



## **CONSULTATION PAPER**

AFSA-P-CE-2020-0004

**Proposed Framework on harmonization of titles  
used for the cryptocurrencies regulated in the AIFC  
and national legislation of Kazakhstan**

Unrestricted

**June 13, 2020**

## Introduction

1. The Astana Financial Services Authority (“AFSA”) has issued this Consultation Paper AFSA-P-CE-2020-0004 to invite public feedback and comments on the proposed Framework on harmonization of titles used for the cryptocurrencies regulated in the Astana International Financial Centre (“AIFC”) and national legislation of Kazakhstan.
2. The proposed amendments to the AIFC Acts to harmonize the titles used for the cryptocurrencies regulated in the AIFC and national legislation of Kazakhstan are set out in Annexes 1-7 to this Paper.
3. This Consultation Paper may be of interest to the financial services providers providing or intending to provide custody services and/or services on operating a Private E-currency Trading Facility.
4. All comments to the proposed amendments to the AIFC Acts to harmonize the titles used for the cryptocurrencies regulated in the AIFC and national legislation of Kazakhstan should be in writing and sent to the address or email specified below. If sending your comments by email, please use “Consultation Paper No. AFSA-P-CE-2020-0004” in the subject line. You may, if relevant, identify the organisation you represent when providing your comments.
5. The AFSA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise. Comments supported by reasoning and evidence will be given more weight by the AFSA.
6. **The deadline for providing comments on the proposals is July 13, 2020.** Once we receive your comments, we shall consider if any refinements are required to the proposed amendments to the AIFC Acts due to harmonization of titles used for the cryptocurrencies regulated in the AIFC and national legislation of Kazakhstan.
7. **Comments to be addressed to:**  
Consultation Paper No. AFSA-P-CE-2020-0004  
Innovation Policy Division  
Astana Financial Services Authority (AFSA)  
55/17, Mangilik El avenue, block C-3.2, Astana, Kazakhstan  
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## Background

1. To keep up with the fast-growing cryptocurrencies industry, in July 2018, the AFSA has adopted the AIFC Framework on regulation of Private E-currencies and extended private placement regimes for securities, including tokenized securities.
2. To further support the new cryptocurrencies regime, since 2019, the AFSA has been engaged in amending the national legislation of Kazakhstan, the National Bill on Digital Technologies, the Bill, to ensure establishment of favourable legal and tax regimes for exchange transactions with Private E-currencies and conducting ICOs in the AIFC.
3. As part of discussion of the Bill in the Parliament, its lower chamber approved the amendment on the digital assets proposed by the AFSA.
4. Particularly the Bill introduces the following amendment to the Civil Code of Kazakhstan: “(d)efinition and types of the digital assets as well as peculiarities of their circulation is defined by the national laws of Kazakhstan, the AIFC Acts”.
5. Following this, the AFSA has developed the draft amendments to the AIFC Acts with the aim to harmonise the titles used for the cryptocurrencies regulated in the AIFC and the above-mentioned Bill (replacement of words “Private E-currency” with the words “Digital Assets” throughout the text in AIFC Acts).
6. Essentially, the Framework shall:
  - (a) ensure alignment of used title for the cryptocurrency in the AIFC Framework on the regulation of Private E-currencies with the title envisaged to the cryptocurrency under the Bill (i.e. the “Digital Asset”); and
  - (b) allow to have two separate regulations on digital assets (including different definitions and types) in Kazakhstan: one – under AIFC acts, and another – under the national law of Kazakhstan on Informatization.

## Annex 1



# AMENDMENTS No. **\*\*\*** TO AIFC FINANCIAL SERVICES FRAMEWORK REGULATIONS

Approval Date: **■■■■** 2020

Commencement Date: **■■■■** 2020

## **AIFC FINANCIAL SERVICES FRAMEWORK REGULATIONS (FSFR)**

In this Appendix, a blue font and underlining indicates new text and strikethrough indicates deleted text, unless otherwise indicated.

### **39. Exemption for Authorised Market Institutions**

...

(3) An Authorised ~~Private E-currency~~ Digital Asset Trading Facility is exempt from the General Prohibition in respect of any Regulated Activity:

(a) which is carried on as a part of the Authorised ~~Private E-currency~~ Digital Asset Trading Facility's business as a ~~Private E-currency~~ Digital Asset trading facility; or

(b) which is carried on for the purposes of, or in connection with, the provision by the Authorised ~~Private E-currency~~ Digital Asset Trading Facility of services designed to facilitate the provision of clearing services by another Person.

### **55. Persons eligible for Membership**

...

(2) An Authorised Person engaged in the activity of Operating a ~~Private E-currency~~ Digital Asset Business may only admit as a Member a Person who satisfies admission criteria set out in its Membership Rules and which is either:

...

