

## Amendments associated with virtual assets

### Terms

<b>Digital broker</b>	A financial activity specialized in brokerage in the transactions of trade and transfer of digital products by receiving and inserting orders and executing them through the digital platform, along with performing clearing and settlement transactions related thereto.
<b>Digital custody</b>	A financial activity specialized in the custody functions related to digital products.
<b>Digital services providers</b>	Any person who practices one or more activity associated to digital products or the transactions related thereto in favor of or on behalf of a person such as the digital broker and the digital custody, or any other activities approved by the Authority.

## Section (1): General Provisions

### Article (5) Securities

**Securities consist of:**

- 1- Shares
- 2- Priority rights



- 3- Debt securities
- 4- Sukuk
- 5- Investment funds units
- 6- Certificates of deposit
- 7- Covered warrants
- 8- Derivatives contracts
- 9- Virtual assets
- 10- Digital products
- 11- Any other financial instruments considered by the Authority as a security

## **Section (2): Licensing and approval**

### **Chapter (2): Financial Activities & Licensing Categories**

#### **Article (1) Financial Activities**

**The Authority is concerned with licensing the following financial activities:**

- 1- Trading broker
- 2- Trading and clearing broker
- 3- Trading broker in international markets



- 4- Trading broker of unregulated derivatives contracts and currency in the spot market.
- 5- Securities dealer
- 6- Financial advices
- 7- Financial advisor (issuance manager)
- 8- Listing advisor
- 9- Promotion
- 10- Introduction
- 11- General clearing
- 12- Management of portfolios of securities
- 13- Management of investment funds investments
- 14- Administrative services of investment funds
- 15- Custody
- 16- Private joint-stock companies' registrar
- 17- Covered warrants issuer
- 18- Deposit bank
- 19- Deposit bank's agent
- 20- Credit rating
- 21- Digital broker
- 22- Digital custody

## Article (2) Licensing Categories

The financial activities licensing is divided into five categories as clarified below and as detailed in Annex no. (1):

First category: Dealing in securities.

Second category: Dealing in investment

Third category: Custody, clearing and registration

Fourth category: Credit rating agencies

Fifth category: Arrangement and advice

Sixth category: Digital services providers

## Chapter (4): Licensing

### Article (2) Licensing conditions and requirements

#### **1- Legal Form:**

The licensing applicant shall have one of the legal forms specified in the Commercial Companies Law, a foreign company's branch or a company in a financial free zone, unless the financial activity requires particular legal form according to Annex no. (1), provided that the licensing applicant's commercial purpose is limited to practicing financial activities except the bank and the foreign bank's branch that is licensed by the UAE's Central Bank.



## **2- Capital**

The licensing applicant shall meet the paid capital stipulated according to Annex no. (1). In the event of licensing for more than one category, the higher capital shall be sufficient. ....11

## **12- Technical systems**

The licensing applicant shall comply with the following:

1- Provide technical systems and technological and electronics programs required for practicing the financial activity and clarify their updating mechanism continuously, such as the information security and protection systems in order to encounter and manage cyber risks. Moreover, he shall comply with any technical or technological rules specified by the Authority concerning the technological potentials and virtual wallet.

2- Provide a guide including the following:

A- The mechanism of encountering the cyber risks and the method of dealing with them and managing them, data protection, and supervision on development of software and encryption if any.

B- The procedures of immediate report to the Authority and the bodies concerned with cyber security in the State, on any breach or violation of cyber security.

Sixth category (Digital services providers)				
Category license's legal form	Category license's capital	Category license's main tasks	Financial activities within the category	Approved functions for every financial activity
<ul style="list-style-type: none"> <li>A corporate person incorporated inside the State or a foreign company's branch according to the Commercial Companies Law, provided that the parent company shall be licensed for the same activity by a supervisory authority similar to the Authority, or a foreign bank's branch licensed by the UAE's Central Bank.</li> </ul>	The paid capital shall not be less than AED ..... (technical committee)	1- Manager or officer of the category. 2- Compliance officer. 3- Risks management officer. 4- Operations manager.	Digital broker	.....
			Digital custody	.....

