



AMENDMENTS No. 7

AIFC CONDUCT OF BUSINESS RULES

Approval Date: 23 July 2020

Commencement Date: 23 July 2020

Nur-Sultan, Kazakhstan



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

...

CONTENTS

...

17. OPERATORS OF A ~~PRIVATE E-CURRENCY~~ DIGITAL ASSET BUSINESS

...

17.2. Rules Applicable to an Authorised ~~Private E-currency~~ Digital Asset Trading Facility

17.3. Admission of ~~Private E-currencies~~ Digital Assets to trading

...

Guidance: Purpose of this rulebook

...

Chapter 17 (Operators of a ~~Private E-currency~~ Digital Asset Business) sets out the conduct of business requirements that apply to Operators of a ~~Private E-currency~~ Digital Asset Business.

...

8.3.14. Client reporting

(2) An Authorised Person which Provides Custody for safeguarding and administering ~~Private E-currencies~~ Digital Assets belonging to a Retail Client must send a statement to its Retail Clients at least monthly. The statement must include the list, description and amount of each ~~Private E-currency~~ Digital Asset held by the Authorised Person as at the date of reporting.

...

8.3.16. Reconciliations

Where Authorised Persons Provide Custody for safeguarding and administering ~~Private E-currencies~~ Digital Assets belonging to another Person, all reconciliations required under COB 8.3.16 shall be conducted at least every week.

...

17. OPERATORS OF A ~~PRIVATE E-CURRENCY~~ DIGITAL ASSET BUSINESS

17.1. Application

This chapter applies to an Authorised Person engaged in the activity of Operating a ~~Private E-currency~~ Digital Asset Business.

Guidance

The following activities do not constitute Operating a ~~Private E-currency~~ Digital Asset Business:

- trading of ~~Private E-currencies~~ Digital Assets for the Person's own investment purpose;
- the issuance of ~~Private E-currencies~~ 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 ~~Private E-currencies~~ Digital Assets Business, where necessary and appropriate in order for the AFSA to pursue its objectives.



17.2. Rules Applicable to an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility

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 ~~Private E-currency~~ [Digital Asset](#) Trading Facility must comply with the applicable requirements set out in the AMI, unless the requirements in this chapter expressly provide otherwise.

17.3. Admission of ~~Private E-currencies~~ [Digital Assets](#) to trading

An Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Trading Facility may grant admission of ~~Private E-currencies~~ [Digital Assets](#) to trading only where it is satisfied that such admission is in accordance with the AMI and an Authorised ~~Private E-currency~~ [Digital Asset](#) Trading Facility's Admission to Trading Rules.

An Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Trading Facility must not permit trading of ~~Private E-currencies~~ [Digital Assets](#) on its facilities unless those ~~Private E-currencies~~ [Digital Assets](#) are admitted to, and not suspended from, trading by the Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Trading Facility pursuant to Chapter 6 of AMI.

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 ~~Private E-currency~~ [Digital Asset](#) Business shall disclose in a clear, fair and not misleading manner:

(a) all terms, conditions and risks relating to the ~~Private E-currencies~~ [Digital Assets](#) that have been admitted to trading and/or is the subject of the transaction;

...

(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 ~~Private E-currency~~ [Digital Asset](#) Business.

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) ~~Private E-currencies~~ [Digital Assets](#) not being legal tender or backed by a government;

(b) the value, or process for valuation, of ~~Private E-currencies~~ [Digital Assets](#), including the risk of a ~~Private E-currency~~ [Digital Asset](#) having no value;

(c) the volatility and unpredictability of the price of ~~Private E-currencies~~ [Digital Assets](#) relative to Fiat Currencies;

(d) that trading in ~~Private E-currencies~~ [Digital Assets](#) is susceptible to irrational market forces;

(e) that the nature of ~~Private E-currencies~~ [Digital Assets](#) may lead to an increased risk of Financial Crime;

(f) that the nature of ~~Private E-currencies~~ [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 ~~Private E-currencies~~ [Digital Assets](#);

(h) the risks of ~~Private E-currencies~~ [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 ~~Private E-currency~~ [Digital Asset](#) as payment today will continue to do so in the future;

(j) that the nature of ~~Private E-currencies~~ [Digital Assets](#) means that technological difficulties



experienced by the Authorised Person may prevent the access or use of a Client's ~~Private E-currencies~~ [Digital Assets](#);

(k) any links to ~~Private E-currencies~~ [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 ~~Private E-currency~~ [Digital Asset](#).

17.6. Complaints

An Authorised Person Operating a ~~Private E-currency~~ [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 ~~Private E-currency~~ [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:

...

An Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Business shall report to the AFSA any change in its complaint policies or procedures within ten days.

An Authorised Person Operating a ~~Private E-currency~~ [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.

17.7. Obligation to report transactions

An Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Business shall report to the AFSA details of transactions in ~~Private E-currencies~~ [Digital Assets](#) traded on its facility which are executed, or reported, through its systems.

...

17.8. AFSA power to impose a prohibition or requirement

The AFSA may prohibit an Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Business from:

...

The AFSA may, by written notice or guidance, set fees payable by an Authorised Person Operating a ~~Private E-currency~~ [Digital Asset](#) Business to the AFSA on certain specified transactions or types of transactions.