### **57. AFSA power to impose requirements on an Authorised Market Institution**

Without limiting the powers available to the AFSA under Part 8 (Supervision of Authorised Persons), the AFSA may direct an Authorised Market Institution to do or not do specified things that the AFSA considers are necessary or desirable or to ensure the integrity of the AIFC financial markets, including but not limited to directions:

...

(d) excluding the application of any requirements for engaging in the activity of Operating a ~~Private E-currency~~ Digital Asset Business imposed by the Rules; or

(e) imposing on an Authorised Person engaged in the activity of Operating a ~~Private E-currency~~ Digital Asset Business any additional requirements that the AFSA considers appropriate.

### **58. AFSA power to give directions to an Authorised Market Institution**

Without limiting the application of section 95 (Exercise of supervisory powers by the AFSA), the AFSA may direct an Authorised Market Institution to:

...

(c) suspend transactions in Securities, Units in a Listed Fund or ~~Private E-currencies~~ Digital Assets conducted on the market or through the facilities operated by the Authorised Market Institution; or

(d) prohibit trading in loans, Securities, Units in a Listed Fund or ~~Private E-currencies~~ Digital Assets conducted on the market or through the facilities operated by the Authorised Market Institution; or

...



## Annex 2

# AMENDMENTS No [REDACTED] TO AIFC GENERAL RULES

Approval Date: [REDACTED] 2020

Commencement Date: [REDACTED] 2020

## **AIFC GENERAL RULES (GEN)**

In this Appendix, a blue font and underlining indicates new text and strikethrough indicates deleted text, unless otherwise indicated.

### **1.2. Authorised Market Institutions**

#### **Guidance: Definition of Market Activity**

Market Activity is defined in the section 18 of the Framework Regulations as:

...

(c) Operating a ~~Private E-currency~~ Digital Asset Trading Facility;

...

#### **1.2.6. Effective supervision**

In assessing whether an applicant is capable of being effectively supervised by the AFSA for the purposes of section 37(1)(c) of the Framework Regulations, the AFSA will consider:

...

(b) if the applicant seeks a licence to carry on the Market Activity of Operating an Exchange, a ~~Private E-currency~~ Digital Asset Trading Facility, a Loan Crowdfunding Platform or an Investment Crowdfunding Platform, the size, nature and complexity of any markets in respect of which the applicant will offer its facilities in carrying on that Market Activity;

...

#### **1.2.7. Compliance arrangements**

In assessing whether an applicant has adequate compliance arrangements for the purposes of section 37(1)(d) of the Framework Regulations, the AFSA will consider whether it has:

...

(e) if the applicant seeks a licence to carry on the Market Activity of Operating a ~~Private E-currency~~ Digital Asset Trading Facility, effective arrangements to verify that members admitted to trading on its facilities comply with the Conduct of Business Rules and the Authorised Market Institution Rules.

### **1.4. FinTech Lab Activities**

#### **1.4.1. Activities performed in FinTech Lab**

(a) the Regulated and/or Market Activities that are specified in Schedules 1 and 4 of GEN can be carried on by a Person subject to the terms and Licence issued under FINTECH.

(b) a Person may apply to the AFSA for a Licence authorising a Centre Participant to carry on activities not specified in (a).

(c) For the purposes of ~~(a)~~ (b), the AFSA may grant a Licence for a Person to carry on activities as specified in the Licence.

## **SCHEDULE 1: REGULATED ACTIVITIES**

### **5. Providing Custody**

Providing Custody means one or more of the following activities:

...

(c) safeguarding and administering ~~Private E-currencies~~ [Digital Assets](#) belonging to another Person.

#### **SCHEDULE 4: MARKET ACTIVITIES**

##### **3. Operating a ~~Private E-currency~~ [Digital Asset](#) Trading Facility**

Operating a ~~Private E-currency~~ [Digital Asset](#) Trading Facility means operating a facility which functions regularly and brings together multiple parties (whether as principal or agent) with a view to the entering into of contracts:

(a) to buy, sell or exchange ~~Private E-currencies~~ [Digital Assets](#) for a Fiat currency; and/or

(b) to exchange one ~~Private E-currency~~ [Digital Asset](#) for another ~~Private E-currency~~ [Digital Asset](#), in its Facility, in accordance with its non-discretionary rules.





**Annex 3**

**AMENDMENTS No      \*\* TO AIFC GLOSSARY**

**Approval Date:      2020**

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## AIFC GLOSSARY (GLO)

In this Appendix, a blue font and underlining indicates new text and strikethrough indicates deleted text, unless otherwise indicated.

