
DECISION NOTICE

To: Al Ramz Capital LLC

DFSA Ref: F000833

Address: Reem Island,
Sky Tower,
Floor 22
P. O. Box 32000
Abu Dhabi
United Arab Emirates

Date: 13 June 2024

ACTION

1. For the reasons given in this notice (the **Notice**), the Dubai Financial Services Authority (the **DFSA**) has decided to impose on Al Ramz Capital LLC (**Al Ramz**) a financial penalty of USD25,000 (the **Fine**), pursuant to Article 90(2)(a) of the Regulatory Law 2004 (the **Regulatory Law**).
2. This Notice is addressed to Al Ramz alone. Nothing in this Notice constitutes a finding that any person other than Al Ramz breached any legal or regulatory rule and the findings expressed in this Notice are without prejudice to the position of any third party, or of the DFSA in relation to any third party.

DEFINITIONS

3. Defined terms are identified in this Notice by the capitalisation of the initial letter of a word or of each word in a phrase and are defined either in Annex B to this Notice or in the Glossary Module of the DFSA Rulebook (**GLO**). Unless the context otherwise requires, where capitalisation of the initial letter is not used, an expression has its natural meaning.

EXECUTIVE SUMMARY

4. The DFSA has decided to take this action as it has found that in contravention of Rule 3.4.5(1) of the Recognition Module of the DFSA Rulebook (**REC**), Al Ramz executed transactions for a Client wherein Al Ramz had reasonable grounds to suspect that the transactions may constitute Market Abuse but failed to notify the DFSA immediately or at all.
5. Given the nature of Al Ramz's contravention, as set out in this Notice, the DFSA considers it appropriate in the circumstances to impose the Fine on Al Ramz.

FACTS AND MATTERS RELIED UPON

Background

6. On 27 November 2008, Al Ramz was admitted to the list of Recognised Members maintained by the DFSA.
7. As a Recognised Member, Al Ramz was required to notify the DFSA immediately when it (i) received an order from a Client or arranged or executed a transaction with or for a Client and (ii) had reasonable grounds to suspect that the order or transaction may constitute Market Abuse. Notifications to the DFSA of suspected Market Abuse must specify sufficient details of the order or transaction and the reasons for suspecting that the order or transaction may constitute Market Abuse. Such notifications to the DFSA would generally be in the form of Suspicious Transaction and Order Reports (**STORs**).

Wash Trades

8. On 28 and 29 April 2022, an Al Ramz client (the **Client**) placed buy and sell orders through Al Ramz's online trading system for securities listed on ND, as set out in the following table (the **Orders**):

| Buy/sell Order | Date | Order time | Price (USD) | Quantity | Value (USD) |
|----------------|-----------|-------------|-------------|----------|-------------|
| Sell | 28-Apr-22 | 11:51:05 AM | 49.5 | 24 | 1,188 |
| Buy | 28-Apr-22 | 12:04:34 PM | 49.5 | 24 | 1,188 |
| Sell | 29-Apr-22 | 11:38:18 AM | 55.0 | 24 | 1,320 |
| Buy | 29-Apr-22 | 02:47:20 PM | 55.0 | 24 | 1,320 |

9. On 28 and 29 April 2022, the buy Orders were immediately executed with the pending sell Orders placed by the Client on the same day. These constitute 'wash trades' – which describe trades, irrespective of amount, that result in no change in the beneficial ownership of the units and may result in or contribute to a false or misleading impression under Article 54(a) of the Markets Law.

ND notification to Al Ramz

10. On 29 April 2022, ND sent an email to Al Ramz requesting information regarding the buy and sell orders placed by the Client on 29 April 2022, including a request to explain the "*motivation behind the trade – noting no change in beneficial ownership*". At this point ND commenced their investigation into the wash trades executed by the Client through the Al Ramz online trading system.
11. On 5 May 2022, Al Ramz responded to ND's request and confirmed the Client himself was the ultimate beneficial owner, provided copies of the order instructions and Know Your Consumer documents (**KYC**) but failed to explain the motivation behind the trade.
12. On 25 May 2022, ND sent an email to Al Ramz stating "*As a regulated exchange we have an ongoing reporting obligation to our regulator the DFSA, as such we are obliged to investigate certain trading patterns and to escalate any that we are not able to adequately explain. I am writing to remind you that your co-operation (or lack of) will need to be noted in our submission to our regulator (DFSA).*"
13. Between 17 June 2022 and 22 July 2022 there was correspondence between ND and Al Ramz in relation to the wash trades, in particular ND requested:
 - a. confirmation of whether Al Ramz's internal surveillance systems flagged the wash trades;
 - b. confirmation on what actions were taken by the firm;
 - c. explanation of the Client's "*rationale for placing the orders on both sides of the order book resulting into self-matching trades?*"; and
 - d. copies of all recorded calls with the Client in relation to the wash trades.
14. On 18 July 2022, Al Ramz replied to ND that in "*terms of surveillance, our systems are currently unable to flag self-matching trades. We are however in the process of*

implementing a new core system wherein this type of transaction will be flagged for investigation”.

