

## Chapter 3 Committee Rules

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#### **3.1 Committee Designation**

- (A) The Exchange shall have committees including (but not limited to) the following:
- (1) Disciplinary Committee;
  - (2) Appeal Committee;
  - (3) Compliance Review Committee; and
  - (4) Membership Committee.
- (B) Additional committees of the Exchange may be established in accordance with the Rules or for such other purposes as the Board may from time to time determine.
- (C) Unless specifically provided otherwise, committees shall be composed of:
- (1) a chairman, who shall be appointed by the Chairman (with the consent of the Board);
  - (2) any number of members and alternates as may be specified in these Rules, who shall be appointed by the Chairman or the chairman of the relevant committee (subject always to ratification of such appointment by the Board).

#### **3.2 Powers of Committees**

- (A) Each committee shall have such powers as may be delegated to it in these Rules or by the Board, provided however that such powers shall in no case exceed the powers that the Board might delegate lawfully to an officer of the Exchange.
- (B) Each committee shall have the authority to make rules governing its own conduct and its proceedings unless otherwise provided in these Rules.

### **3.3 Term of Committees**

Unless otherwise provided in these Rules, members of any committee shall hold office until the first meeting of the Board following the annual meeting of Members and until their successors are appointed.

### **3.4 Removal, Resignation and Vacancies**

- (A) Members of committees shall hold office at the discretion of the Board. A member of a committee whose appointment has been approved by the Board may be removed by the Board with or without cause.
- (B) A member of a committee may resign at any time by tendering written notice of his resignation to the chairman of the relevant committee or the Board. Unless contingent upon acceptance, such resignation shall be effective on the date specified, or if no date is specified, on the date tendered.
- (C) The Chairman or the chairman of the relevant committee may remove, with or without cause, any vice-chairman or any member of a committee whom he has appointed, with the consent of the Board.
- (D) The Chairman or the chairman of the relevant committee may, with the consent of the Board, appoint one or more alternate members of any committee subject to the provisions of this Chapter 3.

### **3.5 Meetings**

- (A) Unless otherwise provided in the Rules, regular meetings of committees shall be held on such date and at such time as each committee shall determine.
- (B) The chairman of any committee shall have the authority to call a special meeting of such committee to be held on such date and at such time as the chairman shall determine.
- (C) Notice of all meetings may be in writing, by telephone or by any other means of communication. Such notice shall be made not less than one (1) hour before any meeting.
- (D) Any action required or permitted to be taken by a committee may be taken without a meeting if all the members of the committee consent in writing to the adoption of a resolution authorising such action.
- (E) Any one or more members of a committee may participate in a meeting by means of a conference telephone or similar communications device allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

### **3.6 Quorum and Vote**

- (A) Unless otherwise specifically provided in the Rules, at least one half (1/2) of the committee members or three committee members (whichever is greater) shall constitute a quorum for the transaction of business.
- (B) Unless otherwise specifically provided in the Rules, any action taken by a majority of members of a committee present at a meeting at which a quorum is present shall be a valid action of the committee.

### **3.7 No liability**

No person serving on any committee shall, in the absence of bad faith or wilful default, incur any liability whatsoever to any Member, Seat Lessee or Guaranteed Customer, or their

respective employees, for any decision taken or any act or omission of that committee, whether in contract, in tort or otherwise.

### 3.8 Confidential Information

- (A) No member of any committee shall use or disclose, for any purpose other than the performance of such person's official duties relating to the committee, Confidential Information obtained as a result of such person's participation on the committee.
- (B) No person may trade for his own account, or for or on behalf of the account of any other person, in any Exchange Contract on the basis of any Confidential Information that such person knows was obtained in breach of paragraph (A) of this Rule 3.8.

