

AIFC CONDUCT OF BUSINESS RULES (COB)

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

8.3.14. Client reporting

- (1) In relation to each Client for whom it receives or holds Client Investments, an Authorised Firm must provide at least once a year an audited statement of the Client Investments unless such a statement has been provided in a periodic statement in accordance with COB 9.
- (2) An Authorised Person which Provides Custody for safeguarding and administering Virtual Currencies belonging to a Retail Client must send a statement to its Retail Clients at least monthly.

8.3.16. Reconciliations

- (1) An Authorised Firm must:
 - (a) at least once every calendar month, reconcile its records of Client Accounts held with Third Party Account Providers with monthly statements received from those Third Party Account Providers;
 - (b) at least every six months, count all Client Investments physically held by the Authorised Firm, or its Nominee Company, and reconcile the result of that count to the records of the Authorised Firm; and
 - (c) at least every six months, reconcile individual Client ledger balances with the Authorised Firm's records of Client Investment balances held in Client Accounts.
- (2) An Authorised Firm must ensure that the process of reconciliation does not give rise to a conflict of interest.
- (3) For the purposes of Authorised Persons that are Providing Custody for safeguarding and administering Virtual Currencies belonging to another Person, all reconciliations required under 8.3.16 shall be conducted at least every week.

17. OPERATORS OF A VIRTUAL CURRENCY BUSINESS

17.1. Application

This chapter applies to an Authorised Person engaged in the activity of Operating a Virtual Currency Business.

17.2 Rules Applicable to an Authorised Virtual Currency Trading Facility

In addition to all requirements applicable to Authorised Persons in these rules, GEN, and AML, an Authorised Person carrying on the Market Activity of Operating a Virtual Currency Trading Facility must comply with the applicable requirements set out in the AMI, unless the requirements in this chapter expressly provide otherwise.

17.3. Admission of Virtual Currencies to trading

- (1) An Authorised Person Operating a Virtual Currency Trading Facility may grant admission of Virtual Currencies to trading only where it is satisfied that such admission is in accordance with AMI and an Authorised Virtual Currency Trading Facility's Admission to Trading Rules.
- (2) An Authorised Person Operating a Virtual Currency Trading Facility must not permit trading of Virtual Currencies on its facilities unless those Virtual Currencies are admitted to, and not suspended from, trading by the an Authorised Person Operating a Virtual Currency Trading Facility and approved by the AFSA except where otherwise prescribed in the Rules.

17.4. Additional disclosure requirements

Prior to entering into an initial transaction for, on behalf of, or with a Client, an Authorised Person Operating a Virtual Currency Business shall disclose in a clear, fair and not misleading manner:

- (a) all terms, conditions and risks relating to the Virtual Currencies that have been admitted to trading and/or is the subject of the transaction;
- (b) all material risks associated with its products, services and activities; and
- (c) all details on the amount and the purpose of any premiums, fees, charges or taxes payable by the Client, whether or not these are payable to the Operating a Virtual Currency Business.

17.5. The risks to be disclosed pursuant to Rule 17.4. include, but are not limited to, the following:

- (a) Virtual Currencies not being legal tender or backed by a government;
- (b) the value, or process for valuation, of Virtual Currencies, including the risk of a Virtual Currency having no value;
- (c) the volatility and unpredictability of the price of Virtual Currencies relative to Real (Fiat) Currencies;
- (d) that trading in Virtual Currencies is susceptible to irrational market forces;

- (e) that the nature of Virtual Currencies may lead to an increased risk of Financial Crime;
- (f) that the nature of Virtual Currencies may lead to an increased risk of cyber-attack;
- (g) there being limited or, in some cases, no mechanism for the recovery of lost or stolen Virtual Currencies;
- (h) the risks of Virtual Currencies with regard to anonymity, irreversibility of transactions, accidental transactions, transaction recording, and settlement;
- (i) that there is no assurance that a Person who accepts a Virtual Currencies as payment today will continue to do so in the future;
- (j) that the nature of Virtual Currencies means that technological difficulties experienced by the Authorised Person may prevent the access or use of a Client's Virtual Currencies;
- (k) any links to Virtual Currencies related activity outside AIFC, which may be unregulated or subject to limited regulation; and
- (l) any regulatory changes or actions by the AFSA or Non-AIFC Regulator that may adversely affect the use, transfer, exchange, and value of a Virtual Currency.

17.6. Complaints

- (1) An Authorised Person Operating a Virtual Currency Business shall establish and maintain written policies and procedures to fairly and timely resolve complaints.
- (2) An Authorised Person Operating a Virtual Currency Business must provide, in a clear and conspicuous manner, on its website or websites, in all physical locations, and in any other location as the AFSA may prescribe, the following disclosures:
 - (a) the mailing address, email address, and telephone number for the receipt of complaints;
 - (b) a statement that the complainant may also bring his or her complaint to the attention of the AFSA;
 - (c) the AFSA's mailing address, website, and telephone number; and
 - (d) such other information as the AFSA may require.
- (3) An Authorised Person Operating a Virtual Currency Business shall report to the AFSA any change in its complaint policies or procedures within ten days.
- (4) An Authorised Person Operating a Virtual Currency Business must maintain a record of any complaint made against it for a minimum period of six years from the date of receipt of the complaint.

17.7. Obligation to report transactions

- (1) An Authorised Person Operating a Virtual Currency Business shall report to the AFSA details of transactions in Virtual Currencies traded on its facility which are executed, or reported, through its systems.
- (2) The AFSA may make Rules specifying—
 - (a) the information to be included in reports made under subsection (1); and
 - (b) the manner in which such reports are to be made.

17.8. AFSA power to impose a prohibition or requirement

- (1) The AFSA may prohibit an Authorised Person Operating a Virtual Currency Business from:
 - (a) entering into certain specified transactions or types of transactions; or
 - (b) outsourcing any of its functions or activities to a third party.
- (2) The AFSA may, by written notice or Guidance set fees payable by an Authorised Person Operating a Virtual Currency Business to the AFSA on certain specified transactions or types of transactions.