15. However, Al Ramz did not address ND’s question regarding the Client’s rationale for placing orders on both sides of the order book resulting in self-matched trades.
16. On 15 December 2022, ND conducted an on-site visit to review Al Ramz’s compliance with ND business rules, AML and KYC procedures and trading controls.
17. On 28 March 2023, ND shared a summary of their findings and recommendations from the site visit (the **Report**) with Al Ramz. The Report identified a number of issues in Al Ramz’s *AML and KYC Procedures, Compliance Procedures, Trading Controls and Regulatory Findings*.

Market Analysis

18. The Security was an illiquid stock, with little to no trading on most days, for example between 1 April 2022 and 1 June 2022 there were 24 days with no trades and the remaining 15 days had an average of 435 shares traded. In such an illiquid stock minimal trading can cause the price to spike or drop. The wash trades on 28 and 29 April 2022 caused a spike in the price of the Security, which was inconsistent with the long term downward trend in the price of the Security.



19. The Client was the only person to trade in the Security on 28 and 29 April 2022. The wash trade on 29 April 2022 was 27% higher than the opening price.



ND notification to the DFSA

20. As an Authorised Market Institution, ND was required to notify the DFSA immediately if it had reasonable grounds to suspect that conduct may constitute Market Abuse. Market Abuse as defined in GLO is conduct which contravenes a provision in Chapter 1 of Part 6 of the Markets Law 2012.

21. ND issued a warning letter on 2 September 2022 to Al Ramz and on 8 September 2022, ND submitted a STOR to the DFSA concerning the wash trades executed on 28 and 29 April 2022 by the Client through the Al Ramz online trading system.

22. However, Al Ramz did not notify the DFSA of the wash trades at any relevant time.

CONTRAVICTION

REC Rule 3.4.5(1)

23. Rule 3.4.5(1) of REC states that:

"A Recognised Member must notify the DFSA immediately if it:

(a) receives an order from a Client, or arranges or executes a transaction with or for a Client; and

(b) has reasonable grounds to suspect that the order or transaction may constitute Market Abuse".

24. Market Abuse as defined in GLO is conduct which contravenes a provision in Chapter 1 of Part 6 of the Markets Law 2012.
25. As set out at paragraphs 8 and 9, the Client executed wash trades on 28 and 29 April 2022, through the Al Ramz online trading system.
26. Al Ramz's obligation to comply with REC Rule 3.4.5 requires that it understands what Market Abuse is and has the ability to recognise circumstances indicating a potentially suspicious trade.
27. Under section 2-2 of the Code of Market Conduct, such wash trades result in the false appearance of trading activity and constitute conduct which may result in or contribute to a false or misleading impression under Article 54(a) of the Markets Law.
28. As set out at paragraphs 10 and 13, ND notified Al Ramz that wash trades were executed by the Client which created no change in beneficial ownership. Furthermore, in ND's email to Al Ramz on 25 May 2022, Al Ramz became aware of ND's opinion that the wash trades needed to be investigated and reported to the DFSA.
29. In addition, in a call between the Head of Risk and Compliance at Al Ramz and ND, Al Ramz confirmed their surveillance systems were unable to flag self-matching trades.
30. Therefore, Al Ramz had reasonable grounds to suspect that the wash trades executed by the Client, through Al Ramz's online trading platform, may constitute Market Abuse and it had an obligation to notify the DFSA.
31. In March 2023 Al Ramz responded to an information request from the DFSA stating "*Due to the size of the transaction we did not report it to the DFSA.*"
32. Al Ramz did not notify the DFSA of the suspected Market Abuse at any relevant time. In doing so, Al Ramz has contravened REC Rule 3.4.5(1).

ACTION

33. In deciding to take the action set out in this Notice, the DFSA has taken into account the factors and considerations set out in sections 6-2 and 6-3 of the DFSA's Regulatory Policy and Process Sourcebook (**RPP**).
34. The DFSA considers the following factors to be of particular relevance in this matter:
 - a. the DFSA's objectives, in particular to prevent, detect and restrain conduct that causes or may cause damage to the reputation of the DIFC or the financial services industry in the DIFC, through appropriate means including the imposition of sanctions; and
 - b. the deterrent effect of the action on Al Ramz and others from committing a similar contravention.
35. On this basis, the DFSA has considered the sanctions and other options available to it given the circumstances of this matter and has concluded that imposing a fine is the most appropriate action to take against Al Ramz.