### 3.9 Disqualification

- (A) For the purposes of this Rule 3.9, the following terms shall have the following meanings:
  - (1) **Disciplinary Offence** means an offence arising out of a proceeding or action brought by the DFSA or any other regulator, any Authorised Market Institution, any Recognised Body or any other exchange or clearing house or other regulated or self-regulated body or any governmental or other public body, and which relates to any of the following:
    - (a) a breach of the Markets Law or Regulatory Law or any regulation made under them;
    - (b) a breach of any rules or any guidance published by the DFSA or any other regulator;
    - (c) a breach of the rules of any Authorised Market Institution, any Recognised Body, any other exchange or any other regulated or self-regulated body, except those rules relating to:
      - (i) decorum or attire;
      - (ii) financial requirements; or
      - (iii) reporting or record keeping;
    - (d) a breach described in paragraphs (A)(1)(c)(i) to (iii) of this Rule 3.9 which involves fraud, deceit or conversion or results in a suspension or expulsion; and
    - (e) a failure to exercise supervisory responsibility with respect to acts described in paragraphs (A)(1)(c)(i) to (iii) of this Rule 3.9 when such failure is itself a breach of the Markets Law or Regulatory Law, or any rule, guidance or regulation referred to in paragraphs (A)(1)(a) to (d) of this Rule 3.9.
  - (2) **Final Decision** means:
    - (a) a decision of an arbitration panel, a disciplinary committee, any Authorised Market Institution, any Recognised Body, any other exchange or any other regulated or self-regulated body, which:
      - (i) cannot be further appealed within the Authorised Market Institution, the Recognised Body or relevant exchange, regulated or self-regulated body; and
      - (ii) is not subject to the jurisdiction of the DFSA, any other regulator or any court or tribunal; or

- (iii) if it is subject to the jurisdiction of any of the bodies referred to in paragraph (A)(2)(a)(ii) of this Rule 3.9, has not been reversed, pursued or challenged by any of those bodies or by any other person or body entitled so to reverse, pursue or challenge it, within the time limits prescribed by any applicable laws, rules or regulations for such action to be taken;
    - (b) any decision by any of the bodies referred to in paragraph (A)(2)(a)(ii) of this Rule 3.9 which has not been reversed and cannot be further challenged or appealed.
  - (3) **Settlement Agreement** means any agreement consenting to the imposition of sanctions by the DFSA or any other regulator, any Authorised Market Institution, Recognised Body, any other exchange or any other regulated or self-regulated body, any governmental or other public body or any court or tribunal of competent jurisdiction.
- (B) A person who:
- (1) within the period of three (3) years preceding the date of his appointment:
    - (a) has been found by a Final Decision to have committed a Disciplinary Offence;
    - (b) has entered into a Settlement Agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a Disciplinary Offence;
    - (c) has been suspended from trading on any Authorised Market Institution, any Recognised Body or any other exchange, or has been suspended or expelled from membership of any Authorised Market Institution, any Recognised Body, any other exchange or any other regulated or self-regulated body, or is serving any sentence of probation, or owes any portion of a fine imposed pursuant to either:
      - (i) a finding by a Final Decision that such person committed a Disciplinary Offence; or
      - (ii) a Settlement Agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a Disciplinary Offence;
    - (d) has been refused authorisation or approval by the DFSA or any other regulator, or has not been accepted for registration with or membership of any Authorised Market Institution, any Recognised Body, any other exchange or any other regulated or self-regulated body;
    - (e) has been subject to an agreement with the DFSA or any other regulator, any Authorised Market Institution, any Recognised Body, any other exchange or any other regulated or self-regulated body, under which that person is not to apply for authorisation by, registration with or membership of any of those bodies; or
    - (f) has had a variation, cancellation or revocation imposed on him for any reason, either by the DFSA or by any other regulator, in relation to a Licence or any other equivalent activity requiring a permission or licence by any other regulator, or has been convicted of any crime arising out of the conduct of any Financial Service or Licensed Function in the DIFC or any other equivalent activity regulated by any other regulator, or any breach of any laws, rules or regulations applicable to his trading activities or any other activities which he carries on by way of business; or
  - (2) currently is subject to a denial, suspension or disqualification from serving on any Enforcement Committee, Oversight Panel, Arbitration Panel or governing body of any

Authorised Market Institution, any Recognised Body, any other exchange or any other regulated or self-regulated body; or

(3) has committed any criminal offence other than a minor motoring offence,

may not serve on the Disciplinary Committee, the Compliance Review Committee, the Appeal Committee or the Membership Committee or any other Committee established under these Rules.

