

DISTRIBUTED LEDGER TECHNOLOGY FOUNDATIONS REGULATIONS 2023



DRAFT

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DISTRIBUTED LEDGER TECHNOLOGY FOUNDATIONS REGULATIONS 2023

Regulations to make provision for the establishment and registration of foundations that facilitate distributed ledger technology and token issuance in the Abu Dhabi Global Market.

Date of Enactment: **XXXX 2023**

The Board of Directors of the Abu Dhabi Global Market ("**ADGM**"), in exercise of its powers under Article 6(1) of Law No. 4 of 2013 concerning the ADGM issued by His Highness the Ruler of the Emirate of Abu Dhabi, hereby enacts the following Regulations:

PART 1: CITATION, ENTRY INTO FORCE, DEFINITIONS AND INTERPRETATION**1. Citation and Entry into Force**

- (1) These Regulations may be cited as the DLT Foundations Regulations 2023.
- (2) These Regulations shall come into force on the date of publication.

2. Definitions and interpretation

- (1) In these Regulations, unless otherwise defined, the terms used shall have meanings ascribed to them in Schedule 1.
- (2) Any reference to a level of fine shall be interpreted as a reference to the applicable level set forth in the Commercial Licensing Regulations 2015 (Fines) Rules 2020.

PART 2: INTRODUCTION**3. DLT Foundations**

- (1) A DLT Foundation established under these Regulations is a separate Legal Person established to use, deploy, develop, facilitate or support DLT or to issue Tokens ("**DLT Purposes**").
- (2) A General Foundation shall be entitled to apply to the Registrar to become a DLT Foundation subject to any terms and conditions that the Registrar may individually specify. A General Foundation shall become a DLT Foundation on and these Regulations shall apply to it as of the date that the Registrar issues the certificate of registration specifying that it is a DLT Foundation.
- (3) A DLT Foundation shall be entitled to apply to the Registrar to become a General Foundation, subject to any terms and conditions that the Registrar may individually specify. A DLT Foundation shall become a General Foundation on and the Foundation Regulations 2017 shall apply to it as of the date that the Registrar issues the certificate of registration specifying that it is a General Foundation.

PART 3: ESTABLISHMENT AND REGISTRATION*Requirements for establishment and registration***4. Establishing and Registering a DLT Foundation**

- (1) A DLT Foundation is established and registered under these Regulations when:
 - (a) the Registrar receives each of the following (together, the "**Registration Application**"):

- i. a written Charter signed by all of the Founders;
 - ii. the registration fee specified in the Distributed Ledger Technology Foundations Regulations (Fees) Rules 2023;
 - iii. a declaration of compliance signed by the applicant affirming:
 - A. that all requirements of these Regulations relating to registration have been fulfilled;
 - B. that the Charter of the DLT Foundation is compliant with these Regulations; and
 - C. either that no Financial Services Permit is required in relation to the intended activities of the DLT Foundation or that the DLT Foundation shall apply for each relevant Financial Services Permit and shall not engage in any activities for which any Financial Services Permit is required until it is duly received;
 - iv. a hyperlink to the publicly available DLT Framework, if available;
 - v. an application for any license(s) required by the Commercial Licensing Regulations 2015; and
 - vi. information comprising Relevant Disclosure, provided that, notwithstanding anything to the contrary in these Regulations, unless otherwise is expressly mandated by the Registrar, the names of the Beneficiaries (unless they are simultaneously Councillors, Founders, Beneficial Owners or Guardians) shall not be subject to public disclosure; and
- (b) the Registrar issues a certificate of registration.
- (2) At any time after the Registration Application is received and before the Registrar issues a certificate of registration, the Registrar may require the applicant to provide it with such further information as it reasonably considers necessary to enable it to make its determination.
 - (3) All license-related matters, including the determination by the Registrar whether to grant a license to the applicant and, if granted, the period of time during which such license shall be valid, shall be governed by the Commercial Licensing Regulations 2015.
 - (4) If any Financial Services Permit is required for the activities of a DLT Foundation, the DLT Foundation shall not be entitled to conduct any activities for which such Financial Services Permit is required before each such Financial Services Permit is duly obtained. A copy of each Financial Services Permit shall be provided to the Registrar by a DLT Foundation within five business days of issuance.
 - (5) If a DLT Foundation fails to comply with subsection (4), a contravention of these Regulations is committed by the DLT Foundation and:
 - (a) every Councillor;
 - (b) every Founder (that had not resigned at the relevant time); and

(c) every Guardian,

of the DLT Foundation who is in default and the DLT Foundation can be struck off pursuant to Part 15.

- (6) A Person who commits the contravention referred to in subsection (4) is liable to a fine not exceeding level 8.
- (7) For the purposes of subsection (5), a Person is in default unless they show they acted honestly, with Reasonable Skill, Care and Diligence and that in the circumstances in which the activities were carried out, the default was excusable.

5. Objects of a DLT Foundation

- (1) A DLT Foundation may have any objects, provided that they do not contravene this section 5.
- (2) The objects of a DLT Foundation shall be determined in accordance with its Charter, shall include and shall not be inconsistent with the DLT Purposes.
- (3) A DLT Foundation may not be formed for an unlawful purpose and the objects of a DLT Foundation shall not include the carrying on of any activity which is unlawful, contrary to any public policy of the ADGM or the United Arab Emirates or prohibited under Article 17 of the ADGM Founding Law.

6. Names of DLT Foundations

- (1) The name of a DLT Foundation shall end with the words "DLT Foundation".
- (2) The name of a DLT Foundation shall comply with the Business and Company Names Rules 2021, as modified from time to time.

Registration and its effect

7. Registration

- (1) Before registering a DLT Foundation, the Registrar, at its discretion, shall be entitled to request evidence from the applicant that the Charter and, if applicable, DLT Framework is in compliance with these Regulations, including:
 - (a) in respect of the Charter, by a legal opinion issued in favour of the Registrar by a reputable legal counsel acceptable to the Registrar at the expense of the Founders of the DLT Foundation; and/or
 - (b) in respect of the DLT Framework, by a report following the Security Audit issued in favour of the Registrar by a reputable information security company acceptable to the Registrar at the expense of the Founders of the DLT Foundation.
- (2) If the Registrar is satisfied that the requirements of these Regulations as to registration are complied with, the Registrar may accept the documents delivered to it, allocate a registered number to the DLT Foundation and include the DLT Foundation in the DLT Foundations Register.
- (3) If the Registrar is not satisfied that a Charter or, if applicable, the DLT Framework complies with these Regulations, it shall inform the applicant of its decision, together with its reasons:

- (a) within one month of submission of the Charter or, as and if applicable, the DLT Framework; or
 - (b) if the evidence mentioned in subsection (1) was requested, within one month of submission of such evidence.
- (4) With effect from the date of registration stated in the certificate of registration, the DLT Foundation shall be a legal entity having separate legal personality and may sue and be sued.
 - (5) On each anniversary of registration, the Registrar must be paid the annual renewal fee set out in the Distributed Ledger Technology Foundations Regulations (Fees) Rules 2023.
 - (6) Within 30 days of the anniversary of the DLT Foundation's registration, the DLT Foundation shall submit its Annual Return to the Registrar.

8. Statement of Initial Beneficial Ownership and Control

- (1) An application to register the DLT Foundation pursuant to these Regulations must contain a statement of initial beneficial ownership and control, stating who will be considered a Beneficial Owner of the DLT Foundation on registration.
- (2) The statement required to be delivered to the Registrar must contain the required particulars and be updated as prescribed in the Beneficial Ownership and Control Regulations 2018.

9. Certificate of Registration

- (1) On the registration of a DLT Foundation, the Registrar shall give a certificate that the DLT Foundation is duly registered.
- (2) The certificate of registration must state:
 - (a) that the DLT Foundation is registered as a DLT Foundation;
 - (b) the name and registered number of the DLT Foundation;
 - (c) the date of its registration;
 - (d) the address of its registered office in the ADGM and, if different, the name and address (in the ADGM) of its Company Service Provider, if any;
 - (e) the date of the Charter; and
 - (f) if available, the hyperlink to the publicly available DLT Framework.
- (3) Subsections 12(3) and 12(4) of the Companies Regulations 2020 shall apply *mutatis mutandis* to certificates of registration for DLT Foundations.
- (4) The certificate of registration shall be in electronic form only.
- (5) Any Person may request that the Registrar provide it with a copy of any certificate of registration, and a copy of the Charter.

- (6) The Board may make rules requiring the payment of certain fees to the Registrar for the provision of the copy as described in subsection (5).

10. Registered office

- (1) A DLT Foundation must at all times have a registered office in the ADGM to which all communications and notices may be addressed and which may be the same address as that of its Company Service Provider.
- (2) A DLT Foundation may change the address of its registered office by giving notice to the Registrar. The change takes effect upon the notice being registered by the Registrar, but until the end of the period of 14 days beginning with the date on which it is registered, a Person may validly serve any document on the DLT Foundation at the address previously registered.

Company Service Provider

11. Non-Exempt DLT Foundations to have a Company Service Provider

- (1) Subject to subsection (2), a DLT Foundation must at all times have a Company Service Provider, licensed pursuant to the Commercial Licensing Regulations 2015 to carry out the controlled activity of providing company services, as defined in Rule 7 of the Commercial Licensing Regulations 2015 (Controlled Activities) Rules 2022.
- (2) Notwithstanding subsection (1), a DLT Foundation that has demonstrated to the satisfaction of the Registrar to have:
- (a) substantial resources, experience and personnel in the United Arab Emirates; and
 - (b) adequate governance policies and procedures, in each case as may be specified by rules made by the Board or guidance issued by the Registrar,
- need not have a Company Service Provider.
- (3) Notice of a Person having become a Company Service Provider of the Non-Exempt DLT Foundation must be accompanied by that Person's consent in the prescribed form to act in that capacity.
- (4) Prior to the registration of a DLT Foundation, the Founder or Founders may appoint a Company Service Provider by including the name and address (in the ADGM) of such Person in the Charter forming part of the DLT Foundation's Registration Application.
- (5) A DLT Foundation may appoint and remove from office a Company Service Provider by Resolution of Councillors.
- (6) If a Non-Exempt DLT Foundation fails to comply with subsection (1), a contravention of these Regulations is committed by:
- (a) the Non-Exempt DLT Foundation; and
 - (b) every Councillor.
- (7) A Person who commits the contravention referred to in subsection (6) is liable to a fine not exceeding level 7.

- (8) A Non-Exempt DLT Foundation must, within the period of 14 days from a Person becoming or ceasing to be a Company Service Provider of the Non-Exempt DLT Foundation ("filing deadline"), give notice to the Registrar of the change and of the date on which it occurred, in a form that complies with the requirements of this section 11.
- (9) Where a Non-Exempt DLT Foundation defaults in complying with subsection (6) by the filing deadline, the Non-Exempt DLT Foundation must pay a late filing fee up to the maximum amount prescribed in rules made by the Board.

12. Obligations of Company Service Provider and Non-Exempt DLT Foundation

- (1) The Company Service Provider of a Non-Exempt DLT Foundation shall maintain the records that the Non-Exempt DLT Foundation is required to maintain under or in accordance with any enactment or subordinate legislation applicable to the Non-Exempt DLT Foundation, including
 - (a) these Regulations;
 - (b) the Commercial Licensing Regulations 2015 (Conditions of Licence and Branch Registration) Rules 2023 and any licence granted thereunder; and
 - (c) the Beneficial Ownership and Control Regulations 2018.
- (2) The Company Service Provider of a Non-Exempt DLT Foundation:
 - (a) must act as a Registered Office Provider to that Foundation;
 - (b) is authorised to represent the Non-Exempt DLT Foundation in its dealings with the Registrar; and
 - (c) shall give all notices and make all filings that the Non-Exempt DLT Foundation is obliged to make to the Registrar under any enactment or subordinate legislation applicable to it, including:
 - i. these Regulations;
 - ii. the Commercial Licensing Regulations 2015 (Conditions of Licence and Branch Registration) Rules 2023 and any licence granted thereunder; and
 - iii. the Beneficial Ownership and Control Regulations 2018.
- (3) A Non-Exempt DLT Foundation must make available to its Company Service Provider such documents and information as is required to enable the Company Service Provider to comply with its obligations under this section 12.
- (4) If a default is made in complying with subsection (3), a contravention of these Regulations is committed by:
 - (a) the DLT Foundation; and
 - (b) every Councillor who is in default.
- (5) A Person who commits the contravention referred to in subsection (4) is liable to a fine not exceeding level 6.

13. Service of Documents on DLT Foundations

A document may be served on a DLT Foundation registered under these Regulations by leaving it at, or sending it by post or courier to, the DLT Foundation's registered office, or the office of its Company Service Provider appointed in accordance with these Regulations.

The Registrar

14. Powers of the Registrar

- (1) The Registrar shall administer these Regulations and perform the functions and exercise the powers conferred by or under these Regulations, the Companies Regulations 2020 and the Commercial Licensing Regulations 2015.
- (2) The Registrar has the authority to approve such forms as it considers necessary for the purpose of these Regulations and may issue such guidelines or directions as are required for the proper administration of these Regulations.
- (3) The Registrar shall utilise the official seal referenced in section 937 (The Registrar's official seal) of the Companies Regulations 2020 in authenticating or issuing official documents in connection with the registration of DLT Foundations under these Regulations.
- (4) The Registrar may give directions to the DLT Foundation requiring it–
 - (a) to produce such documents (or documents of such description) as may be specified in the directions; and
 - (b) to provide such information (or information of such description) as may be so specified, at such time and place as may be specified in the directions.
- (5) The production of a document in pursuance of subsection (4) does not affect any lien which a Person has on the document.
- (6) The Registrar may take copies of or extracts from a document produced in pursuance of this section 14.
- (7) The power under this section 14 to require production of a document includes power, in the case of a document not in hard copy form, to require the production of a copy of the document–
 - (a) in hard copy form; or
 - (b) in a form from which a hard copy can be readily obtained.
- (8) Any Person who is in default and fails to comply with any requirement imposed in accordance with this section 14 commits a contravention of these Regulations and shall be liable to a fine of up to level 8.
- (9) For the purposes of subsection (6)(8), a Person is in default unless such Person shows that such Person acted honestly, with Reasonable Skill, Care and Diligence and that in the circumstances in which the activities were carried out, the default was excusable.
- (10) In this section “document” includes information recorded in any form.

- (11) The Registrar may disclose any material held where such disclosure is:
- (a) permitted or required to be made under the laws, regulations or rules of the ADGM;
 - (b) made to:
 - i. the Financial Services Regulator (and the Registrar is permitted to communicate and consult with the Financial Services Regulator on any matters pertaining to any Foundation);
 - ii. a governmental or regulatory authority exercising powers and performing functions relating to taxation or anti-money laundering;
 - iii. a self-regulatory body or organisation exercising and performing powers and functions in relation to financial services;
 - iv. a civil or criminal law enforcement agency; or
 - v. 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, for the purpose of assisting the performance by any such Person of its regulatory functions; or
 - (c) is made in good faith for the purposes of performance and exercise of the functions and powers of the Registrar.
- (12) The Registrar shall maintain a public DLT Foundations Register established under these Regulations which will contain the following information in respect of each DLT Foundation:
- (a) name and registration number;
 - (b) name and address (in the ADGM) of its Company Service Provider, if any;
 - (c) name of each Councillor;
 - (d) date of establishment under these Regulations and date of expiry of registration;
 - (e) the scope of activities under the commercial license;
 - (f) a copy of the Charter;
 - (g) if the DLT Foundation has any Financial Services Permits, the scope and date of expiry of each Financial Services Permit;
 - (h) any information included in the Relevant Disclosure, provided that, notwithstanding anything to the contrary in these Regulations, unless otherwise is expressly mandated by the Registrar, the names of the Beneficiaries (unless they are simultaneously Councillors, Founders, Beneficial Owners or Guardians) shall not be subject to public disclosure;
 - (i) name of the DLT Foundation's auditor; and
 - (j) copies of any Annual Accounts and Auditor's Reports filed with the Registrar.

- (13) The DLT Foundations Register shall be in such form as the Registrar may determine.
- (14) For the avoidance of doubt, section 939 (Public notice of issue of certificate of registration) and section 952 (Documents subject to enhanced disclosure requirements) of Companies Regulations 2020 do not apply in respect of DLT Foundations.

15. Fees payable to the Registrar

- (a) The Board may make rules requiring the payment to the Registrar of fees in respect of:
 - (i) the performance of any of the Registrar's functions; or
 - (ii) provision by the Registrar of services or facilities for purposes incidental to, or otherwise connected with, the performance of any of the Registrar's functions.
- (b) The matters for which fees may be charged include:
 - (i) the performance of a duty imposed on the Registrar or the Board;
 - (ii) the receipt of documents delivered to the Registrar; and
 - (iii) the inspection, or provision of copies, of documents kept by the Registrar.
- (c) The rules may:
 - (i) provide for the amount of the fees to be fixed by or determined under the rules;
 - (ii) provide for different fees to be payable in respect of the same matter in different circumstances;
 - (iii) specify the Person by whom any fee payable under the rules is to be paid; and
 - (iv) specify when and how fees are to be paid.
- (d) Fees received by the Registrar are to be paid into such account as the Registrar may direct, from time to time.

16. Fines

- (1) If all or any of the amount of a fine payable under these Regulations is outstanding 30 days after notice of that fine has been issued, the Registrar may recover that amount as a debt due to it.
- (2) This section 16 is subject to any direction of the Court.

17. Fines for late filings

- (1) Where a Person commits a contravention of any relevant filing section of these Regulations, a contravention of these Regulations is committed by:
 - (a) the DLT Foundation; and
 - (b) every Councillor,
 and the Registrar may impose a fine of up to level 4.

- (2) For the purpose of this section 17, “relevant filing section” means any provision under these Regulations where:
- (a) a filing must be sent to the Registrar by the filing deadline stated in the relevant section; and
 - (b) a delay in meeting the filing deadline attracts a late filing fee.

