



The DFSA Rulebook

Price Stabilisation Module

(PRS)

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1 INTRODUCTION

1.1 Price Stabilisation Rules

1.1.1 These Rules constitute the prescribed Price Stabilisation requirements for the purposes of Article 64(1) of the Markets Law 2012.

Guidance

1. The Rules in PRS prescribe the circumstances in which Price Stabilisation of an Eligible Security is permitted and the conditions which attach to such conduct.
2. The Rules in PRS are designed to protect market integrity by helping to maintain an orderly market for Eligible Securities (thereby avoiding volatility and market disruption) and enhance market confidence.
3. These Rules operate as a defence from the Market Misconduct provision set out in Article 54 of the Markets Law 2012. The Market Misconduct provisions are relevant to any conduct which may affect DIFC markets or users of DIFC markets. *Prima facie*, the stabilisation of a price of a Security is market manipulation. However, Article 64(1) provides limited statutory relief for the initial period of trading. This defence is available, in relation to Eligible Securities, to a Person who can demonstrate that his behaviour is in accordance with these Rules and does not constitute Market Misconduct.

1.2 Interpretation and other modules

Guidance

1. Chapter 6 of GEN applies to those to whom this module (PRS) applies. These sections provide, amongst other things, rules to be applied in the interpretation of this and other modules of the DFSA Rulebook.
2. The Glossary module (GLO) also applies to those to whom this module (PRS) applies.
3. The matters mentioned above do not in any way limit or otherwise alter the application of any module of the Rulebook to any Person to whom PRS applies. For example the MKT module applies to, among others, Issuers.

1.3 Application

1.3.1 This module (PRS) applies to every Person to whom the Markets Law 2012 applies and to the same extent in relation to every such Person as that Law, except to the extent that a provision of PRS provides for a narrower application.

1.4 Price Stabilisation

- 1.4.1** (1) For an activity to constitute Price Stabilisation it must be an activity:
- (a) of a type described in chapter 2;
 - (b) conducted within the period covered by the Stabilisation Window in (2);
 - (c) by a Person specified in (3);
 - (d) in accordance with PRS; and
 - (e) which might reasonably have, or be intended to have, the effect of stabilising the price of Eligible Securities which have been admitted to trading on an Authorised Market Institution.
- (2) The period covered by the Stabilisation Window is the period beginning on the date of admission to trading of the Eligible Securities on an Authorised Market Institution and ending no later than thirty days thereafter.
- (3) The Person conducting Price Stabilisation must be the Stabilisation Manager or any of his Stabilisation Agents.
- (4) Price Stabilisation may be carried out either on or off the central order book of the relevant Authorised Market Institution.

2 PRICE STABILISATION

2.1 Application

2.1.1 This chapter applies to a Stabilisation Manager and to any Stabilisation Agents appointed by him.

2.2 Permitted Price Stabilisation

2.2.1 (1) A Stabilisation Manager and, if applicable, his Stabilisation Agents may in respect of Eligible Securities

- (a) purchase, or agree to purchase, such Eligible Securities; or
- (b) offer or attempt to do anything in (a) with a view to stabilising the Market Price of such Eligible Securities.

(2) A Stabilisation Manager and, if applicable, his Stabilisation Agents must not, when engaging in an activity described in (1), in respect of Shares, Certificates over Shares, and Warrants over Shares, conduct such activity at a price higher than the Offer Price.

Guidance

Pricing limits do not extend to Debentures hence Rules 2.2.1(2) do not apply with respect to Debentures. Pricing for Debentures is subject instead to the requirement in 2.2.1(1) that the stabilising action is taken to support the Market Price.

2.2.2 A Stabilisation Manager and his Stabilisation Agents may, in respect of Eligible Securities:

- (a) make allotments of a greater number of the Eligible Securities than were offered (“over-allotment”);
- (b) sell or agree to sell the Eligible Securities in order to establish a short position in them;
- (c) buy or agree to buy the Eligible Securities in order to close out or liquidate any position that has been established by Price Stabilisation under (a) or (b);
- (d) sell or agree to sell the Eligible Securities in order to close out or liquidate any position that has been established by Price Stabilisation under (a) or (b); or

- (e) offer or attempt to do anything permitted by (a), (b), (c), and (d).