Determination of the Fine

36. In determining the appropriate level of financial penalty to impose in this matter, the DFSA has taken into account the factors and considerations set out in sections 6-4 and 6-5 of the RPP as follows.

Step 1 – Disgorgement

37. There is no evidence to suggest that Al Ramz received any economic benefit as a result of its contravention. Accordingly, this step was not considered to be relevant.

Step 2 – The seriousness of the contravention

38. The DFSA considers Al Ramz's contravention is serious because:
 - a. As a Recognised Member Al Ramz ought to have known the potential adverse effect wash trades could have on the markets. Despite being notified by ND of suspected Market Abuse, Al Ramz did not consider the matter material enough to report it to the DFSA; and

- b. Al Ramz's senior management ought to have known that there was a risk that their actions or inaction could result in a contravention and failed adequately to mitigate that risk.

39. Taking the above factors into account, the DFSA considers that a financial penalty of USD25,000 appropriately reflects the seriousness of the contravention.

40. Accordingly, the figure after Step 2 is USD25,000.

Step 3 – Mitigating and aggravating factors

41. Pursuant to RPP 6-5-7, the DFSA does not consider there are any aggravating or mitigating factors to be taken account of.

42. Accordingly, the figure after Step 3 is USD25,000.

Step 4 – Adjustment for deterrence

43. Pursuant to RPP 6-5-9, if the DFSA considers that the level of the financial penalty which it has arrived at after Step 3 is insufficient to deter the firm that committed the contravention, or others, from committing further or similar contraventions, then the DFSA may increase it.

44. The DFSA considers that the figure after Step 3 is sufficient for the purpose of deterring Al Ramz and others from committing further or similar contraventions. Accordingly, the DFSA does not consider it appropriate to adjust the amount of the fine arrived at after Step 3 for the purposes of deterrence.

45. Accordingly, the figure after Step 4 is USD25,000.

Step 5 – Settlement discount

46. Where the DFSA and the firm on whom the financial penalty is to be imposed agree on the amount and other terms, RPP 6-5-10 provides that the amount of the financial penalty that might otherwise have been payable will be reduced to reflect the fact that an agreement is reached.

47. Al Ramz did not settle the matter, therefore the DFSA has not applied any settlement discount at Step 5.

48. Accordingly, the figure after Step 5 is USD25,000.

The level of the Fine imposed

49. Given the factors and considerations set out above and the circumstances of this matter, the DFSA has decided that it is proportionate and appropriate in the circumstances to impose on Al Ramz a financial penalty of USD25,000.

PROCEDURAL MATTERS

Decision Maker

50. The decision which gave rise to the obligation to give this Notice was made by Ken Coghill as a Decision Maker on behalf of the DFSA.
51. This Notice is given to Al Ramz under paragraph 5 of Schedule 3 to the Regulatory Law.

Manner and time for payment

52. The Fine must be paid to the DFSA no later than 28 days from the date of this Notice.
53. If any or all of the Fine is outstanding after the due date, the DFSA may seek to recover the outstanding amount as a debt owed by you and due to the DFSA.

Evidence and other material considered

54. Annex C sets out extracts from some statutory and regulatory provisions and guidance relevant to this Notice.
55. In accordance with Paragraphs 5(2) and 5(3) of Schedule 3 to the Regulatory Law, the DFSA has considered the following material in making its decision:
 - a. the relevant materials provided with the preliminary notice;
 - b. the written representations made on your behalf on 19 January 2024, 18 March 2024, and the materials provided with those responses;
 - c. Enforcement's written responses to the representations referred to in subparagraph 55.b above dated 21 February 2024;
 - d. A memo from Enforcement to the Decision Maker dated 29 April 2024 in response to the Decision Maker's questions, and Al Ramz's response to Enforcement's memo dated 10 May 2024.

56. In accordance with paragraph 5(2) of Schedule 3 to the Regulatory Law, the DFSA provided you with a copy, or access to a copy, of the relevant materials that were considered in making the decision in this Notice.
57. Annex A contains a summary of the main points made on your behalf in your representations and the DFSA's summary responses on those points. In making the decision, the DFSA has taken into account all of the representations made on your behalf, whether or not set out in Annex A.

