *Minimum Execution (ME) Orders*: ME Orders allow Members to trade in specific blocks provided that the quantity is above the ME quantity. If the balance is less than the minimum requirement, the Order shall be removed.
 - (xiii) *Hidden Orders*: Hidden Orders are Orders that may be submitted while only disclosing a portion of the entire quantity. The minimum exposed quantity for a Hidden Order shall be 10% of the total quantity of the Order. Hidden quantities shall only be visible in the Order Book following execution of the disclosed quantity and the newly revealed quantity shall take the priority in the Order Book as if that quantity is entered into the Order Book at the time at which it is revealed.
- (b) Other Order types may be permitted where provided for by the Market through the issuance of a Circular.

16.13 Priority of Orders

Orders are arranged and executed based on the following priorities:

- (a) *Price Priority:*
 - (i) A Buy Order at a higher price shall be given priority over other Buy Orders.
 - (ii) A Sell Order at a lower price shall be given priority over other Sell Orders.
- (b) *Timing Priority:*
 - (i) Priority shall be given to Orders entered earlier over those entered at a later time.
 - (ii) Priority shall be given to Orders entered during the previous day's Trading Session over those entered during the current day's Trading Session.

16.14 Amending Orders

- (a) An Order shall not be amended to change the Underlying Security, the type of Order or the investor number. If these aspects of an Order require amendment, the Member shall cancel the Order and submit a new Order.
- (b) Where an Order is amended to alter the price, increase the volume (and in the case of a Hidden Order, increase the quantity visible in the Order Book) or to add or cancel a special condition, the amended Order shall be considered entered into the Order Book at the time the Order is amended.
- (c) Where an Order is amended to decrease the volume (and in the case of a Hidden Order, decrease the quantity visible in the Order Book) or alter the duration of the Order's validity, the amended Order shall be considered to be entered into the Order Book at the time the original Order is submitted.

16.15 Cancellation of Orders

- (a) A Member may cancel an Order at any time prior to execution except as otherwise set out in these Rules. Once an Order has been cancelled, the original Order cannot be reinstated.
- (b) The Market may cancel any Order or Transaction that in its reasonable judgment does not comply with Applicable Law.
- (c) The Market shall inform Members as soon as possible if any Cancellation has been made under Rules 16.15(b) during a Trading Session. For any such Cancellations made after the close of a Trading Session, the Market shall inform Members at the latest before the opening of the following Trading Session.

16.16 Trading safeguards

- (a) If any Order submitted to the Order Book causes the price of any listed Security to exceed the Upper and Lower Price Limits set by the Market by Circular for the specific listed Security, the Market shall be permitted to prevent the Order from entering the Order Book in accordance with the remainder of this Rule.
- (b) Orders that remain unexecuted from the previous trading day are checked against the Trading Safeguard limit. If the price of the Security exceeds the Trading Safeguard limit, the Order expires and the Market may remove it from the Order Book.

- (c) Subject to Rule 16.16(d), the Upper and Lower Price Limits shall not apply to listed Securities in their first Trading Session. The price of these listed Securities is floated from the date of listing until the conclusion of the Trading Session during which a Transaction involving that listed Security is executed. The Closing Price for this listed Security at the end of the Trading Session is considered the benchmark to calculate the applicable Upper and Lower Price Limits at the start of the next Trading Session.
- (d) The Upper and Lower Price Limits shall apply to a listed Security of dual-listed Issuers with a principal listing on a Foreign Market in their first Trading Session on the Market. The Upper and Lower Price Limits will be calculated by reference to the Closing Price of the Security in the Foreign Market for the previous Trading Session.
- (e) The Market may apply different Market Procedures for the trading of Shares of Foreign Companies listed on the Market.
- (f) The Market may suspend an Order if execution of that Order will breach the Member's own Trading limit or any limit imposed on the relevant Client.
- (g) The Market may set a single Order maximum volume and value limit. For Orders submitted above such limit, the Market shall not enter the Order into the Order Book.
- (h) The Market may in its sole discretion declare or inform a Member that there is a fast market. In particular and without limitation, it may declare a fast market where the frequency of submission of Orders by Members exceeds that which the Trading System can accommodate. Where a fast market is declared, a Member must act in accordance with any Market Procedures issued in this regard.
- (i) A Security may have a foreign-ownership and or individual-ownership limit. For Orders submitted in such a Security, the Market shall at the time of execution check the execution against the ownership limits and, in case of a potential breach, the Order may not be executed and may be removed from the Order Book.

