

## AMENDED DECISION NOTICE

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**To:** FFA Private Bank (Dubai) Limited (**FFA**)

**DFSA Reference No:** F000240

**Address:** Office 410, Level 4  
Gate Precinct Building 5, DIFC  
PO Box 506567, Dubai  
United Arab Emirates

**Date:** 18 May 2021

### 1. ACTION

1.1 For the reasons given in this amended decision notice (the **Notice**), and pursuant to Article 75(1) of the Regulatory Law 2004 (the **Regulatory Law**), the DFSA has decided to prohibit FFA from:

- a. receiving, arranging or executing orders from or on behalf of FFA SAL, including trading undertaken by FFA SAL on behalf of its clients; and
- b. receiving, arranging or executing orders for Investments from or on behalf of:
  - i. [REDACTED] (**Client A**);
  - ii. [REDACTED] (**Client B**);
  - iii. Client A's or Client B's Beneficial Owners; and
  - iv. **Associates** of Client A, Client B or their Beneficial Owners; and
- c. receiving, arranging or executing orders or transactions from or on behalf any person acting for or on behalf of any of the above named persons or categories of persons, (the **Prohibition**).

- 1.2 The Prohibition takes effect immediately upon receipt of this Notice and remains in effect until formally withdrawn or varied in writing by the DFSA. The Prohibition will remain in place unless and until such time as FFA is able to demonstrate to the satisfaction of the DFSA that it has addressed weaknesses in its systems and controls to detect, assess, record and report orders or transactions about which there are reasonable grounds to suspect may constitute Market Abuse (**Suspicious Trading Activity**).
- 1.3 The Notice supersedes the DFSA's original decision notice dated 29 March 2021 (the **Original Decision Notice**). Please refer to paragraphs 5.4 to 5.6 below.
- 1.4 Laws and Rules referred to in this Notice can be found at the DFSA's website at: <http://www.dfsa.ae/en/Laws-and-Rules/Legal-Resources#Legislation>.

## **2. DEFINED TERMS**

- 2.1 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 in Annex B or the DFSA Rulebook, Glossary Module. Unless the context otherwise requires, where capitalisation of the initial letter is not used, an expression has its natural meaning.

## **3. SUMMARY OF REASONS**

- 3.1 The DFSA has decided that it is appropriate and necessary to impose the Prohibition on FFA for the following reasons:
- a. the DFSA has identified a significant number of instances of Suspicious Trading Activity undertaken by FFA on behalf of its clients (see paragraphs 4.12 to 4.55 below);
  - b. the DFSA has serious concerns that FFA's systems and controls to identify potential Suspicious Trading Activity are inadequate, having failed to identify instances of Suspicious Trading Activity which the DFSA is aware of (see paragraphs 4.63 to 4.67 below); and
  - c. the DFSA also has concerns that FFA's procedure for assessing flagged transactions to determine whether they may constitute Market Abuse is inadequate because, after assessing each of the 12 trades flagged by its systems and controls, FFA decided not to submit a Suspicious Transaction and Order Report (**STOR**) to the DFSA in relation to any of these trades. Pursuant to GEN Rule 5.3.24 and 5.3.27, FFA also did not

record an adequate or credible explanation demonstrating that a proper assessment of the trades was undertaken and which formed the basis for deciding not to submit STORs for these transactions (see paragraphs 4.69 to 4.75 below). Similarly, the DFSA is concerned that, despite system generated flags indicating suspicious transactions being carried out via its Parent's trading account, and which were also notified and evidenced to FFA by the repeated requests for information sent by the DFSA to FFA about trading undertaken by certain clients (see paragraphs 4.12 to 4.55), FFA has continued to execute orders on this account.

3.2 Having regard to GEN Rule 11.13.1, the DFSA has decided that it is appropriate and necessary to exercise the DFSA's power under Article 75(1) of the Regulatory Law to impose the Prohibition on FFA because the DFSA:

- a. considers there is a reasonable likelihood that FFA will contravene legislation applicable in the DIFC;
- b. considers that FFA has contravened GEN 11.10.12A by failing to lodge the required STORs with the DFSA, and there is a reasonable likelihood that the contravention will continue or be repeated;
- c. is carrying out an investigation into FFA's acts or omissions which may constitute a contravention of an applicable law or Rule (see paragraph 4.61 below); and
- d. considers that the Prohibition is necessary to ensure the financial system is not adversely affected.

#### **4. FACTS AND MATTERS RELIED ON**

##### **Background**

4.1 FFA was incorporated in the DIFC and authorised by the DFSA on 4 October 2006. It is a wholly owned subsidiary of FFA SAL, which is headquartered in Beirut, Lebanon. FFA is authorised to carry out the following Financial Services:

- a. Advising on Financial Products;
- b. Arranging Deals in Investments;
- c. Arranging Custody;
- d. Dealing in Investments as Principal (Matched Principal basis only);

- e. Dealing in Investments as Agent;
- f. Providing Custody;
- g. Managing Assets; and
- h. Arranging Credit & Advising on Credit.

4.2 The services provided by FFA includes, private wealth management, capital markets, asset management, and corporate and investment banking.

### **FFA's STOR Process**

4.3 Under GEN Rule 5.3.20, as an Authorised Firm, FFA is required to establish and maintain systems and controls to ensure that, as far as reasonably practicable, FFA and its employees do not engage in, or facilitate others engaging, in market abuse whether in the DIFC or elsewhere. FFA is also required under GEN Rule 11.10.12A to notify the DFSA immediately when 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. Notifications to the DFSA of suspected Market Abuse must specify sufficient details of the order or transaction and the reasons for suspecting that the transaction or order may constitute Market Abuse, and would generally be in the form of a STOR.

#### *Identification of Red Flags*

4.4 According to FFA's procedures, in order to identify potentially Suspicious Trading Activity for further investigation, FFA used a system that generates automated daily reports setting out "*the top changes*" between two consecutive dates of a client's net asset value and value of a securities position held.

4.5 Based on these automated daily reports, FFA's Risk Management Department (the **RMD**), a department within FFA SAL to which FFA outsourced its risk management activities (including the procedures for identifying STORs), would raise alerts requiring further investigation (**Red Flags**). The RMD would raise an alert if it identified:

- a. a variance to a client's net asset value between two consecutive days that exceeded 5% OR an appreciation/depreciation of a security held by a client over two consecutive days that exceeded 5%; and
- b. a client's profit on the position exceeded 5%; and

- c. the increase (or decrease) in the value of the security coincided with news published in the media or otherwise that was material, precise, accurate and not generally available.

#### *Assessment of Flagged Trades*

4.6 According to FFA's procedures, following a Red Flag being raised, the RMD would investigate the activity based on FFA's investigation guidelines. The investigation would include:

- a. an analysis of published news relevant to the security or securities the subject of the trade(s) under investigation;
- b. an analysis of the client's trading pattern and profile to establish whether the trade(s) under investigation are in line with the client's usual pattern of behaviour; and
- c. an assessment of market and trade background, analysing the following indicators:
  - i. the timing of the client's trades;
  - ii. a comparison to the trading patterns of other FFA clients;
  - iii. Internet searches on background information, including market sentiment and rumours; and
  - iv. the opinion of FFA's Capital Markets Team, regarding market sentiment and rumours.