Referral to Financial Markets Tribunal (FMT)

58. Under Articles 29, and 90(5) of the Regulatory Law, you have the right to refer the matter to the FMT for review. The FMT is operationally independent of the DFSA and has the power to conduct a full merits review of the matter.
59. Should you wish to have this matter reviewed by the FMT, you must exercise that right within 30 days of the date of this decision.
60. Proceedings before the FMT are commenced by submitting a Notice of Appeal (Form FMT 1) to the registrar of the FMT. The fee specified in section 4.2 of the Fees Module of the DFSA Rulebook must also be paid to the DFSA at the same time as the Notice of Appeal is filed with the registrar of the FMT.
61. The FMT Rules of Procedure, as well as the template of Form FMT 1, which includes the Registrar's contact details, can be found on the DFSA's website at <https://www.dfsa.ae/about-dfsa/our-structure/financial-markets-tribunal>.
62. Please note that under Paragraph 25 of the FMT Rules of Procedure, you must send a copy of Form FMT 1 to the DFSA on the same date it is filed with the Registrar of the FMT.

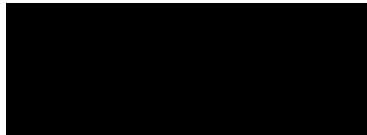
Publicity

63. Under Article 116(2) of the Regulatory Law, the DFSA may publish, in such form and manner as it regards appropriate, information and statements relating to decisions of the DFSA, the FMT and of the Court, sanctions, and any other matters which the DFSA considers relevant to the conduct of affairs in the DIFC.
64. RPP 5-17-2 is relevant to the publication of information about the matter to which this Notice relates. It provides that the DFSA will generally publish, in such form and manner as it regards appropriate, information and statements relating to enforcement actions.
65. RPP 5-17-9 to 5-17-11 are also relevant to when information will be published about a matter that may be referred to the FMT.

DFSA contacts

66. For more information concerning this matter generally, please contact the Administrator to the Decision Making Committee on +971 4 362 1681 or by email at DMC@dfsae.ae.

Signed:



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Ken Coghill

Decision Maker on behalf of the DFSA

ANNEX A - REPRESENTATIONS

A summary of the main points made by Al Ramz are in italics. The Decision Maker's response on those points are set out under the italicised text.

Issue 1: The preliminary notice does not set out the legal basis upon which the DFSA considers that the test for reasonable grounds has been met.

1. *The preliminary notice does not address in any legal analysis the crucial question of whether Al Ramz had reasonable grounds to suspect whether Market Abuse had occurred, or what the relevant test is. The DFSA has failed to demonstrate that Al Ramz had a reasonable basis to suspect Market Abuse in respect of the Orders and therefore that Al Ramz has breached REC Rule 3.4.5(1).*
2. The legal test is whether Al Ramz failed to notify the DFSA that it had received an order from a client or arranged or executed a transaction with or for a client wherein, (on the balance of probabilities), Al Ramz had reasonable grounds to suspect that the order or transaction may constitute Market Abuse.
3. It is an undisputed fact that Al Ramz failed to notify the DFSA, at any relevant time, of the Orders, and it is also an undisputed fact that Al Ramz received the Orders. The relevant materials considered by the DFSA set out circumstances which sufficiently evidence that on the balance of probabilities, Al Ramz had reasonable grounds to suspect that the Orders may constitute Market Abuse.

Issue 2: The relevant legal test.

4. *While the relevant legal test for “reasonable grounds” is an objective one, it must be adjusted and looked at through the lens of a typical UAE-based Recognised Member.*
5. *When assessing whether Al Ramz had reasonable grounds to suspect that the Orders may have been Market Abuse, the DFSA must therefore take into consideration the standards that apply to Al Ramz in the UAE, the DFSA Rules which are applicable to Al Ramz, and not the standards and rules which apply to an Authorised Firm.*
6. *Al Ramz is a broker licensed by the Emirates Securities and Commodities Authority (SCA) which trades primarily on the DFM and ADX, where trading a security at the same price between the same account is not possible. Therefore, Al Ramz does not need to monitor for such trading on DFM and ADX. Self-matching trades are not a type of trade that Al Ramz would usually be required to consider as conduct potentially amounting to Market Abuse. Given that Nasdaq Dubai uses the same platform as DFM (its parent), Al Ramz naturally assumed that self-matching trades would be rejected by Nasdaq Dubai. Therefore, it was not actively monitoring such trades.*
7. The relevant legal test is an objective one. To apply the test in the way that Al Ramz submits would add subjectivity to the test and would mean that a different standard is applied depending on where the Recognised Member is based. The DFSA considers this to be incorrect.
8. Al Ramz is required to comply with Nasdaq Dubai's rules and the DFSA's Rules, regardless of other rules and standards which may or may not be applicable to other markets in which Al Ramz operates.
9. The DFSA held Al Ramz to the same standard that is expected of all Recognised Members.

Issue 3: Al Ramz is not required to monitor for Market Abuse under the REC Module and was not signposted to the guidance on Market Abuse in the Code of Market Conduct.

