

Chapter 4 Compliance and General Rules

Table of Contents

4.1	Requirement for Regulatory Status in DIFC	1
4.2	Anti-Money Laundering	1
4.3	Compliance with regulatory requirements	1
4.4	Reporting obligations: general	2
4.5	Reporting obligations: DFSA authorisation information	3
4.6	Accuracy of information	4
4.7	Reports and records	4
4.8	Information gathering and inspections by the Exchange	4
4.9	Obligations of Integrity and Co-operation	5
4.10	Conduct and Trading Standards for Members	6
4.11	Trading Prohibition of Certain Persons	7
4.12	Complaints against the Exchange regarding the performance of regulatory functions	7
4.13	Advertisements etc.	8
4.14	Customer agreements	8
4.15	Seat Lessees and Guaranteed Customers	8
4.16	US Customers	11
4.17	Trade confirmations	11
4.18	Customer orders	11
4.19	Customer margin	11
4.20	Obligations of Members: dealing with complaints	13
4.21	Rule Changes	13
4.22	Physical emergencies	14
4.23	Emergencies: powers of the Board, the CEO and the CCO	14
4.24	Position Reporting	15
4.25	Reporting Levels	15
4.26	Large Positions and Undesirable Practices	16
4.27	Waivers and variations of Rules	16
4.28	Billing and commissions	16
4.29	Payment of gratuity to employees of others	17

4.1 Requirement for Regulatory Status in DIFC

- (A) Each Floor Member shall be incorporated or otherwise established in the DIFC.
- (B) Each Member shall be authorised, recognised or otherwise permitted by the DFSA to conduct the activities which it intends to conduct while trading on the Exchange and must provide evidence to the Exchange of such regulatory status.

4.2 Anti-Money Laundering

- (A) Members and applicants for Membership must be able to demonstrate that they comply with the Applicable AML Requirements on an ongoing basis.
- (B) Without limiting Rule 4.2 (A), Members must demonstrate to the satisfaction of the Exchange that they have a compliance program in place which addresses AML risks relevant to the size, nature and complexity of their business and that:
- (1) gives consideration to all applicable requirements under UAE criminal law, as amended from time to time;
 - (2) gives consideration to the appointment of a Money Laundering Reporting Officer (MLRO) whose role and responsibilities are consistent with the requirements of the DFSA Rulebook;

- (3) requires initial and ongoing Customer identification and due diligence, where applicable;
- (4) requires internal and external reporting of suspicious transactions (taking into account the Applicable AML Requirements);
- (5) requires the monitoring of transactions for AML purposes, where applicable;
- (6) gives consideration to government and regulatory findings with regard to AML at an international level;
- (7) requires risk based reviews of Customers and transactions, where applicable; and
- (8) requires regular AML training for the employees of the Member.

4.3 Compliance with regulatory requirements

- (A) Each Member shall at all times have in place systems, controls and procedures designed to ensure compliance with:
 - (1) these Rules;
 - (2) all applicable laws and regulations, including all applicable rules and guidance published by the DFSA and any other regulator who is responsible for regulation of any of the Member's activities conducted on the Exchange or otherwise made subject to these Rules, all Applicable AML Requirements and Market Conduct Requirements; and
 - (3) without prejudice to the generality of sub-paragraph (A)(2) of this Rule 4.3, the reporting requirements under Section 6045 of the United States Internal Revenue Code and regulations made thereunder and such other provisions of such Code and regulations that are pertinent thereto, to the extent applicable to that Member.
- (B) Each Member shall be able promptly to evidence the existence of the systems, controls and procedures required by paragraph (A) of this Rule 4.3 at the request of the Exchange.
- (C) No Member shall carry any account for any other person until it has verified the identity of that person for the purposes of Applicable AML Requirements. Members shall maintain all records and documents relating to its identity verification for at least (6) six years.

4.4 Reporting obligations: general

- (A) Each Member shall promptly provide the Exchange with the following information:
 - (1) where applicable, annual audited accounts within four (4) months of the end of its financial year;
 - (2) where no annual audited accounts are available, such regular financial information as the Exchange may prescribe from time to time;
 - (3) any material adverse change in financial condition;
 - (4) any refusal of admission to; any withdrawal of any application for membership in; any suspension, expulsion, bar, fine, censure, denial of membership, registration or license or permission imposed by; any withdrawal of any application for registration with; or any cease and desist order, temporary or permanent injunction, denial of trading privileges or any other sanction or discipline through an adverse determination, voluntary settlement or otherwise, imposed by:

- (a) the DFSA or any other regulatory authority of any state, territory or foreign country;
 - (b) any federal or state court;
 - (c) any quasi-governmental body; or
 - (d) any self-regulatory organisation or other business or professional association;
- (5) any conviction, finding of guilt, confession of guilt or plea of guilt to a felony or misdemeanour charging misrepresentation, fraud, deceit, theft, embezzlement, gambling, conversion, abuse of a fiduciary relationship or other such act by the Member or any director, officer or partner of the Member;
 - (6) the commencement, by the issuance of a formal order of investigation (or its equivalent), or by the issuance or service of a written complaint (or its equivalent), of any judicial, administrative or self-regulatory proceeding, as the case may be, against such member by the DFSA, any other regulatory authority of any state, territory or foreign country, any commodity or securities exchange or related clearing organisation, or any registered futures or securities association, or any self-regulatory organisation or other business or professional association;
 - (7) details of any enforcement action taken against it, whether taken by the DFSA, any other exchange or any other regulatory authority of any state, territory or foreign country;
 - (8) details of any enforcement action taken against one (1) or more of its employees or representatives employed or otherwise engaged in respect of any of its activities conducted on the Exchange, whether taken by the DFSA, any other exchange or any other regulatory authority of any state, territory or foreign country;
 - (9) any changes in the Member's memorandum or articles of association or other constitutional documents, or in the case of partnerships, any amendment to the partnership agreement;
 - (10) whether the reporting requirements under Section 6045 of the United States Internal Revenue Code apply, or have ceased to apply, in relation to that Member, and if such reporting requirements apply, that Member's US taxpayer identification number and details of an individual within the Member's senior management as a point of contact in respect of such reporting requirements;
 - (11) any further information in relation to commercial matters as may be required by the CEO or any person empowered by him generally or in any specific case; and
 - (12) any further information in relation to regulatory and compliance matters as may be required by the CCO or his designee.
- (B) Each Floor Member shall inform the Exchange and any Clearing Member with whom the Floor Member holds an account immediately of:
 - (1) entry into an agreement with a Seat Lessee under which that Seat Lessee shall occupy a Seat on the Exchange Floor; and
 - (2) the termination of any such agreement and the reason(s) for such termination.
 - (C) Each Clearing Member shall inform the Exchange immediately of:
 - (1) entry into an agreement with a Customer under which that Clearing Member guarantees the Customer's access to the Trading Platform (a **Guaranteed Customer**) and;

- (2) the termination of any such agreement and the reason(s) for such termination.

4.5 Reporting obligations: DFSA authorisation information

- (A) Each Member shall immediately, but in all cases within less than 10 days, notify the CCO in writing where:
 - (1) there is a material change in the nature of the Member's activities on the Exchange;
 - (2) the Member no longer has the appropriate regulatory authorisation, recognition or other permission to conduct the type of activities which it conducts on the Exchange;
 - (3) the Member becomes, or ceases to be, subject to regulation by any other regulatory or self-regulatory organisation; and
 - (4) the Member changes its main regulator for the purposes of the activities it conducts on the Exchange or any other activities subject to these Rules.
- (B) Each Member shall immediately, but in all cases within less than 10 days, notify the CCO in writing upon variation in or cancellation of its authorisation, recognition or other permission by the DFSA to carry on any activity which it conducts on the Exchange.
- (C) Each Member shall immediately, but in all cases within less than 10 days, notify the CCO in writing upon initiating any change in its business or circumstance which may affect its authorisation, recognition or other permission by the DFSA to carry on any activity which it conducts on the Exchange.
- (D) Any notice required to be given under paragraph (B) or (C) of this Rule 4.5 shall include details of the steps which the Member has taken to ensure that it will continue to comply with the requirements of Rules 4.1, 4.2 and 4.3 in respect of any of its activities conducted on the Exchange.
- (E) Any notice required to be given under this Rule 4.5 shall, where required by the CCO, be certified by a firm of auditors, lawyers or some other person acceptable to the Exchange.

4.6 Accuracy of information

All Members shall ensure to the best of their ability that all information and documents provided to the Exchange pursuant to these Rules, and any information or documents provided to the Clearing House from time to time under any Clearing House Rule, or any information or documents provided pursuant to a request or direction made by the Exchange, the Clearing House, the CEO, the CCO or any committee of the Exchange, are complete, fair and accurate.

4.7 Reports and records

- (A) Members must make and file reports and keep and maintain records in respect of such documents, in such form and for such period as may be required under the rules and regulations of any regulatory body to whose rules and regulations they are subject (including the DFSA or as may be prescribed by the Board, and in any event all Members shall maintain all records relating to all orders and Market Contracts to which the Member is a party or which the Member has executed, forwarded for execution, transferred or assigned including details of the persons for whom the trade was made, the parties to it, the manner in which it was fulfilled, discharged or terminated.
- (B) Members shall maintain all such records in permanent hard copy or permanent and readily-retrievable electronic form, unless they are required to keep them in another form by the rules and regulations of any regulatory body to which that Member is subject.

- (C) All records required to be kept under this Rule 4.7 shall be kept for at least six (6) years, unless:
- (1) they are required to be kept for a longer period by the rules and regulations of any regulatory body to which the Member is subject; or
 - (2) the Market Contract to which the records refer has not been settled within six (6) years from the trade date, in which case the relevant records shall be kept for a further one (1) year after the contract has been settled.
- (D) All records required to be kept under this Rule 4.7 shall be open to inspection by the Exchange, the Clearing House, the DFSA and any other regulator which is responsible for the regulation of the Exchange's activities or Members' activities on the Exchange.