16.17 Order values

- (a) Minimum units used in Trading shall be as follows:
 - (i) Minimum Amount Unit: A minimum of one listed Security may be traded.
 - (ii) Minimum Price Unit: the Market shall specify minimum price units or tick sizes for each relevant kind of Security and Derivative by way of Circular.
- (b) The Market may stipulate different minimum amounts and prices from those stated above and may differentiate between different types of Security.

16.18 Negotiated Transactions

Members may transmit Orders based on an agreement made outside of the Trading System, in accordance with the Market's Procedures.

16.19 Confirmations, reporting and publication

- (a) The Market shall acknowledge receipt of all Orders entered into the Order Book, and send a confirmation of any Transactions to the relevant Members upon full or partial execution of any Order. The confirmation shall state the unfilled Order quantity (if any).
- (b) Transactions shall be reported as follows:

- (i) Order Book Transactions: Transactions carried out in the Order Book shall be automatically and immediately deemed to have been reported to the Market; and
- (ii) Negotiated Transactions: a Member who has entered into a negotiated Transaction in accordance with Rule 16.18 shall (subject to Rule 16.19(d)) immediately report that Transaction to the Market. When reporting a negotiated Transaction, the Member shall indicate whether such Transaction was Proprietary Trading or not. On being reported to the Market and accepted by the Market, the Transaction shall be recorded by the Market as a negotiated Transaction. A negotiated Transaction shall be deemed to have been effected on the Market (and hence, unless the context requires otherwise, to be a Transaction for the purposes of these Rules) only once it has been reported to and accepted by the Market.
- (c) Pre-Trade Transparency: The Market shall continuously disseminate to Members the market price, including the number of Orders and total disclosed Order quantity at each such price.
- (d) Post-Trade Publication: For each Transaction carried out in the Order Book, the Market shall immediately disseminate the quantity, price and time of execution of such Transaction.
- (e) When a Member executes a Transaction for a Client, it must ensure a trade confirmation note is sent to the Client as soon as possible and in any case no later than two (2) Business Days following the date of execution of the Transaction, including all the information required to be included in such confirmation by the decisions of the Authority, and should be maintained for the period stipulated in and otherwise in accordance with the decisions of the Authority.

16.20 Audit trail

- (a) A Member shall immediately upon receipt of an Order and upon amendment thereof, time-stamp by a process other than handwriting and record such Order in the manner set out by Notice (save in the case of a systems failure in which case a Member shall comply with the Market's related procedures).
- (b) All records concerning Orders shall be maintained and available for inspection by the Market.

16.21 Corporate Action

- (a) Where necessary the Market shall update applicable information in respect of a listed Security upon the occurrence of a Corporate Action in accordance with the operational Market Procedures.
- (b) All continuing duration Orders shall expire immediately prior to the Trading Session on the date the amendments to applicable information determined in accordance with Rule 16.21(a) take effect and shall be cancelled after the relevant Corporate Action has been completed.