10. *Al Ramz is licensed by SCA. The only manner through which the DFSA has jurisdiction over Al Ramz is as a result of Al Ramz being a Recognised Member.*
11. *As a Recognised Member, Al Ramz is only required to comply with the rules in the REC Module and has no obligation under REC to have systems and controls to monitor for Market Abuse under the DIFC regime.*
12. *If the DFSA REC Rules required Al Ramz to have systems and controls to monitor for Market Abuse under the DIFC regime, then Al Ramz may have had a basis upon which to reasonably suspect that the Orders may have constituted Market Abuse.*
13. *The notification Rule in REC 3.4.5(1) applies where a Recognised Member has “reasonable grounds to suspect that the order or transaction may constitute Market Abuse”. The guidance to REC Rule 3.4.5 states that: “Further Guidance on the requirement to notify the DFSA of suspected Market Abuse can be found after GEN Rule 11.10.12A.” The guidance to GEN Rule 11.10.12A makes no reference to the DFSA’s Code of Market Conduct. As a result, Recognised Members seeking guidance on Market Abuse matters are not signposted to the detailed, practical guidance on how to determine whether or not conduct may be Market Abuse.*
14. *Given the lack of signposting to the Code of Market Conduct, Al Ramz had no reasonable basis for suspecting that there had been Market Abuse as a result of the Orders, which on the face of it were trivial and of no obvious effect.*
15. *If the Code of Market Conduct was signposted in the REC Module, there is a greater chance that Al Ramz would have understood that “wash trades” were, in the opinion of the DFSA, a potential form of market manipulation.*
16. *Al Ramz did not notify the DFSA under REC Rule 3.4.5(1) because it had no reason to suspect that the trades may amount to Market Abuse.*
17. *As an SCA-licensed broker, Al Ramz is familiar with the SCA market abuse regime and its SCA business is conducted primarily in Arabic. Concepts such as “wash trades” are not found under the SCA regime. Therefore, it is entirely reasonable for Al Ramz not to have associated “wash sales” and “wash trades” as amounting to Market Abuse.*
18. The DFSA does not accept these arguments for the following reasons:
19. Whether the REC Rules explicitly require Al Ramz to monitor for Market Abuse is irrelevant. A Recognised Member is required to notify the DFSA immediately if the Recognised Member receives an order from a client and has reasonable grounds to suspect the transaction may constitute Market Abuse.
20. Regardless of not being subject to the system and control requirements in GEN Rule 5.3.20, Al Ramz’s obligation to comply with REC Rule 3.4.5 clearly requires it to understand what Market Abuse is and that it has the ability to recognise circumstances indicating a potentially suspicious trade.
21. Al Ramz received orders from the Client, where the same Client was also the counterparty to each transaction. Considering the absence of any other trading activity in the relevant Security,

and the fact that Al Ramz's Client was both the buyer and the seller on the same transactions, Al Ramz had reasonable grounds to suspect that the Orders may constitute Market Abuse.

22. A number of communications and enquiries from Nasdaq Dubai were also such as to raise suspicion that the Orders may constitute Market Abuse.
23. In an email to Al Ramz from Nasdaq Dubai dated 17 June 2022, Nasdaq Dubai also assumed an awareness on Al Ramz's part that self-matching trades can lead to an artificial appearance of activity and are strictly prohibited.
24. Al Ramz is attempting to attribute blame to what it perceives to be a deficiency in the DFSA's Rules, for Al Ramz's own failure to report the relevant transactions. However, based on Al Ramz's own submissions, it stands to reason that, even if Al Ramz was subject to GEN Rule 5.3.20, it would not have monitored the relevant transactions, because it presumed that Nasdaq Dubai had implemented a mechanism to prevent such trades.
25. Further, the fact that Al Ramz has submitted that it is aware that the DFM, ADX and other exchanges have built-in mechanisms to prevent transactions between the same account, makes it clear that Al Ramz was aware that such transactions may constitute Market Abuse. This is inconsistent with its submission that such trades were trivial. Notwithstanding this point, the fact is that Al Ramz is subject to the obligation in REC Rule 3.4.5 which requires it to understand what Market Abuse is and that it has the ability to recognise circumstances indicating that a trade may constitute Market Abuse.
26. Regarding the Code of Market Conduct (CMC), the first sentence states: "The purpose of the Code of Market Conduct is to provide Guidance on the Market Abuse provisions in Part 6 of the Markets Law." This is a clear statement that the CMC is issued as guidance on the provisions in Part 6 of the Markets Law.
27. Chapter 2 of the CMC only lists general examples of market manipulation and does not purport to provide a complete list of all possible forms of market manipulation. There are many more forms of market manipulation other than the 5 examples listed in the CMC. However, if the DFSA is to accept Al Ramz's argument that it had a greater chance of understanding that the relevant trades may have constituted Market Abuse if it had been signposted to the CMC guidance regarding wash trades, this would suggest that a Recognised Member could only ever be expected to identify and reasonably suspect Market Abuse in regard to the 5 examples listed in the CMC.
28. It is not the obligation, nor is it practicable, for a regulator to identify, name, and define all possible forms of market manipulation. Al Ramz has been a DFSA Recognised Member since 27 November 2008. It has a substantial history as an international capital markets intermediary. Further, Al Ramz's history predates the January 2015 publication of the CMC, guidance that was developed based on international market practice. Therefore, as an experienced market professional, Al Ramz would know that there are various forms of market manipulation, including wash sales / wash trades / self-matching trades.
29. Whether Al Ramz understood the terms "wash trade" or "wash sale" as references to transactions that may constitute market manipulation, it would have recognised the underlying characteristics of the relevant transactions as characteristics that may constitute Market Abuse. Further, Nasdaq Dubai's enquiries would have alerted Al Ramz to the circumstances that amounted to reasonable grounds for suspecting that the orders executed by the Client may constitute Market Abuse.