4.7 If, following the investigation, the RMD determined that the activity was "reasonably suspicious", it would escalate the Red Flag to the Compliance Department, which may make enquires with the Client before making a final decision on whether to submit a STOR to the DFSA.

#### *Review of STOR Process*

4.8 FFA has indicated to the DFSA that the process for identifying and assessing STORs was reviewed on an ad-hoc basis, taking into consideration:

- a. the number of times and reason for triggers;

- b. the results of investigations conducted;
- c. identified instances that were missed;
- d. industry experience;
- e. global guidelines; and
- f. regulatory feedback.

4.9 FFA also indicated that the system's thresholds (as set out above at paragraph 4.5) are reviewed to ensure the process is "*objective, rules based and client agnostic.*" In addition, enhanced monitoring was conducted in particular cases where multiple Red Flags have been raised, i.e. the process might be reviewed on a client-by-client basis.

4.10 The RMD had responsibility for maintaining and reviewing the STOR identification and assessment process.

### **Suspicious Trading Activity**

4.11 Paragraphs 4.12 to 4.55 below set out trading activity by FFA in shares of ten companies during the period from March 2018 to February 2020 that the DFSA has identified as suspicious. A summary of the relevant trading and respective profits made by FFA's clients is set out in Annex D.

#### *Company A*

4.12 In July 2018, the DFSA became aware of Suspicious Trading Activity by FFA in the shares of Company A in that, on 5 March 2018, FFA purchased shares in Company A prior to a media report that Company A had attracted interest from a number of buyout firms. Following the release of this media report, Company A's share price rose by as much as 9.8%, at which point FFA sold all of the stock in Company A that it purchased that day.

4.13 The next day Company A released a statement that it was not in discussions with any company regarding a possible takeover, causing Company A's share price to drop.

4.14 In response to a request for information from the DFSA regarding its trading activity in Company A's shares on 5 March 2018, FFA indicated that this trading was undertaken by FFA SAL on behalf of its clients, which included Client A and Client B. Trading data provided

by FFA showed that Client A's and Client B's trading on and around 5 March 2018 (i.e. on either side of the media report) resulted in profits of €33,387 and €13,254 respectively (representing respective profits of 2.5% and 2%).

4.15 The DFSA's records indicate that FFA did not submit a STOR in relation to these transactions.

#### *Company B*

4.16 In February 2019, the DFSA became aware of Suspicious Trading Activity by FFA in the shares of Company B.

4.17 In response to a request for information from the DFSA regarding its trading activity in Company B's shares, FFA indicated that the ultimate beneficial owners in these transactions were Client A and Client B.

4.18 Trading data provided by FFA showed that, the day before an announcement of a potential takeover bid for Company B, which resulted in Company B's share price rising by 7.9%, Client A and Client B respectively acquired a long position through an exposure to 1,250,000 and 1,000,000 in Company B's shares via Contracts For Difference (**CFD**). After the announcement, Client A and Client B closed their positions realising a profit of €250,731 and €198,400 respectively (representing an 8% profit).

4.19 The DFSA's records indicate that FFA did not submit a STOR in relation to these transactions.

#### *Company C*

4.20 In February 2019, the DFSA became aware of Suspicious Trading Activity in the shares of Company C. FFA purchased shares in Company C between 20 and 24 August 2018, ahead of an announcement on 4 September 2018 that a takeover bid to acquire Company C had been rejected by Company C. Following the announcement, Company C's share price increased 7.1%.

4.21 In response to a request for information from the DFSA regarding its trading activity in Company C's shares in the time leading up to the announcement on 4 September 2018, FFA indicated that its Parent FFA SAL executed these trades on behalf of Client D, Client E and Client F. Trading data provided by FFA showed that, between 20 and 24 August

2019, these clients purchased 500 Company C shares, and also purchased a combined exposure to 6,500 of Company C's shares via a CFD. These positions were closed out on 4 September 2018 after the announcement, realising a combined profit of €21,457 (representing an 8.7% profit).

- 4.22 FFA indicated to the DFSA that, although the trades in Company C's shares triggered a Red Flag requiring further investigation, a STOR was not submitted for these transactions as FFA determined that it was not possible to have a reasonable suspicion that the Clients had access to insider information or had prior knowledge of the announcement.

#### *Company D*

- 4.23 In March 2020, the DFSA became aware of Suspicious Trading Activity by FFA in the shares of Company D. FFA purchased 2.6 million shares in Company D in the days leading up to an announcement on 26 July 2019 that Company D was calling an extraordinary general meeting to consider delisting the company with an offer to purchase all of Company D's shares at a price of €1.93 per share. This announcement caused Company D's shares to increase from €1.60 (the previous day's closing price) to €1.75 per share (a 9.4% increase). Company D's shares increased further to €1.91 per share on the day after the announcement, representing a 19.5% increase on the pre-announcement share price.

- 4.24 In response to a request for information from the DFSA regarding its trading activity in Company D's shares, FFA indicated that the ultimate beneficial owners in these transactions were Client A and Client B, who purchased 2.6 million Company D shares ahead of the announcement resulting in a combined unrealised profit of €794,042 (representing a 19% profit, based on the increased share price following the announcement).

- 4.25 FFA indicated to the DFSA that a STOR was not submitted for these transactions as they were not flagged by FFA's systems as being suspicious.

#### *Company E*

- 4.26 In March 2020, the DFSA became aware of Suspicious Trading Activity by FFA in the shares of Company E.

- 4.27 On 29 October 2019, after markets had closed, a European company announced it would sell part of its minority stake in Company E. On 30 October 2019, the European company

announced it had completed the sale of Company E shares for €1.2 billion, which represented 12% of Company E's shares.

- 4.28 Company E's shares closed at €53.90 per share on 30 October 2019, representing a 3.41% decrease on the previous day's closing, before the announcements.
- 4.29 In the week leading up to the announcements, FFA acquired a short position through an exposure to 90,000 Company E's shares via CFDs, before buying its position back after the announcement for a significant profit.
- 4.30 In response to a request for information from the DFSA regarding its trading activity in Company E's shares, FFA indicated that the ultimate beneficial owners in these transactions were Client A and Client B, who acquired a short position through a combined 90,000 exposure to Company E's shares at between €57.20 and €56.61 per share. Client A and B both closed out these positions on 30 October 2019 by purchasing a combined 90,000 shares at between €53.66 and €53.73 per share. These transactions netted Client A and Client B a combined profit of €288,928 (representing a 5.6% profit).
- 4.31 FFA indicated to the DFSA that a STOR was not submitted for these transactions, nor were they flagged by FFA's systems as being suspicious.

#### *Company F*

- 4.32 In June 2020, the DFSA became aware of Suspicious Trading Activity by FFA in the shares of Company F.
- 4.33 On 7 May 2019, a European banking group (the **Group**) announced it was selling 17% of its stake in Company F. On 7 May 2019, following this announcement, Company F's shares saw a 7.45% drop to €10.25 per share and on 8 May 2019, there was a further 0.68% drop to €10.18 per share.
- 4.34 In response to a request for information from the DFSA regarding its trading activity in Company F's shares, FFA indicated that the ultimate beneficial owners in the trading were Client A and Client B, who had acquired a short position through a combined exposure to 480,000 Company F shares via a CFD for €5,388,472 (average price of €11.22 per share).
- 4.35 Following the announcements on 7 May 2019, Client A and Client B closed out their positions (at an average price of €10.23) realising a profit of €337,908 and €163,494

respectively (representing respective profits of 11.1% and 8.9%).

