
Date

8 April 2010

Recipients

All DME Members

From

Greg Collins, Chief Compliance Officer

Category

Compliance

Proposal

Proposed Rule changes concerning AML and Member Reporting

Consultation Paper 10-002 (CP 10-002) is issued in accordance with Dubai Mercantile Exchange Limited (DME) Rule 4.20 and Section 9 of the Authorised Market Institutions Module of the Dubai Financial Services Authority (DFSA) Rulebook.

This Consultation Paper has been issued to provide market participants with an opportunity to comment on proposed Rule changes concerning AML and Member reporting.

Application of the Consultation Paper

Consultation Paper 10-002 is directed primarily at DME Members but will also affect the standards applied by Members towards users or prospective users of DME's facilities. DME also welcomes any comments from any organisation which represents groups of such users or prospective users. All capitalised terms not defined herein have the meaning given to them in the DME Rulebook.

Overview of changes

Key changes to the Rulebook include:

- More prescriptive requirements concerning the AML programs expected of Members, including the need to appoint a Money Laundering Reporting Officer (MLRO) and conduct AML training.
- The need for Membership applicants to demonstrate more prescriptive AML requirements as part of the on-boarding process.
- Amendments to the reporting requirements for members when there are changes to their regulatory relationships and activities, in place of an annual reporting requirement.
- A number of housekeeping revisions related to the above changes have also been included in Chapter 1.

Rationale for Rule changes

These changes are intended to provide further instruction to DME Members on their AML related obligations and ensure that exchange participants meet the standards expected of industry best practice. Changes to the reporting requirements are intended to streamline Member notification requirements and focus on key changes in business and regulatory circumstances.

How to provide comments

The deadline for providing comments on the proposals in this Consultation Paper is twenty eight (28) calendar days from the date of this Consultation Paper. For the avoidance of doubt, all comments must be received by the Exchange on or before 6 May 2010 at 6:00 PM in Dubai. All comments on the proposed changes should be addressed to:

Mr Greg Collins
Chief Compliance Officer
Dubai Mercantile Exchange Limited
P.O. Box 66500
Dubai
United Arab Emirates
compliance@dubaimerc.com

Next steps

Unless specifically requested otherwise, DME may publish on its website any comments it receives from this consultation.

As soon as practicable following the deadline for comments on the proposals in this Consultation Paper, DME will consider whether any amendment or revision to the proposed changes is appropriate. DME will then implement the changes to the DME Rulebook (including any amendment or revision, if appropriate). The amendments to the DME Rulebook will only take effect once approved by the DFSA. DME will issue a Member Notice on the DME website confirming the date upon which the changes to the DME Rulebook will become effective.

Signed



Greg Collins
Chief Compliance Officer

Please pass comments to:
Mr Greg Collins, Chief Compliance Officer
compliance@dubaimerc.com

Chapter 1 Definitions and Interpretation

1.1 Definitions

In these Rules, the following terms have the following meanings:

Access Clearing Member has the meaning given to it in Rule 6.4(E).

Affiliate, in relation to a person, means any other person who (i) owns 50% or more of that person; (ii) is owned 50% or more by that person; or (iii) is owned 50% or more by a third party who also owns 50% or more of that person.

AMI means the Authorised Market Institutions module of the DFSA Rulebook.

AML means Anti-Money Laundering.

AMLSCU means the Anti-Money Laundering and Suspicious Cases Unit of the Central Bank of the UAE.

Appeal Committee means the committee of that name appointed in accordance with Chapter 3.

Applicable AML Requirements means all legislation, regulations and rules applicable to the Exchange, Members, Seat Lessees, and Guaranteed Customers, or any other Exchange participants respectively, relating to ~~the prevention of~~ money laundering and the prevention of money laundering.

~~**Applicable Claims** has the meaning given to it in Rule 6.20(C)(3).~~

~~**Arbitration Claim** has the meaning given to it in Rule 6.20(G)~~

Arbitration Panel means any person or panel empowered by an Authorised Market Institution, Recognised Body or any other exchange or other regulated or self-regulated body to arbitrate disputes involving their members or customers.

Arbitration Rules means the Rules set out in Chapter 5.

AUT means the Authorisation module of the DFSA Rulebook.

Authorised Firm means a person, other than an Authorised Market Institution, which holds a Licence.

Authorised Market Institution means a person who is licensed by the DFSA to carry on an exchange or a clearing house in or from the DIFC.

Authorised Terminal User means in relation to a Member, a Seat Lessee or a Guaranteed Customer, an individual (including, within this limitation, an employee, agent, independent contractor or Customer of the Member) whom the Member, Seat Lessee or Guaranteed Customer has designated to serve as terminal operator or otherwise authorised to access the Trading Platform via a Certified Application and whom the Member, Seat Lessee or Guaranteed Customer has notified to the Exchange in the manner prescribed by the Exchange.

Block Trade means a transaction organised and executed in relation to Block Trades pursuant to Rule 6.34.

Board means the board of directors of DME.

Business Day means a day on which banks are open for business in New York.

CCO (or **Chief Compliance Officer**) means the Exchange employee appointed as chief compliance officer by the Board from time to time.

CEO (or **Chief Executive Officer**) means the Exchange employee or director appointed as chief executive officer by the Board from time to time.

Certified Application means any front-end trading application, provided by the Member, Seat Lessee or Guaranteed Customer or a third party, via which the Member, Seat Lessee or Guaranteed Customer and/or its Authorised Terminal Users may access the Trading Platform (and all modifications of such application), the connection of which to the Trading Platform:

- (i) has been certified by NYMEX, Inc. on behalf of the Exchange in accordance with the Exchange's current technical certification procedures, as prescribed by the Exchange, and
- (ii) meets the Exchange's credit control and audit trail requirements.

CFTC means the Commodity Futures Trading Commission.

Chairman means the chairman of the Board.

Clearing House means NYMEX, Inc. in its capacity as clearing house for transactions entered into on the Exchange.

Clearing House Board means the board of directors of the Clearing House.

Clearing House Rules means the rules and bye-laws of the Clearing House in force from time to time.

Clearing Member means a clearing member of the Exchange and **Clearing Membership** shall be construed accordingly.

Clearing System means, collectively, the CME's Front-End Clearing, Positions and Deliveries Plus systems which are used to effectuate the clearing of the Exchange's contracts.

CME means Chicago Mercantile Exchange Inc.

COB means the Conduct of Business module of the DFSA Rulebook.

Compliance Department has the meaning given to it in Rule 7.6.

Compliance Review Committee means the committee of that name appointed in accordance with Chapter 3.

Confidential Information means information, which if such information were publicly known, would be considered important by a reasonable person in deciding whether to trade a particular commodity interest on any exchange or trading facility. This includes, but is not limited to, information relating to present or anticipated cash, Futures or Option positions, trading strategies, the financial condition of members of linked or competing exchanges or their customers or the regulatory actions or proposed regulatory actions of a linked or competing exchange, or any of its regulators.

Conflicts Law means the Law on the Application of Civil and Commercial Laws in the DIFC, DIFC Law No. 4 of 2004 made by the Ruler of the Emirate of Dubai.

Contract Market means a board of trade designated by the CFTC as a contract market under the Commodity Exchange Act or in accordance with the provisions of Part 33 of Chapter 1 of the Code of Federal Regulations.

