



AMENDMENTS № 7 TO AIFC AUTHORISED MARKET INSTITUTION RULES

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In this document, underlining indicates a new text and strikethrough indicates a removed text.

Amendments to the AIFC Authorised Market Institution Rules

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~~[intentionally omitted]~~

(...)

Guidance: Purpose and application of AMI

- 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 Digital Assets Trading Facility~~ and Operating a Clearing House;

(...)

- ~~Chapter 6 contains additional rules and guidance applicable to Authorised Digital Assets 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 Digital Asset Trading Facility~~, an Authorised Clearing House and/or an Authorised Crowdfunding Platform.

(7) ~~An Authorised Digital Asset Trading Facility is a Centre Participant which has been licensed by the AFSA to carry on the Market Activity of Operating a Digital Asset Trading Facility.~~ [intentionally omitted]

(...)

2.4.4. Resources of Members

(...)

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

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

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

omitted]

(...)

2.4.7. Testing relating to Members' technology systems

(...)

(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 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

(...)

~~(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, or Units in a Listed Fund or Digital Assets 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 in a Listed Fund included in an Official List; 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 Digital Asset Trading Facility.~~

2.6. Membership

2.6.1. Persons eligible for Membership

~~(1) An Authorised Market Institution, except an Authorised 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:~~

~~(a) an Authorised Firm whose Licence permits it to carry on the Regulated Activities of Dealing in Investments; or~~

~~(b) a Recognised Non-AIFC Member.~~

~~(2) An Authorised 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: **[intentionally omitted]**~~

~~(a) an Authorised Firm whose Licence permits it to carry on the Regulated Activities of Dealing in Investments; **[intentionally omitted]**~~

~~(b) a Recognised Non-AIFC Member; or **[intentionally omitted]**~~

~~(c) a body corporate or an individual (natural person) which carries on the activity solely as principal. **[intentionally omitted]**~~

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, or Units in a Listed Fund or 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 Digital Asset Trading Facility or the Member or participant or client or any connecting system provided by the Authorised 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:~~

~~(a) custody of its own assets, in accordance with (2), if it is an Authorised Clearing House; or~~

~~(b) investments, in accordance with (3), if it is an Authorised Investment Exchange; or~~

~~(c) Digital Assets, if it is an Authorised Digital Asset Trading Facility. **[intentionally omitted]**~~

(...)

6. RULES APPLICABLE TO AN AUTHORISED DIGITAL ASSET TRADING FACILITY

6.1. Main requirements relating to trading on the facility

~~(1) An Authorised 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 Digital Assets on its facility;~~
- ~~(b) objective criteria governing access to its facility;~~
- ~~(c) objective and transparent criteria for determining the Investments that can be traded on its facility; and~~
- ~~(d) adequate technology resources.~~
- ~~(2) An Authorised Digital Asset Trading Facility must maintain effective arrangements to verify that its members comply with requirements set out in COB, AML.~~
- ~~(3) An Authorised 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 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 Digital Asset Trading Facility on at least an annual basis. Reports must include details about price, costs, speed and likelihood of execution for individual Digital Assets.~~

6.2. Requirement to prepare Rules

- ~~(1) An Authorised Digital Asset Trading Facility's Rules must:~~
 - ~~(a) be based on objective criteria;~~
 - ~~(b) be non-discriminatory;~~
 - ~~(c) be clear and fair;~~
 - ~~(d) be made publicly available free of charge;~~
 - ~~(e) contain provisions for the resolution of Members' and other participants' disputes;~~
 - ~~(f) contain provisions for penalties or sanctions which may be imposed by the Authorised Digital Asset Trading Facility for a breach of the Rules; and~~
 - ~~(g) contain provisions for an appeal process from the decisions of the Authorised Digital Asset Trading Facility.~~
- ~~(2) An Authorised 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:~~
 - ~~(a) making its Rules available for market consultation for no less than 30 days; and~~
 - ~~(b) obtaining approval of the AFSA.~~
- ~~(3) Where an Authorised 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 Digital Asset Trading Facility must have procedures in place to ensure that its Rules are monitored and enforced.~~