### Section (3): Practicing works

#### **Chapter 3: Customer's funds**

##### **Article (1) Meaning of customer's funds**

##### **Customer's funds in this chapter means:**

**1- Cash amounts:** the funds deposited or delivered by the customer to the licensed authority for the purpose of investment, as consideration for the



financial services provided to him or for any other reasons according to the provisions of this chapter.

2- **Financial products**: Any financial product owned by the customer.

3- **Customer's guarantees**: The guarantee deposited by the customer according to the provisions of this chapter.

## Article (2) Cash amounts

### **First: Receiving and registering cash amounts**

1- No licensed authority may receive any cash amounts directly or indirectly from the customer and keep them, unless by the authority licensed for practicing the activities of custody and general clearing, except the following:

A- An entity that is licensed as a trading and clearing broker, the broker of trading in unregulated derivatives contracts or currencies in the spot market, the digital broker, or the promoter, if it is a bank or a foreign bank's branch incorporated in the State, provided that the customer shall have a separate bank account under his name that is allocated for investment or he shall comply with the procedures of separating accounts, the prohibitions and obligations stated in this chapter, **along with submitting the accounts separation report provided that it shall include at a minimum the data mentioned in the Annex no. (6)** if the cash amounts of customers are deposited in



- a bank account under the name of the licensed authority (for the customers).
- B- If the licensed authority receives cash amounts from the customer against the financial services provided to him or against an imposed fee payable by him.
- 2- In all cases, the licensed authority shall comply with registering and recording any cash amounts received from, deposited, transferred, or withdrawn by the customer in any form and whether directly or indirectly, in the customer's accounting records, along with clarifying the details of those cash amounts.
- 3- The licensed authority shall comply with separating the customer's cash amounts from any other cash amounts of another customer and from any other cash amounts belonging to it.
- 4- The licensed authority may – as allowed according to its financial activity- maintain the customer's cash amounts in a different currency from the received currency. In this case, it shall comply with the following:
- A- Daily ensure that the cash amount that is kept in the different currency equals at least the amount in the original currency.
- B- Pay any shortage in the kept amount by compensating any shortfall if necessary.
- C- Calculate the currency by using the spot currency price upon closure on the day before the calculation process.





## **Second: Prohibitions related to the bank account for the customers**

### **The licensed authority may not:**

- 1- Deposit any cash amounts owned and belong to the licensed authority in the bank account (for the customers) unless within the limits of the commission that is agreed upon in writing between the parties or the fees specified by the Authority or any of the capital market establishments.
- 2- Withdraw, deposit, or transfer any cash amount existing in the licensed authority's bank account (for the customers) or doing anything concerning those amounts, unless for the following purposes:
  - A- Based on the customer's written instructions that shall be clearly written and dated.
  - B- Based on the agreement concluded with the customer concerning investments and the revenues and obligations resulted therefrom, provided that this shall be written and established in the accounting records.
  - C- Payment of commissions and the consideration for providing the financial service, that are payable to the licensed authority as per the agreement concluded with the customer.
  - D- Payment of fees, expenses and commissions decided by the Authority or any of the capital market establishments.
  - E- As implementation of a decision issued by the Authority or any of the capital market establishments.



- 3- Obtaining any interests or revenues on the funds deposited in its bank account (for the customers), unless under a written agreement made with the customer.
- 4- Obtaining any credit facilities or bank loans under guarantee on the cash amounts deposited in its bank account (for the customers).

