

### **Conduct of Business Rulebook (COBS)**

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



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### 3.4.2 Suitability Assessment

- (a) Subject to Rule 3.4.2(b), an Authorised Person must not recommend to a Client a Specified Investment or the carrying on of a Regulated Activity where this involves provision of a service to a Client, or execute a Transaction on a discretionary basis for a Client, unless the Authorised Person has a reasonable basis for considering the recommendation or Transaction to be suitable for that particular Client. For this purpose, the Authorised Person must:
  - (i) undertake an appropriate assessment of the particular Client's needs, objectives, and financial situation, and also, to the extent relevant, risk tolerance, knowledge, experience and understanding of the risks involved; and
  - (ii) take into account any other relevant requirements and circumstances of the Client of which the Authorised Person is, or ought reasonably to be aware.

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#### **Guidance**

(e) The extent to which an Authorised Person needs to carry out a suitability assessment for a Professional Client depends on its agreement with such a Client. The agreement may limit the suitability assessment to a specified extent, or may dispense with the suitability assessment completely. To the extent a limited suitability assessment is agreed upon, the Authorised Person must carry out the suitability assessment as agreed. Limitations may, for example, relate to the objectives of the Client or the product range in respect of which the recommendations are to be made.

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### 3.5.8 Inducements

- (a) An Authorised Person must have systems and controls including policies and procedures to ensure that neither it, nor an Employee or Associate of it, offers, gives, solicits or accepts inducements such as commissions or other direct or indirect benefits where such inducements are reasonably likely to conflict with any duty that it owes to its Clients. ~~In circumstances where an Authorised Person believes on reasonable grounds that the Client's interests are better served by a Person to whom the referral is to be made, any commission or other benefit which the Authorised Person or any of its Employees or Associates receives in respect of such a referral would not be a prohibited inducement under this Rule.~~
- (b) Subject to Rule 3.5.8(c), an Authorised Person must, before recommending a Specified Investment to, or Executing a Transaction for, a Retail Client, disclose to that Client any commission or other direct or indirect benefit which it, or any Associate or Employee of it, has received or may or will receive, in connection

with or as a result of the Authorised Person making the recommendation or executing the Transaction.

- (c) An Authorised Person may provide the information required under Rule 3.5.8(b) in summary form, provided it informs the Client that more detailed information will be provided to the Client upon request and the Authorised Person complies with such a request.

#### **Guidance**

In relation to Rule 3.5.8(a), in circumstances where an Authorised Person believes on reasonable grounds that the Client's interests are better served by a Person to whom the referral is to be made, any commission or other benefit which the Authorised Person or any of its Employees or Associates receives in respect of such a referral would not be a prohibited inducement under this Rule.

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- 9.10.3 A Credit Rating Agency and its Employees must take all reasonable measures to protect all property and records belonging to or in possession of the Credit Rating Agency from fraud, theft or misuse.

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#### **11.1.4 Sending Confirmation Notes**

- 1. ~~An~~ For the purposes of Rule 6.10.2, an Authorised Person must include the following information in its confirmation notes:

- (a) the Authorised Person's name and address;

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#### **~~11.2~~ 11.1.5 Additional Information: Derivatives**

For the purposes of Rule 6.10.2, and in relation to Transactions in Derivatives, an Authorised Person must include the following additional information:

- (a) the maturity, delivery or expiry date of the Derivative;
- (b) in the case of an Option, the date of exercise or a reference to the last exercise date;
- (c) whether the exercise creates a sale or purchase in the underlying asset;
- (d) the strike price of the Option; and
- (e) if the Transaction closes out an open Futures position, all essential details required in respect of each contract comprised in the open position and each contract by which it was closed out and the profit or loss to the Client arising out of closing out that position (a difference account).

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**14.1.4** 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.

**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, 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.~~

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**14.4 Payment of Client Money into Client Accounts**

**14.4.1** Where an Authorised Person holds or controls Client Money it must ensure, except where otherwise provided in these Rules, that the Client Money is paid into a Client Account held with a Third Party Agent pursuant to Rule 14.7, within one day of receipt.

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**14.6.1** A Client Account is an account which:

- (a) is held with a Third-Party Agent, pursuant to Rule 14.7;
- (b) is established to hold Client Money; and
- (c) is maintained in the name of:
  - (i) if a Domestic Firm, the Authorised Person; or

- (ii) if a non-Domestic Firm, a Nominee Company controlled by the Authorised Person.

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14.7.3 An Authorised Person ~~should~~must ensure that a Client Account maintained with a Third-Party Agent includes the words “Client Account” in its title.

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14.13.2 If an Authorised Person becomes insolvent, or a Pooling Event Occurs, the available funds in each Client Account must be distributed in accordance with Rule ~~14.13.4~~14.13.5.

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15.5.4 Before an Authorised Person Arranges Custody for a Client, it must disclose to that Client, if applicable, that the Client's Safe Custody Assets may be held in a jurisdiction outside the Abu Dhabi Global Market and the market practices, insolvency and legal regime applicable in that jurisdiction may differ from the regime applicable in the Abu Dhabi Global Market.

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15.7.2 Before an Authorised Person provides Custody for a Client it must disclose to the Client in writing on whose behalf the Safe Custody Assets will be held:

- (a) a statement that the Client is subject to the protections conferred by the Safe Custody Rules;

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23.5.3 An Authorised Person must maintain a record of the assessment required by Rule 23.5.1, in accordance with applicable record keeping requirements.

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