### 3.10 Conflicts of Interest

(A) For the purposes of this Rule 3.10, the following terms shall have the following meanings:

**Controlled Account** means an account controlled by a person by virtue of a power of attorney or who in practice otherwise directs trading for such account;

**Customer Account** in relation to a member of an Enforcement Committee or Oversight Panel means the account of a Customer or an option customer, including a foreign futures or foreign options Customer, held at any Member or User of which that member is a director, officer, partner or employee and any Affiliate of such Member or User or otherwise has an interest in such an account;

**De Minimis Position** means the number of positions determined, on a case-by-case basis, by an Enforcement Committee or Oversight Panel in accordance with paragraph (D)(1)(a) of this Rule 3.10 and which shall not count for the purposes of calculating a member's Financial Interest in the proposed Significant Action;

**Financial Interest** means a direct and substantial financial gain or loss which a member is knowingly likely to make or suffer as a result of the proposed Significant Action, based upon either Exchange or non-Exchange futures or options positions (other than a *De Minimis* Position), which could reasonably be expected to be affected by the proposed Significant Action;

**Named Party in Interest** means a person or entity who is identified by name as a subject of any matter being considered by an Enforcement Committee or Oversight Panel;

**Proprietary Account** means a commodity, Futures or Option account carried on the books of any Member or User of which that member is a director, officer or employee and any Affiliate of such Member or User;

**Relative** means a person's spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece, cousin or in-law;

**Significant Action** means any of the following types of actions which can be implemented by the Exchange without the approval of the DFSA or any other regulator:

- (1) any actions which address a Physical Emergency or an Emergency (as defined in Rules 4.22 and 4.23 respectively); or
- (2) any changes in margin levels that are designed to respond to extraordinary market conditions such as an actual or attempted corner, squeeze, congestion or undue concentration of positions, or that otherwise are likely to have a substantial effect on prices in any contract traded on the Exchange;

**User** means a Seat Lessee or a Guaranteed Customer.

(B) This Rule 3.10 shall apply to each Enforcement Committee or Oversight Panel when any such Enforcement Committee or Oversight Panel:

- (1) proposes to take any Significant Action in respect of which a member of that Enforcement Committee or Oversight Panel (as the case may be) has a Financial Interest; or
  - (2) has under consideration a matter in respect of which a member of that Enforcement Committee or Oversight Panel (as the case may be):
    - (a) is a Named Party in Interest;
    - (b) is a Relative of a Named Party in Interest;
    - (c) is an employer, employee or fellow employee of a Named Party in Interest; or
    - (d) has any other significant, ongoing business relationship with a Named Party in Interest, not including relationships limited to executing Futures or Option transactions opposite each other or to clearing futures or option transactions through the same Clearing Member.
- (C) The decision that any member of an Enforcement Committee or Oversight Panel is subject to this Rule 3.10 may be made by the chairman of the affected Enforcement Committee or Oversight Panel, or by at least one half (1/2) or three (3) (whichever is greater) of the members present at the time (not including the member affected).
- (D) Financial Interest in a Significant Action
- (1) Prior to the consideration of any Significant Action:
    - (a) the Enforcement Committee or Oversight Panel (as the case may be) shall determine the number of positions that may be held in any Contract Month or Months that may be affected by the Significant Action, but which shall be considered a *De Minimis* Position for the purposes of that action; and
    - (b) each member of the Enforcement Committee or Oversight Panel shall disclose to an Exchange employee designated by the chairman for these purposes the following information relating to Futures and Options positions with respect to any Contract Month or Months of which he is aware and which may be affected by the proposed Significant Action:
      - (i) all gross positions held at the Exchange in the member's personal accounts or Controlled Accounts;
      - (ii) all gross positions held at the Exchange in his Proprietary Accounts;
      - (iii) all net positions held at the Exchange in his Customer Accounts; and
      - (iv) any other types of positions, whether maintained at the Exchange or elsewhere, which the Enforcement Committee or Oversight Panel might reasonably expect to be affected by the proposed Significant Action.
  - (2) In addition, taking into consideration the exigency of the Significant Action, the Exchange employee shall review, with respect to any member of the Enforcement Committee or Oversight Panel who makes a disclosure pursuant to paragraph (D)(1)(b) of this Rule 3.10, the following information, to the extent that it is reasonably available to the Exchange:
    - (a) the most recent Large Trader Reports;
    - (b) clearing records from the Clearing House; and