### 2. INTERPRETATION

Authorised <del>Private E-currency</del> <u>Digital Asset</u> Trading Facility	A Centre Participant which has been licensed by the AFSA to carry on the Market Activity of Operating a <del>Private E-currency</del> <u>Digital Asset</u> Trading Facility.
Centralised <del>Private E-currency</del> <u>Digital Asset</u>	<del>Private E-currency</del> <u>Digital Asset</u> issued by a single or several administrating authorities that establish the rules for its use, maintain a central payment ledger, and have authority to redeem the Currency (withdraw it from circulation).
Decentralised <del>Private E-currency</del> <u>Digital Asset</u>	<del>Private E-currency</del> <u>Digital Asset</u> that has <del>ve</del> no central administrating authority, and no central monitoring or oversight, <del>give</del> s rise to no claims on their issuer, and contains <del>s</del> no contractual right to receive Fiat Currency or another financial asset.
Digital wallet (or E-wallet)	A means (software application, electronic device or other mechanism/medium) for holding, storing and transferring <del>Private E-currency</del> <u>Digital Asset</u> , E-money and/or other assets, investments.
Investment	A Security, Unit, Derivative or a <del>Private E-currency</del> <u>Digital Asset</u> and a right or interest in the relevant Security, Unit, Derivative or a <del>Private E-currency</del> <u>Digital Asset</u> .
Operating a <del>Private E-currency</del> <u>Digital Asset</u> Business	Operating a <del>Private E-currency</del> <u>Digital Asset</u> Trading Facility or Providing Custody for safeguarding and administering <del>Private E-currencies</del> <u>Digital Assets</u> belonging to another Person, or both.
Operating a <del>Private E-currency</del> <u>Digital Asset</u> Trading Facility	The Market Activity defined in paragraph 3 of Schedule 4 of the AIFC General Rules
<del>Private E-currency</del> <u>Digital Asset</u> (or Private Electronic Currency or Private E-money)	A digital representation of value that (1) can be digitally traded and functions as (a) a medium of exchange; or (b) a unit of account; or (c) a store of value; (2) can be exchanged back-and-forth for Fiat Currency, but is neither issued nor guaranteed by the government of any jurisdiction, and (3) fulfils the above functions only by agreement within the community of users of the <del>Private E-currency</del> <u>Digital Asset</u> ; and accordingly (4) is to be distinguished from Fiat Currency and E-money.
Providing Transaction Services for Decentralised <del>Private E-</del> <del>currencies</del> <u>Digital Assets</u>	Operating a facility that functions regularly to validate and add transaction records to the ledger of all transactions.
Transaction Services for Decentralised <del>Private E-</del> <del>currencies</del> <u>Digital Assets</u> (also known as Mining)	Validation and adding transactions made with a Decentralised <del>Private E-currencies</del> <u>Digital Assets</u> to the ledger of all transactions.



## Annex 4

# AMENDMENTS No **\*\*\*** TO AIFC AUTHORISED MARKET INSTITUTIONS RULES

Approval Date: **■■■■** 2020

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## AIFC AUTHORISED MARKET INSTITUTIONS RULES (AMI)

In this Appendix, a blue font and underlining indicates new text and strikethrough indicates deleted text, unless otherwise indicated.

### CONTENTS

#### 6. RULES APPLICABLE TO AN AUTHORISED ~~PRIVATE E-CURRENCIES~~ DIGITAL ASSETS TRADING FACILITY

...

##### 6.3. Admission of ~~Private E-currencies~~ Digital Assets to trading

##### 6.4. Suspending or removing ~~Private E-currencies~~ Digital Assets from trading

...

#### Guidance: Purpose and application of AMI

The rules and guidance in AMI complement Chapter 2 of Part 3 of the Framework Regulations (Licensing of Authorised Market Institutions) and Part 6 of the Framework Regulations (Capital Markets). AMI also contains rules in relation to the supervision of Authorised Market Institutions which complement the provisions in Part 8 of the Framework Regulations (Supervision of Authorised Persons) and Chapter 7 of the GEN rulebook (Supervision). The purpose of the rules and guidance in AMI is to set out:

- the licensing requirements, or standards, which an applicant must satisfy to be granted a Licence to carry on either of the Market Activities of Operating an Investment Exchange, Operating ~~Private E-currency~~ Digital Asset Trading Facility and Operating a Clearing House;

...

The application of the rules in AMI is as follows:

...

Chapter 6 contains additional rules and guidance applicable to Authorised ~~Private E-currency~~ Digital Asset Trading Facility.

...

## 1. INTRODUCTION

### 1.1. Introduction

#### 1.1.1. Definitions

(1) An Authorised Market Institution is a Centre Participant which has been licensed by the AFSA to carry on one or more Market Activities. An Authorised Market Institution can be an Authorised Investment Exchange, an Authorised ~~Private E-currency~~ Digital Asset Trading Facility, an Authorised Clearing House and/or an Authorised Crowdfunding Platform.

...

(7) An Authorised ~~Private E-currency~~ Digital Asset Trading Facility is a Centre Participant which has been licensed by the AFSA to carry on the Market Activity of Operating a ~~Private E-currency~~ Digital Asset Trading Facility.

...

#### **2.4.4. Resources of Members**

...

