



**AMENDMENTS No.2.2**  
**AIFC AUTHORISED MARKET INSTITUTION**  
**RULES**  
**(AMI)**

Approval Date: 24 June 2019

Commencement Date: 24 June 2019



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

## Guidance: Purpose and application of AMI

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The application of the rules in AMI is as follows:

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- Chapter 7 contains additional rules and guidance applicable to Authorised Crowdfunding Platforms.

## 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 Trading Facility, an Authorised Clearing House and/or an Authorised Crowdfunding Platform.

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- (8) An Authorised Crowdfunding Platform is a Centre Participant which has been licensed by the AFSA to carry on the Market Activity of Operating a Loan Crowdfunding Platform and/or Operating an Investment Crowdfunding Platform.

#### 2.4.4. Resources of Members

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

(a) an Authorised Crowdfunding Platform (or its Clients); or

(b) the Member of an Authorised Private E-currency 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

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

(a) an Authorised Crowdfunding Platform (or its Clients); or



- (b) the Member of an Authorised Private E-currency 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

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The requirements in AMI 2.5 do not apply to an Authorised Crowdfunding Platform.

## 2.6 Membership

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The requirements in AMI 2.6 do not apply to an Authorised Crowdfunding Platform.

## 2.7 Direct Electronic Access

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The requirements in AMI 2.7 do not apply to an Authorised Crowdfunding Platform.

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## 7 RULES APPLICABLE TO AN AUTHORISED CROWDFUNDING PLATFORM

### 7.1 Application

7.1.1 The terminology used in this Chapter 7 varies according to the type of Authorised Crowdfunding Platform:

- (a) "Borrower", "Debenture", "lender", "loan" and "Permitted Loan" for Loan Crowdfunding Platform; and
- (b) "Issuer", "Investor", "Investment" and "Permitted Investment" for Investment Crowdfunding Platform.

7.1.2 AMI 7.2 and 7.3 apply to all Authorised Crowdfunding Platforms (unless specified otherwise.

### 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:

- (a) Dealing in Investments as Agent;
- (b) Arranging Custody;
- (c) Arranging Deals in Investments;
- (d) Operating a Representative Office;
- (e) Providing Credit;



- (f) Arranging a Credit Facility;
- (g) Providing Money Services; and
- (h) Operating a Private E-currency Trading Facility.

### **7.2.3 Permitted Investments and Permitted Loans**

(1) An Investment Crowdfunding Platform may facilitate a Person investing in the following kinds of Investments ("**Permitted Investments**") through the Investment Crowdfunding Platform:

- (a) Shares; and
- (b) Units.

(2) A Loan Crowdfunding Platform may facilitate a Person investing in the following kinds of loans ("**Permitted Loans**") through the Loan Crowdfunding Platform:

- (a) loans;
- (b) Debentures; and
- (c) other financial accommodation.

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

- (a) Warrants;
- (b) Certificates;
- (c) Structured Products;
- (d) Derivatives;
- (e) Private E-currencies; or
- (f) rights or interests in a Security, Structured Product, Derivative or a Private E-currency.

## **7.3 Requirements for Authorised Crowdfunding Platforms**

### **7.3.1 Clients of an Authorised Crowdfunding Platform**

- (1) Both Borrowers and lenders (in the case of a Loan Crowdfunding Platform) and Issuers and Investors (in the case of an Investment Crowdfunding Platform) will be Clients of an Authorised Crowdfunding Platform.
- (2) An Authorised Crowdfunding Platform must classify Clients as being in one of the following categories:
  - (a) a Retail Lender or Retail Investor; or
  - (b) an Accredited Lender or Accredited Investor.



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- (3) An Authorised Crowdfunding Platform must notify a new Client of its classification in accordance with AMI 7.3.1 in respect of the services provided by it to that Client.
- (4) An Authorised Crowdfunding Platform must classify as a Retail Lender or Retail Investor any Client that is not an Accredited Lender or Accredited Investor.
- (5) For the purposes of AMI 7, “Accredited Lender or Accredited Investor” means:
  - (a) in respect of a Loan Crowdfunding Platform, any natural person who lends or intends to lend for a total consideration of at least USD100,000 (or an equivalent amount in another currency) per Borrower across one or more Permitted Loans in any 12-month period; or
  - (b) in respect of an Investment Crowdfunding Platform, any natural person who acquires or intends to acquire Permitted Investments for a total consideration of at least USD 100,000 (or an equivalent amount in another currency) per Issuer across one or more offers in any 12-month period; or
  - (c) an Authorised Person; or
  - (d) a Body Corporate.

### 7.3.2 Crowdfunding risk disclosure

- (1) An Authorised Crowdfunding Platform must disclose prominently on its website the main risks to lenders or Investors using a Crowdfunding Platform, including (as applicable) that:
  - (a) Borrowers or Issuers using the Authorised Crowdfunding Platform may include new businesses and, as many new businesses fail, a loan to such a Borrower or an Investment with such an Issuer may involve high risks, including the loss of all or part of the lender or Investor's money, or delays in payment or the realization of gains;
  - (b) Borrowers or Issuers on the Crowdfunding Platform may apply funds borrowed to higher risk activities or investments (for example, to a prospective investments in a property development) and, consequently, a loan to such a Borrower or a Permitted Investment with such an Issuer may involve high risks;
  - (c) failure to diversify a portfolio of Permitted Loans or Permitted Investments may lead to greater losses in the event of the default of a relevant Borrower or Issuer;
  - (d) the lender may not be able to transfer their Permitted Loans or the Investor may not be able to sell their Permitted Investment when they wish to, or at all; and
  - (e) if for any reason the Authorised Crowdfunding Platform ceases to carry on its business, the lender or Investor may lose their money, incur costs or experience delays in being paid.
- (2) The disclosure referred to in (1) must be presented in a way that is fair, clear and not misleading.