4.8 Information gathering and inspections by the Exchange

- (A) The CCO or his designee may request trading or other information regarding any Clearing Member from the Clearing House and the Clearing House shall provide any such information promptly upon request.
- (B) The CCO or his designee shall be entitled at any time to inspect and take copies of the records, trading information, books of account and other documentation, howsoever made and retained, of Members (including any documentation howsoever made and retained by or in the possession of the Member for any other person) for the purposes of ensuring compliance with these Rules, and in particular with paragraph (A) of Rule 4.3.
- (C) The CCO or his designee shall be entitled at any time to inspect and take copies of:
- (1) a Member's anti-money laundering procedures and any records relating to its compliance with Applicable AML Requirements howsoever made and retained; and
 - (2) documents and any records relating to a Member's compliance with Market Conduct Requirements howsoever made and retained.
- (D) Where the documentation referred to in paragraphs (B) or (C) of this Rule 4.8 is in the possession of a third party, the Member shall procure that the Exchange is given access to such documentation as if it were in the Member's, Seat Lessee's or Guaranteed Customer's possession.
- (E) The CCO or his designee may at any time attend at the premises of any Member for the purpose of inspecting any of the matters referred to in Rules 4.2, 4.3, 4.4, 4.5 and paragraphs (B) and (C) of Rule 4.9, and the Member shall ensure that all cooperation is afforded to him.
- (F) The CCO or his designee may cooperate with the DFSA, AMLSCU and any other governmental or international agency, any Authorised Market Institution or Recognised Body, any other exchange or clearing house and any self-regulatory or other regulatory or enforcement organisation in such manner as he thinks fit and shall, in particular, be permitted to disclose to any of these persons or bodies any information for the time being in the possession of the Exchange regarding any Member's financial condition or trading activities, including any information obtained pursuant to these Rules.
- (G) Without prejudice to the generality of paragraph (F) of this Rule 4.8, the CCO or his designee may:
- (1) provide to the US Internal Revenue Service a Member's US taxpayer identification number;
 - (2) require a Member to disclose details of all its executive officers, which details the Exchange may provide to the US Internal Revenue Service; and/or

- (3) require a Member to disclose, either to the Exchange, the US Internal Revenue Service or any grand jury duly convened within the US, all books, papers, records and all data prescribed in Section 7602 of the United States Internal Revenue Code and regulations thereunder.

4.9 Obligations of Integrity and Co-operation

- (A) Whether or not an Authorised Firm, each Member shall observe high standards of integrity, fair dealing and market conduct as reflected in the DFSA Rulebook including, but not limited to, Chapter 4 GEN and any guidance published by it from time to time.
- (B) Each Member shall deal with the Exchange in an open and cooperative manner and keep the Exchange promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to the Exchange.
- (C) Each Member shall cooperate fully and openly with any other agency or enforcement body having responsibility for the detection and prevention of financial crime or market misconduct, to the extent that that person requires information relating to the Member's Membership of, or trades carried out by the Member on, the Exchange.
- (D) Each Member shall organise and control its internal affairs in a responsible manner, keep proper records and have adequate arrangements to ensure that its staff and directors are suitable, adequately trained and properly supervised.
- (E) Each Member shall have appropriate measures to manage conflicts of interest arising in the course of its trading on the Exchange.

4.10 Conduct and Trading Standards for Members

- (A) **General Rule.** No Member may engage in any practice which might reasonably be expected to have an adverse impact on the operations of the Exchange or any market on the Exchange or which is unfair to its Customers or other market participants or which contravenes any Market Conduct Requirement.
- (B) **Front Running.** No Member may purchase or sell any Future or Option for its own account (or for any account in which it has an interest) or place an order to do so while holding an order from a Customer in the same direction for any such transaction either:
 - (1) where the Customer's order is executable at the market price or at the price at which such transaction can be made for such account; or
 - (2) intending to make or realise a profit from any price movement resulting from the execution of the Customer's order (whether alone or in combination with others).
- (C) **Wash Trades.** No Member shall make any order or execute any trade in an Exchange Contract which creates a misleading impression of activity in the market or causes the Exchange or any person to report misleading information as to the price or depth of the market in that Exchange Contract.
- (D) **Accommodation Trades.** No Member shall make any order or execute any trade in an Exchange Contract with a view to concealing any abusive trade or misconduct (past or future) by that Member or any other person.
- (E) **Compensation Trades.** No Member shall make any order or execute any trade or combination of trades in an Exchange Contract the primary purpose of which is to transfer money between accounts without creating (or reducing) any open interest, or for no legitimate purpose.
- (F) **Trading with Intent to Default.** No Member shall make any order or execute any trade in an Exchange Contract where that Member, either:

- (1) intends to default in the performance of any contract resulting from such order or from the execution of such trade; or
 - (2) has no reasonable grounds for believing that it would be able to avoid any such default.
- (G) **Cross Trades.** Except as expressly permitted under these Rules, no Member may enter into any form of cross trade.
- (H) **False Trades.** No Member shall purport to make or report any fictitious trade.
- (I) **Retail Clients.** No Member shall open an account for, or accept any order from, a Retail Client in respect of trading on the Exchange and no Member shall enter into any contract in the terms of an Exchange Contract with a Retail Client.
- (J) **Transactions with Customers.** Except where expressly permitted under these Rules, no Member shall enter into any contract in the terms of an Exchange Contract with or for a Customer (a **Customer Contract**) and represent to that Customer that such contract is made on the Exchange by means of the Exchange's facilities or otherwise subject to these Rules, unless such Member first executes on the Exchange's market (or has procured such execution by another Member of) a trade (a **Matching Trade**) in respect of and in the terms of such Customer Contract.
- (K) A Member executing a Matching Trade shall be the buyer (or seller) on the Matching Trade if its Customer is the buyer (or seller) on the Customer Contract, and the Matching Trade shall be at the same price as the Customer Contract.
- (L) **Confidentiality of Customer Orders.** No Member shall disclose at any time that he is holding an order of another person or divulge any order revealed to him by reason of his relationship to such other person, except to execute an order or at the request of an authorised representative of the Exchange, the Clearing House, the DFSA or any other regulator which is responsible for the regulation of the Member's activities on the Exchange.
- (M) **No Unfair Advantage.** No Member holding a Customer order given to him by another Member or having had actual disclosure of a Customer order from another Member may use the details of the Customer order at any time to take unfair advantage in a transaction for itself, directly or indirectly, or for its account or any account in which such Member has an interest.
- (N) No Member may take unfair advantage of a Customer order for the benefit of its own account or any account in which it has an interest or for any other person.
- (O) **Misallocation.** No Member shall allocate trades executed (or which were required to be executed) for the account of a Customer to the account of any other Customer or any other person. Where a Member unintentionally or accidentally misallocates a Customer trade, it shall be in breach of this Rule 4.10 if it fails promptly to remedy the misallocation.
- (P) **Withholding or Withdrawal of Orders.** No Member shall withhold or withdraw from the market any (or part of any) order for the convenience of another Member.
- (Q) No Member shall attempt to commit, or participate in the commission by another person (whether or not a Member) of, any of the actions prohibited by this Rule 4.10.
- (R) **Compliance with Financial and Other Limits.** No Member may make an order or execute any trade (other than to liquidate open positions) which would have the effect at the time of execution of any such trade of putting such Member in breach of any financial or other limit imposed on it by the Exchange or the Clearing House.

4.11 Trading Prohibition of Certain Persons

- (A) Members are prohibited from accepting or executing directly or indirectly any order for, or maintaining positions in, any Exchange Contract if such Member knows or, with the exercise of reasonable care, should know that the order or position is for or on behalf of:
 - (1) an employee of the Exchange; or
 - (2) an employee, director or partner of a Member without the prior written consent of such Member and the CCO or his designee.
- (B) A Member may execute orders for the account of a director, employee or partner of another Member (or for an account in which such person holds an interest) provided that the Member records and identifies such transactions separately in its trading records and otherwise deals with such orders and margins resulting positions in the same manner as it deals with or manages other Customer orders or positions. Members shall ensure that their senior managers (other than those interested in any such orders or trades) shall monitor such orders and any resulting transactions and shall maintain adequate systems to protect Customers from conflicts of interest arising and to prevent or prohibit breach by any such employee, director or partner, of the Markets Law or any other rule or law against market misconduct.

4.12 Complaints against the Exchange regarding the performance of regulatory functions

- (A) The Exchange will investigate and resolve complaints against it in accordance with Rule 7.2.17 of AMI, Chapter 5 of GEN and the Exchange's own procedures.
- (B) A complaint against the Exchange may only be made in connection with the performance of, or failure to perform, any of its regulatory functions. Any such complaint must be made formally and in writing, addressed to the CCO. If it is made by a Member, it must be signed by a director or equivalent officer.
- (C) The complainant must set out clearly the nature of the complaint and the full facts of the matter (as far as they are known).

4.13 Advertisements etc.

- (A) Each Member shall ensure that all stationery, brochures and advertising or other marketing material issued by it or on its behalf concerning Membership, any Exchange Contract or any other contract available for trading on the terms of these Rules or otherwise using the Exchange's name or in relation to any matter of interest or concern to the Exchange shall:
 - (1) be clear, fair and not misleading;
 - (2) comply with all applicable laws and regulations; and
 - (3) conform to any guidelines as may from time to time be published by the Exchange.
- (B) Each Member shall ensure that all brochures, advertising or other marketing material issued by it or on its behalf shall, in addition to the requirements of paragraph (A) of this Rule 4.13, comply with the provisions of COB, whether or not the Member is an Authorised Firm.

4.14 Customer agreements

- (A) No Member shall open an account for a Customer, or enter into a contract with or accept an order to enter into a contract for a Customer, unless the Member has (subject to such exceptions as may be prescribed) entered into a written agreement with the Customer containing such terms as may from time to time be prescribed in these Rules or in directions of the Board.

- (B) Without prejudice to the generality of paragraph (A) of this Rule 4.14, each written agreement with a Customer must:
- (1) import into every contract made with the Customer all the terms of these Rules insofar as they are applicable to that contract; and
 - (2) in relation to any business done with the Customer, enable the Member to perform all contracts from time to time registered in the Member's name with the Clearing House and to comply with all requirements of the Rules and any other arrangements, provisions and directions given by the Exchange.