(2) The requirements in (1) do not apply to:

(b) the Member of an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility if the Member is a body corporate or an individual (natural person) that carries on the activity solely as principal.

#### **2.4.7. Testing relating to Members' technology systems**

...

(4) The requirements in (1)-(3) do not apply to:

...

(b) the Member of an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility if the Member is a body corporate or an individual (natural person) that carries on the activity solely as principal.

### **2.5. Business Rules**

#### **2.5.1. Requirement to prepare Business Rules**

Save where the AFSA otherwise directs, an Authorised Market Institution must establish and maintain Business Rules governing relations between itself and the participants in the market, including but not limited to:

...

(d) Admission to Trading Rules, prepared in accordance with AMI 3.2 or AMI 6.3, or Admission to Clearing Rules, prepared in accordance with AMI 4.1, governing the admission of Securities, Units in a Listed Fund or ~~Private E-currencies~~ [Digital Assets](#) to trading, or clearing and settlement, as appropriate to its facilities;

...

The requirements in (c) and (e) do not apply to the Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility.

### **2.6. Membership**

#### **2.6.1. Persons eligible for Membership**

(1) An Authorised Market Institution, except an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility, may only admit as a Member a Person who satisfies admission criteria set out in its Membership Rules and who is either:

...

(2) An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility may only admit as a Member a Person who satisfies admission criteria set out in its Membership Rules and which is:

### **2.7. Direct Electronic Access**

#### **2.7.1. Direct Electronic Access**

Direct Electronic Access means any arrangement, such as the use of the Member's trading code, through which a Member or the clients of that Member are able to transmit electronically orders relating to Securities, Units in a Listed Fund or ~~Private E-currency~~ [Digital Asset](#) directly to the facility provided by the Authorised Market Institution and includes arrangements which involve the

use by a Person of the infrastructure of the Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility or the Member or participant or client or any connecting system provided by the Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility or Member or participant or client, to transmit the orders and arrangements where such an infrastructure is not used by a Person.

## 2.9.2. Custody and investment risk

(1) An Authorised Market Institution must have effective means to address risks relating to:

...

(c) ~~Private E-currencies~~ [Digital Assets](#), if it is an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility.

## 6. RULES APPLICABLE TO AN AUTHORISED ~~PRIVATE E-CURRENCY~~ [DIGITAL ASSET](#) TRADING FACILITY

### 6.1. Main requirements relating to trading on the facility

An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must, at the time a Licence is granted and at all times thereafter, have:

(a) transparent and non-discriminatory rules and procedures to ensure fair and orderly trading of ~~Private E-currencies~~ [Digital Assets](#) on its facility;

...

(2) An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must maintain effective arrangements to verify that its members comply with requirements set out in COB, AML.

(3) An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must not introduce a liquidity incentive scheme other scheme for encouraging bids on a trading venue or to increase the volume of business transacted unless it has obtained the prior approval of the AFSA.

(4) For the purposes of (1), an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must make available to the public, without any charges, data relating to the quality of execution of transactions on the Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility on at least an annual basis. Reports must include details about price, costs, speed and likelihood of execution for individual ~~Private E-currencies~~ [Digital Assets](#).

### 6.2. Requirement to prepare Rules

(1) An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility's Rules must:

...

(f) contain provisions for penalties or sanctions which may be imposed by the Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility for a breach of the Rules; and

(g) contain provisions for an appeal process from the decisions of the Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility.

(2) An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must seek prior approval of its Rules (Business Rules, Admission to Trading Rules, Membership Rules) and of amendments to its Rules by:

...

(3) Where an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility has made any amendments to its Rules, it must have adequate procedures for notifying users and the AFSA of such amendments with a notice period of at least 30 days prior to making any amendments to its Rules available for market consultation.

(4) An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must have procedures in place to ensure that its Rules are monitored and enforced.

### **6.3. Admission of ~~Private E-currencies~~ [Digital Assets](#) to trading**

#### **6.3.1. Admission to Trading Rules**

(1) An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must make clear and transparent rules concerning the admission of ~~Private E-currencies~~ [Digital Assets](#) to trading on its facilities.

(2) The rules of the Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must ensure that:

(a) ~~Private E-currencies~~ [Digital Assets](#) admitted to trading on an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility's facilities are capable of being traded in a fair, orderly and efficient manner; and

(b) ~~Private E-currencies~~ [Digital Assets](#) admitted to trading on an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility's facilities are freely negotiable.

#### **6.3.2. Application for admission of ~~Private E-currencies~~ [Digital Assets](#) to Trading**

(1) Applications for the admission of a ~~Private E-currency~~ [Digital Asset](#) to trading can be made to an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility by the issuer of the ~~Private E-currency~~ [Digital Asset](#), by a third party on behalf of and with the consent of the issuer of the ~~Private E-currency~~ [Digital Asset](#), or by a Member of an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility.