### 7.3.3 Information about default or failure rates



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- (1) An Authorised Crowdfunding Platform must disclose prominently on its website (as applicable):
  - (a) for a Loan Crowdfunding Platform, the actual and expected default rates for Permitted Loans entered into on the Authorised Crowdfunding Platform; and
  - (b) for an Investment Crowdfunding Platform, the actual and expected failure rate of Permitted Investments who use the Authorised Crowdfunding Platform.
- (2) The information referred to in (1) must:
  - (a) for actual default or failure rates, cover the period since the Authorised Crowdfunding Platform began providing the service;
  - (b) for expected default or failure rates, set out a summary of the assumptions used in determining those expected rates; and
  - (c) be presented in a way that is fair, clear and not misleading.
- (3) Where an Authorised Crowdfunding Platform is within its first 12 months of operation, it does not need to disclose actual default or failure rates if no such data is yet available. Where no such data is available during this period, an Authorised Crowdfunding Platform shall disclose that no historic data is available and all default or failure rates disclosed are expected default or failure rates only.

### **7.3.4 Information about the service and lender or Investor education tools**

- (1) An Authorised Crowdfunding Platform must disclose prominently on its website in a way that is fair, clear and not misleading key information about how its service operates (as applicable), including:
  - (a) details of how the Authorised Crowdfunding Platform functions;
  - (b) details of how and by whom an Authorised Crowdfunding Platform is remunerated for the service it provides, including fees and charges it imposes;
  - (c) any financial interest of an Authorised Crowdfunding Platform or a Related Person that may create a conflict of interest;
  - (d) the eligibility criteria for Borrowers or Issuers that use the service;
  - (e) the minimum and maximum amounts, if any, of Permitted Loans or Permitted Investments that may be sought by a Borrower or an Issuer using the service;
  - (f) what, if any, security or collateral is usually sought from Borrowers or Issuers, when might rights to enforce such security or apply such collateral be exercised and any limitations in connection therewith;
  - (g) the eligibility criteria for lenders or Investors that use the service;
  - (h) any limits on the amounts a lender may lend or an Investor may invest using the service, including limits for individual Permitted Loans or Permitted Investments and limits that apply over any 12-month period;



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- (i) when a lender or Investor may withdraw a commitment to provide funding, and the procedure for exercising such a right;
  - (j) what will happen if Permitted Loans sought by a Borrower or funds sought by an Issuer either fail to meet, or exceed, the target level;
  - (k) steps an Authorised Crowdfunding Platform will take if there is a material change in a Borrower's or Issuer's circumstances and the rights of the lender and Borrower or Issuer and Investor in that situation;
  - (l) how an Authorised Crowdfunding Platform will deal with overdue payments or a default by a Borrower;
  - (m) which jurisdiction's laws will govern the loan agreement between the lender and Borrower or the Investment between Investor and Issuer;
  - (n) arrangements and safeguards for Client Assets held or controlled by an Authorised Crowdfunding Platform, including details of any legal arrangements (such as nominee companies) that may be used to hold Client Assets;
  - (o) any facility an Authorised Crowdfunding Platform provides to facilitate the transfer of Permitted Loans or sale of Permitted Investments, the conditions for using the facility and any risks relating to the use of that facility;
  - (p) measures the Authorised Crowdfunding Platform has in place to ensure the Crowdfunding Platform is not used for money-laundering or other unlawful activities;
  - (q) measures the Authorised Crowdfunding Platform has in place for the security of information technology systems and data protection; and
  - (r) contingency arrangements the Authorised Crowdfunding Platform has in place to ensure the orderly administration of Permitted Loans if it ceases to carry on business.
- (2) For the purposes of (1), "significant influence" refers to the ability to participate in, direct, or otherwise control the operating decisions of an entity. The existence of significant influence may be evidence in one or more of the following ways:
- (a) representation on the board of directors or equivalent governing body of the entity;
  - (b) participation in the policy or decision making process of the entity;
  - (c) material transactions between the entity and the person with influence;
  - (d) changes to managerial personnel directed by the person with influence; or
  - (e) the provision of otherwise sensitive information to the person with influence.
- (3) An Authorised Crowdfunding Platform must make available on its website one or more interactive educational tools which are reasonably designed to promote lender understanding of the services offered by the Authorised Crowdfunding Platform, as further described in (1), and of the key risks of using these services, as further described in 7.3.2.



**7.3.5 Risk acknowledgement form**

- (1) An Authorised Crowdfunding Platform must ensure that a Retail Lender or Retail Investor provides a signed risk acknowledgement form for each Permitted Loan or Permitted Investment (as applicable) that it makes using the platform.
- (2) The risk acknowledgement form under (1) must:
  - (a) set out clearly the risks referred to in AMI 7.3.2, 7.3.4;
  - (b) require the Retail Lender or Retail Investor to confirm that they understand those risks; and
  - (c) be provided before, or at the same time as, the Retail Lender or Retail Investor commits to making the Permitted Loan or Permitted Investment (as applicable).

**7.3.6 Due diligence on Borrowers or Issuers**

- (1) An Authorised Crowdfunding Platform must not permit a Borrower or Issuer to use its service unless the Borrower or Issuer is a Body Corporate.
- (2) An Authorised Crowdfunding Platform must conduct due diligence on each Borrower or Issuer before allowing it to use its service.
- (3) The due diligence under (2) must include, as a minimum, taking reasonable steps to verify in relation to the Borrower or Issuer (as applicable):
  - (a) its identity, including details of its incorporation and business registration; and
  - (b) the identity and place of domicile of each of its Directors, officers and Controllers.
- (4) The AFSA may by written notice, require an Authorised Crowdfunding Platform to conduct additional due diligence on Borrowers and/or Issuers before such Borrowers and/or Issuers are permitted to use the service provided by the Authorised Crowdfunding Platform.