4.36 FFA indicated to the DFSA that, although the trades in Company F's shares triggered a Red Flag requiring further investigation, a STOR was not submitted for these transactions as FFA determined that they were consistent with the profile of the beneficial owners trading through FFA SAL's Client Account, through which the trades were placed.

#### *Company G*

4.37 In July 2020, the DFSA became aware of Suspicious Trading Activity by FFA in the shares of Company G.

4.38 On 3 February 2020, Company G announced its acquisition of Company E and published positive 2019 preliminary results showing 10% organic growth. Following this announcement, Company G's shares increased by 15.6% closing at €121.45.

4.39 In response to a request for information from the DFSA regarding its trading activity in Company G's shares, FFA indicated that the ultimate beneficial owners in these transactions included Client A and Client B.

4.40 The information provided by FFA showed that, between 15 January 2020 and 31 January 2020:

- a. Client A acquired a long position through an exposure to 72,500 Company G shares via a CFD for €7,382,985 (average price of €102 per share); and
- b. Client B acquired a long position through an exposure to 36,000 Company G shares via a CFD for €3,607,982 (average price of €101.01 per share).

4.41 On 3 February 2020, following the announcement, Client A and Client B closed their positions netting a profit of €1,216,367 and €662,041 respectively (representing respective profits of 16.5% and 18.3%).

4.42 FFA indicated to the DFSA that, although the trades in Company G's shares triggered a Red Flag requiring further investigation, a STOR was not submitted for these transactions as FFA determined that they were consistent with the profile of the clients.

#### *Company H*

4.43 In July 2020, the DFSA became aware of Suspicious Trading Activity by FFA in the shares

of Company H.

- 4.44 On 18 November 2019, Company H announced it had received a takeover bid at €34 per share representing a 33.9% premium. Company H's shares had closed on 15 November 2019 at €25.40. When markets opened again on 18 November 2019, and following the announcement, Company H's shares closed at €35.06, an increase of 38%.
- 4.45 In response to a request for information from the DFSA regarding its trading activity in Company H's shares, FFA indicated that the ultimate beneficial owners of the transactions in Company H included Client A, Client B and Client C. In the weeks leading up to the announcement of the takeover bid, Client A, Client B and Client C had amassed an exposure to 135,000, 56,000 and 35,000 Company H shares, respectively, by purchasing CFDs at between €22.78 and €26.24 per share. On 18 November 2019, after the takeover bid announcement, Client A, Client B and Client C cleared their respective positions netting profits of €1,472,370, €570,465 and €347,202 respectively (representing respective profits of 45.6%, 41.4% and 39.7%).
- 4.46 FFA indicated to the DFSA that, although the trades in Company H's shares triggered a Red Flag requiring further investigation and although a report was submitted by the RMD, a STOR was not submitted for these transactions as FFA determined that they were consistent with the profile of the clients and did not meet the criteria for investigation.

#### *Company I*

- 4.47 In September 2020, the DFSA became aware of Suspicious Trading Activity by FFA in the shares of Company I.
- 4.48 The DFSA noted that on 23 October 2019, Company I issued a profits warning. Following the profits warning, Company I's shares dropped by 34.1%.
- 4.49 In response to a request for information from the DFSA regarding its trading activity in Company I's shares, FFA indicated that the ultimate beneficial owners of these transactions included Client B. Between 15 October 2019 and 21 October 2019, Client B acquired a short position through an exposure to 242,053 Company I's shares at between €4.60 and €4.75 per share. After the profits warning was released, Client B closed out this position on 24 October 2019 netting a €332,477 profit (representing a 41.6% profit).
- 4.50 FFA indicated to the DFSA that, although the trades in Company I's shares triggered a Red

Flag requiring further investigation, a STOR was not submitted for these transactions as FFA determined that they were consistent with the profile of the Clients and were placed ahead of a scheduled earnings call.

#### *Company J*

4.51 In October 2020, the DFSA became aware of Suspicious Trading Activity by FFA in the shares of Company J.

4.52 In response to a request for information from the DFSA regarding its transactions in Company J's shares, FFA indicated that the ultimate beneficial owners in these transactions included Client A and Client B.

4.53 Trading data provided by FFA showed that Client A undertook the following transactions in Company J's shares. Client A:

- a. acquired a short position equivalent to 50,000 Company J shares via a CFD on 30 January 2019, ahead of a media article regarding suspicions that Company J's earnings figures had been inflated using forged contracts. Client A closed out its position after the media article making a profit of €1,092,837 (representing a 15.7% profit);
- b. acquired a short position equivalent to 70,000 Company J shares via a CFD in the days leading up to a media article on 7 February 2019, reporting further evidence of Company J manipulating its accounts. Client A closed out its position after the media article making a profit of €730,960 (representing a 9% profit); and
- c. acquired a long position equivalent to 10,000 Company J shares via a CFD the day before an announcement on 24 April 2019 that a third party had signed an agreement to make a significant investment in Company J. Client A closed out its position after the announcement, making a profit of €155,216 (representing a 13.1% profit).

4.54 The trading data also showed Client B undertook a similar pattern of trading in Company J's shares, undertaking the following transactions in the same period. Client B:

- a. acquired a short position equivalent to 50,000 Company J shares via a CFD on 30 January 2019, ahead of a media article regarding suspicions that Company J's earnings figures had been inflated using forged contracts. Client B closed out its

position after the media release making a profit of €1,086,900 (representing a 15.6% profit); and

- b. acquired a short position equivalent to 40,191 Company J shares via a CFD in the days leading up to a media article on 7 February 2019, reporting further evidence of Company J manipulating its accounts. Client B closed out its position after the media article making a profit of €320,020 (representing a 6.8% profit).

4.55 FFA indicated to the DFSA that, although these trades in Company J's shares triggered a Red Flag requiring further investigation, STORs were not submitted for these transactions as FFA determined that they were consistent with the Clients' profiles.

### **Financial Services Regulators' Requests for Assistance**

4.56 Under Article 39 of the Regulatory Law, at the request of a Financial Services Regulator the DFSA may, where it considers appropriate, exercise its powers under the Regulatory Law for the purpose of assisting a Financial Services Regulator in the performance of its regulatory functions.

4.57 The DFSA is a member of the International Organisation of Securities Commissions (**IOSCO**) and a signatory to the IOSCO Multilateral Memorandum of Understanding (**MMOU**).

4.58 The MMOU is a framework for consultation, co-operation and exchange of information between securities regulators throughout the world. The MMOU sets out specific requirements for the sharing of information, and the confidentiality and permitted use of the information shared. Under the MMOU, the DFSA makes and receives requests for assistance (**RFAs**) to exchange information relevant to investigations into insider dealing, market manipulation, the misrepresentation of material information and other fraudulent or manipulative practices relating to securities and derivatives.