16.22 Theoretical Auction Price

The Theoretical Auction Price is calculated for each listed Security as follows:

- (a) the price that generates the largest executable Trading volume, but in case more than one price satisfies this criterion, refer to Rule 16.22(b);
- (b) the price that generates the least unexecuted Trading volume, but in case more than one price meets this criterion, refer to Rule 16.22(c);
- (c) in case of Orders in the Order Book at the prices ascertained in accordance Rule 16.22(b):

- (i) being in the majority Sell Orders, the lowest of the prices; or
- (ii) being in the majority Buy Orders, the highest of the prices; or
- (iii) being equally distributed as Buy Orders and Sell Orders, or the executable Trading volume being 0, the price determined in accordance with Rule 16.22(d);
- (d) the price determined from the range of prices from Rule 16.22(b), taking the two values representing the lowest and highest price, on the basis of their proximity to a Reference Price:
 - (i) where the Reference Price is greater than or equal to the higher of the prices, the higher shall be considered; or
 - (ii) where the Reference Price is lesser than or equal to the lower of the prices, then the lower price shall be considered; or
 - (iii) where the Reference Price lies between the two prices, then the price closest to the Reference Price shall be considered; or
 - (iv) where the Reference Price is equidistant to the two prices, the higher shall be considered.

16.23 Cooperative Associations

- (a) Shares in Cooperative Associations that are listed on the Market shall be traded on the Market through Members in accordance with the Market's Rules, except as specified by this Rule or by Market Procedures.
- (b) Before the Cooperative Association's listing on the Market, the Market shall determine:
 - (i) the mechanism for determining the price of a Share in a Cooperative Association; and
 - (ii) the upper and lower limits in movement in the Cooperative Association's Share price, acting in coordination with the Ministry, the Authority and the Cooperative Association, provided that the Members shall be informed of this.
- (c) A person wishing to trade Shares in Cooperative Associations on the Market shall:
 - (i) be a member of the Cooperative Association; and
 - (ii) have an investor number (NIN) issued by the Market; and
 - (iii) have a trading account with a Member.

17. REGULATED DERIVATIVES MEMBERS AND TRADING

17.1 Introduction

- (a) This Part applies to trading in Regulated Derivatives.
- (b) A person shall not be permitted to act as a Regulated Derivatives Member without obtaining the final approval of the Market in accordance with this Part 17.

17.2 Requirements

- (a) An Applicant shall, prior to being admitted as a Derivatives Member, satisfy the Market that:
 - (i) it is admitted as a Member (or satisfies the requirements of the Market to be admitted as a Member in accordance with Part 3); and
 - (ii) it:
 - (A) has an SCA Licence acceptable to the Market (Broker or Market Maker); or
 - (B) in the case of a Foreign Member: (i) is licensed by an Equivalent Regulatory Authority (and providing the Regulated Derivative trading service on the Market does not exceed the scope of the activities it is licensed to carry on by that authority); and (ii) when providing the Regulated Derivative trading service, it does so only for:
 - I. Clients not in the State; and
 - II. Clients in the State: (i) that are Professional Clients; or (ii) upon initiation from the investor in the State to deal with the Member outside the State for execution-only services; and
 - (iii) it has sufficient financial solvency and has not committed any material violations of the financial solvency criteria or the rules or decisions concerning the separation of accounts approved by the Authority (where applicable) within the six (6) months preceding the date of submitting the application form for approval; and
 - (iv) it has electronic systems for trading in Derivatives that the Market deems sufficient; and
 - (v) it can ensure appropriate separation between its activity as Derivatives Member and its other financial activities; and
 - (vi) it has qualified administrative and technical staff sufficient to carry on Derivatives Member activity.

