

Appendix 7

In this appendix underlining indicates new text and striking through indicates deleted text.

Some text is not being amended, but is included for reference.



Code of Market Conduct (CMC)

2 MARKET MANIPULATION AND FRAUD

2-1 INTRODUCTION

1. Article 54 of the Law provides that:

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....

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;*
- (b) creates or is likely to create an artificial price for one or more Investments; or*
- (c) perpetrates a fraud on any person.*

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2-3 PERPETRATING A FRAUD ON A PERSON

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Examples of fraud

3. The following are examples of conduct that, in the DFSA's view, may contravene Article 54(c):
 - (a) a Reporting Entity publishes accounts that have been deliberately falsified by excluding or including transactions. The purpose of publishing the accounts with the false transactions is to give a more positive impression to investors of the financial position of the Reporting Entity;
 - (b) a person operates a Ponzi scheme i.e. a scheme where Investments are offered to investors with a high rate of return and little risk but the Investment does not generate returns from actual profits earned but instead is only able to pay returns to investors by using new investors' funds to pay the earlier investors;
 - (c) a company makes an offer of Investments to a small number of high net worth investors. Information provided to the investors indicates that the funds will be used for a specified purpose related to the business of the company. The officers of the company, however, use the funds raised for their own personal purposes (unrelated to any business of the company); ~~and~~
 - (d) a person is a contributor of information to the administrator of a price benchmark (that is used as a reference for the pricing of Investments). The person reports non-existent transactions, omits to report transactions or reports transactions selectively to the benchmark administrator in order to manipulate the price of the

benchmark and profit from that benchmark price; and

- (e) a company is seeking to raise funds on a Crowdfunding Platform, through the offer of Shares to investors. The company creates false financial statements to give potential investors the impression that it has significant assets and income, to help it to obtain funding.

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3 DISSEMINATION OF FALSE OR MISLEADING INFORMATION

Article 55 of the Markets Law

1. Article 55 of the Law provides that:

A person shall not, in the DIFC or elsewhere....

disseminate information by any means...

which gives, or is likely to give, a false or misleading impression as to one or more Investments...

when such person knows or could reasonably be expected to know that the information is false or misleading.

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Examples of dissemination of false or misleading information

3. The following are examples of conduct that, in the DFSA's view, may contravene Article 55:
- (a) spreading false or misleading information through the media – for example, a person posts information on an internet forum or via social media which contains false or misleading statements about the takeover of a company when the person knows that the information is not true; ~~and~~
 - (b) disclosure of false or misleading information by an Issuer – an Issuer discloses information to the market under its continuous disclosure obligations which gives a false or misleading impression about the true impact of a matter on its Investments (when it knew or could reasonably be expected to know that the information was false or misleading); and
 - (c) an investor on a Crowdfunding Platform has invested in Shares of a company using the platform. He decides to sell the Shares as he is doubtful whether the company will be successful, however, there is no market for the Shares and so he is unable to exit the investment. He posts misleading information on the platform forum suggesting that the company is about to make a significant breakthrough (which will make its Shares highly valuable).