#### *RFA January 2021*

4.59 In January 2021, the DFSA received a RFA from the UK Financial Conduct Authority (**FCA**) regarding concerns of market abuse connected to FFA.

4.60 The RFA set out that the FCA had been alerted to, and observed, 47 incidents of timely trading around press publications or corporate events executed via UK professional

intermediaries originating from FFA between January 2019 and January 2021. The FCA had concerns that there had been leaks of information used to generate profits from trading through accounts held with FFA.

### **DFSA Investigation**

- 4.61 As a result of the significant number of instances of Suspicious Trading Activity undertaken by FFA, on behalf of its Clients, the DFSA commenced an investigation on 14 January 2021 into suspected contraventions by FFA of legislation administered by the DFSA.
- 4.62 The DFSA's investigation is ongoing and no finding has yet been made by the DFSA. However, independent of the findings of the above investigation, the DFSA is concerned that FFA has contravened DFSA administered legislation and that there is a reasonable likelihood that such contravention will continue in relation to its systems and controls to prevent Market Abuse and notify the DFSA of Suspicious Trading Activity.

### **Investigation of Red Flags**

- 4.63 Since 1 February 2017, FFA is required under GEN Rule 11.10.12A to notify the DFSA immediately of any transactions or orders from Clients which it has reasonable grounds to suspect may constitute Market Abuse. Further, GEN Rule 5.3.20 requires FFA to establish and maintain systems and controls to ensure that, as far as reasonably practicable, the firm and its employees do not engage in conduct, or facilitate others to engage in conduct, that may constitute market abuse. The appropriate and reasonable identification of Clients' transactions and orders as Suspicious Trading Activity is essential to compliance with both of these Rules.
- 4.64 It should be noted that reasonable grounds to suspect that an order or transaction may constitute Market Abuse is an objective standard, as opposed to a subjective test of whether a specific person or firm actually suspects Market Abuse. Suspicion itself is beyond mere speculation, but does not require specific proof or an understanding of how the offending activity took place. The DFSA would therefore expect to receive a STOR where there are sufficient Red Flags to indicate that Market Abuse **may** have taken place, even if there are other relevant factors that are either unknown or could be interpreted to reduce the likelihood that Market Abuse has actually occurred.
- 4.65 The DFSA's records show that in total, since 1 February 2017 when the applicable rules

came into effect, FFA has submitted 11 STORs, four of which related to trading undertaken by Client A and Client B. However, none of the STORs submitted by FFA related to the Suspicious Trading Activity specified above.

#### *Identification of Red Flags*

- 4.66 As per paragraphs 4.3 to 4.8 above, FFA had in place a system that would raise Red Flags should the results of a Client's trading meet certain thresholds as set out at paragraph 4.5. However, the DFSA is concerned that the criteria used by FFA to generate Red Flags were unduly restrictive and not fit for purpose in the circumstances of its business. As a result, FFA may have failed to identify a number of instances of Suspicious Trading Activity undertaken by its clients.
- 4.67 For example, in relation to the Suspicious Trading Activity in the shares of Company D and Company E, FFA indicated that this trading "*did not meet the criteria of transactions that need to be investigated in accordance with our automated reporting and red flag procedures.*" However, the DFSA considers that the trading in these Companies' shares by Client A and Client B demonstrates clear characteristics which FFA's systems should have flagged for further investigation. For example, FFA's systems and controls failed to flag that Client A's and Client B's trading in Company D was suspicious, despite them making significant profits (USD 677,500 and USD 207,000). Client A and Client B amassed a significant stake in Company D (USD 3.5 million and USD 1 million respectively) in the days ahead of an announcement that Company D was considering delisting, which saw Company D's share price increase by approximately 19%.
- 4.68 Had FFA implemented adequate systems and controls, which took into account a wider range of Market Abuse indicators and ensured that its Red Flag triggers were calibrated effectively, FFA would likely have identified more of the Suspicious Trading Activity specified above as suspicious and therefore requiring further investigation.

#### *Assessment of Red Flags*

- 4.69 As per paragraphs 4.66 to 4.67 above, FFA's systems and controls raised Red Flags for trading in at least 12 of the occasions of Suspicious Trading Activity specified above, eight of which related to Client A and Client B. However, after assessing these Red Flags, FFA decided not to submit a STOR for any of them.

4.70 Although FFA's assessment of Red Flags generally showed that enquiries had been performed, the enquiries resulted in a generic rationale for why the trading that generated a Red Flag was not suspicious, which failed to give a credible explanation that addressed the indicators of Market Abuse. For example, FFA's systems raised a Red Flag in relation to Client B's trading in Company I's shares. FFA's assessment of Client B's trading concluded that the transactions were consistent with Client B's profile and that they were not deemed to be suspicious as they were placed ahead of a scheduled earnings call. FFA further noted that the transactions did not meet the criteria of transactions that need to be investigated, as per FFA's procedures.

4.71 However, the DFSA considers FFA's rationale for not submitting a STOR to be inadequate and that, based on the information available, FFA should have submitted a STOR. FFA failed to address the suspicions of Market Abuse raised by the Red Flag and, in particular, failed to adequately explain how the timing of the trading ahead of a scheduled earnings call led to FFA's conclusion that Client B could not have access to insider information. The fact that a company has a scheduled earnings call does not explain why the client would acquire a large short position as the client could not infer from the fact of the call that the company would issue a profit warning. This certainly does not refute an objective reasonable suspicion that the timing, nature, size and direction of the trading may have been based on inside information.

4.72 FFA's systems also raised a Red Flag in relation to Client A's trading in Company J's shares in April 2019. FFA's assessment concluded that the trading was not suspicious because the trading:

- a. volume in Company J's shares had more than doubled on the day of purchase;
- b. was executed two days prior to the scheduled earnings announcement; and
- c. was aligned with the Client A's trading profile, with active trading in the last three months.

4.73 The DFSA considers this rationale to be inadequate and as such fails to counter the suspicion that Client A was trading with insider information. FFA's rationale placed too much reliance on the fact there was a scheduled earnings call for the day after the announcement, which was inconsequential, and as such failed to address the timeliness of Client A placing trades so close to the announcement. The DFSA also finds that FFA's

reference to Client A's trading profile and previous trading in Company J shares does not objectively support the conclusion that the trading was not suspicious. In particular, FFA appears to be suggesting that, because the trading in question was similar to past trading, which itself was also objectively suspicious, the further trading was not suspicious because the client had traded this way previously. The DFSA would expect the reverse to be the case.

4.74 The DFSA considers that FFA's explanations for deciding not to submit STORs are unjustified when considered against the clear Red Flags related to the nature, direction, size and timing of the trades so close to the release of price-sensitive information consistent with that trading.

4.75 Further, the DFSA considers that FFA placed unwarranted reliance on the rationale that the transactions were within a Client's profile, without any explanation as to why. This is of particular concern where FFA had failed to identify repeated Suspicious Trading Activity in respect of Client A and Client B, such that trading in line with the Client's profile could not be considered a reasonable contra-indication of Suspicious Trading Activity.

