

Appendix 10

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



The DFSA Rulebook

Conduct of Business Module

(COB)

9 ADDITIONAL RULES: OPERATING AN ALTERNATIVE TRADING SYSTEM

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9.2 Main requirements relating to trading on the facility

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Material changes to Current Arrangements

- 9.2.3** (1) An ATS Operator may only make material changes to its existing arrangements to meet the requirements in this chapter in accordance with the requirements in this Rule.
- (2) The reference to “Existing Arrangements” in (1) is a reference to both the arrangements which were in place at the time of the initial grant of the Licence and any changes made to such arrangements in accordance with the requirements in this Rule.
- (3) For the purposes of obtaining the DFSA approval, an ATS Operator must provide to the DFSA, at least 30 days before the proposed change is intended to come into effect, a notice setting out:
- (a) the proposed change;
 - (b) the reasons for the proposed change; and
 - (c) what impact the proposed change would have on its members and its ability to operate the facility.
- (4) The DFSA ~~will~~must, upon receipt of a notice referred to in (1), approve or disapprove the proposed change as soon as practicable and in any event within 30 days of the receipt of the notice, unless that period has been extended by notification to the applicant.
- (5) The DFSA may, in circumstances where a material change to Current Arrangements is shown on reasonable grounds to be urgently needed, accept an application for approval of such a change on shorter notice than 30 days.
- (6) The procedures in Schedule 3 to the Regulatory Law apply to a decision of the DFSA to reject a proposed change under this Rule.
- ~~(6)~~ Where the DFSA does not approve decides to reject a proposed change, the ATS Operator may refer the matter to the FMT for review. it must give to the ATS Operator reasons for its decision. Such a decision is appealable to the Regulatory Appeals Committee.

Guidance

1. The period of 30 days will commence to run from the time the DFSA has received all the relevant information to assess the application.
2. An ATS Operator should consider submitting its application for the DFSA approval well in advance of the date on which a proposed amendment is intended to come into effect, especially in the case of significant material changes to its existing arrangements, to allow the DFSA sufficient time to consider the application. If additional time is reasonably required to properly assess the impact of a proposed change due to its nature, scale and complexity, the DFSA may make an appropriate extension of time beyond 30 days. Such an extension would be made in consultation with the applicant.
3. ~~If a proposed material change remains not approved by the DFSA within the 30 day period and the DFSA has not expressly extended the period beyond 30 days, the ATS Operator may treat the proposed change as not being approved by the DFSA, and on that basis, appeal such a decision to the Regulatory Appeals Committee.~~

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9.6 Proper Markets

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Liquidity providers

- 9.6.8** (1) An ATS Operator must not introduce a liquidity incentive scheme unless:
- (a) participation of such a scheme is limited to:
 - (i) a member as defined in Rule 9.3.1(1); or
 - (ii) any other Person where:
 - (A) it has undertaken due diligence to ensure that the Person is of sufficient good repute and has adequate competencies and organisational arrangements; and
 - (B) the Person has agreed in writing to comply with its Operating Rules so far as those rules are applicable to that Person's activities; and
 - (b) it has obtained the prior approval of the DFSA.

- (2) For the purposes of this section, a “liquidity incentive scheme” means an arrangement designed to provide liquidity to the market in relation to Investments traded on the facility.
- (3) Where an ATS Operator proposes to introduce or amend a liquidity incentive scheme, it must lodge with the DFSA, at least 10 days before the date by which it expects to obtain the DFSA approval, a statement setting out:
 - (a) the details of the relevant scheme, including benefits to the ATS and members arising from that scheme; and
 - (b) the date on which the scheme is intended to become operative.
- (4) The DFSA must within 10 days of receiving the notification referred to in (3), approve a proposed liquidity incentive scheme unless it has reasonable grounds to believe that the introduction of the scheme would be detrimental to the facility or markets in general. Where the DFSA does not approve the proposed liquidity incentive scheme, it must notify the ATS Operator of its objections to the introduction of the proposed liquidity incentive scheme, and its reasons for that decision.
- (5) An ATS Operator must, as soon practicable, announce the introduction of the liquidity incentive scheme, including the date on which it becomes operative and any other relevant information.
- (6) If the DFSA decides to approve a liquidity incentive scheme, the ATS Operator may refer the decision to the FMT for review.~~An ATS Operator may appeal a decision of the DFSA not to approve a liquidity incentive scheme, the ATS Operator may refer the decision to the Regulatory Appeals Committee.~~

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