

Appendix 2

In this annex underlining indicates new text and striking through indicates deleted text.



The DFSA Rulebook

Conduct of Business Module

(COB)

6 ADDITIONAL RULES - INVESTMENT BUSINESS

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6.3 Investment research and offers of securities

Application

6.3.1 This section applies to an Authorised Firm preparing or publishing Investment Research.

Guidance

Investment Research is seen as a significant potential source of conflicts of interest within an Authorised Firm and therefore an Authorised Firm preparing or publishing investment research is expected to have adequate procedures, systems and controls to manage effectively any conflicts that arise.

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6.3.4 (1) For the purposes of this section, an Authorised Firm must take reasonable steps to ensure that when it publishes Investment Research, and in the case where a representative of the Authorised Firm makes a Public Appearance, disclosure is made of the following matters:

- (a) any financial interest or material interest that the Investment Analyst or a Close Relative of the analyst has, which relates to the Investment;
- (b) any shareholding by the Authorised Firm or its Associate of 1% or more of the total issued share capital of the Issuer;
- (c) if the Authorised Firm or its Associate acts as corporate broker for the Issuer;
- (d) any material shareholding by the Issuer in the Authorised Firm;
- (e) any corporate finance business undertaken by the Authorised Firm with or for the Issuer over the past 12 months, and any future relevant corporate finance business initiatives; and
- (f) that the Authorised Firm is a Market Maker in the Investment, if that is the case.

(2) Where there is an actual or potential conflict of interest in relation to an Investment Analyst which may reasonably be likely to impair the impartiality of the Investment Research, the Authorised Firm must disclose:

- (a) how the Investment Analyst is remunerated, together with his respective lines of accountability and supervision; and
- (b) a financial interest, other material interest or relationship which the Investment Analyst or a Close Relative of the analyst has, which relates to the Investment Research.

Guidance

The requirements in Rule 6.3.4(2) apply to an Authorised Firm in addition to other requirements in the DFSA Rulebook. For example, an Authorised Firm is required to take reasonable steps to identify actual or potential conflicts of interest and then prevent or manage them under GEN Rule 4.2.7 (Principle 7 – Conflicts of Interest). Further, COB Rule 6.3.2 requires an Authorised Firm to have adequate procedures and controls when it prepares or publishes Investment Research.

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6.8 Other dealing rules

Application

- 6.8.1** (1) The Rules in this section, other than Rule 6.8.7, do not apply to an Authorised Firm with respect to any Transaction which it:
- (a) undertakes with a Market Counterparty; or
 - (b) carries out for the purposes of managing a Fund of which it is the Fund Manager.

[Amended][RM72][VER19/07-10]

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Direct Electronic Access

6.8.7 Where an Authorised Firm provides a Client (including a Market Counterparty) with direct electronic access to an Authorised Market Institution, Alternative Trading System, Regulated Exchange or regulated multilateral trading facility, the Authorised Firm must:

- (a) establish and maintain policies, procedures, systems and controls to limit or prevent a Client from placing an order that would result in the Authorised Firm exceeding its existing position limits or credit limits; and
- (b) ensure that such policies, procedures, systems and controls remain appropriate and effective on an on-going basis.

Guidance

An Authorised Firm should undertake on-going monitoring of its systems and controls to ensure that they are operating effectively and as intended and remain appropriate.

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7.10 Placement of Insurance

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Confirmation of cover

7.10.3 (1) An Insurer, in Effecting Contracts of Insurance, must promptly document the principal economic and coverage terms and conditions agreed upon under any Contract of Insurance and finalise such contract in a timely manner.

~~(1)~~(2) An Insurer or Insurance Intermediary must, as soon as reasonably practicable, provide a Client with written confirmation and details of the insurance which it has effected for the Client or has obtained on behalf of the Client, including any changes to an existing Contract of Insurance.

~~(2)~~(3) An Insurer or Insurance Intermediary must, as soon reasonably practicable, provide the Client with the full policy documentation where this was not included with the confirmation of cover.