



AMENDMENTS № 8 TO AIFC AUTHORISED MARKET INSTITUTION RULES

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

(...)

Guidance: Purpose and application of AMI

(...)

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 2-1 contains rules and guidance applicable to Authorised Market Institutions Operating a facility for Security Investment Tokens.
- 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.
- *[intentionally omitted]*
- Chapter 7 contains additional rules and guidance applicable to Authorised Crowdfunding Platforms.

For the avoidance of doubt, an Investment Token should be treated in the same way as the Investment it represents.

(...)

(1) INTRODUCTION

1.1. Introduction

1.1.1. Definitions

(...)

- (9) Operating a facility for Security Investment Tokens in relation to an Authorised Market Institution means Operating an Investment Exchange on which ~~Security~~

Investment Tokens are traded or Operating a Clearing House on which ~~Security~~
Investment Tokens are cleared.

(...)

2.5.1. Requirement to prepare Business Rules

(...)

- (3) An Authorised Market Institution must incorporate into its Business Rules the substance of additional provisions to be found in the COB Rules, for the purpose of regulating the conduct of business of a Person referred to in AMI 2.6.1(1)(d) as a Member of the Institution for the purposes of dealing in ~~Security~~ Investment Tokens.

(...)

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 categorised as either:
- (a) an Authorised Firm whose Licence permits it to carry on the Regulated Activities of Dealing in Investments;
 - (b) a Recognised Non-AIFC Member;
 - (c) a Person intending to deal in Commodity Derivatives or Environmental Instruments who meets the criteria in GEN 1.1.14; or
 - (d) a Person ~~not referred to in (a), (b), and (c)~~ by providing that Person with access to the facility, on which ~~Security~~ Investment Tokens are traded or cleared or both traded and cleared, in respect of their trading or clearing of ~~Security~~ Investment Tokens only.
- (2) ***[intentionally omitted]***
- (a) ***[intentionally omitted]***
 - (b) ***[intentionally omitted]***
 - (c) ***[intentionally omitted]***
- (3) An Authorised Market Institution must ensure that a Member who is a Person referred to in (1)(c), or a Person referred to in 1(d) whose access is only for trading or clearing of Commodity Derivative Tokens or Environmental Instrument Tokens. is a Professional Client and treat the Person as such.

For the purposes of this rule, Professional Client has the same meaning as defined in COB Chapter 2.

(...)

2-1. RULES APPLICABLE TO AUTHORISED MARKET INSTITUTIONS OPERATING A FACILITY FOR SECURITY INVESTMENT TOKENS

Guidance

Operating a facility for Security Investment Tokens is defined in GLO as Operating an Exchange or Operating a Clearing House on which Security Investment Tokens are traded, cleared, or both traded and cleared.

2-1.1. Technology and governance requirements

2-1.1.1. Without limiting the generality of the technology resources requirements in AMI 2.4, an Authorised Market Institution must:

(a) establish and maintain policies and procedures to ensure that any DLT application used in connection with the facility operates on the basis of 'permissioned' access, such that it allows the operator to have and maintain adequate control over the Persons who are permitted to access and update records held on that DLT application;

(b) establish and maintain adequate measures to ensure that the DLT application it uses, and the associated rules and protocols, contain:

(i) clear criteria governing Persons who are permitted to access and update records for the purposes of trading or clearing Security Investment Tokens on the facility, including criteria about the integrity, credentials and competencies appropriate to the roles played by such persons;

(ii) measures to address risks, including to network security and network compatibility, that may arise through systems used by Persons permitted to update the records on the DLT application;

(iii) processes to ensure that the Authorised Market Institutions undertakes sufficient due diligence and adequate monitoring of ongoing compliance, relating to the matters referred to in (i) and (ii); and

(iv) measures to ensure there are appropriate restrictions on the transferability of Security Investment Tokens in order to address AML and CFT risks;

(...)

