The Purpose of this Booklet

Dubai Financial Market recognizes the importance of providing investors with the necessary information and data which supports them in making informed investment choices. This supports the DFM’s aim of building a fruitful relationship with its investors. Our work is based on a deep-rooted belief that investing in securities is a key factor in supporting the national economy, and that the investor is integral to a solid UAE economy.

This booklet introduces you to the Dubai Financial Market (DFM), its philosophy and corporate values which underpin how the exchange operates, its technological strengths and innovation, the accredited members who work closely with the exchange and more importantly, DFM’s commitment to meeting the evolving needs of its investors.

We value your feedback and input to continuously enhance our products and services. If you have any questions or comments, please email customerservice@dfm.ae.

Disclaimer
Dubai Financial Market (DFM) endeavors to provide and publish correct real time data and information; however it is not guaranteed to be timely or accurate and is for information purposes only. DFM shall not assume any responsibility for any diminution, error and/or delay of data and information published. Consequently, DFM will not be liable for any claim or loss of any nature that may occur directly or indirectly, from the use of the data and information available at DFM or in any of its publications.
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Within a short period of time, Dubai Financial Market (DFM) has fast developed into a leading financial market across the region. Its ongoing efforts and strategic initiatives have further reinforced Dubai as a centre of excellence in this part of the world and enhanced its leading position as a powerful capital market hub which embraces international best practices to meet the evolving needs of its investors locally and internationally.

DFM operates as a secondary market for the trading of securities issued by public shareholding companies, bonds issued by federal or local governments, local public institutions and mutual funds as well as other local or foreign DFM approved financial instruments.

The first exchange in the UAE
Established as a public institution with an independent legal entity by virtue of Decree 14/2000 issued by the Ministry of Economy, DFM launched its activities on 26 March 2000. On 27 December 2005, the Executive Council of Dubai decided to transform DFM into a public shareholding company with a capital of AED 8 billion divided into 8 billion shares, and 20% of the capital, equal to 1.6 billion shares, was offered through an IPO. The public offering was met with great demand that exceeded all expectations, with subscriptions amounting to AED 201 billion. On 7 March 2007, Dubai Financial Market Company was listed on the market with the trading symbol DFM.

The first regional exchange to be publicly listed
DFM is the first financial market to have offered its shares through an IPO in the Middle East, and this reflects the leading role played by the Emirate of Dubai in selling shares of governmental institutions in the region.

A Sharia compliant exchange
DFM operates according to Sharia principles and this clearly reflects the ambitious vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice-President of the UAE, Prime Minister and Ruler of Dubai.
Regulated by the Securities and Commodities Authority

Dubai Financial Market (DFM) is governed and regulated by the UAE Securities and Commodities Authority (SCA) which has the authority to impose laws and standards which DFM must comply. DFM works proactively with the SCA to protect investors and provide an optimum trading platform, which includes initiatives such as the development of Margin Trading and Delivery v Payment (DvP) mechanisms.

The first regional exchange to consolidate its operations

In 2010, Dubai Financial Market consolidated its operations with NASDAQ Dubai to create a dynamic force in the region's capital markets. The consolidation provides investors greater choice of asset classes and easier access to DFM and NASDAQ Dubai listed securities via a single Investor Number (NIN), which means investors can trade seamlessly across the two exchanges.

Both exchanges continue to be regulated separately, DFM by the SCA and NASDAQ Dubai by the Dubai Financial Services Authority (DFSA).
Our Philosophy

The DFM philosophy is based upon a well developed and innovative corporate culture defined by its vision, mission and core values, all of which are strategically focused on implementing a growth strategy, preparing the business to face increasing challenges, and more importantly, demonstrating DFM’s ongoing commitment to enhance its products and services for the benefit of its investors. In 2011, the Board of Directors of Dubai Financial Market Company (PJSC) adopted a vision and mission based on its efforts to enhance its leading position amongst regional financial markets.

