ADGM

Appendix 1

Conduct of Business Rulebook (COBS)

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

…

2.4.2 **"Deemed" Professional Clients**

(a) A Person is a "deemed" Professional Client if that Person is:

(i) a Person which, as at the date of its most recent financial statements, met at least two of the following requirements:

(A) a balance sheet total of US$20 million;

(B) a net annual turnover of US$40 million; or

(C) own funds or called up capital of at least US$2 million

(a "Large Undertaking");

…

(xi) a trustee of a trust which has, or had during the previous twelve months, assets of at least US$10,000,000. An individual trustee on the board of such a trust is only a "deemed" Professional Client in relation to that particular trust; ~~or~~

(xii) a Subsidiary or a Parent of any of the Persons described in Rules 2.4.2(a)(i)-(xi~~i~~)~~.~~; or

(xiii) deemed to be a Professional Client for the purposes of Rule 4.3.3.

…

2.4.4 **"Assessed" Professional Clients**

…

Undertakings

(f) An Authorised Person may classify an Undertaking as an "assessed" Professional Client if the Undertaking, or (as assessed by the Authorised Person) its Controller (provided that if such controller is a natural person, it meets the Professional Client criteria in Rule 2.4.4(b)), Holding Company, Subsidiary or joint venture partner:

(i) has own funds or called up capital of at least US$1,000,000

(ii) appears, on reasonable grounds, to have sufficient experience and understanding of relevant financial markets, products or transactions and any associated risks, following the analysis set out in Rule 2.6.2; and

(iii) has opted not to be classified as a Retail Client.

Guidance

1. A legal structure or vehicle established for investment purposes for an individual who are themselves a Professional Client may not opt to be treated as a Retail Client, as that right belongs to the Professional Client for whose purposes the legal structure or vehicle is set up.

2. A joint account holder for whom investment decisions are being made by a primary account holder who is a Professional Client does not per se have a right to opt to be classified as a Retail Client with regard to the operation of the joint account, but may withdraw confirmation given to have decisions on behalf of him made by the Professional Client who is the primary account holder of the joint account. In such event, the Authorised Person must ensure that the withdrawing individual is no longer classified as a Professional Client, and that the operating of the joint account will not reflect treatment as a Professional Client until such time as the assets of the withdrawing joint account holder are withdrawn from the joint account.

~~*Undertakings*~~

~~An Authorised Person may classify an Undertaking as an "assessed" Professional Client if the Undertaking, or (as assessed by the Authorised Person) its Controller (provided that if such controller is a natural person, it meets the Professional Client criteria in Rule 2.4.4(b)), Holding Company, Subsidiary or joint venture partner:~~

~~(i) has own funds or called up capital of at least US$1,000,000~~

~~(ii) appears, on reasonable grounds, to have sufficient experience and understanding of relevant financial markets, products or transactions and any associated risks, following the analysis set out in Rule 2.6.2; and~~

~~(iii) has not opted to be classified as a Retail Client.~~

~~**Guidance**~~

3. ~~1.~~ In the calculation of net assets in Rule ~~2.6.4(i)~~ 2.4.4(b)(i), the reference to "assets held directly or indirectly" is designed to include assets held by direct legal ownership, by beneficial ownership (e.g. as a beneficiary in a trust), or by both legal and beneficial ownership. Such assets may be held, for instance, through a special purpose or personal investment vehicle, a foundation, or similar. Similarly, any real property held subject to an Islamic mortgage, where the lender has the legal title to the property, may be counted as indirectly held property of a Client, less the amount owing on the mortgage, where it is not a primary residence. As the test is to determine the net assets (not gross assets) of an individual, any mortgages or other charges held over the property to secure any indebtedness of the individual should be deducted from the value of the assets. If an individual who is an expatriate has a primary residence in his home country, such a residence should not generally be counted for the purposes of meeting the net asset test. However, if the current residence in the host country is owned by the individual, then that may be treated as their primary residence and the value of the residence in the home country of the individual may be counted for the purposes of meeting the net asset test, provided there is sufficient evidence of ownership and an objective valuation of the relevant premises. An Authorised Person should be able to demonstrate that it has objective evidence of the ownership and valuation of any assets taken into account for the purposes of meeting the net asset test.

