

ANNEX C

In section 1.2 of this Annex, underlining indicates new text and striking through indicates deleted text. Whereas, in chapter 17, which consists entirely of new Rules, the text is not underlined.



CONDUCT OF BUSINESS (COB)



The DFSA Rulebook

Conduct of Business Module

(COB)

1 INTRODUCTION

1.2 General

Guidance

This module is divided into five parts:

- a.
- b.
- c.
- d.
- e. COB part 5 is not currently used. contains additional Rules in relation to Operating Alternative Trading Systems.

17 ATS OPERATORS

17.1 Application

17.1.1 This chapter applies to an Authorised Firm which is an ATS Operator.

17.2 Client Disclosures

17.2.1 Before granting a Client access to an ATS an ATS Operator must ensure that the Client is provided in writing with the following details:

- (a) sufficient information about how the ATS operates to enable the Client to use the system efficiently and to understand any material risks involved in using the system. Such information should include any dealing processes and rules of the system;
- (b) the arrangements for clearing and settlement of transactions and the responsibilities of the ATS Operator in relation to this;
- (c) a statement as to whether transactions executed using the ATS are reported to an Authorised Market Institution or any other regulated exchange. If transactions are to be reported then the ATS Operator must provide details as to the identity of the Authorised Market Institution or other regulated exchange and the arrangements for providing such information;
- (d) the trading procedures that may be adopted in the event of system disruption; and
- (e) the circumstances in which the ATS Operator may revise the terms of, or terminate, a Client's access to the ATS.

17.3 Systems and controls

17.3.1 An ATS Operator must establish and maintain systems and controls to ensure:

- (a) fair and orderly trading;
- (b) the equitable treatment of Clients;
- (c) fair pricing of the Investments having regard to the time, quantity and other specifications of the quote or order; and

- (d) that sufficient information about quotes, orders and completed transactions is made available to Clients of the system in a timely manner.

Guidance

1. The appropriateness of different arrangements for particular systems and controls depends upon a number of factors including the nature of the Investments being traded, the nature and characteristics of the ATS and the significance of the ATS to the overall market.
2. For the purposes of Rule 17.2.4 (d), information should be available to Clients of the system close to the time when the quote or order is given or the transaction is executed.

17.4 Information

17.4.1 An ATS Operator must provide, or be reasonably satisfied that there is publicly available, sufficient information to enable Clients of the system to make a reasonably informed judgement about the value of each Investment traded on the ATS and the risks associated with that Investment.

17.4.2 Where Investments traded on the ATS are also traded on the facilities of an AMI or other regulated exchange, or are substantially the same as Investments traded on such facilities, an ATS Operator must establish and maintain systems and controls to ensure details of:

- (a) quotes and orders that the ATS displays to Clients of the system; and
- (b) prices, volumes and times of completed transactions,

are made publicly available in a timely manner and on reasonable commercial terms.

Guidance

1. For the purposes of Rule 17.4.2, information should be made publicly available within a reasonable period.
2. An Authorised Firm may make information publicly available by publishing the information itself, for example, by posting data on a web-site, or by arranging with a third party to publish the information.

17.5 Monitoring and Disclosure

17.5.1 An ATS Operator must monitor transactions undertaken on the ATS to identify suspected or actual breaches of any rules, procedures or agreements relating to fair and orderly trading and Market Misconduct.

17.5.2 A breach of an ATS Operator's rules relating to fair and orderly trading on the ATS is a prescribed matter for the purposes of Article 67(1)(e) of the Regulatory Law 2004.