

ScheduleA - Additional Policy Amendments

1.1 Financial Services and Markets Regulations 2015 (FSMR)

Section(s) Affected	Policy Consideration	Proposed Outcome
92	The description of those Financial Instruments for which Market Abuse may occur is currently limited to those admitted to trading in the ADGM. Accordingly, this provision does not contemplate market abuse in Financial Instruments which are solely traded on the OTC market, such as sukuku, debentures or forex instruments.	The relevant wording in Section 92 is to be expanded to clearly reflect that Market Abuse may also occur on any market or trading venue (whether on an exchange or otherwise) both inside <i>and outside</i> the ADGM, whether accessed electronically <i>or otherwise</i> .
Schedule 1, Part 3, Section 99A (new)	FSMR currently lacks a specific definition of a 'structured product' which is referred to throughout MKT. A description of a structured product (which constitutes a Security and thus not a Contract for the Difference, e.g. a derivative) should be included amongst the Securities enumerated amongst Specified Investments listed in Part 3 of Schedule 1 of FSMR	A description of a structured product as a Security which is a Specified Investment has been included in a new Section 99A in FSMR Schedule 1, Part 3. A definition of "Structured Product" has also been included in GLO, which refers to the newly created description contained in Section 258(1) of FSMR.
Schedule 1, Section 89(2)(g)	FSMR currently defines a Sukuk as a Financial Instrument admitted to trading on a Recognised Investment Exchange	Proposed to delete the listing requirement in order for non-listed Sukuk offerings to be made in or from the ADGM.

1.2 Market Infrastructure Rules (MIR)

Section(s) Affected	Policy Consideration	Proposed Outcome
2.2.1	Considerations regarding fitness and propriety for Recognised Bodies does not currently include the relationship of the regulatory department of the Recognised Body to its Governing Body and its commercial arms.	Propose to expand Rule 2.2.1 to include two new considerations (MIR 2.2.1(f) and (g)) when considering granting a Recognition Order: <ul style="list-style-type: none"> (i) The access of the regulatory department to the Governing Body of the Recognised Body; and (ii) The independence of the regulatory department from the commercial and marketing operations of the Recognised Body.
2.4.7	Though similar to the U.K. provisions contained in UK REC, reliance upon non-IFRS accounting standards may be too lenient for the ADGM and internal management accounts may be too lenient and may not be in line with other requirements (see GEN 6.2.2 which requires Authorised Persons	Amend rule to require reliance upon published financial statement prepared in accordance with IFRS and insert guidance note cross referencing requirement contained in GEN 6.2.2.

	to maintain financial accounts in accordance with IFRS). As Applicants (including non-ADGM Recognised Bodies) may be going concerns, published financial statements may exist.	
2.4.8 (new)	Current Rule 2.4.2(b) contemplates that <i>counterparty and market risks</i> will be considered by the FSRA when determining whether the Recognised Body has sufficient financial resources; MIR does not currently address how these risks will be assessed.	Propose to include new Rule 2.4.8 which reflects UK REC and enables the FSRA to have regard to amount and liquidity of financial assets and the nature and scale of exposures to counterparty and market risks, including, where relevant, the identity of the relevant counterparties.
2.4.9 (new)	Current Rule 2.4.2(a) contemplates that <i>operational and other risks</i> will be considered by the FSRA when determining whether the Recognised Body has sufficient financial resources; MIR does not currently address how these risks will be assessed.	Propose to include new Rule 2.4.9 which enables the FSRA to have regard to the sufficiency and liquidity of financial resources enabling the Recognised Body to continue its Regulated Functions and complete an orderly closure or transfer of its Regulated Functions without being prevented by insolvency.
2.5.21 (new)	Current Rule 2.5.1(c) contemplates that the FSRA will assess the ability of a Recognised Body to <i>effect and monitor transaction and settlement arrangements</i> ; while all other obligations in Rule 2.5.1 have additional informational requirements contained within MIR which clarify each specific requirement, no such additional clarification exists for Rule 2.5.1(c). This Rule was originally drafted contemplating that the exchange and clearing functions would be undertaken by one Group, which may not always be the case.	Propose to add new Rule 2.5.21 which describes the FSRA's assessment of (a) arrangements under which orders would be received and matched by the Applicant, (b) if relevant, how instructions would be transmitted by the Applicant to a third party for clearing, and (c) how such arrangements described in (a) and (b) would be monitored and reviewed by the Applicant.
2.5.22 (new)	Current Rule 2.5.1(f) contemplates that the FSRA will assess the ability of a Recognised Body to <i>safeguard and administer assets</i> belonging to users of its facilities. As with the foregoing Rule, no clarifying Rule has been created. This Rule was originally drafted contemplating that the exchange and clearing functions would be undertaken by one Group, which may not always be the case.	Propose to add new Rule 2.5.22 which describes the FSRA's assessment of the Applicant's systems and controls which record and reconcile assets and associated rights, the identity of their respective owners, any instructions relating to such assets and the carrying out of such instructions relating to same.
2.5.23, 2.5.24 (new)	Existing Rules do not impose a requirement that the performance of Regulatory Functions is not adversely affected by commercial interests, specifically, that systems and controls prevent this.	Propose to insert two new Rules (MIR Rules 2.5.23 and 2.5.24) which require reasonable steps, included adoption of systems and controls, including policies and procedures to prevent commercial interests from impairing the performance of Regulatory Functions.
2.8.4 (deleted) 4.5.3	Rule 2.8.4 permits a Recognised Body to refuse access to its facilities on 'legitimate commercial grounds'. The intent of this Rule is to enable non-local users to access central counterparty, clearing or settlement facilities as a local member.	Propose to delete Rule 2.8.4 and to include this requirement to Rule 4.5.3 (which specifically addresses clearing) and require the Recognised Clearing House to make transparent and non-discriminatory rules concerning access.
2.11.2(A) (new)	Amendments to a Recognised Body's guidance to its business rules may have significant implications for users of its facilities (as guidance can have a significant impact on the application of a specific business rule). As	Propose additional Rule (MKT 2.11.2A) which requires a Recognised Body to provide prior notification to the FSRA of any proposed amendment to guidance applicable to its Business Rules.

