

# Compliance Guidance

By DGCX Group Compliance

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## 1. Introduction

Dubai Gold and Commodities Exchange (“DGCX”) is a Self-Regulatory Organisation, regulated by the Securities and Commodities Authority (“SCA”) under Decision No. 157/R of 2005, and Dubai Commodities Clearing Corporation (“DCCC”) is also regulated by the SCA under Board Decision No. 11 of 2015 as amended. DGCX and DCCC are hereafter referred to as DGCX Group.

In addition to being regulated by SCA, DGCX Group has obtained recognition from a number of other foreign regulators.

The purpose of this Compliance Guidance (“the Guidance”) is to assist Members of DGCX and DCCC to comply with relevant DGCX By-Laws and DCCC Clearing Rules.

## 2. Users of the Guidance

This Guidance may be used by all existing and future Members of DGCX and/or DCCC (hereafter referred to as “Member(s)”), and employees and representatives of these Members.

## 3. Important Notice

**This document is for guidance purposes only and is not considered as a replacement to the DGCX By-Laws, DCCC Clearing Rules, SCA Decisions and circulations, Central Bank of UAE decisions and circulations, and DGCX Group Notices or a replacement to any other rules, regulations, circulations and notices (hereafter referred to as “Applicable Rules”) that are issued by DGCX Group or any relevant regulators and authorities.**

**In case of any conflict between the Guidance and the Applicable Rules, the latter shall prevail.**

**Members should be aware that abiding by the Guidance does not provide a safe harbour under the Applicable Rules, and that Members must ensure full compliance with all Applicable Rules at all times. The Guidance is issued without any responsibility on behalf of the DGCX Group or any of its managers and/or officers.**

Member should also note that whilst the Guidance will be updated periodically, there may well be changes to the Applicable Rules which are not immediately reflected in the Guidance. Accordingly, Members must take all necessary measures to ensure that they are aware of all relevant changes to Applicable Rules, and that these are reflected in their own internal policies and procedures.

#### 4. Relevant Regulations and Decisions

The following list is a non-exhaustive list of the regulations and decisions that Members should always be aware of and comply with:

- DGCX By-Laws
- DCCC Clearing Rules
- SCA Decision No. 157/R of 2005
- SCA Board Decision No. 11 of 2015 as amended.
- Federal Decree-law No. (20) of 2018, and its Implementation Regulations: Cabinet Decision No. (10) of 2019.
- Administrative Decision No. (123 /R.T) of 2017.

#### 5. Ongoing Obligations for All Members

##### 5.1. NCTA and Financial Statements

Each Member should always ensure that the value of its Net Current Tangible Assets (“NCTA”) is not less than the minimum value determined by the DGCX Group from time to time according to the category of membership held by the Member.

The NCTA level should be maintained continuously, and Members should be able to demonstrate, when required by the DGCX Group, that they are complying with this obligation.

In the event that the value of the NCTA falls below the minimum value determined by the DGCX Group, the Member should immediately notify the DGCX Group, and by no later than twenty-four (24) hours of the issue having first been identified by the Member.

## 5.2. Trading on Behalf of Clients

Trade Members are prohibited from trading on behalf of another person or to accept instructions to trade on behalf of another person.

Only Broker Members with relevant SCA licence can trade on behalf of clients, and only after completing all relevant KYC information and account opening requirements.

## 5.3. Updating DGCX Group of any Changes

(a) A Member must submit to the DGCX Group full particulars of any proposed changes in control of the Member. Further, approval from the DGCX Group must be sought for the following:

- New Partner/Shareholder/Director;
- Change in shareholding of fifteen per cent (15%) or more; and
- Such other changes as specified in By-Law C.7.1.

(b) A Member must notify the DGCX Group in writing of any change in its directors or change in shareholding in excess of five per cent (5%) of the issued share capital of that Member within twenty-one (21) days of either such occurrence.

#### 5.4. Cooperating with DGCX Group Employees

The Member is required to cooperate with DGCX Group employees in all cases, especially during an inspection or when a request has been made for specific information to be provided by the Member.

