

Conduct of Business Rulebook (COBS)

*In this attachment underlining indicates new text and striking through indicates deleted text.

2. CLIENT CLASSIFICATION

2.1 Application

2.1.1 This chapter applies to an Authorised Person carrying on or intending to carry on any Regulated Activity with or for a Person.

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2.1.4 This chapter does not apply to an Authorised ISPV.

Guidance

1. The activity described in section 67 of Chapter 14 of Schedule 1 of FSMR refers to the marketing of Regulated Activities and Specified Investments which are offered in a jurisdiction outside the Abu Dhabi Global Market. Such marketing activities can be conducted by an Authorised Person that holds a Representative Office ~~License~~ Financial Services Permission, provided the Regulated Activities or Specified Investments marketed by it are those offered by its head office, or a member of its Group.

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2.4.4 "Assessed" Professional Clients

Individuals

(a) An individual may be treated as an "assessed" Professional Client (instead of a Retail Client) if:

(i) the individual has net assets of at least US\$500,000, or US\$1,000,000 in the case of the Promotion of a Passported Fund (including any assets held directly or indirectly by that person), the calculation of which must exclude:

(A) property which is that person's primary residence or any loan secured on that residence;

(B) any rights of that person under a qualifying Contract of Insurance within the meaning of FSMR; or

(C) any benefits (in the form of pensions or otherwise) which are payable on the termination of that person's service or on death or retirement and to which that person or that person's dependents are, or may be, entitled;

(ii) either:

(A) the individual is, or has been, in the previous twelve months, or two years in the case of the Promotion of a Passported Fund, an Employee in a professional position of an Authorised Person, a Recognised Body or Remote Body; or

(B) the individual appears, on reasonable grounds, to have sufficient experience and understanding of relevant financial markets, products

or transactions and any associated risks, following the analysis set out in Rule 2.6.2; and

- (iii) the individual has not opted to be classified as a Retail Client.

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3. CORE RULES – INVESTMENT BUSINESS, ACCEPTING DEPOSITS, PROVIDING CREDIT AND PROVIDING TRUST SERVICES

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3.2 Communication of Information and Marketing Material

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Marketing Material

3.2.4 (a) An Authorised Person must ensure that any Marketing Material communicated to a Person contains the following information:

- (i) the name of the Authorised Person communicating the Marketing Material or, on whose behalf the Marketing Material is being communicated;
- (ii) the Authorised Person's regulatory status; and
- (iii) if the Marketing Material is intended only for Professional Clients or Market Counterparties, a clear statement to that effect and that no other Person should act upon it.

(b) Marketing Material includes any invitation or inducement to Engage in Investment Activity.

(c) An Authorised Person which communicates Marketing Material must:

- (i) ensure that the Marketing Material complies with the applicable Rules and any legislation administered by the Regulator; and
- (ii) not distribute such Marketing Material if it becomes aware that the Person offering to carry on the Regulated Activity or offering the Specified ~~Specified~~ Investment to which the Material relates is in breach of the regulatory requirements that apply to that Person in relation to that Specified Investment or Regulated Activity.

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3.4.2 Suitability Assessment

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(c) Where an Authorised Person is managing a Discretionary Portfolio Management Account for a Professional Client for more than 12 months, it must consider whether or not to ensure that the account remains suitable for the particular Professional Client every 12 months ~~or Market Counterparty~~, having regard to the matters specified in Rule 3.4.2(a)(i) and 3.4.2(a)(ii).

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4.2 Accepting Deposits

4.2.1 ~~A Bank, in the course of Accepting Deposits, must not:~~

- ~~(a) — Accept Deposits from the U.A.E markets;~~
- ~~(b) — Accept Deposits in U.A.E. Dirham; or~~
- ~~(c) — Undertake foreign exchange transactions involving U.A.E. Dirhams.~~

(1) No Authorised Person, when carrying on the Regulated Activity of Accepting Deposits or Managing a Profit Sharing Investment Account which is unrestricted, may accept Deposits from the U.A.E. markets.