(2) A ~~Private E-currency~~ [Digital Asset](#) can also be admitted to trading on the Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility's own initiative.

(3) An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must, before admitting any ~~Private E-currency~~ [Digital Asset](#) to trading:

(a) be satisfied that the applicable requirements, including those in its Admission to Trading Rules, have been or will be fully complied with in respect of such ~~Private E-currency~~ [Digital Asset](#); and

(b) obtain approval of the AFSA in respect of such ~~Private E-currency~~ [Digital Asset](#).

(4) For the purposes of (1), an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must notify an applicant in writing of its decision in relation to the application for admission of the ~~Private E-currency~~ [Digital Asset](#) to trading. In the case that such decision is to deny the application, the written notice should indicate (i) whether the application has been considered by the AFSA, and if so, (ii) the AFSA's determination in respect thereof.

(5) For purposes of 3(b), an application to AFSA by Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility shall include:

...

#### **6.3.3. Decision-making procedures for the AFSA in relation to applications for approval of the admission of ~~Private E-currencies~~ [Digital Assets](#) to trading**

(1) Where an Authorised Person Operating a Private E-currency [Digital Asset](#) Trading Facility applies for approval of the admission of a Private E-currency [Digital Asset](#) to trading, the AFSA may:

...

(2) The AFSA may exercise its powers under (1)(b) where the AFSA reasonably considers that:

(a) granting the Private E-currencies [Digital Assets](#) admission to trading of Private E-currencies [Digital Assets](#) would be detrimental to the interests of Persons dealing in the relevant Private E-currencies [Digital Assets](#) using the facilities of an Authorised Person Operating a Private E-currency [Digital Asset](#) Trading Facility or otherwise; or

(b) any requirements imposed by the AFSA or in the Rules of an Authorised Private E-currency [Digital Asset](#) Trading Facility as are applicable have not been or will not be complied with; or

(c) the Issuer of the Private E-currencies [Digital Assets](#) has failed or will fail to comply with any obligations applying to it including those relating to having its Private E-currencies [Digital Assets](#) admitted to trading or traded in another jurisdiction.

(3) Where the AFSA denies an application for approval of admission of a Private E-currency [Digital Asset](#) to trading pursuant to (2), such Private E-currencies [Digital Assets](#) must not be admitted by an Authorised Person Operating a Private E-currency [Digital Asset](#) Trading Facility to its facility.

(4) Where the AFSA approves an application for approval of admission of a Private E-currency [Digital Asset](#) to trading subject to conditions or restrictions, the Authorised Person Operating a Private E-currency [Digital Asset](#) Trading Facility is responsible for implanting such conditions and restrictions in admitting the Private E-currency [Digital Asset](#) to trading, and such conditions or restrictions may not be varied or removed without the approval of the AFSA.

#### **6.3.4. Undertaking to comply with the acting law of the AIFC**

An Authorised Private E-currency [Digital Asset](#) Trading Facility may not admit Private E-currencies [Digital Assets](#) to trading unless the person who seeks to have Private E-currencies [Digital Assets](#) admitted to trading:

...

#### **6.3.5. Review of compliance**

The Authorised Private E-currency [Digital Asset](#) Trading Facility must maintain arrangements regularly to review whether the Private E-currencies [Digital Assets](#) admitted to trading on its facilities comply with the Admission to Trading Rules.

...

### **6.4. Suspending or removing Private E-currencies [Digital Assets](#) from trading**

#### **6.4.1. Power to suspend**

(1) The rules of an Authorised Private E-currency [Digital Asset](#) Trading Facility must provide that the Authorised Private E-currency [Digital Asset](#) Trading Facility have the power to suspend or remove from trading on its facilities any Private E-currencies [Digital Assets](#) with immediate effect or from such date and time as may be specified where it is satisfied that there are circumstances that warrant such action or it is in the interests of the AIFC.

(2) The AFSA may direct an Authorised Person Operating a Private E-currency [Digital Asset](#) Trading Facility to suspend or remove Private E-currencies [Digital Assets](#) from trading with immediate effect or from such date and time as may be specified if it is satisfied there are circumstances that warrant such action or it is in the interests of the AIFC.

(3) The AFSA may withdraw a direction made under (2) at any time.

(4) Private E-currencies [Digital Assets](#) that are suspended from trading of Private E-currencies [Digital Assets](#) remain admitted to trading for the purposes of this Chapter.



(5) The AFSA may prescribe any additional requirements or procedures relating to the removal or suspension of ~~Private E-currencies~~ [Digital Assets](#) from or restoration of ~~Private E-currencies~~ [Digital Assets](#) to trading.

#### **6.4.2. Limitation on power to suspend or remove ~~Private E-currencies~~ [Digital Assets](#) from trading**

The rules of an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must contain provisions for orderly suspension and removal from trading on its facilities any ~~Private E-currency~~ [Digital Asset](#) which no longer complies with its rules taking into account the interests of investors and the orderly functioning of the financial markets of the AIFC.