- (c) any other information held by the Exchange and which the designated Exchange employee considers relevant for the purposes of this paragraph (D) of this Rule 3.10.
  - (3) Upon completion of the disclosure required by paragraph (D)(1)(b) of this Rule 3.10 and any review of Exchange and Clearing House records, the Exchange employee shall report such position information to the chairman of the Enforcement Committee or Oversight Panel. The chairman shall then decide, in accordance with paragraph (C) of this Rule 3.10, whether or not this paragraph (D) of this Rule 3.10 applies to that member in relation to the proposed Significant Action.
  - (4) Where this paragraph (D) of this Rule 3.10 applies by virtue of a decision made in accordance with paragraph (C) of this Rule 3.10, or where a member of the Enforcement Committee or Oversight Panel refuses to make the disclosure required by paragraph (D)(1)(b) of this Rule 3.10, the member must withdraw from the meeting until such time as a decision has been made in relation to the proposed Significant Action and abstain from any deliberation regarding or voting on the Significant Action.
  - (5) In any case where an issue arises as to whether this paragraph (D) of this Rule 3.10 should apply to a particular member in relation to a proposed Significant Action, the Enforcement Committee or Oversight Panel shall appoint an *ad hoc* committee composed of at least three (3) members who have no positions (other than a *De Minimis* Position) in any Contract Month or Months which may be affected by the proposed Significant Action. That *ad hoc* committee shall then determine, based on the information obtained pursuant to paragraphs (D)(1) and (D)(2) of this Rule 3.10, whether such member has a Financial Interest in the proposed Significant Action and is therefore subject to the restrictions set out in paragraph (D)(4) of this Rule 3.10.
- (E) Relationship with a Named Party in Interest
- (1) Prior to the consideration of any matter, each member of the Enforcement Committee or Oversight Panel (as the case may be) must disclose to an Exchange employee designated by the chairman for these purposes whether or not he has one of the relationships listed in paragraphs (B)(2)(a) to (d) of this Rule 3.10 with a Named Party in Interest.
  - (2) In addition, taking into consideration the exigency of the Enforcement Committee's or Oversight Panel's action with regard to a Named Party in Interest, the Exchange employee shall review any records which are held by and reasonably available to the Exchange to ascertain whether any member of the Enforcement Committee or Oversight Panel has a relationship of the type set forth in paragraphs (B)(2)(a) to (d) of this Rule 3.10 with a Named Party in Interest.
  - (3) Upon completion of the disclosure required by paragraph (E)(1) of this Rule 3.10 and any review of Exchange records, the Exchange employee shall report to the chairman of the Enforcement Committee or Oversight Panel any member's relationship with a Named Party in Interest. The chairman shall then decide, in accordance with paragraph (C) of this Rule 3.10, whether or not this paragraph (E) of this Rule 3.10 applies to that member in relation to the matter under consideration.
  - (4) Where this paragraph (E) of this Rule 3.10 applies by virtue of a decision made in accordance with paragraph (C) of this Rule 3.10, or where a member of the Enforcement Committee or Oversight Panel refuses to make the disclosure required by this paragraph (E) of this Rule 3.10, the member must withdraw from the meeting until such time as the matter has been disposed of and abstain from any deliberation regarding or voting on the matter.
  - (5) In any case where an issue arises as to whether this paragraph (E) of this Rule 3.10 should apply to a particular member in relation to a Named Party in Interest, the Enforcement Committee or Oversight Panel shall appoint an *ad hoc* committee