6.3. Admission of Digital Assets to trading

6.3.1. Admission to Trading Rules

- ~~(1) An Authorised Digital Asset Trading Facility must make clear and transparent rules concerning the admission of Digital Assets to trading on its facilities.~~
- ~~(2) The rules of the Authorised Digital Asset Trading Facility must ensure that:~~
 - ~~(a) Digital Assets admitted to trading on an Authorised Digital Asset Trading Facility's facilities are capable of being traded in a fair, orderly and efficient manner; and~~
 - ~~(b) Digital Assets admitted to trading on an Authorised Digital Asset Trading Facility's facilities are freely negotiable.~~

6.3.2. Application for admission of Digital Assets to Trading

- ~~(1) Applications for the admission of a Digital Asset to trading can be made to an Authorised Digital Asset Trading Facility by the issuer of the Digital Asset, by a third party on behalf of and with the consent of the issuer of the Digital Asset, or by a Member of an Authorised Digital Asset Trading Facility.~~
- ~~(2) A Digital Asset can also be admitted to trading on the Authorised Digital Asset Trading Facility's own initiative.~~
- ~~(3) An Authorised Digital Asset Trading Facility must, before admitting any 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 Digital Asset and~~
- ~~(b) obtain approval of the AFSA in respect of such Digital Asset.~~
- ~~(4) For the purposes of (1), an Authorised Digital Asset Trading Facility must notify an applicant in writing of its decision in relation to the application for admission of the 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 Digital Asset Trading Facility shall include:~~
 - ~~(a) a copy of the admission application; and~~
 - ~~(b) any other information requested by the AFSA.~~

6.3.3. Decision-making procedures for the AFSA in relation to applications for approval of the admission of Digital Assets to trading

- ~~(1) Where an Authorised Person Operating a Digital Asset Trading Facility applies for approval of the admission of a Digital Asset to trading, the AFSA may:~~
 - ~~(a) approve the application;~~
 - ~~(b) deny the application; or~~
 - ~~(c) approve the application subject to conditions or restrictions.~~
- ~~(2) The AFSA may exercise its powers under (1)(b) where the AFSA reasonably considers that:~~
 - ~~(a) granting the Digital Assets admission to trading of Digital Assets would be detrimental to the interests of Persons dealing in the relevant Digital Assets using the facilities of an Authorised Person Operating a Digital Asset Trading Facility or otherwise; or~~
 - ~~(b) any requirements imposed by the AFSA or in the Rules of an Authorised Digital Asset Trading Facility as are applicable have not been or will not be complied with; or~~
 - ~~(c) the Issuer of the Digital Assets has failed or will fail to comply with any obligations applying to it including those relating to having its Digital Assets admitted to trading or traded in another jurisdiction.~~
- ~~(3) Where the AFSA denies an application for approval of admission of a Digital Asset to trading pursuant to (2), such Digital Assets must not be admitted by an Authorised Person Operating a Digital Asset Trading Facility to its facility.~~
- ~~(4) Where the AFSA approves an application for approval of admission of a Digital Asset to trading subject to conditions or restrictions, the Authorised Person Operating a Digital Asset Trading Facility is responsible for implanting such conditions and restrictions in admitting the 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 Digital Asset Trading Facility may not admit Digital Asset to trading unless the person who seeks to have Digital Assets admitted to trading:~~
- ~~(a) gives an enforceable undertaking to the AFSA to submit unconditionally to the jurisdiction of the AIFC in relation to any matters which arise out of or which relate to its use of the facilities of the Authorised Market Institution;~~
 - ~~(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; and~~
 - ~~(c) agrees in writing to subject itself to the acting law of the AIFC in relation to its use of the facilities of the Authorised Market Institution.~~

6.3.5. Review of compliance

~~The Authorised Digital Asset Trading Facility must maintain arrangements regularly to review whether the Digital Assets admitted to trading on its facilities comply with the Admission to Trading Rules.~~

