

SECURITIES & COMMODITIES AUTHORITY

United Arab Emirates

**Virtual Asset Service Providers Rulebook
Module: Business Regulation**

Part One: Introduction

Article (1): Definitions

Soft Dollar Agreement: An agreement between two licensed entities, such as an asset management firm and an operator of a multilateral trading facility, under which the first party receives research, tools, or related investment services in return for routing transactions to the second party instead of receiving direct monetary compensation.

Execution Transaction Only: A transaction executed by the licensed entity on behalf of the client without providing any advice or personal recommendations regarding the viability of the transaction.

Non-Market Price Transaction: A transaction where the rate or price paid by the licensed entity or its client materially differs from the prevailing market rate, or where the value exchanged materially exceeds or falls below what is received in return.

Contingent Liability Investment: An investment involving a potential financial liability dependent on the occurrence of a specific event, such as market movements or the activation of contractual conditions. Examples include margin trading, options, and futures contracts.

Isolated Margin: A margin trading mechanism where the margin is allocated to a specific position separately from other positions.

Staking: The process of locking virtual assets on a distributed ledger network to support its security, operations, and consensus mechanism in return for rewards.

Article (2): Scope of Application

The provisions of this Module apply to every person conducting a financial activity specified in Article (12) of the General Framework Module within or from within the State.

Article (3): Overview

1. **Part 2** outlines the conditions for offering financial services and customer agreements. Chapter 1 requires compliance with Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) laws. It classifies clients as retail, professional, or counterparty, with specific criteria for each classification. Licensed entities must document and periodically update client classifications. A professional investor is classified based on the nature of the activity, service provided, or personal evaluation, subject to conditions related to assets and expertise.
Chapter 2 covers customer agreements, mandating that licensed entities enter into an agreement with the client containing key information to enable informed decision-making. It also regulates agreement amendments, requiring prior notice for retail clients. Entities may rely on agreements made by other entities within the financial group or from main branches. Agreements must be available to the Authority upon request, with immediate notification if this becomes impossible.
2. **Part 3** sets out the core rules for offering financial services, emphasizing the need for clear, fair, and non-misleading information, and appropriate marketing based on client classification. Licensed entities must assess the suitability and appropriateness of investment services for retail clients and maintain documented results with periodic reviews. It governs conflict-of-interest management and disclosure of potential incentives to ensure transparency. Additionally, it requires recordkeeping of services and activities for at least six years to ensure regulatory compliance.
3. **Part 4** addresses additional controls related to financial services. This includes regulation of personal employee transactions to prevent conflicts of interest, with documentation of all related actions. It regulates the preparation and publication of investment research, ensuring objectivity and required disclosures. It enforces best execution pricing practices and prohibits non-market price trading, with records retained. It governs the handling and safeguarding of client assets and funds, requiring secure protection, and imposes strict margin trading standards like negative balance protection and prominent risk disclosures. Digital wallet services are also regulated, requiring compliance with security and technology standards and client asset segregation. Finally, the part obligates licensed entities to provide comprehensive and updated information on virtual assets, including risks, with transparency ensured through white papers and digital platform warnings.

Part Two: Service Conditions and Client Agreement

Chapter One: Financial Service Conditions

Article (4): Compliance with AML and CTF Requirements

The licensed entity shall comply with the provisions of the Anti-Money Laundering (AML), Counter-Terrorist Financing (CTF), and Countering Unlawful Organization Financing Law, its executive regulations, and any other applicable legislation in force within the State.

Article (5): Client Classification

1. Prior to providing a financial service, the licensed entity must classify the person as follows:
 - a. Retail Investor
 - b. Professional Investor
 - c. Counterparty
2. A person shall be classified as a retail client unless otherwise classified as a professional investor or counterparty.
3. A professional client may request reclassification as a retail client.
4. If the licensed entity knows that the person it intends to provide or receive a service from is acting as an agent for another party (the "principal"), the licensed entity must treat the principal as the client unless the agent is another licensed entity or a regulated financial institution.
5. If the financial service is to be provided to a trust, the trustee – not the beneficiaries – shall be treated as the client, unless otherwise stated.
6. If a professional client no longer meets the requirements for such classification, the licensed entity must notify them as soon as possible and explain available remedies.
7. The licensed entity must obtain an annual declaration from the client confirming no change in classification data and update any such data at any time if changed. Classification must be updated at least every three years, with records maintained.
8. The licensed entity must document and archive classification procedures and prepare a classification record for each client, including sufficient information and supporting documents.

Article (6): Retail Investor

Any natural or legal person who does not qualify as a professional investor or counterparty.

Article (7): Professional Investor**First: Professional by Nature:**

Includes, but is not limited to:

1. International organizations whose members are countries, central banks, or monetary authorities
2. Governments and their entities, whether investment or not
3. Central banks or other national monetary authorities
4. Capital market institutions licensed by the Authority or an equivalent regulator
5. Financial institutions
6. Regulated financial institutions or investment funds
7. Entities primarily investing in financial instruments or securitizations
8. Publicly listed companies in IOSCO member jurisdictions
9. Trustees with assets of at least AED 35 million in the past 12 months
10. Single-family office license holders with assets \geq AED 15 million
11. Partnerships with net assets \geq AED 25 million (excluding partner loans)
12. Large undertakings meeting at least two of the following:
 - Total assets \geq AED 75 million
 - Net annual revenues \geq AED 150 million
 - Cash/investments or authorized capital (minus paid-in capital) \geq AED 7 million

Second: Professional by Service:

1. Engages in activities involving the provision of credit facilities for commercial purposes to any of the following:
 - a. The contracting party.
 - b. The controller of the contracting party.
 - c. Any member of the group to which the contracting party belongs.
 - d. Any joint investment project in which the contracting party participates.
2. A person who provides services for arranging credit facilities and investment transactions related to structuring and financing companies.

Third: Professional Investor (Assessed):

1. A natural person who owns net assets—excluding the value of their primary residence—of no less than AED 4 million.
2. A natural person who is certified by the Authority or by a similar supervisory authority, or employed by a licensed entity or a regulated financial institution, or who has been employed by either within the past two years, or possesses sufficient knowledge and experience in the investment at hand and its risks according to suitability standards. Whereas, represented by an entity licensed by the Authority in a manner that does not conflict with its licensing conditions.
3. A natural person who holds a joint account with a natural person who qualifies as a resident professional investor under item (1) (the primary account holder), if the following conditions are met:
 - a. The joint account holder must be a family member of the primary account holder up to the second degree of kinship.
 - b. The account must be used to manage the investments of the primary account holder and the joint holders.

c. A written confirmation from the joint account holder that investment decisions related to the joint account are made on their behalf by the primary account holder.

4. Any special purpose entity or special legal form, such as a trust or foundation, established solely to facilitate the management of the investment portfolio of a natural person who qualifies as a resident professional investor under item (1).

5. The Undertakings meeting the following conditions:

a. A total amount of cash and investments listed on the statement of financial position, or a total authorized capital minus paid-up capital, of no less than AED 4 million.

b. Possesses sufficient experience and understanding of the markets, financial products, relevant financial transactions, and the associated risks according to suitability standards.

6. The undertaking that has:

a. A natural person controller who owns the majority of shares in a company or is able to control the majority of voting rights therein, or has the ability to appoint or remove the majority of its board members.

b. A holding or subsidiary company.

c. A joint investment project (partner in a joint venture).

Article (8): Counterparty

A licensed entity (by the Authority or an equivalent regulator) considered a counterparty client if it is:

1. A Professional Investor (by Nature) per Article 7/First
2. A Professional Investor (by Evaluation) owned by a holding company deemed a Professional Investor (by Nature) as per Article 7/First/Items 8 or 12

Article (9): Reliance on External Classification

1. Subject to paragraph (2), a licensed entity that is part of a financial group may rely on a client classification done by another group entity, provided it has reasonable grounds to believe the classification is substantially equivalent to that required in this chapter.
2. If there are gaps between the regulatory requirements of the licensed entity and the classification by the other group entity, such reliance is not allowed unless those gaps are effectively addressed.

Chapter Two: Client Agreement

Article (10): Restrictions

A licensed entity may not provide a financial service to or on behalf of any person unless:

1. A client agreement has been executed that includes the key information specified in Annex (1), and is signed between the licensed entity and that person; or in accordance with the requirements set out in Article (11) of this Chapter.
2. Prior to executing the client agreement with the person, the licensed entity must have provided that person with the key information referred to in Clause (1) sufficiently in advance to enable them to make an informed decision regarding the relevant financial service.

Article (11): Amendments to the Client Agreement

If the client agreement provided to a Retail Client allows the licensed entity to amend the agreement without the client's prior written consent, the licensed entity must notify the client at least 14 days in advance before providing any financial service to that client based on the amended terms.