	currently drafted, amendments to guidance are not subject to prior notification to the FSRA.	
2.13.7 (new)	GEN 7.2.9 enables Authorised Persons to refer Complaints to another Authorised Person or Recognised Body; no corresponding Rule in MIR enables a Recognised Body to make a similar referral.	Propose additional Rule (MIR 2.13.7) which mirrors GEN 7.2.9 by enabling a Recognised Body which receives a Complaint to refer same to another Authorised Person or Recognised Body in the event that responsibility is shared, or is the sole responsibility of such other party.
3.4	As drafted a Recognised Investment Exchange may operate a multilateral trading facility (MTF) but may not operate an Organised Trading Facility.	Propose to include a specific reference to OTF within Rule 3.4.1, clarifying that a RIE may operate an OTF.
3.5.1 3.5.2	As drafted the Rule does not require a continuous feed of pre-transparency data; however, such information will be necessary going forward to monitor the exchange.	Propose to amend Rule 3.5.1 by: (i) Adding requirement to provide continuous feed of data to FSRA; and (ii) Include an obligation to provide continuous data to the public during trading hours.
3.5.7 3.5.8 (new)	It is proposed that relief from the reporting requirement permitted by Rule 3.5.1 be divided into two rules, 3.5.7 which addresses liquid Financial Instruments and 3.5.8 which addresses illiquid Financial Instruments.	The FSRA may provide a waiver from reporting requirements for portfolio trades and volume weighted price transactions involving Shares, depository receipts, ETFs, Certificates and similar types of liquid Financial Instruments pursuant to Rule 3.5.7; the power to waive this requirement for other types of (illiquid) Financial Instruments not listed in Rule 3.5.7 is granted under Rule 3.5.8.
3.8.3 (new)	Current Rule 3.8.1 does not contemplate that a Recognised Investment Exchange may engage a party to clear transactions that is not a Recognised Clearing House or a Remote Clearing House.	Propose to insert new Rule 3.8.3 which enables a Recognised Investment Exchange to engage clearing services outside of the ADGM upon providing written confirmation to the FSRA that the requirements set out in Rule 3.8.1 are satisfied.
3.8.4 (new)	Current Rule 3.8.1 does not contemplate that a Member of a Recognised Investment Exchange may wish to use settlement facilities of their choice for a transaction.	Propose to insert a new Rule 3.8.4 which allows a Recognised Investment Exchange to enact rules enabling a Member to engage a settlement/clearing service of their choice, so long as the exchange has appropriate links and arrangements with such settlement facility and the exchange is satisfied that the use of such facility will not impair the functioning of the ADGM financial markets.
3.9.5 (new)	As the Rules contained in COBS relate to Authorised Persons and not Recognised Bodies, it is proposed to insert a new rule which governs the admission of Financial Instruments by an MTF, when the MTF is operated by a Recognised Investment Exchange.	Propose to insert a new Rule 3.9.5 which applies to Recognised Investment Exchanges which operate a MTF. Such Rule addresses whether adequate forces of supply and demand exist for the Financial Instrument, whether limitations exist upon holding such Financial Instrument and whether adequate information concerning the Financial Instrument is available to determine whether trading should be discontinued.
5.4.1	Current notification requirements imposed upon Recognised Bodies do not	Propose to insert two additional notification requirements (Items