17.3 Application

- (a) An Applicant that wishes to be admitted as a Derivatives Member shall submit an application to the Market using the prescribed form issued by the Market, including the following information and documentation (where applicable, in the opinion of the Market):
 - (i) evidence that it has been admitted as a Member (or satisfies the requirements of the Market to be admitted as a Member in accordance with Part 3); and
 - (ii) a copy of its SCA Licence or licence issued by an Equivalent Regulatory Authority acceptable to the Market; and
 - (iii) a copy of the resolution concluded in accordance with the Member's Constitutional Documents authorising it to act as a Derivatives Member; and
 - (iv) a description of its order management system as it relates to Regulated Derivatives;
 - (v) a detailed report describing the policies, procedures, systems and controls that it maintains in relation to Derivatives Member activity, including systems for internal monitoring and review in relation to such activity; and

- (vi) a detailed report describing the record retention policies, procedures and systems that it maintains in relation to Derivatives Member activity; and
- (vii) a copy of the agreement between the Derivatives Member and its Client (**Derivatives Client Agreement**) drafted in accordance with the Market's Procedures, containing the following information at a minimum (unless specified otherwise in such Market Procedures):
 - (A) a concept and description of the risks to which the Client of a Derivatives Member may be exposed as a result of trading in Regulated Derivatives; and
 - (B) the Initial Margin and the Maintenance Margin, provided that they shall not be less than the percentages specified by the CCP; and
 - (C) the method of notifying the Client if the Collateral provided by the Client falls below the Maintenance Margin; and
 - (D) an undertaking by the Client to replenish the Collateral maintained in the Derivatives Trading Account if the percentage falls below the Maintenance Margin, after being notified by the Member; and
 - (E) criteria to determine that the Client is suitable for undertaking Regulated Derivatives trading; and
 - (F) a detailed statement of the rights and obligations of both the Client and the Derivatives Member.
- (b) An application for admission as a Derivatives Member shall be in the form specified by the Market and shall include such information and be accompanied by such documents as the Market may reasonably require.
- (c) The Market may impose different requirements in different cases and may vary or waive requirements in particular cases.
- (d) The application shall be signed by the chairman (or equivalent officeholder) of the Applicant or a member of its Senior Management authorised by such officeholder of the Applicant.

17.4 Market's review and approval

The Market shall undertake its assessment of the application in accordance with the provisions of Rule 3.5.

17.5 Final approval

- (a) A person shall not be admitted as a Derivatives Member unless:
 - (i) it has obtained an approval from the Market to be a Derivatives Member and such approval is final; and
 - (ii) such approval remains valid and has been renewed when required.
- (b) An approval by the Market to be a Derivatives Member shall be considered final for the purposes of Rule 17.5(a) when:
 - (i) the Market has notified the Applicant that the approval is final; and

- (ii) the Market and the Applicant have notified the Authority (such notification to be completed no later than five (5) Business Days after the Market has granted its final approval to the Applicant).

17.6 Ongoing obligations: general

In addition to any other continuing obligations as a Member, a Derivatives Member shall:

- (a) automatically open a dedicated account for each Client called the Derivatives Trading Account for executing Orders solely related to Derivatives Contracts and separate this account from any other account held with the Derivatives Member for the Client; and
- (b) ensure that all employees and staff involved in trading in Regulated Derivatives have sufficient experience in the derivatives markets and that the number of employees assigned to each Derivatives Trading Account is sufficient at all times;
- (c) before executing any Order in relation to Regulated Derivatives, ensure that the Client deposits the Initial Margin and maintains the Maintenance Margin in its Derivatives Trading Account and obtain the Client's consent regarding the Derivative Member's retention of such Collateral until the Client's position is closed; and
- (d) conduct the daily settlement (mark to market) for the Regulated Derivatives; and
- (e) maintain records of the Orders (and requests to amend such Orders) received from the Clients, both those made in writing and those made orally, and make them available to the Market upon request; and
- (f) prepare and maintain all records and financial statements relating to Orders and Regulated Derivatives in accordance with the international accounting standards approved by the Authority for a period of ten (10) years, in addition to maintaining secure back-up copies of all such records and statements (or, in the case of a Foreign Member, in accordance with and for the period specified in the rules of an Equivalent Regulatory Authority); and
- (g) automatically inform the Market of the receipt of Orders related to the Regulated Derivatives in accordance with the Market's requirements; and
- (h) observe the principles of honesty and integrity, avoid conflict of interests, not favour the Derivative Member's interests or the interests of third parties over the interests of Client, not discriminate between its Clients, and execute Orders on a first-received first-served basis; and
- (i) refrain from using high-risk electronic trading programs or mechanisms not permitted by the Market and assume full responsibility for any liability arising from the use of any such programs or mechanisms; and
- (j) obtain an undertaking from the Client to replenish the Derivatives Trading Account immediately when the Collateral value drops below the Maintenance Margin.
- (k) an undertaking by the Client to immediately replenish the Derivatives Trading Account when the value of the Collateral drops to below the Maintenance Margin.