Court

18. Powers of the Court

Any Person with appropriate standing may apply to the Court to protect or enforce rights provided to them in these Regulations. The jurisdiction of the Court and the scope of its authority to issue enforceable writs, orders, judgements and process are as set forth in the ADGM Courts, Civil Evidence, Judgments, Enforcement and Judicial Appointments Regulations 2015.

PART 4: DLT FOUNDATION ASSETS

Assets

19. Minimum Initial Asset Value

- (1) In order to be registered by the Registrar, the Charter must require the DLT Foundation to have Initial Assets with the Minimum Initial Asset Value or its equivalent in any other currency.
- (2) The Minimum Initial Asset Value of a DLT Foundation must be paid within up to six months following the receipt by it of the registration certificate under section 9.

20. Undertakings to Endow a DLT Foundation

Where a Charter or other legal documents record an undertaking by a Founder or any other Person to endow Assets to a DLT Foundation, the DLT Foundation may enforce that undertaking against the Founder or such other Person.

21. Assets of a DLT Foundation

- (1) The Assets of a DLT Foundation may comprise any property.
- (2) Subsection (1) is to be read in accordance with sections 104, 105 and 106 of these Regulations.

22. Management of Foundation Assets

- (1) The Assets of a DLT Foundation must be managed in accordance with the Charter and the provisions of these Regulations and solely for the attainment of the objects specified in the Charter and authorised by these Regulations.

PART 5: OBLIGATIONS

Compliance Obligations

23. Relevant Obligations

- (1) Each DLT Foundation shall comply with the requirements prescribed under these Regulations and with the applicable requirements, rules and regulations of the ADGM, including any applicable requirements, rules and regulations of the Financial Services Regulator and rules and regulations pertaining to data protection.
- (2) Each DLT Foundation shall ensure compliance with all applicable laws, requirements, rules and regulations, including, without limitation, any requirements set forth by the United Arab Emirates, the Emirate of Abu Dhabi (to the extent applicable to the relevant activities in the ADGM) and ADGM with respect to anti-money laundering, anti-bribery, sanctions and export controls (including, where applicable, in the area of virtual assets), consumer protection, data protection, data security and prevention of cyber-crime.
- (3) With respect to moderation and monitoring of content and marketing of a DLT Foundation:
 - (a) each DLT Foundation shall ensure compliance with all applicable laws, requirements, rules and regulations, including, without limitation, any requirements set forth by the United Arab Emirates, the Emirate of Abu Dhabi (to the extent applicable to the relevant activities in the ADGM) and ADGM (including that any advertisement shall be truthful and not misleading and shall comply with any content-related requirements set forth by the United Arab Emirates, the Emirate of Abu Dhabi and ADGM); and
 - (b) the Registrar may issue, by notice in writing to the DLT Foundation, a temporary prohibition order on any marketing, provided that the Registrar may only exercise the power in this subsection (3)(b) where, in the reasonable discretion of the Registrar, public policy grounds exist.
- (4) Each DLT Foundation shall apply appropriate organisational, technical and security measures to protect the integrity and security of its DLT and DLT Framework and otherwise comply with applicable United Arab Emirates, the Emirate of Abu Dhabi and ADGM laws and rules imposing requirements in respect of data protection and data security. Where required by applicable law or its Charter, each DLT Foundation shall conduct audits, including periodic and Security Audits, of the DLT and DLT Framework and its data protection and security systems.
- (5) The requirements listed in this section 23 shall be referred to as “**Relevant Obligations**”.

PART 6: DLT FOUNDATION DOCUMENTS

DLT Foundation Charter

24. DLT Foundation Charter

- (1) A DLT Foundation shall have a Charter that complies with the provisions of these Regulations. Any provisions, duties, powers, functions and rights set forth in a Charter shall not replace or limit the processes, restrictions, oversight or other terms set forth in these Regulations.
- (2) The Charter must contain the following information:

- (a) the name of the DLT Foundation;
- (b) the name of the Founder or each of the Founders;
- (c) the objects of the DLT Foundation, which may be limited to specific actions or purposes;
- (d) if the DLT Foundation has been established for a specific purpose, the purpose for which the DLT Foundation has been established;
- (e) a description of the Initial Assets;
- (f) provisions for the establishment of a Council and list and description of each body within the Organisational and Governance Structure and its members;
- (g) provisions governing the appointment and removal of members of each body within the Organisational and Governance Structure and liquidator, including whether and in which circumstances the Guardian will be appointed;
- (h) duties, powers, functions and rights of each body within the Organisational and Governance Structure and its members, including:
 - i. provisions on reservation of rights or powers of the DLT Foundation Council (the **"Reserved Matters"**);
 - ii. provisions on rights and powers of other bodies within the Organisational and Governance Structure, including Tokenholders or certain categories of Tokenholders, in respect of taking certain decisions or steps (the **"Delegated Matters"**), including triggers for those rights and powers;
 - iii. the Delegated Matters shall not include exercise of Veto Rights;
 - iv. in each case, unless otherwise is expressly provided for by the Charter, if Tokens are issued:
 - A. the Delegated Matters shall include the **"Qualified Matters"**, which means (i) change of name of the DLT Foundation; (ii) change of Charter and DLT Framework of the DLT Foundation; (iii) change of objects and purpose of the DLT Foundation; (iv) change of jurisdiction of the DLT Foundation; and (v) other matters identified as Qualified Matters in the Charter; and
 - B. all categories of Tokenholders having any voting rights in respect of any matters shall have voting rights in respect of Qualified Matters; and
 - C. a decision on the Qualified Matters will require the Qualified Resolution of Tokenholders; and
 - v. the Delegated Matters may include the **"Ordinary Matters"**, which means (i) appointment and removal of members of anybody within the Organisational and Governance Structure; (ii) issuance of Tokens; and (iii) other matters identified as "Ordinary Matters" in the Charter;
- (i) description of the manner in which decisions of each body within the Organisational and Governance Structure are to be made, including:

- i. the required quorum which by default shall require:
 - A. the majority of all Persons within the relevant body entitled to vote; or
 - B. in respect of the DLT Foundation Council, all Councillors; and
- ii. number or percentage of votes for taking decisions, which by default shall include taking decisions on:
 - A. subject to the provisions of subsection (2)(h) above, the Qualified Matters shall require Qualified Resolution of Body within the Organisational and Governance Structure; or
 - B. the Ordinary Matters shall require Resolution of Body within the Organisational and Governance Structure;
- (j) if any, the requirements in respect of resignation of the Founder ("**Founder Resignation**") and circumstances in which any Founder:
 - i. shall be required to step down; or
 - ii. shall be entitled to voluntarily step-down;
- (k) provisions detailing the categories of Persons identified as Beneficiaries and Tokenholders, confirmation as to whether there will be Beneficiaries and whether Tokenholders shall be treated as Beneficiaries;
- (l) provisions concerning the appointing, adding and removing of Beneficiaries, if applicable;
- (m) frequency of and procedures regarding Security Audits;
- (n) provisions for the appointment, term of office and removal of an auditor in respect of Accounting Records;
- (o) if the DLT Foundation intends to issue Tokens:
 - i. the scope of Delegated Matters on which the Tokenholders or certain categories of Tokenholders will have voting rights and circumstances in which such voting rights arise in respect of each category of Tokenholders, with regard to the provisions of subsection (2)(h) above;
 - ii. provisions regarding the procedure for taking decision on the categories and issuance of Tokens;
 - iii. provisions on the issue and transfer of Tokens, including information about the operation of relevant smart contracts, vesting schedules and overall token supply over time;
 - iv. provisions, if applicable, on pre-emption and buy-back rights (and circumstances in which those will apply); and
 - v. any restrictions on transferability or technological lock-ups;

- (p) types of Tokens that the DLT Foundation can issue or limitations on types of Tokens that the DLT Foundation can issue;
 - (q) purposes and intended use of Tokens;
 - (r) if available, a hyperlink to the DLT Framework of the DLT Foundation or provisions in respect of its set-up and operation, including whether it is operated as a single-chain or multi-chain structure;
 - (s) conditions for the amendment of the DLT Framework;
 - (t) provisions for identifying any Remaining Beneficiaries upon dissolution of the DLT Foundation;
 - (u) provisions on whether profits or Foundation Assets will be distributed and, if so, provisions on distribution of profits or Foundation Assets, including circumstances triggering mandatory distribution;
 - (v) the circumstances in which Councillors, Relevant Persons and the DLT Foundation can be liable to Beneficiaries and Tokenholders, which shall include the circumstances outlined in subsection 27(5) (the “**Relevant Circumstances**”);
 - (w) the address of the registered office of the DLT Foundation (or its Company Service Provider) in the ADGM;
 - (x) the term for which the DLT Foundation is established, if any, or the details of any contingent event which will trigger the dissolution of the DLT Foundation; and
 - (y) subject to the provisions of the ADGM Insolvency Regulations 2022, consequences in respect of distribution of Assets of the DLT Foundation, including insolvency. By default, Beneficiaries (including Tokenholders who are Beneficiaries) are deemed to have the right to obtain Assets in proportion to, as applicable, the percentage of Assets they are entitled to or the number of Tokens they own, and be treated and rank as “members” for the purposes of section 225 (Distribution of Company’s property) of the ADGM Insolvency Regulations 2022 (and Tokenholders who are not Beneficiaries shall have no monetary claims in respect of the Assets).
- (3) The Charter shall not contain the provisions prohibited by these Regulations.

Facility to Amend Charter and Relevant Disclosure

25. Amendment of Charter, DLT Framework or Revision of Relevant Disclosure

- (1) Any amendment to the Charter shall be approved by the DLT Foundation Council. The Council shall only approve the proposed amendment to the Charter by a Resolution of Councillors if the amendment of the Charter is in their opinion necessary for the furtherance of the objects of the DLT Foundation and complies with any Relevant Obligations. A Resolution of Councillors approving an amendment to the Charter must be confirmed by:
 - (a) until the Founder Resignation, the decision of the Founder (or, if multiple, all Founders, unless the Charter provides otherwise); and

- (b) if applicable pursuant to subsection (2)(h) of section 24, the Qualified Resolution of Tokenholders or, as applicable, Resolution of Tokenholders.
- (2) Any changes to the information contained in a Relevant Disclosure by the DLT Foundation shall be in accordance with these Regulations.
- (3) The initial DLT Framework shall be approved by the Council by a Resolution of Councillors. The Council may, taking into account the interests of Beneficiaries and Tokenholders, if any, approve an update to the DLT Framework by a Resolution of Councillors if such update is necessary for the furtherance of the objects of the DLT Foundation and has been confirmed by the Security Audit. Such Resolution of Councillors approving an amendment to the DLT Framework must be confirmed by:
 - (a) until the Founder Resignation, the decision of the Founder (or, if multiple, all Founders, unless the Charter provides otherwise); and
 - (b) if Tokens are issued and such Tokens confer upon Tokenholders any voting rights on the relevant Delegated Matters, the Qualified Resolution of Tokenholders, unless the Charter provides otherwise, in which case an application must be made by the DLT Foundation Council to the relevant Persons requesting the confirmation of the amendment to the DLT Framework; the relevant Persons may confirm or reject the amendment.
- (4) Where the DLT Foundation amends its Charter, issues or updates DLT Framework or changes other information contained in its Relevant Disclosure, it must send to the Registrar a copy of the updated document not later than 14 days after the amendment takes effect or the information changes, as applicable ("filing deadline").
- (5) Where a DLT Foundation defaults in complying with subsection (4) by the filing deadline, the DLT Foundation must pay a late filing fee up to the maximum amount prescribed in rules made by the Board.
- (6) If the DLT Foundation fails to comply with this subsection, a contravention of these Regulations is committed by the DLT Foundation and every Councillor of the DLT Foundation.
- (7) A Councillor who commits the contravention referred to in subsection (6) is liable for a level 4 fine.

By-laws

26. By-laws of the DLT Foundation

No DLT Foundation shall have by-laws.

PART 7: GOVERNANCE AND COUNCIL

Key Principles

27. Key Principles

- (1) The management bodies of the DLT Foundation shall be listed in the Charter (the "**Organisational and Governance Structure**"). The Organisational and Governance Structure shall include the DLT Foundation Council and, if the DLT Foundation is issuing Tokens, the category of Tokenholders exercising their rights by Voting of Tokenholders. The Organisational and Governance Structure may include its Founders, Guardian and Beneficiaries (if any).

- (2) DLT Foundations issuing Tokens shall set forth in the Charter which decisions relating to the DLT Foundation and its activities, other than decisions as to the Reserved Matters, shall be Delegated Matters for the Tokenholders and the categories of Tokenholders which will have voting rights and, if applicable, circumstances in which such voting rights arise for each category of Tokenholders.
- (3) The Founders, Foundation Council and all other bodies within the Organisational and Governance Structure shall be obliged to comply with each Resolution of any body within the Organisational and Governance Structure taken in compliance with the requirements of the Charter (including the requirements as to the quorum, method of vote and required majority) on the matters on which such body within the Organisational and Governance Structure is allowed to decide upon, subject to such matters and decisions not being unlawful.
- (4) Irrespective of any provisions of the Charter, the following requirements shall apply to DLT Foundation Council and Councillors:
- (a) the DLT Foundation Council shall ensure that the DLT Foundation complies with the Relevant Obligations, including these Regulations;
 - (b) the DLT Foundation Council shall ensure that the DLT Foundation acts in accordance with the Charter, in particular that any Delegated Matters are reserved for the body within the Organisational and Governance Structure to which they are delegated subject to the following:
 - i. the DLT Foundation Council shall be entitled to (and each Councillor shall) block (impose a veto) on any decision of any other body within the Organisational and Governance Structure, including a decision on the Delegated Matters, if such decision, in its view:
 - A. violates the Relevant Obligations, public order or morality or the Charter; or
 - B. could lead to a detrimental result caused by an attack on the DLT Framework,
 (the “**Veto Rights**”);
 - ii. the scope of the Veto Rights set forth herein cannot be narrowed down in the Charter;
 - iii. any decision or resolution on a Delegated Matter shall be subject to confirmation by the DLT Foundation Council;
 - iv. each Councillor shall be accountable for compliance with this subsection (4) and exercising Veto Rights in accordance with this subsection (4);
 - v. any breach by a Councillor of this subsection (4) shall result in a fine of up to level 8, unless that Councillor is able to prove he is not in default and for these purposes a Person is in default unless such Person shows that such Person acted honestly, with Reasonable Skill, Care and Diligence and that in the circumstances in which the activities were carried out, the default was excusable;
 - vi. subsection (5) shall apply in the circumstances set forth below; and

- vii. neither the Charter, nor any other arrangements may relieve any Councillor of liability for a breach of duty arising from such Councillor's own fraud, wilful misconduct or gross negligence or grant to the Councillor any indemnity against the DLT Foundation Assets in respect of any such liability.

(5) Without prejudice to the foregoing, irrespective of any provisions of the Charter, the following requirements shall apply:

(a) if any other Person (the "**Relevant Person**"):

- i. can be, jointly or together with other Persons acting in concert, treated as the Beneficial Owner;
- ii. exercises the majority of actual or shadow voting rights in respect of certain Delegated Matters; and
- iii. exercises any of its rights in respect of the DLT Foundation in a way which breaches Relevant Obligations or Charter,

such Relevant Person may be held accountable for breaches of the Relevant Obligations or Charter resulting from such exercise of rights and be liable for any loss in value of the DLT Foundation Assets resulting from the breach;

- (b) any breach by a Councillor or a Relevant Person of this subsection (5) shall result in a fine of up to level 8, unless that Councillor or that Relevant Person is able to prove he is not in default and for these purposes a Person is in default unless such Person shows that such Person acted honestly, with Reasonable Skill, Care and Diligence and that in the circumstances in which the activities were carried out, the default was excusable; and
- (c) neither the Charter, nor any other arrangements may relieve any Relevant Person of liability for a breach of duty arising from such Relevant Person's own fraud, wilful misconduct or gross negligence; or grant to the Relevant Person any indemnity against the DLT Foundation Assets in respect of any such liability.

Reserved Matters and Founder Reserved Matters

28. Reserved Matters and Founder Reserved Matters

(1) The Charter may reserve for the Founder (until Founder Resignation only), the following powers:

- (a) the power to amend, revoke or vary the terms of the Charter;
- (b) the power to change the objects of the DLT Foundation;
- (c) the power to dissolve the DLT Foundation;
- (d) the power to appoint and remove any body within the Organisational and Governance Structure or any members of a body within the Organisational and Governance Structure (other than the Voting of Tokenholders); and
- (e) the power to effect the continuation of an Overseas Person with the ADGM.

- (2) The Charter shall reserve the Veto Rights for the DLT Foundation Council. The DLT Foundation Council shall be entitled to exercise its Veto Rights in respect of any power reserved to the Founder pursuant to subsection (1).
- (3) For a DLT Foundation which has issued Tokens and such Tokens confer upon Tokenholders any voting rights on the relevant Delegated Matters, any exercise by the Founder of the powers reserved pursuant to subsection (1) on a matter which is a Qualified Matter shall only be effective, if confirmed by a Qualified Resolution of Tokenholders.