Contract Month in relation to any Exchange Contract means such months as determined by the Board.

Controlled Account, for the purposes of Chapter 3, has the meaning given to it in Rule 3.10.

Controller means, in relation to a firm or other undertaking ("A"), a person who falls within any of the following categories, namely where the person:

- (i) holds ten per cent (10%) or more of the shares in A; or
- (ii) is able to exercise significant influence over the management of A through his shareholding in A; or
- (iii) holds ten per cent (10%) or more of the shares in a Parent Undertaking (**P**) of A; or
- (iv) is able to exercise significant influence over the management of P through his shareholding in P; or
- (v) is entitled to exercise, or control the exercise of, ten per cent (10%) or more of the voting power in A; or
- (vi) is able to exercise significant influence over the management of A through his voting power in A; or
- (vii) is entitled to exercise, or control the exercise of, ten per cent (10%) or more of the voting power in P; or
- (viii) is able to exercise significant influence over the management of P through his voting power in P.

COO (or **Chief Operating Officer**) means the Exchange employee appointed as Chief Operating Officer by the Board from time to time.

Corresponding Contract means, in relation to a Market Contract between one party as buyer and another as seller (each acting as principal), a contract in the terms of an Exchange Contract on the same terms between such persons save in respect of the price or as to any premium, where the first such party is the seller and the other is the buyer.

Covered Persons has the meaning given to it in Rule 6.33(B).

Current Market Price means, in relation to any delivery month and any Exchange Contract, the current bid or offer price or the latest traded price (as the context may require), and **Current Bid** and **Current Offer Price** shall be construed accordingly.

Customer means a customer of a Member or a Designated Non-Member.

Customer Account, for the purposes of Chapter 3, has the meaning given to it in Rule 3.10.

Default Committee means the committee designated by the Board as such pursuant to the Default Rules.

Default Rules means the Rules set out in Chapter 8.

Default Settlement Amount has the meaning given to it in Rule 8.8.

Defaulter means a Member or Designated Non-Member who has been declared to be a defaulter pursuant to the Default Rules.

De Minimis Position, for the purposes of Chapter 3, has the meaning given to it in Rule 3.10.

Deputy Chairman means the deputy chairman of the Board.

Designated Non-Member means a person (other than a Member) designated under the Default Rules or by the Board as such in respect of any contracts specified in such designation.

DFSA means the Dubai Financial Services Authority.

DFSA Rulebook means the Rulebook of the DFSA in force from time to time.

DIFC means the Dubai International Financial Centre.

Disciplinary Committee means the committee of that name appointed in accordance with Chapter 3.

Disciplinary Offence, for the purposes of Chapter 3, has the meaning given to it in Rule 3.9.

Discretionary Order has the meaning given to it in Rule 6.24(J).

Dispute has the meaning given to it in Rule 6.20(G).

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DME means Dubai Mercantile Exchange Limited.

dollar or **\$** means the lawful currency of the US for the time being, and **cent** means a denomination equal to one-hundredth ($\frac{1}{100}$) of one (1) dollar.

EFP has the meaning given to it in Rule 6.28.

EFR has the meaning given to it in Rule 6.28.

EOO has the meaning given to it in Rule 6.28.

EFRP has the meaning given to it in Rule 6.28.

Enforcement Committee means any person or committee that is authorised by an Authorised Member Institution, Recognised Body, any other exchange or any other regulated or self-regulated body to issue disciplinary charges, to conduct disciplinary proceedings, to settle disciplinary charges, to impose disciplinary sanctions or to hear appeals thereof, and in the case of the Exchange, shall include, but not be limited to, the Disciplinary Committee and the Appeal Committee.

Event of Default has the meaning given to it in Rule 8.6.

Exchange means, for the purposes of the Rules, the exchange operated by DME.

Exchange Contract means a contract admitted to trading on the Exchange.

Exchange Floor means the electronic trading floor operated by the Exchange in the DIFC.

Failure, in relation to a Member, Seat Lessee, Guaranteed Customer or Authorised Terminal User, has the meaning set out in Rule 7.37.

Financial Service has the meaning given to it in Rule 2.2 of GEN **Module of the DFSA Rulebook**.

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Financial Services Prohibition has the meaning given to it in Chapter 1 of Part 3 of the Regulatory Law.

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Firm means a corporation, partnership, association, sole proprietorship or other legal entity, but not a natural person.

Floor Member has the meaning given to it in paragraph (C) of Rule 2.1 and **Floor Membership** shall be construed accordingly.

Floor Membership Privilege means the ownership of one (1) Class B share in the issued share capital of DME Floorco Limited with all rights attaching to such Class B share and the rights set out in paragraph (D) of Rule 2.1.

Futures Contract means a commodity futures contract admitted to trading on the Exchange and **Future** and **Futures** shall be construed accordingly.

Futures Spread means any spread transaction involving the sale and purchase of two (2) or more Futures contracts in relation to the same underlying commodity for different delivery months, consisting of the simultaneous conclusion of one or more such contracts at a stated price differential for a single account.

GCC has the meaning given to it in Rule 6.2(A).

GEN means the General module of the DFSA Rulebook.

Guaranteed Customer means a Customer guaranteed by a Clearing Member and permitted by that Clearing Member to have direct access to the Trading Platform in accordance with Rule 4.14.

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Hearing Panel means the panel appointed to hear and decide disciplinary matters by the chairman of the Membership Committee in accordance with Rule 7.16.

High means, in respect of any Exchange Contract, any delivery month and any Trading Session (or trading period), the highest price at which any transaction in that Exchange Contract is reported during that Trading Session (or trading period) for that delivery month.

Insolvency Event means in respect of a person, any of:

- (i) its failing to pay or being unable to pay its debts as they become due;
- (ii) its admitting that it is unable to pay its debts generally or as they become due or its becoming or being deemed to become unable to pay his debts;
- (iii) its making a general assignment for the benefit of, entering into a reorganisation, arrangement or composition with creditors;
- (iv) any proceedings being commenced or steps being taken by or against that person seeking or proposing to adjudicate it bankrupt or insolvent, or seeking or proposing liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection, moratorium or similar relief or composition of it or its debts or seeking the entry of an order for relief or the appointment of a receiver, receiver and manager, liquidator, provisional liquidator, administrator, custodian, trustee, examiner, conservator or other similar official of it or any substantial part of its revenues and/or assets;
- (v) any sequestration, distress, execution attachment or other process being enforced or levied against such person or against any substantial part of its assets or revenues and not being discharged within five (5) days of being so enforced or levied;
- (vi) its taking any action or step to authorise, institute or commence any of the actions referred to above, including its passing of any resolution for such person's winding-up, official management or liquidation;
- (vii) its taking any action in furtherance of or indicating its consent to, approval of or acquiescence in any of the above; or

- (viii) such person's death, adjudication of mental incapacity or dissolution or, where its existence depends on any formal registration, such registration being removed or ceasing to be in force,

in each case whether under the laws relating to bankruptcy, insolvency or reorganisation or relief of debtors of the country of incorporation or domicile of the person or under the laws of any other jurisdiction or otherwise, and includes any event which with the giving of notice or the lapse of time would be an Insolvency Event.