**7.3.7 Disclosure of information about the Borrower or Issuer**

- (1) An Authorised Crowdfunding Platform must disclose prominently on its website relevant information about each Borrower or Issuer, including as a minimum:
  - (a) the name of the Borrower or Issuer, the full name and position of each of its Directors and officers and the full name of each Controller;
  - (b) the place of incorporation of the Borrower or Issuer and the place of domicile of each Director, officer and Controller;
  - (c) a description of the Borrower or Issuer's business;
  - (d) a detailed description of the proposal for which it is seeking funding including:
    - (i) the target level of funding sought and what will happen if that level is not met or is exceeded; and





- (ii) how the funds will be used.
    - (e) the results of any due diligence carried out by the Authorised Crowdfunding Platform on the Borrower or Issuer and any limits on the due diligence that could be carried out;
    - (f) the grading or rating by the Authorised Crowdfunding Platform of the Borrower or Issuer's creditworthiness (if any), including:
      - (i) how the grading or rating has been assessed;
      - (ii) an explanation of what the different grading or rating levels mean; and
      - (iii) a clear statement that this should not be taken as advice about whether money should be lent to the Borrower or an Investment should be made with the Issuer;
    - (g) that the Borrower or Issuer, and information provided about the Borrower or Issuer, are not checked or approved by the AFSA; and
    - (h) other disclosure documents that contain the necessary information which is material to Retail Investors or Retail Lenders for making an informed investment decision.
  - (2) The disclosures referred to in (1) must be presented in a way that is fair, clear and not misleading.

### **7.3.8 Disclosure of information about the Permitted Loan or Permitted Investment**

- (1) An Authorised Crowdfunding Platform must disclose prominently on its website relevant information about each Permitted Loan or Permitted Investment offered by a Borrower (as applicable), including as a minimum:
  - (a) for a Permitted Loan, the duration of the Permitted Loan, details of interest payable and any other rights attaching to the Permitted Loan;
  - (b) for an issue of Permitted Investments, any rights attaching to the Permitted Investments, such as a dividend, voting or pre-emption rights;
  - (c) whether any security is being provided and, if so, the details of that security including the circumstances in which it might be exercised and any limitations on its use;
  - (d) for a Permitted Loan, if applicable, any other reward or benefit attaching to the Permitted Loan and the terms on which it is available; and
  - (e) for an issue of Permitted Investments, whether Investors have any protection from their interest or holding being diluted by the issue of further Permitted Investments.
- (2) The disclosures referred to in (1) must be presented in a way that is fair, clear and not misleading.

### **7.3.9 Proposals not to be advertised outside platform**



- (1) An Authorised Crowdfunding Platform must:
- (a) not advertise a specific lending or Investment proposal that is available on the Authorised Crowdfunding Platform; and
  - (b) take reasonable steps to ensure that Borrowers or Issuers that use the Authorised Crowdfunding Platform do not advertise the lending or Investment proposal,
- unless the advertisement is made on the platform and is accessible only to existing Clients who use the Authorised Crowdfunding Platform.

#### **7.3.10 Material changes affecting a Borrower or Issuer**

- (1) This Rule applies if, in the reasonable opinion of an Authorised Crowdfunding Platform, a material change occurs relating to a Borrower or Issuer, its business, its proposal or the carrying out of its proposal.
- (2) In this Rule, a "material change" means any change or new matter that may significantly affect the Borrower or Issuer's ability to meet its payment obligations under the loan agreement or its ability to carry out its proposal.
- (3) If the material change occurs during the Commitment Period, an Authorised Crowdfunding Platform must:
- (a) notify committed lenders or Investors of the material change and require them to reconfirm their commitment within 5 business days; and
  - (b) if reconfirmation is not provided within the period specified in (a), cancel the commitment.
- (4) If the material change occurs after the Commitment Period, an Authorised Crowdfunding Platform must disclose prominently on its website:
- (a) details of the material change;
  - (b) any change in the rights of the lenders and the Borrower, or the Investors and Issuer, arising from the material change; and
  - (c) what steps, if any, the operator is proposing to take as a result of the change.
- (5) A disclosure or notification under (3) or (4) must be made as soon as practicable after the Authorised Crowdfunding Platform becomes aware of the material change.

#### **7.3.11 Borrower or Issuer use of other platforms**

- (1) An Authorised Crowdfunding Platform must:
- (a) take reasonable steps to identify where a Borrower or Issuer is seeking, or proposes to seek, funding on another Authorised Crowdfunding Platform during the Commitment Period; and
  - (b) where it identifies that a Borrower or Issuer is seeking, or proposes to seek, funding on another Authorised Crowdfunding Platform during the Commitment Period, disclose this fact to lenders or Investors.



### **7.3.12 Equal treatment of lenders or Investors**

- (1) An Authorised Crowdfunding Platform must ensure that lenders or Investors who use its service are able to have access to the same information on its website about a Borrower or a lending proposal or an Issuer or an Investment proposal, and that access to the information is provided at the same time.
- (2) If an Authorised Crowdfunding Platform provides an auto-lending or auto-investment system, or any other facility that provides some lenders or Investors with the opportunity to lend money ahead of other lenders or Investors, it must disclose prominently on its website that some lenders or Investors may have preferential access to alternative proposals or terms.