composed of at least three (3) members who have no relationship with either the member concerned or the Named Party in Interest. That *ad hoc* committee shall then determine, based on the information obtained pursuant to paragraphs (E)(1) and (E)(2) of this Rule 3.10, whether such member has a relationship with the Named Party in Interest and is therefore subject to the restrictions set out in paragraph (E)(4) of this Rule 3.10.

(F) Participation in Deliberations

- (1) Notwithstanding any other provision of this Rule 3.10, the Enforcement Committee or Oversight Panel may permit a member to participate in deliberations relating to a Significant Action if:
  - (a) this is consistent with the public interest; and
  - (b) the member does not vote on such action.
- (2) In order to decide whether paragraph (F)(1) of this Rule 3.10 applies to a particular member, the Enforcement Committee or Oversight Panel (as the case may be) shall appoint an *ad hoc* committee of at least three (3) members who shall consider the following factors:
  - (a) whether the member's participation in deliberations is necessary for the Enforcement Committee or Oversight Panel to achieve a quorum at the meeting; and
  - (b) whether the member has unique or special expertise, knowledge or experience in the proposed Significant Action or in the matter in respect of which that action has been proposed.
- (3) Prior to any decision made under paragraph (F)(2) of this Rule 3.10, the *ad hoc* committee appointed by the Enforcement Committee or Oversight Panel must fully consider the position information obtained pursuant to paragraphs (D)(1) and (D)(2) of this Rule 3.10.

(G) Record Keeping

- (1) Each Enforcement Committee or Oversight Panel shall keep a record of any decisions made by it, or any *ad hoc* committee appointed by it pursuant to paragraph (D)(5), (E)(5) or (F)(2) of this Rule 3.10, as to any member's ability to:
  - (a) participate or abstain from participating in any deliberations regarding:
    - (i) any Significant Action in which the member has a Financial Interest; and
    - (i) any matter concerning a Named Party in Interest to which the member is related by virtue of one of the relationships described in paragraphs (B)(2)(a) to (d) of this Rule 3.10; and
  - (b) vote at any meeting at which any such action or matter has been considered.
- (2) The records required to be kept under this paragraph (G) of this Rule 3.10 may be reflected in the minutes of the meeting in question or contained in any other written document as the Enforcement Committee or Oversight Panel may think fit.

**3.11 Disciplinary Committee**

- (A) The Disciplinary Committee shall consist of a chairman, four (4) committee members (including one (1) individual who is not a director, officer or employee or of any Member of any

Affiliate of any Member), and an alternate who must be an individual who is not a director, officer or employee of any Member or of any Affiliate of any Member.

- (B) The Disciplinary Committee shall be responsible for the discharge of all matters attributed to it under these Rules and shall meet with such frequency as is required to meet that responsibility.
- (C) The Disciplinary Committee shall hold such meetings as, in the discretion of the chairman, are necessary to review matters pertaining to any disciplinary action taken or proposed to be taken by DME (including, but not limited to, Board policy and disciplinary precedents).
- (D) The Disciplinary Committee shall report to the Board as required but at least once a year. The report shall detail the activities of the Committee for the period covered by the report and shall describe all disciplinary actions taken by the Committee during that period.
- (E) References in this Rule 3.11 to Member shall be read to mean a Member, Seat Lessee or Guaranteed Customer.