4. ~~2.~~ Joint ventures may be in the form of contractual arrangements under which parties contribute their assets and expertise to develop or to undertake specified business activities. Where an Undertaking is set up by participants in such a joint venture for the purposes of their joint venture, the Undertaking itself can be treated as a Professional Client provided a joint venture partner meets the Professional Client criteria. To be able to rely on a joint venture partner's Professional Client status, such a partner should generally be a key decision maker with respect to the business activities of the joint venture, and not just a silent partner.

5. ~~3.~~ An Undertaking which meets the criteria to be a "deemed" Professional Client in accordance with the criteria in Rule 2.4.2 does not need to meet the criteria in this Rule to qualify as a Professional Client.

6. ~~4.~~ An Undertaking which does not otherwise qualify as a Professional Client may be deemed to be a Professional Client only for the purposes of the Regulated Activities of Providing Credit, Advising on Investments or Credit, Arranging Credit or Arranging Deals in Investments for the purpose of Corporate Structuring and Finance, in accordance with Rule 4.3.3.

…

4.3 Providing Credit

4.3.1 An Authorised Person may Provide Credit to a Professional Client.

4.3.2 An Authorised Person may Provide Credit to a Retail Client only where:

(a) the Retail Client is an Undertaking; and

(b) the Credit Facility is provided to the Retail Client for a business purpose.

4.3.3 (a) An Undertaking is deemed to be a Professional Client for the purposes of the Regulated Activities of Providing Credit, Advising on Investments or Credit, Arranging Credit or Arranging Deals in Investments if such services are being provided to:

(i) ~~teh~~ the Undertaking;

(ii) the Controller of the Undertaking, which is also an Undertaking;

(iii) any member of a Group to which the Undertaking belongs; or

(iv) a joint venture involving the Persons described in 4.3.3(a)(i)-(iii) ~~for the purpose of Corporate Structuring and Financing.~~

for the purpose of Corporate Structuring and Financing.

…

4.4 Depositor Protection

4.4.1 (a) In the event of:

(i) the appointment of a provisional liquidator, liquidator, receiver or administrator, or trustee in bankruptcy over a Bank which is an Abu Dhabi Global Market Firm; or

(ii) a direction by the Regulator to a Bank which is an Abu Dhabi Global Market Firm to deal with all or substantially all its Deposits in a specified manner,

eligible depositors of the Bank have priority over, and ~~shall~~ must be paid in priority to, all other unsecured creditors of the Bank.

(b) In Rule 4.4.1(a), an "eligible depositor" means a Person (other than a Professional ~~Coient~~ Client which is Market Counterparty or a Bank) who, at the relevant time, is a creditor of a Bank referred to in Rule 4.4.1(a) by virtue of being owed an amount of Money held by the Bank as a Deposit.

…

14. CLIENT MONEY AND RELEVANT MONEY PROVISIONS

14.1 Application

…

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.

…

14.13.6 Where, after the Failure of an Authorised Person, the amount of Client Money in a Client Account is insufficient to satisfy the claims of all Clients in full in respect of that Money, or not being immediately available to satisfy such claims, a Client may claim for any shortfall against all other Money held by the Authorised Person in its own account. For that claim, the Client will be an unsecured creditor of the Authorised Person.

Guidance

…

4. When Client Money is transferred to a ~~Third Party~~ Third-Party Agent, an Authorised Person continues to owe a fiduciary duty to the Client. However, an Authorised Person will not be held responsible for a shortfall in Client Money arising from the Failure of the ~~Third Party~~ Third-Party Agent if it has complied with those duties by showing proper care and complying with Rules 14.6 and 14.7.

…

15. SAFE CUSTODY RULES

15.1 Application

15.1.1 Subject to Rule 15.1.2, this chapter applies to Authorised Person holding or controlling Client Investments, 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.

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.

…

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 must ensure that 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 ~~or~~ holds Client Investments or holds Reserve Investments must record, register and hold Safe Custody Assets separately from its own Investments.