4.76 The DFSA is also concerned that, despite the pattern of suspicious trading by Clients A and B, FFA has not taken any steps to more closely monitor the trading activities of those clients or restrict the trading activities of those clients. GEN Rule 4.2.5 requires Authorised Firms to observe proper standards of conduct in financial markets. In addition, under GEN Rule 5.3.20(a) FFA is required to establish and maintain systems and controls to ensure, as far as reasonably practicable, that they are not facilitating others to engage in market abuse. FFA's failure to closely monitor the trading of Clients A and B and allowing them to continue to trade notwithstanding their history of suspicious trading, gives rise to serious concerns that FFA is not observing proper standards of market conduct.

## **5. CONCLUSIONS**

5.1 Under Article 75 of the Regulatory Law, the DFSA may impose on FFA a prohibition against entering into certain specified transactions or types of transactions. In particular, GEN Rule 11.13.1 provides that the DFSA may exercise its power pursuant to Article 75 of the Regulatory Law in circumstances where:

- a. there is a reasonable likelihood that the Authorised Person will contravene a requirement of any legislation applicable in the DIFC - GEN Rule 11.13.1(a). The

DFSA considers that there is sufficient evidence to suggest that FFA has failed, and will continue to fail, to notify the DFSA of suspected instances of Market Abuse, contrary to GEN Rule 11.10.12A;

- b. an investigation is being carried out in relation to an act or omission by the Authorised Person that constitutes or may constitute a contravention of any applicable law or Rule - GEN Rule 11.13.1(d). As stated in paragraph 4.61 above, the DFSA is carrying out an investigation into suspected contraventions by FFA; and
- c. the DFSA considers that this prohibition or requirement is necessary to ensure customers, Authorised Persons or the financial system are not adversely affected - GEN Rule 11.13.1(m). The DFSA considers that the Prohibition is necessary to ensure the financial system is not adversely affected. The identification and prevention of market abuse are key to the proper functioning and integrity of financial markets, including to ensure that those possessing inside information are not able to take unfair advantage of this at the expense of other market participants. The DFSA identified a significant number of instances of Suspicious Trading Activity undertaken by Client A, Client B, Client C, Client D, Client E and Client F. Despite this trading raising clear Red Flags, FFA's systems and controls have repeatedly failed to identify or adequately assess these trades as suspicious and, as a result, FFA has failed to submit STORs.

5.2 The DFSA considers that the significant amount of Suspicious Trading Activity emanating from trades executed by FFA, which the DFSA is concerned that FFA is failing to monitor effectively and report to the DFSA as required, presents a serious and ongoing risk to the interests of direct or indirect users of financial services in the DIFC and is prejudicial to the interests of the DIFC. In particular, as per paragraphs 4.59 to 4.60, the DFSA has become aware of ongoing Suspicious Trading Activity taking place as recent as January 2021.

5.3 Accordingly, the DFSA considers it appropriate in the circumstances to impose the Prohibition and which shall take immediate effect to support the DFSA's objectives in Article 8(3) of the Regulatory Law to:

- a. foster and maintain fairness, transparency and efficiency in the financial services industry in the DIFC;
- b. foster and maintain confidence in the financial services industry in the DIFC;

- c. 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; and
- d. protect direct and indirect users and prospective users of the financial services industry in the DIFC.

### **Original Decision Notice**

- 5.4 Under paragraph 4 of Schedule 3 to the Regulatory Law, if the DFSA proposes to make a decision to which that Schedule applies, it must first give the Relevant Person concerned a Preliminary Notice and the opportunity to make representations (in writing and in person) concerning the decision the DFSA proposes to make. However, if the DFSA concludes that any delay likely to arise as a result of complying with the procedures in paragraph 4 would be prejudicial to the interests of direct or indirect users of financial services in the DIFC or otherwise prejudicial to the interests of the DIFC, the requirements at sub-paragraphs (1) to (6) do not apply. In such circumstances, rather than giving the Relevant Person concerned an opportunity to make representations in advance of the decision, the DFSA must instead provide the Relevant Person with an opportunity to make representations in accordance with sub-paragraph 4(7) and paragraph 6 of Schedule 3 after it has made the decision.
- 5.5 Accordingly, on 29 March 2021, the DFSA decided to impose certain, immediate prohibitions on FFA via the Original Decision Notice on the basis that any delay may allow further Suspicious Trading Activity to occur and this would be prejudicial to the interests of direct or indirect users of financial services in the DIFC and the reputation of the DIFC.
- 5.6 FFA was then given the opportunity to make representations in relation to the Original Decision Notice in accordance with paragraph 6 of Schedule 3 to the Regulatory Law. Please refer paragraphs 6.6 to 6.11 below.

## **6. PROCEDURAL MATTERS**

### **Decision Maker**

- 6.1 The decision which gave rise to the obligation to give this Notice was made by the Decision Making Committee of the DFSA.
- 6.2 This Notice is given to FFA under Paragraph 5 of Schedule 3 to the Regulatory Law.

## **Evidence and other materials considered**

- 6.3 Annex A sets out extracts from relevant statutory and regulatory provisions and guidance relevant to this Notice.
- 6.4 In accordance with paragraphs 5(2) and 5(3) of Schedule 3 of the Regulatory Law, the DFSA has considered the following materials in making its decision:
- a. the relevant materials set out in Annex C to this Notice;
  - b. the written representations made on behalf of FFA dated 11 April 2021;
  - c. the representations made on behalf of FFA and Enforcement at the oral representations hearing held on 20 April 2021;
  - d. the written representations made on behalf of FFA dated 22 April 2021;
  - e. Enforcement's written responses to the representations referred to in sub-paragraph 6.4.d. above dated 25 April 2021; and
  - f. three reports issued by FFA's Risk Management Department dated 8 May 2019, 19 November 2019 and 4 February 2020 (respectively) which were presented at the oral representations hearing held on 20 April 2021.
- 6.5 In accordance with paragraph 5(2) of Schedule 3 to the Regulatory Law, the DFSA provided FAA a copy, or access to a copy, of the relevant materials that were considered in making the decision in this Notice.

## **Representations**

- 6.6 Under paragraph 6 of Schedule 3 of the Regulatory Law, FFA was given the opportunity to make representations to the DFSA in person and in writing concerning the DFSA's Original Decision Notice dated 29 March 2001 (referred to above at paragraphs 5.4 to 5.6).
- 6.7 Written representations on behalf of FFA were submitted to the DFSA on 11 April 2021.
- 6.8 Representations were made in person to the DFSA on behalf of FFA and on Enforcement's behalf on 20 April 2021.
- 6.9 Further written representations on behalf of FFA were submitted to the DFSA on 22 April 2021.

6.10 Enforcement provided a written response to the representations referred to in paragraph 6.9 on 25 April 2021.

6.11 In making the decision in this Notice, the DFSA has taken into account all of the representations made on behalf of FFA.

### **Referral to Financial Markets Tribunal (FMT)**

6.12 Under Articles 29 and 75(4) of the Regulatory Law, FFA has the right to refer the matter to the FMT for review.

6.13 The FMT is operationally independent of the DFSA and it has the power to conduct a full merits review of the DFSA's decision. After review of the DFSA's decision, the FMT has the power to make a new decision using the powers available to the DFSA. This could involve:

- (a) confirming the decision set out in this Notice;
- (b) substituting the DFSA decision with a new decision; or
- (c) referring the matter back to the DFSA with a direction for the DFSA to make a new decision.