Our Vision
The World Class Regional Marketplace.

Our Mission
To provide stakeholders with innovative services in conducting trading, settlement and depository of securities, in an efficient, transparent and liquid environment.

Our Corporate Values
Our core values define our corporate culture and how we deal with our investors; we see this as paramount when providing investor products and services which meet their evolving needs.
The following five core values govern our dealings with customers both internally and externally:

**Transparency**
We prioritise transparency across all our actions and decisions.

**Efficiency**
We focus on building efficiency into every aspect of our operations.

**Innovation**
We believe the future depends on the innovation we empower today.

**Confidentiality**
We accord the utmost confidentiality to our clients and their interests.

**Integrity**
We conduct ourselves with unconditional integrity and ethics.
DFM Accredited Market Participants

As a leading regional financial market based on international best practices and regulated under the jurisdiction of the UAE Securities and Commodities Authority (SCA), DFM ensures that members go through a rigorous application process to become accredited brokers and custodians, in order to protect investors and their rights.

Market participants include investors, listed companies (issuers), brokers, and custodians, all of whom play a key role within the financial market dynamics:

A. Investors

DFM investments include both long-term investment and speculative investments. Whether an individual or institutional, an investor who buys securities and keeps them for a long time in order to obtain profits in cash or in kind is known as a long-term investor. Such an investor should be well acquainted with the basic information on the company he wishes to invest in, particularly its balance sheet, income statement, cash flow statement and significant financial ratios.

Speculative investment, on the other hand, is the process of buying and selling by investors on DFM to benefit from price variation. Speculation is a necessity for the stock market since it creates a balance between supply and demand. When prices are low, speculators buy securities hence halting the downward trend due to the increasing
demand. To the contrary, when prices are high, speculators sell the securities they have in their possession hence limiting the upward trend as a result of the increasing supply.

Speculative investors should have adequate competence and expertise to enable them to soundly analyze market conditions. They should base their decision making on comprehensive research and calculations, and should have sufficient capital to protect themselves from any expected losses. Speculative investors are obligated to abide by trading ethics and not act in any manner that might affect the share prices, upwards or downwards, and harm both DFM and its investors.

**B. Listed Companies (Issuers)**

Listed companies are the backbone of economic growth considering the many projects they undertake and their capacity for attracting significant capital. Leading companies listed on the DFM and NASDAQ Dubai exchanges represent a diverse base of growing economic sectors and include local, regional and international companies. For more information on the companies listed on the DFM and NASDAQ Dubai exchanges and tradable on the DFM, please visit [www.dfm.ae](http://www.dfm.ae).

There are various types of shareholding companies such as limited public shareholding companies, limited liability companies and companies limited by shares.

A public shareholding company has a number of shareholders and capital divided into shares of equal value some of which are offered to investors wishing to invest therein through an Initial Public Offering (IPO). The share of every company owner is defined by the stocks he/she has bought. After going public, the company will have its shares listed on DFM and be available for trading. The listing requirements can be viewed at [www.dfm.ae](http://www.dfm.ae).

**C. Brokers**

A broker is a company authorized by the Securities and Commodities Authority (SCA) to provide brokerage services on DFM. Additionally, since the consolidation with NASDAQ Dubai in 2010, common member brokers licensed to trade on both DFM and NASDAQ Dubai listed securities, can be used to trade across both exchanges, using the same DFM Investor Number (NIN). To view the full list of brokers, including common members, please visit [www.dfm.ae](http://www.dfm.ae).

It is not possible to trade on DFM directly but only through a DFM accredited broker who carries out the trading transaction (selling and buying) at the instruction of their client.
Brokers are accredited on DFM by virtue of strict regulations, by laws and codes of conduct ratified to ensure safe trading, protect investor rights and guarantee the highest levels of accuracy, transparency and competence in managing the transactions executed on DFM.