…

15.4 Client Accounts in relation to Client Investments and Reserve Investments

15.4.1 An Authorised Person which holds Client Investments or Reserve Investments must register or record all Safe Custody Assets in an account that is a ~~client~~ 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 Client Account or a Reserve Account is: ~~an account 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.~~

(a) an account 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;

(b) maintained in the name of:

(i) if an Authorised Person is Domestic Firm, the Authorised Person or a Nominee Company;

(ii) if an Authorised Person is a Branch, a Nominee Company controlled by the Authorised Person; or

(iii) in the name of the Client, unless the Client is an Authorised Person, in which case Safe Custody Assets held in the Client Account must be registered in the name of the Client of that Authorised Person~~.~~; and

(c) includes the words "Client Account" in its title, unless it is a Reserve Account, in which case the words "Reserve Account" must be included in its title.

15.4.3 An Authorised Person must maintain a current master list of all Client Accounts or Reserve Accounts, as applicable.

(a) The master list must detail:

(i) the name of each account;

(ii) each account number;

(iii) the custodian, sub-custodian or depository (if the Authorised Person itself is not Providing Custody);

(iv) whether the account is currently open or closed; and

(v) the date of opening or closure.

(b) The details of the master list must be documented and maintained for a minimum period of six years following the closure of an account.

…

15.4.6 Unless permitted in accordance with Chapter 19A, an Authorised Person must not use Reserve Investments for its own purposes in any circumstances.

…

15.5 Holding or Arranging Custody with Third-Party Agents

15.5.1 Before an Authorised Person places a Safe Custody ~~Investment~~ Asset with a Third-Party Agent or Arranges Custody through a Third-Party Agent, it must:

(a) undertake an assessment of that Third-Party Agent and have concluded on reasonable grounds that the Third-Party Agent is suitable to hold those Safe Custody Assets~~.~~;

(b) have systems and controls in place to ensure that the Third-Party Agent remains suitable~~.~~; and

(c) ensure that the Third-Party Agent will provide protections equivalent to the protections conferred in this section.

15.5.2 An Authorised Person must be able to demonstrate to the Regulator's satisfaction the grounds upon which the Authorised Person considers the Third-Party Agent to be suitable to hold Safe Custody Assets.

~~**Guidance**~~

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:

…

(h) the quantity of ~~Client Investments~~ 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.

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 belonging to the Authorised Person, and is in the form requested by the Authorised Person;

(b) that the Client Investment will only be credited and withdrawn in accordance with the instructions of the Authorised Person;

(c) that the Third-Party Agent will hold ~~Client Investments~~ Safe Custody Assets separately from assets belonging to the Third-Party Agent;

(d) the arrangements for recording and registering ~~Client Investments~~ Safe Custody Assets, claiming and receiving dividends and other entitlements and interest and the giving and receiving of instructions;

(e) that the Third-Party Agent will deliver a statement to the Authorised Person (including the frequency of such statement), which details the ~~Client Investments~~ Safe Custody Assets deposited to the account;

(f) in the case of Reserve Investments, that the Safe Custody Assets are subject to a lien in favour of the holders of the associated Fiat-Referenced Tokens issued by the Authorised Person;

(g) ~~(f) that all Investments standing to the credit of the account are held by the Authorised Person as agent and~~ that the Third-Party Agent is not entitled to combine the account with any other account or to exercise any charge, mortgage, lien, right of set-off or counterclaim against ~~Investments~~ the Safe Custody Assets in that account in respect of any sum owed to it on any other account of the Authorised Person; and

(h) ~~(g)~~ the extent of liability of the Third-Party Agent in the event of default.

…

15.8.4 Rules 15.8.1 to 15.8.3 do not apply to an Authorised Person which has issued Fiat-Referenced Tokens in respect of Reserve Investments.

…

15.9.7 Rules 15.9.1 to 15.9.6 do not apply to an Authorised Person which has issued Fiat-Referenced Tokens in respect of Reserve Investments.

…

15.11A.4 All notices given by an Authorised Person to a Client in relation to the termination of, or exercise of rights of the Authorised Person in relation to, a Title Transfer Collateral Agreement must ~~I~~ be in writing.

…

16.1 This chapter applies to an Authorised Person where it:

(a) holds, safeguards or administers Financial Instruments or Virtual Assets for a Client;

(b) acts as Trustee, Eligible Custodian or Fund Manager of Fund; or

(c) ~~O~~otherwise holds Client Money, Relevant Money or Safe Custody Assets in accordance with Chapters 14~~,~~ and 15~~, 16, or 19~~, ~~respectively~~ as appropriate.