Insolvency Regulations means the DIFC Insolvency Regulations, made by the Board of Directors of the DIFC Authority.

Intercommodity Spread means any spread transaction involving two (2) or more Futures Contracts in relation to different underlying commodities, consisting of the simultaneous conclusion of one or more such contracts at a stated price differential for a single account.

ISV has the meaning given to it in Rule 6.2(B).

Large Trader Report means the report that a Clearing Member is required to submit to the Clearing House in machine readable format daily if it or any Omnibus Account or any Customer holds or controls a position is equal to, or in excess of the reporting limit in Rule 4.25.

Legal Counsel means the Exchange employee appointed as Legal Counsel by the Board from time to time.

Licensed Function has the meaning given to it in Rule 10 of AUT [Module of the DFSA Rulebook](#).

Licensing Requirements means the licensing requirements for Authorised Markets Institutions under Rule 7 of AMI [Module of the DFSA Rulebook](#).

Limit Order means an order expressed to be a limit order by the person giving it.

Low means, in respect of any Exchange Contract, any delivery month and any Trading Session (or trading period), the lowest price at which any transaction in that Exchange Contract is reported during that Trading Session (or trading period) for that delivery month.

Major Offence means any of the offences set out in paragraph (F) of Rule 7.5.

Margining Price has the meaning given to it in Rule 6.30(D).

Market Conduct Requirements means all legislation, regulations and rules applicable to a Member, Seat Lessee or Guaranteed Customer (as the case may be) relating to the prevention of market misconduct or abuse, including (without limitation) Part 8 of the Markets Law.

Market Contract means a contract in the terms of an Exchange Contract entered into by a Member or Designated Non-Member which is either:

- (i) a contract made on the Exchange;
- (ii) a contract made on an exchange to whose undertaking the Exchange has succeeded whether by amalgamation, merger or otherwise; or
- (iii) a contract in the making of which the Member or Designated Non-Member was subject to the Rules; and

for the avoidance of doubt:

- (a) contracts between the Clearing House and any Clearing Member are not Market Contracts; and
- (b) where any Market Contract is entered into for a number of lots, it shall be regarded as a series of separate Market Contracts each in respect of one lot.

Market-Limit Order means an order expressed to be a market-limit order by the person giving it.

Market Order means an order expressed to be a market order or an at market order by the person giving it.

Markets Law means the Markets Law, DIFC Law No.12 of 2004 made by the Ruler of the Emirate of Dubai.

Matching System means programs and database in the Trading Platform that accept, match and report execution of orders in the Trading System.

Member means a Floor Member, an Off-Floor Member or a Clearing Member, unless the context otherwise specifically admits.

Membership means Floor Membership, Off-Floor Membership or Clearing Membership, unless the context otherwise specifically admits.

Membership Committee means the committee of that name appointed in accordance with Chapter 3.

Membership Department means the membership department of the Exchange from time to time.

Minor Offence means any of the offences set out in paragraph (G) of Rule 7.5.

Misexecution has the meaning given to it in Rule 6.19(C).

Named Party in Interest, for the purposes of Chapter 3, has the meaning given it in Rule 3.10.

Net Capital means in relation to an undertaking assets less liabilities calculated in accordance with accounting principles, concepts, bases and policies generally adopted and accepted in the jurisdiction of its organisation.

No Bust Range means, in respect of an Exchange Contract, the No Bust Range determined in accordance with Rule 6.20(D) as temporarily amended from time to time in accordance with Rule 6.20(C).

Notice of Intention to Deliver in relation to an Exchange Contract, means a notice of intention to deliver in the form prescribed by these Rules for that Exchange Contract to be given by a short Clearing Member to the Clearing House and the Exchange.

Notice of Intention to Accept in relation to an Exchange Contract, means a notice of intention to accept in the form prescribed by these Rules for that Exchange Contract to be given by a long Clearing Member to the Clearing House and the Exchange.

NYMEX, Inc. means The New York Mercantile Exchange, Inc.

NYMEX, Inc. Rules means Rules issued by NYMEX, Inc. in force from time to time.

Off-Floor Member has the meaning given to it in paragraph (F) of Rule 2.1 and **Off-Floor Membership** shall be construed accordingly.

Omnibus Account means an account in the name of a Member, Seat Lessee or Guaranteed Customer with a Clearing Member in which that Member pools Customer accounts.

Options Contract means a commodity options contract admitted to trading on the Exchange and **Option** and **Options** shall be construed accordingly.

Options-Futures Spread means any spread transaction (within the combinations herein defined) involving at least one (1) Futures contract and at least one (1) Options contract on the same underlying Futures contract, consisting of the simultaneous conclusion of one (1) or more such contracts at a stated price differential for a single account. The combinations are:

- (i) long calls (puts) and short (long) futures in a generally accepted spread ratio;
- (ii) short calls (puts) and long (short) futures in a generally accepted spread ratio; and
- (iii) long (short) puts, short (long) calls, and long (short) futures as a conversion (or reverse conversion).

Options Post Close Premium means, in relation to any Options Contract and delivery month, the Options Post Close Premium determined in relation to it in accordance with Rule 6.30.

Options Settlement Premium means in relation to any Options Contract and delivery month, the Options Settlement Premium determined in relation to it in accordance with Rule 6.30.

Options Spread means any spread transaction involving two (2) or more Options contracts, consisting of the simultaneous conclusion of one (1) or more such contracts at a stated price differential for a single account.

OTC means over-the-counter.

Oversight Panel means any panel established by an Authorised Market Institution, Recognised Body, any other exchange or any other regulated or self-regulatory organisation to review, recommend or establish policies or procedures with respect to surveillance, compliance, rule, enforcement or disciplinary responsibilities. The term Oversight Panel shall include, but not be limited to, the Membership Committee and the Compliance Review Committee.

Parent has the meaning given to it in the DFSA Rulebook.

Password means any password assigned to a Member, Seat Lessee or Guaranteed Customer by or on behalf of the Exchange.

person includes individuals, associations, partnerships, corporations and trusts.

Personal Property Law means the Personal Property Law, DIFC Law No. 9 of 2005 made by the Ruler of the Emirate of Dubai.

Phantom Order has the meaning given to it in Rule 6.21.

Post Close Price means, in relation to any Future and delivery month, the Post Close Price determined in relation to it in accordance with Rule 6.30.

President means the president of the Clearing House from time to time.

~~**Product Advisory Committee** means a product advisory committees of the Exchange appointed in accordance with Rule 3.14.~~

Proprietary Account, for the purposes of Chapter 3, has the meaning given to it in Rule 3.10.

Qualifying Clearing Member has the meaning given to it in Rule 6.4(E).

Recognised Body means a person who holds a Recognition Notice, issued to that person pursuant to Article 61 of the Regulatory Law, recognising it as a Recognised Body.

Registered Contracts has the meaning given to it in Rule 6.2(A).

Regulatory Law means the Regulatory Law, DIFC Law No.1 of 2004 made by the Ruler of the Emirate of Dubai.

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Relative, for the purposes of Chapter 3, has the meaning given to it in Rule 3.10

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Relevant Office-Holder means in relation to a Defaulter, a receiver, administrative receiver, liquidator, provisional liquidator, administrator or trustee in bankruptcy appointed in relation to that Defaulter.