#### 5.5. Accepting Funds from Third Parties

Members should not accept funds from third parties unless as part of the normal course of business for example Bank Loan or a Client (in case of Broker Member).

#### 5.6. Source of Funds

In order for the DGCX Group to ensure that it is not exposed to any risk of money laundering, the DGCX Group shall from time to time check the source of Member's funds. Members must be able to demonstrate, when required, the source of all funds.

#### 5.7. Approved Users

No person shall be permitted to trade through a Trade Workstation ("TWS") connected to the Automated Trading System unless such person has been authorised to trade by a Member and has been registered with the DGCX Group as an Approved User, who could be either:

- (a) a director or other officer, employee or agent of a Member; or
- (b) a Client of a Broker Member

A Member who allows a person who is not an Approved User access to a TWS may have its trading rights suspended by the DGCX Group for a period to be determined by the DGCX Group.

### 5.8. Prohibited Practices

No Member shall manipulate or attempt to manipulate or otherwise abuse or attempt to abuse the market or create or attempt to create an artificial market. Prohibited practices are illustrated in detail in By-Law D.3.

### 5.9. Unlicensed Activities

Members should only undertake those business activities for which it is appropriately licensed by the relevant regulator. The DGCX Group is obliged to report any unlicensed activity to the relevant regulator.

### 5.10. DGCX By-Laws and DCCC Clearing Rules

All Members and their representatives are required to comply with DGCX By-Laws and DCCC Clearing Rules. Members should immediately report any breach to the DGCX Group.

## 6. Additional Ongoing Obligations for Broker Members (SCA Licensed)

### 6.1. Segregation of Client Funds

Broker Members with SCA licence should ensure at all times that client funds are segregated from Member funds. The Member should also ensure that client funds are credited to the relevant client's trading account on the same day that they are received by the Member or by no later than the next business day.

## 6.2. AML Obligations

Members should comply with all laws, regulations and circulars related to combating money laundering and terrorist financing. The following points are a non-exhaustive list of the various controls and procedures that Members should have in place in order to demonstrate compliance with the Applicable Rules related to AML:

- Obtain full KYC information about the client before initiating the relationship, and continually update this information during the course of the relationship.
- Establish clients' source of funds and ensure that clients' deposited funds are in line with client income.
- Identification of Ultimate Beneficial Owners of Member's Clients using documents, data or information obtained from reliable and independent sources.
- Have an AML policy, which is regularly reviewed and updated.
- Use a risk-based approach to classify the clients according to their risk.
- Conduct enhanced due diligence for high-risk clients.
- Proper suspicion transaction reporting procedure.
- Report to the Management and the Board about the AML findings and status of complying with any Applicable Rules related to AML.
- Conduct AML training to all Member's staff, at least annually.
- Conduct AML Audit by an independent party, at least annually.

For more guidance, please refer to the document that was issued by SCA "Guidelines for Financial Institutions on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organisations" <https://www.sca.gov.ae/Arabic/awareness/Publications/money-laundering.pdf>.

## 6.2. Trading for Clients

Broker Member should ensure and maintain at least the following:

- all clients have signed the Risk Disclosure Form;
- orders for non-discretionary clients are executed according to clients' instructions;
- for discretionary accounts, the client risk-appetite should be complied with (if it is defined by the client);
- telephone recording system is maintained according to SCA standards;
- trade confirmations and statements of accounts are sent to the clients in a timely manner;
- complaints register and proper follow up of clients' complaints in a timely manner; and
- maintain proper records of clients' transactions and information.

## 6.3. Key Staff

All Broker Members should appoint key staff according to SCA Decision No. 123 of 2017 ("Decision 123") in order to obtain an SCA licence. Members should also ensure that these staff are fit and proper as defined in Decision 123. Maintaining fit and proper key staff is also an ongoing obligation.