17.7 Notifications and Client statements

A Derivatives Member shall provide to each of its Clients the notifications and statements specified in the Market's Procedures at the times specified for this purpose.

17.8 Trading via Derivatives Order Register

- (a) Subject to Rule 17.10(b), a Derivatives Member shall trade in the Regulated Derivatives only through the Derivatives Order Register, noting the following:
 - (i) automatic matching of the Orders without defining the identity of the Derivatives Member, on the basis of price and time priority; and
 - (ii) prioritising 'market Orders' (as defined in Rule 17.9) in the Derivatives Order Register; where the price limits are equal, priority shall be assigned according to the time at which the Order is entered into the Derivatives Order Register; and
 - (iii) matching shall be made between Buy Orders and Sell Orders within the Market systems (or, in the case of negotiated Transactions, by being reported to the Market and confirmed by Derivatives Members).
- (b) The Derivatives Member shall, upon entering its Orders into the Derivatives Order Register, ensure that each such entry specifies:
 - (i) the identity of the Client; and
 - (ii) the ISIN given by the Market; and
 - (iii) whether the Order is a Buy Order or a Sell Order, as well as the Order type; and
 - (iv) the Order quantity; and
 - (v) the price (where applicable); and
 - (vi) determining whether the Order is for the Derivatives Member itself, for a Client, or for the activity of the Market Maker.
- (c) The Derivatives Member shall not enter a Buy Order or a Sell Order for Regulated Derivatives into the Derivatives Order Register that exceed the price limits set by the Market.
- (d) The Orders entered into the Derivatives Order Register may be either for immediate execution, valid for one (1) business day, valid until a certain date or time, or valid until cancelled, provided that the period of any Order shall not extend to more than (365) days from the date of its entry into the Derivatives Order Register.
- (e) In the absence of a specific time validity, an Order shall be considered valid for one (1) Business Day.
- (f) Through the Derivatives 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.
- (g) The Market may specify the minimum and maximum limits for the Order quantity or value for Regulated Derivatives in its Market Procedures.

17.9 Derivatives Order types

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

- (a) 'Limit Orders': Buy Orders or Sell Orders that can only be executed at the specified price or at a better price; and

- (b) 'Market Orders': Buy Orders or Sell Orders that do not carry price limits, are executed at the best price on the corresponding side, while any remaining quantity that is not executed is automatically converted into a 'Limit Order' at the best corresponding price limit and added to the Derivatives Order Register.
- (c) 'Stop Orders': Buy Orders or Sell Orders that arise when a certain specified price of a Regulated Derivative is reached:
 - (i) in the case of a 'Stop-loss Order', a 'market Order' is generated automatically and added to the Derivatives Order Register, after a certain specified price of a Regulated Derivative is reached; and
 - (ii) in the case of a 'Stop-limit Order, a 'Limit Order' is automatically generated and added to the Derivatives Order Register, when a certain specified price of a Regulated Derivative is available; and
- (d) other Orders subject to special conditions: certain types of Orders are subject to volume-related requirements, Order types and execution conditions specified by the Market.

17.10 Block Trades

A Derivatives Member may make high-volume block Transactions in Regulated Derivatives outside the Derivatives Order Register in accordance with the Market's Procedures.