Article (12): Reliance on a Client Agreement Executed by Another Entity

1. For the purposes of Clause (1) of Article (9) of this Chapter, the licensed entity may rely on a client agreement executed in accordance with the requirements set out in Clauses (2) or (3) of this Article, without prejudice to the minimum key information specified in Annex (1).
2. For the purposes of Clause (1) of this Article, if the licensed entity is a branch, it may rely on a client agreement entered into by the head office or any other branch within the financial group, provided that:
 - a. The client agreement clearly and adequately applies to the financial services provided by the branch; and
 - b. The licensed entity ensures that the client agreement is available to the Authority upon request.
3. For the purposes of Clause (1), the licensed entity may rely on a client agreement entered into by another member of its financial group if:
 - a. That member is providing a financial service; and
 - b. The client agreement clearly states:
 - i. The financial service provided by the licensed entity; and
 - ii. That the client's rights in relation to item (i) are enforceable against the licensed entity; and
 - c. The licensed entity ensures that the client agreement is available to the Authority upon request.
4. The licensed entity must immediately notify the Authority if, for any reason, it can no longer provide unrestricted access to the client agreement as required under Clauses (2) or (3) of this Article.

Part Three: Key Controls

Chapter One: Communication Regarding Information and Marketing Materials

Article (13): General Provisions

1. The Licensed Person shall, when providing information to any person concerning a Virtual Asset or Financial Service, take reasonable steps to ensure that the information provided is clear, fair, and not misleading.
2. The Licensed Person shall not, in any form of communication with any person, including in the conclusion of agreements, seek to exclude or restrict any duty or liability it may owe to that person or any other person under the applicable laws in the State.
3. Where any provision under the Business Regulations requires information to be provided to a Client, the Licensed Person shall ensure that such information is delivered directly to the Client and not to any other person, unless otherwise instructed in writing by the Client.

Article (14): Marketing Materials

1. The Licensed Person must ensure that any Marketing Material provided to a person contains the following information:
 - a. The name of the Authorized Firm providing the Marketing Material or on whose behalf it is being provided.
 - b. The regulatory status of the Licensed Person, as required under Article (64) of the General Framework Module.
 - c. If the Marketing Material is directed exclusively to a Professional Investor or Counterparty, it must include a clear statement to that effect and that no person other than those identified should act on it.
2. The Marketing Material referred to in paragraph (1) of this Article includes any invitation or inducement to enter into an agreement that:
 - a. Relates to a Virtual Asset or the provision of a Financial Service by the Licensed Person.
 - b. Relates to a Virtual Asset or Financial Service offered by another entity.
3. A Licensed Person providing Marketing Material under subparagraph (b) of paragraph (2) of this Article must:
 - a. Ensure that the Marketing Material complies with the applicable laws of the State and the Regulations of the Authority.
 - b. Not distribute the Marketing Material if it becomes aware that the entity providing the relevant Virtual Asset or Financial Service has breached applicable regulatory requirements in relation to that asset or service.
4. The Licensed Person shall take reasonable steps to ensure the following:
 - a. That any Marketing Material directed to Professional Investors is not sent or directed to Retail Investors.
 - b. That no person communicates or uses the Marketing Material on behalf of the Licensed Person in a manner that breaches the requirements of this Section.

Article (15): Past Performance and Projections

1. The Licensed Person must ensure that any information or statements relating to past performance, or future expectations based on past performance or other assumptions, provided to targeted Retail Clients:
 - a. Present a fair and balanced view of the Virtual Assets or Financial Services to which the information or statements relate.
 - b. Clearly and understandably indicate the source of the past performance information and any key facts or assumptions used in this context.
 - c. Include a prominent warning that past performance is not necessarily a reliable indicator of future results.

Chapter Two: Suitability
Article (16): Scope of Application

The provisions of this Section shall not apply to a Licensed Person that:

- a. Provides a Financial Service to a Professional Investor or Counterparty.
- b. Carries out Execution-Only Transactions.
- c. Operates a Multilateral Trading Facility.

Article (17): Suitability Standards

- 1. The licensed entity that provides a recommendation or investment advice to the client regarding investment in a virtual asset or a financial service, or that executes a discretionary transaction on behalf of the client in a virtual asset, shall comply with the client suitability standards as follows:
 - a. The client's experience, which shall be assessed through the following:
 - i. The types of financial services, activities, investments, or virtual assets with which the client is familiar and knowledgeable.
 - ii. The nature, volume, and frequency of the client's transactions in financial services, activities, investments, or virtual assets.
 - iii. The client's educational background, as well as current and previous occupations.
 - b. The client's financial standing and capacity, which shall be assessed through the following:
 - i. The source and amount of the client's regular income and expenses.
 - ii. The client's assets, property, and investments.
 - iii. The client's regular financial obligations.
 - iv. The client's ability to bear losses and risks, including the types and maximum levels of such risks.
 - c. The client's investment objectives, which shall be assessed through the following:
 - i. The client's preferred investment options relating to virtual assets.
 - ii. The investment goals or purposes relating to virtual assets in terms of duration and value.

Article (18): Suitability Report

The Licensed Person must prepare a Suitability Report for the Client that includes the following:

1. Acknowledgment of the Client's awareness of the need to provide current, accurate, and truthful information to the Licensed Person, and understanding the questions directed to them.
2. Confirmation that a proper and reliable assessment was made of the Client's knowledge, experience, and ability to bear risk and loss.
3. Statement of the evaluation tools and mechanisms used and their appropriateness.
4. A detailed statement of the recommendation provided or the criteria used by the Licensed Person to consider the Virtual Asset to be complex, along with its nature, characteristics, and risks.
5. Justification of whether the recommendation or the Virtual Asset is suitable for the Client and how it meets their investment objectives, including their risk tolerance and capacity for loss.
6. Evidence of the periodic review and update of the Client's Suitability Standards, the recommendation, and the Virtual Asset's features and risks.

Article (19): Suitability Obligations

1. The licensed entity shall comply with the following when assessing the suitability of the client:
 - a. Take the necessary actions and measures to ensure that the information provided by the client is accurate, complete, and up-to-date, and that the recommendation or investment in the virtual asset is suitable for the client and does not contradict the result of the suitability assessment.
 - b. Refrain from providing any recommendation or executing any transaction in the virtual asset for the client in the event of not receiving sufficient information that would enable the licensed entity to assess the client's suitability. The client must be notified accordingly.
2. Following the suitability assessment, the licensed entity shall:
 - a. Provide the client with sufficient information to assess the benefits, costs, and risks of investing in the virtual asset, including a disclosure of any potential risks the client may be exposed to.
 - b. Inform the client as to whether the investment in the virtual asset is suitable or unsuitable for them, and whether it meets the suitability criteria, while retaining a record of such notification.
 - c. In the event the client insists on proceeding with the execution after being informed that the investment in the virtual asset or the financial service is unsuitable, retain evidence of the client's insistence and the warning issued by the entity disclaiming liability.
3. Obtain an annual declaration from the client confirming that there has been no change in their classification-related information, and update any such information if it changes for any reason and at any time. In all cases, the classification must be updated every three years, and all declarations and updates must be retained.
4. Retain suitability assessment reports for clients and provide them to the Authority upon request.
5. Update internal procedures to ensure compliance with the suitability standards requirements.

Article (20): Documentation and Archiving of Suitability Procedures

The Licensed Person must document and archive all Suitability and Appropriateness procedures in accordance with record-keeping regulations and updates for a period of six (6) years.

Chapter Three: Appropriateness**Article (21): Scope of Application**

This Section applies to a Licensed Person that provides Execution-Only Transactions to Retail Clients in relation to a Virtual Asset or Financial Service.

Article (22): Appropriateness Standards

A Licensed Person conducting Execution-Only Transactions must meet the following Appropriateness Standards for the Client:

1. The Client's knowledge and understanding of the relevant Financial Services, activities, investments, or Virtual Assets.
2. The nature, volume, and frequency of the Client's relevant transactions.
3. The Client's educational background and current and previous occupation.
4. The suitability of the Virtual Asset or Financial Service to the Client based on collected data.
5. The appropriateness of the target Trading Facility for the Client based on collected data.

Article (23): Appropriateness Report

The Licensed Person shall prepare an Appropriateness Report for the Client containing the following:

1. The Virtual Assets or Financial Services intended for execution.
2. The result of the appropriateness assessment.
3. Justification of the appropriateness or inappropriateness of the execution.

Article (24): Appropriateness Obligations

When assessing appropriateness, the Licensed Person shall:

1. Exercise due diligence to enhance the Client's understanding of Virtual Assets and Financial Services by providing necessary information.
2. Notify the Client of the inappropriateness of the execution and maintain a record of such notification.
3. Refrain from executing transactions in the absence of sufficient information from the Client to conduct an appropriateness assessment and notify the Client.
4. If the Client insists on execution despite being informed of its inappropriateness, retain evidence of the Client's insistence and the warning with a disclaimer of liability.
5. Obtain an annual declaration from the Client confirming no change in classification data and update such data when changed, with reclassification occurring at least every three years and retention of all related declarations and updates.
6. Retain Appropriateness Reports for Clients and provide them to the Authority upon request.
7. Update internal procedures to ensure compliance with Appropriateness Standards.

Article (25): Documentation and Archiving of Appropriateness Procedures

The Licensed Person must document and archive all Appropriateness procedures in accordance with record-keeping regulations and updates for a period of six (6) years.