Foundation Council

29. Foundation Council

- (1) Each DLT Foundation is required to have a Council which consists of at least two Councillors.
- (2) The Founder (both before and after Founder Resignation), a Beneficiary, a Tokenholder or a Legal Person may be appointed as a Councillor.
- (3) The duties of the Council are:
 - (a) to carry out the objects of the DLT Foundation;
 - (b) to manage and administer the Assets of the DLT Foundation;
 - (c) to ensure compliance of and by the DLT Foundation, its Organisational and Governance Structure and each of its bodies and their members with the Charter and Relevant Obligations; and
 - (d) to do any other acts which may be required by the Charter or under these Regulations.
- (4) The duties of the Councillors are:
 - (a) to act in accordance with the DLT Foundation's Charter;
 - (b) to only exercise powers for the purposes for which they are conferred;
 - (c) to act honestly, in good faith and in the best interests of the DLT Foundation with regard to the interests of Beneficiaries and Tokenholders, if any;
 - (d) to Exercise Independent Judgment;
 - (e) to exercise Reasonable Care, Skill and Diligence;
 - (f) to not act on behalf of the DLT Foundation, or exercise any of his powers as a Councillor, in relation to any matter in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the DLT Foundation:
 - i. this applies in particular to the exploitation of any property, information or opportunity (and it is immaterial whether the DLT Foundation could take advantage of the property, information or opportunity);
 - ii. this duty does not apply to a conflict of interest arising in relation to a transaction or arrangement with the DLT Foundation;

- iii. this duty is not infringed if the situation cannot reasonably be regarded as likely to give rise to a conflict of interest, or if the matter has been authorised by the Councillors who do not have a direct or indirect interest that conflicts with the interests of the DLT Foundation in such matter ("**Non-conflicted Councillors**");
 - iv. where nothing in the DLT Foundation's Charter invalidates such authorisation, authorisation may be given by the matter being proposed to and authorised by the Non-conflicted Councillors. Where the DLT Foundation's Charter includes a provision enabling the Non-conflicted Councillors to authorise the matter, authorisation may be given by the matter being proposed to and authorised by the Non-conflicted Councillors in accordance with the Charter; and
 - v. any reference in this subsection (4)(f) to a conflict of interest includes a conflict of interest and duty and a conflict of duties;
- (g) to not accept a benefit from a third party conferred by reason of his being a Councillor, or his doing (or not doing) anything as a Councillor:
 - i. benefits received by a Councillor from a Person by whom his services (as a Councillor or otherwise) are provided to the DLT Foundation are not regarded as conferred by a third party;
 - ii. this duty is not infringed if the acceptance of the benefit cannot reasonably be regarded as likely to give rise to a conflict of interest; and
 - iii. any reference in this subsection (4)(g) to a conflict of interest includes a conflict of interest and duty and a conflict of duties;

and a "third party" means a Person other than the DLT Foundation including a Person acting on behalf of the DLT Foundation;
- (h) to declare, in a meeting of the Councillors, to the other Councillors the nature and extent of any direct or indirect interest in a proposed transaction or arrangement with the DLT Foundation:
 - i. if a declaration of interest under this subsection (4)(h) proves to be, or becomes, inaccurate or incomplete, a further declaration must be made;
 - ii. any declaration required by this subsection (4)(h) must be made before the DLT Foundation enters into the transaction or arrangement; and
 - iii. a Councillor need not declare an interest if it cannot reasonably be regarded as likely to give rise to a conflict of interest, if the other Councillors ought to reasonably be aware of it, or if it concerns terms of his service contract that have been or are to be considered by a meeting of the Councillors, or by a committee of the Councillors appointed for the purpose under the DLT Foundation's Charter; and
- (i) to ensure compliance with subsection (1).

30. Appointment of Councillors

- (1) Prior to registration of the DLT Foundation, a Councillor shall be appointed by the Founder or Founders. Following registration, a Councillor shall be appointed in accordance with the relevant provisions of the Charter, or, in the absence of any express provisions in the Charter, in accordance with subsection (3).
- (2) In circumstances where the number of Councillors falls below the number required in subsection Chapter IPart 729(1) or required in the Charter, the necessary additional Councillors shall be appointed as soon as practicable as provided for in the Charter, or, in the absence of any express provisions in the Charter, in accordance with subsection (3).
- (3) Where the Charter of the DLT Foundation contains no provision for the appointment of a new or additional Councillor, or such provision has lapsed or failed, or the Person or Persons required to exercise such power fail to do so for whatever reason, the Registrar, Founder, Guardian and (unless otherwise is provided for in the Charter) Beneficiary or Tokenholder (by Resolution of Tokenholders) may make an application to the Court for the appointment of one or more Councillors in order that the DLT Foundation complies with the requirements of the Charter or these Regulations.
- (4) The appointment of a Person as a Councillor is personal to that Person and may not be assigned or delegated, except that a Councillor that is a Legal Person may act through its authorised officers or agents.
- (5) Every Person appointed, or to be appointed, as a Councillor shall be a Fit and Proper Person to hold that position.
- (6) If the number of Councillors is three or more, then a Councillor can be removed by the Resolution of Councillors for failure to properly carry out the duties required of a Councillor in the Charter or the provisions of these Regulations. Moreover, a Councillor, Tokenholders (by Resolution of Tokenholders) or (until Founder Resignation) Founder may apply to the Court to seek the removal of a Councillor for failure to properly carry out the duties required of a Councillor in the Charter or the provisions of these Regulations and the Court may, if it deems fit, order the removal of the Councillor and the appointment of a Fit and Proper Person to act as replacement Councillor.

PART 8: DISQUALIFICATION AND LIABILITY*Disqualification***31. Persons Disqualified from Being Councillors**

No Person shall be appointed or be permitted to remain as a Councillor:

- (a) in the case of a natural person, if the Person is a Minor or mentally incapacitated, is currently disqualified from acting as a director of a company, has an undischarged bankruptcy or has been convicted of a crime;
- (b) in the case of a Legal Person, if the Person is dissolved, in the process of dissolution or undergoing insolvency proceedings.

32. Notice of Appointment of Councillor

- (1) A DLT Foundation must give written notice of the appointment of a Councillor, including the full name and address of the Councillor, to:
 - (a) its Company Service Provider, if any; and
 - (b) the Registrar,
 within 14 days of such appointment ("filing deadline").
- (2) Where a DLT Foundation defaults in complying with subsection (1)(b) by the filing deadline, the DLT Foundation must pay a late filing fee up to the maximum amount prescribed in rules made by the Board.
- (3) If a DLT Foundation fails to comply with subsection (1)(a), a contravention of these Regulations is committed by:
 - (a) the DLT Foundation; and
 - (b) every Councillor of the DLT Foundation.
- (4) A Person that commits the contravention referred to in subsection (3) is liable for a level 1 fine.

*Councillors***33. Liability of Councillors for Breach of Duty**

- (1) Subject to the provisions of these Regulations, and the provision of the Charter, a Councillor who commits a breach of duty is liable for any loss in value of the DLT Foundation Assets resulting from the breach.
- (2) A Councillor is not liable for breach of duty committed by another Councillor unless:
 - (a) he becomes or ought to reasonably be aware of the breach or of the intention to commit a breach; and
 - (b) he actively conceals the breach or intention, or fails within a reasonable time to take proper steps to protect or restore the DLT Foundation Assets or to prevent the breach.
- (3) The provisions of the Charter of the DLT Foundation shall not:
 - (a) relieve a Councillor of liability for a breach of duty arising from his own fraud, wilful misconduct or gross negligence; or
 - (b) grant the Councillor any indemnity against the DLT Foundation Assets in respect of any such liability.

PART 9: GUARDIAN*Appointment***34. Guardian**

- (1) A Guardian must be appointed, if and when the Charter so requires, including after the Founder Resignation. Such appointment shall be made by any Person empowered to do so in the Charter and if there is no such Person, a Councillor shall make application to the Court for the appointment of a Person to be the Guardian and the Court shall duly appoint a consenting Person to act as a Guardian.
- (2) Where the Charter provides for the appointment of a Guardian and no such appointment is made, a Founder, Councillor or Tokenholders (by Resolution of Tokenholders) may make an application to the Court for the appointment of a Person to be the Guardian and, in circumstances where the Court determined the application is justified, it may duly appoint a consenting Person to act as a Guardian.
- (3) A Guardian may be a Beneficiary or Tokenholder and may be a Legal Person, but may not be a Founder, Councillor or sole Beneficiary or the only Tokenholder.
- (4) The appointment of a Person to act as a Guardian is personal to that Person and may not be assigned or delegated except that a Guardian that is a Legal Person may act through its authorised officers or agents.
- (5) Every Person appointed, or to be appointed, as a Guardian shall be a Fit and Proper Person to hold that position.
- (6) The duties of a Guardian are:
 - (a) to act in accordance with the Charter;
 - (b) to only exercise powers for the purposes for which they are conferred;
 - (c) to act honestly, in good faith and in the best interests of the DLT Foundation;
 - (d) to Exercise Independent Judgment;
 - (e) to exercise Reasonable Care, Skill and Diligence;
 - (f) to not act on behalf of the DLT Foundation, or exercise any of his powers as a Guardian, in relation to any matter in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the DLT Foundation:
 - i. this duty does not apply to a conflict of interest arising in relation to a transaction or arrangement with the DLT Foundation;
 - ii. this duty is not infringed if the situation cannot reasonably be regarded as likely to give rise to a conflict of interest;
 - iii. where nothing in the Charter invalidates such authorisation, authorisation may be given by the matter being proposed to and authorised by the Councillors; where the DLT Foundation's Charter includes a provision enabling the Councillors to

authorise the matter, authorisation may be given by the matter being proposed to and authorised by the Councillors in accordance with the Charter; and

- iv. any reference in this subsection (6)(f) to a conflict of interest includes a conflict of interest and duty and a conflict of duties;
- (g) to not accept a benefit from a third party conferred by reason of his being a Guardian, or his doing (or not doing) anything as a Guardian:
 - i. benefits received by a Guardian from a Person by whom his services (as a Guardian or otherwise) are provided to the DLT Foundation are not regarded as conferred by a third party;
 - ii. this duty is not infringed if the acceptance of the benefit cannot reasonably be regarded as likely to give rise to a conflict of interest; and
 - iii. any reference in this subsection (6)(g) to a conflict of interest includes a conflict of interest and duty and a conflict of duties;

and a “third party” means a Person other than the DLT Foundation including a Person acting on behalf of the DLT Foundation;
- (h) to declare, in a meeting of the Councillors, to the Councillors the nature and extent of any direct or indirect interest in a proposed transaction or arrangement with the DLT Foundation:
 - i. if a declaration of interest under this subsection (6)(h) proves to be, or becomes, inaccurate or incomplete, a further declaration must be made;
 - ii. any declaration required by this subsection (6)(h) must be made before the DLT Foundation enters into the transaction or arrangement;
 - iii. this subsection (6)(h) does not require a declaration of an interest of which the Guardian is not aware or where the Guardian is not aware of the transaction or arrangement in question; for this purpose a Guardian is treated as being aware of matters of which he ought reasonably to be aware; and
 - iv. a Guardian need not declare an interest if it cannot reasonably be regarded as likely to give rise to a conflict of interest, if the Councillors ought to reasonably be aware of it, or if it concerns terms of his service contract that have been or are to be considered by a meeting of the Councillors, or by a committee of the Councillors appointed for the purpose under the DLT Foundation’s Charter; and
- (i) to ensure compliance with subsection (1).

35. **Persons Disqualified from Being Guardian**

No Person shall be appointed or be permitted to remain as a Guardian:

- (a) in the case of a natural person, if the Person is a Minor or mentally incapacitated, is currently disqualified from acting as a director of a company, has an undischarged bankruptcy or has been convicted of a crime; or

- (b) in the case of a Legal Person, if the Person is dissolved, in the process of dissolution or undergoing insolvency proceedings.

36. Liability of a Guardian for Breach of Duty

- (1) Subject to the provisions of these Regulations and the provision of the Charter, a Guardian who commits a breach of duty is liable for any loss in value of the DLT Foundation Assets resulting from the breach.
- (2) The provisions of the Charter of the DLT Foundation shall not:
 - (a) relieve a Guardian of liability for a breach of duty arising from his own fraud, wilful misconduct or gross negligence; or
 - (b) grant the Guardian any indemnity against the DLT Foundation Assets in respect of any such liability.

Guardian Powers

37. Powers of the Guardian

- (1) The powers of a Guardian shall be set out in the Charter of the DLT Foundation and shall not conflict with these Regulations.
- (2) Subject to the terms of the Charter, a Guardian shall:
 - (a) be responsible for ensuring compliance by the DLT Foundation and its counsel with the Charter and the provisions of these Regulations; and
 - (b) supervise the activities of the Council in managing the DLT Foundation.
- (3) The Guardian shall have access to all information necessary for the exercise of its powers, in particular to the Accounting Records, accounts and returns of the DLT Foundation.
- (4) The Guardian shall be given due notice of meetings of the Council and Voting of Tokenholders and shall receive all papers circulated to Councillors including any copies of resolutions of Councillors and Tokenholders.

Circumstances in which a Guardian Ceases to Act

38. Guardian Ceasing to Act

- (1) A Guardian shall cease to act as the Guardian in the event of:
 - (a) the Guardian's resignation;
 - (b) the proper removal of the Guardian in accordance with the Charter or the provisions of these Regulations;
 - (c) the dissolution of the DLT Foundation; or

- (d) the death, incapacity, disqualification from acting as a director of a company or bankruptcy of the Guardian where the Guardian is a natural person and, in the case of a Legal Person, the dissolution of such Person.
- (2) Removal of a Guardian must be notified to the Registrar in accordance with subsection 25(4).
- (3) Where a DLT Foundation defaults in complying with subsection (2) by the filing deadline specified in subsection 25(4), the DLT Foundation must pay a late filing fee up to the maximum amount prescribed in rules made by the Board.
- (4) If a DLT Foundation fails to comply with subsection (2), a contravention of these Regulations is committed by:
 - (a) the DLT Foundation; and
 - (b) every Councillor of the DLT Foundation.
- (5) A Councillor, Tokenholders (by Resolution of Tokenholders) or (until Founder Resignation) Founder may apply to the Court to seek the removal of a Guardian for failure to properly carry out the duties required of a Guardian in the Charter or the provisions of these Regulations and the Court may, if it deems fit, order the removal of the Guardian and the appointment of a Fit and Proper Person to act as Guardian.
- (6) In the absence of bad faith, a Guardian shall not be liable in damages for anything done or omitted to be done in the discharge of the duties of a Guardian under the Charter or the provisions of these Regulations.

PART 10: BENEFICIARIES AND TOKENHOLDERS

Beneficiaries and Tokenholders

39. Beneficiaries of DLT Foundations

- (1) A beneficiary of a DLT Foundation is a Person who is identified in the Charter by name or whose identity is ascertainable by reference to a class or a relationship to another Person, whether or not living, at the time that the DLT Foundation is established or at the time, according to the terms of the Charter, members of a class are to be determined (a "**Beneficiary**").
- (2) Beneficiaries of a DLT Foundation shall have the right to distribution of the DLT Foundation Assets in the event of termination of the DLT Foundation and have other rights granted to them by the Charter.
- (3) A Founder may be a Beneficiary.
- (4) A Guardian may be a Beneficiary.
- (5) A DLT Foundation may, but is not required to, have Beneficiaries.
- (6) In circumstances where the DLT Foundation purports to appoint a Beneficiary or Beneficiaries, and no Beneficiary has been named in the Charter, the Court shall upon dissolution determine a Person who shall become the Beneficiary.

40. Tokenholders

- (1) If the DLT Foundation issues Tokens, it shall have Tokenholders and the Charter shall specify if Tokenholders shall be treated as Beneficiaries.
- (2) Without prejudice to any liability which may attach to a Tokenholder:
 - (a) by virtue of it acting in another capacity in relation to the DLT Foundation (whether as a Founder, Guardian, Councillor or otherwise); or
 - (b) if the Tokenholder qualifies as a Relevant Person, pursuant to subsection Chapter IPart 727(5), in respect of a particular matter,

a Tokenholder shall not be liable for any acts and/or omissions of the DLT Foundation, by reason only of it being a Tokenholder.

PART 11: ACCOUNTING RECORDS AND ANNUAL ACCOUNTS**41. Accounting Records**

- (1) Every DLT Foundation must keep adequate Accounting Records.
- (2) If a DLT Foundation fails to comply with subsection (1), a contravention of these Regulations is committed by every Councillor of the DLT Foundation.
- (3) A Person who commits the contravention referred to in subsection (2) shall be liable to a fine of up to level 5.
- (4) A DLT Foundation's Accounting Records:
 - (a) must be kept at its registered office or such other place as the Councillors think fit; and
 - (b) must at all times be open to inspection by the DLT Foundation's Councillors and any Guardian.
- (5) If Accounting Records are kept at a place outside the ADGM, copies of Accounting Records, such that would:
 - (a) disclose with reasonable accuracy the financial position of the DLT Foundation at intervals of not more than six months; and
 - (b) enable the Councillors to ensure that the Annual Accounts comply with the requirements of these Regulations;

must be sent to, and kept at, a place in the ADGM, and must at all times be open to inspection by the DLT Foundation's Councillors and any Guardian.

42. A DLT Foundation's financial year

- (1) The financial year of a DLT Foundation is determined as follows.
- (2) Its first financial year:

- (a) begins with the first day of its first accounting reference period; and
 - (b) ends with the last day of that period or such other date, not more than seven days before or after the end of that period, as the Council may determine.
- (3) Subsequent financial years:
- (a) begin with the day immediately following the end of the DLT Foundation's previous financial year; and
 - (b) end with the last day of its next accounting reference period or such other date, not more than seven days before or after the end of that period, as the Council may determine.

43. Accounting reference periods and accounting reference date

- (1) A DLT Foundation's accounting reference periods are determined according to its accounting reference date in each calendar year.
- (2) A DLT Foundation's first accounting reference period is the period of more than six months, but not more than 18 months, beginning with the date of its registration and ending with its accounting reference date.
- (3) Its subsequent accounting reference periods are successive periods of twelve months beginning immediately after the end of the previous accounting reference period and ending with its accounting reference date.
- (4) This section 43 has effect subject to the provisions of section 44.

44. Alteration of accounting reference date

- (1) The Council of a DLT Foundation may by notice given to the Registrar specify a new accounting reference date having effect in relation to:
 - (a) the DLT Foundation's current accounting reference period and subsequent periods; or
 - (b) the DLT Foundation's previous accounting reference period and subsequent periods.

A DLT Foundation's "previous accounting reference period" means the one immediately preceding its current accounting reference period.

