

Conduct of Business Rulebook (COBS)

*In this attachment underlining indicates new text and striking through indicates deleted text.



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14.1.3 References in this Chapter which require the safekeeping of Relevant Money in a Client Account do not result in a Payment Service User becoming a Client of a Payment Service Provider, or a holder of a Fiat-Referenced Token becoming a Client of an Authorised Person which has issued the Fiat-Referenced Token.

Guidance

1. Principle 9 of the Principles for Authorised Persons (Customer assets and money) in GEN 2.2.9 requires an Authorised Person to arrange proper protection for Clients' Assets, including Client Money and Relevant Money where the Authorised Person is responsible for them. An essential part of that protection is that an Authorised Person must properly safeguard Client Money held or controlled on behalf of a Client in the course of, or in connection with, the carrying on of Investment Business, or properly safeguard Relevant Money held in the course of the delivery of Payment Services.
2. An Authorised Person must introduce adequate organisational arrangements to minimise the risk of the loss or diminution of Client Money and Relevant Money as a result of, for example, the Authorised Person's or a third party's insolvency, fraud, poor administration, inadequate recordkeeping or negligence.
3. An Authorised Person that holds or controls Client Investments, or Fiat-Referenced Tokens on behalf of another Person, Provides Custody or Arranges Custody must also comply with Chapter 15.
4. A Fund Manager, Fund Administrator, Custodian or Trustee that holds Fund Property must comply with the Fund Rules rather than the Client Money Rules.
5. An Authorised Person in Category 4, other than an Authorised Person engaged in the Regulated Activity of Operating a Private Financing Platform, must not hold or control Client Money.
6. An Authorised Person carrying on Payment Services in respect of Fiat-Referenced Tokens must safeguard Fiat-Referenced Tokens belonging to a Payment Service User in compliance with Chapters 15, 17 and 19.
7. An Authorised Person carrying on the Regulated Activity of Issuing a Fiat-Referenced Token must also comply with Chapters 15, 16, 17 and 19A.

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14.8.1A Subject to Rule 14.8.2, Client Money that is not Relevant Money must remain in a Client Account until it:

- (a) is due and payable to the Authorised Person;

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14.8.5 Relevant Money must remain in a Client Account until it is to be paid out:

- (a) in compliance with Chapter 19 if the Authorised Person is Providing Money Services by operating a Payment Account; or
- (b) in compliance with Chapter 19A if the Authorised Person has issued a Fiat-Referenced Token.

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14.9.1 Before, or as soon as reasonably practicable after, an Authorised Person receives Client Money that is not Relevant Money, it must disclose to that Client in writing:

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14.9.3 Before an Authorised Person holds or controls Client Money on behalf of a Professional Client which is a Market Counterparty that will not be subject to these Client Money Rules, it must disclose to the Client in writing, and obtain the Client's written acknowledgment, that:

- (a) the protections conferred by the Client Money Rules do not apply to such Money;
- (b) such Client Money may be comingled with Money belonging to the Authorised Person and may be used by the Authorised Person in the course of the Authorised Person's business; and
- (c) following any Pooling Event it will be an unsecured creditor.

Guidance

1. An Authorised Person carrying on the Regulated Activity of Payment Services as a Payment Service Provider must provide periodic reporting in respect of the Relevant Money it holds as required by Chapter 19.
2. An Authorised Person carrying on the Regulated Activity of Issuing a Fiat-Referenced Token must make the periodic disclosures in relation to Reserve Assets, including Relevant Money, as required by Rule 19A.9.2.

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15.1.1 Subject to Rule 15.1.2, this chapter applies to Authorised Persons holding or controlling Client InvestmentsSafe Custody Assets, including Authorised Persons which are engaged in the Regulated Activity of Providing Custody.

15.1.2 This chapter does not apply to Fund Managers, who are subject to the provisions of section 15.3 and Appendix A1.3 of the Fund Rules.

Guidance

1. The provisions of this chapter are referred to as the Safe Custody Rules and a Client Investments held or controlled in accordance with the Safe Custody

~~Rules~~Investment, Reserve Investment and a Fiat-Referenced Token that is not the property of the Authorised Person, and which is held or to be held for safekeeping by such Authorised Person or Third-Party Agent, is are referred to in this chapter as a Safe Custody Assets and they are required to be held in accordance with these Rules.