Respondent, for the purposes of Chapter 5, has the meaning given to it in paragraph (A)(1)(a) of Rule 5.6 and, for the purposes of Chapter 7, has the meaning given to it in paragraph (C) of Rule 7.13.

Retail Client has the meaning given to it in DFSA COB Rule 2.3.5.

Reviewed Trade has the meaning given to it in Rule 6.20(B).

Rules means the rules issued by the Exchange in force from time to time.

Seat means a designated workstation on the Exchange Floor comprising a desktop and office chair, a PC workstation, dual flat panels, high-speed internet connectivity and telecommunication link-up.

Seat Lessee means a person to whom a Floor Member has leased a Seat.

Service Centre Employees has the meaning given to it in Rule 6.33(E)0.

Settlement Agreement, for the purposes of Chapter 3, has the meaning given to it in Rule 3.9.

Settlement Price means, in relation to any Future and delivery month, the settlement price determined in relation to it in accordance with Rule 6.30.

Spread or **Spread Transaction** means an Intercommodity Spread, a Futures Spread, an Options Spread or an Options-Futures Spread.

Stop-Limit Order means an order expressed to be a stop limit order by the person giving it.

Stop Order means an order expressed to be a stop order by the person giving it.

Strip Transaction means a transaction, comprising the simultaneous sale or purchase of an equal number of Futures in the same commodity in each of two (2) or more consecutive delivery months for a single account, traded at a single price.

Total Risk Value means in relation to an account in the record name of a Member carried by a Clearing Member means the total amount of risk exposure that the Clearing Member is willing to accept for a particular account.

Trading Badge has the meaning given to it in Rule 6.7(B).

Trade Cancellation Policy has the meaning given to it in Rule 6.20(A)

~~Trade Cancellation Request has the meaning given to it in Rule 6.20(B)~~

Trading Day means any day on which the Exchange is open for trading.

Trade Error has the meaning given to it in Rule 6.19(A).

Trading Platform or **Trading System** means Globex or any other electronic system for the trading of the Exchange Contracts provided by the Exchange in place of it.

Trading Session means any trading session in respect of any Exchange Contract as specified in Rule 6.5.

UAE means the United Arab Emirates and **dirham** or **AED** means the lawful currency of the UAE for the time being.

unsettled Market Contract means a Market Contract the rights and obligations of the parties under which have not been fully discharged whether by performance or otherwise.

US means the United States of America.

User ID means the user identification issued to the relevant Member, Seat Lessee, Guaranteed Customer or Authorised Terminal User by or on behalf of the Exchange.

1.2 Interpretation

In these Rules, unless otherwise specified:

- (i) reference to any gender includes the others;
- (ii) the term "employee of a Member" in Chapters 2, 5 and 7 of the Rules shall include any employee or agent (whether or not an Authorised Terminal User) having access to the Exchange Floor, the Trading Platform or any part of the Exchange premises;
- (iii) reference to a "Rule" shall mean a Rule in these Rules, unless otherwise specifically indicated;
- (iv) references to any other document shall be construed as references to that other document, as amended, varied, supplemented or replaced from time to time;
- (v) **law** includes any legislation, any common or customary law, constitution, decree, judgment, order, ordinance, treaty or other legislative measure in any jurisdiction and any present or future directive, request, requirement, guidance or guideline (in each case, whether or not having the force of law but, if not having the force of law, compliance with which is in accordance with the general practice of persons to whom the directive, request, requirement, guidance or guideline is addressed);
- (vi) references to legislation include any statute, by-law, regulation, rule, subordinate or delegated legislation or order; and reference to any legislation is to such legislation as amended, modified or consolidated from time to time at the date of this Agreement and to any legislation replacing it or made under it and in force at the date of this Agreement save insofar as any such amendment, modification, consolidation or replacement made after the date of this Agreement would impose any increased or new liability on any party or otherwise adversely affect the rights of any party;
- (vii) reference to any English law concept, term, action, remedy, method of judicial proceeding, legal document, legal status, court or official shall, in respect of any jurisdiction other than England and Wales, be deemed to refer to that which most nearly approximates in that jurisdiction; and
- (viii) all references to the time are expressed on a twenty-four hour clock basis and are, unless otherwise stated, references to the time in New York.

Chapter 2 Membership Rules

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2.1 Membership

- (A) The Board may issue Floor Memberships, Off-Floor Memberships and Clearing Memberships and may admit any person to Membership in accordance with these Rules. The Board shall in its absolute discretion determine the number of Floor Memberships, Off-Floor Memberships and Clearing Memberships in issue at any time.
- (B) Any body corporate, partnership or unincorporated association may apply for Floor Membership of the Exchange, having the rights and privileges set out in of this Chapter 2. Applicants must satisfy the criteria in Rule 2.4.
- (C) Floor Members are Members who own one (1) or more Floor Membership Privilege(s). A Floor Member may own more than one (1) Floor Membership Privilege. A Floor Member may also be an Off-Floor Member and/or a Clearing Member, subject to satisfaction of the relevant criteria.
- (D) Each Floor Membership Privilege shall entitle its holder:
- (1) to access and to trade on the Trading Platform on and off the Exchange Floor; and
 - (2) to occupy (by itself or through a Seat Lessee) a designated Seat on the Exchange Floor.

- (E) Any body corporate, partnership or unincorporated association may apply for Off-Floor Membership of the Exchange, having the rights and privileges set out in this Chapter 2. Applicants must satisfy the criteria in Rule 2.5.
- (F) Off-Floor Members have the right to access and to trade on the Trading Platform off the Exchange Floor, subject to all applicable laws and regulations. An Off-Floor Member may hold more than one (1) Off-Floor Membership. Off-Floor Members may also be a Floor Member and/or a Clearing Member, subject to satisfaction of the relevant criteria.
- (G) Any clearing member of the Clearing House may apply for Clearing Membership of the Exchange. Applicants for Clearing Membership of the Exchange must satisfy the criteria in Rule 2.6. Clearing Members have the right to access and to trade on the Trading Platform off the Exchange Floor, subject to all applicable laws and regulations. A Clearing Member may also be a Floor Member and/or an Off-Floor Member, subject to satisfaction of the relevant criteria.
- (H) Only Clearing Members may guarantee a Member or Customer to trade on the Exchange and clear trades on the Exchange.
- (I) Every person admitted to Membership shall be bound by these Rules.

2.2 Authorised Terminal Users

- (A) Upon request by the Exchange, each Member, Seat Lessee and Guaranteed Customer must notify the Exchange of the name, address and contact details of each individual authorised to access the Trading Platform on behalf of that Member, Seat Lessee or Guaranteed Customer, as the case may be (each such individual, an **Authorised Terminal User**).
- (B) Each Member, Seat Lessee and Guaranteed Customer shall ensure that its Authorised Terminal Users are suitable and competent. Each Authorised Terminal User or proposed Authorised Terminal User must complete such training course as the Board may from time to time prescribe.
- (C) Each Member, Seat Lessee and Guaranteed Customer shall be responsible for ensuring that any details notified to the Exchange in accordance with paragraph (A) of this Rule 2.2 remain current and accurate at all times.
- (D) Each Authorised Terminal User shall be bound by these Rules.