Chapter Four: Conflict of Interest

Article (26): Fair Treatment

1. The licensed entity shall take reasonable steps to ensure the identification, prevention, or management of actual and potential conflicts of interest between the licensed entity and its clients, and between one client and another. This shall be done in a manner that ensures that the interests of clients are not adversely affected, and that all clients are treated fairly and without bias due to such conflicts.
2. When the licensed entity becomes aware of an actual or potential conflict of interest, it must prevent or manage such conflict using one or more of the following arrangements, as appropriate:
 - a. Establishing and maintaining an effective "Chinese Wall" to limit the flow of relevant information.
 - b. Disclosing the conflict of interest to the client in writing, either generally or in relation to a specific transaction.
 - c. Relying on a written independence policy that requires the employee to disregard any conflict of interest when advising the client or exercising discretion.
3. If the licensed entity is unable to prevent or manage an actual or potential conflict of interest as described in clause (2) of this article, it must refrain from providing services to that client.

Article (27): Attribution of Knowledge

If a provision of the Business Conduct Unit requires a licensed entity to act on the basis of certain knowledge, the entity will not be considered to have such knowledge if the individuals acting on its behalf do not possess it due to a "Chinese Wall" established under clause (2/a) of Article (25) of this chapter.

Article (28): Incentives

1. The licensed entity must establish systems and controls, including policies and procedures, to ensure that it or any of its employees or affiliates do not offer or accept incentives such as commissions or other direct or indirect benefits, if it is reasonably likely that such incentives would conflict with any duty owed to its clients.
2. Subject to clause (3) of this article, before recommending a virtual asset or executing a transaction on behalf of a retail client, the licensed entity must disclose to that client any commission or direct or indirect benefit it or any employee or affiliate has received or will receive as a result of the recommendation or transaction.
3. The licensed entity is not required to disclose details of incentives to the retail client under clause (2) of this article if:
 - a. It has reasonable grounds to believe that the retail client is already aware of the relevant incentives.
 - b. The transaction is an **execution-only transaction**.
 - c. The transaction is executed under a discretionary portfolio management agreement on behalf of the client.
4. The licensed entity may provide the information required under clause (2) of this article in summary form, provided that the client is informed that further details are available upon request and the entity responds to such request.

Article (29): Acceptance of Goods and Services Under a Soft Dollar Agreement

1. A licensed entity may accept goods and services under a soft dollar agreement only if the goods and services are reasonably expected to contribute to the provision of virtual asset services to its clients. This includes, but is not limited to, providing specific advice, research, analysis, financial analysis tools, portfolio valuation, or performance measurement services.
2. Under a soft dollar agreement, the licensed entity may not deal in virtual assets as an agent on behalf of a client, directly, indirectly, or through any intermediary, unless:
 - a. The agreement is in writing and pertains to the provision of goods or services, provided such goods or services are not in the form of cash or any other direct financial benefit.
 - b. The intermediary's execution of transactions complies with best execution obligations.
 - c. The licensed entity has taken reasonable steps to ensure the services provided by the intermediary are competitive and do not result in price disadvantages compared to other options, taking into account the client's interest.
 - d. The licensed entity has taken reasonable steps to ensure the commission paid under the agreement is sufficient to cover the value of the goods or services to be received and execution costs, in cases where the intermediary acts as principal.
 - e. The licensed entity has provided adequate disclosure in accordance with clauses (4) and (5) of this article.
3. Before entering into a transaction on behalf of a retail or professional investor, directly or indirectly, with or through another person under a soft dollar agreement the licensed entity holds or knows another group member holds with that person, it must disclose to its client:
 - a. The existence of the soft dollar agreement.
 - b. The licensed entity's or its group's policy regarding soft dollar agreements.
4. Where the licensed entity or a group member has a soft dollar agreement under which the licensed entity or group member deals on behalf of a client, it must provide the client with the following information:
 - a. The percentage paid under the soft dollar agreement out of total commissions paid by the licensed entity or another group member involved in the agreement.
 - b. The value of goods and services, based on cost price, received under the soft dollar agreements, expressed as a percentage of the total commissions paid by the licensed entity or other group members.
 - c. A summary of the nature of the goods and services received under the soft dollar agreements.
 - d. The total commissions paid from that client's portfolio.
5. The licensed entity must provide the information mentioned in clause (4) of this article to the client at least once annually.

Chapter Five: Records
Article (30): Requirements

The licensed entity must maintain adequate records related to each activity and function it performs for a period of no less than six (6) years. These records must include, where applicable:

1. Any marketing materials issued by or on behalf of the licensed entity.
2. Any virtual assets or financial services provided to the client, and all advice or recommendations given to the client.
3. The client agreement, including any subsequent amendments agreed upon with the client.
4. Suitability and appropriateness assessment reports carried out by the licensed entity to demonstrate compliance with the provisions of Chapters Two and Three of this section.
5. Records to demonstrate compliance with the requirements related to incentives under Chapter Four, including any disclosures provided to clients under that chapter, and details regarding any goods or services received under a soft dollar agreement.
6. Any other disclosures provided to clients.

Article (31): Retention Period

The six (6) year retention period for records shall begin as follows:

1. For the requirement in clause (1) of Article (29) of this chapter, from the date the last marketing material was provided to the person.
2. For the requirements in clauses (2–4) of Article (29) of this chapter, from the date the client ceases to be a client of the licensed entity.
3. For the requirement in clause (5) of Article (29) of this chapter, from the date the relevant incentives were last received.

Part Four: Additional Controls

Chapter One: Personal Transactions by Employees of the Licensed Entity

Article (32): Conditions for Employee Personal Transactions

1. The licensed entity must establish, update, and maintain adequate policies and procedures to ensure the following:
 - a. An employee does not engage in a personal transaction for their own account unless:
 - i. The licensed entity, through written notice, informs the employee of the conditions under which personal transactions may be carried out, and such notice forms part of the employee's employment or service agreement.
 - ii. The licensed entity has given written authorization to the employee for that transaction or for transactions in general.
 - iii. The transaction does not conflict with the licensed entity's duties to its clients.
 - b. The licensed entity receives immediate notice of, or becomes aware of, any personal transactions carried out by the employee.
 - c. Where personal transactions are carried out with the licensed entity, each employee's account must be clearly identified and distinguished from other client accounts.
2. The written notice mentioned in clause (1/a) of this article must clearly state that if an employee is prohibited from conducting a personal transaction, they must refrain from the following except in the course of their official duties:
 - a. Instructing another person to enter into such a transaction.
 - b. Communicating any information or opinion to another person if the employee knows, or should know, that the person will enter into such a transaction or instruct another to do so as a result.
3. If the licensed entity takes reasonable steps to ensure that the employee is not materially involved in or does not have access to information about the licensed entity's investment activities, the entity is not required to comply with clause (1) of this article in relation to that employee.
4. The licensed entity must establish, update, and maintain procedures and controls to ensure that a financial analyst does not conduct personal transactions in an investment if the analyst is preparing an investment research report on:
 - a. That virtual asset or its issuer.
 - b. An investment related to that virtual asset or its issuer.This prohibition remains until the research report is published or made available to the licensed entity's clients.

Article (33): Record Keeping

1. The licensed entity must keep a record including the following:
 - a. The written notice specifying the conditions for personal transactions under clause (1/a) of Article (31) of this chapter.
 - b. All authorizations granted or denied by the licensed entity under clause (1/a/ii) of Article (31) of this chapter.
 - c. All notifications submitted to the licensed entity under clause (1/b) of Article (31) of this chapter.
 - d. The basis on which the licensed entity confirmed that the employee is not materially involved in or does not have access to investment information under clause (3) of Article (31) of this chapter.
2. These records must be retained for at least six (6) years from the date of:
 - a. For clauses (1/a) and (1/d) of this article, termination of the employee's employment contract.
 - b. For clause (1/b) of this article, each authorization granted or denied by the licensed entity.
 - c. For clause (1/c), each notification submitted to the licensed entity.

Chapter Two: Investment Research

Article (34): Scope of Application

The provisions of this chapter apply to licensed entities that prepare or publish investment research.

Article (35): Requirements

A licensed entity that prepares and publishes investment research must establish adequate procedures and controls to ensure the following:

1. Effective supervision and management of financial analysts.
2. Proactive management of actual or potential conflicts of interest in accordance with Chapter Four of this Module.
3. That investment research issued to clients is objective and unbiased.
4. That investment research includes the disclosures stipulated under Articles (35) and (36).

Article (36): Disclosures Related to Investment Research

When publishing investment research, a licensed entity must take reasonable steps to ensure that the research includes:

1. A clear identification of the types of clients the research is primarily intended for.
2. A distinction between facts and opinions or estimates, including references to data sources and any assumptions used.
3. The initial publication date of the research.
4. The time period covered by evaluations or recommendations.
5. A clear and unambiguous explanation of the rating or recommendation system used.
6. A breakdown of the proportions of different ratings or recommendations, as follows:
 - a. For all virtual assets.
 - b. For virtual assets where the licensed entity has conducted corporate finance activities with or on behalf of the issuer in the past 12 months.
7. A clear warning, when the research is intended only for professional clients or eligible counterparties, that it should not be relied upon or distributed to retail clients.