2.2.3 Any over-allotment permitted by Rule 2.2.2(a) must meet the following criteria:

- (a) Eligible Securities may be over-allotted only during the Offer period and at the Offer Price;
- (b) the over-allotment option may be exercised by the beneficiaries of such an option only where Eligible Securities have been over-allotted;
- (c) the over-allotment option may not amount to more than 15% of the original Offer;
- (d) the exercise period of the over-allotment option must be the same as the Stabilisation Window; and
- (e) the exercise of the over-allotment option must be disclosed to the market promptly, together with all appropriate details, including in particular the date of exercise and the number and nature of Eligible Securities involved.

2.2.4 For the purposes of Rule 2.2.2, an 'over-allotment option' means an option granted by the Issuer in favour of the Stabilisation Manager and/or his Stabilisation Agents involved in the Offer for the purpose of covering over-allotments, under the terms of which such Stabilisation Manager or his Stabilisation Agents may purchase up to a certain amount of Eligible Securities at the Offer Price during the Stabilisation Window.

Guidance

The Stabilisation Manager may also often be the lead manager in respect of the same offer and therefore can over-allot Eligible Securities in the initial allocation and then facilitate the stabilisation by purchasing Eligible Securities during the Stabilisation Window. A Stabilisation Manager and his Stabilisation Agents may also sell short on the market to facilitate stabilisation or in order to close out or liquidate positions established by Price Stabilisation.

2.3 Deleted

3. APPOINTMENT OF STABILISATION MANAGER AND AGENTS

3.1 Application

3.1.1 This chapter applies to an Issuer and its Stabilisation Manager and is of relevance to any appointed Stabilisation Agent.

3.2 Appointment

3.2.1 An Issuer who intends to carry out Price Stabilisation of its Eligible Securities must:

- (a) appoint in writing a Stabilisation Manager;
- (b) notify the DFSA of the appointment, including the name and business address of the Stabilisation Manager, the date of the commencement of the appointment and an address for service in the DIFC of the Stabilisation Manager; and
- (c) prior to the appointment of the Stabilisation Manager, take reasonable steps to ensure that the Stabilisation Manager has the required skills, resources and experience to conduct the functions of a Stabilisation Manager.

3.2.2 (1) An Issuer must notify the DFSA immediately if the appointment of the Stabilisation Manager is to be terminated, or on the resignation of its Stabilisation Manager, giving the reasons for the cessation of the appointment.

- (2) An Issuer must appoint a Stabilisation Manager to fill any vacancy in relation to the occurrence of an event specified in (1) and ensure that the replacement Stabilisation Manager can serve as such at the time the vacancy arises or as soon as reasonably practicable.

3.2.3 (1) Where a Stabilisation Manager appointed by an Issuer is not suitable in the opinion of the DFSA, or where a Stabilisation Manager has not been appointed, the DFSA may direct the Issuer to replace or appoint a Stabilisation Manager in accordance with the requirements in this chapter.

- (2) The procedures in Schedule 3 to the Regulatory Law apply to a decision of the DFSA under (1). The DFSA must give both the Issuer and, if in the DFSA's opinion the Stabilisation Manager is not suitable, the Stabilisation Manager an opportunity to make representations under those procedures.

- (3) If the DFSA decides to exercise its power under (1), the Issuer or the Stabilisation Manager may refer the matter to the FMT for review.

3.3 Terms of appointment for a Stabilisation Manager

3.3.1 The terms of appointment of a Stabilisation Manager must include at least the following information:

- (a) the period of the Stabilisation Window;
- (b) the Offer Price;
- (c) whether the Stabilisation Manager has discretion to commence Price Stabilisation at the Offer Price;
- (d) whether the Stabilisation Manager is permitted to appoint Stabilisation Agents for the Price Stabilisation;
- (e) a term whereby the Stabilisation Manager agrees unconditionally to submit to the jurisdiction of the DFSA and the DIFC Courts in relation to the activities of the Stabilisation Manager and his Stabilisation Agents in carrying out Price Stabilisation; and
- (f) any other information that the Stabilisation Manager believes it will reasonably need to conduct Price Stabilisation effectively.