- (2) The notice must state whether the current or previous accounting reference period:
 - (a) is to be shortened, so as to come to an end on the first occasion on which the new accounting reference date falls or fell after the beginning of the period; or
 - (b) is to be extended, so as to come to an end on the second occasion on which that date falls or fell after the beginning of the period.
- (3) A notice extending a DLT Foundation's current or previous accounting reference period is not effective if given less than five years after the end of an earlier accounting reference period of the DLT Foundation that was extended under this section 44. This does not apply:

- (a) where the DLT Foundation is in administration under Part 1 (Administration) of the Insolvency Regulations 2022, or
 - (b) where the Registrar directs that it should not apply, which he may do with respect to a notice that has been given or that may be given.
- (4) A notice under this section 44 may not be given in respect of a previous accounting reference period if the period for filing the Annual Accounts and Auditor's Reports for the financial year determined by reference to that accounting reference period has already expired.
 - (5) An accounting reference period may not be extended so as to exceed 18 months and a notice under this section 44 is ineffective if the current or previous accounting reference period as extended in accordance with the notice would exceed that limit.
 - (6) This section 44 does not apply where the DLT Foundation is in administration under Part 1 (Administration) of the Insolvency Regulations 2022.

General

45. Accounts to give a fair representation

- (1) The Councillors of a DLT Foundation must not approve or sign the Annual Accounts, unless they are satisfied that they give a fair representation of the assets, liabilities, financial position and profit or loss of the Annual Accounts, of the DLT Foundation.
- (2) The auditor of a DLT Foundation in carrying out his functions under these Regulations in relation to the Annual Accounts must have regard to the Councillors' duty under subsection (1).

46. Duty to prepare the Annual Accounts

- (1) The Councillors of a DLT Foundation must prepare the annual accounts for each of the financial years of the DLT Foundation (the "**Annual Accounts**").
- (2) The Annual Accounts shall be prepared in accordance with international accounting standards in accordance with the Distributed Ledger Technology Foundations Regulations (International Accounting Standards) Rules 2023 and the Board may make rules prescribing:
 - (a) the circumstances in which other accounting standards may be adopted for the purpose of preparing the Annual Accounts; and
 - (b) the other accounting standards which may be so adopted (any applicable accounting standards on that basis, the "**Accounting Standards**").

47. Information to be included

- (1) The following information with respect to the employees of the DLT Foundation, if applicable, must be given in notes to the Annual Accounts:
 - (a) the average number of Persons employed by the DLT Foundation in the financial year to be determined by dividing the relevant annual number by the number of months in the financial year; for these purposes, the relevant annual number is determined by ascertaining for each month in the financial year and employees shall include subcontractors:

- i. the number of Persons employed under contracts of service by the DLT Foundation in that month (whether throughout the month or not); and
 - ii. adding together all the monthly numbers.
- (b) the aggregate amounts respectively of:
 - i. wages and salaries paid or payable in respect of that year to those Persons;
 - ii. social security costs incurred by the DLT Foundation on their behalf; and
 - iii. other pension costs so incurred;
- (c) information to be given in notes to the Annual Accounts about Councillors' remuneration, including, as applicable:
 - i. gains made by Councillors on the exercise of token options (if any);
 - ii. benefits received or receivable by Councillors under long term incentive schemes;
 - iii. payments for loss of office and entitlements to end-of-service gratuity payments;
 - iv. benefits receivable, and contributions for the purpose of providing benefits, in respect of past services of a Person as Councillor or in any other capacity while Councillor; and
 - v. consideration paid to or receivable by third parties for making available the services of a Person as Councillor or in any other capacity while Councillor;

and amounts paid to or receivable by:

 - A. a Person connected with a Councillor (and the term "connected" shall be interpreted pursuant to the Companies Regulations 2020); or
 - B. a body corporate controlled by a Councillor;

are treated as paid to or receivable by the Councillor.
- (d) details of:
 - i. advances and credits granted by the DLT Foundation to its Councillors, including:
 - A. amount;
 - B. the interest rate;
 - C. main terms and conditions; and
 - D. any amounts repaid;
 - ii. guarantees of any kind entered into by the DLT Foundation on behalf of its Councillors, including:

- A. main terms and conditions;
- B. the amount of the maximum liability that may be incurred by the DLT Foundation; and
- C. any amount paid and any liability incurred by the DLT Foundation for the purpose of fulfilling the guarantee (including any loss incurred by reason of enforcement of the guarantee),

including every advance, credit or guarantee subsisting at any time in the financial year to which the Annual Accounts relate whenever it was entered into and whether or not the Person concerned was a Councillor of the DLT Foundation in question at the time it was entered into.

- (2) In subsection (b):

“pension costs” includes any costs incurred by the DLT Foundation in respect of:

- (a) any pension scheme established for the purpose of providing pensions for Persons currently or formerly employed by the DLT Foundation;
- (b) any sums set aside for the future payment of pensions or sums due in respect of employees’ end-of service gratuity entitlements directly by the DLT Foundation to current or former employees; and
- (c) any pensions or end-of service gratuity payments paid directly to such Persons without having first been set aside;

“social security costs” means any contributions by the DLT Foundation to any state social security or pension scheme, fund or arrangement.

- (3) References in this section 47 to the Councillors of a DLT Foundation are to the Persons who were a Councillor at any time in the financial year to which the Annual Accounts relate.

- (4) It is the duty of:

- (a) any Councillor of a DLT Foundation; and
- (b) any Person who is or has at any time in the preceding five years been a Councillor of the DLT Foundation,

to give notice to the DLT Foundation of such matters relating to himself as may be necessary for the purposes of rules under this section 47.

- (5) A Person who is in default and fails to comply with subsection (3) commits a contravention of these Regulations and shall be liable to a level 3 fine.
- (6) For the purposes of subsection (5), a Person is in default unless such Person shows that such Person acted honestly, with Reasonable Skill, Care and Diligence and that in the circumstances in which the activities were carried out, the default was excusable.

48. Approval and signing of the Annual Accounts

- (1) The Annual Accounts must be approved by the Council and signed on behalf of the Council by a Councillor of the DLT Foundation.
- (2) The signature must be on the DLT Foundation's balance sheet.
- (3) If the approved Annual Accounts do not comply with the requirements of these Regulations, every Councillor of the DLT Foundation who is in default commits a contravention of these Regulations.
- (4) A Person who commits the contravention referred to in subsection (3) shall be liable to a fine of up to level 5.
- (5) A Person who is in default and fails to comply with subsection (3) commits a contravention of these Regulations and shall be liable to a level 3 fine.

49. Duty to publish copies

- (1) Without prejudice to the provisions of section 51, every DLT Foundation must publish, on its website, a copy of its Annual Accounts for each financial year.
- (2) The time allowed for publishing copies of the Annual Accounts is as follows.
- (3) A DLT Foundation must comply with this section 49 not later than:
 - (a) the end of the period for filing the Annual Accounts and Auditor's Reports; or
 - (b) if earlier, the date on which it actually delivers its Annual Accounts and Auditor's Reports to the Registrar.
- (4) Whether the time allowed is that for a DLT Foundation is determined by reference to the company's status immediately before the end of the accounting reference period by reference to the financial year for the Annual Accounts in question was determined.

50. Default in publishing copies: contraventions

- (1) If default is made in complying with section 49, a contravention of these Regulations is committed by:
 - (a) the DLT Foundation; and
 - (b) every Councillor of the DLT Foundation.
- (2) Every DLT Foundation who commits the contravention referred to in subsection (1) shall be liable to a fine of up to level 7. Every Councillor who commits the contravention referred to in subsection (1) shall be liable to a fine of up to level 4.

*Duty to file***51. Duty to file Accounting Records and Auditor's Reports with the Registrar**

- (1) The Councillors of a DLT Foundation must deliver to the Registrar for each financial year its Annual Accounts and Auditor's Reports.

- (2) The Annual Accounts filed in accordance with this section 51 will be subject to public disclosure by the Registrar.

52. Period allowed for filing

- (1) This section 52 specifies the period allowed for the Councillors of a DLT Foundation to comply with their obligation under section 51 to deliver the Annual Accounts and Auditor's Reports for a financial year to the Registrar.
- (2) This is referred to in these Regulations as the "period for filing" the Annual Accounts and Auditor's Reports.
- (3) The period is nine months after the end of the relevant accounting reference period. This is subject to the following provisions of this section 52.
- (4) If the relevant accounting reference period is the DLT Foundation's first and is a period of more than twelve months, the period is:
- (a) nine months from the first anniversary of the registration of the DLT Foundation; or
 - (b) three months after the end of the accounting reference period,
- whichever expires last.
- (5) If the relevant accounting reference period is treated as shortened by virtue of a notice given by the DLT Foundation under section 44, the period is:
- (a) that applicable in accordance with the above provisions; or
 - (b) three months from the date of the notice under this section 52,
- whichever expires last.
- (6) If for any special reason the Registrar thinks fit he may, on an application made before the expiry of the period otherwise allowed, by notice in writing to a DLT Foundation extend that period by such further period as may be specified in the notice.
- (7) Any such extension must not have the effect of extending the period for filing to more than twelve months after the end of the relevant accounting reference period.
- (8) In this section 52 "the relevant accounting reference period" means the accounting reference period by reference to which the financial year for the Annual Accounts in question was determined.

53. Calculation of period allowed

- (1) This section 53 applies for the purposes of calculating the period for filing the Annual Accounts and Auditor's Reports which is expressed as a specified number of months from a specified date or after the end of a specified previous period.
- (2) Subject to the following provisions, the period ends with the date in the appropriate month corresponding to the specified date or the last day of the specified previous period:

- (a) if the specified date, or the last day of the specified previous period, is the last day of a month, the period ends with the last day of the appropriate month (whether or not that is the corresponding date); and
- (b) if:
 - i. the specified date, or the last day of the specified previous period, is not the last day of a month but is the 29th or 30th; and
 - ii. the appropriate month is February,
 - the period ends with the last day of February.
- (3) “The appropriate month” means the month that is the specified number of months after the month in which the specified date, or the end of the specified previous period, falls.

54. Filing obligations of DLT Foundations generally

- (1) The Councillors of a DLT Foundation must deliver to the Registrar for each financial year of the DLT Foundation a copy of:
 - (a) the Annual Accounts; and
 - (b) the Auditor’s Report.
- (2) The copies of the balance sheet and Auditor’s Report delivered to the Registrar under this section 54 must state the name of the Person who signed it on behalf of the Council.
- (3) The copy of the Auditor’s Report must:
 - (a) state the name of the auditor and the name of the Person who signed it as senior auditor, or
 - (b) if the conditions in section 86 are met, state that a resolution has been passed and notified to the Board in accordance with section 86.

55. Default in filing: contraventions

- (1) If the requirements of section 51 are not complied with in relation to a DLT Foundation’s Annual Accounts and Auditor’s Reports for a financial year before the end of the period for filing those Annual Accounts and Auditor’s Reports (“filing deadline”), the DLT Foundation and every Person who immediately before the end of that period was a Councillor of the DLT Foundation, commits a contravention of these Regulations.
- (2) Where a DLT Foundation defaults in complying with subsection (1) by the filing deadline, the DLT Foundation must pay a late filing fee up to the maximum amount prescribed in rules made by the Board.
- (3) A Person who commits the contravention referred to in subsection (1) shall be liable to a level 3 fine.

56. Default in filing: Court order

- (1) If:
- (a) the requirements of section 51 are not complied with in relation to the Annual Accounts and Auditor's Reports for a financial year before the end of the period for filing those Annual Accounts and Auditor's Reports; and
 - (b) the Councillors of the DLT Foundation fail to make good the default within 14 days after the service of a notice on them requiring compliance,
- the Court may, on the application of any creditor of the DLT Foundation or of the Registrar, make an order directing the Councillors (or any of them) to make good the default within such time as may be specified in the order.
- (2) The Court's order may provide that all costs of and incidental to the application are to be borne by the Councillors.

*Voluntary Revision***57. Voluntary revision of Annual Accounts etc.**

- (1) If it appears to the Councillors of a DLT Foundation that:
- (a) the Annual Accounts; or
 - (b) the Auditor's Report,
- did not comply with the requirements of these Regulations, they may prepare revised Annual Accounts and Auditor's Reports or statement.
- (2) Where copies of the previous Annual Accounts and Auditor's Reports have been published or delivered to the Registrar, the revisions must be confined to:
- (a) the correction of those respects in which the previous Annual Accounts or Auditor's Reports did not comply with the requirements of these Regulations; and
 - (b) the making of any necessary consequential alterations.
- (3) The Board may make rules as to the application of the provisions of these Regulations in relation to:
- (a) revised Annual Accounts; or
 - (b) a revised Auditor's Report.
- (4) The rules may, in particular:
- (a) make a different provision according to whether the previous Annual Accounts and Auditor's Reports are replaced or are supplemented by a document indicating the corrections to be made;

- (b) make provision with respect to the functions of the DLT Foundation's auditor in relation to the revised Annual Accounts and Auditor's Reports;
- (c) require the Councillors to take such steps as may be specified in the rules where the previous Annual Accounts and Auditor's Reports have been published or delivered to the Registrar; and
- (d) apply the provisions of these Regulations (including those imposing fines for contraventions of these Regulations) subject to such additions, exceptions and modifications as are specified in the rules.

58. Registrar's notice in respect of the Annual Accounts and Auditor's Reports

- (1) This section 58 applies where:

- (a) copies of the Annual Accounts or Auditor's Report have been published under section 49; or
- (b) a copy of the Annual Accounts or Auditor's Report has been delivered to the Registrar under section 51,

and it appears to the Registrar that there is, or may be, a question whether the Annual Accounts and Auditor's Reports comply with the requirements of these Regulations.

- (2) The Registrar may give notice to the Councillors of the DLT Foundation indicating the respects in which it appears that such a question arises or may arise.
- (3) The notice must specify a period of not less than one month for the Councillors to give an explanation of the Annual Accounts and Auditor's Reports or prepare revised Annual Accounts and Auditor's Reports.
- (4) If at the end of the specified period, or such longer period as the Registrar may allow, it appears to the Registrar that the Councillors have not:
 - (a) given a satisfactory explanation of the Annual Accounts and Auditor's Reports; or
 - (b) revised the Annual Accounts and Auditor's Reports so as to comply with the requirements of these Regulations,

the Registrar may apply to the Court.

- (5) The provisions of this section 58 apply equally to revised Annual Accounts and revised Auditor's Reports, in which case they have effect as if the references to revised Annual Accounts and Auditor's Reports were references to further Annual Accounts and Auditor's Reports.

Application to Court

59. Application to Court in respect of defective Annual Accounts and Auditor's Reports

- (1) An application may be made to the Court:
 - (a) by the Registrar, after having complied with section 58; or

(b) by a Person authorised by the Registrar for the purposes of this section 59,

for a declaration that the Annual Accounts do not comply, or the Auditor's Report does not comply, with the requirements of these Regulations and for an order requiring the Councillors of the DLT Foundation to prepare revised Annual Accounts and Auditor's Reports.

- (2) Notice of the application, together with a general statement of the matters at issue in the proceedings, shall be given by the applicant to the Registrar for registration.
- (3) If the Court orders the preparation of revised Annual Accounts, it may give directions as to:
 - (a) the auditing of the Annual Accounts;
 - (b) the revision of any Auditor's Report; and
 - (c) the taking of steps by the Councillors to bring the making of the order to the notice of Persons likely to rely on the previous Annual Accounts,

and such other matters as the Court thinks fit.
- (4) If the Court orders the preparation of a revised Auditor's Report it may give directions as to:
 - (a) the review of the Auditor's Report by the auditors;
 - (b) the taking of steps by the Councillors to bring the making of the order to the notice of Persons likely to rely on the previous Auditor's Report; and
 - (c) such other matters as the Court thinks fit.
- (5) If the Court finds that the Annual Accounts or Auditor's Reports did not comply with the requirements of these Regulations it may order that all or part of:
 - (a) the costs of and incidental to the application; and
 - (b) any reasonable expenses incurred by the DLT Foundation in connection with or in consequence of the preparation of revised Annual Accounts and Auditor's Reports,

are to be borne by such of the Councillors as were party to the approval of the defective Annual Accounts and Auditor's Reports and, for this purpose, every Councillor of the DLT Foundation at the time of the approval of the Annual Accounts and Auditor's Reports shall be taken to have been a party to the approval unless he shows that he took all reasonable steps to prevent that approval.
- (6) Where the Court makes an order under subsection (5) it shall have regard to whether the Councillors' party to the approval of the defective Annual Accounts and Auditor's Reports knew or ought to have known that the Annual Accounts and Auditor's Reports did not comply with the requirements of these Regulations, and it may exclude one or more Councillors from the order or order the payment of different amounts by different Councillors.
- (7) On the conclusion of proceedings on an application under this section 59, the applicant must send to the Registrar for registration a copy of the Court order or, as the case may be, give notice to the Registrar that the application has failed or been withdrawn.

- (8) The provisions of this section 59 apply equally to revised Annual Accounts and revised Auditor's Reports, in which case they have effect as if the references to revised Annual Accounts and Auditor's Reports were references to further revised Annual Accounts and Auditor's Reports.

60. Other Persons authorised to apply to the Court

- (1) The Registrar may authorise for the purposes of section 59 any Person appearing to it:
- (a) to have an interest in, and to have satisfactory procedures directed to securing, compliance by DLT Foundations with the requirements of these Regulations relating to Annual Accounts and Auditor's Reports;
 - (b) to have satisfactory procedures for receiving and investigating complaints about the Annual Accounts and Auditor's Reports; and
 - (c) otherwise to be a Fit and Proper Person to be authorised.
- (2) A Person may be authorised generally or in respect of particular classes of case, and different Persons may be authorised in respect of different classes of case.
- (3) The Registrar may refuse to authorise a Person if it considers that his authorisation is unnecessary having regard to the fact that there are one or more other Persons who have been or are likely to be authorised.
- (4) If the authorised Person is an unincorporated association, proceedings brought in, or in connection with, the exercise of any function by the association as an authorised Person may be brought by or against the association in the name of a body corporate whose constitution provides for the establishment of the association.
- (5) An authorisation may contain such requirements or other provisions relating to the exercise of functions by the authorised Person as appear to the Registrar to be appropriate. No such authorisation is to be made unless it appears to the Registrar that the Person would, if authorised, exercise his functions as an authorised Person in accordance with the provisions proposed.
- (6) Where authorisation is revoked, the Registrar may make such provision as it thinks fit with respect to pending proceedings.