### **7.3.13 No suitability disclosure**

- (1) If an Authorised Crowdfunding Platform provides an auto-lending or auto-investment system it must disclose prominently to lenders or Investors who use the facility that no assessment is made that any Permitted Loan or Permitted Investment selected by the system is suitable for the lender or Investor.

### **7.3.14 An Authorised Crowdfunding Platform not to permit staff to use the platform**

- (1) An Authorised Crowdfunding Platform must take reasonable steps to ensure that its officers, employees, their Family Members and any Related Persons do not:
  - (a) lend money or provide finance to a Borrower or Issuer;
  - (b) borrow money from a lender or receive funding from an Investor; or
  - (c) hold any direct or indirect interest in the capital or voting rights of a Borrower or lender or an Issuer or Investor.

### **7.3.15 Forums**

- (1) If an Authorised Crowdfunding Platform provides a means of communication (a "forum") for Borrowers and lenders or Issuers and Investors to discuss funding proposals made using the service, it must:
  - (a) refer lenders or Investors to the forum as a place where they can find, or take part in, further discussion about proposals, while clearly stating that the Authorised Crowdfunding Platform does not conduct due diligence on information on the forum;
  - (b) restrict posting of comments on the forum to Persons who are Clients using the service;
  - (c) ensure that all Clients using the forum have equal access to information posted on the forum;
  - (d) require a Person posting a comment on the forum to disclose clearly if he is affiliated in any way with a Borrower or Issuer or is being compensated, directly or indirectly, to promote a proposal by a Borrower or Issuer;



- (e) take reasonable steps to monitor and prevent posts on the forum that are potentially misleading or fraudulent;
- (f) immediately take steps to remove a post, or to require a post to be deleted or amended, if an Authorised Crowdfunding Platform becomes aware that (d) or (e) have not been complied with; and
- (g) not participate in discussions on the forum except to moderate posts or to take steps referred to in (f).

#### **7.3.16 Facility for transfer of Permitted Loans or Permitted Investments**

- (1) If an Authorised Crowdfunding Platform provides a facility that assists the transfer of rights or obligations under a Permitted Loan or the sale of Permitted Investments, it must ensure that (as applicable):
  - (a) the facility relates only to Permitted Loans or Permitted Investments originally facilitated using its service;
  - (b) transfers can take place only between lenders or Investors who are already Clients using the service and have initially lent money under a Permitted Loan or initially subscribed for Permitted Investments using the service;
  - (c) in the case of a Permitted Loan, the facility allows only a lender (and not the Borrower) to transfer rights and obligations under the agreement;
  - (d) in the case of a Permitted Loan, a lender must transfer the rights and obligations relating to the whole of a Permitted Loan made (and not just a part of the Permitted Loan);
  - (e) potential transferees or buyers have access to all information on the website about the Borrower or Issuer that was available to earlier lenders; and
  - (f) fees it charges for the use of the facility are designed to recover its costs of providing the facility, rather than generating additional income.

#### **7.3.17 Business cessation plan**

- (1) An Authorised Crowdfunding Platform must:
  - (a) maintain a business cessation plan that sets out appropriate contingency arrangements to ensure the orderly administration of Permitted Loans in the event that it ceases to carry on its business (including details of how any Loan Administrator, administrator and/or nominee company will continue to operate following the cessation of business); and
  - (b) ensure, as far as reasonably practicable, that the contingency arrangements can be implemented if necessary.

#### **7.3.18 AFSA power to impose a prohibition or requirement**

- (1) The AFSA may prohibit an Authorised Crowdfunding Platform from:



- (a) entering into certain specified transactions or agreements or types of transactions or agreements; or
- (b) outsourcing any of its functions or activities to a third party.
- (2) The AFSA may, by written notice or guidance, set fees payable by an Authorised Crowdfunding Platforms to the AFSA on certain specified transactions or types of transactions.

### **7.3.19 Complaints**

- (1) An Authorised Crowdfunding Platform shall establish and maintain written policies and procedures to resolve complaints made against it or other parties (including Clients) in a fair and timely manner.
- (2) An Authorised Crowdfunding Platform must provide, in a clear and conspicuous manner: on its website or websites; in all physical locations; and in any other location the AFSA may prescribe, the following disclosures:
  - (a) the mailing address, email address and telephone number for the receipt of complaints;
  - (b) a statement that the complainant may also bring his or her complaint to the attention of the AFSA;
  - (c) the AFSA's mailing address, website and telephone number; and
  - (d) such other information as the AFSA may require.
- (3) An Authorised Crowdfunding Platform shall report to the AFSA any change in its complaints policies or procedures within ten days of such change being made.
- (4) An Authorised Crowdfunding Platform must maintain a record of any complaint made against it or other parties (including Clients) for a minimum period of six years from the date of receipt of the complaint.

### **7.3.20 Obligation to report transactions**

- (1) An Authorised Crowdfunding Platform shall report to the AFSA details of transactions which are executed through its platform.
- (2) The AFSA may, by written notice or Guidance, specify:
  - (a) the information to be included in reports made under (1); and
  - (b) the manner in which such reports are to be made.

### **7.3.21 Cooling-off period**

- (1) An Authorised Crowdfunding Platform must ensure that lenders or Investors who have committed to providing funding to a particular Borrower or purchasing an Permitted Investment or Permitted Loan from a particular Issuer or Borrower may withdraw that commitment, without any penalty and without giving a reason, during the cooling-off period.



- (2) In (1), "cooling-off period" means the period of at least 48 hours starting at the end of the Commitment Period.

### 7.3.22 Target funding amount

- (1) An Authorised Crowdfunding Platform must ensure that all loan proceeds are only provided to the Borrower or offering proceeds are only provided to the Investor when the aggregate capital raised from all lenders or Investors is equal to or greater than the target funding amount and allow all lenders or Investors to cancel their commitments to lend or invest, as the AFSA shall determine appropriate.