#### **6.4.3. Publication of decision**

(1) Where the Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility suspends or removes any ~~Private E-currency~~ [Digital Asset](#) from trading on its facilities, it must notify the AFSA in advance and make that decision public by issuing a public notice on its website.

(2) Where the Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility lifts a suspension or re-admits any ~~Private E-currency~~ [Digital Asset](#) to trading on its facilities, it must notify the AFSA in advance and make that decision public by issuing a public notice on its website.

(3) Where an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility has made any decisions on admission, suspension, or removal of ~~Private E-currencies~~ [Digital Assets](#) from trading on its facilities, it must have adequate procedures for notifying users of such decisions.

### **6.5. Transparency obligations**

#### **6.5.1. Trading transparency obligation**

An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must make available to the public:

(a) the current bid and offer prices of ~~Private E-currencies~~ [Digital Assets](#) traded on its systems on a continuous basis during normal trading hours;

(b) the price, volume and time of the transactions executed in respect of ~~Private E-currencies~~ [Digital Assets](#) traded on its facilities in as close to real-time as technically possible; and

...

#### **6.5.2. Public notice of suspended or terminated Membership**

The Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must promptly issue a public notice on its website in respect of any Member that has a Licence to carry on Market Activities or Regulated Activities whose Membership is suspended or terminated.

#### **6.5.3. Cooperation with office-holder**

The Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must cooperate, by the sharing of information and otherwise, with the AFSA, any relevant office-holder and any other authority or body having responsibility for any matter arising out of, or connected with, the default of a Member of the ~~Private E-currency~~ [Digital Asset](#) Trading Facility.

### **6.6. Additional requirements on technology resources**

#### **6.6.1. Cyber-security policy**

(1) An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility shall implement a written cyber security policy setting forth its policies and procedures for the protection of its electronic systems and members and counterparty data stored on those systems, which shall be reviewed and approved by the Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility's governing body at least annually.

...

(3) An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must advise the AFSA immediately if it becomes aware, or has reasonable grounds to believe, that a significant breach by any Person of its cyber security policy may have occurred or may be about to occur.

### **6.6.2. Technology governance**

An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must, as a minimum, have in place systems and controls with respect to the procedures describing the creation, management and control of digital wallets and private keys.

### **6.6.3. Trading controls**

An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must be able to:

...

### **6.6.4. Settlement and Clearing facilitation services**

(1) An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility must ensure that satisfactory arrangements are made for securing the timely discharge (whether by performance, compromise or otherwise), clearing and settlement of the rights and liabilities of the parties to transactions effected on the Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility (being rights and liabilities in relation to those transactions).

(2) An Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility acting as a ~~Private E-currency~~ [Digital Asset](#) Depository must:

(a) have appropriate rules, procedures, and controls, including robust accounting practices, to safeguard the rights of ~~Private E-currencies~~ [Digital Assets](#) issuers and holders, prevent the unauthorised creation or deletion of ~~Private E-currencies~~ [Digital Assets](#), and conduct periodic and at least daily reconciliation of each ~~Private E-currency~~ [Digital Asset](#) balance it maintains for issuers and holders;

(b) prohibit overdrafts and debit balances in ~~Private E-currencies~~ [Digital Assets](#) accounts;

(c) maintain ~~Private E-currencies~~ [Digital Assets](#) in an immobilised or dematerialised form for their transfer by book entry;

(d) protect assets against custody risk through appropriate rules and procedures consistent with its legal framework;

(e) ensure segregation between the ~~Private E-currency~~ [Digital Asset](#) Depository's own assets and the ~~Private E-currencies~~ [Digital Assets](#) of its participants and segregation among the ~~Private E-currencies~~ [Digital Assets](#) of participants; and

...

## **7. RULES APPLICABLE TO AN AUTHORISED CROWDFUNDING PLATFORM**

### **7.2. Permissible activities**

**7.2.1 An Authorised Crowdfunding Platform may apply to the AFSA to carry on one or more of the following Regulated and Market Activities:**

...

(h) Operating a ~~Private E-currency~~ [Digital Asset](#) Trading Facility

...

**7.2.3 An Investment Crowdfunding Platform must not facilitate a Person investing in the following kinds of Investments through the Investment Crowdfunding Platform:**

...

(e) ~~Private E-currencies~~ [Digital Assets](#); or

(f) rights or interests in a Security, Structured Product, Derivative or a ~~Private E-currency~~ [Digital Asset](#).



## Annex 5

# AMENDMENTS No **\*\*\*** TO AIFC CONDUCT OF BUSINESS RULES

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## AIFC CONDUCT OF BUSINESS RULES (COB)

In this Appendix, a blue font and underlining indicates new text and strikethrough indicates deleted text, unless otherwise indicated.

### CONTENTS

...