### **Third: Depositing cash amounts and the bank accounts:**

- 1- The licensed authority – that is allowed to receive cash amounts -shall deposit the customer's cash amounts in a bank account under its name (for the customer) with a local bank or in a bank account under the customer's name that is allocated for investment – as the case may be – within a period not exceeding the day following the receipt of the cash amounts.
- 2- The licensed authority's bank account (for the customers) or the bank account under the customer's name that is allocated for investment may be in a foreign bank if the trading is in foreign securities.
- 3- The licensed authority shall comply with the following, in the event that a bank account is opened under its name (for customers):
  - A- Clarify the extent to which it is necessary to open a bank account under its name in more than one local or foreign bank.
  - B- Estimate the risks of the local or foreign bank and to what extent it is appropriate to deposit money therein by customers.



- C- Deposit in its account (for the customers) at the bank, the cash amounts of the customers only without any cash amounts of it, unless within the limits of the commission that is agreed upon in writing between the parties or the fee specified by the Authority or any of the capital market establishments.
- D- Confirm for the bank not to carry out any transaction of the bank against it on the bank account (for the customers) or the cash amounts existing therein, unless within the limits of the commission agreed upon in writing between the parties or the fee specified thereof by the Authority or any of the capital market establishments.
- 4- The licensed authority shall comply with separating its bank accounts belonging to it and the bank accounts (for the customers) when showing the banks balances in its financial statements and their complementary notes.
- 5- The licensed authority shall provide the Authority with the data of the bank accounts opened with any of the banks and with any changes made to those data immediately after making them, provided that those data shall particularly include the following information:
- A- The numbers of its bank accounts (for the customers), the names of banks, the type of accounts, and the currency type.
- B- The numbers of the licensed authority's accounts (concerning its private accounts as a licensed authority), the banks names, the accounts types, and the currency type.



- C- The persons authorized by the licensed authority to open and / or close or dispose of the bank accounts belonging to the licensed authority and / or the customers and the limits of the powers granted to them in this regard.
- 6- The cash amounts deposited in the licensed authority's account (for the customers) as a trust with it and not owned by it, and they shall not be subject to the procedures of mortgage, attachment, liquidation, bankruptcy, or any other legal procedures to which the licensed authority is subject due to its obligations resulted for any whatever reason.

#### **Fourth: Revision and matching**

**The licensed authority shall comply with the following:**

- 1- Conduct daily revision at the end of every working day of the accounting records of each customer for calculating his balance of cash amounts.
- 2- Conduct daily matching between the customer's total credit balances and the total balances of the bank accounts belonging to the customers at the end of the previous work day. Moreover, ensure that the total balance in all bank accounts belonging to the customers is not less than their credit balances, and provide the Authority with a report upon request as it shall be provided monthly while being signed by the



operations manager and the compliance officer to show the finding of that matching.

- 3- Settle the customers' accounts no later than the end of the working day following the day on which the matching was done, by covering the shortage from the cash amounts or withdrawal of any surplus thereof within the same period.

Inform the Authority in the event of being unable to conduct matching or settle the account in the following day after discovering the same

## **Chapter (5): Practicing the financial activity**

### **Article (1) Brokers**

#### **Brokers shall comply with the following:**

#### **First: Receiving the trade orders of the customers**

- 1- Receive the trade order of the customer validly before performing the same.
- 2- Non-performance of any trade order for the customer if it becomes apparent for the broker or if the broker becomes aware of or has knowledge in any form about the lack or loss of qualification of the customer.
- 3- Meet the minimum limit of the data of the trade order issued by the customer according to the Annex no. (4).