17.11 Prohibited practices

No person shall:

- (a) do or engage in any act or any course of conduct that creates or is likely to create a false or misleading impression in the Market, in relation to the price or value of any Regulated Derivative or Underlying Security or that harms the integrity of the Market; or
- (b) enter any false, misleading or fictitious Order or price in the Derivatives Order Register; or
- (c) unduly influence the Orders by entering a price that is not within the limits of the prices displayed for the Regulated Derivatives or any Underlying Security.

17.12 Eligible Regulated Derivatives

- (a) Regulated Derivatives may be listed and traded in the Market where the Underlying Securities are:
 - (i) Securities or based on a local index that tracks Securities; and
 - (ii) Foreign Securities or based on a foreign index that tracks Foreign Securities, after obtaining the approval of the Authority; and
 - (iii) other Underlying Securities approved by the Market and the Authority.
- (b) From time to time, the Market may publish by Circular a list of Underlying Securities or indices approved by the Market that may underlie Regulated Derivatives traded on the Market.
- (c) The Market will disclose by Circular the specifications of the Regulated Derivatives approved by SCA.

- (d) The Market may, from time to time, modify the specifications of the approved Regulated Derivatives after being approved by the Authority, publishing such modifications by Circular and specifying how such modifications do not apply to Regulated Derivatives that have not been settled.
- (e) The Market shall take into account not to delete any included Securities in the event that there are existing Regulated Derivative contracts included in those included Securities that have not been settled.
- (f) The Market may, by Circular, specify in relation to one or more Regulated Derivatives:
 - (i) the minimum or maximum limits for the Order quantity or value for Regulated Derivatives, as well as any other protection safeguards or procedures it deems appropriate; and
 - (ii) the types of Regulated Derivatives and the types of series of Regulated Derivatives that may be traded on the Market; and
 - (iii) other terms of the Regulated Derivatives, including in relation to the expiry of Regulated Derivatives contracts.

17.13 Other Market Procedures

- (a) Settlement of all Regulated Derivatives must be carried out through the CCP in accordance with its rules and Market Procedures.
- (b) The Market may designate one or more Market Makers in respect of a Regulated Derivative, specifying the rights and obligations of the Market Maker in a Market Maker Agreement.
- (c) The Market shall determine and may modify the Trading Hours and Business Days for trading Regulated Derivatives, by disclosure in a Circular.
- (d) The Market shall, either by publishing on its website or through its Trading System:
 - (i) immediately after the full or partial execution of any Order, send to the relevant Derivatives Members a confirmation of all such Orders. The confirmation shall include the volume, price and execution time of Orders, as well as the volume of unexecuted orders (if any); and
 - (ii) publish the disclosure of the block Trades executed on a daily basis.

17.14 Precautionary measures

- (a) The Market may decide to suspend trading in a Regulated Derivative or series of Regulated Derivatives, in exceptional circumstances that may threaten normal operations and workflow in the Market, provided that it shall immediately notify the Authority of such decision.
- (b) If any decision has been issued in accordance with paragraph (a), the Market may state:
 - (i) the time by which trading may be resumed on the same Business Day of suspension or the next Business Day or another Business Day determined by the Market; and
 - (ii) whether the relevant fixed price fairly reflect the market for the relevant Regulated Derivatives; and
 - (iii) whether trading in one or more of the Regulated Derivatives or series of Regulated Derivatives may be resumed but with closing postponed to another time.

- (c) The Market may direct or compel a Derivatives Member to close one or more counterparty Transactions immediately or within a specified period of time even if the financial position limits are not exceeded, if the Market considers that the number of Transactions of the CCP related to a particular Regulated Derivatives contract in a series which the Derivatives Member is a party to, is excessive or inappropriate and may take any other action it deems appropriate.
- (d) Without prejudice to a bona fide third party, the Market may cancel any Regulated Derivative transaction:
 - (i) in the event of violation of any of the Market's Rules; and
 - (ii) in exceptional circumstances that may threaten normal operations and workflow in the Market.
- (e) The Market shall disclose the precautionary measures once taken where Orders relating to Regulated Derivatives are cancelled during a Business Day. If cancellation occurred after the end of trading on a Business Day, the Market must notify Derivatives Members before the start of the next Trading Session.