2. As the scope of the Regulated Activity of Providing Custody excludes safekeeping of Money, Authorised Persons which hold or control Client Money are subject to chapter 14.
3. In accordance with ~~Rule~~Rules 17.2.1 and 17.2A.1, Authorised Persons which Provide Custody in respect of Virtual Assets and/or Fiat-Referenced Tokens are restricted to safekeeping Accepted Virtual Assets and/or Accepted Fiat-Referenced Tokens only; and are also subject to the requirements set out in chapter 17.

15.1.3 This chapter applies to Authorised Persons engaged in Issuing a Fiat-Referenced Token in respect of all Reserve Investments.

15.1.4 ~~Unless otherwise expressly stated in this chapter, Reserve Investments must be considered Safe Custody Assets for the purposes of these Rules.~~

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15.3 Recording, Registration and Holding Requirements

- 15.3.1 An Authorised Person which Provides Custody, or holds or controls Client Investments or holds Reserve Investments Safe Custody Assets must ensure that such Safe Custody Assets are recorded, registered and held in an appropriate manner to safeguard and control such property.
- 15.3.2 Subject to Rule 15.4.1, an Authorised Person which Provides Custody, holds Client Investments or holds Reserve Investments Safe Custody Assets must record, register and hold such Safe Custody Assets separately from its own Investments.
- 15.3.3 Where the Authorised Person controls Safe Custody Assets by holding a mandate, or similar authority over an account established in the Client's own name with a third party, its systems and controls must.
 - (a) include a current list of all such mandates and any conditions placed by the Client or by the Authorised Person on the use of the Mandate mandate;
 - (b) include the details of the procedures and authorities for the giving and receiving of instructions under the Mandate mandate;
 - (c) ensure that all instructions relating to Transactions entered into using such a mandate are recorded and are within the scope of the authority of the Employee and the Authorised Person under the mandate.

15.4 Client Accounts in relation to Client InvestmentsSafe Custody Assets

15.4.1 An Authorised Person which holds ~~Client Investments or Reserve Investments~~Safe Custody Assets must register or record all Safe Custody Assets in an account that is a Client Account, which, in the case of an Authorised Person holding Reserve Investments, must be a segregated Reserve Account.

15.4.2 For the purposes of the Safe Custody Rules, a Reserve Account or a Client Account is an account which:

- (a) is established with an Authorised Person which is authorised under its Financial Services Permission to Provide Custody or a Third-Party Agent outside ADGM to hold Client Investments or Reserve Investments;

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15.4.2A Prior to placing Reserve Investments in a Reserve Account established with a Third-Party Agent an Authorised Person must:

- (a) provide to the Regulator written details concerning the identity, jurisdiction and financial resources of the proposed Third-Party Agent, details of the proposed Reserve Account, as well as the Reserve Investments proposed to be held in such Reserve Account; and
- (b) have received written notification of non-objection to the proposed Third-Party Agent from the Regulator.

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15.4.5 An Authorised Person which intends to use a Client's Safe Custody Assets for its own purpose or that of another Person, must have systems and controls in place to ensure that:

- (a) it obtains that Client's prior written permission;
- (b) adequate records are maintained to protect Safe Custody Assets which are applied as collateral or used for stock lending activities;
- (c) the equivalent assets are returned to the Client Account of the Client; and
- (d) the Client is not disadvantaged by the use of his Safe Custody Assets.

Guidance

1. An Authorised Person may record, register or hold a Client's ~~Investments~~Safe Custody Assets in a Client Account solely for that Client. Alternatively, an Authorised Person may choose to pool that Client's ~~Investments~~Safe Custody Assets in a Client Account containing ~~Investments~~the Safe Custody Assets of more than one Client.

2. The purpose of recording, registering or holding ~~Investments~~Safe Custody Assets in a Client Account is to ensure that ~~Investments~~Safe Custody Assets belonging to Clients are readily identifiable from ~~Investments~~assets belonging to the Authorised Person such that, following a Pooling Event, any subsequent distribution of ~~Investments~~Safe Custody Assets may be made in proportion reflecting each Client's valid claim over those ~~Investments~~assets.
3. For the purposes of Rule 15.4.4, the Regulator would consider the use of Virtual Assets for the purpose of "staking" to be used for the purposes of the Authorised Person.

