

FINANCIAL SERVICES REGULATORY AUTHORITY
سلطة تنظيم الخدمات المالية

Rules of Market Conduct (RMC)

*In this Appendix, underlining indicates new text and strikethrough indicates deleted text, unless otherwise indicated.

1 INTRODUCTION

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Other provisions that apply to Prospectuses and Authorised Persons

- (17) If a misleading or deceptive statement or a material omission occurs in a Prospectus, then separate and specific prohibitions and defences are likely to apply. These are set out in sections 67 and 68 of the FSMR.
- (18) If a Reporting Entity ~~Authorised Person~~ fails to make a timely disclosure of information to the market then section 201 is likely to apply. However, if an Authorised Person discloses information to the market which is false or misleading (and knows or could reasonably be expected to know that it is false or misleading) then the Market Abuse provisions may apply.

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2 MARKET MANIPULATION

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2-3 Defences

- (1) A number of defences to section 92(4) are set out in within section 92(4) itself.

Market Practice

- (2) If a person establishes that they carried out the conduct or practice for legitimate reasons and in conformance with an Accepted Market Practice (see section 92(4)).

Price Stabilisation

- (3) Section 93(3)(b) provides that:

Behaviour does not amount to Market Abuse for the purposes of these Regulations if ... it conforms with the Price Stabilising Rules...

- (4) The effect of section 93(3)(b) is that if a Person ~~person~~ establishes that they carried out a ~~Price Stabilisation~~ in accordance with MKT 6.2 ~~the ADGM Rulebook~~, this conduct will not contravene section 92. MKT 6.2 ~~The Price Stabilising Rules as defined in the FSMR~~ sets out the relevant Rules relating to carrying on a ~~Price Stabilisation~~ that must be complied with.

Buy-back Programmes ~~Purchase of one's own Shares~~

- (5) The effect of section 93(3)(a) is that if a Person establishes that they carried out a Buy-back Programme in accordance with MKT 6.2, this conduct will not

~~contravene section 92. MKT 6.2 sets out the relevant Rules relating to carrying on a Buy-back Programme that must be complied with. Another general example of conduct which may amount to a defence to market manipulation includes instances where a person purchases their own Shares in accordance with the FSMR and Markets Rules.~~

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5 INSIDER DEALING

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5-5 Attempting To Deal And Dealing In Related Instruments

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Related Instruments

- (3) Section 92(2) prohibits an Insider from dealing or attempting to deal in relation to either the Financial Instrument (i.e. to which the Inside Information relates) or a Related Instrument. The definition of a "Related Instrument" is set out at Rule 1(9) of the RMC.
- (4) For example, if an Insider has Inside Information relating to an Issuer, A, of a Financial Instrument, then a "Related Instrument" could include a Derivative relating to Financial Instruments of A or a Financial Instrument of another member of A's Group, if the price or value of that other Financial Instrument depends, in whole or in part, on the price or value of Financial Instruments of A.

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8 SPECIFIC MARKET PRACTICES

- (1) In this Rule, the Regulator sets out some guidance about the application of the Market Abuse provisions to some specific market practices.

Stock lending and collateral

- (2) A stock lending or borrowing transaction or a repo or reverse repo transaction, or a transaction involving the provision of collateral, will, in the Regulator's view, not usually of itself constitute Market Abuse.

Short Selling

- (3) Short Selling is ordinarily a legitimate market practice that, in the Regulator's view, will not usually of itself constitute Market Abuse. In certain circumstances

however, Short Selling when combined with other additional factors may amount to Market Abuse, for example:

- (a) if a person takes a short position in the Shares of a Company and then spreads false rumours about the Company in order to drive down the share price;
- (b) if an Insider enters into a Short Sale of a Financial Instrument on the basis of Inside Information; or
- (c) if a person enters into a Short Sale of a Financial Instrument without any reasonable possibility of being able to settle the short position.

Price Stabilisation

~~(4) Price Stabilisation does not constitute Market Abuse if it is carried out in accordance with the Price Stabilising Rules as defined in the FSMR (see Rules 2-3(3) and 2-3(4) of the RMC).~~

Market Making

(45) The legitimate performance of market making will not usually constitute Market Abuse – see Rules 5-7(2) to 5-7(4) of the RMC.

Other general conduct which may amount to defences to Market Abuse include:

Execution of Client Orders

(56) The execution of an unsolicited Client order if certain conditions are satisfied (see Rules 5-7(8) to 5-7(10) of the RMC).

Underwriting

(67) The legitimate performance of underwriting functions may also not amount to Market Abuse (see Rules 5-7(5) to 5-7(7) of the RMC).

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