Article (37): Publication

A licensed entity must take reasonable steps to ensure that, when publishing investment research or when a representative of the entity appears publicly, the following are disclosed:

1. Any financial interest or material interest held by the financial analyst or any of their second-degree relatives related to the virtual asset.
2. The reporting structure for financial analysts and their compensation arrangements if such could reasonably give rise to a conflict of interest affecting the objectivity of the research.
3. Any holding of 1% or more of the total issued share capital of the issuer by the licensed entity or any of its partners.
4. Any holding of 1% or more of the total number of virtual assets of the same type issued.
5. Whether the licensed entity or its partner acts as a broker for the issuer.
6. Any material holding the issuer has in the licensed entity.
7. Any corporate finance activities carried out by the licensed entity with or on behalf of the issuer in the past 12 months and any related future initiatives.
8. Whether the licensed entity acts as a market maker for the virtual asset.

Article (37): Restrictions on Licensed Person's Transactions

1. A licensed person is prohibited from executing a proprietary transaction in a virtual asset or related investment that is the subject of an investment research report prepared by the licensed person, until the clients for whom the investment research was primarily prepared have been given a reasonable opportunity to act upon it.
2. The restriction under Paragraph (1) of this Article shall not apply if:
 - a. The licensed person is acting as a market maker in the relevant virtual asset; or
 - b. The licensed person is executing an execution-only transaction.

Chapter Three: Best Execution
Article (38): Scope of Application

1. The provisions of this chapter do not apply to a licensed entity in relation to any transaction:
 - a. Executed with a counterparty.
 - b. Executed for non-discretionary portfolio management purposes.
 - c. That is execution-only.
 - d. Executed on a Multilateral Trading Facility (MTF) operated by the entity.
2. When executing an execution-only transaction with or on behalf of a client, the licensed entity is not exempt from providing best execution for any aspect of the transaction outside the client's specific instructions.

Article (39): Best Execution

1. When a licensed entity agrees or decides, in its discretion, to execute a transaction with or on behalf of a client in a virtual asset, it must provide best execution.
2. A licensed entity is considered to have provided best execution if it takes reasonable care to determine the best overall available price for that virtual asset under prevailing market conditions and transacts at no less advantageous a price for the client.

Article (40): Requirements

1. In determining whether the licensed person has exercised reasonable care to provide the client with the best overall execution price in accordance with Article (39) of this Chapter, the Authority shall consider whether the licensed person has:
 - a. Deducted any fees or charges that were previously disclosed to the client;
 - b. Not applied any mark-up or mark-down to the price at which the transaction was executed, unless such adjustment was disclosed to the client;
 - c. Taken into account price competition or the availability of multiple pricing sources for the execution of client transactions. In cases where the licensed person has access to prices from regulated financial markets or alternative trading systems, the licensed person must execute the transaction at the best overall available execution price after considering all relevant factors.
2. Where another person is responsible for executing the transaction, the licensed person may rely on that person to provide best execution, provided that such person has undertaken to provide best execution in accordance with this Chapter.

Chapter Four: Off-Market Transactions

Article (41): Scope of Application

1. Subject to clause (2) of this Article, the provisions of this chapter apply to the licensed entity regardless of the client classification.
2. The provisions of this chapter do not apply to a client receiving services from a Multilateral Trading Facility (MTF).

Article (42): Prohibitions

The licensed entity shall not enter into an off-market transaction, in any capacity and with or on behalf of a client, unless it has taken reasonable steps to ensure that the client is not entering into the transaction for an unlawful purpose.

Article (43): Recordkeeping

The licensed entity must prepare and maintain, for a period of no less than six (6) years, a record of the steps taken in relation to each transaction under this chapter.

Chapter Five: Order Aggregation and Allocation

Article (44): Scope of Application

The provisions of this chapter do not apply to a licensed entity in relation to any transaction executed with a counterparty.

Article (45): Order Aggregation

A licensed entity may aggregate a client's order with orders of other clients or with an order for its own account only in the following cases:

1. It is unlikely that the aggregation will disadvantage any of the clients whose orders are aggregated.
2. The licensed entity has disclosed in writing to the client that their order may be aggregated and that the effect of aggregation may sometimes be disadvantageous.
3. The licensed entity has recorded the intended basis for allocation and the identity of each client prior to order execution.
4. The licensed entity has written policies and standards regarding aggregation and allocation that are applied consistently, and these policies must include the approach to be taken if only part of the aggregated order is executed.

Article (46): Allocation

When a licensed entity aggregates a client's order with orders of other clients or with an order for its own account and the aggregated order is executed in whole or in part, it must:

1. Allocate the relevant virtual assets immediately.
2. Allocate the virtual assets in accordance with the client agreement.
3. Ensure that the allocation is carried out fairly and consistently without giving undue preference to itself or any of the parties it acted on behalf of.
4. Prepare and maintain a record that includes:
 - a. The date and time of the allocation.
 - b. The relevant virtual assets.
 - c. The identity of each concerned client.
 - d. The amount allocated to each client and to the licensed entity, with the allocation properly documented.

Article (47): Recordkeeping

The licensed entity must retain the records required under Articles (45) and (46) of this chapter for six (6) years from the date of allocation.

Chapter Six: Voice and Electronic Communications

Article (48): Scope of Application

1. Subject to clause (2) of this Article, the licensed entity must take reasonable steps to ensure the creation and retention of recordings of its voice and electronic communications when such communications are with a client or with another person in connection with a commercial transaction, including the receipt or transmission of related instructions.
2. Clause (1) of this Article does not apply to voice or electronic communications that are not intended to result in a specific transaction but are general discussions or communications about market conditions.

Article (49): Requirements for Retaining Voice and Electronic Communications

1. The licensed entity must be able to demonstrate immediate accessibility to all records.
2. The licensed entity must retain records in an intelligible format or be able to promptly reproduce them in an intelligible format.
3. The licensed entity must establish and implement appropriate procedures to prevent unauthorized alteration of its records.

Article (50): Order and Transaction Records

1. When the licensed entity receives an order from a client or decides to execute a transaction on a discretionary basis, it must immediately create a record containing the information outlined in Annex (2).
2. When the licensed entity executes a transaction, it must immediately create a record containing the information outlined in Annex (2).
3. When the licensed entity transmits a client order to another person for execution, it must immediately create a record containing the information outlined in Annex (2).

Article (51): Recordkeeping

The licensed entity must retain the records referred to in Articles (49) and (50) for no less than six (6) years.

Chapter Seven: Other Conduct Requirements

Article (52): Scope of Application

1. The provisions of this chapter, except for Article (58), do not apply to the licensed entity in relation to any transaction with a counterparty.
2. The provisions of this chapter do not apply to the licensed entity in relation to any transactions it conducts on a Multilateral Trading Facility (MTF) that it operates.

Article (53): Excessive Trading (Churning)

1. The licensed entity must not, at its discretion, execute a transaction on behalf of a client or advise any client to enter into transactions with such frequency or volume that may be considered excessive trading (churning).
2. It is the responsibility of the licensed entity to ensure that such transactions were fair and reasonable at the time they were entered into.

Article (54): Timely Execution

1. Once the licensed entity agrees to or decides to enter into a transaction on behalf of a client, it must do so as soon as reasonably practicable.
2. The licensed entity may delay the execution of the transaction mentioned in clause (1) if it has taken reasonable steps to ensure that the delay serves the client's best interest.

Article (55): Fair and Priority-Based Treatment

The licensed entity must treat its own transactions and client transactions fairly and in accordance with priority.

Article (56): Volume-Weighted Average Price (VWAP)

1. The licensed entity may execute a group of transactions on behalf of a client during a single trading day or another agreed-upon period, to achieve a specific investment decision or objective, or to fulfill aggregated orders.
2. If the licensed entity does so, it may determine a uniform price for the transactions executed during that period, calculated as the volume-weighted average price of the different prices within that group of transactions.

Article (57): Timely Allocation

1. The licensed entity must ensure the immediate allocation of any transaction it executes.
2. The allocation must be:
 - a. To the client's account based on their instruction upon which the transaction was executed.
 - b. For discretionary transactions, to the account of the client(s) for whom the licensed entity made and recorded a prior decision to execute the transaction.
 - c. In all other cases, to the licensed entity's own account.

Article (58): Direct Electronic Access

Where the licensed entity provides a client (including a counterparty) with direct electronic access to a regulated market or licensed multilateral trading facility, it must continuously establish, update, and maintain appropriate and effective policies, procedures, systems, and controls to prevent the client from submitting an order that would cause the licensed entity to exceed its current position or credit limits.

Chapter Eight: Trade Confirmations

Article (59): Scope of Application

The provisions of this chapter do not apply to the licensed entity in relation to any transaction with a counterparty.

Article (60): Sending Trade Confirmations

1. When the licensed entity executes a transaction in a virtual asset on behalf of a client, it must send a trade confirmation notice to the client within two (2) business days of the transaction date.
2. If the licensed entity executes a transaction or group of transactions in accordance with Article (56) of this module, it must send a trade confirmation notice no later than two (2) business days after the last transaction is executed.
3. The confirmation notice must include transaction details as outlined in Annex (3).
4. The licensed entity is not required to send a confirmation notice if a professional client has provided written notice of their preference not to receive such confirmations.