2.3 Membership Application process

- (A) An applicant for Membership must submit to the Board an application in the relevant form as prescribed by the Board, together with such other documents and information as the Board shall deem necessary or appropriate or shall require.
- (B) An applicant must satisfy the application criteria for the type of application being made as set out in this Chapter 2.
- (C) No applicant for Membership will be accepted by the Board until the Board has verified the applicant's identity to its satisfaction for the purposes of any Applicable AML Requirements.
- (D) Each application for Membership shall be accompanied by a payment of an application fee in such amount as may be fixed from time to time by the Board, which application fee is non-refundable whether the application is accepted, rejected or withdrawn.
- (E) Applications that are deemed by the Board to be incomplete shall be kept on file for four (4) months. Thereafter, the application shall be deemed to have been withdrawn and the applicant must submit a new application before any consideration by the Board.

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2.4 Requirements for Floor Members

(A) An applicant for Floor Membership must:

- (1) be a body corporate, partnership or unincorporated association;
- (2) be established and carrying on its business in the DIFC;
- (3) be authorised 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) have, in the opinion of the Board, good character, commercial standing and business experience;
- (5) provide such evidence as is requested by the Exchange as to its legal status and organisation and as to its ability to become a Floor Member without breaching applicable laws, regulations and rules;
- (6) provide the following in the prescribed form or in a form agreed by the Exchange:
 - (a) a copy of a resolution, duly certified by the secretary or other authorised officer or partner of the applicant, designating agents for service of process in the DIFC concerning and limited to the Exchange-related activities and business of the applicant and/or employees of the applicant;
 - (b) a copy of a resolution, duly certified by the secretary or other authorised officer or partner of the applicant, or by the governing body of the applicant, authorising the application for Floor Membership and the execution of the documents referred to above and all other documents relating to the applicants Floor Membership; and
 - (c) with respect to partnerships, a statement describing the business in which it is engaged and a certified copy of its current partnership agreement. The applicant shall also file certified copies of any and all documents filed with the DIFC authorising the partnership to conduct business in the DIFC;
- (7) agree (in the prescribed form) to be bound by the Rules;
- (8) 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;
- (9) do or submit such other things or documents as the Board may stipulate from time to time;
- (10) if not also a Clearing Member, have entered into an agreement with at least one (1) Clearing Member for the clearing of the applicant's trading on the Exchange and provide the Exchange with a copy of each such agreement;
- (11) if the applicant intends to trade as principal or agent on the account of any Customer or to trade as agent on account of any of its Affiliates or of any other Member, 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;
- (12) provide evidence of its experience and competence; and

(13) provide satisfactory evidence ~~to enable DME to comply with its obligations under that it~~ complies with the Applicable AML Requirements

~~(13)~~(14) provide satisfactory information to enable DME to comply with its obligations under the Applicable AML Requirements.

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2.5 Requirements for Off-Floor Members

As well as satisfying the Membership criteria set out in paragraphs (4) to (143) of Rule ~~2.42-4~~, (save that references to Floor Membership shall be read as Off-Floor Membership), an applicant for Off-Floor Membership of the Exchange must satisfy the Exchange that it is 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.

2.6 Requirements for Clearing Members

- (A) An applicant for Clearing Membership of the Exchange must be a clearing member of the Clearing House.
- (B) As well as satisfying the Membership criteria set out in paragraphs (4) to (9) and (11) to (143) of Rule ~~2.42-4~~, (save that references to Floor Membership shall be read as Clearing Membership), an applicant for Clearing Membership of the Exchange must satisfy the Exchange that it is 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.

2.7 Clearing Arrangements

- (A) Each Member which is not a Clearing Member must hold an account with at least one (1) Clearing Member for the clearing of that Member's trading on the Exchange.
- (B) No Member which is not a Clearing Member may trade on the Exchange other than through an account held with a Clearing Member in accordance with Paragraph (A) of this Rule 2.7.
- (C) A Clearing Member who holds an account for a Member in accordance with paragraph (A) of this Rule 2.7 must accept and clear any trade or trade reallocation for such account that does not exceed the Total Risk Value set by that Clearing Member relating to the entry of orders and trade reallocations for such an account.

2.8 Duties of Members towards Clearing Members

- (A) Each Member which is not a Clearing Member shall file with each Clearing Member with whom it holds an account a copy of any financial statement or document filed with any other exchange or clearing house.
- (B) Each Member which is not a Clearing Member shall give written notification to each Clearing Member with which it holds an account, of all commodity accounts of such Member including every Omnibus Account.
- (C) Unless otherwise requested or instructed, each Member which is not a Clearing Member shall cause to be delivered to each Clearing Member with whom it holds an account all statements and confirmations with respect to each commodity account in which such Member has a direct or indirect interest or over which such Member exercises direct or indirect control.
- (D) No Member shall open a commodity account without the prior written consent of each Clearing Member with whom that Member holds an account.

2.9 Processing of applications

- (A) The Board will have absolute discretion whether or not to accept Membership applications.
- (B) The Board may delegate all or any powers and obligations referred to in this Chapter 2 to the Membership Committee.
- (C) The Exchange will give all Members notice of the name of each applicant for Membership reasonably in advance before the Membership Committee meeting in which the application will be considered.
- (D) Each Member has the positive obligation to keep itself informed of all applications for Membership and to provide the Board with any adverse first-hand knowledge or information relating to an applicant's character and to an applicant's financial or business history. Any Member who wilfully fails to provide the Board with such information shall have committed a Major Offence.

2.10 Procedures for determining fitness of applicants for Membership

- (A) Each application for Membership shall be reviewed and investigated to determine any past or pending criminal actions, disciplinary proceedings or investigations relating to the application.
- (B) The references listed on the application may be contacted independently by the Board for a confidential evaluation of the applicant.
- (C) The applicant's financial statement shall be supported by appropriate documentary evidence and shall be subject to verification.
- (D) The Board shall review carefully each application for Membership and may direct the applicant to supplement any information provided and may arrange for such information to be investigated, if deemed necessary.
- (E) Any applicant for Membership may be required to appear before the Board. An applicant's failure to appear upon the request of the Board shall constitute a withdrawal of the application.

2.11 Denial of Membership

- (A) The Board may deny if:
 - (1) the applicant does not meet any one or more of the criteria for Membership, or does not follow the procedures for applications for Membership set forth in these Rules;
 - (2) the applicant or its Affiliate has been denied authorisation, registration or permissions or its authorisation, registration or permissions have been revoked or are currently suspended by the DFSA, or any other regulatory authority;
 - (3) the applicant or its Affiliate is temporarily or permanently prevented, by any order, judgment or decree of any court of competent jurisdiction, or of the DFSA, or any other regulatory authority, from engaging or continuing in any conduct or practice involving the purchase or sale of any commodity, security option or similar instrument;
 - (4) the applicant is subject to any outstanding order issued by any relevant regulatory authority denying such person trading privileges on any exchange or suspending or expelling such person from trading privileges on any exchange;
 - (5) the applicant or its Affiliate has been found to have breached wilfully any provision of the Regulatory Law, the Markets Law, UAE Law No. 2 of 2000 'Criminalisation of Money Laundering', any rule, regulation or order promulgated under such laws and any other laws, regulations or rules applicable to the applicant or its Affiliates;