Power of authorised Person to require documents etc.

61. Power of authorised Person to require documents, information and explanations

- (1) This section 61 applies where it appears to a Person who is authorised under section 60 that there is, or may be, a question whether the Annual Accounts or Auditor's Report complies with the requirements of these Regulations.
- (2) The authorised Person may require the DLT Foundation and any Councillor or auditor of the DLT Foundation (existing or past) to produce any document, or to provide him with any information or explanations, that he may reasonably require for the purpose of:
- (a) discovering whether there are grounds for an application to the Court under section 59; or
 - (b) deciding whether to make such an application.

- (3) If a Person fails to comply with such a requirement, the authorised Person may apply to the Court.
- (4) If it appears to the Court that the Person has failed to comply with a requirement under subsection (2), it may order the Person to take such steps as it directs for securing that the documents are produced or the information or explanations are provided.
- (5) Nothing in this section 61 compels any Person to disclose documents or information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
- (6) In this section 61 “document” includes information recorded in any form.

62. Restrictions on disclosure of information obtained under compulsory powers

- (1) This section 62 applies to information (in whatever form) obtained in pursuance of a requirement or order under section 61 that relates to the private affairs of a natural person or to any particular business.
- (2) No such information may, during the lifetime of that natural person or so long as that business continues to be carried on, be disclosed without the consent of that natural person or the Person for the time being carrying on that business.
- (3) This does not apply:
 - (a) to disclosure permitted by section 63; or
 - (b) to the disclosure of information that is or has been available to the public from another source.
- (4) A Person who discloses information in contravention of this section commits a contravention of these Regulations, if it is in default.
- (5) A Person who commits the contravention referred to in subsection (4) shall be liable to a level 3 fine.
- (6) For the purposes of subsection 61(4), a Person is in default unless such Person shows that such Person acted honestly, with Reasonable Skill, Care and Diligence and that in the circumstances in which the activities were carried out, the default was excusable.

63. Permitted disclosure of information obtained under compulsory powers

- (1) The prohibition in sections 61 and 62 that relates to the private affairs of a natural person or to any particular business has effect subject to the following exceptions.
- (2) It does not apply to the disclosure of information for the purpose of facilitating the carrying out by the authorised Person of his functions under section 59.
- (3) It does not apply to disclosure to:
 - (a) the Board;
 - (b) the Registrar; or
 - (c) the Financial Services Regulator.

- (4) It does not apply to disclosure:
- (a) for the purpose of assisting a body designated by rules to monitor auditors;
 - (b) with a view to the institution of, or otherwise for the purposes of, disciplinary proceedings relating to the performance by an accountant or auditor of his professional duties;
 - (c) for the purpose of enabling or assisting the Board to exercise its functions under any law or regulation applicable to the AGDM;
 - (d) for the purpose of enabling or assisting the Financial Services Regulator to exercise its functions under the Financial Services and Markets Regulations 2015; or
 - (e) for the purpose of enabling or assisting the Registrar to exercise its functions under the Commercial Licensing Regulations 2015.
- (5) It does not apply to disclosure to a body exercising functions of a public nature under legislation in any jurisdiction outside the ADGM that appear to the authorised Person to be similar to his functions under section 59 for the purpose of enabling or assisting that body to exercise those functions.
- (6) In determining whether to disclose information to a body in accordance with subsection (5), the authorised Person must have regard to the following considerations:
- (a) whether the use which the body is likely to make of the information is sufficiently important to justify making the disclosure;
 - (b) whether the body has adequate arrangements to prevent the information from being used or further disclosed other than:
 - (i) for the purposes of carrying out the functions mentioned in that subsection (5), or
 - (ii) for other purposes substantially similar to those for which information disclosed to the authorised Person could be used or further disclosed.

64. Power to amend categories of permitted disclosure

- (1) The Board may make rules amending subsections 63(3), (4) and (5).
- (2) Rules under this section must not:
- (a) amend subsection (3) of that section by specifying a Person unless the Person exercises functions of a public nature (whether or not he exercises any other function);
 - (b) amend subsection (4) of that section by adding or modifying a description of disclosure unless the purpose for which the disclosure is permitted is likely to facilitate the exercise of a function of a public nature; or
 - (c) amend subsection (5) of that section so as to have the effect of permitting disclosures to be made to a body other than one that exercises functions of a public nature in a jurisdiction outside the ADGM.

65. Liability for false or misleading statements in the Auditor's Reports

- (1) A Councillor of a DLT Foundation is liable to compensate the DLT Foundation for any loss suffered by it as a result of:

- (a) any untrue or misleading statement in the Auditor's Report, or
- (b) the omission from the Auditor's Report of anything required to be included in it,

unless such Councillors shows that the Councillor acted honestly, with Reasonable Skill, Care and Diligence and that in the circumstances in which the activities were carried out the default was excusable.

- (2) No Person shall be subject to any liability to a Person other than the DLT Foundation resulting from reliance, by that Person or another, on information in the Auditor's Report.
- (3) The reference in subsection (2), to a Person being subject to a liability includes a reference to another Person being entitled as against him to be granted any civil remedy or to rescind or repudiate an agreement.
- (4) This section 65 does not affect liability for a contravention of these Regulations or any other ADGM regulations.

Accounting and reporting standards

66. Preparation and filing of Annual Accounts in other relevant currencies

- (1) The amounts set out in the Annual Accounts shall be shown in United States Dollars and may also be shown in the same Annual Accounts translated into any other relevant currency.
- (2) When complying with section 51, the Councillors of a DLT Foundation may deliver to the Registrar an additional copy of the Annual Accounts in which the amounts have been translated into any other relevant currency.
- (3) In both cases:
 - (a) the amounts must have been translated at the exchange rate prevailing on the date to which the balance sheet is made up; and
 - (b) that rate must be disclosed in the notes to the Annual Accounts.
- (4) Any additional copy of the Annual Accounts delivered to the Registrar under subsection (2) above shall be treated as registrable Annual Accounts of the DLT Foundation.
- (5) In the case of such a copy, references in those sections to the Auditor's Report on the Annual Accounts shall be read as references to the Auditor's Report on the Annual Accounts of which it is a copy.

67. Notes to the Annual Accounts

- (1) Information required by this Part 11 to be given in notes to the Annual Accounts may be contained in the Annual Accounts or in a separate document annexed to the Annual Accounts.

- (2) References in this Part 11 to the Annual Accounts, or to a balance sheet or profit and loss account, include notes to the Annual Accounts giving information which is required by any provision of these Regulations or Accounting Standards, and required or allowed by any such provision to be given in a note to the Annual Accounts.

68. Minor definitions

- (1) In this Part 11, "profit and loss account", includes an income statement or other equivalent financial statement required to be prepared by the Accounting Standards.
- (2) In the case of an undertaking not trading for profit, any reference in Part 12 to a profit and loss account is to an income and expenditure account.
- (3) "International accounting standards" means the international accounting standards specified as such in rules made by the Board.

69. Maintaining Records

- (1) Accounting Records that a DLT Foundation is required by subsection 41(1) to keep must be preserved:
 - (a) by it for ten years from the date on which they are made; and
 - (b) by the Persons who were the Councillors of the DLT Foundations as of the date on which the DLT Foundation is removed from the DLT Foundation Register for any reason for five years from such date.
- (2) Subsection (1) is subject to any provision contained in other regulations or laws applicable in the ADGM.
- (3) If a DLT Foundation fails to comply with subsection (1), a contravention of these Regulations is committed by every Councillor in default.
- (4) Subject to subsection (5), a Person who commits the contraventions referred to in subsection (3) shall be liable to a level 2 fine.
- (5) A Councillor of a DLT Foundation also commits a contravention of these Regulations if he intentionally causes any default by the DLT Foundation under that subsection (1).
- (6) A Person who commits the contraventions referred to in subsection (5), shall be liable to a fine of up to level 5.
- (7) Not later than 14 days after the Registrar sends a written request to the DLT Foundation's registered office, the DLT Foundation must deliver to the Registrar a copy of all requested Accounting Records and/or the Annual Accounts.
- (8) Upon the written request of the Registrar delivered to the DLT Foundation's registered office, the DLT Foundation must obtain an audit of (or obtain an additional Auditor's Report with respect to) such Accounting Records and/or the Annual Accounts and returns as the Registrar may request. The results of such audit shall be delivered to the Registrar within such time period as the Registrar may specify, without prejudice to the provisions of these Regulations which require delivery of the audited Accounting Records by specific types of Foundations.

- (9) If the requirements of subsections (7) or (8) are not complied with, the DLT Foundation and every Councillor in default commits a contravention of these Regulations.
- (10) A Person who commits the contravention referred to in subsection (9) shall be liable to a fine of up to level 5.

PART 12: AUDIT

Requirement for audit

70. Requirement for audited Annual Accounts

- (1) The Annual Accounts for a financial year must be audited in accordance with this Part 12.
- (2) A DLT Foundation must appoint an auditor who is eligible for appointment under Part 35 of the Companies Regulations 2020 and any rules made thereunder, including, satisfying any additional requirements for auditors of such DLT Foundations.

71. Appointment of auditors of DLT Foundation: general

- (1) The first auditor may be appointed by the Founders or the Resolution of Councillors. Any auditor, other than the first auditor, shall be appointed by the Resolution of Councillors, unless otherwise is expressly provided for in the Regulations. An auditor or auditors of a DLT Foundation must be appointed for each financial year of the DLT Foundation.
- (2) For each financial year (other than the DLT Foundation's first financial year), the appointment must be made before the end of the period of one month beginning with:
 - (a) the end of the time allowed for sending out copies of the Annual Accounts for the previous financial year; or
 - (b) if earlier, the day on which copies of the Annual Accounts for the previous financial year are sent out under section 49,
 and this is the "period for appointing auditors".
- (3) The Persons mentioned in section (1) shall always ensure an auditor of the DLT Foundation is appointed and may appoint the auditor:
 - (a) at any time before the DLT Foundation's first period for appointing auditors;
 - (b) following a period during which the DLT Foundation (being exempt from audit) did not have any auditor, at any time before the DLT Foundation's next period for appointing auditors; or
 - (c) to fill a casual vacancy in the office of auditor.

72. Appointment of auditors of DLT Foundation: default power of Registrar

- (1) If the Founders or Councillors of a DLT Foundation fail to appoint an auditor or auditors in accordance with section 71, the Registrar may appoint one or more Persons to fill the vacancy.
- (2) Where subsection (2) of section 71 applies and the Councillors of a DLT Foundation fail to make the necessary appointment before the end of the period for appointing auditors, the Councillors

must within one week of the end of that period ("filing deadline") give notice to the Registrar of its power having become exercisable.

- (3) Where the Councillors of a DLT Foundation default in complying with subsection (2) by the filing deadline, each of the DLT Foundation and every Councillor must pay a late filing fee up to the maximum amount prescribed in rules made by the Board.
- (4) If:
 - (a) the Persons mentioned in section 71 fail to appoint the auditors in accordance with such section 71; or
 - (b) the Councillors of a DLT Foundation fail to give the notice required by subsection (2),
a contravention of these Regulations is committed by:
 - i. the DLT Foundation; and
 - ii. every Founder and Councillor who is in default.
- (5) A Person who commits the contravention referred to in subsection (4) shall be liable to a level 3 fine.

73. Terms of office of auditors of DLT Foundation

- (1) An auditor or auditors of a DLT Foundation hold office in accordance with the terms of their appointment, subject to the requirements that:
 - (a) they do not take office until any previous auditor or auditors cease to hold office; and
 - (b) they cease to hold office at the end of the next period for appointing auditors unless re-appointed.
- (2) Without prejudice to the provisions of these Regulations as to the removal and resignation of auditors, where no auditor has been appointed by the end of the next period for appointing auditors, any auditor in office immediately before that time is deemed to be re-appointed.
- (3) No account shall be taken of any loss of the opportunity of deemed re-appointment under this section 73 in ascertaining the amount of any compensation or damages payable to an auditor on his ceasing to hold office for any reason.

74. Fixing of auditor's remuneration

- (1) The remuneration of an auditor appointed by the Councillors must be fixed by the Resolution of Councillors subject to any restrictions which may be set forth in the Charter.
- (2) The remuneration of an auditor appointed by the Registrar must be fixed by the Registrar.
- (3) For the purposes of this section 74, 'remuneration' includes sums paid in respect of expenses.
- (4) This section 74 applies in relation to benefits in kind as to payments of money.

75. Disclosure of terms of audit appointment

- (1) The Board may make rules for securing the disclosure of the terms on which a DLT Foundation's auditor is appointed, remunerated or performs his duties. Nothing in the following provisions of this section 75 affects the generality of this power.
- (2) The rules may:
 - (a) require disclosure of:
 - (i) a copy of any terms that are in writing; and
 - (ii) a written memorandum setting out any terms that are not in writing;
 - (b) require disclosure to be at such times, in such places and by such means as are specified in the rules; or
 - (c) require the place and means of disclosure to be stated:
 - (i) in a note to the Annual Accounts; or
 - (ii) in the Auditor's Report.
- (3) The provisions of this subsection (1) apply to a variation of the terms mentioned in subsection (1) as they apply to the original terms.

76. Disclosure of services provided by auditor or associates and related remuneration

- (1) The Board may make rules for securing the disclosure of:
 - (a) the nature of any services provided for a DLT Foundation by the DLT Foundation's auditor (whether in his capacity as auditor or otherwise) or by his associates; and
 - (b) the amount of any remuneration received or receivable by a DLT Foundation's auditor, or his associates, in respect of any such services,

nothing in the following provisions of this section 76 affects the generality of this power.
- (2) The rules may provide:
 - (a) for disclosure of the nature of any services provided to be made by reference to any class or description of services specified in the rules (or any combination of services, however described);
 - (b) for the disclosure of amounts of remuneration received or receivable in respect of services of any class or description specified in the rules (or any combination of services, however described); and
 - (c) for the disclosure of separate amounts so received or receivable by the DLT Foundation's auditor or any of his associates, or of aggregate amounts so received or receivable by all or any of those Persons.
- (3) The rules may:

- (a) provide that “remuneration” includes sums paid in respect of expenses;
 - (b) apply to benefits in kind as well as to payments of money, and require the disclosure of the nature of any such benefits and their estimated money value;
 - (c) apply to services provided for associates of a DLT Foundation as well as to those provided for a DLT Foundation; and
 - (d) define “associate” in relation to an auditor and a DLT Foundation respectively.
- (4) The rules may provide that any disclosure required by the rules is to be made:
- (a) in a note to the Annual Accounts; or
 - (b) in the Auditor’s Report.
- (5) If the rules provide that any such disclosure is to be made as mentioned in subsection (4)(a) or (b), the rules may require the auditor to supply the Councillors of the DLT Foundation with any information necessary to enable the disclosure to be made.

Auditor’s Report

77. Auditor’s Report

- (1) A DLT Foundation’s auditor must make a report to the DLT Foundation’s Council on all Annual Accounts of which copies are, during his tenure of office at the DLT Foundation, to be published under section 49 (the “**Auditor’s Report**”).
- (2) The Auditor’s Report must include:
- (a) an introduction identifying the Annual Accounts that are the subject of the audit and the financial reporting framework that has been applied in their preparation;
 - (b) a description of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted; and
 - (c) include a reference to any matters to which the auditor wishes to draw attention by way of emphasis without qualifying the report.
- (3) The Auditor’s Report must state clearly whether, in the auditor’s opinion, the Annual Accounts:
- (a) fairly present:
 - (i) in the case of a balance sheet, the state of affairs of the DLT Foundation as at the end of the financial year; and
 - (ii) in the case of a profit and loss account, the profit or loss of the DLT Foundation for the financial year;
 - (b) have been properly prepared in accordance with the relevant financial reporting framework and Accounting Standards; and
 - (c) have been otherwise prepared in accordance with the requirements of these Regulations.

- (4) Expressions used in this section 77 that are defined for the purposes of Part 11 have the same meaning as in Part 11.
- (5) The auditor's report must be either unqualified or qualified, for which purpose:
 - (a) "qualified" means that the Auditor's Report or statement does not state the auditor's unqualified opinion that the Annual Accounts have been properly prepared in accordance with these Regulations or, in the case of an undertaking not required to prepare Annual Accounts in accordance with these Regulations, under any corresponding legislation under which it is required to prepare the Annual Accounts; and
 - (b) if the Auditor's Report was qualified, the auditor must have stated in writing (either at the time of his report or subsequently) whether in his opinion the matters in respect of which his report is qualified are material for determining whether a distribution would contravene these Regulations.

78. Auditor's Report

The auditor must state in the Auditor's Report whether in his opinion the information given in the Auditor's Report for the financial year for which the Annual Accounts are prepared is consistent with those Annual Accounts.

79. Duties of auditor

- (1) A DLT Foundation's auditor, in preparing the Auditor's Report, must carry out such investigations as will enable him to form an opinion as to:
 - (a) whether adequate accounting records have been kept by the DLT Foundation and returns adequate for their audit have been received from branches not visited by him; and
 - (b) whether the Annual Accounts are in agreement with the accounting records and returns.
- (2) If the auditor is of the opinion that:
 - (a) adequate accounting records have not been kept, or that returns adequate for their audit have not been received from branches not visited by him; or
 - (b) the Annual Accounts are not in agreement with the accounting records and returns,

the auditor shall state that fact in the Auditor's Report.
- (3) If the auditor fails to obtain all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of his audit, he shall state that fact in the Auditor's Report.