Article (61): Recordkeeping

The licensed entity must retain a copy of each trade confirmation sent to a client for a period of no less than six (6) years from the date of dispatch.

Chapter Nine: Periodic Statements

Article (62): Scope of Application

The provisions of this chapter do not apply to the licensed entity in relation to any transaction with a counterparty.

Article (63): Investment Management and Contingent Liability Investments

1. When the licensed entity does any of the following:
 - a. Acts as a portfolio manager for a client.
 - b. Holds uncovered open positions in a contingent liability investment.
2. For the purposes of clause (1), the licensed entity must provide the client with a periodic statement containing the matters set out in Annex (4), within the following timeframes:
 - a. Every six (6) months.
 - b. Monthly, if the client's portfolio contains an uncovered open position in a contingent liability investment.
 - c. Any alternative frequency agreed with the client, provided it is at least once a year.

Article (64): Recordkeeping

The licensed entity must retain a copy of each periodic statement provided to a client for no less than six (6) years from the date of delivery.

Chapter Ten: Client Assets

Article (65): Scope of Application

This chapter applies to a licensed entity that:

1. Holds or controls client assets.
2. Provides custody services.

Article (66): General Requirements

1. A licensed entity that holds or controls client assets must comply with Chapter Nine of this module.
2. A licensed entity that holds or controls virtual assets of clients or provides custody services for virtual assets must comply with Chapter Twelve.
3. The licensed entity must establish systems and controls to ensure client assets are identifiable and secure at all times.
4. Where the licensed entity holds a power of attorney or discretionary authority over an account in the client's name with a third party, its systems and controls must include:
 - a. An updated list of all such authorities and any conditions set by the client or the licensed entity.
 - b. Details of procedures and authorizations related to giving and receiving instructions under such authority.
 - c. Assurance that all transactions carried out using the authority are recorded and within the scope of responsibilities of the licensed entity and its relevant employees.

Article (67): Holding or Controlling Client Assets

Client assets are deemed to be held or controlled by the licensed entity if they are:

1. Held directly by the licensed entity.
2. Held in an account in the name of the licensed entity.
3. Held by a person, or in an account in the name of a person, controlled by the licensed entity.
4. Held in the client's name, but the licensed entity holds a power of attorney or has discretionary authority to manage those assets.

Article (68): Recordkeeping

1. The licensed entity must maintain:
 - a. Records that demonstrate compliance with Article (65) of this chapter.
 - b. Records that demonstrate and explain all entries related to assets held or controlled.
2. These records must be retained for no less than six (6) years.

Chapter Eleven: Client Money
Article (69): Scope of Application

The provisions of this chapter apply to all money held or controlled by the licensed entity on behalf of clients in the course of, or in connection with, conducting virtual asset investment business.

Article (70): Client Money Requirements

1. A licensed entity that holds or controls client money on their behalf must comply with the provisions set out in Annex (5).
2. If the client is a counterparty, the licensed entity may be exempt from complying with the client money rules, provided it obtains prior written consent from the client.

Article (71): Recordkeeping

1. The licensed entity must maintain records as follows:
 - a. Records that demonstrate compliance with Article (69) of this chapter.
 - b. Records that demonstrate and explain all entries related to the money held or controlled under this chapter.
2. The licensed entity must retain these records for no less than six (6) years.

Chapter Twelve: Client Assets in Virtual Assets

Article (72): General Requirements

1. The Authorized Person must treat all virtual assets held or controlled on behalf of the client, during or in connection with the conduct of virtual asset business, as client virtual assets.
2. The Authorized Person that holds or controls client virtual assets must have systems and controls in place to ensure the appropriate protection of such assets.
3. Subject to paragraph (1) of this Article, the Authorized Person that holds or controls client virtual assets and/or provides custody services must do so in accordance with the **safe custody provisions** set out in **Annex (6)**.
4. The safe custody provisions in Annex (6) do not apply to client virtual assets held as **Collateral**, unless otherwise stated.

Article (73): Holding of Collateral

1. Before holding collateral provided by the client, the Authorized Person must disclose to the client the basis and any terms governing how such collateral will be held, including any rights the Authorized Person may have to liquidate the collateral.
2. Before depositing client collateral with a third party, the Authorized Person must notify the third party of the following:
 - a. The collateral does not belong to the Authorized Person and must therefore be held in a segregated client account clearly labeled as belonging to the clients of the Authorized Person.
 - b. The third party has no right to assert any lien, retention, or sale of the collateral except to cover obligations owed to the third party resulting from the deposit, pledge, other arrangement, or any related administrative or custodial fees.
3. The Authorized Person may permit a third party to hold client collateral only if it has reasonable grounds to believe the third party is and will remain qualified to hold such collateral.
4. The Authorized Person must be able to demonstrate to the Authority the basis on which it considered the third party qualified to hold client collateral.
5. The Authorized Person must take reasonable steps to ensure the proper protection of the collateral.
6. The Authorized Person must withdraw the collateral from the third party if it is not properly protected unless the client provides written instructions otherwise.
7. The Authorized Person holding client collateral must send a statement every six months to the client in accordance with Article (9) of Annex (6).
8. The Authorized Person must conduct a reconciliation of client collateral in accordance with Article (10) of Annex (6).

Article (74): Record Keeping

1. The Authorized Person must maintain records as follows:
 - a. Records demonstrating compliance with Article (65) of Chapter Ten.
 - b. Records that prove and detail all entries related to client virtual assets and collateral held or controlled in accordance with this Chapter.
2. The Authorized Person must retain the records referred to in paragraph (1) for no less than **six (6) years**.

Chapter Thirteen: Margin Trading

Article (75): Scope of Application

The provisions of this Chapter apply to the Authorized Person when dealing in virtual assets as an agent and when operating a multilateral trading facility (MTF).

Article (76): Marketing Materials

The Authorized Person must prominently and clearly display links to the risk disclosure statement regarding margin trading and the use of leverage on the homepage of its website and in all marketing, educational materials, and other communication channels, as well as as part of every warning or disclaimer presented clearly on its website.

Article (77): Risk Disclosure Statement

1. Before opening a margin trading account for a Retail Client, the Authorized Person must:
 - a. Provide a separate risk disclosure statement, as specified in paragraph (3) of this Article, to the Retail Client as part of the account opening process and before any trading occurs on the Retail Client's behalf.
 - b. Obtain a documented acknowledgment from the Retail Client confirming receipt, review, understanding, and acceptance of the risks associated with margin trading, and provide the client with a copy of the acknowledgment.
 - c. Maintain a record of these acknowledgments as part of its recordkeeping obligations.
2. The Authorized Person must ensure the risk disclosure statement is always published and accessible on its website.
3. The risk disclosure statement provided to the Retail Client must include the following:
 - a. A statement that the risk disclosure may not cover or identify all risks associated with margin trading.
 - b. A warning that the Retail Client is at risk of losing all funds held in the account and all unrealized profits from open positions.
 - c. A statement that margin trading, especially when leverage is used, magnifies losses.
 - d. A clarification that margin limits, stop-loss limits, or other mechanisms intended to limit losses may not be effective or may fail. Where appropriate, it must explain stop-loss orders, clearly indicating whether the stop-loss is **guaranteed** or not. For example, a guaranteed stop-loss operates regardless of market conditions, while a non-guaranteed stop-loss may not prevent loss during volatile market conditions.
 - e. The risk of **price slippage**, representing the difference between the price at the time of placing the order and the price at which it was executed.
 - f. A warning that most retail clients lose money when trading on margin, and losses accelerate with higher leverage.
4. The risk disclosure must include a prominent presentation of performance data for each margin product, clearly stating the percentage of **profitable active retail client accounts**, including the following:

- a. Active accounts include all retail client accounts that have traded or been held during the relevant period.
- b. Profitable accounts are those in which net trading activity on a specific product was profitable, excluding bonuses or promotional amounts.
- c. Performance data must be shown for the **last four completed calendar quarters**, or for as many as the Authorized Person has offered margin trading if fewer than four.
- 5. The statement must clarify that the Retail Client is responsible for:
 - a. Assessing whether margin trading is suitable and whether they can bear the risk of losing all funds in their account.
 - b. Consulting professional advisers before entering any legally binding margin trading arrangements.
- 6. The statement must disclose any actual or potential **conflict of interest** with Retail Clients and affirm the duty to prioritize the Retail Client's interests, particularly by:
 - a. Identifying what the conflict is or may be.
 - b. Disclosing any potential benefits to the Authorized Person.
 - c. Informing the client of their right to object to the conflict.
 - d. Requiring written confirmation from the client regarding acceptance or rejection of the conflict.

Article (78): Margin Requirements for Retail Clients

The Authorized Person must require the Retail Client to deposit margin before opening a margin trading position of **at least 20% and no more than 50%**.