## 17. OPERATORS OF A ~~PRIVATE E-CURRENCY~~ DIGITAL ASSET BUSINESS

...

### 17.2. Rules Applicable to an Authorised ~~Private E-currency~~ Digital Asset Trading Facility

### 17.3. Admission of ~~Private E-currencies~~ Digital Assets to trading

...

#### Guidance: Purpose of this rulebook

...

Chapter 17 (Operators of a ~~Private E-currency~~ Digital Asset Business) sets out the conduct of business requirements that apply to Operators of a ~~Private E-currency~~ Digital Asset Business.

...

#### 8.3.14. Client reporting

(2) An Authorised Person which Provides Custody for safeguarding and administering ~~Private E-currencies~~ Digital Assets belonging to a Retail Client must send a statement to its Retail Clients at least monthly. The statement must include the list, description and amount of each ~~Private E-currency~~ Digital Asset held by the Authorised Person as at the date of reporting.

...

#### 8.3.16. Reconciliations

Where Authorised Persons Provide Custody for safeguarding and administering ~~Private E-currencies~~ Digital Assets belonging to another Person, all reconciliations required under COB 8.3.16 shall be conducted at least every week.

...

## 17. OPERATORS OF A ~~PRIVATE E-CURRENCY~~ DIGITAL ASSET BUSINESS

### 17.1. Application

This chapter applies to an Authorised Person engaged in the activity of Operating a ~~Private E-currency~~ Digital Asset Business.

#### Guidance

The following activities do not constitute Operating a ~~Private E-currency~~ Digital Asset Business:

- trading of ~~Private E-currencies~~ Digital Assets for the Person's own investment purpose;
- the issuance of ~~Private E-currencies~~ Digital Assets by a Person and their administration (including sale, redemption);
- any other activity or arrangement that is deemed by the AFSA to not constitute Operating a ~~Private E-currencies~~ Digital Assets Business, where necessary and appropriate in order for the AFSA to pursue its objectives.

### 17.2. Rules Applicable to an Authorised ~~Private E-currency~~ Digital Asset Trading Facility

In addition to all requirements applicable to Authorised Persons in these rules, GEN, and AML, an Authorised Person carrying on the Market Activity of Operating a ~~Private E-currency~~ [Digital Asset](#) Trading Facility must comply with the applicable requirements set out in the AMI, unless the requirements in this chapter expressly provide otherwise.

### **17.3. Admission of ~~Private E-currencies~~ [Digital Assets](#) to trading**

An Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Trading Facility may grant admission of ~~Private E-currencies~~ [Digital Assets](#) to trading only where it is satisfied that such admission is in accordance with the AMI and an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility's Admission to Trading Rules.

An Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Trading Facility must not permit trading of ~~Private E-currencies~~ [Digital Assets](#) on its facilities unless those ~~Private E-currencies~~ [Digital Assets](#) are admitted to, and not suspended from, trading by the Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Trading Facility pursuant to Chapter 6 of AMI.

### **17.4. Additional disclosure requirements**

Prior to entering into an initial transaction for, on behalf of, or with a Client, an Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Business shall disclose in a clear, fair and not misleading manner:

(a) all terms, conditions and risks relating to the ~~Private E-currencies~~ [Digital Assets](#) that have been admitted to trading and/or is the subject of the transaction;

...

(c) all details on the amount and the purpose of any premiums, fees, charges or taxes payable by the Client, whether or not these are payable to the Operating a ~~Private E-currency~~ [Digital Asset](#) Business.

### **17.5. The risks to be disclosed pursuant to COB 17.4**

The risks to be disclosed pursuant to COB 17.4. include, but are not limited to, the following:

(a) ~~Private E-currencies~~ [Digital Assets](#) not being legal tender or backed by a government;

(b) the value, or process for valuation, of ~~Private E-currencies~~ [Digital Assets](#), including the risk of a ~~Private E-currency~~ [Digital Asset](#) having no value;

(c) the volatility and unpredictability of the price of ~~Private E-currencies~~ [Digital Assets](#) relative to Fiat Currencies;

(d) that trading in ~~Private E-currencies~~ [Digital Assets](#) is susceptible to irrational market forces;

(e) that the nature of ~~Private E-currencies~~ [Digital Assets](#) may lead to an increased risk of Financial Crime;

(f) that the nature of ~~Private E-currencies~~ [Digital Assets](#) may lead to an increased risk of cyber-attack;

(g) there being limited or, in some cases, no mechanism for the recovery of lost or stolen ~~Private E-currencies~~ [Digital Assets](#);

(h) the risks of ~~Private E-currencies~~ [Digital Assets](#) with regard to anonymity, irreversibility of transactions, accidental transactions, transaction recording, and settlement;

(i) that there is no assurance that a Person who accepts a ~~Private E-currency~~ [Digital Asset](#) as payment today will continue to do so in the future;

(j) that the nature of ~~Private E-currencies~~ [Digital Assets](#) means that technological difficulties experienced by the Authorised Person may prevent the access or use of a Client's ~~Private E-currencies~~ [Digital Assets](#);

(k) any links to ~~Private E-currencies~~ [Digital Assets](#) related activity outside the AIFC, which may be unregulated or subject to limited regulation; and

(l) any regulatory changes or actions by the AFSA or Non-AIFC Regulator that may adversely affect the use, transfer, exchange, and value of a ~~Private E-currency~~ [Digital Asset](#).

