



AMENDMENTS No. 3.1
AIFC CONDUCT OF BUSINESS RULES

Approval Date: 24 June 2019

Commencement Date: 24 June 2019

Nur-Sultan, Kazakhstan



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

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10.8 Offers of securities

10.8.1. General requirement

When an Authorised Firm carries out a mandate to manage an Offer of Securities or an Offer of Units, it must implement adequate internal arrangements to manage any conflicts of interest that may arise as a result of the Authorised Firm’s duty to two distinct sets of Clients namely the corporate finance Client and the investment Client.

10.8.2. Disclosure

For the purposes of COB 10.8.1, when an Authorised Firm accepts a mandate to manage an Offer, it must take reasonable steps to disclose to its corporate finance Client:

- (a) the process the Authorised Firm proposes to adopt in order to determine what recommendations it will make about allocations for the Offer;
- (b) details of how the target investor group, to whom it is planned to Offer the Securities or Units in a Listed Fund, will be identified;
- (c) the process through which recommendations are prepared and by whom; and
- (d) (if relevant) that it may recommend placing Securities or Units in a Listed Fund with a Client of the Authorised Firm for whom the Authorised Firm provides other services, with the Authorised Firm’s own proprietary book, or with an Associate, and that this represents a potential conflict of interest.

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SCHEDULE 2: KEY INFORMATION AND CONTENT OF CLIENT AGREEMENT

The key information which an Authorised Firm is required to provide to a Client and include in the Client Agreement with that Client pursuant to COB 4 must include:

- (a) the core information set out below; and
- (b) where relevant, the additional information required for Investment Business and for Investment Management.

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3.	ADDITIONAL INFORMATION FOR INVESTMENT MANAGEMENT ACTIVITIES



	The additional information required where an Authorised Firm acts as an Investment Manager is:
	(a) the initial value of the managed portfolio
	(b) the initial composition of the managed portfolio
	(c) the period of account for which periodic statements of the portfolio
	(d) in the case of discretionary investment management activities: <ul style="list-style-type: none">(i) the extent of the discretion to be exercised by the Authorised Firm, including any restrictions on the value of any one Investment or the proportion of the portfolio which any one Investment or any particular kind of Investment may constitute; or that there are no such restrictions;(ii) whether the Authorised Firm may commit the Client to supplement the funds in the portfolio, and if it may include borrowing on his behalf:<ul style="list-style-type: none">(A) the circumstances in which the Authorised Firm may do so;(B) whether there are any limits on the extent to which the Authorised Firm may do so and, if so, what those limits are;(C) any circumstances in which such limits may be exceeded; and(D) any margin lending arrangements and terms of those arrangements;(iii) that the Authorised Firm may enter into Transactions for the Client, either generally or subject to specified limitation; and(iv) where the Authorised Firm may commit the Client to any obligation to underwrite or sub-underwrite any issue or offer for sale of Securities or Units in a Listed Fund:<ul style="list-style-type: none">(A) whether there are any restrictions on the categories of Securities or Units in a Listed Fund which may be underwritten and, if so, what these restrictions are; and(B) whether there are any financial limits on the extent of the underwriting and, if so, what these limits are.



AMENDMENTS No. 3.2
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1. APPLICATION

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), 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 Promotion), 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)

For the purposes of 1.2.2(c), references in COB 3, COB 4, COB 7, COB 8 and COB Schedule 2 to:

- (a) "Authorised Firms" shall be read as if it were a reference to "an Authorised Crowdfunding Platforms";
- (b) "Regulated Activities" shall be read as if it were a reference to "Market Activities";
- (c) references to "Professional Client" or a "Market Counterparty" shall be read as if they were a reference to "Accredited Lender or Accredited Investor"; and
- (d) references to "Retail Client" shall be read as if they were a reference to "Retail Lender or Retail Investor".

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SCHEDULE 2: Key Information and Content of Client Agreement

The key information which an Authorised Firm or an Authorised Crowdfunding Platform is required to provide to a Client and include in the client agreement with that Client pursuant to COB 4 must include:

- (a) the core information set out below; and
- (b) where relevant, the additional information required for Investment Business, ~~and~~ for Investment Management, for Operating an Investment Crowdfunding Platform or for Operating a Loan Crowdfunding Platform.

1.	CORE INFORMATION
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<u>4.</u>	<u>ADDITIONAL INFORMATION FOR SERVICES OFFERED BY AUTHORISED CROWDFUNDING PLATFORMS</u>



	<u>The following terms must be included in a client agreement between an Authorised Crowdfunding Platform and a Client that is a lender or an Investor:</u>
	<p><u>(a) the Authorised Crowdfunding Platform's obligations to administer the loan or Investment, including:</u></p> <p style="padding-left: 40px;"><u>(i) how payments made by the Borrower or Issuer will be transferred to the lender or Investor; and</u></p> <p style="padding-left: 40px;"><u>(ii) steps that will be taken if payments by a Borrower or an Issuer are overdue, or the Borrower or Issuer is in default.</u></p>
	<u>(b) if the Client is a Retail Client, the steps that will be taken by an Authorised Crowdfunding Platform and lender or Investor to ensure that the lender or Investor complies with any applicable limits relating to the amounts of loans or investments that may be made using the platform.</u>
	<u>(c) if the Client is a Retail Client, that the Client agrees to sign a risk acknowledgment form each time before each loan, Debenture or Investment (as applicable) that it makes using the platform; and</u>
	<u>(d) the contingency arrangements that an Authorised Crowdfunding Platform will put in place to deal with a platform failure or if an Authorised Crowdfunding Platform ceases to carry on its business.</u>
	<u>The following terms must be included in a client agreement between an Authorised Crowdfunding Platform and Client that is a Borrower or an Issuer:</u>
	<u>(a) a restriction on the Borrower or Issuer using any other crowdfunding service to raise funds during the Commitment Period.</u>
	<u>(b) a restriction on the Borrower or Issuer or any Related Person lending or financing, or arranging lending or finance for a lender or Investor using the service offered by the Authorised Crowdfunding Platform.</u>
	<u>(c) a restriction on the Borrower or Issuer advertising its proposal or soliciting potential lenders or Investors outside the platform during the Commitment Period.</u>
	<u>(d) a requirement on the Borrower or Issuer to give reasonable advance notice to an Authorised Crowdfunding Platform of any material change affecting the Borrower or Issuer, its business or the carrying out of its proposal and the obligations of the Borrower or Issuer if there is any material change after the funds have been provided as per requirements of AMI 7.3.10.</u>
	<u>(e) an obligation on the Borrower or Issuer to produce financial statements at least annually.</u>