- 4- Refrain from doing actions in violation of the trade order issued by the customer.
- 5- Document and archive the trade orders that are recorded by phone according to the Annex no. (5) or that are received in writing or by internet, fax, email, or by any other electronic means, along with keeping the same for a period of not less than (10) years. In all cases, the broker shall be responsible for establishing those orders with keeping a copy thereof according to the records keeping mechanism decided by the Authority.
- 6- Refrain from receiving or keeping any trade orders signed in blank by any customer.
- 7- Refrain from receiving any trade orders from other related to the customer on behalf of it unless in the following cases:
  - A- A third party outside the State provided that the conditions mentioned in article (7/2) of Chapter 2 of this Section shall be met, and provided that the customer's agreement with the third party shall state that the customer authorized the third party to issue trade orders on behalf of him.
  - B- A third party that is authorized by the Authority to act on behalf of the customer.
  - C- Any person who is granted by the customer a power of attorney executed at the market according to its procedures or a legal power of attorney certified from inside or outside the State according to the

procedures followed by the official entities and within the limits of that power of attorney, provided that the power of attorney shall include in all cases the limits and powers of the agent concerning the customer's account and the cash amounts, securities, and financial products owned by him, and the method of disposing of each one of them in a clear and express way.

## **Second: Collection and allocation of trade orders**

### **1- Collection and allocation of orders in the market:**

The broker may collect the trading orders in the securities listed in the market in customers' collective accounts and allocate the same in the account of every customer according to the regulations that are issued by the market and approved by the Authority.

### **2- Collection and allocation of orders in the foreign market:**

- A- The broker may trade in the foreign market with the normal trading methods or by using the collective accounts ~~if he obtained a license or approval to do so.~~
- B- The broker shall comply with listing in the contract to be concluded with the foreign broker the obligations and rights of both of them, and he shall clarify the mechanism of transferring the orders received from the customers – in his capacity as his authorized representative – to the foreign broker for implementation.



- C- Upon trading in a foreign market, the broker shall comply with the same obligations related to trading in the market and the obligations of the foreign market where the trading is done, along with the following obligations:
- 1- It is permitted to collect the trade orders of a customer with the trade orders of other customers or with the trade orders related to the broker's own account – if he has a permit to deal for his own account from the market or the Authority as the case may be, provided that there shall be written standards and policies regarding the collection and allocation that shall be applied consistently and shall include the following:
    - A- The mechanism of dealing with the collective trade orders if partially implemented.
    - B- Ensure that the collection of the customers' trade orders is not against their interests.
    - C- Obtain a written consent from the customer, if he is a normal investor, concerning the collection of his trade orders with any other trade orders and clarify the effects and risks that shall affect him as a result thereof.
    - D- Clarify the identity of every customer and the details of the allocation previously before implementing the trade orders.
  - 2- Allocate foreign securities for every customer or for the broker's own account after implementing the trade orders as follows:





- A- Allocation shall be made in a fair and unified method by not preferring one customer over the other or preferring the allocation for the broker's own account over the customers.
- B- Allocate foreign securities of the customer and register them in the customer's account expeditiously.
- C- Allocate foreign securities according to the declared instructions.
- D- The broker shall comply with documenting and archiving all elements related to the details of the collective trade orders and allocation thereof including the date, time, and the customer's identity and the details of the foreign securities and the amounts of every customer.

### **Third: Implementation of the trade orders**

- 1- The trade orders shall be implemented according to the trade order issued by the customer.
- 2- The trade orders shall be implemented on time immediately after issuance of the order by the customer.
- 3- The trade orders of the broker's own accounts shall be implemented – if he obtained consent thereon by the market or the Authority as the case may be – along with the trade orders of his customers in a fair method and according to priority of receiving them.



- 4- Prove that the implemented trade orders were valid at the time of implementation thereof.
- 5- Meet all the obligations arising out of implementation of the trade orders concerning which there was brokerage for entering into them, on the dates specified for this.
- 6- Not combining his capacity as a broker and the capacity of the agent in the contract concerning which he acts as a broker for entering into the same.
- 7- Refrain from implementing excessive trade orders.
- 8- Refrain from implementing any trade orders not included in the trading session unless the same is allowed under the applicable legislations.
- 9- Refrain from implementing any trade orders for customers except by actual implementation in the market or the foreign market or by the alternative trading platforms as for the unregulated derivatives contracts and currencies in the spot market.
- 10- Refrain from implementing any trade orders under his name or for his own account in the market or the foreign market unless he has obtained a license for doing so or an approval by the market for trading under his name and for his own account, according to the regulations issued by the market and approved by the Authority.
- 11- Refrain from utilizing the data, transactions, and trade orders of the customers in order to achieve benefits or gains for the broker or his employees or others, and keep them confidential.