(2) No Authorised Person, when carrying out the Regulated Activities of Accepting Deposits or Managing a Profit Sharing Investment Account which is unrestricted, may undertake foreign exchange transactions involving the U.A.E. Dirham on behalf of a Client.

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4.3 Providing Credit

4.3.1 An Authorised Person may, ~~subject to Rule 4.3.3,~~ Provide Credit to a Professional Client or Market Counterparty.

4.3.2 An Authorised Person may, ~~subject to Rule 4.3.3,~~ Provide Credit to a Retail Client only where:

- (a) the Retail Client is an Undertaking; and
- (b) the Credit Facility is provided to the Retail Client for a business purpose.

~~4.3.3 An Authorised Person, in the course of Providing Credit, must not:~~

- ~~(a) — Provide Credit in U.A.E. Dirhams; or~~
- ~~(b) — Undertake currency or foreign exchange transactions involving U.A.E. Dirhams.~~

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8. ADDITIONAL RULES: OPERATING AN MTF OR OTF

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8.3 Rules Applicable to MTF and OTF Operators – Transparency

8.3.1 (a) An MTF Operator or OTF Operator must disclose to its ~~m~~Members and the public as appropriate, on a continuous basis during normal trading, the following information relating to trading of Investments on its MTF or OTF:

- (i) the current bid and offer prices and volume;
- (ii) the depth of trading interest shown at the prices and volumes advertised through its systems for the Investments; and

- (iii) any other information relating to Investments which would promote transparency relating to trading.
- (b) The Regulator may waive or modify the disclosure requirement in Rule 8.3.1 in relation to certain transactions where the order size is predetermined, exceeds a pre-set and published threshold level and the details of the exemption are made available to an MTF Operator or OTF Operator's mMembers and the public.

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~~8.4.6 MTF and OTF Operators must also comply with the requirements set out in MIR 3.4.~~

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- 10.3.3** (b) appropriate intraday reconciliation is conducted to verify that the number of securities making up a securities issue or part of a securities issue submitted to the CSD is equal to the sum of securities recorded on the securities accounts of the mMembers and other participants of the CSD;

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12. KEY INFORMATION AND CLIENT AGREEMENT

12.1 Key Information and Content of the Client Agreement

12.1.1 General

The key information which an Authorised Person is required to provide to a Client and include in the Client Agreement with that Client pursuant to Rule 3.3.2 must include:

- (a) the information set out in:
 - (i) Rule 12.1.2(a) if it is a Retail Client; and
 - (ii) Rule 12.1.2(b) if it is a Professional Client ~~or Market Counterparty~~; and
- (b) where relevant, the additional information required under Rules 12.1.3 and 12.1.4.

12.1.2 Core Information

- (a) In the case of a Retail Client, the information for the purposes of Rule 12.1.1(a) is:
 - (i)
- (b) In the case of a Professional Client ~~or Market Counterparty~~, the information for the purposes of Rule 12.1.1(a) is the information referred to in Rule 12.1.2(a)(i) to Rule 12.1.2(a)(iv).

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14. CLIENT MONEY PROVISIONS

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14.3 Client Investments

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14.3.3 Information to prime brokerage Clients

- (a) An Authorised Person must make available to each of its Clients to whom it provides prime brokerage services a statement in a durable medium:
 - (i) showing the value at the close of each business day of the items in Rule 14.3.4 ~~above~~below; and

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15. SAFE CUSTODY PROVISIONS

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15.4 Client Accounts in relation to Client Investments

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15.4.2 A Client Account in relation to Client Investments is an account which:

- (a) is held with a Third-Party Agent or by an Authorised Person which is authorised under its ~~Licence~~Financial Services Permission to Provide Custody;
- (b) is established to hold Client Assets;
- (c) when held by a Third-Party Agent, is maintained in the name of:
 - (i) if an ~~Abu Dhabi Global Market~~ Authorised Person in the form of a Domestic Firm, the Authorised Person; or
 - (ii) if ~~not an Abu Dhabi Global Market Firm~~ an Authorised Person in the form of a Branch, a Nominee Company controlled by the Authorised Person; and
- (d) includes the words "Client Account" in its title.

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