4.15 Seat Lessees and Guaranteed Customers

- (A) A Floor Member who holds more than one (1) Floor Membership Privilege may lease the Seat attaching to that Floor Member Privilege, always to include the right to trade on the Exchange Floor, to a Customer (a **Seat Lessee**), providing that the Floor Member retains occupation of at least one (1) of its Seats.
- (B) A Seat Lessee may trade either on the account of the Floor Member concerned or on its own account held with a Clearing Member, but not both. A Floor Member who permits a Seat Lessee to trade on that Floor Member's account shall be responsible for ensuring that the Seat Lessee does not undertake any trading on any account held by that Seat Lessee with a Clearing Member;
- (C) Without prejudice to Rule 4.14, a Floor Member who proposes to permit a Seat Lessee to occupy one or more of that Floor Member's Seats must ensure that its written agreement with that Seat Lessee contains:
- (1) a requirement that the Seat Lessee provides a copy of the agreement to any Clearing Member with whom the Seat Lessee holds any account;
 - (2) a requirement that the Seat Lessee undertakes (in the prescribed form) to, and for the benefit of, the Exchange to be bound by these Rules and to maintain with the Exchange at all times details of an individual whom the Exchange may contact in connection with any matter whatsoever relating to the Seat Lessee's activities on the Exchange; and
 - (3) provision for the termination of the agreement if:
 - (a) the Seat Lessee fails to comply with any of these Rules; or
 - (b) the Floor Member's Floor Membership is withdrawn or suspended by the Exchange for any reason.
- (D) A Clearing Member may permit a Customer who is not a Member to have access to the Trading Platform under that Clearing Member's guarantee (a **Guaranteed Customer**).
- (E) A Clearing Member shall not permit access to the Trading Platform to any Customer who is already a Guaranteed Customer of another Clearing Member.
- (F) Without prejudice to Rule 4.14 a Clearing Member who proposes to permit a Guaranteed Customer to have access to the Trading Platform must ensure that its written agreement with that Guaranteed Customer contains:
- (1) a requirement that the Guaranteed Customer undertakes (in the prescribed form) to, and for the benefit of, the Exchange to be bound by these Rules and to maintain with the Exchange details of an individual whom the Exchange may contact in connection with any matter whatsoever relating to the Guaranteed Customer's activities on the Exchange; and

- (2) provision for the termination of the agreement if the Guaranteed Customer fails to comply with any of these Rules or the Clearing Member's Membership is cancelled or terminated for any reason.
- (G) No Seat Lessee shall be permitted access to the Trading Platform unless that Seat Lessee has satisfied the Exchange that it meets all of the criteria in paragraph (H) of this Rule 4.15 and the Exchange has so confirmed in writing to the Floor Member.
- (H) The criteria referred to in paragraph (G) of this Rule are:
- (1) be a body corporate, partnership or unincorporated association;
 - (2) be authorised or otherwise permitted by the DFSA to carry on the activities it intends to conduct on the Exchange;
 - (3) have good character, commercial standing and business experience;
 - (4) provide such evidence as is required as to its legal status and organisation and as to its ability to trade on the Exchange without breaching applicable laws, regulations and rules;
 - (5) designate an agent for service of process in the DIFC concerning and limited to the Exchange-related activities and business of the Seat Lessee;
 - (6) agree (in the prescribed form) to be bound by the Rules;
 - (7) designate (in the prescribed form) an officer, employee or partner as the Exchange liaison, whom the Exchange may contact in order to obtain additional information or documentation in connection with any matter whatsoever provided in these Rules;
 - (8) have an agreement with a Clearing Member to accept and clear that Seat Lessee's trading on the Exchange or provide evidence that the Seat Lessee will trade only on the account of the Floor Member from whom it leases its Seat;
 - (9) if the Seat Lessee intends to trade as principal or agent on the account of any Customer or to trade as agent on account of any third party, comply with all applicable DFSA or other regulatory capital requirements and have net capital of not less than one million dollars (\$1,000,000) or its equivalent in any other currency;
 - (10) provide, if requested, evidence of its experience and competence;
 - (11) provide, if requested, satisfactory evidence to enable DME to comply with its obligations under the Applicable AML Requirements; and
 - (12) do or submit such other things or documents as the Board may stipulate from time to time.
- (I) No Guaranteed Customer shall be permitted access to the Trading Platform until its respective Clearing Member has confirmed to DME:
- (1) that it has verified the identity of the Guaranteed Customer in accordance with all applicable requirements;
 - (2) that the Guaranteed Customer has agreed to be bound by these Rules;
 - (3) that the Guaranteed Customer has furnished the Clearing Member with all required details in relation to the Guaranteed Customer's Authorised Terminal Users; and
 - (4) that the Guaranteed Customer has an agreement with the Clearing Member to accept and clear that Guaranteed Customer's trading on the Exchange.

- (J) The provisions of Rule 4.3, Rules 4.6 to 4.14, Rule 4.16 and Rules 4.18 to 4.20 shall apply to each Seat Lessee and each Guaranteed Customer. In those Rules reference to a Member shall be read to mean either a Member, a Seat Lessee or a Guaranteed Customer as the case may be.
- (K) The provisions of Rules 2.7 and 2.8 shall apply to each Seat Lessee who is guaranteed to trade on the Exchange by a Clearing Member in respect of trades on the Exchange, and to each Guaranteed Customer, and to their respective Clearing Members. For this purpose, reference in Rules 2.7 and 2.8 to a Member shall be read to mean either a Member, Seat Lessee or a Guaranteed Customer as the case may be.
- (L) Each Seat Lessee and Guaranteed Customer shall at all times be appropriately licensed or authorised to enable it lawfully to carry on the activities it intends to conduct on the Exchange and must, upon request by the Exchange, produce documentary evidence of such regulatory status.
- (M) Each Seat Lessee and Guaranteed Customer shall be responsible for, and subject to disciplinary action as a result of, the acts and omissions of, and any breach of these Rules by, their directors, officers, partners, employees and other representatives.
- (N) Immediately upon becoming a Seat Lessee and/or Guaranteed Customer under this Rule 4.15, a person shall notify the Exchange whether that person is subject to the reporting requirements under Section 6045 of the United States Internal Revenue Code, and shall thereafter immediately inform the Exchange of any subsequent change in such status. If the Seat Lessee or Guaranteed Customer is subject to such reporting requirements, it shall provide to the Exchange its US taxpayer identification number and details of an individual within its senior management as a point of contact in respect of such reporting requirements.