Issue 4: Al Ramz considered that it was being investigated for a breach of the Nasdaq Dubai Business rulebook.

30. *Al Ramz reasonably considered that it was being investigated by Nasdaq Dubai for a breach of the Nasdaq Dubai business rules. At no point did it reasonably know that it had breached the DFSA's Rules.*
31. *When Nasdaq Dubai wrote to Al Ramz to enquire about the Orders, Al Ramz was not aware that Nasdaq Dubai's enquiries were focussed on potential Market Abuse. There was no mention of allegations or suspicions of Market Abuse in the email correspondence, only a reference to "wash sales" as being in breach of the Nasdaq Dubai business rulebook.*
32. *Rule 3.5 of the Nasdaq Dubai business rulebook which was mentioned in the correspondence, refers to a broad range of conduct and does not mention Market Abuse.*
33. *The Nasdaq Dubai on-site inspection report did not mention Market Abuse, nor did the Nasdaq Dubai warning letter, which only referred to "wash trades". There was no reference to a breach of rules relating to Market Abuse. The Nasdaq Dubai warning letter only pointed to breaches of the Nasdaq Dubai business rules.*
34. *The Nasdaq Dubai warning letter would not cause a reasonable Recognised Member to understand or infer that Market Abuse had occurred. The only conclusion that a reasonable Recognised Member would infer is that Al Ramz had breached the Nasdaq Dubai business rules.*
35. The DFSA does not accept these arguments for the following reasons:
36. The requirement to report suspected Market Abuse to the DFSA is a requirement under the DFSA REC Rules and includes the obligation to understand what Market Abuse is and that the Recognised Member has the ability to recognise circumstances indicating an order or transaction may constitute Market Abuse.
37. In Nasdaq Dubai's initial letter of 29 April 2022 to Al Ramz, Nasdaq Dubai made no mention of the term "wash sales," nor did it reference any breach of Nasdaq Dubai's business rules. Rather, Nasdaq Dubai identified the transactions as having "no change in beneficial ownership." Based on the 29 April 2022 letter alone, Al Ramz, as a Recognised Member with a substantial history as an international capital markets intermediary, would have known that a transaction with no change in beneficial ownership, results in a false appearance of trading and is therefore a transaction that could potentially constitute Market Abuse. In an email to Al Ramz from Nasdaq Dubai dated 17 June 2022, Nasdaq Dubai also assumed an awareness on Al Ramz's part that self-matching trades can lead to an artificial appearance of activity and are strictly prohibited.
38. Whether the Nasdaq Dubai warning letter was focussed on breaches of the Nasdaq Dubai business rulebook and/or Market Abuse, under the DFSA regime, does not change the fact that Al Ramz, as an experienced international capital markets intermediary would have recognised that a number of communications and enquiries from Nasdaq Dubai, along with all of the other circumstances and the characteristics of the relevant transactions constituted reasonable grounds for suspecting potential Market Abuse.

Issue 5: The Client's motivation behind the trades.

39. *Al Ramz traded on behalf of the Client on its online trading system. The Client entered the trades but Al Ramz was in no position to know the Client's motivation for the trades. Only the Client knew his true motivation. The fact that Al Ramz had apparently failed to explain the motivation of the trade does not show that Al Ramz reasonably suspected anything. It simply suggests that Al Ramz did not know what the motivation was.*
40. *In regard to the explanation for the trades that was provided by the Client, it was reasonable for Al Ramz to have concluded that the Client was not acting with the intention to mislead investors or manipulate the market.*
41. The reporting notification does not require that a Recognised Member know the client's motivation. It is a requirement to report suspicion.
42. The DFSA considers that all of the other circumstances indicate that Al Ramz had reasonable grounds to suspect that the transaction may constitute Market Abuse.