80. Auditor's general right to information

- (1) An auditor of a DLT Foundation:
 - (a) has a right of access at all times to the DLT Foundation's Accounting Records, books, accounts and other documents relating to its obligations; and

- (b) may require the Councillors to provide him with such information or explanations as he thinks necessary for the performance of his duties as auditor (and the Councillors will, if they determine that such information can only be obtained from third parties, shall take reasonable steps to obtain it from such third parties).
- (2) Nothing in this section 80 compels a Person to disclose information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

81. Auditor's rights to information: contraventions

- (1) A Person who is in default commits a contravention of these Regulations by:
 - (a) making a statement, directly or indirectly, to an auditor of a DLT Foundation that is misleading, false or deceptive in a material way; or
 - (b) failing to comply with a requirement under section 80 without delay.
- (2) A Person who commits the contravention referred to in subsection (1) shall be liable to a fine of up to level 4 (in respect of violation in subsection (1)(a)) or level 5 (in respect of violation in subsection (1)(b)).
- (3) For the purposes of subsection (1), a Person is in default unless such Person shows that such Person acted honestly, with Reasonable Skill, Care and Diligence and that in the circumstances in which the activities were carried out the default was excusable.
- (4) Nothing in this section 81 affects any right of an auditor to apply for an injunction to enforce any of his rights under section 80.

82. Auditor's rights in relation to resolutions and meetings

- (1) In relation to a written resolution proposed to be agreed to by a DLT Foundation, the DLT Foundation's auditor is entitled to receive all such communications relating to the resolution as, by virtue of any provision of these Regulations, are required to be supplied to a Councillor.
- (2) A DLT Foundation's auditor is entitled:
 - (a) to receive all notices of, and other communications a Tokenholder of any category is entitled to receive;
 - (b) to obtain information about any Voting of Tokenholders; and
 - (c) to provide information to the Tokenholders, for the purposes of and in advance of the Voting of Tokenholders, on any part of the business of the meeting which concerns him as auditor.
- (3) The right of the DLT Foundation's auditor is exercisable by a natural person duly authorised by the audit firm to do so.

83. Signature on the Auditor's Report

The Auditor's Report must state the name of the auditor and be signed and dated by the senior auditor in his own name, for and on behalf of the auditor.

84. Senior auditor

- (1) The senior auditor means the natural person appointed by the audit firm as the audit principal in relation to the audit in accordance with rules made by the Registrar under Part 35 of the Companies Regulations 2020.
- (2) The senior auditor must be eligible for appointment as audit principal of the DLT Foundation in question, including, in the case of public interest entities and financial institutions, satisfying any additional requirements for audit principals of such DLT Foundations.

85. Names to be stated in published copies of Auditor's Report

- (1) Every copy of the Auditor's Report that is published by or on behalf of the DLT Foundation must:
 - (a) state the name of the auditor and the name of the Person who signed it as senior auditor; or
 - (b) if the conditions in section 86 are met, state that a resolution has been passed and notified to the Council in accordance with that section.
- (2) For the purposes of this section 85, a DLT Foundation is regarded as publishing the Auditor's Report if it publishes, issues or circulates it or otherwise makes it available for public inspection in a manner calculated to invite members of the public generally, or any class of members of the public, to read it.
- (3) If a copy of the Auditor's Report is published without the statement required by this section 85, a contravention of these Regulations is committed by:
 - (a) the DLT Foundation; and
 - (b) every Councillor.
- (4) A Person who commits the contravention referred to in subsection (3) shall be liable to a level 3 fine.

86. Circumstances in which names may be omitted

- (1) The auditor's name and the name of the Person who signed the Auditor's Report as senior auditor, may be omitted from:
 - (a) published copies of the Auditor's Report; and
 - (b) the copy of the Auditor's Report delivered to the Registrar referred to in section 51,
 if the following conditions are met.
- (2) The conditions are that the DLT Foundation:
 - (a) considering on reasonable grounds that statement of the name would create or be likely to create a serious risk that the auditor or senior auditor, or any other Person, would be subject to violence or intimidation, has resolved that the name should not be stated; and
 - (b) has given notice of the resolution to the Registrar, stating:

- (i) the name and registered number of the DLT Foundation;
- (ii) the financial year of the DLT Foundation to which the Auditor's Report relates; and
- (iii) the name of the auditor and the name of the Person who signed the Auditor's Report as senior auditor.

87. Contraventions in connection with the Auditor's Report

- (1) A Person in default providing or required to provide (and who failed to provide), directly or indirectly, information to a DLT Foundation's auditor commits a contravention of these Regulations if he causes the relevant Auditor's Report to include any matter that is misleading, false or deceptive in a material particular.
- (2) A Person in default to whom this section applies commits a contravention of these Regulations if he causes such Auditor's Report to omit a statement required by:
 - (a) subsection 79(2)(b); or
 - (b) subsection 79(3).
- (3) A Person who commits the contraventions referred to in subsections (1) and (2) shall be liable to a fine of up to level 8.
- (4) For the purposes of subsections (1) and (2), a Person is in default unless such Person shows that such Person acted honestly, with Reasonable Skill, Care and Diligence and that in the circumstances in which the activities were carried out the default was excusable.

Removal of auditor

88. Resolution removing auditor from office

- (1) The Councillors may remove an auditor from office at any time by Resolution of Councillors.
- (2) Nothing in this section 88 is to be taken as depriving the Person removed of compensation or damages payable to him in respect of the termination of:
 - (a) his appointment as auditor; or
 - (b) any appointment terminating with that as auditor.
- (3) An auditor may not be removed from office before the expiration of his term of office except by resolution under this section 88.

89. Notice to Registrar of resolution removing auditor from office

- (1) Where the Resolution of Councillors is taken under section 88, the DLT Foundation must give notice of that fact to the Registrar within 14 days ("filing deadline").
- (2) Where a DLT Foundation defaults in complying with subsection (1) by the filing deadline, the DLT Foundation must pay a late filing fee up to the maximum amount prescribed in rules made by the Board.

- (3) If a DLT Foundation fails to give the notice required by this section, a contravention of these Regulations is committed by:
- (a) the DLT Foundation; and
 - (b) every Councillor.

90. Rights of auditor who has been removed from office

- (1) An auditor who has been removed by resolution under section 88 has, notwithstanding his removal, the rights conferred by section 82(2) in relation to any general meeting of the DLT Foundation:
- (a) at which his term of office would otherwise have expired; or
 - (b) at which it is proposed to fill the vacancy caused by his removal.
- (2) In such a case the references in that section 82 to matters concerning the auditor as auditor shall be construed as references to matters concerning him as a former auditor.

91. Resignation of auditor

- (1) An auditor of a DLT Foundation may resign his office by depositing a notice in writing to that effect at the DLT Foundation's registered office.
- (2) The notice is not effective unless it is accompanied by the statement required by section 93.
- (3) An effective notice of resignation operates to bring the auditor's term of office to an end as of the date on which the notice is deposited or on such later date as may be specified in it.

92. Notice to Registrar of resignation of auditor

- (1) Where an auditor resigns the DLT Foundation must within 14 days of the deposit of a notice of resignation ("filing deadline") send a copy of the notice to the Registrar of companies.
- (2) Where a DLT Foundation defaults in complying with subsection (1) by the filing deadline, the DLT Foundation must pay a late filing fee up to the maximum amount prescribed in rules made by the Board.
- (3) If a DLT Foundation fails to comply with subsection (1), a contravention of these Regulations is committed by:
- (a) the DLT Foundation; and
 - (b) every Councillor who is in default.

- (4) A Person who commits the contravention referred to in subsection (3) shall be liable to a level 2 fine.

93. Statement by auditor to be deposited with DLT Foundation

- (1) Where an auditor of a DLT Foundation ceases for any reason to hold office, he must deposit at the DLT Foundation's registered office a statement of the circumstances connected with his ceasing to hold office, unless he considers that there are no circumstances in connection with his ceasing to

hold office that need to be brought to the attention of Councillors or creditors of the DLT Foundation. If he considers that there are no circumstances in connection with his ceasing to hold office that need to be brought to the attention of the Councillors or creditors of the DLT Foundation, he must deposit at the DLT Foundation's registered office a statement to that effect. The statement required by this section 93 must be deposited:

- (a) in the case of resignation, along with the notice of resignation;
 - (b) in the case of failure to seek re-appointment, not less than 14 days before the end of the time allowed for next appointing an auditor; and
 - (c) in any other case, not later than the end of the period of 14 days beginning with the date on which he ceases to hold office.
- (2) A Person ceasing to hold office as auditor who is in default and fails to comply with this section 93 commits a contravention of these Regulations. Where a contravention under this section 93 is committed by a Legal Person any natural person acting for such Legal Person who is in default also commits the contravention.
- (3) A Person who commits the contravention referred to in subsection (2) shall be liable to a fine of up to level 4.

94. DLT Foundation's duties in relation to statement

- (1) This section 94 applies where the statement deposited under section 93 states the circumstances connected with the auditor's ceasing to hold office.
- (2) The Councillors of the DLT Foundation must within 14 days of the deposit of the statement either:
- (a) publish a copy of it; or
 - (b) apply to the Court. If it applies to the Court, the Councillors of the DLT Foundation must notify the auditor of the application. If the Court is satisfied that the auditor is using the provisions of section 93 to secure needless publicity for defamatory matter:
 - i. it shall direct that copies of the statement need not be published; and
 - ii. it may further order the DLT Foundation's costs on the application to be paid in whole or in part by the auditor, even if he is not a party to the application,

and the Councillors or DLT Foundation must within 14 days of the Court's decision publish a statement setting out the effect of the order. If no such direction is made the Councillors of the DLT Foundation must publish the statement within 14 days of the Court's decision or, as the case may be, of the discontinuance of the proceedings.
- (3) In the event of default in complying with this section 94 a contravention of these Regulations is committed by each Councillor who is in default.
- (4) A Person who commits the contravention referred to in subsection (2) shall be liable to a level 3 fine.

95. Copy of statement to be sent to Registrar

- (1) Unless within 21 days beginning with the day on which he deposited the statement under section 93, the auditor receives notice of an application to the Court under section 94, he must within a further seven days send a copy of the statement to the Registrar.
- (2) If an application to the Court is made under section 94 and the auditor subsequently receives notice under subsection (3) of section 94, he must within seven days of receiving the notice send a copy of the statement to the Registrar.
- (3) Where an auditor defaults in complying with the requirements in subsections (1) or (2) within the prescribed time periods ("filing deadlines"), the auditor must pay a late filing fee up to the maximum amount prescribed in rules made by the Board.
- (4) An auditor who is in default and fails to comply with subsections (1) or (2) commits a contravention of these Regulations. Where a contravention under this section 95 is committed by a Legal Person any natural person acting for such Legal Person who is in default also commits the contravention.
- (5) A Person who commits the contravention referred to in subsection (4) shall be liable to a level 2 fine.

96. Duty of auditor to notify the Registrar

- (1) Where an auditor ceases for any reason to hold office, the auditor ceasing to hold office must notify the Registrar.
- (2) The notice must:
 - (a) inform the Registrar that they have ceased to hold office; and
 - (b) be accompanied by a copy of the statement deposited at the DLT Foundation's registered office in accordance with section 93.
- (3) If the statement so deposited is to the effect that they consider that there are no circumstances in connection with their ceasing to hold office that need to be brought to the attention of creditors of the DLT Foundation, the notice must also be accompanied by a statement of the reasons for his ceasing to hold office.
- (4) The auditor must comply with this section 96 at the same time as they deposit a statement at the DLT Foundation's registered office in accordance with section 93.
- (5) An auditor ceasing to hold office as auditor who fails to comply with this section commits a contravention of these Regulations.
- (6) A Person who commits the contravention referred to in subsection (5) shall be liable to a level 2 fine. Where a contravention under this section is committed by a Legal Person any natural person acting for such Legal Person also commits the contravention.

97. Effect of casual vacancies

If an auditor ceases to hold office for any reason, any surviving or continuing auditor or auditors may continue to act.

98. Voidness of provisions protecting auditors from liability

- (1) This section 98 applies to any provision:
 - (a) for exempting an auditor of a DLT Foundation (to any extent) from any liability that would otherwise attach to him in connection with any negligence, default, breach of duty or breach of trust in relation to the DLT Foundation occurring in the course of the audit of the Annual Accounts; or
 - (b) by which a DLT Foundation directly or indirectly provides an indemnity (to any extent) for an auditor of the DLT Foundation, or of an associated DLT Foundation, against any liability attaching to him in connection with any negligence, default, breach of duty or breach of trust in relation to the DLT Foundation of which he is auditor occurring in the course of the audit of Annual Accounts.
- (2) Any such provision is void, except as permitted by:
 - (a) section 99; or
 - (b) sections 100 to 101.
- (3) This section applies to any provision, whether contained in a DLT Foundation's articles or in any contract with the DLT Foundation or otherwise.

99. Indemnity for costs of successfully defending proceedings

Section 98 does not prevent a DLT Foundation from indemnifying an auditor against any liability incurred by him in defending proceedings (whether civil or criminal) in which judgment is given in his favour or he is acquitted.

100. Liability limitation agreements

- (1) A "liability limitation agreement" is an agreement that purports to limit the amount of liability owed to a DLT Foundation by its auditor in respect of any negligence, default, breach of duty or breach of trust, occurring in the course of the audit of the Annual Accounts, of which the auditor may be guilty and found liable in relation to the DLT Foundation.
- (2) Section 98 does not affect the validity of a liability limitation agreement that:
 - (a) complies with section 101;
 - (b) complies with any rules made by the Board under section 101; and
 - (c) is not incompatible with the requirements of section 102.

101. Terms of liability limitation agreement

- (1) A liability limitation agreement:
 - (a) must not apply in respect of acts or omissions occurring in the course of the audit of the Annual Accounts for more than one financial year; and

- (b) must specify the financial year in relation to which it applies.
- (2) The Board may make rules:
 - (a) requiring liability limitation agreements to contain specified provisions or provisions of a specified description; and
 - (b) prohibiting liability limitation agreements from containing specified provisions or provisions of a specified description,
 and “specified” here means specified in the rules.
- (3) Without prejudice to the generality of the power conferred by subsection (2), that power may be exercised with a view to preventing adverse effects on competition.
- (4) Subject to the preceding provisions of this section 101, it is immaterial how a liability limitation agreement is framed. In particular, the limit on the amount of the auditor’s liability need not be a sum of money, or a formula, specified in the agreement.

102. Effect of liability limitation agreement

- (1) A liability limitation agreement is not effective to limit the auditor’s liability to less than such amount as is fair and reasonable in all the circumstances of the case having regard (in particular) to:
 - (a) the auditor’s responsibilities under this Part 12;
 - (b) the nature and purpose of the auditor’s contractual obligations to the DLT Foundation; and
 - (c) the professional standards expected of him.
- (2) A liability limitation agreement that purports to limit the auditor’s liability to less than the amount mentioned in subsection (1) shall have effect as if it limited his liability to that amount.
- (3) In determining what is fair and reasonable in all the circumstances of the case no account is to be taken of:
 - (a) matters arising after the loss or damage in question has been incurred; or
 - (b) matters (whenever arising) affecting the possibility of recovering compensation from other Persons liable in respect of the same loss or damage.

103. Disclosure of agreement by DLT Foundation

- (1) A DLT Foundation which has entered into a liability limitation agreement must make such disclosure in connection with the agreement as may be required under rules made by the Board.
- (2) The rules may provide, in particular, that any disclosure required by the rules shall be made:
 - (a) in a note to the Annual Accounts; or
 - (b) in the Auditor’s Report.

PART 13: FOREIGN LAWS

Foundation Property

104. Foundation Property

- (1) Subject to sections 104, 105 and 106, Assets transferred to a DLT Foundation or otherwise vested in it shall be the Assets of the DLT Foundation with full legal and beneficial title and such Assets are no longer the property of the Founder or Subsequent Transferor and are not the Assets of any Beneficiary (including a Tokenholder which is a Beneficiary) until such time as the Assets are distributed to such Beneficiary, if applicable, in accordance with the Charter or these Regulations.
- (2) A transfer or other disposition of property to a DLT Foundation registered under these Regulations shall not be void, voidable or liable to be set aside by reference to a foreign role of forced heirship or any other law of a foreign jurisdiction.
- (3) In this section 104, “foreign role of forced heirship” means any requirement of any jurisdiction other than the ADGM which, in order to protect the rights of any Person or class of Persons to inherit, succeed or share in the property of a Founder, Subsequent Transferor or Beneficiary in the event of their death, purports to remove or restrict the Founder, Subsequent Transferor, Beneficiary’s or Tokenholder’s right to transfer, dispose of, encumber or otherwise deal in property belonging to such Founder, Subsequent Transferor, Beneficiary or Tokenholder during their lifetime and includes any judicial or administrative order or directive of a jurisdiction other than the ADGM seeking to implement or enforce such a role.
- (4) A transfer of property to or the vesting of property in a DLT Foundation, or the making of a distribution to a Beneficiary (including a Tokenholder which is a Beneficiary) of a DLT Foundation in accordance with the Charter or the provisions of these Regulations, shall not be set aside or rendered void or voidable as a result of:
 - (a) a foreign statute that prohibits or does not recognise the concept of a DLT Foundation; or
 - (b) a transfer of property to a DLT Foundation or any term of its Charter avoids or defeats rights, claims or any interest in property conferred by a foreign statute on any Person by reason of any personal relationship to the Founder or Subsequent Transferor or by way of heirship rights; or
 - (c) the transfer of property to the DLT Foundation or any term of its Charter contravenes any foreign statute, foreign requirement of heirship or foreign judicial or administrative order or action intended to recognise, protect, enforce or give effect to any such rights, claims or interest.
- (5) A judgement of a foreign court shall not be recognised or enforced insofar as it is inconsistent with subsections (3) or (4).