6.14 Should FFA wish to have this matter reviewed by the FMT, FFA must exercise that right within 30 days of the date of this Notice. Any reference made after this date would have to be approved by the FMT where it is satisfied that such approval is appropriate in the circumstances, pursuant to Article 29(3)(b) of the Regulatory Law.

6.15 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.

6.16 The Rules of Procedure of the FMT, as well as a template Form FMT 1 and 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>

6.17 Please note, under paragraph 26 of the FMT Rules of Procedure, FFA is required to send

a copy of Form FMT 1 to the DFSA on the same date it is filed with the Registrar of the FMT.

### **Effective date**

6.18 The Prohibition imposed on FFA takes effect immediately upon receipt of this Notice and remains in effect until formally withdrawn or varied in writing by the DFSA.

### **Publicity**

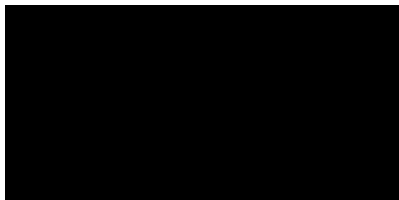
6.19 Under Article 116(2) of the Regulatory Law, the DFSA may publish, in such form and manner as it regards appropriate, information and statements relating to decisions of the DFSA and of the Court, censures, and any other matters which the DFSA considers relevant to the conduct of affairs in the DIFC. This may include publishing, in whole or in part, a copy of this Notice.

6.20 RPP 5-17-9 and 5-17-11 are also relevant to when information will be published about a matter that may be referred to the FMT.

### **DFSA contacts**

6.21 For more information concerning this matter generally, please contact the Administrator to the DMC on +971 4 362 1681 or by email at [DMC@dfsa.ae](mailto:DMC@dfsa.ae).

Signed:

A large black rectangular redaction box covering the signature area.

Eric Salomons

On behalf of the Decision Making Committee of the DFSA

## ANNEX A – RELEVANT STATUTORY AND REGULATORY PROVISIONS

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### 1. STATUTORY PROVISIONS

#### **DIFC Law No. 1 of 2004 – The Regulatory Law**

#### **Part 2, Chapter 1 – The Structure of the DFSA**

#### **Article 8 - The Powers, Functions and Objectives of the DFSA**

- (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;*
  - [...]
  - (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;*
  - (e) *to protect direct and indirect users and prospective users of the financial services industry in the DIFC;*

[...]

#### **Chapter 5 – Proceedings in the Financial Markets Tribunal**

#### **Article 29 – References:**

- (1) *The FMT has jurisdiction to hear and determine any reference where a provision of legislation administered by the DFSA or a provision in or made under a DIFC Law provides that a matter may be referred to the FMT for review.*
- (2) *A person may commence a reference to the FMT only in circumstances where the FMT has jurisdiction to hear and determine the reference under this Article.*
- (3) *A reference must be commenced:*
  - (a) *within 30 days of the relevant decision of the DFSA; or*
  - (b) *within such further period not exceeding 30 days as may be approved by the FMT where it is satisfied that such approval is appropriate in the circumstances.*
- (4) *At the conclusion of a reference, the FMT may do one or more of the following:*
  - (a) *affirm the original decision of the DFSA which is the subject of the reference;*

- (b) vary that original decision;
  - (c) set aside all or part of that original decision and make a decision in substitution;
  - (d) decide what, if any, is the appropriate action for the DFSA to take and remit the matter to the Chief Executive;
  - (e) make such order in respect of any matter or any of the parties which it considers appropriate or necessary in the interests of the DFSA's regulatory objectives or otherwise in the interests of the DIFC; or
  - (f) issue directions for giving effect to its decision, save that such directions may not require the DFSA to take any step which it would not otherwise have the power to take.
- (5) If a person refers a decision to the FMT, the DFSA must publish such information about the decision as it considers appropriate unless:
- (a) in the DFSA's opinion, publication of such information would be prejudicial to the interests of the DIFC; or
  - (b) the FMT has made an order under Article 31(5) preventing such publication.
- (6) Information about a decision referred to in paragraph (5):
- (a) must be published as soon as practicable after the referral of the decision to the FMT;
  - (b) may be published in such manner as the DFSA considers appropriate; and
  - (c) must include a statement that the person has exercised their right to refer the matter to the FMT and the decision is subject to review.
- (7) Nothing in paragraph (5) limits the DFSA's power under Article 116 to publish information or statements about a decision or matter in other circumstances.
- (8) The FMT may make an order referred to in paragraph (5)(b) prohibiting publication of information only if it is satisfied that:
- (a) such publication would be likely to cause serious harm to the person to whom the decision relates or to some other person; and
  - (b) it is proportionate to make such an order, having regard to the principle that the DFSA should exercise its powers as transparently as possible and that proceedings of the FMT should generally be in public.

## **Chapter 8 – Other Regulators**

### **Article 39 - Exercise of Powers on Behalf of Other Regulators 39.**

At the request of:

- (a) *the Companies Registrar;*
- (b) *a Financial Services Regulator;*
- (c) *a governmental or regulatory authority exercising powers and performing functions relating to anti-money laundering, counter-terrorist financing or sanctions compliance;*
- (d) *a self-regulatory body or organisation exercising and performing powers and functions in relation to financial services;*
- (e) *a civil or criminal law enforcement agency; or*
- (f) *a governmental or other regulatory authority including a self-regulatory body or organisation exercising powers and performing functions in relation to the regulation of auditors, accountants or lawyers,*

*the DFSA may, where it considers appropriate, exercise its powers under the Law or under any other legislation administered by the DFSA for the purpose of assisting the performance by such persons of their regulatory functions*

## **Part 5, Chapter 1 – Powers of Supervision**

### **Article 75 - Imposing Prohibitions or Restrictions on Business**

- (1) *Subject to Article 77, the DFSA may impose any one or more of the following prohibitions or requirements:*
  - (a) *a prohibition on an Authorised Person from:*
    - (i) *entering into certain specified transactions or types of transaction;*
    - (ii) *soliciting business from certain specified persons or types of person;*
    - (iii) *carrying on business in a specified manner or other than in a specified manner;*
    - (iv) *using a particular name or description in respect of the Authorised Person; or*
    - (v) *using a particular name for a Fund or a sub-fund of a Fund; or*
  - (b) *a requirement that an Authorised Person carry on business in, and only in, a specified manner.*
- (2) *The prohibitions or requirements in Article 75(1) may be imposed on the Fund Manager in relation to the management of a Fund or on the Fund itself, even where the Fund has no legal personality.*
- (3) *The procedures in Schedule 3 apply to a decision of the DFSA under Article 75(1).*
- (4) *If the DFSA decides to exercise its power under Article 75(1), the Authorised Person may refer the matter to the FMT for review.*

[...]

## **Chapter 2 – The Conduct of Investigations**

### **Article 78 – Power of the DFSA to conduct an investigation**

- (1) *The DFSA may conduct such investigation as it considers appropriate and expedient under Chapter 2 of Part 5:*
  - (a) *where it has reason to suspect that a contravention of the Law or of the Rules or of any other legislation administered by the DFSA is being or may have been committed; or*
  - (b) *further to a request made under Article 39.*
- (2) *A person is entitled to legal representation during the course of an investigation.*

[...]