…

16.3 Core Content Requirements

16.3.1 An Authorised Person must include within its Resolution Pack:

(a) a master document containing information sufficient to retrieve each document in the Authorised Person's Resolution Pack;

(b) a document which identifies the institutions the Authorised Person has appointed:

(i) in the case of Client Money or Relevant ~~money~~ Money, to hold and maintain Client Accounts or Payment ~~accounts~~ Accounts, respectively; and

(ii) in the case of Safe Custody Assets, for the deposit of those assets in accordance with Rule 15.5.1;

(c) a document which identifies each tied agent, field representative or other agent of the Authorised Person which receives Client Money, Relevant Money or Safe Custody Assets in its capacity as the Authorised Person's agent in accordance with Rule 15.5.1 and Rule 15.6;

…

16.4.2 The Resolution Pack of an Authorised Person that has issued Fiat-Referenced Tokens must include those records set out in Rule 16.4.1(b), (d), (e) and (f).

17. ADDITIONAL RULES – AUTHORISED PERSONS CONDUCTING A REGULATED ACTIVITY IN RELATION TO VIRTUAL ASSETS OR FIAT-REFERENCED TOKENS

17.1 Application and Interpretation

17.1.1 This chapter applies to an Authorised Person conducting a Regulated Activity in relation to Virtual Assets or, where specifically indicated in this chapter, Fiat-Referenced Tokens.

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:

…

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

…

17.2A Accepted Fiat-Referenced Tokens

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

17.2A.2 For the purposes of determining whether, in its opinion, a Fiat-Referenced Token meets the requirements of being an Accepted Fiat-Referenced Token, the Regulator will consider the ability of transactions in such Fiat-Referenced Token to comply with applicable anti-money laundering, transaction monitoring and Travel Rule requirements.

Guidance

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.

…

17.4 International Tax Reporting Obligations

17.4.1 An Authorised Person conducting a Regulated Activity in relation to Virtual Assets or Fiat-Referenced Tokens, where applicable, should consider any reporting obligations in relation to, among other things –

(a) FATCA, as set out in the Guidance Notes on the requirements of the Intergovernmental Agreement between the United Arab Emirates and the United States, issued by the UAE Ministry of Finance in 2015 and as amended from time to time; and

(b) Common Reporting Standards, set out in the *ADGM Common Reporting Standard Regulations* 2017.

17.5 Technology Governance and Controls

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.

Private and public keys

(b) Procedures describing the creation, management and controls of private and public keys, including, as applicable:

(i) private key generation;

(ii) private key exchange;

(iii) private key storage;

(iv) private key backup;

(v) private key destruction;

(vi) private key access management;

(vii) public key sharing; and

(viii) public key re-use.

Origin and destination of Virtual Asset funds or, as applicable, funds transferred in relation to the issuance, purchase and sale or redemption of Fiat-Referenced Tokens.

(c) Systems and controls to mitigate the risk of misuse of Virtual Assets or Fiat-Referenced Tokens, as applicable, setting out how –

(i) the origin of Virtual Assets or Fiat-Referenced Tokens, as applicable, is determined, in case of an incoming transaction; and

(ii) the destination of Virtual Assets or Fiat-Referenced Tokens, as applicable, is determined, in case of an outgoing transaction.

…

19.2.5 Where the Framework Contract allows for any proposed changes to be made unilaterally by the Payment Service Provider in the event that the Payment Service User does not, before the proposed date of entry into force of the changes, notify the Payment Service Provider to the contrary, the Payment Service Provider must inform the Payment Service User that:

(a) the Payment Service User will be deemed to have accepted the changes ~~comunicated~~communicated to it under Rule 19.2.4; and

…

19.13 Requests for refunds ~~of Money~~ for Payment Transactions initiated by or through a Payee

19.13.1 (1) The Payer is entitled to a refund from its Payment Service Provider of the full amount of any authorised Payment Transaction initiated by or through the Payee if requested within eight weeks from the date on which the Money or Fiat-Referenced Token was debited, if:

…

Revocation of a Payment Order

19.14.3 (1) Subject to (2) to (4), a Payment Service User may not revoke a Payment Order after it has been received by the Payer's Payment Service Provider.