105. Bankruptcy of a Founder or Subsequent Transferor

- (1) Subject to subsection (2), a DLT Foundation or a transfer of property to a DLT Foundation shall not be void, voidable or liable to be set aside by reason of a Founder or Subsequent Transferor’s bankruptcy, the liquidation of a Founder or Subsequent Transferor’s property or any action or claims made against a Founder or Subsequent Transferor by any creditor, notwithstanding any foreign statute providing otherwise.

- (2) Notwithstanding subsection (1), where the Court determines that, at the time when the property was transferred to the DLT Foundation, the Founder or Subsequent Transferor, as applicable, was insolvent or intended to defraud any creditor of the Founder or Subsequent Transferor, as applicable, it may declare that the transfer of property was void to the extent of the creditor's claim.
- (3) At the Court's discretion, the provisions of subsection (2) shall not apply to a DLT Foundation if that would be contrary to the protection of the interests of:
 - (a) the Tokenholders who are not Persons connected (as such term is determined pursuant to Companies Regulations 2020) with the Founder or Subsequent Transferor; or
 - (b) general public.
- (4) In making claims to set aside transfers of property to a DLT Foundation under this section 105, the burden of proof shall rest with the creditor.

Alienation of Property

106. Restriction on Alienation of Foundation Property

- (1) No Beneficiary, Tokenholder or object of a DLT Foundation shall have any rights in specie against the Assets of the DLT Foundation, notwithstanding any foreign statute or law to the contrary, and, subject to the terms of the Charter, any Assets of the DLT Foundation available for distribution to a Beneficiary or Tokenholder shall not be:
 - (a) capable of being alienated in the bankruptcy, insolvency or liquidation of a Beneficiary or Tokenholder; or
 - (b) liable to be seized, sold, attached or otherwise taken in execution by process of law.

PART 14: MIGRATION

Registration of Overseas Person as an ADGM DLT Foundation

107. Overseas Person Migrating to the ADGM

- (1) If its charter so permits, a Legal Person having legal personality and property established under the laws of a jurisdiction other than the ADGM (an "**Overseas Person**") may apply to the Registrar to be registered as a DLT Foundation in accordance with the provision of these Regulations.
- (2) Upon registration in the ADGM, the Overseas Person must cease to be registered in the jurisdiction in which it was established or where it is currently registered, if different.

108. Requirements for an Overseas Person to Register in ADGM

In order to register as a DLT Foundation in ADGM, the Overseas Person must be able to migrate under the law of the place in which it is currently established and must comply with the requirements of that law in relation to its registration in ADGM.

109. Prohibition on Registration of Overseas Persons

No Overseas Person may be registered as a DLT Foundation if:

- (a) it is bankrupt or in the process of being dissolved, or a liquidator, receiver or administrator has been appointed in respect of any of its property; or
- (b) any application has been made to any court to commence insolvency proceedings, to approve any arrangement with creditors or for the appointment of any liquidator, receiver or administrator.

110. Registration of an Overseas Person

- (1) An application for registration as a DLT Foundation shall be made to the Registrar and shall specify whether the Overseas Person would be a DLT Foundation.
- (2) The applicant shall provide the Registrar with the following documents:
 - (a) a copy of the Overseas Person's certificate of establishment (if any) in its current place of establishment;
 - (b) a copy of the Overseas Person's existing charter and, if different, a copy of the Charter which will apply immediately upon its registration in the ADGM and which must comply with section 24 of these Regulations;
 - (c) if available, the hyperlink to the publicly available DLT Framework;
 - (d) the names and addresses of the Overseas Person Councillors (or equivalent governing bodies) and Guardian (if any) and information about other bodies within the Organisational and Governance Structure whose disclosure is required by these Regulations;
 - (e) the name of the Overseas Person, which must comply with section 6 of these Regulations;
 - (f) the address of the Overseas Person's proposed registered office in the ADGM;
 - (g) the name and address (in the ADGM) of the appointed Company Service Provider, if any;
 - (h) all other information and documents included in the Registration Application;
 - (i) evidence that migration is permitted under the law in which the Overseas Person is established and that the Overseas Person is in compliance with section 109 of these Regulations;
 - (j) confirmation that, on the date of registration, the Overseas Person will cease to be established and registered under the law of any place other than the ADGM;
 - (k) a statement of solvency;
 - (l) evidence that the Overseas Person has legal personality in the place in which it was established or registered;
 - (m) a declaration of compliance signed by the applicant affirming:
 - i. that all requirements of these Regulations relating to registration have been fulfilled; and
 - ii. that the Charter of the DLT Foundation is compliant with these Regulations; and

- iii. either that no Financial Services Permit is required in relation to the activities of the DLT Foundation or that the DLT Foundation shall apply for each relevant Financial Services Permit and shall not engage in any activities for which any Financial Services Permit is required until it is duly received;
 - (n) such other information as the Registrar would require on an application to transfer registration under these Regulations; and
 - (o) such other documents and information as the Registrar may require in respect of a particular application under this section 110.
- (3) On receipt of the documents and information set out in subsection 110(2) and the relevant fee the Registrar shall register the Overseas Person as a DLT Foundation by inscribing its name in the DLT Foundations Register and issuing a certificate of registration.

Transfer of Registration

111. Facility to Transfer Registration

- (1) If the Charter of a DLT Foundation so permits, a DLT Foundation representative may submit to the Registrar an application on behalf of a DLT Foundation to remove the DLT Foundation from the DLT Foundations Register in order to become established as foundation with legal personality under the law of a jurisdiction outside the ADGM.
- (2) A DLT Foundation cannot be removed from the DLT Foundations Register if:
 - (a) it is subject to any strike-off process outlined in Part 15;
 - (b) it is bankrupt or in the process of being dissolved, or a liquidator, receiver or administrator has been appointed in respect of any of its Assets; or
 - (c) an application has been made to any court to commence insolvency proceedings, to approve any arrangement with creditors or for the appointment of any liquidator, receiver or administrator.
- (3) A DLT Foundation must give written notice to its creditors (including, if applicable, Tokenholders) of its intention to be removed from the DLT Foundations Register at least 31 days before making an application to the Registrar for removal, provided that:
 - (a) the notice:
 - i. shall state that the DLT Foundation intends to make the application to the Registrar, and shall specify the jurisdiction in which it proposes to become established as a foundation with legal personality;
 - ii. shall be sent in writing to each creditor of the DLT Foundation;
 - iii. shall be published once in a national newspaper or in such other manner as the Court may on application direct; and
 - iv. shall state that any creditor of the DLT Foundation who objects to the application may within 30 days of the date of the advertisement give notice of his or her objection to the DLT Foundation;

- (b) a creditor who gives notice in accordance with subsection (3) and whose claim against the DLT Foundation has not been discharged may, within 30 days after the date of the notice, apply to the Court for an order restraining the application by the DLT Foundation under this subsection 111; and
 - (c) on the creditor's application the Court, if satisfied that the interests of the creditor would be unfairly prejudiced by the proposed transfer, may make an order (subject to such terms, if any, as it may think fit) restraining the application by the DLT Foundation under subsection (1).
- (4) An application to the Registrar must be accompanied by:
- (a) evidence that the removal from the DLT Foundations Register is not prohibited by the provisions of subsection (2) and that subsection (3) has been complied with;
 - (b) evidence that on the date of removal from the DLT Foundations Register the DLT Foundation will be established under the law of the place to which it intends to migrate;
 - (c) confirmation that the DLT Foundation will continue to have legal personality in accordance with the law of the place to which it intends to migrate; and
 - (d) a declaration of compliance signed by the registration agent certifying that all the requirements of these Regulations in relation to removal from the DLT Foundations Register and any requirements that the Registrar may individually specify to the relevant DLT Foundation for the purposes of its removal from the DLT Foundations Register have been fulfilled.
- (5) On receipt of the documents and information set out in subsection (4), the Registrar shall remove the name of the DLT Foundation from the DLT Foundations Register, giving such notice as it thinks fit and the DLT Foundation shall cease to be an ADGM DLT Foundation and the Registrar shall publish the fact of the removal of the DLT Foundation from the DLT Foundations Register in such manner as it thinks fit.
- (6) The Financial Services Regulator may set forth additional provisions in respect of migration of DLT Foundations whose activities are subject to Financial Services Permits.

PART 15: DISSOLUTION AND STRIKING-OFF

Dissolution

112. Dissolution of Foundations

- (1) A DLT Foundation shall be dissolved and removed from the DLT Foundations Register in the following circumstances:
- (a) it is established for a fixed term and such term expires;
 - (b) its object is fulfilled or becomes incapable of fulfilment;
 - (c) the Charter require dissolution;
 - (d) it is unable to pay its debts as they fall due;

- (e) any provision of these Regulations requires that it be dissolved; or
 - (f) the Court orders dissolution.
- (2) Where a DLT Foundation is dissolved:
- (a) under subsection (a) above, the DLT Foundation Council or, if so provided under the Charter of a DLT Foundation, another body within the Organisational and Governance Structure must appoint a liquidator; and
 - (b) under subsections (1)(a)-(1)(c) and (1)(e) above, the DLT Foundation Council or, if so provided under the Charter of a DLT Foundation, another body within the Organisational and Governance Structure, may, in its discretion, appoint a liquidator.
- (3) A liquidator shall only be appointed if he is a Fit and Proper Person to hold that position. A liquidator shall:
- (a) identify the Assets and liabilities of the DLT Foundation;
 - (b) discharge all liabilities of the DLT Foundation;
 - (c) prepare a statement of account in respect of all actions of the liquidation; and
 - (d) distribute the Surplus Assets, if any, to:
 - i. any Remaining Beneficiary in accordance with the Charter (and in the absence of any such express provision, equally between the Remaining Beneficiaries if more than one); or
 - ii. in the case of a DLT Foundation established to carry on a specified purpose and it is provided for by the Charter, the Surplus Assets shall be applied to the furtherance of that purpose,

and in a case where the Beneficiaries (including Tokenholders who are Beneficiaries) disclaim their entitlement or there is no specified purpose in the Charter, the Surplus Assets shall vest in the ADGM.
- (4) During the period of appointment a liquidator may exercise all the powers of a DLT Foundation under these Regulations or in the Charter and may act in the name of the DLT Foundation in the discharge of its duties under subsection (1).
- (5) On completion of the dissolution of the DLT Foundation, the liquidator shall provide written confirmation to the DLT Foundation's registered office that the dissolution is complete and the DLT Foundation shall file a certified copy of the confirmation with the Registrar together with the stipulated fee.
- (6) Upon receipt of the written confirmation referred to in subsection (1) and subject to all the requirements of these Regulations in respect of dissolution being satisfied, the Registrar will strike the DLT Foundation off the DLT Foundations Register and issue a certificate that the DLT Foundation has been dissolved, such dissolution having effect from the date that the DLT Foundation is struck from the DLT Foundations Register.

Striking of on Application with Notice

113. Striking off on application by DLT Foundation with notice

- (1) On application by a DLT Foundation under this section 113, the Registrar may strike the DLT Foundation's name off the register.
- (2) An application under this section 113:
 - (a) must be made by a Councillor of the DLT Foundation;
 - (b) must be made pursuant to a Resolution of Councillors (and such Resolution of Councillors shall not be adopted unless any required Resolution of Tokenholders has been taken); and
 - (c) must contain the prescribed information.
- (3) The Registrar may not strike a DLT Foundation off under this section 113 until after the expiration of two months from the publication by the Registrar on the Registrar's website of a notice:
 - (a) stating that the Registrar may exercise the power under this section 113 in relation to the DLT Foundation; and
 - (b) inviting any Person to show cause why that should not be done.
- (4) The Registrar must publish notice on the Registrar's website of the DLT Foundation's name having been struck off.
- (5) On the publication of the notice on the Registrar's website the DLT Foundation is dissolved.
- (6) However:
 - (a) any incurred liability of a Councillor or another Person continues and may be enforced as if the DLT Foundation had not been dissolved; and
 - (b) nothing in this section 113 affects the power of the Court to wind up a DLT Foundation the name of which has been struck off the register.

114. Circumstances in which application not to be made: activities of DLT Foundation

- (1) An application under section 113 on behalf of a DLT Foundation must not be made if, at any time in the previous three months, the DLT Foundation has:
 - (a) changed its name;
 - (b) traded or otherwise carried on business;
 - (c) made a disposal for value of property or rights that, immediately before ceasing to trade or otherwise carry on business, it held for the purpose of disposal for gain in the normal course of trading or otherwise carrying on business; or
 - (d) engaged in any other activity, except one which is:
 - (i) necessary or expedient for the purpose of making an application under section 113, or deciding whether to do so;

- (ii) necessary or expedient for the purpose of concluding the affairs of the company;
 - (iii) necessary or expedient for the purpose of complying with any statutory requirement; or
 - (iv) specified by rules made by the Board by resolution for the purposes of this subsection.
- (2) For the purposes of this section 114, a DLT Foundation is not to be treated as trading or otherwise carrying on business by virtue only of the fact that it makes a payment in respect of a liability incurred in the course of trading or otherwise carrying on business.
- (3) Each Councillor voting for the Resolution of Councillors to make an application (or making an application) in contravention of this section 114 shall be liable to a level 3 fine.

115. Circumstances in which application not to be made: other proceedings not concluded

- (1) An application under section 113 on behalf of a DLT Foundation must not be made at a time when:
- (a) an application to the Court under this Part 15 has been made on behalf of the DLT Foundation for the sanctioning of a compromise or arrangement and the matter has not been finally concluded;
 - (b) the DLT Foundation is in administration under Part 1 (Administration) of the Insolvency Regulations 2022;
 - (c) the DLT Foundation is being wound up under Part 3 (Winding up) of the Insolvency Regulations 2022 whether voluntarily or by the Court, or a petition under that Part for the winding up of the DLT Foundation by the Court has been presented and not finally dealt with or withdrawn; or
 - (d) there is a receiver appointed in respect of the DLT Foundation's property.
- (2) For the purposes of subsection (1)(a), the matter is finally concluded if:
- (a) the application has been withdrawn;
 - (b) the application has been finally dealt with without a compromise or arrangement being sanctioned by the Court; or
 - (c) a compromise or arrangement has been sanctioned by the Court and has, together with anything required to be done under any provision made in relation to the matter by order of the Court, been fully carried out.
- (3) It is a contravention of these Regulations for a Person to make an application in contravention of this section 115.
- (4) A Person who commits a contravention of this section shall be liable to a level 3 fine.

116. Copy of application to be given to creditors

- (1) The Councillors must ensure that:

- (a) within seven days from the day on which the application is made under section 115; or
- (b) where possible, before a new Person becomes a creditor of the DLT Foundation, and, where not possible, within seven days from the day on which a new Person becomes a creditor of the DLT Foundation,

a copy of it is given to every Person who at any time on that day is a creditor of the DLT Foundation, unless the application is withdrawn before the end of this period.

- (2) If the notice is not given in accordance with subsection (1), every Councillor in default commits a contravention of these Regulations.
- (3) A Person who commits a contravention of this section 116 (other than an aggravated contravention) shall be liable to a fine of up to level 7. If he does so with the intention of concealing the making of the application from the Person concerned, he commits an aggravated contravention and shall be liable to a fine of up to level 8.
- (4) For the purposes of subsection (2), a Person is in default unless such Person shows that such Person acted honestly, with Reasonable Skill, Care and Diligence and that in the circumstances in which the activities were carried out the default was excusable.
- (5) For the purposes of this section 116, a document is treated as given to a Person if it is:
 - (a) delivered to him in person;
 - (b) left at his residential or service address; or
 - (c) sent by post to him at his service address (and, unless the contrary intention appears, service by post is deemed to be effected by properly addressing, pre-paying and posting a letter containing the document and, unless the contrary is proved, effected at the time at which the letter would be delivered in the ordinary course of post and the service address of a Person is:
 - i. in the case of a Legal Person incorporated or formed in the ADGM, its registered office; and
 - ii. in the case of a Legal Person incorporated or formed outside the ADGM:
 - A. if it has a place of business in the ADGM, its principal office in the ADGM; or
 - B. if it does not have a place of business in the ADGM, its registered or principal office;
 - C. in the case of a natural person, his last known service address).

117. Circumstances in which application to be withdrawn

- (1) This section 117 applies where, at any time on or after the day on which a DLT Foundation makes an application under section 113 and before the day on which the application is finally dealt with or withdrawn:
 - (a) the DLT Foundation:

- (i) changes its name;
 - (ii) trades or otherwise carries on business;
 - (iii) makes a disposal for value of any property or rights other than those which it was necessary or expedient for it to hold for the purpose of making, or proceeding with, an application under section 113; or
 - (iv) engages in any activity, except one to which subsection (4) applies;
 - (b) an application is made to the Court under this Part 15 on behalf of the DLT Foundation for the sanctioning of a compromise or arrangement;
 - (c) an application to the Court for an administration order in respect of the DLT Foundation is made under sections 8 (Administration application) or 17 (Administration application to appoint specified person as administrators by holder of qualifying charge) of the Insolvency Regulations 2022;
 - (d) an administrator is appointed in respect of the DLT Foundation under Part 1 (Administration) of the Insolvency Regulations 2022, or a copy of notice of intention to appoint an administrator of the DLT Foundation under any of those provisions is filed with the Court;
 - (e) any of the circumstances arises in which, under Chapter 2 (Voluntary winding up) of Part 3 (Winding up) of the Insolvency Regulations 2022, the DLT Foundation may be voluntarily wound up;
 - (f) a petition is presented for the winding up of the DLT Foundation by the Court under Chapter 6 (Compulsory winding up) of Part 3 (Winding up) of the Insolvency Regulations 2022; or
 - (g) a receiver is appointed in respect of the DLT Foundation's property is appointed.
- (2) A Person who, at the end of a day on which any of the events mentioned in subsection (1) occurs, is a Councillor of the DLT Foundation must secure that the DLT Foundation's application is withdrawn forthwith.
- (3) For the purposes of subsection (1)(a)(ii), a DLT Foundation is not treated as trading or otherwise carrying on business by virtue only of the fact that it makes a payment in respect of a liability incurred in the course of trading or otherwise carrying out business.
- (4) The excepted activities referred to in subsection (1)(a)(iv) are:
- (a) any activity necessary or expedient for the purposes of:
 - (i) making, or proceeding with, an application under section 113 ;
 - (ii) concluding affairs of the company that are outstanding because of what has been necessary or expedient for the purpose of making, or proceeding with, such an application; or
 - (iii) complying with any statutory requirement; and

- (b) any activity specified in rules made by the Council by resolution for the purposes of this subsection (4).
- (5) A Person who fails to perform the duty imposed on him by this section commits a contravention of these Regulations.
- (6) A Person who commits a contravention under this section shall be liable to a level 3 fine.