4.16 US Customers

- (A) No Member shall assign an account number that would accept the entry of orders on the Exchange by a Customer in the US (including a Guaranteed Customer in the US) unless such Customer has been provided with the following disclosures (or statements having an equivalent effect):
 - (1) a statement explaining that all trading on the Exchange is undertaken electronically;
 - (2) a statement confirming that these Rules apply to all trading to be effected by means of the Exchange;
 - (3) a statement advising Customers that they should read these DME Rules carefully before engaging in any trading involving use of the Exchange, to ensure that they understand, amongst other things:
 - (a) the order matching procedure, opening and closing procedures and prices, error trade policies and trading limitations or requirements applicable to the Exchange; and
 - (b) the qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the Exchange;
 - (4) a statement clarifying that internet-based systems may present additional types of risks related to system access, varying response times and security, as well as risks related to service providers and the receipt and monitoring of electronic mail;
 - (5) a statement reminding Customers that trading by means of the Exchange exposes them to risks associated with system or component failure, and that in the event of system or component failure Customers may not be able, for a certain period of time, to enter new orders, execute existing orders or modify or cancel orders that were previously entered, and that orders or order priority may be lost; and

- (6) a statement recommending that Customers should check the Rules which limit the Exchange's liability, the liability of Members, and of software and communication system vendors, as well as the amount of damages that Customers may be able to collect, in the event of system failure and delays, to ensure that they understand these limitations of liability.
- (B) For the avoidance of doubt, the requirements of this Rule 4.16 shall be considered satisfied if the relevant Customer has been provided with the Standard Electronic Trading and Order Routing Systems Disclosure Statement published by the Futures Industry Association of the US.

4.17 Trade confirmations

Each Member shall give a written confirmation to its Customers recording the terms of any contract made with each of them.

4.18 Customer orders

Each Member shall be responsible for exercising due diligence in the execution of all executable Customer orders as of the time the order was time stamped on the Exchange Floor.

4.19 Customer margin

- (A) The Board shall from time to time establish and publish to Members the minimum margins which Members must require of Customers. Unless stated otherwise, all changes to customer margin requirements established and published under this paragraph (A) will apply to open positions initiated both before and after the date of any such change.
- (B) The margin requirements established by the Board may vary for different commodities.
- (C) Additional margins may be required of any and all customers of any Clearing Member on all open trades in such commodity contracts and in such amounts as the Board may deem necessary.
- (D) A Member must require a Customer to respond to a margin call issued by that Member in full within three (3) Business Days of such call. A Member may call, at any time, for margins above and beyond the minimums required by the Exchange. A Member may liquidate any or all positions maintained by a Customer for failure to meet a margin call. The Customer will be liable for any loss or deficiency resulting therefrom.
- (E) A Member shall not accept orders for new trades on behalf of a Customer other than those which reduce its initial margin requirement unless such Member has been given assurances by that Customer that funds sufficient to restore the account of the Customer to its prevailing initial margin requirement will be received in a reasonable amount of time, not to exceed three (3) Business Days.
- (F) A Member may accept deposits from a Customer in one or more of the following forms as margin in respect open positions on the Exchange:
 - (1) US dollars; or any currency freely convertible to US dollars; provided that if foreign currency is deposited, its value shall be calculated so that at the prevailing rate of exchange the US dollar equivalent of the foreign currency satisfies the Customer's margin obligation at any given time;
 - (2) securities issued by the Department of the Treasury of the United States maturing within ten (10) years of the date of the deposit and guaranteed as to principal and interest by the Government of the US. Such securities shall be valued at ninety five percent (95%) of par value;

- (3) fully paid equity securities which are listed for trading on the Dubai International Financial Exchange, the New York Stock Exchange, Inc., the American Stock Exchange, Inc. or Nasdaq, provided that such securities; (i) are free from liens and encumbrances; (ii) represent no more than 5% of the issued and outstanding shares of any one issuer; (iii) have a market value of at least \$10 per share; and (iv) are not equity securities listed by the Customer or any of the Customer's Affiliates. Such equity securities shall be valued at 75% of the market value. Clearing Members may not accept as margin from a Customer equity securities issued by that Customer or those of that Customer's Affiliates;
 - (4) letters of credit in favour of the Member or the Exchange, in such form as may be prescribed by the Exchange and by a depository which has been approved by the Exchange for this purpose. Members or in favour of the Exchange, as applicable. Members may not accept from Customers letters of credit issued by the Customer, its Affiliates, the Member or the Member's Affiliates; and/or
 - (5) deliverable warehouse receipts for commodities traded on the Exchange provided that such receipts will be valued as margin at no more than 75% of the value of the commodity.
- (G) Withdrawals of margin from a Customer's account may only be permitted by the Member carrying that account if the remaining funds in that account are, at the time a request for such a withdrawal is made, equal to or in excess of the then prevailing initial margin required in relation to the open positions held by the Customer on the Exchange.