3.4 Terms of appointment for a Stabilisation Agent

- 3.4.1** (1) The Stabilisation Manager may appoint in writing one or more Stabilisation Agents to assist him in conducting Price Stabilisation.
- (2) The terms of appointment of a Stabilisation Agent must not create a legal relationship other than that of principal and agent whereby the Stabilisation Manager as principal is responsible and liable for any acts carried out by his Stabilisation Agent.

3.5 Restrictions on transactions with Stabilisation Agents

- 3.5.1** (1) The Stabilisation Manager must not during the Stabilisation Window enter into a transaction as principal with any of his Stabilisation Agents in the Eligible Securities which are the subject of Price Stabilisation.
- (2) The requirement in (1) does not apply:
- (a) if at the time of the transaction, neither the Stabilisation Manager nor his Stabilisation Agent knew or could reasonably have known the identity of his counterparty; or
 - (b) where the transaction between the Stabilisation Manager and his Stabilisation Agent is undertaken solely for the purpose of reallocating the risk of positions that were taken by the Stabilisation Manager and his Stabilisation Agent in the course of Price Stabilisation and the transaction is priced accordingly.

Guidance

Some participants in the Price Stabilisation may have accrued positions during stabilisation and Rule 3.5.1 permits transactions to 'square-off' the positions between participants. The terms on which these transactions may be carried may often be agreed in the terms of engagement between the Stabilisation Manager and his Stabilisation Agents. The DFSA may when inspecting records kept relating to stabilisation seek the rationale for any of these transactions and the price at which they were conducted.

4 GENERAL CONDITIONS

4.1 Application

4.1.1 This chapter applies to an Issuer and its Stabilisation Manager and any appointed Stabilisation Agent.

4.2 General conditions relating to the carrying out of Price Stabilisation

- 4.2.1** (1) For Price Stabilisation to occur an Issuer of the relevant Eligible Securities must ensure that a prominent statement appears in the Prospectus or other offering document which clearly states that the Offer of Securities may be subject to Price Stabilisation and also identify by name the Stabilisation Manager and the likely expected costs associated with the Price Stabilisation.
- (2) For the purpose of (1), “prominent” means that the statement must appear under its own separate heading in the first few pages of a Prospectus or other offering document.
- (3) The existence and principal terms of any option or right to purchase the Eligible Securities which are the subject of the Price Stabilisation from the Issuer, must be disclosed in the relevant Prospectus or other offering document.

Guidance

The existence of any Stabilisation Agents does not have to be disclosed.

- 4.2.2** (1) A Stabilisation Manager must not conduct, or permit his Stabilisation Agent to conduct, any Price Stabilisation unless:
- (a) the requirements of Rule 4.2.1 are fulfilled;
 - (b) the Authorised Market Institution or other exchange on which the Eligible Securities are admitted to trading have been informed that Price Stabilisation in those Eligible Securities may take place during the Stabilisation Window and that any requirements been complied with; and
 - (c) there are systems and controls in place to ensure compliance with PRS.

- (2) A Stabilisation Manager must establish a register of Price Stabilisation and take reasonable steps to satisfy himself that the mechanisms required to update the register are in place.

4.2.3 The Stabilisation Manager must not conduct, nor allow his Stabilisation Agent to conduct, Price Stabilisation in any case where:

- (a) the Market Price of the Eligible Securities is falsely higher than the price which would otherwise prevail; and
- (b) the Stabilisation Manager knows or ought reasonably to have known that the falsity in the Market Price was attributable in whole or in part to any conduct by a Person who was in breach of the Market Misconduct provisions; or
- (c) any requirements of an Authorised Market Institution or any other exchange have not been complied with.