17.15 Futures

- (a) Subject to Rule 17.12, the Market Futures permits the following Futures to be listed and traded:
 - (i) cash-settled contracts with daily mark-to-market settlement;
 - (ii) contracts with daily mark-to-market settlement, involving a daily cash settlement and an obligation on the buyer to take delivery of the Underlying Securities upon expiry of the Regulated Derivative.
- (b) The parties to a Futures contract shall comply with its terms. Each such contract must satisfy the contract specifications for Futures issued by the Market by Circular.
- (c) Designation of contract Series by the Market shall be as follows:
 - (i) Each Series shall be designated for each Future contract, so as to contain unified symbols; and
 - (ii) contract expiration year shall be designated by referring to the final figure of the year in which the Series ends; and
 - (iii) contract expiration month shall be designated using a code that refers to such a month.
- (d) In the Futures contract, the buying party is obligated to settle, and has the right to buy the included Securities or cash settlement when the price decreases as stipulated in the contract specifications and in accordance with these provisions and controls. The selling party is obligated to settle, and has the right to sell the included Securities or cash settlement when the price rises according to what is stipulated in the contract specifications and in accordance with these provisions and controls.
- (e) The Securities that are included in the Futures contract should be attributed with the necessary elements to constitute being a Security, giving rise to an obligation, and representing the basis for calculating the daily settlement (Mark to Market), and the final settlement upon which the contract expires upon delivery or cash settlement.
- (f) The duration of a series in Futures contract starts from the first Trading Session and lasts until the expiry of the relevant contract.

- (g) If the Market lists new series during the period of the same series, those series will be characterized by the same size, designation and coding for the actually listed contracts.
- (h) Upon amendment of the provisions of a Future contract, the Market shall notify the Derivatives Members of such amendments and the Derivatives Member shall notify each of their Clients of the same. In the event of any amendments to the Futures Contract, such amendment shall be reflected on the designation of the Series.
- (i) The Market may amend Future contracts provisions in the following cases:
 - (i) share capital increase; and
 - (ii) share capital reduction; and
 - (iii) stock split and classification them into categories; and
 - (iv) stock consolidation and split; and
 - (v) dividends in kind; and
 - (vi) merger or acquisition or suspension or cancellation of the listing; and
 - (vii) any other cases at the discretion of the Market.
- (j) The currency for trading in Futures shall be AED and other currencies specified by the Market's Procedures.

18. FEES

18.1 Applicable fees

- (a) Subject to paragraph (c) below, before the Market may approve an application for admission as a Member or for any other activity or mechanism, the Applicant shall pay to it the approval fees set out by Circular published on the Market's website.
- (b) For the purposes of calculating the approval fees, a fee is payable for a term that starts on the date specified by the Market in its notification of final approval until the end of December of the same year, prorated on the basis of the remaining period of the year, provided that a fraction of a month shall be deemed to be a full month.
- (c) Subject to paragraph (d) below, for subsequent fees, a fee is payable for a term that is one (1) year ending at the end of December of each year.
- (d) The Market may impose such fees and other charges as it may from time to time determine and publish by Circular.
- (e) The Market may vary its fees and charges, publishing the updated fees and charges by Circular.
- (f) Fees and charges may also vary by the volume of Trading or Clearing business undertaken on the Market, the investment or Transaction type, whether the Member is a Market Maker or any other basis as set out by Circular. The Market shall provide reasonable advance notice to the Members of any changes to any such fees or charges or the imposition of any new fees and charges.