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15.5.3 For the purposes of a Client Account established in accordance with the Safe Custody Rules, a Third-Party Agent is a Financial Institution which may be a bank, custodian, an intermediate broker, a settlement agent, a clearing house, an exchange or an "over-the-counter" counterparty acting in the capacity of third-party agent. When assessing the suitability of a Third-Party Agent to hold a Client Account or Reserve Account, an Authorised Person must have regard to:

- (a) its credit rating;
- (b) its capital and financial resources in relation to the amount of Safe Custody Assets held;
- (c) the insolvency regime of the jurisdiction in which it is located;
- (d) its arrangements for holding the ~~Investments~~Safe Custody Assets;
- (e) its regulatory status, expertise, reputation and history;
- (f) its Group structure;
- (g) if the Third-Party Agent is a Related Party, whether applicable insolvency laws would result in the subordination of the Authorised Person's claims in the event of the failure of the Third-Party Agent;
- (h) the quantity of Safe Custody Assets to be placed with the Third-Party Agent, the availability of alternative Third-Party Agents and concentration risk;
- (i) its use of agents and service providers; and
- (j) any other activities of the ~~agent~~Third-Party Agent.

Guidance

For the purposes of a Client Account established in accordance with the Safe Custody Rules, a Third-Party Agent is a Financial Institution which may be a bank, custodian, an intermediate broker, a settlement agent, a clearing house, or an "over-the-counter" counterparty acting in the capacity of Third-Party Agent.

15.6 Safe Custody Agreements with Third-Party Agents

15.6.1 Before an Authorised Person passes, or permits to be passed, Safe Custody Assets to a Third-Party Agent it must have procured a written acknowledgement from the Third-Party Agent stating:

- (a) that the title of the account sufficiently distinguishes that account holding those Safe Custody Assets from any account containing Investments or Fiat-Referenced Tokens belonging to the Authorised Person, and is in the form requested by the Authorised Person;
- (b) that the Client Investment Safe Custody Assets will only be credited and withdrawn in accordance with the instructions of the Authorised Person;
- (c) that the Third-Party Agent will hold the Safe Custody Assets separately from assets belonging to the Third-Party Agent;

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15.6.2 An Authorised Person must maintain for at least six years, records of all Safe Custody Agreements and any Assets held by the Third-Party Agent, all agreements between the Authorised Person and the Third-Party Agent related to those Safe Custody Assets and all instructions given by the Authorised Person to the Third-Party Agent under the terms of the agreement.

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15.8.2 The statement must include:

- (a) a list of that Client's Safe Custody Assets as at the date of reporting; and
- (b) if applicable, a list of that Client's Collateral and the market value of that Collateral as at the date of reporting.

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15.9.6 An Authorised Person must notify the Regulator without undue delay where there have been material discrepancies with the reconciliation that have not been rectified.

Guidance

1. If an Authorised Person holds or ~~Controls Client Investments~~ controls Safe Custody Assets which are Virtual Assets, the Authorised Person must conduct reconciliations at intervals in compliance with Rule 17.8.3.
2. A material discrepancy includes discrepancies which have the cumulative effect of being material, such as longstanding discrepancies.
3. In accordance with GEN 6.6.7, an Authorised Person whose Financial Service Permission entitles them to hold Client Investments or Fiat-Referenced Tokens must

arrange for a Safe Custody Auditor's Report to be submitted to the Regulator on an annual basis.

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15.11A.2 The Client Money Rules and Safe Custody Rules do not apply in respect of Client Money or a Safe Custody Asset or Client Money which is held by an Authorised Person pursuant to a Title Transfer Collateral Agreement.

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15.12.1 An Authorised Person must maintain records which enable the Authorised Person to demonstrate compliance with the Safe Custody Rules; and which enable the Authorised Person to demonstrate and explain all entries of Client Investments and Safe Custody Assets and any Collateral held or controlled in accordance with this chapter.

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17.1.2 An Authorised Person conducting a Regulated Activity in relation to Virtual Assets or Fiat-Referenced Tokens must comply with all requirements applicable to Authorised Persons in the following Rulebooks, unless the requirements in this chapter expressly provide otherwise:

- (a) this Conduct of Business Rulebook (COBS);
- (b) the General Rulebook (GEN);
- (c) the Anti-Money Laundering and Sanctions Rules and Guidance (AML);
- (d) the Islamic Finance Rules (IFR); and
- (e) the Code of Market Conduct (CMC), made by the Regulator in accordance with section 96 of the Financial Services and Markets Regulations 2015. FMSR.

17.1.3 For the purposes of an Authorised Person conducting a Regulated Activity in relation to Virtual Assets, all references to "Client Investments" and "Investments" in Chapter 15 of COBS and in GEN must be read as encompassing "Virtual Asset" or "Virtual Assets", as applicable.

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17.2A.1 An Authorised Person or a Recognised Body carrying on a Regulated Activity involving a Fiat-Referenced Token, must only use Accepted Fiat-Referenced Tokens.

