
ANNEX H

In this Annex, underlining indicates new text and striking through indicates deleted text.



The DFSA Rulebook

General Module

(GEN)

4 CORE PRINCIPLES

4.1 Principles for Authorised Firms – application

4.1.1 The ~~ten~~ eleven Principles for Authorised Firms, set out in section 4.2, apply to every Authorised Firm in accordance with Rules 4.1.2 and 4.1.3.

- 4.1.2** (1) For the purposes of Rule 4.1.3 the term ‘activities’ means:
- (a) Financial Services;
 - (b) activities carried on in connection with a Financial Service;
 - (c) activities held out as being for the purpose of a Financial Service; and
 - (d) in relation to any particular Principle, any activity specified in (2), (3) and (4).
- (2) Principles 3 and 4 also apply in a Prudential Context to an Authorised Firm with respect to the carrying on of all its activities.
- (3) Principles 3 and 4 also take into account any activities of other members of the Group of which the Authorised Firm is a member.
- (4) Principles 10 and 11, to the extent that it relates to disclosing to the DFSA, also applies to an Authorised Firm with respect to the carrying on of all its activities, and takes into account any activities of other members of the Group of which the Authorised Firm is a member.
- 4.1.3** (1) The Principles apply to an Authorised Firm only with respect to activities carried on from an establishment maintained by it in the DIFC, unless an extension in (2), (3), (4) or (5) applies.
- (2) Where another applicable Rule, which is relevant to the activity, has a wider territorial scope than that in (1), any related Principle applies with that wider scope in relation to the activity described in the Rule.
- (3) Principles 1, 2 and 3 apply in a Prudential Context to an Authorised Firm with respect to activities wherever they are carried on.
- (4) Principles 4 and ~~10~~ 11 apply to an Authorised Firm with respect to activities wherever they are carried on.

4.2 The Principles for Authorised Firms

Principle 10 - Relations with regulators

4.2.10 An Authorised Firm must deal with Regulators in an open and co-operative manner and keep the DFSA promptly informed of significant events or anything else relating to the Authorised Firm of which the DFSA would reasonably expect to be notified.

Principle 11 - Compliance with high standards of corporate governance

4.2.11 An Authorised Firm must meet applicable standards of corporate governance as appropriate considering the nature, size and complexity of the Authorised Firm's activities.

5.2 Senior management arrangements

Apportionment of significant responsibilities

5.2.1 An Authorised Person must apportion significant responsibilities among its Governing Body and its senior management and maintain such apportionment in such a way that:

- (a) it is appropriate with regard to:
 - (i) the business and affairs of the Authorised Person; and
 - (ii) the ability and qualifications of the responsible individuals;
- (b) it is clear who is responsible for which matters; and
- (c) the business and affairs of the Authorised Person can be adequately monitored and controlled by the Authorised Person's Governing Body and senior management.

5.2.2 An Authorised Person must allocate to the Senior Executive Officer or to the individual holding equivalent responsibility for the conduct for the Authorised Person's business or the Governing Body, the functions of:

- (a) dealing with the apportionment of responsibilities; and
- (b) overseeing the establishment and maintenance of systems and controls.

Guidance

Rules 5.2.1 and 5.2.2 do not derogate from the overall responsibility of the Governing Body with respect to the strategic objectives and corporate values of the Authorised Person as appropriate taking into consideration the nature, size and complexity of the Authorised Person's activities.

5.3 Systems and controls

General requirement

- 5.3.1** (1) An Authorised Person must establish and maintain systems and controls, including but not limited to financial and risk systems and controls, that ensure that its affairs are managed effectively and responsibly by its senior management.
- (2) An Authorised Person must undertake regular reviews of its systems and controls.

Conduct

- 5.3.20** An Authorised Person must establish and maintain systems and controls that ensure, as far as reasonably practical, that the Authorised Person and its Employees do not engage in conduct, or facilitate others to engage in conduct, which may constitute:
- (a) market misconduct;
 - (b) money laundering; or
 - (c) a financial crime under any applicable U.A.E. laws.

Guidance

An Authorised Firm should adopt, at a minimum, a policy on ethics and professional conduct and clearly communicate such a policy to those persons involved in its affairs in order to comply with the obligations under this Rule and its general duty to observe high standards of integrity and fair dealing under Rule 4.2.

- 5.3.28** An Authorised Person must have systems and controls to fulfil the Authorised Person's legal and regulatory obligations with respect to adequacy, access, period of retention and security of records.

Fraud

- 5.3.29** An Authorised Person must establish and maintain effective systems and controls to:
- (a) deter and prevent suspected fraud against the Authorised Person; and
 - (b) report suspected fraud and other financial crimes to the relevant authorities.