(new items 56 and 57)	include (i) the operation of a new market or the closing of an existing market, or (ii) the operating of a new MTF/OTF or closing of same.	56 and 57) relating to either event, to occur no later than the date upon which such proposal is communicated to Members or shareholders.
6.1.1	Propose to remove the reference to requiring a Recognised Clearing House to cease clearing from this section (which deals with Recognised Investment Exchanges) and place it in a separate section; current reference to 'invoicing back all open contracts' is insufficient.	Substitute new Rule relating to ceasing of clearing services in Rule 6.1.2 (see below)
6.1.2	Current Rule states that a decision under Rule 6.1.1 may be referred to the Regulatory Committee. While the appropriateness of this may depend upon the situation at the time, this ability exists under FSMR and need not be repeated in Rule 6.1.2	Propose to delete current Rule 6.1.2 and insert new Rule enabling FSRA to direct a Recognised Clearing House to cease clearing a Financial Instrument.
6.1.3	As Rule 6.1.3 contains a discussion concerning how direction powers of the FSRA may be exercised in accordance with Part 14 of FSMR rather than an obligation of a Recognised Body, this section can be considered guidance.	Proposed to convert Rule 6.1.3 to Guidance, insert a reference to FSMR Part 14 having application to Recognised Clearing Houses and deleting the reference to the Regulatory Committee.
6.7	While both Part 10 of FSMR and MIR 6.7 contemplate the ability to regulate and direct Controllers of a Recognised Body, no specific Rules exist which compel notification or approval in the case of changes of ownership.	Proposed to incorporate by reference the requirements contained in GEN Rule 8.8.2 which deal with changes of Controllers of Authorised Persons.
6.11	No specific rules exist in MIR which compel a Recognised Body to publish information concerning the ownership (or transfer of ownership) of the Recognised Body. No rule exists which compels the publication of particulars concerning the suspension of a Financial Instrument from trading.	Propose to insert new Rules 6.11.1-6.11.3 relating to the publication of information by a Recognised Body.
7.2.2	Current Rule requires a Remote Clearing House to demonstrate that they have achieved Qualifying CCP status. As such status may be difficult to obtain, it is proposed that Remote Clearing Houses only be required to demonstrate QCCP status where they intend to operate as a central clearing party.	Proposed to amend Rule by limiting its application to Remote Clearing Houses which seek to operate as a CCP. Non-CCP clearing houses seeking a Recognition Order would not be required to fulfil this requirement.
7.2.3	The current Rule concerning contents of an application for Remote Body status do not include financial statements, articles of association or evidence that the requirements for Remote Bodies (as contained in Rule 7.3.2) are met.	Propose to expand the list of information accompanying an application from an Applicant seeking a Recognition Order to become a Remote Body and to include a provision whereby the Applicant may indicate the desired date upon which a Recognition Order would take effect.
7.1.4	The current Rule requires the Applicant to submit materials no later than six months prior to when the Applicant wishes the Recognition Order to take effect. As significant information must be gathered and transmitted to the FSRA in conjunction with any application, the time required to assess	Propose to delete the reference to a six month time limitation; propose to insert a cross reference to the FSRA's ability to request additional information (Rule 2.15.4), rather than making it mandatory to submit all information required by Rule 2.15.4.

	an application will be determined on a negotiated case-by-case basis. Current Rule 7.2.3(e) requires the full set of information in Rule 2.15.4 (which applies to ADGM exchanges/clearing houses) to be submitted.	
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1.3 Market Rules (MKT)