Besides executing the selling and buying orders as per their clients’ instruction, brokers are also responsible for settling payment between the sellers and buyers with the DFM’s Clearing, Settlement and Depository Division (CSD); as such DFM does not deal with individual investors directly but through their brokers. Payment between the broker and DFM is settled through a special settlement account held by every broker at the “Settlement Bank” appointed by DFM. Settlement between the brokers and their clients takes place according to the relevant agreements concluded between both parties.

The trading manager appointed by the broker shall undertake the task of managing trade transactions that take place through the brokerage firm. The brokerage firm also appoints accredited representatives to enter the orders into the electronic trading system as per the trading manager’s instructions.

DFM’s regulations require all accredited brokers who have offices on the DFM Trading Floor to ensure that their representatives are available to deal with investor enquiries on the Trading Floor during trading hours.

D. Custodians

Most institutional investors and some individual investors appoint a custody bank to look after and service their assets in multiple markets around the world.

DFM has several accredited custodians who are authorized by the Securities and Commodities Authority (SCA). View their information and services at www.dfm.ae.

The custodian’s responsibilities include:

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<td>1. Safekeeping</td>
<td>Safekeeping clients’ securities as well as preparing and maintaining accurate records thereof.</td>
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Dubai Financial Market (DFM) works closely with accredited brokers and custodians to ensure investors receive the optimum levels of service. As part of its commitment to its investors, DFM carries out annual surveys to gather feedback to continually improve the investor services provided.
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DFM Advanced Systems

Dubai Financial Market’s (DFM) strategy since its inception on March 26th 2000, has focused on continuous investment in developing our IT infrastructure. Ongoing developments have played a major role in cementing DFM’s status as the leading exchange and the main destination for local, Arab and international investors regionally. Technological innovation, transparency, confidentiality and efficiency, are core DFM values which shaped the introduction of numerous advanced systems available for investors and market participants alike.

DFM was the first regional market to adopt the highly sophisticated trading system “X Stream” in 2009, known to be one of the best trading systems amongst the world’s financial markets.

The following three areas highlight the advanced systems utilised to facilitate the trading process in terms of trading activities, surveillance and clearing.

1. The Electronic Trading System
The increasing number of users of the E-Trading system over the years indicates the evolving shift towards electronic trading as an effective and reliable tool for investors and brokers. DFM has always been committed to encouraging market participants to shift to E-Trading by providing the necessary technical support to encourage brokerage firms to expand and optimize these tools for investors.

The trading system is an operating system which handles the procedures and operations which together form the trading process. The screens of the terminals contain all the information and data needed by the brokers to enter such orders. The electronic trading system can be connected to a large number of terminals where brokers enter the orders they receive from their clients to be executed by the system, according to the rules and regulations governing such operations.
As shown in the illustration below, the system processes and executes the orders without any manual intervention. The series of operations executed includes time-stamped order entry in preparation for prioritizing their execution and classifying them according to their different types, allotting the quantities for every order, matching the orders, as well as other operations eventually leading to the execution of the entire trading operation.

Trading Engine

1. Time-stamped order entry
2. Prioritize orders based on their timing of entry
3. Classify orders based on their types
4. Divide market between selling and buying sides
5. Allocate quantity for every order
6. Find matching orders
7. Execute and fulfil orders
8. Trading closing session
9. Transfer of trading data to clearing

The system completes all these operations in real-time. Therefore an order is executed once it is entered into the system, and according to the system's connection to the equally developed and rapid clearing system, the stock ownership is transferred from the sellers to the buyers once the trading is successfully completed.
2. The Electronic Market Surveillance System

Dubai Financial Market (DFM) continuously controls trading to protect investors and ensure market participants comply with the laws, rules and regulations, which in turn optimizes the investment climate and provides greater transparency.

DFM has adopted SMARTS, one of the most developed surveillance systems used by several leading international financial markets. This system aims to discover any manipulation or abuse on the market and immediately notifies those in charge of trading surveillance thereof.