118. Withdrawal of application

An application under section 117 is withdrawn by notice to the Registrar.

119. Petition to the Court for Dissolution

- (1) A DLT Foundation, a Councillor, a Founder, a Guardian, a Remaining Beneficiary or creditor may apply to the Court for an order for the dissolution of a DLT Foundation. Tokenholders may apply to Court for an order for dissolution of a DLT Foundation by Qualified Resolution of Tokenholders. Another body within the Organisational and Governance Structure may apply to the Court for an order for the dissolution of a DLT Foundation to protect the interests of the Tokenholders, general public or in the circumstances set forth in the Charter.
- (2) The Court may make an order for dissolution if it believes it is just and equitable to do so.
- (3) If the Court makes an order for the dissolution of a DLT Foundation it shall appoint a liquidator and the provisions of subsections (3)-(5) shall apply to the appointment of the liquidator as if it had been appointed pursuant to a dissolution under section 120.

Registrar's Power to Strike Off a DLT Foundation

120. Striking off for Default

- (1) If the Registrar has reasonable cause to believe that any DLT Foundation registered under these Regulations:
 - (a) is in breach of or no longer satisfies the requirements prescribed under these Regulations;
 - (b) engages in activities which are or may be contrary to the rules and regulations of the ADGM;
 - (c) engages in activities which may have a negative effect on its reputation as a financial centre; or
 - (d) as determined by the Registrar, that it does not engage in any activities,

the Registrar may send to the DLT Foundation a communication inquiring as to the area of concern.
- (2) If the Registrar does not within 14 days of sending the communication receive any answer to it, the Registrar must within 14 days after the expiration of that period send to the DLT Foundation a second communication referring to the first communication and stating:
 - (a) that no answer to it has been received; and

- (b) that if an answer is not received to the second communication within 14 days from its date, a notice will be published on the Registrar's website with a view to striking the DLT Foundation's name off the DLT Foundations Register.
- (3) If, within 14 days after sending the second communication, the Registrar:
 - (a) receives an answer to the effect that the DLT Foundation is in breach of or no longer satisfies the requirements prescribed under these Regulations, or engages in activities which are or may be contrary to the rules and regulations of the ADGM or may have a negative effect on its reputation as a financial centre; or
 - (b) does not receive any answer,
- (4) the Registrar may publish on the Registrar's website and send to the DLT Foundation, a notice that at the expiration of two months from the date of the notice the name of the DLT Foundation mentioned in it will, unless cause is shown to the contrary, be struck off the DLT Foundations Register and the DLT Foundation will be dissolved. At the expiration of the time mentioned in the notice the Registrar may, unless cause to the contrary is previously shown by the DLT Foundation, strike its name off the DLT Foundations Register.
- (5) The Registrar shall be entitled to:
 - (a) immediately strike off the DLT Foundations Register the name of the DLT Foundation if the Financial Services Regulator has taken the decision on revocation of Financial Services Permits required for the DLT Foundation to engage into its activities; or
 - (b) require the DLT Foundation to amend its objects, Charter or DLT Framework within a deadline to be set forth by the Registrar, as required, failing which, following the expiry of the deadline, the Registrar shall be entitled to at any time strike off the DLT Foundations Register, the name of such a DLT Foundation.
- (6) The Registrar must publish notice on the Registrar's website of the DLT Foundation's name having been struck off the DLT Foundations Register.
- (7) On the publication of the notice on the Registrar's website the DLT Foundation is dissolved.
- (8) A DLT Foundation may also be struck off of the DLT Foundations Register by the Registrar, at any time, if:
 - (a) its Annual Return is not filed within 30 days of the anniversary of the registration of the DLT Foundation;
 - (b) its annual fees or any penalty amounts are not paid within 180 days of the date on which they fell due;
 - (c) it fails to maintain a Company Service Provider, if non-exempt; or
 - (d) if it has failed to comply with section 19(2) within the timeframes set out therein.

*Effect of Dissolution***121. Consequences of Striking Off**

- (1) In the event that the DLT Foundation is struck off the DLT Foundations Register:
 - (a) the DLT Foundation remains liable for all of its liabilities as if the DLT Foundation had not been dissolved;
 - (b) the Councillors, Guardian, Founders (if any) and any other Relevant Person remains liable for all of their respective liabilities as if the DLT Foundation had not been dissolved;
 - (c) the DLT Foundation, the Council and the Guardian must cease to continue to act in any way with respect to the affairs of the DLT Foundation; and
- (2) Nothing in this Part 15 affects the power of the Court.

*Restoration of Name***122. Reinstatement on the DLT Foundations Register**

- (1) When a DLT Foundation has been struck off the DLT Foundations Register under these Regulations, the DLT Foundation or its liquidator may apply to have the name of the DLT Foundation reinstated on the DLT Foundations Register, provided such application is made prior to the sixth anniversary of the removal from the DLT Foundations Register.
- (2) Upon payment of all outstanding annual fees and penalties to the Registrar and completion of any necessary filings to the satisfaction of the Registrar, the Registrar may reinstate the DLT Foundation on the DLT Foundations Register.
- (3) Where the DLT Foundation is reinstated on the DLT Foundations Register under subsection (2), the DLT Foundation is deemed to have continued in existence as if it had not been dissolved or struck off the DLT Foundations Register.

SCHEDULE 1: DEFINITIONS

“Accounting Records” means records that are sufficient:

- (a) to show and explain the DLT Foundation’s transactions;
- (b) to disclose with reasonable accuracy, at any time, the financial position of the DLT Foundation at that time; and
- (c) to enable the Councillors and auditors to ensure that the Annual Accounts and Auditor’s Reports required to be prepared comply with the requirements of these Regulations,

and Accounting Records of the DLT Foundations must:

- i. if applicable, include the following details, to the extent applicable:
 - (1) bank statements for all accounts;
 - (2) confirmation of interest paid into bank;
 - (3) confirmation of any decisions on making any payments to Founders, Beneficiaries, Tokenholders and other Persons;
 - (4) details of income;
 - (5) details of expenses; and
 - (6) records of income payments to founders, beneficiaries, tokenholders and others; and
- ii. contain records and underlying documents comprising all accounting entries and associated supporting documents such as:
 - (1) cheques;
 - (2) records of electronic fund transfers;
 - (3) invoices;
 - (4) contracts;
 - (5) the general and subsidiary ledgers, journal entries and other adjustments to the financial statements that are not reflected in journal entries;
 - (6) work sheets and spread sheets supporting cost allocations, computations, reconciliations and disclosures; and
 - (7) a record of the DLT Foundation Assets and liabilities of the DLT Foundation.

“Accounting Standards” has the meaning set forth in section 46;

“ADGM” has the meaning set forth in the preamble;

“ADGM Founding Law” has the meaning set forth in the Interpretation Regulations 2015;

“Annual Accounts” has the meaning set forth in section 46;

“Annual Return” means an annual return covering the period from 1 January to 31 December (inclusive) of the preceding year which must be executed by a Councillor and delivered by a DLT Foundation to the Registrar in accordance with these Regulations and confirm:

- (a) that there are no violations by the DLT Foundation of these Regulations which the Councillor is aware of or should be aware of and all information required to be delivered by the DLT Foundation under these Regulations, for the Annual Return period, has either been delivered or is being delivered with the Annual Return;
- (b) the information comprising Relevant Disclosure and, if Tokens are issued, the current nature and use of Tokens; and
- (c) any other information reasonably prescribed or separately requested by the Registrar from time to time;

“Assets” means any property in which a DLT Foundation has any interest or over which it has any rights;

“Auditor’s Report” has the meaning set forth in section 77;

“Beneficial Owner” shall have the meaning prescribed to it in Schedule 1 (Meaning of Beneficial Owner) of the Beneficial Ownership and Control Regulations 2018;

“Beneficiary” has the meaning set forth in section 39;

“Blockchain” means a type of DLT which stores and processes data in packages called blocks that are connected to each other in a digital chain;

“Charter” means the charter of a DLT Foundation, as may be amended from time to time under these Regulations;

“Company Service Provider” has the meaning set forth in section 11(1);

“Council” means the council of a DLT Foundation;

“Councillor” means a natural person or Legal Person appointed as a member of the DLT Foundation’s Council;

“Court” has the meaning set forth in the Interpretation Regulations 2015;

“creditor” means, in respect of a DLT Foundation, any Person with a debt claim in money or money's worth against such DLT Foundation, and includes any contingent or prospective creditor;

“Delegated Matters” has the meaning set forth in section 24(2);

“DLT” means distributed ledger technology;

“DLT Foundation” has the meaning set forth in section 3(1);

“DLT Foundations Register” means the public register of DLT Foundations kept by the Registrar under section 14(12);

“DLT Framework” means a governance framework for the use of DLT to be prepared in accordance with good industry standards, adopted by a DLT Foundation and maintained in a publicly available form by way of publication of a hyperlink by each DLT Foundation, which, at a minimum:

- (a) defines the roles and responsibilities of the DLT Foundation, third-party providers and developers; and
- (b) establishes a framework to assess, monitor, report and mitigate risks associated with the DLT, including development of mechanisms to ensure regular testing and implementation of coding controls, production monitoring and support post deployment, process control mapping and development of a risk control matrix;

“DLT Purposes” has the meaning set forth in section 3(1);

“Exercise Independent Judgment” means that a Person exercising the judgment has authority to make an independent choice, free from undue influence, with regard to duties imposed under these Regulations;

“Financial Services Permit” means a license, permit or other authorisation required from or issued by the Financial Services Regulator in respect of any relevant activities, including issuance of Tokens;

“Financial Services Regulator” means the Financial Services Regulatory Authority of ADGM;

“Fit and Proper Person” means a Person appropriate for this Person’s role, including able to perform its activities lawfully, efficiently, honestly, fairly and acting in the best interests of the DLT Foundation and the general public; and in determining whether a Person is a Fit and Proper Person to be appointed as a Councillor, regard shall be had to:

- (a) this Person’s probity, competence, solvency and soundness of judgement for fulfilling the responsibilities of that position;
- (b) the diligence with which this Person is fulfilling or likely to fulfil those responsibilities;
- (c) whether the interests of the Founder or any Beneficiaries are, or are likely to be, in any way threatened by his holding that position;
- (d) the rules, standards and guidelines of any relevant professional, governing, regulatory or supervisory authority;
- (e) this Person’s record of compliance with these Regulations in acting as a Councillor; and
- (f) the previous conduct and activities in business or financial matters of the Person in question;

“Founder” means each Person who subscribes their name to the Charter establishing a DLT Foundation acting on their own account or on behalf of another, and, if applicable, who endows the DLT Foundation with a portion of its Initial Assets;

“Founder Reserved Matters” means provisions of the Charter of a DLT Foundation, if any, for the reservation of rights or powers to the Founder or Founders, as the case may be, until Founder Resignation;

“Founder Resignation” has the meaning set forth in section 24(2)(j);

“General Foundation” means a foundation established under the Foundations Regulations 2017;

“Guardian” means a Person, if any, appointed as a Guardian under these Regulations;

“Initial Assets” means the initial Assets endowed by a Founder which become the property of a DLT Foundation;

“Legal Person” means a company, a corporation or any other entity having separate legal personality;

“Minimum Initial Asset Value” means a value of 25,000 US dollars;

“Minor” means a natural person who is less than 18 years of age;

“Non-conflicted Councillors” has the meaning set forth in section 29(4)(f)(iii);

“Non-Exempt DLT Foundation” means a DLT Foundation that is obliged to have a Company Service Provider in accordance with section 11;

“Ordinary Matters” has the meaning set forth in section 24(2);

“Organisational and Governance Structure” has the meaning set forth in section 27;

“Overseas Person” has the meaning set forth in section 107;

“Person” means a natural person or Legal Person;

“Qualified Matters” has the meaning set forth in section 24(2);

“Qualified Resolution of Tokenholders” means a resolution approved by the Voting of Tokenholders by the vote of at least 75% of all Tokenholders who cast a vote as set forth in the Charter (provided that the number of Tokenholders participating in the vote (quorum) shall be no less than 50% of all Tokenholders having voting rights in respect of the relevant Delegated Matters irrespective of the provisions of the Charter);

“Reasonable Care, Skill and Diligence” means, in respect of a Person:

- (a) the care, skill and diligence that would be exercised by a reasonably diligent Person with the general knowledge, skill and experience that may reasonably be expected of a Person carrying out the functions carried out by such Person in relation to a DLT Foundation; and
- (b) the general knowledge, skill and experience that such Person has;

“registered” means registered as a DLT Foundation under these Regulations;

“Registered Office Provider” has the meaning given to it in the Commercial Licensing Regulations 2015 (Controlled Activities) Rules 2021;

“Registrar” has the meaning set forth in the Interpretation Regulations 2015;

“Registration Application” has the meaning set forth in section 4(1)(a);

“Relevant Circumstances” has the meaning set forth in section 24(2);

“Relevant Disclosure” means the following information, whether or not this information is also included in the Charter:

- (a) the name of each of the Councillors, Founders, Beneficiaries, Beneficial Owners and, if any, Guardians; and
- (b) the accounting reference date and the name and address of the appointed auditor,

to be held confidentially by the Registrar, subject to any requirement to publish such information or to disclose such information to public authorities as set out in these Regulations, or in any other applicable law or regulations;

“Relevant Obligations” means the obligations set forth in section 23;

“Relevant Persons” has the meaning set forth in subsection Part 727(5);

“Remaining Beneficiary” in relation to the Surplus Assets, means a Person who, according to the Charter, is entitled to receive any Surplus Assets;

“Reserved Matters” has the meaning set forth in section 24(2);

“Resolution of Councillors” means:

- (a) a resolution approved at a duly convened and constituted meeting of the Councillors by a simple majority (which in the case of a DLT Foundation with only two Councillors shall mean that both Councillors must assent), or a larger majority as may be specified in the Charter, of the Councillors present at the meeting, in person or by alternate or proxy, who voted; or
- (b) a resolution agreed to in writing by a simple majority (which in the case of a DLT Foundation with only two Councillors shall mean that both Councillors must assent), or by such larger majority as may be specified in the Charter, of the Councillors;

“Resolution of Body within the Organisational and Governance Structure” means:

- (a) a resolution approved at a duly convened and constituted meeting of the members of the relevant body within the Organisational and Governance Structure by a simple majority (which in the case of a DLT Foundation with only two members of body within the Organisational and Governance Structure shall mean that both such members must assent), or a larger majority as may be specified in the Charter, of the members of the relevant body within the Organisational and Governance Structure present at the meeting, in person or by alternate or proxy, who voted; or
- (b) a resolution agreed to in writing by a simple majority (which in the case of a DLT Foundation with only two members of the relevant body within the Organisational and Governance Structure shall mean that both such members must assent), or by such larger majority as

may be specified in the Charter, of the members of the relevant body within the Organisational and Governance Structure;

“Resolution of Tokenholders” means a resolution approved by the Voting of Tokenholders by the vote of at least 50% of all Tokenholders who cast a vote as set forth in the Charter (and the number of Tokenholders participating in the vote (quorum) shall be set forth in the Charter, failing which the quorum of no less than 50% of all Tokenholders having voting rights in respect of the relevant Delegated Matters shall apply);

“Security Audit” means evaluation of security and adequacy of information systems and processes by comparing those to the best practices to be prepared by an independent information security company in respect of a DLT Foundation under these Regulations;

“Subsequent Transferor” means a Person who endows a DLT Foundation with Supplementary Assets;

“Supplementary Assets” means Assets endowed to a DLT Foundation other than the Initial Assets;

“Surplus Assets” means the Assets of a DLT Foundation, if any, remaining after its dissolution;

“to endow” means to transfer or covenant to transfer, the title in property, absolutely, with or without consideration, to a DLT Foundation so that the property becomes an Asset of the DLT Foundation;

“Token” means:

- (a) cryptographically secured digital data representing an asset or value or contractual rights that uses a form of DLT and can be transferred, stored or traded electronically; or
- (b) any other meaning which, from time to time, can be given to such term in the relevant regulations of the Financial Services Regulator, to the extent that the relevant token is within the regulatory perimeter of the Financial Services Regulator;

“Tokenholder” means a holder of Tokens issued by a DLT Foundation;

“Unanimous Resolution of Councillors” means:

- (a) a resolution approved unanimously at a duly convened and constituted meeting of the Councillors by a unanimous vote of all the Councillors present at the meeting, in person or by alternate or proxy, who voted; or
- (b) a resolution agreed to in writing by all of the Councillors;

“Unanimous Resolution of Body within the Organisational and Governance Structure” means:

- (a) a resolution approved unanimously at a duly convened and constituted meeting of the members of the relevant body within the Organisational and Governance Structure by a unanimous vote of all the members of the relevant body within the Organisational and Governance Structure present at the meeting, in person or by alternate or proxy, who voted; or

- (b) a resolution agreed to in writing by all of the members of the relevant body within the Organisational and Governance Structure;

“Veto Rights” has the meaning set forth in subsection Part 727(4); and

“Voting of Tokenholders” the duly constituted procedure allowing relevant Tokenholders to exercise their voting rights on the relevant Delegated Matters under the Charter and these Regulations.

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