



## **AMENDMENTS № 11 TO AIFC CONDUCT OF BUSINESS RULES**

**Approval Date: 10 September 2023**

**Commencement Date: 1 January 2024**

**Astana, Kazakhstan**

## **AIFC CONDUCT OF BUSINESS RULES (COB)**

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

(...)

### **Guidance: Purpose of this rulebook**

The purpose of this rulebook, "COB", is to ensure that financial services firms operating in the AIFC meet the standards of conduct expected of such firms, particularly with regard to the treatment of their clients, but also in their dealings with counterparties and other market participants. COB also includes rules to ensure that the behaviour of firms operating in the AIFC contributes to fostering and maintaining the integrity of financial markets in the AIFC. COB also includes certain requirements applicable to Ancillary Services Providers.

...

## **13. ANCILLARY SERVICE PROVIDERS**

...

### **13.2. Principles for Ancillary Service Providers**

...

#### **13.2.9. Principle 9 - Conflicts of interest**

An Ancillary Service Provider must take all reasonable steps to ensure that conflicts of interest between itself and its Clients, between its Employees and Clients and between one Client and another are identified and then prevented or managed, or disclosed, in such a way that the interests of a Client are not adversely affected.

#### **13.2.10. Principle 10 – Complaints**

An Ancillary Service Provider must take all reasonable steps to ensure that Complaints made against it by Clients are handled fairly, consistently and promptly.



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## **AIFC CONDUCT OF BUSINESS RULES (COB)**

(...)

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#### **1.2.2. Exclusions in relation to certain categories of Centre Participant**

For the avoidance of doubt, the requirements in COB do not apply to:

- (a) a Representative Office;
- (b) an Authorised Market Institution (other than an Authorised Crowdfunding Platform ~~and an Authorised Digital Asset Trading Facility~~), except for COB 3 (Communications with Clients and Financial Promotions); or
- (c) an Authorised Crowdfunding Platform, except for COB 3 (Communications with Clients and Financial Promotions), COB 4 (Key Information and Client Agreement), COB 7 (Conflicts of Interest), COB 8 (Client Assets) and COB Schedule 2 (Key Information and Content of Client Agreement); or
- (d) ~~an Authorised Digital Asset Trading Facility, except for COB 2 (Client Classification) and COB 3 (Communications with Clients and Financial Promotions).~~

(...)

For the purposes of ~~1.2.2(d)~~, references in ~~COB 2 and COB 3~~ to:

- (a) ~~"Authorised Firms"~~ shall be read as if it were a reference to "an Authorised Digital Asset Trading Facility"; and
- (b) ~~"Regulated Activities"~~ shall be read as if it were a reference to "Market Activities".

(...)

## **17. OPERATORS OF A DIGITAL ASSET BUSINESS**

### **17.1. Application**

This chapter applies to an Authorised Person engaged in the activity of Operating a Digital Asset Business.

#### **Guidance**

The following activities do not constitute Operating a Digital Asset Business:  
 trading of Digital Assets for the Person's own investment purpose;  
 the issuance of Digital Assets by a Person and their administration (including sale, redemption);

any other activity or arrangement that is deemed by the AFSA to not constitute Operating a Digital Asset Business, where necessary and appropriate in order for the AFSA to pursue its objectives.

### **17.2. Rules Applicable to an Authorised Digital Asset Trading Facility Operator**

In addition to all requirements applicable to Authorised Persons in these rules, GEN, and AML, an Authorised Person carrying on the Market Activity of Operating a Digital Asset Trading Facility must comply with the applicable requirements set out in the AML, unless the requirements in this chapter expressly provide otherwise.

### **17.3. Admission of Digital Assets to trading**

An Authorised Person Operating a Digital Asset Trading Facility may grant admission of Digital Assets to trading only where it is satisfied that such admission is in accordance with the AML and an Authorised Digital Asset Trading Facility's Admission to Trading Rules.

An Authorised Person Operating a Digital Asset Trading Facility must not permit trading of Digital Assets on its facilities unless those Digital Assets are admitted to, and not suspended from, trading by the Authorised Person Operating a Digital Asset Trading Facility pursuant to Chapter 6 of AML. **[intentionally omitted]**

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

Prior to entering into an initial transaction for, on behalf of, or with a Client, an Authorised Person Operating a Digital Asset Business shall disclose in a clear, fair and not misleading manner:

- (a) all terms, conditions and risks relating to the Digital Assets that have been admitted to trading and/or is the subject of the transaction;
- (b) all material risks associated with its products, services and activities; and
- (c) all details on the amount and the purpose of any premiums, fees, charges or taxes payable by the Client, whether or not these are payable to the Operating a Digital Asset Business.

