



AMENDMENTS № 9 TO AIFC AUTHORISED MARKET INSTITUTION RULES

Approval Date: 15 December 2024

Commencement Date: 1 January 2025

Within the amendments to the AIFC
Derivatives framework

PROPOSED AMENDMENTS TO AIFC AUTHORISED MARKET INSTITUTION RULES

In these amendments, underlining indicates a new text and strikethrough indicates a removed text.

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), where relevant. 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 and Operating a Clearing House and at all times thereafter. Reference in these Rules and guidance to an "Authorised Market Institution" or any type of an Authorised Market Institution should be taken to refer also to an applicant where relevant;
- the various regulatory functions that an Authorised Market Institution must perform in relation to admitting Securities, ~~or~~ Units in a Listed Fund or Derivatives 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 2-1 contains rules and guidance applicable to Authorised Market Institutions Operating a facility for Security 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.

(...)

2. RULES APPLICABLE TO ALL AUTHORISED MARKET INSTITUTIONS

(...)

2.5. Business Rules

2.5.1. Requirement to prepare Business Rules

(1) 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 Admission to Clearing Rules, prepared in accordance with AMI 4.1, governing the admission of Securities, ~~or~~ Units in a Listed Fund, ~~Commodity~~ Derivatives, or Environmental Instruments 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 or Derivatives included in an Official List; and

(...)

(2) An Authorised Market Institution must incorporate into its Business Rules the substance of any additional provisions to be found in the COB Rules, with any modifications which seem to the Institution to be appropriate, for the purpose of regulating the conduct of business of a Person referred to in AMI 2.6.1(1)(c) as a Member of the Institution for the purposes of dealing in ~~Commodity~~ Derivatives or Environmental Instruments.

(...)

2.5.2. Content and effect of Business Rules

An Authorised Market Institution's Business Rules must:

(...)

(e-1) include comprehensive error trade policies and procedures in relation to Derivatives that set out the extent to which transactions can be cancelled:

(i) by the exchange at its sole discretion;

(ii) at the request of a member; or

(iii) with the consent of the members involved;

(...)

Guidance: error trade policies and procedures in relation to Derivatives

An error trade is the execution of an order resulting from either or both of the following:

(a) an erroneous order entry;

(b) a malfunction of the system of an Authorised Investment Exchange or a member of such an entity.

(...)

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, ~~Commodity~~ Derivatives, or Environmental Instruments directly to the facility provided by the Authorised Market Institution.

Guidance:

A Person who is permitted to have Direct Electronic Access to an Authorised Market Institution's facilities through a Member is not, by virtue of such permission, a Member of the Authorised Market Institution.

(...)

(...)

3. RULES APPLICABLE TO AUTHORISED INVESTMENT EXCHANGES

3.1. Systems and Controls

(...)

3.1.1-1. Price and position limits in respect of ~~Commodity~~ Derivatives

An Authorised Investment Exchange must ensure that the risks to fair and orderly trading, arising from sharp price movements, are mitigated for ~~Commodity~~ Derivatives.

3.1.1-2. Price Limits

An Authorised Investment Exchange may impose price limits in relation to a ~~Commodity~~ Derivative to mitigate the risks to fair and orderly trading arising from sharp movements in the price of the ~~Commodity~~ Derivative.

3.1.1-3. Position Limits

An Authorised Investment Exchange must, in respect of a Commodity Derivative, or other relevant Derivative, implement position limits for the purposes of mitigating the risk of Market Abuse.

Guidance

An Authorised Investment Exchange should:

(a) consider the impact on its ~~Commodity~~ Derivative market from changes in the underlying market and set its position limits accordingly;

(...)

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, Units in a Listed Fund, ~~Commodity~~ Derivatives, or Environmental Instruments.

(...)

3.1.6. Tick size regimes

The Authorised Investment Exchange must adopt a tick size regime in respect of each type of Security, Unit in a Listed Fund, ~~Commodity~~ Derivatives, or Environmental Instruments traded on each trading venue operated by it. The tick size regime must:

(a) be calibrated to reflect the liquidity profile of 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 such Investment appropriately.

(...)

3.2. Admission to trading

3.2.1. Admission to Trading Rules

An Authorised Investment Exchange must make clear and transparent rules concerning the admission of Securities, Units in a Listed Fund, ~~Commodity~~-Derivatives, or Environmental Instruments 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, Units in a Listed Fund, ~~Commodity~~-Derivatives, or Environmental Instruments admitted to trading on an Authorised Investment Exchange's facilities are capable of being traded in a fair, orderly and efficient manner;
- (b) Securities, Units in a Listed Fund, or Environmental Instruments admitted to trading on an Authorised Investment Exchange's facilities are freely negotiable; and
- (c) In case of ~~Commodity~~-Derivatives:
 - (i) contracts for ~~Commodity~~-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; and
 - (ii) the rules and procedures must promote transparency by ensuring that there is sufficient information made available to the markets relating to the terms and conditions of the Derivative contracts traded on its facilities (including, where relevant, information relating to delivery and pricing of Derivative contracts).