(2) In the case of a Payment Transaction initiated by a Payment Initiation Service Provider, or by or through the Payee, the Payer may not revoke the Payment Order after giving consent to the Payment Initiation Service Provider to initiate the Payment Transaction or giving consent to execute the Payment Transaction to the Payee.

(3) In the case of a Direct Debit, the Payer may not revoke the Payment Order after the end of the day preceding the day agreed for debiting the Money or Fiat-Referenced Token.

…

Money placed on a Payment Account

19.15.3 Where a Payment Service User transfers Money or Fiat-Referenced Tokens 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.

Value date and availability of Money or Fiat-Referenced Tokens

19.15.4 (1) The Credit Value Date for the Payee's Payment Account must be no later than the day on which the amount of the Payment Transaction is credited to the account of the Payee's Payment Service Provider.

…

19A. Fiat-Referenced Tokens

19A.1 Application

19A.1.1 Chapter 19A of these Rules applies to Authorised Persons which propose to issue or have issued Fiat-Referenced Tokens.

19A.2 White Paper

19A.2.1 No later than twenty days prior to the issuance of a Fiat-Referenced Token, an Authorised Person must submit a white paper to the Regulator which must be clear, fair, not misleading, concise and comprehensible and not promote the Fiat-Referenced Token as an alternative form of investment. The white paper must, at a minimum, contain information:

(a) about the issuer of the Fiat-Referenced Token;

(b) about the Fiat-Referenced Token including, but not limited to, the rights of the holder of a token and the responsibilities of the issuer of same, including, but not limited to:

(i) redemption rights at par, rights to interest or other time-based payments; and

(ii) in the event of a Pooling Event, any differing treatment of claims to redemption at par from claims for interest or time-based payments;

(c) concerning the process whereby the Fiat-Referenced Token may be redeemed by a holder, including any extension of the redemption period due to circumstances such as market stresses;

(d) concerning the operations of the issuer, including the mechanism by which the stability of the value of the Fiat-Referenced Token may be maintained;

(e) concerning the proposed composition of the Reserve Investments and Relevant Money held;

(f) concerning the risks inherent in holding Fiat-Referenced Tokens, including circumstances under which a loss of value might occur; and

(g) concerning the underlying technology employed by the issuer and the relevant applicable standards applied by the issuer to monitor same.

19A.2.2 The white paper must contain a clear and prominent statement that it has not been approved by the Regulator, and that the Authorised Person is solely responsible for the content of the white paper.

19A.2.3 An Authorised Person which intends to issue a Fiat-Referenced Token must publish the white paper upon its website prior to any issuance and maintain such publication there for as long as the relevant Fiat-Referenced Token remains in circulation, unless the white paper is replaced in accordance with Rule 19A.2.4.

19A.2.4 The white paper prepared in accordance with Rules 19A.2.1 to 19A.2.3 must be updated:

(a) in the event the information provided in accordance with Rule 19A.2.1 becomes materially inaccurate; or

(b) where one calendar year has passed since the publication of the current published version of the white paper.

19A.3 Additional Regulated 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.4 Redemption

19A.4.1 (1) An Authorised Person which has issued a Fiat-Referenced Token must:

(a) on receipt of Money, issue Fiat-Referenced Tokens at the par value expressed in the white paper to the intended holder without delay; and

(b) at the request of a person holding a Fiat-Referenced Token, redeem the Fiat-Referenced Tokens presented for redemption:

(i) no later than T+2; and

(ii) at par value.

(c) Redemption payments must be made in the fiat currency to which the Fiat-Referenced Token is referenced.

(2) The redemption period specified by Rule 19A.4.1(1)(b)(i) may be extended following notification to or upon direction from the Regulator.

(3) Redemption of Fiat-Referenced Tokens may be subject to a Fee which is proportionate and commensurate with the costs actually incurred for the purposes of such redemption by the Authorised Person which has issued the Fiat-Referenced Token, only where the charging of such a Fee is stated in the white paper.

19A.5 Reserves arising from the issuance of Fiat-Referenced Tokens

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.

(2) The following Rules do not apply to an Authorised Person which has issued a Fiat-Referenced Token:

(a) Rule 14.13.5

(b) Rule 14.13.6

(c) Rule 15.4.4

(d) Rule 15.4.5

(e) Rule 15.7

(f) Rule 15.8

(g) Rule 15.9

(h) Rule 15.11

(i) Rule 15.11A.