### 7.3.23 Lending and Investment limits

- (1) An Authorised Crowdfunding Platform must maintain effective systems and controls to ensure that a Retail Lender or Retail Investor using its service does not lend or Invest, in respect of any single Borrower or Issuer and in aggregate calculated over a period of 12 months, an amount which exceeds the greater of:
- (a) USD 2,000; or
  - (b) the lesser of
    - (i) 10 percent of the annual income; or
    - (ii) 5 percent of net worth of such Retail Lender or Retail Investor (excluding the value of the primary residence), up to a maximum aggregate amount of USD100,000.

### 7.3.24 Fundraising limits

- (1) An Authorised Crowdfunding Platform must maintain effective systems and controls to ensure that:
- (a) a Borrower does not borrow from:
    - (i) Retail Lenders more than USD 5,000,000 in total; and
    - (ii) Accredited Lenders more than USD 50,000,000 in total; and/or
  - (b) the total aggregate consideration for the Permitted Investments offered by an Issuer to:
    - (i) Retail Investors using its service is USD 5,000,000 or less; and
    - (ii) Accredited Investors using its service is USD 50,000,000 or less;
- or an equivalent amount in another currency, calculated over a period of 12 months.

### 7.3.25 Market Rules

- (1) The issue of Permitted Investments or Debentures may result in the application of requirements under the Markets Rules (MAR) such as Market Abuse provisions or, if an offer is not an Exempt Offer or offer of Securities by way of placement, Prospectus requirements.



## 7.4 Additional Requirements for Loan Crowdfunding Platforms

### 7.4.1 Written loan agreement

- (1) A Loan Crowdfunding Platform must ensure that, when a Permitted Loan is made using its service, there is a written loan agreement in place between the Borrower and lender that is legally enforceable and sets out sufficient details of the loan, the terms of repayment and the rights and obligations of the Borrower and lender.

### 7.4.2 Loan Administration

- (1) A Loan Crowdfunding Platform must have in place arrangements to administer the collection of amounts due and payable under a Permitted Loan.
- (2) The arrangements in (1) shall include procedures for taking steps to collect overdue amounts and/or enforce a Permitted Loan in default on behalf of lenders including such steps as are necessary to enforce any security or apply any collateral that the Borrower may have provided in connection with the Permitted Loan;
- (3) The arrangements in (1) may be carried out by the Loan Crowdfunding Platform by itself or by such other Person as the Loan Crowdfunding Platform may appoint (a "**Loan Administrator**").



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### **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 Trading Facility and Operating a Clearing House;
- the various regulatory functions that an Authorised Market Institution must perform in relation to admitting Securities or Units of a Listed Fund to trading, operating an Official List and enforcing its Business Rules; and
- the supervisory regime to which such an Authorised Market Institution will be subject on an ongoing basis, including requirements in respect of its relationship with the AFSA.

The application of the rules in AMI is as follows:

- Chapter 1 contains introductory provisions applicable to all Authorised Market Institutions.
- Chapter 2 contains rules and guidance applicable to all Authorised Market Institutions.
- Chapter 3 contains additional rules and guidance applicable to Authorised Investment Exchanges.
- Chapter 4 contains additional rules and guidance applicable to Authorised Clearing Houses (including Authorised Central Counterparties).
- Chapter 5 contains rules in relation to the supervision of Authorised Market Institutions.
- Chapter 6 contains additional rules and guidance applicable to Authorised Private E-currency Trading Facility.



## 2. RULES APPLICABLE TO ALL AUTHORISED MARKET INSTITUTIONS

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### 2.3.1. Conflicts of interest – core obligation

An Authorised Market Institution must take reasonable steps, including the maintenance of adequate systems and controls, governance and internal policies and procedures, to ensure that the performance of its regulatory functions is not adversely affected by its commercial interests.

#### **Guidance: regulatory functions of Authorised Market Institution**

The regulatory functions of an Authorised Market Institution include, as appropriate:

- its obligations under AMI to monitor and enforce compliance with its membership rules, Business Rules, Direct Electronic Access Rules;
- its obligation to prevent, detect and report market abuse or financial crime; and
- its obligations in respect of admission of Securities [or Units of a Listed Fund](#) to an Official List, to Trading or to Clearing.

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### 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:

- (a) Membership Rules, prepared in accordance with AMI 2.6, governing the admission of Members and any other Persons to whom access to its facilities is provided;
- (b) Direct Electronic Access Rules, prepared in accordance with AMI 2.7, setting out the rules and conditions pursuant to which its Members may provide their clients with Direct Electronic Access to the Authorised Market Institution's trading systems;
- (c) Default Rules, prepared in accordance with either AMI 3.5 or AMI 4.6, governing action that may be taken in respect of unsettled Market Contracts in the event of a Member being, or appearing to be, unable to meet its obligations;
- (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 of a Listed Fund](#) or Private E-currencies to trading, or clearing and settlement, as appropriate to its facilities;
- (e) Listing Rules, prepared in accordance with AMI 3.6, setting out the rules and conditions applicable to a Person who wishes to have Securities [or Units of a Listed Fund](#) included in an Official List ~~of Securities~~; and
- (f) any other matters necessary for the proper functioning of the Authorised Market Institution and the facilities operated by it.

The requirements in (c) and (e) do not apply to the Authorised Private E-currency Trading Facility.



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



### 3. RULES APPLICABLE TO AUTHORISED INVESTMENT EXCHANGES

#### 3.1 Systems and Controls

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##### 3.1.3. Publicly available data on quality of executions

An Authorised Investment Exchange must make available to the public, without any charges, data relating to the quality of execution of transactions on the Authorised Investment Exchange on at least an annual basis. Reports must include details about price, costs, speed and likelihood of execution for individual Securities [or Units of a Listed Fund](#).