6.4. Suspending or removing Digital Assets from trading

6.4.1. Power to suspend

~~(1) The rules of an Authorised Digital Asset Trading Facility must provide that the Authorised Digital Asset Trading Facility have the power to suspend or remove from trading on its facilities any 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 Digital Asset Trading Facility to suspend or remove 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) Digital Assets that are suspended from trading of 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 Digital Assets from or restoration of Digital Assets to trading.~~

~~6.4.2. Limitation on power to suspend or remove Digital Assets from trading~~

~~The rules of an Authorised Digital Asset Trading Facility must contain provisions for orderly suspension and removal from trading on its facilities any 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 Digital Asset Trading Facility suspends or removes any 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 Digital Asset Trading Facility lifts a suspension or re-admits any 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 Digital Asset Trading Facility has made any decisions on admission, suspension, or removal of 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 Digital Asset Trading Facility must make available to the public:~~

~~(a) the current bid and offer prices of 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 Digital Assets traded on its facilities in as close to real-time as technically possible; and~~

~~(c) provide price, volume, time and counterparty details to the AFSA within 24 hours of the close of each trading day via a secure electronic feed.~~

~~6.5.2. Public notice of suspended or terminated Membership~~

~~The Authorised 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 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 Digital Asset Trading Facility.~~

~~6.6. Additional requirements on technology resources~~

~~6.6.1. Cyber security policy~~

~~(1) An Authorised 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 Digital Asset Trading Facility's governing body at least annually.

(2) The cyber security policy must, as a minimum, address the following areas:

- (a) information security;
- (b) data governance and classification;
- (c) access controls;
- (d) business continuity and disaster recovery planning and resources;
- (e) capacity and performance planning;
- (f) systems operations and availability concerns;
- (g) systems and network security;
- (h) systems and application development and quality assurance;
- (i) physical security and environmental controls;
- (j) customer data privacy;
- (k) vendor and third party service provider management; and
- (l) incident response.

(3) An Authorised 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 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 Digital Asset Trading Facility must be able to:

- (a) reject orders that exceed its pre-determined volume and price thresholds, or that are clearly erroneous;
- (b) temporarily halt or constrain trading on its facilities if necessary or desirable to maintain an orderly market; and
- (c) cancel, vary, or correct any order resulting from an erroneous order entry and/or the malfunctioning of the system of a Member.

6.6.4. Settlement and Clearing facilitation services

(1) An Authorised 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 Digital Asset Trading Facility (being rights and liabilities in relation to those transactions).

(2) An Authorised Digital Asset Trading Facility acting as a Digital Asset Depository must:

- (a) have appropriate rules, procedures, and controls, including robust accounting practices, to safeguard the rights of Digital Assets issuers and holders, prevent the unauthorised creation or deletion of Digital Assets, and conduct periodic and at least daily reconciliation of each Digital Asset balance it maintains for issuers and holders;
- (b) prohibit overdrafts and debit balances in Digital Assets accounts;
- (c) maintain 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 Digital Asset Depository's own assets and the Digital Assets of its participants and segregation among the Digital Assets of participants; and
- (f) identify, measure, monitor, and manage its risks from other custody-related activities that it may perform.

6.7. Clients of an Authorised Digital Asset Trading Facility and Investment limits

(1) Members of an Authorised Digital Asset Trading Facility and their clients will be Clients of an Authorised Digital Asset Trading Facility.

~~(2) An Authorised Digital Asset Trading Facility must maintain effective systems and controls to ensure that a Retail Client using its service does not invest, in respect of all Digital Assets in aggregate calculated over a period of one month, an amount which exceeds the greater of:~~

- ~~(a) USD 1,000; or~~
- ~~(b) the lesser of (i) 10 percent of the annual income; or (ii) 5 percent of the net worth of such Retail Client (excluding the value of the primary residence), up to a maximum aggregate amount of USD100,000.~~