4.20 Obligations of Members: dealing with complaints

- (A) Each Member shall ensure that all complaints in relation to business concerning Futures, Options or contracts for differences, whether or not subject to the Exchange's terms, are promptly, thoroughly and fairly investigated, and that in the most serious cases such investigations will be conducted by one of its senior officers or employees who has no personal interest in the subject matter of the complaint.
- (B) Each Member shall ensure that, following an investigation conducted pursuant to paragraph (A) of this Rule 4.20, the complainant is informed in writing of the outcome of the investigation.
- (C) Each Member shall retain for at least 6 years all such complaints which were made in writing and in relation to each complaint all documents relating to its subject matter.
- (D) Each Member shall create and maintain a register of complaints, showing the following details:
 - (1) the date of receipt of each complaint;
 - (2) the Customer who made the complaint;
 - (3) the relevant employees or representatives of the Member who are the subject of the complaint or whose conduct appears relevant to it;
 - (4) the subject matter of the complaint; and
 - (5) any action taken by the Member.
- (E) The register referred to in paragraph (D) of this Rule 4.20 shall be open to inspection by the Exchange upon the Exchange's demand.
- (F) The requirements of paragraphs (A) to (E) of this Rule 4.20 are without prejudice to any other requirements upon the Member under the DFSA Rulebook or any other regulatory rules to which the Member is subject in relation to addressing complaints by Customers.

4.21 Rule Changes

- (A) Subject to paragraph (E) of this Rule 4.21, the Board may at any time adopt, amend or delete any Rule by a majority vote.
- (B) Any Rule adopted, amended or deleted pursuant to paragraph (A) of this Rule 4.21 shall be notified to Members and shall take effect at such time and in such manner as the Board may direct.
- (C) The Board will consult with Members on adopting, amending or deleting a Rule, save that the Board shall not be obliged to consult where it exercises its powers pursuant to Rule 4.23 and the DFSA has waived any requirement for consultation under the DFSA Rules.
- (D) The Board may carry out consultation on the adoption, amendment or deletion of any Rule in such forum as it considers appropriate to the Rule change including consulting with:
 - (1) relevant committees;
 - (2) Members and other users of its facilities, including groups and appropriate representative bodies (or any of these groups of persons, as the Board considers appropriate); and
 - (3) such other groups of persons as the Board considers appropriate in the circumstances.
- (E) No proposed adoption, amendment or deletion of a Rule will take effect until approved by the DFSA.

4.22 Physical emergencies

- (A) For the purposes of this Rule 4.22 and Rule 4.23, **Physical Emergency** means:
 - (1) fires or other casualties, bomb threats, substantial inclement weather, power failures, communication or transportation breakdowns, computer system breakdowns, screen-based trading system breakdowns and malfunctions of plumbing, heating, ventilation and air conditioning systems; or
 - (2) any other event which, in the reasonable opinion of an Exchange official designated for the purposes of paragraph (B) of this Rule 4.22, justifies an action taken under that paragraph as being in the interests of the Exchange or its users of the Exchange, or the preservation of a fair and orderly market.
- (B) Without prejudice to Rule 4.23 (and subject to any order to the contrary by the Board or any persons authorised under that Rule), a designated Exchange official, the CEO or CCO may temporarily suspend trading on the Exchange in the event of a Physical Emergency.
- (C) Trading will be resumed as soon as reasonably practicable following a suspension in accordance with paragraph (B) of this Rule 4.22.

4.23 Emergencies: powers of the Board, the CEO and the CCO

- (A) Subject to paragraph (I) of this Rule 4.23, the Board may at any time:
 - (1) amend, delete or add to the Rules or procedures of the Exchange where, in either case, it considers that the circumstances constitute an Emergency and the Rule change is necessary or desirable for the performance of the Exchange's regulatory functions or its orderly operations as a market (including to maintain its status as an AMI); and

- (2) in the event of an Emergency, order suspension of trading for such period as in its judgment is necessary.
- (B) For the purposes of this Rule 4.23, an **Emergency** includes, but is not limited to, the following circumstances:
- (1) where any manipulative activity or attempted manipulative activity is suspected;
 - (2) any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;
 - (3) any circumstance or circumstances that may materially affect the performance of futures or options contracts traded on the Exchange;
 - (4) any action taken by or against the UAE government, the Government of the Emirate of Dubai, the DIFC Authority, any foreign government, any local government, authority or agency, or by any other exchange or trade association, whether foreign or domestic, which action may have a direct impact on trading on the Exchange;
 - (5) any circumstances that may have a severe, adverse effect on the physical functions of the Exchange, including a Physical Emergency; and/or
 - (6) any other unusual and unforeseeable adverse circumstance.
- (C) Any such Rule change will take effect as the Board may direct, and will be notified to Members and such other users and interested parties who may request notification.
- (D) The Board will endeavour to give Members, Seat Lessees and Guaranteed Customers prior notice of such Rule changes, but where this is not possible Members, Seat Lessees and Guaranteed Customers will be informed by email as soon as possible following such Rule change.
- (E) In an Emergency, or to determine whether an Emergency exists, a meeting of the Board may be convened on immediate notice.
- (F) In the event of an Emergency where a quorum of the Board is unavailable, all trading on the Exchange may be suspended by an affirmative vote of two-thirds of the members of the Board present.
- (G) In the event of an Emergency in which no other member of the Board is present, the Chairman or, in his absence, the Deputy Chairman or, in their absences, any one (1) director (or alternate) present or, in their absences, the CEO or the CCO or, in both their absences, the COO, may order suspension of trading for such period as in their or his judgment is necessary.
- (H) Any action taken pursuant to this Rule 4.23 will be subject to review and modification by the Board.
- (I) Any proposed amendment, deletion or addition to the Rules pursuant to this Rule 4.23 will not take effect until it has been approved by the DFSA.