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##### 3.1.6. Tick size regimes

The Authorised Investment Exchange must adopt a tick size regime in respect of each type of Security [or Unit of a Listed Fund](#) traded on each trading venue operated by it. The tick size regime must:

- (a) be calibrated to reflect the liquidity profile of ~~the Securities~~ [such Investments](#) in different markets and the average bid-ask spread taking into account the desirability of enabling reasonably stable prices without unduly constraining further narrowing of spreads; and
- (b) be able to adapt the tick size for each ~~Security~~ [such Investment](#) appropriately.

#### Short selling and position management

- (a) An Authorised Investment Exchange must have in place effective systems, controls and procedures to monitor and manage:
  - (i) Short selling in shares, debentures and any other similar ~~Securities~~ [Investments](#); and
  - (ii) Risks arising from position concentrations.
- (b) For the purposes of (a), an Authorised Investment Exchange must have adequate powers over its Members to mitigate the probability and impact of risk to the orderly functioning of its facilities arising from unsettled positions in Securities [or Units of Listed Fund](#).
- (3) Short selling for the purposes of this Rule constitutes the sale of a share, debenture or other similar ~~Securities~~ [Investment](#) by a Person who does not own the share, debenture or other similar ~~Securities~~ [Investment](#) at the point of entering into the contract to sell.

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#### 3.2. Admission of Securities to trading

##### 3.2.1 Admission to Trading Rules

An Authorised Investment Exchange must make clear and transparent rules concerning the admission of Securities [or Units of a Listed Fund](#) to trading on its facilities.



### 3.2.2. Content of Admission to Trading Rules

The rules of the Authorised Investment Exchange must ensure that:

- (a) Securities [or Units of a Listed Fund](#) admitted to trading on an Authorised Investment Exchange's facilities are capable of being traded in a fair, orderly and efficient manner;
- (b) Securities [or Units of a Listed Fund](#) admitted to trading on an Authorised Investment Exchange's facilities are freely negotiable; and
- (c) contracts for derivatives admitted to trading on an Authorised Investment Exchange's facilities are designed so as to allow for their orderly pricing as well as for the existence of effective settlement conditions.

#### **Guidance: Fair, orderly and efficient trading**

When assessing whether a Security [or Unit of a Listed Fund](#) is capable of being traded in a fair, orderly and efficient manner, the Authorised Investment Exchange shall take into account, depending on the nature of the Security [or Unit of a Listed Fund](#) being admitted, whether the following criteria are satisfied:

- (a) the terms of the Security [or Unit of a Listed Fund](#) are clear and unambiguous and allow for a correlation between the price of the Security [or Unit of a Listed Fund](#) and the price or other value measure of the underlying;
- (b) the price or other value measure of the underlying is reliable and publicly available; and
- (c) there is sufficient information publicly available of a kind needed to value the Security [or Unit of a Listed Fund](#).

#### **Guidance: Effective settlement conditions**

When assessing whether a contract for a derivative contains effective settlement conditions, the Authorised Investment Exchange shall take into account, depending on the nature of the derivative being admitted, whether the following criteria are satisfied:

- (a) the arrangements for determining the settlement price of the derivative ensure that this price properly reflects the price or other value measure of the [relevant underlying Investment](#); and
- (b) where the settlement of the derivative requires or provides for the possibility of the delivery of an underlying [Security Investment](#) or asset rather than cash settlement, there are adequate settlement and delivery procedures for that underlying Investment as well as adequate arrangements to obtain relevant information about that underlying [Investment](#).

### 3.2.3. Undertaking to comply with AFSA rules

An Authorised Investment Exchange may not admit Securities [or Units of a Listed Fund](#) to trading unless the ~~person~~ [Person](#) who seeks to have ~~Securities~~ [such Investments](#) admitted to trading:

- (a) gives an enforceable undertaking to the AFSA to submit unconditionally to the jurisdiction of the AFSA in relation to any matters which arise out of or which relate to its



use of the facilities of the Authorised Market Institution, including but not limited to requirements in MAR relating to Reporting Entities;

- (b) agrees in writing to submit unconditionally to the jurisdiction of the AIFC Courts in relation to any disputes, or other proceedings in the AIFC, which arise out of or relate to its use of the facilities of the Authorised Market Institution;
- (c) agrees in writing to subject itself to the AIFC laws in relation to its use of the facilities of the Authorised Market Institution; and
- (d) appoints and maintains at all times, an agent for service of process in the AIFC and requires such agent to accept its appointment for service of process.

#### 3.2.4. Review of compliance

The Authorised Investment Exchange must maintain arrangements regularly to review whether the Securities [or Units of a Listed Fund](#) admitted to trading on its facilities comply with the Admission to Trading Rules.

#### 3.2.5. Verification of compliance by issuers with Market Rules

The Authorised Investment Exchange must maintain effective arrangements to verify that issuers of Securities [or Units of a Listed Fund](#) admitted to trading on a regulated market operated by it comply with the Market Rules.

#### 3.2.6. Arrangements for access to information

The Authorised Investment Exchange must maintain arrangements to assist users of a market operated by it to obtain access to information made public under the Market Rules.

### 3.3. Suspending or removing Securities [or Units of a Listed Fund](#) from trading

#### 3.3.1. Power to suspend

The rules of an Authorised Investment Exchange must provide that the Authorised Investment Exchange has the power to suspend or remove from trading on its facilities any Securities [or Units of a Listed Fund](#) which no longer ~~complies~~ comply with its rules.