Issue 6: The proposed penalty is disproportionate.

43. *It would be disproportionate to take the proposed action against Al Ramz given that Nasdaq Dubai had already notified the DFSA about the suspected Market Abuse in respect of the Orders.*
44. *Were it not for Nasdaq Dubai permitting trading of a security at the same price between the same accounts on its exchange, the Orders would never have been executed, as is the norm on many exchanges (including DFM and ADX). The more proportionate action for the DFSA to take is to require Nasdaq Dubai to prevent such orders being executed on its exchange. This would be a more reasonable, proportionate and pragmatic outcome to the present matter.*
45. *The proposed DFSA action relies entirely on a set of rules that are not fit for purpose given the DFSA's supervisory aims. The potentially damaging sanctions which may result from non-compliance for those who are required to comply with the REC Module means that such rules should be clearer.*
46. The DFSA considers the action taken against Al Ramz to be appropriate, proportionate and in accordance with the guidance set out in the DFSA's Regulatory Policy and Process Sourcebook.
47. Al Ramz failed to notify the DFSA immediately, or at all, that it had received orders for a client when there were reasonable grounds to suspect that the transactions may constitute Market Abuse. As a Recognised Member, Al Ramz ought to have known the potential adverse effect wash trades could have on the markets.
48. On that basis, the DFSA considers that the action taken sends an appropriate regulatory message.
49. Regarding Al Ramz's submission that Nasdaq Dubai be required to prevent such orders being executed on its exchange, the DFSA considers that this does not go to the question of whether Al Ramz had reasonable grounds to suspect Market Abuse.
50. Regarding Al Ramz's submission on the DFSA's Rules, the responses to Issue 3 also apply here.

ANNEX B – DEFINITIONS

| Term | Definition |
|---------------------|---|
| Al Ramz | Al Ramz Capital LLC. |
| DFSA | Dubai Financial Services Authority. |
| DIFC | Dubai International Financial Centre. |
| Decision Maker | The DFSA's Decision Maker in this matter on behalf of the DFSA |
| Fine | The fine imposed on Al Ramz by the DFSA, as set out in this Notice. |
| FMT | Financial Markets Tribunal. |
| GLO | The Glossary Module of the DFSA Rulebook. |
| Markets Law | The Markets Law DIFC Law 2012. |
| ND | NASDAQ Dubai |
| REC | The Recognition Module of the DFSA Rulebook. |
| Recognised Member | A person located in a jurisdiction other than the DIFC which has been admitted to, and appears on, the list of recognised members maintained by the DFSA. |
| Regulatory Law 2004 | The Regulatory Law 2004. |
| RPP | The Regulatory Policy and Process Sourcebook. |
| Security | The Bitcoin Fund. |
| Wash Trades | A sale or purchase of an investment where there is no change in beneficial interest or market risk, or where the transfer of beneficial interest or market risk is only between parties acting in collusion, resulting in a false appearance of trading activity. |

ANNEX C – RELEVANT STATUTORY AND REGULATORY PROVISIONS

1. RELEVANT LEGISLATION

REGULATORY LAW, DIFC LAW NO. 1 OF 2004

8. The Powers, Functions and Objectives of the DFSA

- (1) The DFSA has such functions and powers as are conferred, or expressed to be conferred, on it:
 - (a) by or under the Law; and
 - (b) by or under any other law made by the Ruler.
- (2) The DFSA has power to do whatever it deems necessary for or in connection with, or reasonably incidental to, performing its functions and exercising its powers conferred in accordance with (1).
- (3) In performing its functions and exercising its powers, the DFSA shall pursue the following objectives:
 - (a) to foster and maintain fairness, transparency and efficiency in the financial services industry (namely, the financial services and related activities carried on) in the DIFC;
 - (b) to foster and maintain confidence in the financial services industry in the DIFC;
 - (c) to foster and maintain the financial stability of the financial services industry in the DIFC, including the reduction of systemic risk;
 - (d) to prevent, detect and restrain conduct that causes or may cause damage to the reputation of the DIFC or the financial services industry in the DIFC, through appropriate means including the imposition of sanctions;

(...)