4.24 Position Reporting

- (A) Each Clearing Member shall report to the Exchange positions equal to or in excess of the levels set out in Rule 4.25. This requirement extends to proprietary and Customer positions (including underlying Customer positions within an Omnibus Account).
- (B) Reports must be submitted in such form and manner, with such accompanying information and frequency (not exceeding twice daily) and by such deadlines as the Exchange may prescribe by notice to Clearing Members.

- (C) Where an account includes any sub-account, the Clearing Member shall report the aggregated gross long and/or the aggregated gross short positions in the account and all sub-accounts if either equals or exceeds the levels specified by Rule 4.25.
- (D) If a Clearing Member holds separate Customer accounts for Affiliates, the Clearing Member must report positions of each Affiliate separately, citing the prescribed identification information for each entity.
- (E) The CCO may require any Member, Seat Lessee or Guaranteed Customer to file additional reports under this Rule 4.24 to be compiled on the basis that, where any person who holds, controls or has a significant financial interest in more than one account, all such accounts shall be treated as a single account for the purposes of the reports under this paragraph (E). For the purposes of this paragraph (E), "control" shall include having discretionary authority over, or day-to-day control of trading activity in, that account.
- (F) The Exchange shall restrict access to information in reports filed to comply with this Rule 4.24, and in particular the confidentiality obligations of Rule 2.26 shall apply to all such information.

4.25 Reporting Levels

The quantities for the purposes of filing a report under Rule 4.24 will be published by the Exchange from time to time, generally, on the Exchange's website.

4.26 Large Positions and Undesirable Practices

- (A) The Board may take any action to correct, counteract or check the further development of, or stop any position, speculation, situation or practice, which the Board in its absolute discretion considers:
 - (1) is affecting or may affect the Exchange or any market on the Exchange; or
 - (2) is excessive, unwarranted or otherwise undesirable.
- (B) Without limiting the generality of paragraph (A) of this Rule 4.26, action by the Board under paragraph (A) of this Rule 4.26 may include:
 - (1) directing any Member, Seat Lessee or Guaranteed Customer to take, or desist from, any action (including without limitation closing out all or part of any position held by it for its own or a Customer's account and/or action in relation to physical positions held);
 - (2) action in relation to trades executed before the action was initiated; and
 - (3) action not otherwise provided for in these Rules.
- (C) Any contravention of a direction given under paragraph (A) or (B) of this Rule 4.26 shall be deemed a breach of these Rules and punishable as a Major Offence.

4.27 Waivers and variations of Rules

- (A) The Board or the CCO may, in accordance with paragraph (B) of this Rule 4.27, grant to a Member (or applicant for Membership), or to any Seat Lessee or Guaranteed Customer a waiver or variation of particular requirements of any Rule, or an additional period of time for compliance with any such requirements, in such circumstances and subject to such conditions as the Board or CCO may think fit.
- (B) A waiver, variation or additional period of time may be granted if the Board or the CCO is satisfied that:

- (1) compliance with the relevant requirements, or within the relevant period of time, would be unduly burdensome to the Member (or applicant for Membership), Seat Lessee or Guaranteed Customer;
 - (2) the waiver, variation or additional period of time would not create unacceptable risks for the Exchange, or the market generally, and in particular would not be inconsistent with the Licensing Requirements to which the DME is subject or the good repute of the Exchange or its Members; and
 - (3) the waiver, variation, or additional period of time, would not unfairly disadvantage others or unreasonably discriminate against them.
- (C) The Exchange shall maintain and keep updated a register of all waivers, variations and grants of time under paragraph (A) of this Rule 4.27.
- (D) The Board shall publish any waiver, variation or grant of time under paragraph (A) of this Rule 4.27 unless the Board considers it inappropriate or unnecessary to do so.

4.28 Billing and commissions

Any bill for services rendered on the Exchange shall be issued in the name of, and as payable to, a Member, Seat Lessee or Guaranteed Customer.

4.29 Payment of gratuity to employees of others

No Member, Seat Lessee or Guaranteed Customer or employee or agent thereof shall directly or indirectly pay or offer any compensation or gratuity in excess of one thousand dirhams (AED 1000) to any employee of another Member, Seat Lessee or Guaranteed Customer or to an employee of the Exchange or of the Clearing House for any service rendered or to be rendered, or requested, unless express written consent be obtained in advance from the employer of such employee.