## **Part 10 - Miscellaneous**

### **Article 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 and of the Court, sanctions, and any other matters which the DFSA considers relevant to the conduct of affairs in the DIFC.*

[...]

## **Schedule 3: Decision-Making Procedures**

### **Paragraph 4 – Opportunity to make representations before a decision**

- (1) *If the DFSA proposes to make a decision to which this Schedule applies, it must first give the Relevant Person:*
  - (a) *a written notice (a “Preliminary Notice”) containing the information in sub-paragraph (2); and*
  - (b) *an opportunity to make representations to the DFSA in person and in writing concerning the decision the DFSA proposes to take.*
- (2) *The Preliminary Notice must:*
  - (a) *specify the proposed decision;*
  - (b) *specify the reasons for that proposed decision, including any proposed findings of fact;*

- (c) *include a copy of the relevant materials which were considered in making the proposed decision;*
  - (d) *inform the person that they may make representations to the DFSA concerning the proposed decision; and*
  - (e) *specify how and by when any representations may be made.*
- (3) *For the purposes of sub-paragraph (2)(c), the DFSA:*
- (a) *may refer to materials (instead of providing a copy) if they are already held by the Relevant Person or are publicly available; and*
  - (b) *is not required to provide material that is the subject of legal professional privilege.*
- (4) *If the DFSA does not receive any representations within the period specified in the Preliminary Notice, it may proceed to make the proposed decision and give the person a Decision Notice in accordance with paragraph 5.*
- (5) *If the DFSA receives representations within the period specified in the Preliminary Notice, it must consider the representations in making the decision.*
- (6) *If, after considering the representations, the DFSA decides:*
- (a) *to make the proposed decision (either as proposed or with variations), then it must give the person a Decision Notice under paragraph 5; or*
  - (b) *not to make the proposed decision, then it must as soon as practicable notify the person in writing that it has decided not to make the decision.*
- (7) *If the DFSA concludes that any delay likely to arise as a result of complying with the procedures in this paragraph would be prejudicial to the interests of direct or indirect users of financial services in the DIFC or otherwise prejudicial to the interests of the DIFC:*
- (a) *the requirements in sub-paragraphs (1) to (6) do not apply; and*
  - (b) *instead the DFSA must provide the person with an opportunity to make representations in accordance with the procedures in paragraph 6 after it has made the decision.*

**Paragraph 5 - Decision Notice**

- (1) *If the DFSA decides to make a decision to which this Schedule applies, it must, as soon as practicable, give the Relevant Person a written notice (a "Decision Notice") specifying:*
- (a) *the decision;*
  - (b) *the reasons for the decision, including its findings of fact;*
  - (c) *the date on which the decision is to take effect;*
  - (d) *if applicable, the date by which any relevant action must be taken by the person; and*

- (e) *the person's right to seek review of the decision by the FMT (where applicable).*
- (2) *The Decision Notice must include a copy of the relevant materials which were considered in making the decision.*
- (3) *For the purposes of sub-paragraph (2), the DFSA:*
  - (a) *may refer to materials (instead of providing a copy) if they are already held by the Relevant Person or are publicly available; and*
  - (b) *is not required to provide material that is the subject of legal professional privilege.*

**Paragraph 6 - Opportunity to make representations after a decision**

- (1) *If this paragraph applies under paragraph 4(7), the DFSA must:*
  - (a) *provide the Relevant Person with an opportunity to make representations to the DFSA in person and in writing within a period of 14 days, or such further period as may be agreed, from the date on which the Decision Notice is given to the person under paragraph 5; and*
  - (b) *inform the Relevant Person in the Decision Notice that they may make representations concerning the decision and specify how and by when any representations may be made.*
- (2) *If the DFSA does not receive any representations within the period specified in the Decision Notice, it must inform the person in writing that the decision is to stand (subject to any right of the person to refer the matter to the FMT for review).*
- (3) *If the DFSA receives representations within the period specified in the Decision Notice, it must consider the representations in deciding whether to confirm, withdraw or vary the decision.*
- (4) *If after considering representations received the DFSA decides:*
  - (a) *to confirm the decision, it must as soon as practicable notify the person in writing that the decision is to stand (subject to any right of the person to refer the matter to the FMT for review);*
  - (b) *to withdraw the decision, it must as soon as practicable notify the person in writing that the decision has been withdrawn; or*
  - (c) *to vary the decision, it must as soon as practicable give the person an amended Decision Notice under paragraph 5.*
- (5) *For the avoidance of doubt, the opportunity to make representations under this paragraph does not arise:*
  - (a) *if the person was given a Preliminary Notice and the opportunity to make representations under paragraph 4 before the decision was made; or*
  - (b) *in respect of an amended Decision Notice given under sub-paragraph (4)(c).*

## **2. REGULATORY PROVISIONS**

### **DFSA Rulebook, General Module (GEN)**

#### **GEN 5 MANAGEMENT, SYSTEMS AND CONTROLS**

##### **5.3 Systems and controls**

###### **General requirement**

**5.3.1** (1) *An Authorised Person must establish and maintain systems and controls, including but not limited to financial and risk systems and controls, that ensure that its affairs are managed effectively and responsibly by its senior management.*

(2) *An Authorised Person must undertake regular reviews of its systems and controls.*

[...]

###### **Conduct**

**5.3.20** *An Authorised Person must establish and maintain systems and controls that ensure, as far as reasonably practical, that the Authorised Person and its Employees do not engage in conduct, or facilitate others to engage in conduct, which may constitute:*

(a) *market abuse, whether in the DIFC or elsewhere; or*

(b) *a financial crime under any applicable U.A.E. laws.*

###### **Records**

**5.3.24** (1) *An Authorised Person must make and retain records of matters and dealings, including Accounting Records and corporate governance practices which are the subject of requirements and standards under the legislation applicable in the DIFC.*

(2) *Such records, however stored, must be capable of reproduction on paper within a reasonable period not exceeding 3 business days.*

**5.3.27** *An Authorised Person must have systems and controls to fulfil the Authorised Person's legal and regulatory obligations with respect to adequacy, access, period of retention and security of records.*

#### **GEN 11 Supervision**

##### **Suspected Market Abuse**

**11.10.12A** (1) *An Authorised Firm 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 Authorised Firm suspecting that the order or transaction may constitute Market Abuse.*
- (3) *An Authorised Firm must not inform the Client, or any other Person involved in the order or transaction, of a notification under this Rule.*

[...]