4.3 Post Price Stabilisation Disclosure

4.3.1 If a Stabilisation Manager has conducted Price Stabilisation during the Stabilisation Window, then he must, within 2 business days following a Price Stabilisation transaction, disclose to the DFSA the following details:

- (a) the total number of Eligible Securities transacted by the Stabilisation Manager and any Stabilisation Agents;
- (b) the average price of Eligible Securities transacted during the Price Stabilisation;
- (c) whether a Price Stabilisation transaction was undertaken otherwise than through the central order book of the relevant Authorised Market Institution;
- (d) if the Stabilisation Manager has an outstanding short position, the number of Eligible Securities in that short position; and
- (e) any additional information which the DFSA requires the Stabilisation Manager to disclose.

Guidance

Rule 4.3.1 requires a Stabilisation Manager to disclose to the DFSA details of each Price Stabilisation transaction conducted during the Stabilisation Window. The purpose of this Rule is to provide the DFSA with an understanding of the level of price support afforded to the Eligible Securities during the Stabilisation Window and the manner in which Price Stabilisation occurred.

4.3.2 If a Stabilisation Manager has conducted Price Stabilisation during the Stabilisation Window, then he must within 2 business days following the end of the Stabilisation Window disclose to the market the following details:

- (a) the total number of Eligible Securities bought by the Stabilisation Manager and any Stabilisation Agents during the Stabilisation Window and the date of the first and last stabilisation transactions;
- (b) the average price of Eligible Securities bought on market during the Stabilisation Window;
- (c) whether a Price Stabilisation transaction was undertaken otherwise than through the central order book of the relevant Authorised Market Institution;
- (d) if the Stabilisation Manager has an outstanding short position, the number of Eligible Securities in that short position; and
- (e) any additional information which the DFSA requires the Stabilisation Manager to disclose.

Guidance

Rule 4.3.2 requires a Stabilisation Manager to disclose to the market details of the Price Stabilisation support conducted during the Stabilisation Window. The purpose of this Rule is to provide the market with an understanding of the level of price support afforded to the Eligible Securities during the Stabilisation Window.

5 REGISTER

5.1 Application

5.1.1 This chapter applies to a Stabilisation Manager and is of relevance to his Stabilisation Agents.

5.2 The creation and maintenance of the Register

5.2.1 The Stabilisation Manager must, before carrying out any Price Stabilisation:

- (a) create a register to record the details relating to the Price Stabilisation as required by this chapter; and
- (b) establish and implement systems and controls to keep the register updated.

5.2.2 The Stabilisation Manager must ensure that the register contains either on a real-time or daily updated basis the following information:

- (a) the names and contact details of all Stabilisation Agents appointed by him;
- (b) details of the appointment of each Stabilisation Agent, including the date of the appointment;
- (c) the general terms and instructions (including details of the price floor and Stabilisation Window) determined by the Stabilisation Manager for his Stabilisation Agents and the date and time of the communication, variation or revocation of that information and instructions;
- (d) details of all correspondence passing between the Stabilisation Manager and his Stabilisation Agent relating to the Price Stabilisation, including all instructions and variations or revocation of appointments;
- (e) each and every transaction undertaken by the Stabilisation Manager and Stabilisation Agent in the course of the Price Stabilisation, including not but limited to the following transaction details:
 - (i) the type of Eligible Securities;
 - (ii) the price;
 - (iii) the size;

- (iv) whether the transactions were undertaken on or off the central order book of the relevant Authorised Market Institution;
- (v) the date and time;
- (vi) details of the counterparty (if known); and
- (vii) details of the allotment of the Eligible Securities.

Guidance

1. Rule 5.2.2 (e)(vi) acknowledges that some market structures, for example anonymous order books or anonymous indications of interest, cause the identity of counterparties to sometimes be unknown prior to the effecting of transactions.
2. Rule 5.2.2 also accepts that some participants in the Price Stabilisation may have accrued uneconomic positions during stabilisation and therefore permits a single transaction, probably at the end-of day, to 'square-off' the positions between participants. The terms on which these transactions be carried may often be agreed in the terms of engagement between the Stabilisation Manager and his Stabilisation Agents. The DFSA may when inspecting records kept relating to stabilisation seek the rationale for any of these transactions and the price at which they were conducted.