Article (79): Margin Close-Out Requirements for Retail Clients

1. The Authorized Person must ensure that the **Net Equity** does not fall below **20%** in the Retail Client's margin trading account (Cross Margin) for open positions.
2. If the Net Equity (sum of deposited margin and unrealized P&L) falls below **50%** of the required margin, the Authorized Person must **close the Retail Client's open position(s)** as soon as market conditions allow.
3. In **Isolated Margin**, the Authorized Person must limit losses to the amount allocated for that specific position only, without risking the entire margin account balance.

Article (80): Negative Balance Protection

The Retail Client's liability for all margin trading investments linked to their account is limited to the funds held in that account for this purpose.

Article (81): Introduction by Third Party

1. If relying on a third party to introduce margin trading, the Authorized Person must have adequate systems and controls to ensure that the introducer does not actively market margin trading or provide investment advice or conduct any other financial activity on behalf of the Authorized Person.
2. The Authorized Person must not accept referrals of Retail Clients from an entity not licensed for this purpose.

Article (82): Additional Margin Product Restrictions

1. The Authorized Person must not offer or sell the following to Retail Clients:
 - a. Embedded products that are not virtual assets.
 - b. Products without a transparent pricing mechanism to determine reference price movements used to calculate profit or loss.
2. The Authorized Person must not offer or arrange copy trading or similar services to Retail Clients unless licensed to manage portfolios.
3. The Authorized Person must, to the fullest extent possible, verify that the Retail Client is not funding their account via **credit cards** or third-party **credit facilities**.

Article (83): Record Keeping

1. The Authorized Person must maintain records demonstrating compliance with the requirements in this Chapter.
2. Such records must be retained for **no less than six (6) years**.

Chapter Fourteen: Lending and Borrowing

Article (84): General Provisions

1. Lending and borrowing operations may only be conducted through a custodian or a Multilateral Trading Facility (MTF) operator providing custody services.
2. The licensed authority shall determine the virtual assets permitted for lending and borrowing.
3. Without prejudice to Clause (1) of this Article, it is prohibited to lend virtual assets that are subject to a lien or seizure.

Article (85): Lending and Borrowing Agreement

The licensed entity must sign a virtual asset lending agreement with both the lender and borrower, which must include at a minimum the following:

1. Name of the lender and their agent, if any.
2. Name of the borrower and their agent, if any.
3. Name and symbol of the virtual asset being lent.
4. Value of the virtual asset(s) subject to the lending.
5. Duration of the lending period, the lender's right to recall the assets within that period, and the process for doing so.
6. Type and amount of collateral as per the provisions of this chapter.
7. Applicable commissions and fees.
8. Procedures for replacing or increasing collateral and clarification of the parties' related rights.
9. Procedures for returning the virtual assets.
10. Definition of default events and the rights and obligations of the other party in such cases.
11. Procedures for delivery or liquidation of collateral and maintaining margin when daily revaluation shows a material change in value.
12. Method for distributing entitlements related to virtual assets and collateral.
13. Authorization from the client allowing the licensed entity to lend the virtual assets.

Article (86): Collateral and Risk Management

1. The licensed entity must obtain collateral from the borrower and determine the Loan-to-Value (LTV) ratio as follows:
 - a. Low-volatility assets: 75% to 85%
 - b. Medium-volatility assets: 50% to 70%
 - c. High-risk assets: 20% to 50%
2. The licensed entity must set liquidation thresholds to prevent borrower default, as follows:
 - a. Low-volatility assets: 85% to 90%
 - b. Medium-volatility assets: 75% to 85%
 - c. High-risk assets: 70% to 80%
3. The licensed entity must:
 - a. Recalculate the collateral value daily based on market value.
 - b. Request additional collateral if it falls below the agreed percentage.
 - c. Liquidate collateral if the borrower fails to provide additional collateral within the specified time.
 - d. Notify the client when the collateral is liquidated.

Article (87): Marketing Materials

The licensed entity must prominently and clearly display links to risk disclosure statements regarding lending and borrowing on its homepage and in all marketing, educational materials, and communication channels, and as part of any warning or disclaimer on its website.

Article (88): Risk Disclosure Statement

1. Before entering into a lending and borrowing agreement, the licensed entity must:
 - a. Provide a separate risk disclosure statement, as outlined in Clause (3) of this Article, to retail clients as part of the lending agreement and before conducting any activity on their behalf.
 - b. Obtain a documented acknowledgment from the retail client confirming receipt, review, understanding, and acceptance of the risks involved in lending and borrowing, and provide the client with a copy of the acknowledgment.
 - c. Maintain a record of the documented acknowledgments as part of recordkeeping requirements.
2. The risk disclosure statement provided to the retail client must include a prominent warning that lending and borrowing involve the risk of loss and inform the client that the disclosure may not include or identify all associated risks.
3. The risk disclosure statement must clarify whether the licensed entity has an actual or potential conflict of interest with retail clients, and emphasize prioritizing the client's interests, particularly regarding:
 - a. The nature of the conflict of interest or potential conflict.
 - b. Any potential benefits to the licensed entity.
 - c. The client's right to object to the conflict of interest.
 - d. The licensed entity's obligation to obtain written confirmation from the client on whether they accept the actual or potential conflict.

Article (89): Recordkeeping

1. The licensed entity must retain records proving its compliance with the provisions of this chapter.
2. The licensed entity must retain the records referred to in Clause (1) for a minimum of six (6) years.

Chapter Fifteen: Staking
Article (90): General Provisions

Staking operations may only be conducted through a custodian or an MTF operator providing custody services.

Article (91): Agreement

The licensed entity must include the terms and conditions of staking in the client agreement.

Article (92): Disclosures

1. The licensed entity must disclose staking risks as follows:
 - a. Price volatility risks, as the value of the staked virtual asset may change significantly, leading to losses.
 - b. Slashing penalties if the validator makes errors in verifying transactions.
 - c. Inability to withdraw staked assets during the lock-up period.
2. The licensed entity must disclose rewards as follows:
 - a. Clarify how rewards are calculated, their frequency, and whether they are fixed or variable.
 - b. Any fees deducted from the rewards.
 - c. Explain how validators are selected and how this affects reward opportunities.
 - d. Possibility of early withdrawal of assets and rewards, and applicable penalties.

Article (93): Recordkeeping

1. The licensed entity must retain records proving its compliance with this chapter.
2. These records must be retained for no less than six (6) years.

Chapter Sixteen: Digital Wallet
Article (94): Scope of Application

1. This chapter applies to:
 - a. Licensed digital wallet service providers.
 - b. Licensed third-party digital wallet service providers.
 - c. Self-custody (non-custodial wallets) is excluded from the provisions of this chapter.

Article (95): Requirements

1. The licensed digital wallet provider must ensure:
 - a. The distributed ledger used for custodial services is flexible, reliable, and compatible with related facilities used for trading, clearing, or settlement of virtual assets.
 - b. Ability to identify and segregate client assets.
 - c. Appropriate procedures to confirm client instructions and transactions, maintain related records and data, and match transactions at appropriate intervals.
2. When developing or using distributed ledger technologies or similar tools to provide custody of tokenized securities and commodities contracts, the licensed entity must:
 - a. Ensure digital wallet architecture adequately addresses compatibility and risk concerns.
 - b. Incorporate adequate security measures (including cybersecurity) to store and transmit tokenized data securely.
 - c. Secure encryption keys through appropriate technologies, considering password protection and encryption protocols.
 - d. Address risks related to the use and storage of encryption keys (or their equivalents) within the distributed ledger.
 - e. Ensure the technology complies with operational protocols or equivalent standards at the relevant trading/clearing/settlement facility.
3. A licensed entity appointing a third-party wallet provider must ensure:
 - a. The third party is licensed by the Authority to provide digital custodial services.
 - b. The third party is regulated in a jurisdiction accepted by the Authority with an equivalent regulatory framework.
4. The licensed entity must include its compliance with these requirements in the annual audit report referenced in Article (97).

Article (96): Transfers and Movement

1. If transferring client virtual assets, the licensed entity must immediately confirm:
 - a. The successful completion of the transfer.
 - b. The transfer date.
 - c. Final fees payable by the client for the transfer.
2. If an unauthorized or erroneous transfer is made by the licensed entity or third party, the licensed entity must rectify the issue and return the client to their previous position within three business days.
3. To implement Clause (2), the licensed entity must:
 - a. Have policies and procedures to identify and correct unauthorized or incorrect transfers.
 - b. Have appropriate compensation arrangements for potential losses.
 - c. Review compliance measures annually for adequacy.
4. Upon request, the licensed entity must provide the Authority with the following:
 - a. Number of unauthorized or incorrect transfers per client.
 - b. Total value of such transfers.
 - c. Number and value of corrected transfers.
 - d. Total compensation paid to clients per incident.

Article (97): Service Suspension or Restriction

1. The licensed entity may restrict or suspend client access in the following cases:
 - a. As specified in the signed client agreement.
 - b. In cases of unauthorized or fraudulent use or based on reasonable security concerns.
2. Access to services must be restored or alternative services provided as soon as possible after the issue is resolved.
3. If the licensed entity becomes aware of a significant operational or security incident, it must promptly notify clients and disclose measures to mitigate harm.