Guidance

1. For the purposes of Rule 17.2A.1, the prohibition concerning the use of Fiat-Referenced Tokens which are not Accepted Fiat-Referenced Tokens applies to all Authorised Persons and Recognised Bodies for all transactions including, but not limited to, transactions involving the transfer of Fiat-Referenced Tokens where

the Authorised Person or Recognised Body is an intermediary, the safekeeping of Fiat-Referenced Tokens by the Authorised Person or Recognised Body, or payment being made to or by the Authorised Person or Recognised Body.

2. For the purposes of determining whether a Fiat-Referenced Token meets the requirements of being an Accepted Fiat-Referenced Token, the Regulator will consider the ~~criteria set out chapter 17 in respect of Virtual Assets, including, but not limited to, the ability of transactions in such Fiat-Referenced Token to comply with applicable transaction monitoring and tracing requirements following matters.~~
 - (i) Whether the Fiat-Referenced Token proposed for acceptance possesses the general characteristics of a Fiat-Referenced Token as defined in section 258 of FSMR. Based on this definition, tokens that are asset-backed, based upon a basket of currencies or where the redemption right is contingent or uncertain, are not eligible for acceptance for use as Fiat-Referenced Tokens within ADGM.
 - (ii) Whether the Fiat-Referenced Token proposed for acceptance will enable Authorised Persons to satisfy their obligations under the AML Rules. This can be demonstrated by:
 - (a) the issuer's ability to monitor transactions, freeze assets and reject transfer instructions; and
 - (b) the ability of Authorised Persons to adequately trace the Fiat-Referenced Token proposed for acceptance by means such as blockchain data analytics systems.
 - (iii) The adequacy and liquidity of the issuer's reserves available to facilitate the redemption of the Fiat-Referenced Token proposed for acceptance.
 - (iv) The jurisdiction in which the issuer of the Fiat-Referenced Token proposed for acceptance is established as well as the relationship between the regulator in such jurisdiction and the Regulator.
3. As some Fiat-Referenced Tokens may operate on multiple blockchains, not all of which may adequately facilitate tracing, the Regulator reserves the ability to accept a Fiat-Referenced Token but qualify such acceptance by indicating that such status is limited to those tokens as recorded on blockchains specified by the Regulator.
4. Authorised Persons serving Clients located outside ADGM should be aware that acceptance of a Fiat-Referenced Token by the Regulator results in acceptance for its use only within ADGM and does not grant acceptance for its use in other jurisdictions.

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17.4.1 An Authorised Person conducting a Regulated Activity in relation to Virtual Assets or Fiat-Referenced Tokens, where applicable, must comply with all reporting obligations in relation to:-

- (a) FATCA, as set out in the *Foreign Account Tax Compliance Regulations 2022*; and
- (b) Common Reporting Standards, set out in the *ADGM Common Reporting Standard Regulations 2017*.

17.5 Technology Governance and Controls

17.5.1 An Authorised Person conducting a Regulated Activity in relation to Virtual Assets or Fiat-Referenced Tokens must, as a minimum, have in place systems and controls with respect to the following:

Virtual Asset / Fiat-Referenced Token Wallets

- (a) Procedures describing the creation, management and controls of Virtual Asset or Fiat-Referenced Token wallets, including:
 - (i) wallet setup/configuration/deployment/deletion/backup and recovery;
 - (ii) wallet access privilege management;
 - (iii) wallet user management;
 - (iv) wallet rules and limit determination, review and update; and
 - (v) wallet audit and oversight.

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17.6.1 Prior to entering into an initial Transaction for, on behalf of, or with a Client, an Authorised Person conducting a Regulated Activity in relation to Virtual Assets or Fiat-Referenced Tokens must disclose in a clear, fair and not misleading manner all material risks associated with (i) its products, services and activities (ii) Virtual Assets generally and (iii) the Accepted Virtual Asset that is the subject of the Transaction:-

- (a) its products, services and activities;
- (b) Virtual Assets and/or Fiat-Referenced Tokens generally; and
- (c) the Accepted Virtual Asset or Accepted Fiat-Referenced Token that is the subject of the Transaction.

17.7 Additional Rules Applicable to an Authorised Person Operating a Multilateral Trading Facility in relation to Virtual Assets

17.7.1 In addition to the general requirements applicable to an Authorised Person conducting a Regulated Activity in relation to Virtual Assets and/or Fiat-Referenced Tokens as set out in Rules 17.1 – 17.6, an Authorised Person Operating a Multilateral Trading Facility in

relation to Virtual Assets and/or Fiat-Referenced Tokens must comply with the requirements set out in:

- (a) COBS, MIR and GEN, as set out in Rules 17.7.2 – 17.7.6; and
- (b) Rule 17.8 if also Providing Custody in relation to Virtual Assets and/or Fiat-Referenced Tokens.