The trading surveillance system is an integrated technical platform which receives data from the trading system and processes it in real time, in addition to discovering suspicious cases and immediately notifying the users thereof. The system discovers and analyzes manipulation or abuse of the trading in addition to submitting analytical and detailed information on trading activities.

3. Clearing, Settlement and Depository System (Clearing)

Clearing constitutes the last phase of the trading process and follows the execution of the clients’ orders through their brokers.

With any selling and buying transaction taking place between the two parties by agreement, the seller should deliver the commodity to the buyer so that the latter pays its price to the former, the commodity here being the securities. Securities are delivered once their ownership is transferred from the seller to the buyer and the funds (price) paid to the seller. This operation is executed on DFM through the electronic clearing system which is fully connected to the trading system.

As soon as the selling order is entered, the electronic clearing system verifies the seller’s ownership of the securities for sale and in case the seller is not the owner thereof, the order is cancelled from the trading system. This procedure prevents entering more than one selling order for the same ownership. The trading and clearing systems are closely connected and this enables the execution of both trading and collection operations immediately and accurately.
Corporate Social Responsibility & Educational Programs

Since its establishment in 2000, DFM has been committed to developing numerous educational initiatives and programs to raise awareness of investing and creating a culture of well-researched securities investment among various market participants and the youth in the UAE, as part of its ongoing corporate social responsibility.

The awareness and educational programs provided by DFM include:

**DFM Annual Stock Game**
DFM’s Annual Stock Game is a highly popular initiative amongst school and university students as well as educational institutions in the UAE and other countries. Each year, the game includes more than 1,500 students, representing several educational institutions including non UAE universities. This event extends over two weeks depending on the needs of the educational authorities, and the results are announced during a closing ceremony.

Among the events accompanying the Annual Stock Game, DFM organizes a program that introduces students to the different aspects of the game which allows them to virtually trade securities on DFM’s website based on real time prices during official trading hours. Every student participating in the game receives a virtual initial investment amount of AED 1 million to be used for trading securities virtually. Students who achieve the highest earnings throughout the game win the competition. Cash prizes and certificates of appreciation and trophies are presented.

**Educational Trading Floors**
In line with its commitment to social responsibility and to improving the education process by linking theoretical courses to practical and interactive learning, DFM has created educational trading floors in a number of colleges and universities which provide a miniature model of DFM’s official trading floor. The rooms include two screens displaying real-time trading movements and a price ticker electronically connected to DFM’s trading engine.

Through this initiative, DFM aims to merge the educational efforts of these institutions with the training requirements and preparation for practical life, and also links the education curriculum with the market environment in order to enhance both students’ and teachers’ ability to disseminate information using the best methods.
DFM Training Seminars and Workshops

Dubai Financial Market (DFM) organizes training workshops for its participants, including listed companies, brokers and investors. In this respect, DFM collaborates with all the respective authorities such as the Securities and Commodities Authority (SCA) and the financial institutions active in this sector to develop and implement comprehensive workshops.

Additionally, DFM collaborates with its accredited brokerage firms in organizing workshops at the premises of UAE educational institutions to introduce students to the different aspects of trading on DFM, such as the technical and basic analysis, trading methods and the basics of investment among others. The purpose is to meet the needs of the students and educational institutions to increase understanding of both DFM and the market environment.

DFM Online Guides and Publications

DFM provides a number of publications and newsletters containing important information which help investors in their investment decision-making. In addition to daily, weekly and monthly newsletters, DFM issues various publications which raise awareness and understanding of DFM and its listed companies, particularly the “DFM Listed Companies Guide” which contains the financial statements of these companies over several years. Moreover, DFM has published several booklets available on its website, including but not limited to guides targeting its different market participants, such as the “DFM Guide to Going Public”, the “DFM Guide to Investor Relations” and more.
Stay in touch...
Stay abreast of the latest developments at DFM and NASDAQ Dubai with monthly rounds ups on news, listed company disclosures and market performance by accessing the monthly eNewsletter at www.dfm.ae.

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