Article (98): Technology Audit Report

1. The licensed entity must appoint a qualified, independent external auditor to:
 - a. Conduct an annual audit on compliance with technology and governance requirements applicable under this chapter.
 - b. Prepare a written report detailing the audit methodology, results, confirmation of compliance, and any recommendations or reservations.
2. The licensed entity must submit the audit report to the Authority within four months of the end of the financial year.

Chapter Seventeen: Information Disclosure

Article (99): Scope of Application

1. This chapter applies to all financial activities of Virtual Asset Service Providers (VASPs).
2. This chapter does not apply to the licensed operator of a Multilateral Trading Facility.

Article (100): Key Characteristics Document

1. No licensed entity may offer financial services related to a virtual asset unless it provides the client with a document containing key characteristics, including:
 - a. Issuer information (if any) and designers of the virtual asset.
 - b. Basic features of the virtual asset, associated rights, and any related projects or venture capital funding.
 - c. Regulatory status of the virtual asset in other jurisdictions.
 - d. Information on individuals/entities responsible for obligations and exercise of rights related to the asset.
 - e. Information on the distributed ledger technology used, including issuance, storage, transfer methods, and interoperability.
 - f. Underlying technology used by the licensed entity, including technical protocols and standards.
 - g. How virtual asset ownership is proven.
 - h. Valuation methodology and any benchmarks or third parties involved.
 - i. Details of any markets/facilities where the asset is traded.
 - j. Risks related to price volatility and unpredictability.
 - k. For stablecoins: details on reserves, stabilization, and redemption mechanisms.
 - l. Cybersecurity risks including loss in cyberattacks and mitigating measures.
 - m. Risks of fraud, hacking, and financial crimes.
 - n. Any other relevant information to help clients understand the asset and make informed decisions.
2. The licensed entity must ensure this document is up to date and provided before offering related financial services.
3. The document may be omitted if it was previously provided and no material changes occurred.
4. A document prepared by another party may be used if the licensed entity ensures its completeness and accuracy, and remains legally liable for its content.

Article (101): White Paper Publication

If the licensed entity publishes or shares a white paper related to a virtual asset, it must:

1. Ensure the version is the most up-to-date.
2. Identify the authors (if known) and include the publication date.
3. Clearly disclose:
 - a. That the entity did not prepare or verify the information in the white paper.
 - b. That investors should exercise caution when relying on its contents, as it may be inaccurate or outdated.

Article (102): Risk Warnings

1. The licensed entity must display prominent risk warnings on its website, including that:
 - a. Virtual assets are highly volatile and may rapidly lose value.
 - b. Investors may lose all or part of their investment.
 - c. Virtual assets may not always be liquid or transferable.
 - d. Virtual asset investments are complex and risky to understand, buy, sell, or lend.
 - e. Virtual assets are susceptible to theft from cyberattacks.
 - f. Virtual asset investments differ significantly from traditional investments like securities.
2. All marketing, educational, or communication materials related to a virtual asset must include these warnings prominently at the top of every page or nearby.
3. If provided via a website or mobile app, the warning must be visible and fixed at the top of the screen, even during scrolling, and shown within every link.

Annex (1): Key Information and Core Contents of the Client Agreement

Article (1): General Content

The basic information that must be provided by the authorized person to the client and included in the client agreement shall include the following:

1. The basic information specified in:
 - a. Clause (1) of Article (2) of this annex if the client is a Retail Client.
 - b. Clause (2) of Article (2) of this annex if the client is a Professional Client.
2. The additional information required under Article (3) of this annex for portfolio management, where applicable.
3. If the client agreement involves the provision of custody services, the terms and additional information specified in Clause (3) of Article (3) of this annex.

Article (2): Basic Information

1. For a Retail Client, the basic information includes:
 - a. The name and address of the authorized person, and if it is a subsidiary, the name and address of the holding or parent company.
 - b. The regulatory status of the authorized person.
 - c. The effective date of the client agreement and how it may be amended or terminated.
 - d. Sufficient details about the service to be provided by the authorized person, including, where relevant, information about any product or other restrictions that apply to the authorized person in providing its services, how these restrictions affect the service being provided, or a statement that no such restrictions exist.
 - e. Details of fees, charges, commissions, and the basis on which they will be charged.
 - f. Details of any conflicts of interest for disclosure purposes under Clause (2/b) of Article (25).
 - g. Details of any Soft Dollar Agreement required to be disclosed under Clauses (3) and (4) of Article (28).
 - h. Key information related to the complaints handling procedures of the authorized person, and a statement that a copy of these procedures is available free of charge upon request in accordance with Article (46) of the General Framework Module.
2. For a Professional Client, the basic information includes sub-clauses (a), (b), (c), and (e) of Clause (1) of this Article.

Article (3): Additional Information

1. The additional information for financial activities includes:
 - a. Arrangements for giving instructions to the authorized person and confirming their receipt.
 - b. Information on any agreed-upon standards.
 - c. Arrangements for notifying the client of any transaction executed on their behalf.
 - d. Whether the authorized person may act as a principal in any transaction.
 - e. The frequency of periodic statement issuance and whether the statement will include performance measurement, along with the basis for such measurement.
 - f. Cases where the obligation to provide best execution can be waived, a statement that the authorized person is not obligated to provide best execution or the circumstances under which this obligation does not apply.
 - g. The basis on which assets in the portfolio will be valued.
2. In the case of portfolio management, the client agreement shall include the following additional information:
 - a. The initial value of the managed portfolio.
 - b. The initial composition of the managed portfolio.
 - c. The account period during which periodic portfolio statements will be provided in accordance with Chapter 8 (Periodic Statements) of Part Four.

3. In addition to the information in Clause (2) of this Article, in the case of discretionary portfolio management, the client agreement shall also include:
 - a. The discretionary powers exercised by the authorized person, including any restrictions on the value of a specific asset or the proportion of the portfolio that the asset may constitute, or a statement that no such restrictions exist.
 - b. Whether the authorized person may require the client to increase funds in the portfolio, and whether this may include borrowing on the client's behalf:
 - i. Circumstances under which the authorized person may do so.
 - ii. Any limits on the extent to which the authorized person may do so, if any, and any circumstances under which those limits may be exceeded.
 - iii. Any margin lending arrangements and their terms.
4. An authorized person providing custody services must include the following in the client agreement:
 - a. Details of all fees, commissions, and costs associated with the transfer of virtual assets (referred to as "the transfer"), specifying when such charges apply.
 - b. The information required to complete the transfer process.
 - c. The form and procedures necessary for granting consent to the transfer.
 - d. An indication of the usual time frame for completing the transfer process.
 - e. Details of when the transfer is deemed complete.
 - f. How and in what form information and communications regarding transfer services will be provided to the client, including timing, frequency, and language used, as well as the technical requirements for the client's devices and software to receive such communications.
 - g. Clear policies and procedures regarding unauthorized or incorrectly executed transfers, including when the client is or is not entitled to compensation.
 - h. Clear policies and procedures for situations in which virtual assets may be compromised or exposed to risk, such as breaches, theft, or fraud.
 - i. Details of the procedures followed by the authorized person to communicate with the client in case of suspected or actual breaches, theft, or fraud.

Annex (2): Minimum Contents of Transaction Records

Article (1): Transaction Records

An authorized person must maintain a record upon receiving a client order or making a discretionary investment decision that includes the following:

1. Client identity and account number.
2. Date and time the instruction was received or the decision was made by the authorized person.
3. Identity of the employee who received the instruction or made the decision.
4. The virtual asset, including quantity or value and any price limits.
5. Whether the instruction was to buy or sell.

Article (2): Transaction Execution

An authorized person must maintain a record when executing a transaction that includes:

1. Client identity and account number if the transaction was executed for them, or an indication that the transaction was for the authorized person's own account.
2. Date and time of transaction execution.
3. Identity of the employee who executed the transaction.
4. The virtual asset, including quantity, price, and value.
5. Whether the transaction was a purchase or sale.

Article (3): Client Order Passing

1. The licensed person, when transmitting a client order to another person for execution, shall maintain a record that includes the following:
 - a. The identity of the person assigned to execute the instructions;
 - b. The terms of the instructions and the date and time the instructions were issued.

Annex (3): Transaction Confirmation Notices

Article (1): General Content

An authorized person must include the following general information in the confirmation notice upon completion of a transaction:

1. Name and address of the authorized person.
2. Clarification on whether the authorized person acted as principal or agent.
3. Client's name, account number, or other identifier.
4. Description of the virtual asset, including quantity, price, and value.
5. Whether the transaction was a sale or purchase.
6. Statement indicating that the transaction was an execution-only transaction, if applicable.
7. Date and time of transaction execution.
8. Total amount due and the due date.
9. Amount of fees charged by the authorized person, including commissions, any mark-up or mark-down in price, taxes, and other costs.
10. Shared fees charged by the authorized person with another party or a statement that such information is available upon request.

Article (2): Additional Information

1. For derivatives transactions, the authorized person must include the following additional information in the confirmation notice:
 - a. Contract maturity, delivery, or expiration date.
 - b. Whether exercising the right leads to a purchase or sale of the underlying asset.
 - c. If the transaction closes an open futures position, all key details of each contract involved in the open position and each closed contract must be provided, along with the client's profit or loss resulting from the position closure (difference calculation).