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17.8 Additional Rules Applicable to an Authorised Person Providing Custody or arranging custody in relation to Virtual Assets and Fiat-Referenced Tokens

17.8.1 In addition to the general requirements applicable to an Authorised Person conducting a Regulated Activity in relation to Virtual Assets or Fiat-Referenced Tokens as set out in Rules 17.1 – 17.6, an Authorised Person that is Providing Custody in relation to Virtual Assets or Fiat-Referenced Tokens must comply with the requirements set out in COBS, Chapters 14, 15 and 16, as set out in Rules 17.8.2 – 17.8.3.

Guidance

An Authorised Person conducting a Regulated Activity in relation to Virtual Assets which hold or controls Fiat-Referenced Tokens which holds or controls Client Money must comply with the Client Money Rules set out in Chapter 14, as amended by the requirements set out in Rule 17.8.4~~17.9.1~~.

17.8.2 For the purposes of Rule 17.8.1, “Investment” or “Investments”,~~–~~ and, as a result, the corresponding references to “Client investment” or “Client Investments”~~–~~ shall, must be read as encompassing “Virtual Asset” or “Virtual Assets”, as applicable.

17.8.3 For the purposes of an Authorised Person that is Providing Custody in relation to Virtual Assets; Rule 17.8.1 the following requirements in COBS, Chapter 15 shall be read as follows:

- (a) the statements required under COBS Rule 15.8.1(a) must be sent to a Retail Client at least monthly; and
- (b) all reconciliations required under COBS Rule 15.9.1 must be conducted at least every week.

17.8.4 For the purposes of an Authorised Person that conducts a Regulated Activity in relation to Virtual Assets which holds or controls Client Money, the reconciliations of Client Accounts required under Section 14.11 shall be read as follows:Intentionally deleted.

- (a) Rule 14.11.1 must be carried out at least every week; and
- (b) Rule 14.11.4 must be carried out within five days of the date to which the reconciliation relates.

17.8.5 Before an Authorised Person arranges for a Client to engage a custodian for the purpose of the safekeeping of Virtual Assets or Fiat-Referenced Tokens, the Authorised Person

must undertake an assessment of that custodian and have concluded on reasonable grounds that such custodian is suitable to hold the Virtual Assets or Fiat-Referenced Tokens of the Client. When assessing the suitability of a custodian to hold Virtual Assets or Fiat-Referenced Tokens belonging to a Client, an Authorised Person must have regard to the criteria set out in Rules 15.5.3 and 17.5.

17.9 Client Money

17.9.1 For the purposes of an Authorised Person that conducts a Regulated Activity in relation to Virtual Assets or Fiat-Referenced Tokens which holds or controls Client Money, the reconciliations of Client Accounts required under Section 14.11 shall be read as follows:

- (a) Rule 14.11.1 must be carried out at least every week; and
- (b) Rule 14.11.4 must be carried out within five days of the date to which the reconciliation relates.

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19.1 Application

19.1.1 Chapter 19 of these Rules applies to Payment Service Providers.

Guidance

1. Payment Service Providers are distinct from other Authorised Persons undertaking the Regulated Activity of Providing Money Services as they offer to their customers one or more of Payment Accounts, Payment Instruments and Stored Value, or agree to buy or sell Fiat-Referenced Tokens by way of a standalone business.
2. Payment Service Users are not considered to be Clients of Payment Service Providers insofar as Chapter 19 does not distinguish between Retail Clients and Professional Clients in relation to the conduct of Payment Services so Chapter 2 does not therefore apply to Payment Services Providers.
3. Chapters 14 and 16 are applicable to the safekeeping of Relevant Money by Payment Service Providers, being either Money retained in the Payment Account of the Payment Service User, or Money held in a segregated manner by the Payment Service Provider for the purpose of funding the redemption of Stored Value issued to the Payment Service User in connection with the conduct of Payment Services.
4. Other Authorised Persons undertaking the Regulated Activity of Providing Money Services that offer only one or more of currency exchange and Money Remittance to their customers, but not Payment Services, and are considered not to hold Client Money or Relevant Money.

5. Chapters 15 and 17 are applicable to Payment Service Providers which maintain Payment Accounts for the purpose of holding Fiat-Referenced Tokens belonging to Payment Service Users.