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.

19A.5.3 All Relevant Money and Reserve Investments held in accordance with Rule 19A.5.2 must be denominated in the fiat currency to which the par value of the Fiat-Referenced Token is referenced.

19A.5.4 Upon receipt of a direction from the Regulator, an Authorised Person which has issued a Fiat-Referenced Token may be required to divest such Reserve Investments as may be specified in the direction provided by the Regulator within the time period specified in such direction and place the proceeds from such divestiture in a Client Account.

19A.6 Segregation

19A.6.1 An Authorised Person which has issued two or more Fiat-Referenced Tokens must segregate all Reserve Assets for each Fiat-Referenced Token from every other Fiat-Referenced Token issued by that Authorised Person.

19A.7 Minimum Value

19A.7.1 An Authorised Person which has issued a Fiat-Referenced Token must ensure at all times that the combined value of all Reserve Assets held in respect of such Fiat-Referenced Token is equal to or exceeds the total value of all outstanding redemption claims in respect of such Fiat-Referenced Token.

19A.7.2 An Authorised Person which has issued a Fiat-Referenced Token must, on or before the conclusion of each day, conduct a valuation of all Reserve Assets to verify compliance with Rule 19A.7.1.

19A.7.3 In the event a valuation conducted in accordance with Rule 19A.7.2 discloses that the Authorised Person is, or has reasonable grounds to suspect it may be, in breach of Rule 19A.7.1 the Authorised Person must notify the Regulator immediately.

19A.8 Stress Testing

19A.8.1 An Authorised Person which has issued a Fiat-Referenced Token must have systems in place to enable it to regularly stress test the composition of Reserve

Investments and the market and counterparty risks to which they are exposed that may result in a breach of Rule 19A.7.1.

19A.8.2 The stress testing required in accordance with Rule 19A.8.1 must:

(a) be performed at least annually, or more frequently upon written notification from the Regulator and;

(b) consider scenarios of liquidity stress, such as large-scale redemptions of each Fiat-Referenced Token.

19A.8.3 A written summary of the results of the stress testing performed in accordance with Rule 19A.8.2 must be provided to the Regulator when that is completed.

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 state at the expiry of the period for which the attestation has been prepared and at the close of business at one randomly selected day during such attestation period for each Fiat-Referenced Token issued:

(a) the amount of Relevant Money held;

(b) the market value of all Reserve Investments, both in aggregate and by type of investment;

(c) the total par value of the issued and outstanding Fiat-Referenced Tokens as at close of business on such day;

(d) 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

(e) 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.

19A.9.2 The attestation required in accordance with Rule 19A.9.1 must be published on the website of the Authorised Person and submitted to the Regulator by the end of the month following the expiry of the period covered by such attestation.

19A.10 Audit

19A.10.1 An Authorised Person which has issued a Fiat-Referenced Token must perform an annual audit of:

(a) the composition and valuation of Reserve Investments; and

(b) the Authorised Person's internal controls and compliance arrangements in relation to the Rules governing the management of Reserve Investments.

19A.10.2 The audit required in accordance with Rule 19A.10.1 must be performed by an independent external auditor approved by the Regulator. The results of such audit

must be addressed to the Authorised Person and the Regulator and be submitted by the Authorised Person to the Regulator no later than four months following the end of the Authorised Person's financial year.

19A.11 Treatment of claims of holders of a Fiat-Referenced Token

19A.11.1 All holders of a Fiat-Referenced Token must have a pro-rata claim against the Relevant Money and Reserve Investments held by the Authorised Person in respect of such Fiat-Referenced Token, in accordance with the redemption rights set out in the relevant white paper.

19A.11.2 Where an Authorised Person has issued a Fiat-Referenced Token and has placed Relevant Money or Reserve Investments with one or more Third-Party Agents located outside ADGM, the Authorised Person must take such additional steps as may be required in the jurisdiction of each Third-Party Agent to ensure that interests of the holders of the Fiat-Referenced Token, as set out in Rule 19A.11.1, ranks in priority to interests of any other creditor of the Authorised Person.