5.2.3 The Stabilisation Manager must keep the register in the English language and keep it in a location that would allow for it, or a certified copy, to be available within a reasonable time to any person permitted by these Rules to inspect it.

Guidance

Reasonable time generally means no more than three business days from the time of request.

5.2.4 The following persons are permitted to inspect the register upon written request:

- (1) the DFSA;
- (2) the Authorised Market Institution upon which the relevant Securities are traded; and
- (3) any other person that the DFSA considers appropriate.

5.2.5 During the Stabilisation Window and within three months from the end, the Stabilisation Manager must, on any business day, permit the Issuer of the Eligible Securities to which this chapter applies to inspect that part of the register kept in accordance with Rule 5.2.2(e).

5.2.6 The Stabilisation Manager must keep the register for a period of six years from the end of the Stabilisation Window.

6 DUAL-LISTINGS AND PRICE STABILISATION ACTIVITIES

6.1 Application

- 6.1.1** (1) This chapter applies to a Person who carries out Price Stabilisation of dual-listed Eligible Securities.
- (2) For the purposes of (1), “dual-listed Eligible Securities” are Eligible Securities which are listed concurrently on an Authorised Market Institution and on an exchange in a jurisdiction other than the DIFC.

Guidance

“Dual-listed Eligible Securities” in Rule 6.1.1(2) would, in relation to one listed security, include Certificates (e.g. global depository receipts) and Warrants over the other listed security.

6.2 Price Stabilisation in the DIFC

- 6.2.1** (1) Subject to (2), a Person who conducts Price Stabilisation of dual-listed Eligible Securities in the DIFC must comply with PRS.
- (2) A Person who conducts Price Stabilisation in the DIFC of dual-listed Eligible Securities may, where the non-DIFC jurisdiction is a Recognised Jurisdiction and where the prior consent of the DFSA has been obtained, conduct such Price Stabilisation in accordance with the law of that Recognised Jurisdiction.
- (3) The DFSA may give its consent to the conduct of a Price Stabilisation referred to in (2) if it is satisfied that the jurisdiction is a Recognised Jurisdiction and that the Price Stabilisation will be carried out in accordance with the law of that Recognised Jurisdiction.
- (4) The DFSA may refuse to give its consent if it is not satisfied as to the matters referred to in (3).
- (5) The DFSA may attach conditions to the consent under this Rule.
- (6) The procedures in Schedule 3 to the Regulatory Law apply to a decision of the DFSA under (4) to refuse to give its consent or under (5) to attach conditions to the consent.
- (7) If the DFSA decides to exercise its power under (4) to refuse to give its consent or under (5) to attach conditions to the consent, the Person may refer the matter to the FMT for review.

Guidance

This Rule allows a Person who is acting as a Stabilisation Manager in respect of a dual-listing of Eligible Securities to rely on this chapter or on the laws of Recognised Jurisdiction to conduct those activities. The Rule is designed to provide Stabilisation Managers with some limited flexibility in respect of their activities in the DIFC, so long as those activities are adequately regulated.

6.3 Price Stabilisation from the DIFC

- 6.3.1** (1) A Person who conducts, from the DIFC, Price Stabilisation of dual-listed Eligible Securities on an exchange outside the DIFC must:
- (a) ensure that such Price Stabilisation is conducted in accordance with the law of that non-DIFC Jurisdiction; and
 - (b) provide the DFSA adequate prior notification of such Price Stabilisation.

Guidance

This Rule allows a Person who is acting as a Stabilisation Manager in respect of a dual-listing of Eligible Securities to rely on the laws of another jurisdiction to conduct those activities outside the DIFC. The Rule is designed to provide Stabilisation Managers with some limited flexibility in respect of their activities.