- 12- Refrain from using the username and the password granted by the market to the approved employee, for implementation of the orders by another employee or by others.
- 13- Compliance, upon margin trading, with registration with the Authority and with the margin trading procedures and regulations issued by the market and approved by the Authority and / or the foreign market regulations in the event of margin trading in a foreign market. This clause excludes the brokers of unregulated derivatives contract and currencies in the spot market.
- 14- Refrain from implanting margin trading transactions in favor of one or more of joint customers in one collective account.
- 15- Further to the above implementation obligations, the broker of unregulated derivatives contracts and currencies in the spot market and the digital broker shall comply with the following:
  - A- Make sure that the customer deposits the initial margin in his account of unregulated derivatives contracts trading or the digital products trading account according to the specified percentages, and obtain his written consent concerning keeping that margin until closure of the customer's position, before inserting any trade order.
  - B- Conduct the daily market to market settlement of the unregulated derivatives contracts and the digital products.



- C- Obtain an undertaking from the customer to feed the account of the unregulated derivatives contracts immediately upon dropping of the initial margin's value to the maintenance margin.
- D- The margin regulations applicable by the markets where the unregulated derivatives contracts, the currencies or the digital products, if any, are listed.
- E- Issue a list specifying the initial margin percentage level (Tier Margin) and the maintenance margin required at each level of risks in every derivatives contract containing different included assets or every type of currency types or digital products.
- F- Inform the customer upon updating the initial margin's list and compliance with non-application thereof retroactively on any previous trade orders that were not completed and closed.
- G- Record and save the data and details of the unregulated derivatives contracts, currencies or digital products or the trade order ~~of them~~ of any of them in the market, deposit center, digital custody, or digital portfolio according to their respective procedures.

#### **Fourth: Notification of the implementation of the trade orders**

- 1- Notify the customer according to the agreed upon means of completing the implementation of the trade order on the same day of implementation as per the Annex no. (2). The customer may object to any process immediately after being notified thereof.



- 2- Notify the custodian broker in writing or by the agreed upon means of the implemented trade orders on the customer's account immediately after implementation thereof according to the procedures of delivery versus payment (DVP).
- 3- Provide the customer with a (quarterly) account statement within (45) days from the end of the quarter period – if there is movement in the account during that period, and an annual account statement within (3 months) from the end of the financial year, without prejudice to the customer's right to request to be provided with a detailed account statement or a statement of his balances of securities at any time, provided that the notice shall in all cases include the data mentioned in the Annex no. (3) as minimum limit, except professional investors and the counterparty, unless there is otherwise agreement.
- 4- Notify the customers immediately after dropping of the ownership percentage in the account of (trading in unregulated derivatives and currencies in the spot market) to the maintenance margin so that the customer shall cover the shortage in his account according to the period agreed upon with the licensed authority. The licensed authority may close the customer's position if he violates his obligation

### **Fifth: Settlement of trade orders**

- 1- The broker shall settle his obligations with the market or the central clearing and the deposit center according to the applicable procedures or according to the foreign market rules if the trading is conducted in



foreign markets. Moreover, he shall settle his obligations with the general clearing according to the agreement concluded between them if he is a trading broker.