19.2 Framework Contracts

Guidance

Framework Contracts are contracts between Payment Service Providers and Payment Service Users enabling future execution of individual and successive Payment Transactions, using the payment service platform offered by the Payment Service Provider. Such contracts are often used to establish Payment Accounts or the terms upon which Stored Value will be issued and redeemed, and typically govern the operation of the payment service, including the rights and obligations of Payment Service Providers and their respective Payment Service Users. A Payment Service Provider that only sells and/or buys Fiat-Referenced Tokens must comply with Rule 19.24 but does not need to enter into a Framework Contract with its customers.

General information to be included in Framework Contracts

19.2.1 Unless otherwise agreed in writing by a Payment Service Provider and a Payment Service User which is not a Natural Person in accordance with Rule 19.6.1, a Framework Contract between a Payment Service Provider and a Payment Service User must include the following information:

(a) about the Payment Service Provider:

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(b) about the Payment Service:

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(c) about charges and exchange rates:

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(d) about communication:

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(e) about safeguards and corrective measures:

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(f) about changes to and termination of the Framework Contract:

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(g) about redress:

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- (h) if the Payment Service involves the issuance of Stored Value, about the redemption of Stored Value, including the conditions of redemption and any related Fees.
- (i) If the Payment Service involves the holding or transfer of Fiat-Referenced Tokens, an explanation of the arrangements whereby the Fiat-Referenced Tokens will be held and the details of the specific Fiat-Referenced Token being held or transferred as well as a link to the issuer's website where the details of the issuer and its reserves may be found.

19.2.2 A Payment Service Provider must provide to a Payment Service User the information specified in Rule 19.2.1 before the Payment Service User is bound by the Framework Contract.

Guidance

Where the Payment Service involves the safekeeping of Fiat-Referenced Tokens belonging to Payment Service Users, the disclosure required under Rule 19.2.1(i) may be combined with the disclosures required to be provided to a Payment Service User in relation to Safe Custody Assets and Fiat-Referenced Tokens as required by Chapters 15 and 17.

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19.7 Safeguarding requirements

- 19.7.1 (1) Subject to (2), a Payment Service Provider is prohibited from accepting physical cash in the form of banknotes and coins from any Payment Service User, whether directly or indirectly via another Person.
- (2) The prohibition in (1) does not apply to a Payment Service Provider receiving physical cash from any Payment Service User indirectly via a Financial Institution that is regulated and supervised for anti-money laundering compliance by the Regulator or a Non-ADGM Financial Services Regulator or other competent authority under rules and regulations equivalent to those applying in ADGM.
- (3) A Payment Service Provider is prohibited from distributing physical cash in the form of banknotes and coins to any Payment Service User other than via a Financial Institution that is regulated and supervised for anti-money laundering compliance by the Regulator or a Non-ADGM Financial Services Regulator or other competent authority under rules and regulations equivalent to those applying in the ADGM.
- (4) A Payment Service Provider must safeguard Relevant Money placed in one or more Payment Accounts, as necessary, in accordance with Chapter 14.
- (5) A Payment Service Provider must safeguard all Fiat-Referenced Tokens placed in one or more Payment Accounts, as necessary, in accordance with Chapter 15.

Guidance

A Payment Service Provider must safeguard Money or Fiat-Referenced Tokens which they may be responsible for the transmission of, as well as any Money or Fiat-Referenced Tokens which they may hold or control on behalf of a Payment Service User, or which may be required to fund the redemption of Stored Value issued to a Payment Service User.

19.7.2 A Payment Account in which Relevant Money is held, must:

- (a) be designated in such a way as to demonstrate that it is an account which is held for the purpose of safeguarding Relevant Money in accordance with Chapter 14 of these Rules;
- (b) be used only in relation to Payment Transactions; and
- (c) be used only for holding Relevant Money.

19.7.2A A Payment Account in which Fiat-Referenced Tokens are held must:

- (a) be designated in such a way as to demonstrate that it is an account which is held for the purpose of safeguarding Fiat-Referenced Tokens in accordance with Chapter 15;
- (b) be used only in relation to Payment Transactions; and
- (c) be used only for holding Fiat-Referenced Tokens belonging to Payment Service Users.

19.7.3 No person other than the Payment Service Provider may have any interest in or right over the Relevant Money or Fiat-Referenced Tokens placed in a Payment Account in accordance with Rule 19.7.2 or Rule 19.7.2A, as applicable, except as provided by these Rules.

19.7.4 The Payment Service Provider must keep records of all Relevant Money or Fiat-Referenced Tokens segregated in accordance with Rule 19.7.2 or Rule 19.7.2A, as applicable.