Guidance

(1) To be fit for purpose, the technology design of the DLT application used by an Authorised Market Institution Operating a facility for Security Investment Tokens should be able to address how the rights and obligations relating to the Security Investment Tokens traded on that facility are properly managed and capable of being exercised or performed. For example, where a Security Investment Token confers rights and obligations substantially similar to those conferred by a Share in a company, the DLT application would generally need to enable the management and exercise

of the shareholder's rights. These may, for example, include the right to receive notice of, and vote in, shareholder meetings, receive any declared dividends and participate in the assets of the company in a winding up.

(...)

(3) Credentials which indicate a Person is suitable to update records for the purposes of trading or clearing Security Investment Tokens on the facility may include:

(a) accreditation by a recognised and reputable body to certify the requisite knowledge required; or

(b) accreditation by the relevant body to certify compliance with the Kazakhstani standards.

2-1.2. Operating a facility for Security Investment Tokens that permits direct access

2-1.2.1. An Authorised Market Institution must ensure that:

(...)

(3) appropriate investor redress mechanisms are available, and disclosed, to each Member permitted to trade or clear Security Investment Tokens on its facility; and

(...)

2-1.2.2.

(...)

(2) An Authorised Market Institution must have adequate controls and procedures to ensure that trading in Security Investment Tokens by Direct Access Members does not pose any risks to the orderly and efficient functioning of the facility's trading system, including controls and procedures to:

(...)

2-1.2.3. When an Authorised Market Institution Executes a Transaction in Security Investment Tokens for a Direct Access Member, the Authorised Market Institution must comply with the requirements relating to confirmation notes that would apply to an Authorised Firm under COB 9.1.2, 9.1.3 and 9.1.5.

2-1.3. Safe custody of Security Investment Tokens

2-1.3.1. Without limiting the generality of AMI 2.9, where an Authorised Market Institution's obligations include making provision for the safeguarding and administration of Security Investment Tokens belonging to Members and other participants on its facility, it must ensure that:

(1) ~~W~~Where its safe custody arrangements involve acting as a Digital wallet Service Provider, it complies with the Client Asset provisions in COB 8.2 and 8.3 and the following requirements for firms Providing Custody of Security Investment Tokens:

(a) A a Digital wallet Service Provider must ensure that:

- (i) any DLT applications it uses in Providing Custody of Security Investment Tokens are resilient, reliable and compatible with any relevant facility on which those ~~Security Investment~~ Investment Tokens are traded or cleared;
- (ii) it has the ability to clearly identify and segregate Security Investment Tokens belonging to different Clients; and
- (iii) it has in place appropriate procedures to enable it to confirm Client instructions and transactions, maintain appropriate records and data relating to those instructions and transactions and to conduct a reconciliation of those transactions at appropriate intervals.

(b) A a Digital wallet Service Provider, in developing and using DLT applications and other technology to Provide Custody of Security Investment Tokens, must ensure that:

- (i) the architecture of any Digital wallets used adequately addresses compatibility issues and associated risks;
- (ii) the technology used and its associated procedures have adequate security measures (including cyber security) to enable the safe storage and transmission of data relating to the Security Investment Tokens;
- (iii) the security and integrity of cryptographic keys are maintained through the use of that technology, taking into account the password protection and methods of encryption used;
- (iv) there are adequate measures to address any risks specific to the methods of usage and storage of cryptographic keys (or their equivalent) available under the DLT application used; and
- (v) the technology is compatible with the procedures and protocols built into the ~~O~~perating ~~R~~ules or equivalent on any facility on which the Security Investment Tokens are traded or cleared or both traded and cleared.

(2) ~~W~~Where it appoints a ~~t~~Third ~~p~~Party Digital wallet Service Provider to Provide Custody for Security Investment Tokens traded or cleared on its facility, that Person is either:

(a) an Authorised Firm permitted to be a Digital wallet Service Provider; or

(b) a firm that is regulated by a Financial Services Regulator to an equivalent level as that provided for under the AFSA regime for Digital wallet Service Providers.