#### **17.6. Complaints**

An Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Business shall establish and maintain written policies and procedures to fairly and timely resolve complaints made against it or other parties (including members).

An Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Business must provide, in a clear and conspicuous manner: on its website or websites; in all physical locations; and in any other location as the AFSA may prescribe, the following disclosures:

...

An Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Business shall report to the AFSA any change in its complaint policies or procedures within ten days.

An Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Business must maintain a record of any complaint made against it or other parties (including members) for a minimum period of six years from the date of receipt of the complaint.

#### **17.7. Obligation to report transactions**

An Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Business shall report to the AFSA details of transactions in ~~Private E-currencies~~ [Digital Assets](#) traded on its facility which are executed, or reported, through its systems.

...

#### **17.8. AFSA power to impose a prohibition or requirement**

The AFSA may prohibit an Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Business from:

...

The AFSA may, by written notice or guidance, set fees payable by an Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Business to the AFSA on certain specified transactions or types of transactions.



## Annex 6

# AMENDMENTS No **\*\*\*** TO AIFC FINANCIAL TECHNOLOGY RULES

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**AIFC CONDUCT OF AIFC FINANCIAL TECHNOLOGY RULES (FINTECH)**

In this Appendix, a blue font and underlining indicates new text and strikethrough indicates deleted text, unless otherwise indicated.

**Schedule 1: Conditions**

**1. Conditions for commencing business with Clients**

1.1. A FinTech Lab Participant (the participant) must meet the following minimum requirements before commencing business with Clients:

...

h) if the participant is providing ~~Private E-currency~~ Digital Asset transactions - the participant must have arrangements in place to ensure storage of Client funds on a Hot Digital wallet at most equivalent to 10 Bitcoin (further BTC) or 10% of all Client funds or assets, whichever is greater.

**2. Testing limits**

2.3. The maximum size of funds (per Client/Investor) up to which the Client Money Accounts are permitted to be deposited and/or refilled is reflected in the Table 1:

Table 1:

	A	B	C	D
#	Currency	Retail Clients and Investors: natural persons	Retail Clients and Investors: Body Corporates	Professional Clients and Accredited Investors
1	Fiat Currency	1,000 (thousand) USD or equivalent	20,000 (twenty thousand) USD or equivalent	within aggregated limits
2	Operating a <del>Private E-currency</del> <u>Digital Asset</u> Trading Facility or Providing Custody for safeguarding and administering <del>Private E-currencies</del> <u>Digital Assets</u> belonging to another Person	0.5 (point five) BTC or equivalent amount in another <del>Private E-currency</del> <u>Digital Asset</u> .	5 (five) BTC or equivalent amount in another <del>Private E-currency</del> <u>Digital Asset</u>	within aggregated limits
3	Any other <del>Private E-currency</del> <u>Digital Asset</u> related business	0.25 (point twenty-five) BTC or equivalent amount in other <del>Private E-currency</del> <u>Digital Asset</u>	2.5 (two point five) BTC or equivalent in other <del>Private E-currency</del> <u>Digital Asset</u>	within aggregated limits

2.4. The maximum size of aggregated funds of Clients that a FinTech Lab Participant is permitted to hold without ensuring compensation arrangement (which can be, for instance, in the form of

performance assurance or guarantee) at any given instance for the purpose of Testing the FinTech Activities is:

a) for Retail Clients and Investors:

...

(ii) 50 (fifty) BTC or equivalent ~~Private E-currency~~ [Digital Asset](#).

b) for Professional Clients and Accredited Investors:

...

(ii) 1,250 (one thousand and two hundred fifty) BTC or equivalent ~~Private E-currency~~ [Digital Asset](#).



## Annex 7

# AMENDMENTS No **██** TO AIFC FEES RULES

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**AIFC CONDUCT OF AIFC FEES RULES (FEES)**

In this Appendix, a blue font and underlining indicates new text and strikethrough indicates deleted text, unless otherwise indicated.

**SCHEDULE 2: APPLICATION FEES PAYABLE TO THE AFSA FOR MARKET ACTIVITIES**

**1.1 Application fees for applying for Licence to carry on Market Activities**

Application fees are determined by the Market Activities the Authorised Firm conducts or intends to conduct, as set out below:

Application fee by Regulated Activities	Fee (USD)
Operator of a <del>Private E-currency</del> <u>Digital Asset</u> Trading Facility	5 000

...