19.7.5 A Payment Service Provider must maintain organisational arrangements sufficient to minimise the risk of any loss of Relevant Money or Fiat-Referenced Tokens through fraud, misuse, negligence or poor administration.

19.8 Record keeping

19.8.1 A Payment Service Provider must maintain relevant records of all Relevant Money or Fiat-Referenced Tokens received, including all records of agreements with Payment Service Users, and all Payment Transactions and keep those records for a period of at least six years from the date on which the record was created.

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19.12.1 Where a card-based Payment Transaction is initiated by or through the Payee and the amount of the transaction is not known when the Payer authorises the Payment Transaction:

- (a) the Payer's Payment Service Provider may not block Money or Fiat-Referenced Tokens on the Payer's Payment Account unless the Payer has authorised the exact amount of the Money or Fiat-Referenced Tokens to be blocked; and
- (b) the Payer's Payment Service Provider must release the blocked Money or Fiat-Referenced Tokens without undue delay after becoming aware of the amount of the Payment Transaction, and in any event immediately after receipt of the Payment Order.

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19.15 Execution time and Credit Value Date

19.15.1 (1) Rule 19.15.2 applies where a Payment Transaction:

- (a) is in U.S. Dollars;
- (b) is executed wholly within the UAE in UAE Dirham; or Dirhams;
- (c) involves only one currency conversion between the UAE DirhamDirhams and U.S. Dollars, where the currency conversion is carried out in the UAE; or
- (d) is executed in one type of Fiat-Referenced Token.

(2) In respect of any Payment Transaction not described in (1), the Payment Service User may agree with the Payment Service Provider that Rule 19.15.2 does not apply.

Payment Transactions to a Payment Account

19.15.2 (1) The Payer's Payment Service Provider must ensure that the amount of the Payment Transaction is credited to the Payee's Payment Service Provider's account no later than the end of the day following the time of receipt of the Payment Order by the Payer's Payment Service Provider.

(2) The Payee's Payment Service Provider must value date and credit the amount of the Payment Transaction to the Payee's Payment Account following its receipt of the Money or Fiat-Referenced Tokens.

(3) The Payee's Payment Service Provider must transmit a Payment Order initiated by or through the Payee to the Payer's Payment Service Provider within the time limits agreed between the Payee and its Payment Service Provider, enabling settlement in respect of a Direct Debit to occur on the agreed due date.

Money or Fiat-Referenced Tokens placed on a Payment Account

19.15.3 Where a Payment Service User transfers Money in the same currency as that Payment Account or Fiat-Referenced Tokens of the same type held in to its Payment Account with a Payment Service Provider in the same currency as that Payment Account, the Payment Service Provider must:

- (a) if the user is a Natural Person, ensure that the amount is made available and value dated immediately after the receipt of the Money or Fiat-Referenced Tokens;
- (b) in any other case, ensure that the amount is made available and value dated no later than the end of the next day after the receipt of the Money or Fiat-Referenced Tokens.

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19.21.1 (1) Where a Payment Order is executed using a Unique Identifier provided by the Payment Service User, the Payment Order is deemed to have been correctly executed by each Payment Service Provider involved in executing the Payment Order with respect to the Payee specified by the Unique Identifier.

(2) Where the Unique Identifier provided by the Payment Service User is incorrect, the Payment Service Provider is not liable under Rule 19.21.2 or 19.21.3 for non-execution or defective execution of the Payment Transaction, but the Payment Service Provider:

- (a) must make reasonable efforts to recover the Money or Fiat-Referenced Tokens involved in the Payment Transaction; and
- (b) may, if agreed in the Framework Contract, charge the Payment Service User for any such recovery.

(3) The Payee's Payment Service Provider must co-operate with the Payer's Payment Service Provider in its efforts to recover the Money or Fiat-Referenced Tokens, in particular by providing to the Payer's Payment Service Provider all relevant information for the collection of the Money or Fiat-Referenced Tokens.

(4) If the Payer's Payment Service Provider is unable to recover the Money or Fiat-Referenced Tokens it must, on receipt of a written request, provide to the Payer all available relevant information in order for the Payer to claim repayment of the Money or Fiat-Referenced Tokens.

...

19.24 Purchase and Sale of Fiat-Referenced Tokens

19.24.1 An Authorised Person that is conducting Payment Services and which offers to buy and/or sell a Fiat Referenced Token, must, prior to entering into such Transaction:

- (a) establish a non-discriminatory commercial policy that identifies the type of Customers it agrees to transact with and any preconditions that shall be met by such Customers and disclose same to its Customers; and
- (b) disclose:
 - (i) the price at which the Authorised Person will buy or sell the Fiat-Referenced Token which is the subject of the Transaction, or the method by which the Authorised Person will determine the price of the Fiat-Referenced Token that it proposes to exchange for funds or other Fiat-Referenced Tokens;
 - (ii) all fees charged by the Authorised Person in respect of the Transaction; and
 - (iii) any applicable limits on the amount of Fiat-Referenced Tokens to be exchanged.