#### 3.3.2. Limitation on power to suspend or remove Securities [or Units of a Listed Fund](#) from trading

An Authorised Investment Exchange may not suspend or remove from trading on its facilities any Security [or Unit of a Listed Fund](#) which no longer complies with its rules, where such step would be likely to cause significant damage to the interests of investors or the orderly functioning of the financial markets.

#### 3.3.3. Suspension or removal from trading of associated derivatives

Where the Authorised Investment Exchange suspends or removes any Security [or Unit of a Listed Fund](#) from trading on its facilities, it must also suspend or remove from trading on its facilities any derivative that relates to or is referenced to that ~~Security Investment~~ where that is required to support the objectives of the suspension or removal of trading of that ~~Security Investment~~.



### 3.3.4. Publication of decision to suspend or remove Securities or Units of a Listed Fund from trading

Where the Authorised Investment Exchange suspends or removes any Security or Unit of a Listed Fund from trading on its facilities, including any derivative in accordance with AMI 3.3.3, it must notify the AFSA and make that decision public.

### 3.3.5. Publication of decision to lift suspension or re-admit Securities or Units of a Listed Fund to trading

Where the Authorised Investment Exchange lifts a suspension or re-admits any Security or Unit of a Listed Fund to trading on its facilities, including any derivative suspended or removed from trading in accordance with AMI 3.3.3, following a decision made under AMI 3.3.1, it must notify the AFSA and make that decision public.

## 3.4. Transparency obligations

### 3.4.1. Pre-trade transparency obligation

An Authorised Investment Exchange must make available to the public on a continuous basis during normal trading hours the current bid and offer prices of Securities or Units of a Listed Fund traded on its systems and the depth of trading interests at those prices.

#### Guidance

The disclosure required by 3.4.1 will depend upon the type of trading system employed, including continuous auction order-book, quote-driven, periodic auction and hybrid trading systems. An Authorised Investment Exchange should discuss its proposals for compliance with this requirement with the AFSA. The AFSA may waive or modify the requirement in respect of certain types of trade or types of **Security Investment** pursuant to Section 8 of the Framework Regulations.

### 3.4.2. Post-trade transparency obligation

An Authorised Investment Exchange must make available to the public in as close to real-time as technically possible the price, volume and time of the transactions executed in respect of Securities or Units of a Listed Fund traded on its facilities.

#### Guidance

The AFSA may waive or modify the requirement in AMI 3.4.2 in respect of certain types of trade or types of **Security Investment** pursuant to Section 8 of the Framework Regulations.

In particular, subject to AMI 1.1.2 (outsourcing) and to obtaining the approval of the AFSA, an Authorised Investment Exchange may delegate its provision of post-trade information to a regulatory news service or similar third-party entity.

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## 3.6. Listing Rules

### 3.6.1. General requirements relating to Listing Rules

- (1) An Authorised Investment Exchange wishing to admit Securities or Units of a Listed Fund to its own Official List **of Securities** must:



- (a) have Listing Rules which comply with the requirements of AMI 3.6.2; and
  - (b) ensure that its Listing Rules are approved by the AFSA.
- (2) Any amendment to an Authorised Investment Exchange's Listing Rules must, prior to the amendment becoming effective, have been:
- (a) made available for a reasonable period of time to the market for consultation; and
  - (b) approved by the AFSA.
- (3) In urgent cases, the AFSA may, on written application by the Authorised Investment Exchange, dispense with the requirement in (2)(a).

### 3.6.2. Contents of Listing Rules

The Listing Rules of an Authorised Investment Exchange must include requirements relating to:

- (a) procedures for admission of Securities or Units of a Listed Fund to its Official List ~~of Securities~~, including:
  - (i) requirements to be met before Securities such Investments may be granted admission to an Official List ~~of Securities~~; and
  - (ii) agreements in connection with admitting Securities such Investments to an Official List ~~of Securities~~;
- (b) procedures for suspension and delisting of Securities or Units of a Listed Fund from an Official List ~~of Securities~~;
- (c) the imposition on any Person of obligations to observe specific standards of conduct or to perform, or refrain from performing, specified acts, reasonably imposed in connection with the admission of Securities or Units of a Listed Fund to an Official List ~~of Securities~~ or continued admission of ~~Securities~~ such Investments to an Official List ~~of Securities~~;
- (d) penalties or sanctions which may be imposed by the Authorised Investment Exchange for a breach of the Listing Rules;
- (e) procedures or conditions which may be imposed, or circumstances which are required to exist, in relation to matters which are provided for in the Listing Rules;
- (f) actual or potential conflicts of interest that have arisen or might arise when a Person seeks to have Securities or Units of a Listed Fund admitted to an Official List ~~of Securities~~; and
- (g) such other matters as are necessary or desirable for the proper operation of the listing rule process and the market.

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#### 3.6.4. Compliance with Listing Rules

- (1) An Authorised Investment Exchange which is permitted to maintain an Official List ~~of Securities~~ must ensure the function is properly and independently operated.
- (2) An Authorised Investment Exchange must have procedures in place to ensure that:
  - (a) its Listing Rules are monitored and enforced; and
  - (b) complaints regarding Persons subject to the Listing Rules are investigated.
- (3) An Authorised Investment Exchange must ensure that:
  - (a) where appropriate, disciplinary action can be carried out and financial and other types of penalties can be imposed on Persons subject to the Listing Rules; and
  - (b) adequate appeal procedures are in place.