Guidance: Fair, orderly and efficient trading

When assessing whether a Security, Unit in a Listed Fund, ~~Commodity~~-Derivative or Environmental Instrument 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, Unit in a Listed Fund, ~~Commodity~~-Derivative or Environmental Instrument being admitted, whether the following criteria are satisfied:

- (a) the terms of the Security, Unit in a Listed Fund, ~~Commodity~~-Derivative or Environmental Instrument are clear and unambiguous and allow for a correlation between the price of the Security, Unit in a Listed Fund, ~~Commodity~~-Derivative or Environmental Instrument 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 or ascertainable; and
- (c) there is sufficient information publicly available or ascertainable of a kind needed to value the Security, Unit in a Listed Fund, ~~Commodity~~-Derivative or Environmental Instrument.

3.2.2-1. ~~Commodity~~-Derivative contract design specifications

(...)

3.2.2-2. On-going review of ~~Commodity~~-Derivative contracts

An Authorised Investment Exchange must:

- (a) establish and implement clear procedures relating to the development and review of contract design for ~~Commodity~~-Derivative contracts traded on its facilities;
- (b) have adequate process through which the views of potential users of ~~Commodity~~-Derivative contracts can be taken into account when developing and reviewing contract design for ~~Commodity~~-Derivative contracts;

(c) have adequate powers which enable it to eliminate contractual terms which produce, or are likely to produce, manipulative or disorderly conditions in the markets generally, or in relation to the particular class or type of ~~Commodity~~-Derivative contracts; and

(...)

Guidance

(1) When assessing whether an Authorised Investment Exchange's rules and procedures are adequate, the AFSA considers, among other things:

- (a) the criteria adopted by the Authorised Investment Exchange for ~~Commodity~~-Derivative contracts to be traded on its facilities;
- (b) what powers the Authorised Investment Exchange has in order to eliminate manipulative or disorderly conduct, including powers to vary, remove or rescind conditions of any ~~Commodity~~-Derivative contracts already traded where these are found to cause manipulative or disorderly conditions; and
- (c) what mechanisms are established by the Authorised Investment Exchange to monitor and review market activities relating to ~~Commodity~~-Derivative contracts traded on its facilities.

(...)

Guidance: Effective settlement conditions

When assessing whether a contract for a ~~Commodity~~-Derivative contains effective settlement conditions, the Authorised Investment Exchange should 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;
- (b) where the settlement of the derivative requires or provides for the possibility of the delivery of an underlying 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.
- (c) appropriate supervisory arrangements are in place to monitor trading and settlement in such ~~Commodity~~-Derivative; and
- (d) settlement and delivery, whether physical delivery or by cash settlement, can be effected in accordance with the contract terms and conditions of those Derivatives.

(...)

3.2.3. Undertaking to comply with AIFC rules

An Authorised Investment Exchange may not admit Securities, Units in a Listed Fund, ~~Commodity~~ Derivatives, or Environmental Instruments to trading unless the Person who seeks to have such Investments admitted to trading:

(...)

Guidance

See Guidance to AMI 2.6.4

3.2.4. Review of compliance

The Authorised Investment Exchange must maintain arrangements regularly to review whether the Securities, Units in a Listed Fund, ~~Commodity~~-Derivatives, or Environmental Instruments 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 in a Listed Fund or Derivatives admitted to trading on a regulated market operated by it comply with the Market Rules.

(...)

3.3. Suspending or removing 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, Units in a Listed Fund, ~~Commodity~~-Derivatives, or Environmental Instruments which no longer comply with its rules.

3.3.2. Limitation on power to suspend or remove Securities or Units in a Listed Fund from trading

An Authorised Investment Exchange may not suspend or remove from trading on its facilities any Security, Unit in a Listed Fund, ~~Commodity~~-Derivative, or Environmental Instrument 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.

(...)

3.3.4. Publication of decision to suspend or remove from trading

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

3.3.5. Publication of decision to lift suspension or re-admit to trading

Where the Authorised Investment Exchange lifts a suspension or re-admits any Security, Unit in a Listed Fund, ~~Commodity~~-Derivative, or Environmental Instrument 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, Units in a Listed Fund, ~~Commodity~~-Derivative, or Environmental Instrument traded on its systems and the depth of trading interests at those prices.