### **11.13 Imposing Restrictions on an Authorised Person's business or on an Authorised Person dealing with property**

**11.13.1** *The DFSA has the power to impose a prohibition or requirement on an Authorised Person in relation to the Authorised Person's business or in relation to the Authorised Person's dealing with property under Article 75 or Article 76 in circumstances where:*

- (a) *there is a reasonable likelihood that the Authorised Person will contravene a requirement of any legislation applicable in the DIFC;*
- (b) *the Authorised Person has contravened a relevant requirement and there is a reasonable likelihood that the contravention will continue or be repeated;*
- (c) *there is loss, risk of loss, or other adverse effect on the Authorised Person's customers;*
- (d) *an investigation is being carried out in relation to an act or omission by the Authorised Person that constitutes or may constitute a contravention of any applicable law or Rule;*
- (e) *an enforcement action has commenced against the Authorised Person for a contravention of any applicable law or Rule;*
- (f) *civil proceedings have commenced against the Authorised Person;*
- (g) *the Authorised Person or any Employee of the Authorised Person may be or has been engaged in market abuse;*
- (h) *the Authorised Person is subject to a merger;*
- (i) *a meeting has been called to consider a resolution for the winding up of the Authorised Person;*
- (j) *an application has been made for the commencement of any insolvency proceedings or the appointment of any receiver, administrator or provisional liquidator under the law of any country for the Authorised Person;*

- (k) *there is a notification to dissolve the Authorised Person or strike it from the DIFC register of Companies or the comparable register in another jurisdiction;*
- (l) *there is information to suggest that the Authorised Person is involved in financial crime; or*
- (m) *the DFSA considers that this prohibition or requirement is necessary to ensure customers, Authorised Persons or the financial system are not adversely affected.*

*[...]*

## ANNEX B – DEFINITIONS

Defined Term	As Defined in the Decision Notice
<b>Associates</b>	<p>Has the same meaning provided in GLO, namely:</p> <p>(1) In Chapters 7 and 11 of GEN and Chapter 8 of AMI means, in respect of a Person 'A' holding Shares or entitled to exercise, or control the exercise of voting power, in an Authorised Firm or a Holding Company of an Authorised Firm:</p> <ul style="list-style-type: none"> <li>(a) the spouse of A;</li> <li>(b) a child or stepchild of A;</li> <li>(c) the trustee of any settlement, including any disposition or arrangement under which property is held on trust or subject to a comparable obligation, under which A has a life interest in possession;</li> <li>(d) an Undertaking of which A is a director;</li> <li>(e) a Person who is an Employee or partner of A;</li> <li>(f) where A is an Undertaking: <ul style="list-style-type: none"> <li>(i) a director of A;</li> <li>(ii) a subsidiary or wholly owned subsidiary of A; or</li> <li>(iii) a director or Employee of such a subsidiary or wholly owned subsidiary; or</li> </ul> </li> <li>(g) a Person who has an agreement or arrangement with A with respect to the acquisition, holding or disposal of Shares or other interests in the Authorised Firm or the Holding Company of an Authorised Firm or under which they undertake to act together in exercising their voting power in relation to an Authorised Firm or the Holding Company of an Authorised Firm or that other Person.</li> </ul> <p>(2) Except in Chapters 7 and 11 of GEN and Chapter 8 of AMI means in respect of a Person 'A', any Person, including an affiliated company which is:</p> <ul style="list-style-type: none"> <li>(a) an undertaking in the same Group as A; or</li> <li>(b) any other person whose business or domestic relationship with A or his Associate might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with third parties.</li> </ul>
<b>CFD</b>	Contract for Difference

<b>Client A, Client B, Client C, Client D, Client E or Client F</b>	A client of FFA SAL, on behalf of which transactions were undertaken through FFA SAL's trading account with FFA.
<b>Company A, Company B, Company C, Company D, Company E Company F Company G Company H Company I or Company J</b>	A company whose shares are traded on an exchange, trading in which the DFSA is aware of Suspicious Trading Activity.
<b>GEN</b>	The General Module of DFSA's Rulebook.
<b>GLO</b>	The Glossary Module of the DFSA Rulebook.
<b>The Group</b>	European banking group to which Company F was a part.
<b>FFA</b>	FFA Private Bank (Dubai) Limited, a company established in the DIFC and regulated by the DFSA.
<b>FFA SAL or the Parent</b>	FFA Private Bank SAL, a Lebanon based financial services company and one of the FFA Group Entities.
<b>FFA Group Entities</b>	Group of related entities that includes FFA and FFA SAL.
<b>FMT</b>	Has the meaning provided in GLO, namely, the tribunal referred to in Article 26 of the Regulatory Law.
<b>IOSCO</b>	International Organisation of Securities Commissions.
<b>Market Abuse</b>	Conduct which contravenes a provision contained in Chapter 1 of Part 6 of the Markets Law 2012.
<b>MMOU</b>	IOSCO Multilateral Memorandum of Understanding, to which the DFSA is a signatory.
<b>The Prohibition</b>	As described in paragraph 1.1 of the Notice.
<b>Red Flags</b>	Identifiers indicating suspicious activity requiring further investigation.

<b>Regulatory Law</b>	DIFC Law No.1 of 2004 as amended (the Regulatory Law 2004).
<b>RFA</b>	Request for Information from another Financial Services Regulator, pursuant to the IOSCO MMOU.
<b>STOR</b>	Suspicious Transaction and Order Report, a notification to the DFSA of suspected Market Abuse pursuant to GEN Rule 11.10.12A.
<b>Suspicious Trading Activity</b>	A transaction or order about which there is reasonable grounds to suspect may constitute Market Abuse.



## ANNEX D – SUMMARY OF ACTIVITY

SECURITY	EVENT	CLIENT	PROFIT (€)	PROFIT (%)	RED FLAG	STOR
COMPANY A	Media Report of Interest from buyout firms	Client A	33,387.34	2.5%	UNKNOWN	NO
		Client B	10,198.40	2.2%	UNKNOWN	NO
		Client B	3,055.41	1.2%	UNKNOWN	NO
COMPANY B	Announcement of a potential takeover bid	Client A	250,731.14	8.0%	UNKNOWN	NO
		Client B	198,400.00	8.0%	UNKNOWN	NO
COMPANY C	Announcement that a takeover bid had been rejected	Client E	21,456.80	8.7%	YES	NO
		Client F			YES	NO
		Client D			YES	NO
COMPANY D	Announcement of EGM to delist company	Client A	607,998.96	18.9%	NO	NO
		Client B	186,042.53	19.3%	NO	NO
COMPANY E	Announcing sale of stake in another entity	Client A	288,928.50	5.6%	NO	NO
		Client B			NO	NO
COMPANY F	Announcement of leaving larger group	Client A	337,908.32	11.1%	YES	NO
		Client B	163,404.23	8.9%	YES	NO
COMPANY G	Announcement of acquisition and + results	Client A	1,216,367.60	16.5%	YES	NO
		Client B	662,040.96	18.3%	YES	NO
COMPANY H	Announcement of a takeover bid	Client A	1,472,370.06	45.6%	YES	NO
		Client B	570,475.00	41.4%	YES	NO
		Client C	347,201.85	39.7%	YES	NO
COMPANY I	Profits warning	Client B	332,477.64	41.6%	YES	NO
COMPANY J	Fraud allegations	Client A	1,092,836.95	15.7%	UNKNOWN	NO
		Client B	1,086,900.00	15.6%	UNKNOWN	NO
	Further fraud allegations	Client A	730,960.33	9.0%	UNKNOWN	NO
		Client B	320,020.19	6.8%	UNKNOWN	NO
	Investment in company	Client A	155,216.10	13.1%	YES	NO
<b>TOTAL</b>			<b>10,088,378.30</b>		<b>12</b>	<b>0</b>