Annex (4): Portfolio Management Activity Statements and Periodic Reports

Article (1): General Information

Periodic statements, as of the end of the covered period, must contain the following general information:

1. Number, description, and value of each virtual asset.
2. Amount of cash held.
3. Total portfolio value.
4. Statement of the basis used to determine the value of each virtual asset.

Article (2): Additional Information

1. In addition to the information in Article (1), when investment decisions are made on a discretionary basis, the authorized person must include the following in the periodic reports:
 - a. Statement of virtual assets lent to third parties or pledged as collateral for loans on behalf of the portfolio as of the closing date.
 - b. Details of each transaction executed for the portfolio during the period.
 - c. Total cash and details of all virtual assets transferred into or out of the portfolio during the period.
 - d. Total interest payments, applicable dates, and other profits or interest earned by the authorized person for the benefit of the portfolio.
2. Statement of cumulative total fees received by the authorized person and/or its partners.
3. Statement of the value of any compensation received from third parties on behalf of the authorized person and/or its partners.

Article (3): Content of Additional Information in the Presence of Contingent Liability

Investments

In addition to the information required in Articles (1) and (2) of this annex, if the portfolio includes investments involving contingent liabilities, the periodic reports must also include:

1. Total cash transferred to and from the portfolio during the evaluation period.
2. The client's unrealized profit or loss (before deducting or adding any closing commission) for each open position in the account at the end of the period.
3. Profit or loss resulting after deducting or adding commission for each closed transaction during the period.
4. The total of the following items related to the client's portfolio at the close of business on the evaluation date:
 - a. Cash.
 - b. Value of collateral.
 - c. Management fees.
 - d. Commissions.

Annex (5): Client Asset Protection Rules

Article (1): General Requirements

The licensed entity that holds or controls client funds must implement systems and controls that enable it to demonstrate compliance with the provisions of this Annex.

Article (2): Bank Accounts

1. The licensed entity must open a bank account in its name dedicated solely to client funds.
2. The licensed entity may open more than one bank account with local or foreign banks.
3. The licensed entity must assess the risks of the local or foreign bank and the appropriateness of depositing client funds therein.

Article (3): Receipt and Allocation

Upon receiving client funds, the licensed entity must:

1. Record any amount received, deposited, transferred, or withdrawn by the client in any manner, directly or indirectly, in the client's accounting records, with full details of those funds.
2. Segregate each client's funds from those of other clients and from the licensed entity's own funds.

Article (4): Prohibitions

1. Client bank accounts must not contain any funds owned by the licensed entity.
2. The licensed entity must not earn interest or returns on the funds held in client accounts unless explicitly agreed in writing with the client.
3. The licensed entity must not obtain credit facilities or loans secured by funds held in client accounts.
4. Funds held in the client account are held in trust and are not owned by the licensed entity. They are not subject to lien, seizure, liquidation, bankruptcy, or any other legal proceedings related to the licensed entity's obligations.

Article (5): Exceptions

Funds in the client account may only be withdrawn, deposited, transferred, or otherwise acted upon in the following cases:

1. Based on the client's clear written and dated instructions.
2. Pursuant to a written agreement with the client concerning investments and any resulting returns or obligations, documented in accounting records.
3. Payment of commissions and service fees due to the licensed entity under the agreement with the client.
4. Payment of fees, expenses, and commissions due to the Authority and other regulatory bodies.
5. In execution of a decision issued by the Authority.

Article (6): Obligations

The licensed entity must provide the Authority, upon request and immediately upon any changes, with information on its bank accounts, including:

1. Client account numbers, bank names, account types, and currencies.
2. Licensed entity's account numbers, bank names, account types, and currencies.
3. Authorized individuals permitted to open, close, or manage bank accounts of the licensed entity and/or clients, and the scope of their authorities.

Article (7): Reconciliation

The licensed entity must:

1. Perform daily reconciliation between total client credit balances and total balances in client bank accounts as of the previous business day, ensuring the total client account balances are not less than the clients' credit balances, and submit a monthly report to the Authority signed by the Operations Manager and Compliance Officer.
2. Rectify any client account shortfall by no later than the end of the next business day after reconciliation.
3. Notify the Authority if reconciliation or settlement cannot be performed the following day after discovery.

Annex (6): Safe Custody Rules

Article (1): General Requirements

A licensed entity that holds or controls client assets must implement systems and controls that allow it to demonstrate compliance with the provisions of this Annex.

Article (2): Client Asset Segregation

1. The licensed entity must:
 - a. Segregate client assets from its own assets.
 - b. Maintain separate and clearly designated accounts labeled “Client Accounts” to distinguish them from its own accounts.

Article (3): Registration and Custody Requirements

A licensed entity that provides custody services or holds/controls virtual assets of clients must:

1. Ensure proper registration and safekeeping of virtual assets to protect and control them.
2. Subject to Clause (3) of this Article, register and hold virtual assets separately from its own.
3. Record all virtual assets in an account in the client’s name. Where this is not possible due to applicable laws or market practice, the assets must be held in a pooled client account in the name of the licensed entity.

Article (4): Client Account

The licensed entity must record all virtual assets:

1. In the name of the client account.
2. In the name of the licensed entity, if registration under the client’s name is not possible, with the account clearly labeled as a “Client Account.”

Article (5): Master Register

1. The licensed entity must maintain a master register of all client accounts.
2. The master register must include:
 - a. Account name
 - b. Account number
 - c. Account location
 - d. Whether the account is open or closed
 - e. Date of opening or closing the account
3. The master register must be documented and retained for at least six years after account closure.

Article (6): Custody with a Third Party

1. Before holding virtual assets with a third party, the licensed entity must assess and reasonably conclude the third party is suitable for safekeeping such assets.
2. The licensed entity must implement control systems and procedures to ensure ongoing suitability of the third party.
3. When evaluating the third party, the licensed entity must ensure the level of protection provided is equivalent to that outlined in this Annex.
4. The licensed entity must be able to demonstrate the rationale behind its decision to deem the third party suitable.

Article (7): Safe Custody Agreements with Third Parties

1. Before transferring or allowing the transfer of virtual assets to a third party, the licensed entity must obtain a written acknowledgment from the third party that includes:
 - a. Clear distinction of the client account from any other account containing virtual assets of the licensed entity.
 - b. Virtual assets of the client will only be credited or withdrawn per the licensed entity's instructions.
 - c. Client virtual assets will be held separately from the third party's own assets.
 - d. Arrangements for registration, entitlement distributions, receipt of returns, and giving/receiving instructions.
 - e. Periodic statements detailing client virtual assets held.
 - f. All virtual assets in the account are held by the third party on behalf of the licensed entity as agent, with no right of set-off, lien, or claim against those assets.
 - g. The third party's responsibility in case of breach or failure.
2. The licensed entity must retain records of all safe custody agreements and instructions issued to the third party under such agreements.
3. These records must be retained for no less than six years.

Article (8): Client Disclosure

1. Before arranging custody for the client, the licensed entity must disclose that virtual assets may be held outside the country, and that applicable laws, market practices, and insolvency regulations may differ.
2. Before providing custody services, the licensed entity must disclose the following to the client:
 - a. A statement confirming the client is subject to the protection provided under these safe custody rules.
 - b. Arrangements for registration, entitlement distributions, returns, and giving/receiving instructions.
 - c. Methods of storing virtual assets, including types of digital wallets and transfer mechanisms, as well as associated risks.
 - d. Indemnity arrangements in case of unauthorized or incorrect transfers.
 - e. Obligations of the licensed entity in exercising rights on behalf of the client.
 - f. Conditions governing how assets are held, including any rights of the licensed entity to liquidate assets on the client's behalf in case of default.
 - g. Frequency and method of communicating with the client about held assets.
 - h. Disclosure of any intention to pool client assets with those of other clients and the related risks.
 - i. Disclosure of whether virtual assets will be held with a third party within the same group as the licensed entity, if applicable.
 - j. The liability of the licensed entity in case of third-party failure.

Article (9): Client Reports

1. A licensed entity that provides custody or holds/controls client virtual assets must send a report to retail clients at least every six months. For professional clients, a different reporting frequency may be agreed upon in writing.
2. The report must include:
 - a. A list of the client's virtual assets as of the report date.
 - b. A list of the client's collateral and its market value as of the report date.
 - c. Details of any client funds held by the licensed entity as of the report date.

Article (10): Reconciliation

1. The licensed entity must:
 - a. Reconcile its records of client virtual asset accounts held with third parties against the statements received from those third parties daily.
 - b. Reconcile individual client ledger balances with its own records of client virtual asset holdings daily.
2. The licensed entity must ensure reconciliation processes do not involve conflicts of interest.
3. Reconciliations must be reviewed by a person of suitable seniority, who must issue a written statement confirming that reconciliation was performed as required.
4. The licensed entity must notify the Authority of any material discrepancies in reconciliation that are not corrected.

Article (11): Audit

The licensed entity must include in its annual audit report an assessment of its compliance with the provisions of this Annex.