Guidance

The disclosure required by 3.4.1 would depend on 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 order, transaction, trading system or types of Investment (including large orders and illiquid instruments) 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 in a Listed Fund, ~~Commodity~~-Derivatives, or Environmental Instruments 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 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.

(...)

3.6. Listing Rules

3.6.1. General requirements relating to Listing Rules

(1) An Authorised Investment Exchange wishing to admit Securities_ or Units in a Listed Fund or Derivatives to its own Official List 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.

(...)

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 in a Listed Fund or Derivatives to its Official List, including:

(i) requirements to be met before such Investments may be granted admission to an Official List; and

(ii) agreements in connection with admitting such Investments to an Official List;

(b) procedures for suspension and delisting of Securities_ or Units in a Listed Fund or Derivatives from an Official List;

(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 in a Listed Fund or Derivatives to an Official List or continued admission of such Investments to an Official List;

(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 in a Listed Fund or Derivatives admitted to an Official List; and

(g) such other matters as are necessary or desirable for the proper operation of the listing rule process and the market.

Guidance: requirements to Derivatives for admission to an Official List

The Listing Rules must ensure that the contract for Derivative that is to be traded on an Authorised Investment Exchange is designed so that the Derivative can be priced in an orderly way and settled effectively and meet requirements to Derivative contracts specified in its Business Rules as required under AMI 3.2.2-1.

(...)

3.6.5. Application for admission of Securities, ~~or~~ Units in a Listed Fund or Derivatives

(1) Applications for the admission of Securities, ~~or~~ Units in a Listed Fund or Derivatives to an Official List must be made by the issuer of such Investments, or by a third party on behalf of and with the consent of the issuer of such Investments.

(2) An Authorised Investment Exchange must, before granting admission of any Securities, ~~or~~ Units in a Listed Fund or Derivatives to an Official List 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 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 in a Listed Fund or Derivatives to its Official List.

(4) Subject to (5), an Authorised Investment Exchange must provide the AFSA with the following information in connection with an admission of Securities (other than (i) Exempt Securities or (ii) Equity Securities in connection with Pre-IPO Listings) or Units in a Listed Fund or Derivatives to its Official List:

(a) a copy of the listing application and supporting documents (if applicable) - at least 10 business days before the admission;

(b) a copy of the assessment of the listing application carried out by the Exchange together with a notice of its decision in relation to the listing application - at least 5 business days before the admission; 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 in a Listed Fund or Derivatives from its Official List and the reasons for the decision.

3.6.6. Undertaking to comply with AIFC rules

An Authorised Investment Exchange may not admit Securities, ~~or~~ Units in a Listed Fund or Derivatives to an Official List unless the issuer of 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.

Guidance

See Guidance to AMI 2.6.4

4. RULES APPLICABLE TO AUTHORISED CLEARING HOUSES

4.1. Admission to clearing

4.1.1. Admission to clearing rules

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

(2) In the case of a ~~Commodity~~-Derivative contract, an Authorised Clearing House must have regard to:

- (a) the degree of standardisation of the contractual terms and operational processes of the ~~Commodity~~-Derivative contract;
- (b) the volume and liquidity of the ~~Commodity~~-Derivative contract; and
- (c) the availability of fair, reliable and generally accepted pricing information in the ~~Commodity~~ Derivative contract.

(...)

4.5. Central securities depositories and exchange-of-value settlement systems

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 issuers and holders of Securities, Units in a Listed Fund, ~~Commodity~~-Derivatives, or Environmental Instruments, prevent the unauthorised creation or deletion of Securities, Units in a Listed Fund, ~~Commodity~~-Derivatives, or Environmental Instruments, and conduct periodic and at least daily reconciliation of its records of assets it maintains;

(2) prohibit overdrafts and debit balances in accounts of Securities, Units in a Listed Fund, ~~Commodity~~ Derivatives, or Environmental Instruments;

(3) maintain Securities, Units in a Listed Fund, ~~Commodity~~-Derivatives, or Environmental Instruments 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.

(...)

5. SUPERVISION

(...)

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, Unit in a Listed Fund, ~~Commodity~~-Derivative, or Environmental Instrument which it has not previously traded, but is licensed to do so, it must immediately 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 Investment to which the proposal relates; ~~and~~

(b) the name of any clearing or settlement facility in respect of that Investment;;

(c) where that Investment is a Derivative, the proposed terms of that Derivative.

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, Unit in a Listed Fund, ~~Commodity Derivative~~, or Environmental Instrument 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 Investment to which the proposal relates; ~~and~~
- (b) the name of any trading facility in respect of that Investment;
- (c) where that Investment is a Derivative, the proposed terms of that Derivative.