~~(5)~~(6) DME does not believe that the applicant meets the Applicable AML Requirements or the acceptance of the applicant for Membership would not allow the Exchange to meet the Applicable AML Requirements;

~~(6)~~(7) the applicant or its Affiliate or any director, officer or partner of the applicant has ever been convicted of any crime;

~~(7)~~(8) the applicant or its Affiliate is or has ever been suspended or expelled from any exchange, related clearing organisation, registered futures association or other self-regulatory organisation or other business or professional association for breaching any rule of such organisation;

~~(8)~~(9) the applicant has been censured, disciplined, publicly criticised or is the subject of a Court order at the instigation of any regulatory authority or self-regulatory organisation or other business or professional association for breach of any rule of such organisation;

~~(9)~~(10) the applicant is subject to any substantial unsatisfied liens or judgments;

~~(10)~~(11) the applicant has been insolvent, unable to pay debts as they matured, made an assignment for the benefit of creditors or was involved in any liquidation, reorganisation or bankruptcy proceeding as a debtor, whether voluntary or involuntary, within the seven (7) years preceding the date of the application;

~~(11)~~(12) the applicant has made any materially false statement or failed to state a material fact in or in connection with any application filed with the Exchange;

~~(12)~~(13) the applicant fails to meet such other qualifications as the Board may from time to time determine are in the best interests of the Exchange;

~~(13)~~(14) the applicant fails to disclose any other information that would adversely affect the application for Membership; or

~~(14)~~(15) there is any other circumstance which in the opinion of the Board would compromise the applicant's ability to fulfil a Member's obligations to the Exchange and to Clearing Members,

by notifying the applicant of the refusal in writing with the reason(s).

(B) An applicant whose application for Membership has been rejected may appeal the decision to the Appeal Committee within ten (10) Business Days of the Board's decision being served on it by filing with the Membership Department a notice of appeal specifying the grounds for the appeal.

(C) An applicant who has been rejected by the Board may not be reconsidered for Membership by the Board for one (1) year after the date of rejection by the Board.

2.12 Cancellation of Membership by a Member

A person's Membership may be cancelled by the relevant Member provided that:

- (1) a written notice of the intention to cancel Membership, including the identity of the Member's Authorised Terminal User(s) is given to the Exchange;
- (2) the Membership Committee has given all existing Members reasonable advance notice of the withdrawal of the person's Membership;
- (3) all dues, assessments, fines, penalties and any other monies (including, but not limited to, office rent and phone charges) due and payable to the Exchange by the Member have been paid; and

- (4) no existing Member has filed a claim against the withdrawing Member.

2.13 Termination of Membership and/or access to the Exchange Floor and/or Trading Platform

- (A) A person's Membership status and/or access to the Exchange Floor and/or Trading Platform may be suspended or terminated by the Exchange immediately on the occurrence of any of the following events:
- (1) a Floor Member ceases to have at least one (1) Authorised Terminal User trading on the Exchange Floor in respect of each Seat it holds;
 - (2) if a Member's only employee is suspended or expelled for any reason (in which case such suspension or expulsion shall apply to the Member itself);
 - (3) if a Member (other than a Clearing Member) ceases to hold an account with a Clearing Member in accordance with paragraph (A) of Rule 2.7;
 - (4) if a Member fails to satisfy any of the financial requirements imposed on it under these Rules;
 - (5) if a Member fails to satisfy the Exchange's fitness and propriety requirements;
 - (6) in the case of Floor Members, persistent breaches of Rules 6.6 and/or 6.7; or for any other reason specified in these Rules.
- (B) A person's Membership and/or access to the Exchange Floor and/or Trading Platform may be suspended or terminated by action of the Board in accordance with these Rules.
- (C) When any Floor Member or Seat Lessee terminates or suspends any of its Authorised Terminal Users for any reason, that Floor Member or Seat Lessee shall forthwith surrender the individual's Trading Badge to the Exchange.

2.14 Reinstatement of Membership status or access to the Exchange Floor and/or Trading Platform

- (A) A Member whose Membership has been terminated for any reason may apply to the Board for reinstatement of such status.
- (B) A Member whose access to the Exchange Floor and/or the Trading Platform has been suspended may apply to the Board for reinstatement of such access.
- (C) The Board may reinstate such status and/or access upon such terms and conditions as it, in its sole discretion, may impose.

2.15 Transfer of Floor Membership Privileges or Off-Floor Membership

- (A) A Floor Member may transfer ownership of one (1) or more of its Floor Membership Privileges by sale to another Floor Member as provided for in Rules 2.16 to 2.18.
- (B) An Off-Floor Member may transfer ownership of its Off-Floor Membership by sale to another Off-Floor Member, as provided for in Rules 2.16 to 2.18.
- (C) A Floor Member who transfers all Floor Membership Privileges owned by it, whether to one (1) or several buyers, will automatically and immediately cease to be a Floor Member.
- (D) An Off-floor Member who transfers ownership of all their Off-Floor Memberships, whether to one (1) or several buyers, will automatically and immediately cease to be an Off-Floor Member.

- (E) A Clearing Member may not transfer its Clearing Membership save with the approval of the Board in its absolute discretion.

2.16 Procedures for sale and purchase of Floor Membership Privileges

- (A) All transfers of Floor Membership Privileges and Off-Floor Memberships must be made through the Membership Department of the Exchange.
- (B) The Membership Department shall maintain and publish a file of bids and offers for each of Floor Membership Privileges and Off-Floor Memberships.
- (C) Any person desiring to buy a Floor Membership Privilege (or number of Floor Membership Privileges) or Off-Floor Membership may:
- (1) agree with a Member a price for the sale and purchase of that Floor Member's Floor Membership Privilege(s) or Off-Floor Membership, as the case may be; or
 - (2) submit a written bid to the Membership Department to buy a Floor Membership Privilege or number of Floor Membership Privileges and/or an Off-Floor Membership; or
 - (3) accept an offer for a Floor Membership Privilege or number of Floor Membership Privilege and/or Off-Floor Membership as published by the Membership Department.
- (D) Any Floor Member desiring to sell one (1) or more Floor Membership Privilege(s) may:
- (1) agree with another person a price for the sale and purchase of such Floor Membership Privilege(s);
 - (2) submit a written offer to the Membership Department; or
 - (3) accept a bid for one (1) or more Floor Membership Privilege(s) as published by the Membership Department.
- (E) Any Off-Floor Member desiring to sell its Off-Floor Membership may:
- (1) agree with another person a price for the sale and purchase of that Off-Floor Membership;
 - (2) submit a written offer to the Membership Department; or
 - (3) accept a bid for an Off-Floor Membership as published by the Membership Department.
- (F) Any sale and purchase of a Floor Membership Privilege or Off-Floor Membership shall be subject to the provisions of Rules 2.17 and 2.18.

2.17 Procedure for Transfer of Floor Membership Privileges and Off-Floor Memberships

- (A) If a Floor Member or an Off-Floor Member desires to transfer ownership of a Floor Membership Privilege or Off-Floor Membership (the **Transferring Member**), the Transferring Member shall deliver to the Membership Department notification of intention to transfer (**notice of intention to transfer**), executed by the Transferring Member or his legal representative. The notice of intention to transfer shall include the Transferring Member's identification number, the date on which the transfer is intended to become effective and the name of the proposed transferee (the **Proposed Transferee**). The Membership Department, upon receipt of a Transferring Member's notice of intention to transfer, shall promptly notify all Members, by posting the notice of intention to transfer for a period of ten (10) days.