80. Powers to Obtain Information and Documents for Investigation

- (1) Where the DFSA considers that a person is or may be able to give information or produce a document which is or may be relevant to an investigation, it may:
 - (a) enter the business premises of such person during normal business hours for the purpose of inspecting and copying information or documents stored in any form on such premises;

- (b) require such person to give, or procure the giving of, specified information in such form as it may reasonably require;
- (c) require such person to produce, or procure the production of, specified documents;
- (d) require such person (the interviewee) to attend before an officer, employee or agent of the DFSA (the interviewer) at a specified time and place to answer questions in private (compulsory interview); or
- (e) require such person to give it any assistance in relation to the investigation which the person is able to give.

90. Sanctions and directions

- (1) Where the DFSA considers that a person has contravened a provision of any legislation administered by the DFSA, other than in relation to Article 32, the DFSA may exercise one or more of the powers in Article 90(2) in respect of that person.
- (2) For the purposes of Article 90(1) the DFSA may:
 - (a) fine the person such amount as it considers appropriate in respect of the contravention;
 - (b) censure the person in respect of the contravention;
 - (c) make a direction requiring the person to effect restitution or compensate any other person in respect of the contravention within such period and on such terms as the DFSA may direct;
 - (d) make a direction requiring the person to account for, in such form and on such terms as the DFSA may direct, such amounts as the DFSA determines to be profits or unjust enrichment arising from the contravention;
 - (e) make a direction requiring the person to cease and desist from such activity constituting or connected to the contravention as the DFSA may stipulate;
 - (f) make a direction requiring the person to do an act or thing to remedy the contravention or matters arising from the contravention; or
 - (g) make a direction prohibiting the person from holding office in or being an employee of any Authorised Person, DNFBP, Reporting Entity or Domestic Fund.
- (...)

(5) If the DFSA decides to exercise its power under this Article in relation to a person, the person may refer the matter to the FMT for review.

116. Publication by the DFSA

(...)

(2) The DFSA may publish in such form and manner as it regards appropriate information and statements relating to decisions of the DFSA, the FMT and the Court, sanctions, and any other matters which the DFSA considers relevant to the conduct of affairs in the DIFC.

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54. Fraud and market manipulation

A person shall not, in the DIFC or elsewhere, by any means, directly or indirectly, engage or participate in any act, practice or course of conduct relating to Investments or Crypto Tokens that the person knows or reasonably ought to know:

(a) results in or contributes to, or may result in or contribute to, a false or misleading impression as to the supply of, demand for or price of one or more Investments or Crypto Tokens;

(...)

2. RELEVANT RULEBOOK PROVISIONS

Recognition Module (REC)

REC 3.4 Reporting

REC 3.4.5 Suspected Market Abuse

(1) A Recognised Member must notify the DFSA immediately if it:

(a) receives an order from a Client, or arranges or executes a transaction with or for a Client; and

(b) has reasonable grounds to suspect that the order or transaction may constitute Market Abuse.

(2) The notification under (1) must specify:

- (a) sufficient details of the order or transaction; and
- (b) the reasons for the Recognised Member suspecting that the order or transaction may constitute Market Abuse.

(3) A Recognised Member must not inform the Client, or any other Person involved in the order or transaction, of a notification under this Rule.

Authorised Market Institutions Module (AMI)

5.11 Promotion and maintenance of standards

...

5.11.2 Prevention of Market Abuse, money laundering and financial crime

(1) Without limiting the generality of Rule 5.11.1, an Authorised Market Institution must:

- (a) operate appropriate measures to identify, deter and prevent Market Abuse, money laundering and financial crime on and through the Authorised Market Institution's facilities; and
- (b) notify the DFSA immediately if it has reasonable grounds to suspect that conduct may constitute Market Abuse, money laundering or financial crime, as required.

3. OTHER RELEVANT REGULATORY PROVISIONS

Regulatory Policy and Process Sourcebook (RPP)

The DFSA's policy in relation to its approach to enforcement is set out in Chapter 5 of the DFSA's Regulatory Policy and Process Rulebook (RPP) (April 2022 Edition)

Chapter 6 of RPP sets out the DFSA's approach to imposing a penalty, which includes a financial penalty, and the matters the DFSA will take into account when determining a penalty.

Code of Market Conduct

2-2 MARKET MANIPULATION

1. This section sets out examples of conduct that, in the DFSA's view, may contravene Articles 54(a) and (b) and factors that the DFSA may take into account in considering whether conduct contravenes those Articles.

Examples of market manipulation

2. The following are general examples of conduct that, in the DFSA's view, may result in or contribute to a false or misleading impression under Article 54(a):

(a) wash trades — that is, a sale or purchase of an Investment where there is no change in beneficial interest or market risk, or where the transfer of beneficial interest or market risk is only between parties acting in collusion, resulting in a false appearance of trading activity;

(...)