Section(s) Affected	Policy Consideration	Proposed Outcome
4.3.4 (new)	MKT Rules currently contain a distinction between Exempt Offers and full Prospectus Offers. While certain mandatory statements are prescribed for a Prospectus Offer, no exempt offer statement is contained within the MKT Rules.	Propose to include a new Rule 4.3.4 which contains a mandatory Exempt Offer Statement confirming that, although the Exempt Offer has been made in accordance with FSMR and MKT, the FSRA has no responsibility to review or verify the content of any document prepared in connection with an Exempt Offer.
7.3.3	Current Rule compels disclosures in accordance with Section 76 of FSMR when a Connected Person acquires each additional 1% stake in a Reporting Entity. It is proposed that this requirement be divided to require disclosure (a) upon the acquisition of each additional 1% by a person holding 5% or more of the voting securities of the Reporting Entity, and (b) upon any acquisition (regardless of size) by a Director or Controller of a Reporting Entity.	Propose to amend the Rule to differentiate between (a) Connected Persons generally and (b) a Connected Person who is also a Director or Controller, with an exception to the reporting requirement for purchases of less than 1% of voting shares being available only to group (a).
7.3.4 (new)	MKT does not currently contain a rule which contemplates when the requirement to report is triggered if the shares are not yet transferred to the Connected Person.	Propose to add a new Rule 7.3.4 which deems a Connected Person to hold voting Shares in the Reporting Entity when they hold a Financial Instrument which offers the holder either an unconditional right or discretion to acquire a Financial Instrument which entitles the holder to acquire a voting Share in the Reporting Entity.
9.4.4 (new)	The MKT Rules currently prohibit dealing in Securities of a Reporting Entity by a Restricted Person (i.e. a board member or Senior Management) during the Close Period (being the time between the end of the relevant financial year until the publication of annual financial reports). This approach may not reflect international norms.	Propose to add a new Rule 9.4.4 which enables pre-clearance trading in limited circumstances where either a designated Director (or the board of the Reporting Issuer in the case of pre-clearance dealing by the designated Director) has provided prior approval and is satisfied that no matters exist which could constitute dealing on Inside Information, or is otherwise satisfied that the proposed pre-clearance dealing would not be in breach of FSMR or any FSRA Rules.
9.5.3	Currently, MKT 9.5.3 requires a 'Sponsor' to confirm that a Related Party Transaction in excess of 5% of the value of the net assets of the Reporting Entity is fair and reasonable. As a Sponsor is only involved in	Propose to amend existing Rule to delete reference to 'Sponsor' and require FSRA notification (including independent third party confirmation of fair and reasonable terms) as soon as possible after

	the period of time up to listing and no universal requirement for a compliance advisor exists under MKT, the FSRA should be notified and provided with independent confirmation that a Related Party Transaction of such size is fair and reasonable.	entering into a Related Party Transaction with a value in excess of 5% of the value of the net assets of the Reporting Entity. Disclosure to the market in accordance with Rule 7.7.1 will remain compulsory.
10.1.7(2)(b)	Current Rule 10.1.7 does not require half year financial statements to be subject to audit review. Requiring half year financial reports to be audited will make the ADGM MKT Rules more aligned with international standards.	Propose to amend subsection 2(b) of Rule 10.1.7 to require half year financial statements to be audit-reviewed and the associated report to be included within the semi-annual report.
10.1.8(3)(b)	Current Rule 10.1.8 requires a Reporting Entity to issue an additional interim financial report in the event that its accounting reference date changes.	Propose to restrict the application of this requirement to only Reporting Entities which have issued Shares.
10.2.2(3)	Current Rule 10.2.2 requires the auditor of a Public Company to be registered with the FSRA.	Proposed that subsection (3) of the Rule which requires auditor registration to be deleted; the FSRA currently does not currently possess a mechanism to register auditors.
A1.1.1(2.1)(f) A1.1.1(2.4)(c) (new)	Current prospectus requirements do not require the Issuer of a Debenture to provide certain financial overview details, including: (i) Details of the principal markets within which it operates and a breakdown of revenues by category and market for each financial year (A1.1.1 2.1(f)); and (ii) Information on trends which may impact the Issuer's prospects for the next 12 months (A1.1.1 2.4(c)).	Propose to require the Issuer of a retail Debenture (i.e. with single security denomination of less than USD\$ 100,000) to include such information.
A1.1.1(6.1)(a) A2.1.1.2.3 APP 3.2.2	Current MKT Rules require disclosure of the <i>professional qualifications</i> of a Director, partner or member of a Governing Body, which imposes a more onerous standard than currently imposed in other leading jurisdictions, i.e. the E.U. Prospectus Directive.	Propose to remove the requirement to disclose professional qualifications for Directors, Partners or members of a Governing Body at time of listing or appointment.

1.4 Fees Rules (FEES)

Section(s) Affected	Policy Consideration	Proposed Outcome
1.2.7	The current text of Rule 1.2.7 enables fees to be paid in limited circumstances by a Group member, Parent, legal advisor or Person who will be a Controller in circumstances where the Applicant does not yet exist. Current Rules are drafted in the context of firms seeking a FSP, not Issuers or Reporting Entities which may exist prior to the submission of an application, but wish to have their legal advisors remit application fees.	Proposed to amend Rule 1.2.7 to enable legal advisors to remit fees on behalf of their clients.

3.7	Current Rule 3.7 does not represent the proposed distinction between a Recognised Body which is a domestic exchange or clearing house and a Remote exchange or clearing house. The fee (USD\$125,000) sought in connection with an application for either activity remain the same, regardless of where the institution will be located and whether the FSRA is to be its primary regulator, as will the annual fee (USD\$60,000).	Propose the insertion of a new Rule 3.7.3 which levies a fee of USD\$5,000 in relation to a Recognition Order sought by a Remote Body. No annual supervision fee will be sought.
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