**[intentionally omitted]**

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

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

- (a) Digital Assets not being legal tender or backed by a government;
- (b) the value, or process for valuation, of Digital Assets, including the risk of a Digital Assets having no value;
- (c) the volatility and unpredictability of the price of Digital Assets relative to Fiat Currencies;
- (d) that trading in Digital Assets is susceptible to irrational market forces;
- (e) that the nature of Digital Assets may lead to an increased risk of Financial Crime;
- (f) that the nature of Digital Assets may lead to an increased risk of cyber-attack;
- (g) there being limited or, in some cases, no mechanism for the recovery of lost or stolen Digital Assets;
- (h) the risks of Digital Assets with regard to anonymity, irreversibility of transactions, accidental transactions, transaction recording, and settlement;
- (i) that there is no assurance that a Person who accepts a Digital Asset as payment today will continue to do so in the future;
- (j) that the nature of Digital Assets means that technological difficulties experienced by the Authorised Person may prevent the access or use of a Client's Digital Assets;
- (k) any links to Digital Assets related activity outside the AIFC, which may be unregulated or subject to limited regulation; and
- (l) any regulatory changes or actions by the AFSA or Non-AIFC Regulator that may adversely affect the use, transfer, exchange, and value of a Digital Asset. **[intentionally omitted]**

### **17.6. Complaints**

An Authorised Person Operating a Digital Asset Business shall establish and maintain written policies and procedures to fairly and timely resolve complaints made against it or other parties (including members).

An Authorised Person Operating a Digital Asset Business must provide, in a clear and conspicuous manner: on its website or websites; in all physical locations; and in any other location as the AFSA may prescribe, the following disclosures:

- (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.

An Authorised Person Operating a Digital Asset Business shall report to the AFSA any change in its complaint policies or procedures within ten days.

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

**17.7. Obligation to report transactions**

An Authorised Person Operating a Digital Asset Business shall report to the AFSA details of transactions in Digital Assets traded on its facility which are executed, or reported, through its systems.

The AFSA may, by written notice or Guidance, specify:

- (a) the information to be included in reports made under the preceding paragraph; and
- (b) the manner in which such reports are to be made. *[intentionally omitted]*

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

The AFSA may prohibit an Authorised Person Operating a Digital Asset Business from:

- (a) entering into certain specified transactions or types of transactions; or
- (b) outsourcing any of its functions or activities to a third party.

The AFSA may, by written notice or guidance, set fees payable by an Authorised Person Operating a Digital Asset Business to the AFSA on certain specified transactions or types of transactions. *[intentionally omitted]*

**SCHEDULE 2: KEY INFORMATION AND CONTENT OF CLIENT AGREEMENT**

1.	CORE INFORMATION
(...)	(...)
5.	<u>ADDITIONAL INFORMATION FOR DIGITAL ASSET TRADING FACILITY OPERATORS AND DIGITAL ASSET SERVICE PROVIDERS PROVIDING CUSTODY</u>
	<u>The additional information required where an Authorised Firm Provides Custody in relation to Digital Assets:</u>
	<u>a breakdown of all fees and charges payable for a transfer of Digital Assets (a "transfer") and when they are charged;</u>
	<u>the information required to carry out a transfer;</u>
	<u>the form and procedures for giving consent to a transfer;</u>
	<u>an indication of the time it will normally take to carry out a transfer;</u>
	<u>details of when a transfer will be considered to be complete;</u>
	<u>how, and in what form, information and communications relating to transfer services will be provided to the Client, including the timing and frequency of communications and the language used and technical requirements for the Client's equipment and software to receive the communications;</u>
	<u>clear policies and procedures relating to unauthorised or incorrectly executed transfers, including when the Client is and is not entitled to redress;</u>
	<u>clear policies and procedures relating to situations where the holding or transfer of Digital Assets may have been compromised, such as if there has been hacking, theft or fraud; and</u>
	<u>details of the procedures the Digital Asset will follow to contact the Client if there has been suspected or actual hacking, theft or fraud.</u>