#### 3.6.5. Application for admission of Securities or Units of a Listed Fund to an Official List ~~of Securities~~

- (1) Applications for the admission of Securities or Units of a Listed Fund to an Official List ~~of Securities~~ must be made by the issuer of ~~the Securities such Investments~~, or by a third party on behalf of and with the consent of the issuer of ~~the Securities such Investments~~.
- (2) An Authorised Investment Exchange must, before granting admission of any Securities or Units of a Listed Fund to an Official List ~~of Securities~~ maintained by it:
  - (a) be satisfied that the applicable requirements, including those in its Listing Rules, have been or will be fully complied with in respect of those ~~–Securities Investments~~; and
  - (b) comply with the requirements relating to notification to the AFSA in (4) and (5).
- (3) An Authorised Investment Exchange must notify an applicant in writing of its decision in relation to the application for admission of Securities or Units of a Listed Fund to its Official List ~~of Securities~~.
- (4) Subject to (5), at least 5 business days prior to an admission of Securities or Units of a Listed Fund to its Official List ~~of Securities~~, an Authorised Investment Exchange must provide the AFSA with notice of the decision and include the following information in the notification:
  - (a) a copy of the listing application;
  - (b) a copy of the assessment of the listing application carried out by the Exchange; and
  - (c) any information requested by the AFSA.
- (5) An Authorised Investment Exchange must immediately notify the AFSA of any decision to suspend, restore from suspension or de-list any Securities or Units of a Listed Fund from its Official List ~~of Securities~~ and the reasons for the decision.



**3.6.6. Undertaking to comply with AFSA rules**

An Authorised Investment Exchange may not admit Securities or Units of a Listed Fund to an Official List ~~of Securities~~ unless the issuer of ~~Securities~~ such Investments:

- (a) gives an enforceable undertaking to the AFSA to submit unconditionally to the jurisdiction of the AFSA in relation to any matters which arise out of or which relate to its use of the facilities of the Authorised Market Institution, including but not limited to requirements in MAR relating to Reporting Entities;
- (b) agrees in writing to submit unconditionally to the jurisdiction of the AIFC Courts in relation to any disputes, or other proceedings in the AIFC, which arise out of or relate to its use of the facilities of the Authorised Market Institution;
- (c) agrees in writing to subject itself to the AIFC laws in relation to its use of the facilities of the Authorised Market Institution; and
- (d) appoints and maintains at all times, an agent for service of process in the AIFC and requires such agent to accept its appointment for service of process.



## 4. RULES APPLICABLE TO AUTHORISED CLEARING HOUSES

### 4.1. Admission of Securities or Units of a Listed Fund to Clearing

#### 4.1.1. Admission to clearing rules

An Authorised Clearing House must have clear and objective criteria included in its rules according to which ~~Securities~~ Investments can be cleared or settled on its facilities.

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#### 4.3.1. Credit Risk

- (1) An Authorised Clearing House must establish a robust framework to manage its credit exposures to its participants and the credit risks arising from its payment, clearing and settlement processes.
- (2) An Authorised Clearing House operating a payment system or Securities Settlement System must cover its current and, where they exist, potential future exposures to each participant fully with a high degree of confidence using collateral and other equivalent financial resources.
- (3) An Authorised Clearing House operating as a Central Counterparty must:
  - (a) cover its current and potential future exposures to each participant fully with a high degree of confidence using margin and other prefunded financial resources;
  - (b) perform stress tests, on a regular basis as appropriate to the nature, scale and complexity of its operations, using models containing standards and predetermined parameters and assumptions; and
  - (c) at least monthly (and more frequently if the Securities or Units of a Listed Fund cleared or markets served display high volatility, become less liquid, or when the size or concentration of positions held by its participants increase significantly), carry out a comprehensive and thorough analysis of stress testing models, scenarios, and underlying parameters and assumptions used to ensure that they are appropriate for determining the required level of default protection in light of current and evolving market conditions; and
  - (d) at least annually, conduct an independent review and validation of its financial risk management models.

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#### 4.5.1. Central securities depositories

An Authorised Clearing House acting as a Central Securities Depository must:

- (1) have appropriate rules, procedures, and controls, including robust accounting practices, to safeguard the rights of ~~Securities~~-issuers and holders of Securities or Units of a Listed Fund, prevent the unauthorised creation or deletion of Securities or Units of a Listed Fund, and conduct periodic and at least daily reconciliation of issues of Securities issues or Units of a Listed Fund it maintains;



- (2) prohibit overdrafts and debit balances in accounts of Securities ~~accounts~~ or Units of a Listed Fund;
- (3) maintain Securities or Units of a Listed Fund in an immobilised or dematerialised form for their transfer by book entry;
- (4) protect assets against custody risk through appropriate rules and procedures consistent with its legal framework;
- (5) ensure segregation between the Central Securities Depository's own assets and the securities of its participants and segregation among the securities of participants; and
- (6) identify, measure, monitor, and manage its risks from other activities that it may perform.

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## 5. SUPERVISION

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### 5.2.7. Notification of admission to or removal from trading

Where an Authorised Investment Exchange proposes to suspend or remove from trading or admit to trading, by means of its facilities, a class of Security or Units of a Listed Fund which it has not previously traded, but is licensed to do so, it must give the AFSA notice of that event, at the same time as the proposal is communicated to Persons granted access to its facilities or shareholders, with the following information:

- (a) a description of the Security Investment to which the proposal relates; and
- (b) the name of any clearing or settlement facility in respect of that Security Investment.

### 5.2.8. Notification of removal from or admission to clearing

Where an Authorised Clearing House proposes to cease clearing or settling, or to commence clearing or settling, by means of its facilities, a class of Security or Units of a Listed Fund which it has not previously cleared or settled, but is licensed to do so, it must give the AFSA notice of that event, at the same time as the proposal is communicated to Persons granted access to its facilities or shareholders, with the following information:

- (a) a description of the Security Investment to which the proposal relates; and
- (b) the name of any trading facility in respect of that Security Investment.