When submitting the application of a key staff, there are specific requirements and documentation which need to be prepared (as advised by SCA on 14 April 2019):

1. Registered Person Application.
2. Curriculum vitae.
3. Valid passport and residence visa copies.
4. Family Book copy (for UAE nationals).
5. ID copy.
6. Academic degree (university degrees issued abroad should be equalized from the UAE Ministry of Higher Education and Scientific Research).

7. Work experience certificates (should confirm the completion of the required experience duration according to the system).
8. A letter of Credit Report with Score from Al Etihad Credit Bureau <https://www.aecb.gov.ae/> Full report.
9. Valid criminal record certificate.
10. Signed declaration form.
11. Professional certificates (if any).

In addition to the above documents, the key staff should have sufficient and relevant experience and academic and professional qualifications in order to be approved. The approval of key staff appointment is rests solely with SCA. Members may refer to Appendix – A – for further information as to the general criteria as defined by Decision123.

## 7. Reporting Obligations

### 7.1. Trade Member

Trade Member has the following reporting obligations according to DGCX By-Laws and DCCC Clearing Rules:

- NCTA Certificate from External Auditor annually within three months of financial year end.
- Audited Financial Statements within three months of financial year end.
- Any penalty imposed by any licensing authority.
- Any update on essential information that was provided when the membership was approved e.g. change in shareholding, controls and Directors...etc.

### 7.2. Broker Member

- NCTA Certificate from External Auditor annually within one month of financial year end.
- Client Segregation Report annually within one month of financial year end.

- Audited Financial Statements within three months of financial year end.
- Any penalty imposed by any regulator and/or licensing authority.
- Any update on essential information that was provided when the membership was approved e.g. change in shareholding, controls and Directors...etc.
- Broker Members also have reporting obligations directly to SCA.

## Appendix – A – Key Staff Requirement

### Exam Codes:

The following is a summary schedule that illustrates which exams should be undertaken by key staff.

Exam Name	Code
UAE Rules & Regulations	<b>UAE R/G</b>
Introduction to Securities & Investment	<b>Introduction</b>
Securities	<b>Securities</b>
Global Financial Compliance	<b>Compliance</b>
Risk in Financial Services	<b>Risk</b>
Operational Risk	<b>Ops Risk</b>

The list of required exams mentioned below for each key staff position is according to the SCA training center website as at 9 June 2019: <https://scatc.sca.ae/English/Exams/Pages/liceningregime.aspx>. It is the Member’s responsibility to ensure that they are aware of any changes to this list, and that the correct exams are booked for key staff as appropriate.

Appendix – A – Key Staff Requirement (Continued)

✓ **Broker Member**

	General Manager	Compliance Officer	Discipline Officer (MLRO)	Broker Representative
<b>Broker Member</b>	√	√	√	√
Degree Equalization	√	√	√	√
Required Exams*	None	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> </ul>
<b>Broker Member with ONLY online clients</b>	√	√	√	x
Degree Equalization	√	√	√	N/A
Required Exams*	None	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> <li>• Compliance</li> </ul>	N/A

Appendix – A – Key Staff Requirement (Continued)

✓ **Broker Clearing Member**

	General Manager	Compliance Officer	Discipline Officer (MLRO)	Risk Management Officer	Broker Representative	Trading Manager	Operations Manager
<b>Broker Clearing Member</b>	√	√	√	√	√	√	√
Degree Equalization	√	√	√	√	√	√	√
Required Exams*	None	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Risk</li> <li>• Ops Risk</li> </ul>	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> </ul>	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> <li>• Ops Risk</li> </ul>	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> <li>• Ops Risk</li> </ul>
<b>Broker Clearing Member with ONLY online clients</b>	√	√	√	√	x	x	√
Degree Equalization	√	√	√	√	N/A	N/A	√
Required Exams*	None	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Risk</li> <li>• Ops Risk</li> </ul>	N/A	N/A	<ul style="list-style-type: none"> <li>• UAE R/G</li> <li>• Introduction</li> <li>• Securities</li> <li>• Ops Risk</li> </ul>