- (B) No Floor Member or Off-Floor Member may transfer ownership of a Floor Membership Privilege or Off-Floor Membership, as the case may be, unless and until the following conditions have been met:
- (1) in the case of Floor Members, the Floor Member has held the Floor Membership Privilege for such minimum period as the Board may prescribe from time to time and the Proposed Transferee has been approved by the Board as a Floor Member (if not already a Floor Member);
 - (2) in the case of Off-Floor Members, the Board has issued a notice to Members confirming that Off-Floor Memberships may be transferred and the Proposed Transferee has been approved by the Board as an Off-Floor Member (if not already an Off-Floor Member);
 - (3) all dues, assessments, fines, penalties and any other monies (including, but not limited to, office rent and phone charges) due and payable to the Exchange by the Transferring Member have been paid;
 - (4) all claims by Members that: (a) arise out of, or in connection with, the transaction of business on the Exchange, and (b) are filed with the Membership Department within ten (10) days after the Exchange published notice of intention to transfer have been settled or discharged by the Transferring Member and/or the Proposed Transferee, as the case may be;
 - (5) payment by the Proposed Transferee to the Exchange of a transfer fee in an amount to be fixed, from time to time, by the Board.

2.18 Acquisition of Membership by the Proposed Transferee

- (A) The Proposed Transferee shall cause a transfer of the Seat or Off-Floor Membership, as the case may be, within fourteen (14) days after admission as a Floor Member or as an Off-Floor Member, as the case may be.
- (B) If a Proposed Transferee does not comply with the requirements of paragraph (1) of this Rule 2.18, its admission to Floor Membership or Off-Floor Membership, as the case may be, shall be void unless the time for compliance is extended by the Board in its absolute discretion.

2.19 Compliance with DFSA Rulebook

Members, Seat Lessees and Guaranteed Customers, and their employees, must comply at all times with all provisions of the DFSA Rulebook applicable to their conduct on the Exchange.

2.20 Responsibility of Members for employees and officers

Members shall be responsible for, and subject to disciplinary action as a result of, the acts and omissions of, and any breaches of these Rules by, their directors, officers, partners, employees and other representatives.

2.21 Fees

Members shall pay such fees as required by the Board from time to time.

2.22 Notices required of Members

- (A) Each Member shall give written notice to the Exchange of all changes in partners, whether general or limited, or in officers or directors. Each Member shall also give written notice to the Exchange of any change in a Member's liaison contact with the DME.
- (B) Each Member shall give prior notice in writing to the Board of any proposed merger, acquisition, consolidation or sale of the Member, whether into or by the Member or otherwise.

Such prior notice shall be supplemented by such documents or information as requested by the Board.

2.23 Lawsuits brought against the Exchange

- (A) For the purposes of this Rule ~~2.232-23~~:
- (1) Claimant means any present or former Member, Seat Lessee or Guaranteed Customer and any present or former employee, agent, director, officer or Affiliate thereof; and
 - (2) Exchange includes the Exchange and its respective parents, subsidiaries (direct and indirect) or any of its respective Affiliates, Members, successors, assigns, directors, governors, officers, committee members, employees, consultants or agents.
- (B) Except to the extent such loss, expense, damages or claims are attributable to the negligence, wilful misconduct, bad faith, fraud or criminal acts of the Exchange, and except as otherwise expressly provided in these Rules, the Exchange shall not have liability to any Claimant for any loss, expense, damages (including direct, indirect, consequential and punitive damages) or claims resulting from or relating to any personal injury or medical condition (and death resulting therefrom) that arise out of:
- (1) the use or employment of the facilities or services at the Exchange, regardless of whether such services or facilities are provided by the Exchange or a third party;
 - (2) any interruption in or failure or unavailability of any such facilities, services, regardless of whether such services or facilities are provided by the Exchange or a third party; or
 - (3) any action or failure to act by the Exchange;
- (C) Except to the extent such loss, expense, damages or claims are attributable to the gross negligence, wilful misconduct, bad faith, fraud or criminal acts of the Exchange, and except as otherwise expressly provided in these Rules, the Exchange shall not have liability to any Claimant for any loss, expense, damages (including direct, indirect, consequential and punitive damages) or claims resulting from or relating to:
- (1) any error, omission or delay in calculating or disseminating any current, closing or settlement prices, values, transactions in, quotations for or other information about Exchange;
 - (2) the use of data transmitted or disseminated by or on behalf of the Exchange or any reporting authority designated by the Exchange, including but not limited to reports of transactions in, quotations for or other information about futures contracts and option contracts or reports of index values or related data; and, in connection with the use of such data, the Exchange makes no express or implied warranties as to such data, including but not limited to:
 - (a) the result to be obtained; or
 - (b) the suitability or fitness for a particular purpose or use;
 - (3) any suspension, inaccuracy, interruption or termination or any other cause relating to the furnishing, performance, operation, maintenance, use of or inability to use any or all of the Exchange systems or services and facilities used to support these systems,

regardless of whether such services or facilities are provided by the Exchange or a third party. In addition, the Exchange shall have no liability for errors or inaccuracies in information provided by Exchange systems or for losses or other injury or damages resulting from unauthorised access or any other misuse of any Exchange systems by any person.

- (D) The foregoing limitations of liability and disclaimers shall be in addition to any other limitation of liability provision contained in these Rules, and, to the extent that they are inconsistent, the provisions of this Rule shall prevail.
- (E) The limitations of liability set forth in these Rules shall not apply to or affect the rights or remedies of either any Claimant or the Exchange with respect to breaches of the applicable laws and regulations.
- (F) Any Claimant that institutes a lawsuit or other similar proceeding against the Exchange in any court of law or otherwise and fails to prevail in such lawsuit or proceeding shall pay to the Exchange any and all reasonable expenses and disbursements of the Exchange, including reasonable legal fees incurred by the Exchange in the defence of such lawsuit or proceeding in addition to any statutory costs incurred by the Exchange.
- (G) The Claimant consents and submits to the exclusive jurisdiction of the courts of DIFC. The Claimant waives personal service and consents to service of process by registered mail to the agent for process notified to the Exchange, or consented to, by the Claimant or the person to which the Claimant is or was related, in accordance these Rules. Nothing in these Rules shall affect the right of the Exchange to serve legal process in any other manner permitted by law or affect the right of the Exchange to bring any action or proceeding against Claimant or Claimant's property in a court of any other jurisdiction.
- (H) Each provision of this Rule ~~2.232-23~~ shall be viewed as legally separate and distinct from the other provisions contained herein and if any provision of this Rule ~~2.232-23~~ is held invalid, that provision shall not effect the legality and enforceability of any other provision.

2.24 Disputes between Members, Seat Lessees and/or Guaranteed Customers

Any Member, Seat Lessee or Guaranteed Customer involved in a transaction or business relationship on the Exchange about which a dispute arises that is not resolved shall act in the most expeditious manner practicable to mitigate or limit any damage to any party to such transaction or relationship. There shall be a rebuttable presumption that such acts of mitigation shall not be admissible with respect to liability for the transaction or relationship giving rise to the dispute.