19.24.2 Where the Authorised Person intends to enter into Transactions with Customers, the information set out in Rule 19.24.1 must be published on its website.

19.24.3 Rule 19.24.1 does not apply to a Transaction entered into with a person that has issued the Fiat-Referenced Token that is the subject of the Transaction.

...

19A.3 Additional Regulated Restricted Activities

19A.3.1 An Authorised Person that has issued a Fiat-Referenced Token is prohibited from conducting any additional Regulated Activities not incidental to the issuance of a Fiat-Referenced Token.

19A.3.2 An Authorised Person must not issue a Fiat-Referenced Token denominated in UAE Dirhams.

...

19A.5.1 (1) References to “Client Account” and “Client Assets” in Chapter 15 must be read using the terms “Reserve Account” and “Reserve Investments”, respectively.

...

19A.5.2 Payment received by an Authorised Person in exchange for the issuance of Fiat-Referenced Tokens must be considered Relevant Money and, must either be:

- (a) maintained in a Client Account, in compliance with the Client Money Rules set out in Chapter 14; or
- (b) invested in Reserve Investments which are held in one or more Reserve Accounts maintained with one or more Third-Party Agents approved by the Regulator.

Guidance

Before placing Reserve Investments in a Reserve Account maintained by a Third-Party Agent, in accordance with Rule 19A.5.2, an Authorised Person must have obtained written confirmation of non-objection to the use of such Third-Party Agent from the Regulator, in accordance with Rule 15.4.2A.

...

19A.9 Attestation

19A.9.1 An Authorised Person which has issued a Fiat-Referenced Token must prepare a monthly written attestation ~~provided by an independent third party approved by the Regulator. Such written attestation must~~ An attestation prepared in compliance with this Rule must:

- (a) be provided by an independent third party for whom the Authorised Person has received written confirmation of non-objection from the Regulator; and
- (b) state at the expiry of the period for which the attestation has been prepared and at the close of business on one randomly selected day during such attestation period for each Fiat-Referenced Token issued:
 - (ai) the amount of Relevant Money held;
 - (bii) the market value of all Reserve Investments, both in aggregate and by type of investment;
 - (ciii) the total par value of the issued and outstanding Fiat-Referenced Tokens as at close of business on such day;
 - (div) whether the total market value of all Reserve Investments and Relevant Money held by the Authorised Person in respect of the Fiat-Referenced Token equals or exceeds the total redemption value of the issued and outstanding Fiat-Referenced Tokens as at the close of business on such day; and
 - (ev) whether the investments acquired with the proceeds from the sale of Fiat-Referenced Tokens are either held as Relevant Money or alternatively invested in investments which qualify as Reserve Investments.

...

20.14.3 (1) A Third Party Provider must take such steps as directed by the Regulator to demonstrate the safety and integrity of their Interfacing Systems.

...

Guidance

1. The Regulator may require Third Party Providers to demonstrate the safety and integrity of their Interfacing Systems by, *inter alia*, connecting to systems

operated by the Regulator or by conducting such tests on the Interfacing Systems as the Regulator may specify.

2. An attestation provided under Rule 20.14.3 is not a legally binding instrument. It places personal responsibility on the Senior Executive Officer of the Third Party Provider to ensure that all reasonable steps have been taken. Should operational or security incidents occur, the Regulator will consider whether the Senior Executive Officer had misled the Regulator in line with ~~Article Section 221 of the Financial Services and Markets Regulations 2015FSMR~~ on Misleading the Regulator.

...

22.1 **Application ~~And~~ and Interpretation**

...

22.7.5 For the purposes of Rule 22.7.4, all references in MIR to—:

- (a) “Recognised Body” or “Recognised Bodies” shall be read as references to “Authorised Person”; and
- (b) “Financial Instrument” or “Financial Instruments” shall be read as references to “Accepted Spot Commodity” or “Accepted Spot Commodities”, as applicable.

...

22.8.3 For the purposes of an Authorised Person that is Providing Custody in relation to Accepted Spot Commodities, the following requirements in COBS, Chapters 14 and 15 shall be read as follows –

- (a) the reconciliations of the Client Accounts required under COBS Rule—:

...