### **3.12 Appeal Committee**

- (A) The Appeal Committee shall consist of a chairman, two (2) committee members and an alternate who must be an individual who is not a director, officer or employee of any Member or of any Affiliate of any Member. The chairman and alternate must be lawyers by profession for at least ten (10) years who have relevant experience and who are not a director, officer or employee of any Member of any Affiliate of any Member.
- (B) No person who has participated at an earlier stage in the disciplinary process, nor any person who has any financial, personal or other interest in the matter to be considered by the Appeal Committee, may serve on the Committee. Any member so interested must notify the chairman promptly.
- (C) The Appeal Committee shall be responsible for the discharge of all matters attributed to it under the Rules and shall meet with such frequency as is required to meet that responsibility.
- (D) The Appeal Committee shall report to the Board as required but at least once year. The report shall detail the activities of the Committee for the period covered by such report and shall describe all disciplinary actions taken by the Committee during such period.
- (E) References in this Rule 3.12 to Member shall be read to mean a Member, Seat Lessee or Guaranteed Customer.

### **3.13 Compliance Review Committee**

- (A) The Compliance Review Committee shall be appointed by the Board and shall consist of an independent director (who shall act as chairman), such other directors as the Board may appoint and the CCO.
- (B) The Committee may:
  - (1) review and recommend to the Board matters concerning the compliance activities (including compliance with the Licensing Requirements) and disciplinary policies of the Exchange;
  - (2) review and recommend to the Board amendments, deletions or additions to the Rules including, but not limited to, Rules relating to Members' conduct, disciplinary and compliance matters;
  - (3) consider requests from Members for amendments, deletions or additions to the Rules;

- (4) review such requests and make recommendations to the Board regarding necessary or appropriate amendments, deletions or additions to the Rules;
  - (5) recommend to the Chairman or relevant chairmen persons who, in the opinion of the Committee, have the ability, maturity, judgment and other qualities to serve as a member of the Disciplinary Committee and the Appeal Committee;
  - (6) direct the policies and procedures of the Disciplinary Committee and/or the Appeal Committee;
  - (7) direct the Disciplinary Committee or the Compliance Department to investigate a particular matter or matters or a particular person or persons when, in the opinion of the Compliance Review Committee, such investigation is necessary or proper to comply with the Licensing Requirements or in the fulfilment of the self-regulatory duties of the DME;
  - (8) review and consider the training and education requirements for Members and Users;
  - (9) be responsible for the preparation and administration of training curricula and examinations for relevant Members; and
  - (10) consider and determine requests by Members for waiver of some or all training and education requirements.
- (C) The Compliance Review Committee shall have such other powers as are necessary and proper to its office. The list of powers of the Compliance Review Committee is not intended to limit the Committee's authority to be exclusive.
- (D) References in this Rule 3.13 to Member shall be read to mean a Member, Seat Lessee or Guaranteed Customer.

### **3.14 Membership Committee**

- (A) The Membership Committee may be comprised of any number of directors, as well as the CEO, the COO, the CCO and the Legal Counsel.
- (B) The Membership Committee shall meet regularly as required.
- (C) The Membership Committee shall be responsible for all matters relating to Chapter 2 of the Rules as have been delegated to it by the Board in relation to the consideration, approval or rejection of applications for Membership of the Exchange in the Exchange. The Membership Committee shall also be responsible for approving Seat Lessees in accordance with Rule 4.15.
- (D) The Membership Committee shall also consider and review requests from Members for amendments, deletions or additions to any of the Rules relating to Membership and make recommendations to the Board regarding necessary or appropriate amendments, deletions or additions to the Rules.
- (E) The chairman of the Membership Committee shall be responsible for the appointment of Hearing Panels and determining challenges to such appointments in accordance with Rule 7.16.