2.25 Spirit of the Rules

- (A) These Rules shall at all times be observed, interpreted and given effect in such a way as to ensure, at all times, the promotion and maintenance of:
 - (1) authorisation of the Exchange as an Authorised Market Institution under the Regulatory Law and the good reputation of the Exchange (and its Members);
 - (2) an orderly market with high standards of integrity and fair dealing;
 - (3) compliance with the DFSA's Principles; and
 - (4) the organisation and control of internal affairs in a responsible manner, adequacy of internal record-keeping, and adequate arrangements to ensure that staff and directors of Members are fit and proper, adequately trained and properly supervised and that each Member has adequate procedures for ensuring compliance with these Rules.

2.26 Change in ownership of a Member

- (A) A Member which is a body corporate shall notify the Exchange in writing of the name of any person for the time being holding or having a beneficial interest in ten per cent (10%) or more of any class of the equity share capital of the Member or any Controller of the Member, and of any change in such a holding or interest, within seven (7) days of the holding or interest, or change therein, coming to the Member's notice.
- (B) In the case of a Member which is a partnership or unincorporated association, the Member shall notify the Exchange in writing of the name of any person who becomes or ceases to become a partner of that partnership or member of that unincorporated association (as the case may be) and in either case holding or having an interest:
- (1) conferring any right to share in 10% or more of the profits, or liability to contribute to 10% or more of the losses of the partnership or unincorporated association; or
 - (2) giving rise to an obligation to contribute to 10% or more of the debts or expenses of the partnership or unincorporated association in the event of a winding up,
- within seven (7) days of that the interest or change therein coming to the Member's notice.
- (C) Upon receipt by the Exchange of a notice from a Member under this Rule 2.26, the Board may review the suitability of the Member for Membership. The Board may require the Member to furnish such additional information as required at the Board's absolute discretion. If, on completion of the review, the Board is not satisfied that the Member continues to satisfy the criteria for Membership, the Board shall consider whether to terminate the rights of the Member in accordance with these Rules.

2.27 Confidentiality

The Exchange shall keep confidential all information received and obtained under the Rules, subject to such disclosure as is required to ensure compliance with all applicable laws, regulations and rules and, in particular, to ensure the maintenance of its status as an Authorised Market Institution under the Regulatory Law.

2.28 The Exchange's relations with other regulators and authorities

In order to ensure the continuation of the Exchange's licence as an Authorised Market Institution under the Regulatory Law, it may co-operate and share information with the DFSA, other relevant authorities and regulatory bodies, other Authorised Market Institutions, Recognised Bodies and other exchanges and clearing houses, and may also make whatever arrangements are deemed appropriate to monitor compliance with the Rules and carry out or arrange for the carrying out of whatever investigations are deemed necessary.

Chapter 4 Compliance and General Rules

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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;

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- 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.

4.24.3 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 4.32, 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 4.32 at the request of the Exchange.

~~(B)~~

~~(C) Each Member which is not an Authorised Firm and which proposes to carry an account for any other person must appoint an individual as a Money Laundering Reporting Officer with responsibility for that Member's compliance with all Applicable AML Requirements.~~

~~(D)~~(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.

4.34.4 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

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

4.44.5 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; confirm to the CCO annually in writing:~~

- (1) ~~as to the nature of the Member's activities on the Exchange; there is a material change in the nature of the Member's activities on the Exchange;~~
- (2) ~~in relation to those activities, that the Member has an appropriate authorisation, recognition or other permission to carry on the activities which it conducts on the Exchange; or permission 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; and~~
- (3) ~~whether the Member is subject to regulation by any other regulatory organisations, either in the UAE or elsewhere, and if so which organisation is its main regulator for the purposes of these activities or any other activities made subject to these Rules; the Member becomes, or ceases to be, subject to regulation by any other regulatory or self-regulatory organisation; and~~
- ~~(3)(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.~~

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(B) Each Member shall ~~immediately, but in all cases within less than 10 days, notify the CCO in writing~~Exchange immediately 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~~Exchange immediately 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 4.54 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 4.32 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:

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- (4) ~~shall be given on or around a date agreed in advance with the CCO and promptly upon any change in the particulars last notified;~~
- (5) ~~shall be in such form as the Exchange may from time to time prescribe; and~~
- (6) ~~where required, shall be certified by a firm of auditors, lawyers or some other person acceptable to the Exchange.~~

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4.54.6 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.

4.64.7 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 4.76 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 4.76 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.

4.74.8 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 4.32.
- (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 4.87 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~~, ~~4.43~~, ~~4.54~~ and paragraphs (B) and (C) of Rule 4.8, 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 ~~4.87~~, 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.

4.84.9 **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.

4.94.10 **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 4.109 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 4.109.
- (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.

4.104.11 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;
 - (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.

4.114.12 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).

4.124.13 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 4.132, comply with the provisions of COB, whether or not the Member is an Authorised Firm.

4.134.14 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 4.143, each written agreement with a Customer must:

- (4) import into every contract made with the Customer all the terms of these Rules insofar as they are applicable to that contract; and
- (5) 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.

4.144.15 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 4.143, 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 4.143 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 4.154 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 4.2~~, ~~Rule 4.3~~, Rules 4.65 to 4.143, ~~Rule 4.165~~ and Rules 4.187 to 4.204 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 4.154, 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.

~~4.154.16~~ 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;
 - (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 4.165 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.

4.164.17 Trade confirmations

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

4.174.18 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.

4.184.19 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.

4.194.20 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 4.192, 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 4.19-20 shall be open to inspection by the Exchange upon the Exchange's demand.
- (F) The requirements of paragraphs (A) to (E) of this Rule 4.19-20 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.

4.204.21 Rule Changes

- (A) Subject to paragraph (E) of this Rule 4.2021, 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 4.20-21 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 4.22-23 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.

4.214.22 Physical emergencies

- (A) For the purposes of this Rule 4.224 and Rule 4.232, **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 4.224, 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 4.232 (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 4.224.

4.224.23 **Emergencies: powers of the Board, the CEO and the CCO**

(A) Subject to paragraph (I) of this Rule 4.232, 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);

(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 4.223, 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;

(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 4.232 will be subject to review and modification by the Board.
- (I) Any proposed amendment, deletion or addition to the Rules pursuant to this Rule 4.232 will not take effect until it has been approved by the DFSA.

4.234.24 Position Reporting

- (A) Each Clearing Member shall report to the Exchange positions equal to or in excess of the levels set out in Rule 4.254. 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 4.254.
- (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 4.243 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 4.243, and in particular the confidentiality obligations of Rule 2.26 shall apply to all such information.

4.244.25 Reporting Levels

The quantities for the purposes of filing a report under Rule 4.243 will be published by the Exchange from time to time, generally, on the Exchange's website.

4.254.26 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 4.265, action by the Board under paragraph (A) of this Rule 4.265 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 4.265 shall be deemed a breach of these Rules and punishable as a Major Offence.

4.264.27 Waivers and variations of Rules

- (A) The Board or the CCO may, in accordance with paragraph (B) of this Rule 4.276, 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 4.276.
- (D) The Board shall publish any waiver, variation or grant of time under paragraph (A) of this Rule 4.276 unless the Board considers it inappropriate or unnecessary to do so.

4.274.28 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.

4.284.29 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.