19A.11.3 Where an Authorised Person has breached Rule 19A.7.1 or in circumstances where the Regulator has reason to consider that such Rule has been or may be breached or that there may be a Failure of the Authorised Person, the Regulator may direct that all or a portion of the Reserve Investments be liquidated and maintained as Relevant Money, in accordance with Rule 19A.5.4.

19A.11.4 Where an Authorised Person has breached Rule 19A.7.1 or a Pooling Event has occurred in accordance with Rule 14.13.3, an Authorised Person which has issued a Fiat-Referenced Token must liquidate all Reserve Investments and distribute all Relevant Money in the following order of priorities:

(a) first, to all holders of Fiat-Referenced Tokens on a pro-rata basis to an amount not to exceed the par value of the Fiat-Referenced Token as expressed in the relevant white paper;

(b) secondly, in the event that the holders of the Fiat-Referenced Token are entitled to interest or any other monetary benefit, to satisfy such claims, as calculated in accordance with the relevant white paper, on a pro rata basis; and

(c) thirdly, to the general creditors of the Authorised Person.

19A.11.5 Where:

(a) a liquidator, receiver or administrator has been appointed over the Authorised Person, payment must be made in the order of priorities established by Rule 19A.11.4, in accordance with the Insolvency Regulations; or

(b) no liquidator, receiver or administrator has been appointed in respect of the Authorised Person and a Pooling Event has occurred, payment must be made in accordance with Rule 19A.11.4 by direction of the Regulator.

19A.11.6 Where, after the Failure of an Authorised Person, the Reserve Assets are insufficient to satisfy in full the claims of all holders of a Fiat-Referenced Token, or are not immediately available to satisfy such claims, a holder of that Fiat-

Referenced Token may claim for any shortfall against the Authorised Person as an unsecured creditor of the Authorised Person.

…

20.2.6 If the Third Party Provider is allowed to make unilateral changes to the Governing Contract and proposes to make such changes, the Third Party Provider must inform the Customer that:

(a) unless the Customer notifies the Third Party Provider to the contrary before the proposed date of entry into force of the changes, the Customer will be deemed to have accepted the changes ~~comunicated~~ communicated to it under Rule 20.2.5; and

…

21.3.4 **Monitoring, surveillance and reporting**

…

Guidance

1. A Benchmark Administrator should consider the reporting and escalation mechanisms between itself and its benchmark administration manager, as well as its process for the internal reporting of such conduct to its senior management.

…

(b) to report to the Regulator, as soon as reasonably practicable, the details of:

(i) any conduct ~~identitied~~ identified in Rule 21.3.4(b); and

(ii) any action it has taken under Rule 21.3.4(c);

…

21.3.6 **Fair and non-discriminatory access to Specified Benchmarks**

(a) A Benchmark Administrator must ensure that a user of a Specified Benchmark it administers (a “user”) is granted non-discriminatory access to:

(i) relevant price and data feeds and information on the composition, methodology and pricing of the Specified Benchmark; and

(ii) licenses or other arrangements to use the Specified Benchmark.

(b) Where a Benchmark Administrator charges a fee for access to the Specified Benchmark, access must be granted on reasonable commercial terms, and ~~commeasurate~~ commensurate to the price at which access is granted to, or at which the intellectual property rights are licensed to, other users or related persons, for the purposes of pricing, trading and clearing.

…

23. CORE RULES – AUTHORISED PERSONS DEALING IN OTC LEVERAGED PRODUCTS

…

23.2 Interpretation

In this Chapter, the following terms have the following meanings attributed to them:

"major currency" means any of the following:

(i) U.S. Dollar;

(ii) Euro;

(iii) Japanese Yen;

(iv) Pound Sterling;

(v) Swiss Franc;

(vi) Canadian Dollar;

(vii) ~~Australlian~~Australian Dollar; or

(viii) New Zealand Dollar;

"major equity indices" means any index identified in the table below

Country	Index
Austria	Austrian Traded ~~Inde`x~~Index

…

"relevant sovereign debt" means an issue of public debt by or on behalf of:

(i) the United ~~Kindgom~~Kingdom;

(ii) the United States of America;

(iii) France;

(iv) Australia;

(v) Germany;

(vi) Japan;

(vii) Canada;

(viii) Switzerland; or

(ix) a member state of the EU that has adopted the Euro as its currency.