- 2- Non-payment of any cash amounts to the customers having debit balances and non-payment of any amounts exceeding the customer's credit balance unless for the purposes of trading in the margin.
- 3- Not adding a balance to the customer's accounts by cheques unless after actual collection of those cheques.
- 4- Making sure of the customer's ability to pay the value of the securities financial products purchase transactions before the settlement date. In the event of carrying out securities purchase transactions in the market and selling them in the same trading session, a cash balance should be available in the customer's account to cover the purchase value and the clearing between the transactions of purchase and sale of securities in the same trading session shall not be admissible.
- 5- The broker shall sell the securities subject of the carried-out purchase order – if the customer does not pay the price thereof within two settlement days – within a period not exceeding one business day from the settlement date according to the following procedures:
  - A- Sale after obtaining the market's consent.
  - B- Sale at the market price.
  - C- The customer shall bear the loss arising out of the sale.



- D- The broker shall bear the loss arising out of the sale if he does not comply with the above procedures.
- E- In all cases, deposit any profits arising out of the securities sale according to the above procedures as per the mechanism specified by the market.
- 6- As exception from clause (5) above, the (DVP) customers' transactions shall be settled according to the settlement system based on delivery versus payment.
- 7- The trading broker shall enter into agreement with the authority licensed to practice the general clearing activity, in order to settle the customers' accounts or his accounts, as it shall include regulation of the relation between them, the rights and obligations of every party, the work procedures, and the method followed to distribute commission between them. He shall provide both of the Authority and the market of a copy thereof immediately after being signed. Moreover, he shall comply with not receiving any cash amounts from the customers, provided that the customers shall pay the general clearing.

### **Article (12) Custody & Digital Custody**

**First: The custodian shall perform one or more of the below obligations according to the agreement concluded with his customer:**

- 1- Keep the customer's financial products and keep the digital products' encryption keys.



- 2- Keep the customers' cash amounts.
- 3- Practice the rights associated with the financial products including the collection of interests or profits or the subscription right or the right to attend the general assembly's meeting and to vote therein on behalf of the customer based on his instructions.
- 4- Register the mortgages of the financial products or freeze them upon the customer's desire or based on the instructions issued by any of the capital market establishments or the Authority, or enforcement of attachment against them upon the request of the competent official authorities.
- 5- Submit the request of securities transfer within the cases excluded from trading on behalf of the customer.
- 6- Transfer the digital product from one address and account to another address and account on behalf of the customer.

**Second: The custodian shall comply with the following:**

- 1- Open an account for every customer as that account shall include all the documents and transactions made in his account.
- 2- Carry out the instructions issued for him by his customer in a way that shall achieve the customer's investment targets.
- 3- Non-disposal of the financial products or the cash amount kept with him unless according to the provisions of laws or decisions issued as





implementation thereof and the clauses of the agreement made with the customer.

- 4- Accept the financial products or the digital products transfer from the broker (seller) and transfer the financial products or the digital products to the broker (purchaser) on behalf of the customer according to the procedures of the market and / or the deposit center and / or the procedures related to digital products.
- 5- Transfer the cash amounts to the broker (seller) and accept the transfer of the cash amounts from the broker (seller) on behalf of the customer.
- 6- Notify the customer of all the decisions and procedures made by the financial products issuers concerning the rights associated with his financial products, according to the agreed upon communication means as soon as possible taking the customer's interests into account.
- 7- Notify the customer of all the transactions and transfers made on his account within (24) hours, according to the communication means that they agreed on.
- 8- Provide the customer with a detailed monthly account statement – at least – that shall clarify all the trading transactions and transfers made in his account, along with clarifying his current balance of financial products and / or cash amounts.
- 9- Transfer financial products and / or cash amounts from the account of the customer to another custodian upon the customer's request.



10- Ensure that no person having the rights of operating the encryption keys shall delegate his procedures related to the digital products or transactions of the relevant funds kept in favor of the customers.

**Third: Practicing the general clearing tasks for his customers:**

The custodian may – as exception from article (8) of Chapter 5 of this Section – if it is a local bank or a foreign bank's branch, practice the general clearing activities to settle the obligations of (his customers) only according to market's procedures and regulations approved by the Authority, provided that he shall notify the Authority when carrying out those tasks and when ceasing to perform them.