



**AMENDMENTS TO THE AIFC AUTHORISED MARKET INSTITUTION RULES
(AMI)**

AIFC ACT NO. FR0021 OF 2018

Astana International Financial Centre, Astana

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AIFC AUTHORISED MARKET INSTITUTION RULES (AMI)

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

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Guidance: Purpose and application of AMI

The rules and guidance in AMI complement Chapter 2 of Part 3 of the Framework Regulations (Licensing of Authorised Market Institutions) and Part 6 of the Framework Regulations (Capital Markets). AMI also contains rules in relation to the supervision of Authorised Market Institutions which complement the provisions in Part 8 of the Framework Regulations (Supervision of Authorised Persons) and Chapter 7 of the GEN rulebook (Supervision). The purpose of the rules and guidance in AMI is to set out:

- the licensing requirements, or standards, which an applicant must satisfy to be granted a Licence to carry on either of the Market Activities of Operating an Investment Exchange, Operating Private E-currency Trading Facility and Operating a Clearing House;
- the various regulatory functions that an Authorised Market Institution must perform in relation to admitting Securities to trading, operating an Official List and enforcing its Business Rules; and
- the supervisory regime to which such an Authorised Market Institution will be subject on an ongoing basis, including requirements in respect of its relationship with the AFSA.

The application of the rules in AMI is as follows:

- Chapter 1 contains introductory provisions applicable to all Authorised Market Institutions.
- Chapter 2 contains rules and guidance applicable to all Authorised Market Institutions.
- Chapter 3 contains additional rules and guidance applicable to Authorised Investment Exchanges.
- Chapter 4 contains additional rules and guidance applicable to Authorised Clearing Houses (including Authorised Central Counterparties).
- Chapter 4 contains rules in relation to the supervision of Authorised Market Institutions.
- Chapter 6 contains additional rules and guidance applicable to Authorised Private E-currency Trading Facility.

1.1.1. Definitions

- (1) An Authorised Market Institution is a Centre Participant which has been licensed by the AFSA to carry on one or more Market Activities. An Authorised Market Institution can be an Authorised Investment Exchange, [an Authorised Private E-currency Trading Facility](#) and/or an Authorised Clearing House.

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- (7) [An Authorised Private E-currency Trading Facility is a Centre Participant which has been licensed by the AFSA to carry on the Market Activity of Operating a Private E-currency Trading Facility.](#)

2.4.4. Resources of Members

- (1) An Authorised Market Institution must ensure that its Members and other participants on its facilities have sufficient and secure technology resources which are compatible with its own.
- (2) [The requirements in \(1\) do not apply to the Member of an Authorised Private E-currency Trading Facility if the Member is a body corporate or an individual \(natural person\) that carries on the activity solely as principal.](#)

2.4.7. Testing relating to Members' technology systems

- (1) An Authorised Market Institution must implement standardised conformance testing procedures to ensure that the systems which its Members are using to access facilities operated by it have a minimum level of functionality that is compatible with the Authorised Market Institution's information technology systems and will not pose any threat to fair and orderly conduct of its facilities.
- (2) An Authorised Market Institution must also require its Members, before commencing live operation of any electronic trading system, user interface or a trading algorithm, including any updates to such arrangements, to use adequate development and testing methodologies to test the viability and effectiveness of their systems, to include system resilience and security.
- (3) For the purposes of (2), an Authorised Market Institution must require its Members:
 - (a) to adopt trading algorithm tests, including tests in a simulation environment which are commensurate with the risks that such a strategy may pose to itself and to the fair and orderly functioning of the facility operated by the Authorised Market Institution; and
 - (b) not to deploy trading algorithms in a live environment except in a controlled and cautious manner.
- (4) [The requirements in \(1\)-\(3\) do not apply to the Member of an Authorised Private E-currency Trading Facility if the Member is a body corporate or an individual \(natural person\) that carries on the activity solely as principal.](#)

2.5.1. Requirement to prepare Business Rules

Save where the AFSA otherwise directs, an Authorised Market Institution must establish and maintain Business Rules governing relations between itself and the participants in the market, including but not limited to:

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(c) Default Rules, prepared in accordance with either AMI 3.5 or AMI 4.6, governing action that may be taken in respect of unsettled Market Contracts in the event of a Member being, or appearing to be, unable to meet its obligations;

(d) Admission to Trading Rules, prepared in accordance with AMI 3.2 [or AMI 6.3.](#), or Admission to Clearing Rules, prepared in accordance with AMI 4.1, governing the admission of Securities [or Private E-currencies](#) to trading, or clearing and settlement, as appropriate to its facilities;

(e) Listing Rules, prepared in accordance with AMI 3.6, setting out the rules and conditions applicable to a Person who wishes to have Securities included in an Official List of Securities; ~~and~~

(f) any other matters necessary for the proper functioning of the Authorised Market Institution and the facilities operated by it; ~~and~~

[\(g\) the requirements in \(c\) and \(e\) do not apply to the Authorised Private E-currency Trading Facility.](#)

2.6.1. Persons eligible for Membership

(1) An Authorised Market Institution, [except an Authorised Private E-currency Trading Facility](#), may only admit as a Member a Person who satisfies admission criteria set out in its Membership Rules and who is either:

(a) an Authorised Firm whose Licence permits it to carry on the Regulated Activities of Dealing in Investments; or

(b) a Recognised Non-AIFC Member.

(2) [An Authorised Private E-currency Trading Facility may only admit as a Member a Person who satisfies admission criteria set out in its Membership Rules and which is:](#)

(a) [an Authorised Firm whose Licence permits it to carry on the Regulated Activities of Dealing in Investments;](#)

(b) [a Recognised Non-AIFC Member; or](#)

(c) [a body corporate or an individual \(natural person\) which carries on the activity solely as principal.](#)

2.7.1. Direct Electronic Access

Direct Electronic Access means any arrangement, such as the use of the Member's trading code, through which a Member or the clients of that Member are able to transmit electronically orders relating to Securities [or Private E-currency](#) directly to the facility provided by the Authorised Market Institution and includes arrangements which involve the use by a Person of the infrastructure of [the Authorised Private E-currency Trading Facility or](#) the Member or participant or client or any connecting system provided by the [Authorised Private E-currency Trading Facility or](#) Member or participant or client, to transmit the orders and arrangements where such an infrastructure is not used by a Person.

2.7.2. Direct electronic access – general conditions

An Authorised Market Institution may only permit a Member [specified in AMI 2.6.1\(1\)\(a\) and \(b\)](#) to provide its clients Direct Electronic Access to the Authorised Market Institution's facilities where the clients meet the suitability criteria established by the Member in order to meet the requirements in AMI 2.7.3.

2.7.3. Direct electronic access – criteria, standards and arrangements

An Authorised Market Institution which permits its Members [to have direct electronic access to its trading facilities or permits its Members](#) to allow their clients to have Direct Electronic Access to its trading facilities must:

(a) ensure that a Member [allowing its clients to have direct electronic access to the trading facilities of an Authorised Market Institution](#) ~~is only permitted to provide direct electronic access to the venue if the Member~~ is an Authorised Person;

2.7.4. Direct electronic access rules

An Authorised Market Institution operating a trading venue which permits Direct Electronic Access through its systems must set out and publish the rules and conditions pursuant to which its Members [specified in AMI 2.6.1\(1\)\(a\) and \(b\)](#) may provide Direct Electronic Access to their clients. Those rules and conditions must at least cover the specific requirements set out below:

2.9.2. Custody and investment risk

(1) An Authorised Market Institution must have effective means to address risks relating to:

(a) custody of its own assets, in accordance with (2), if it is an Authorised Clearing House; ~~or~~

(b) investments, in accordance with (3), if it is an Authorised Investment Exchange; ~~or~~

[\(c\) Private E-currencies, if it is an Authorised Private E-currency Trading Facility.](#)

6. RULES APPLICABLE TO AN AUTHORISED PRIVATE E-CURRENCY TRADING FACILITY

6.1. Main requirements relating to trading on the facility

- (1) An Authorised Private E-currency Trading Facility must, at the time a Licence is granted and at all times thereafter, have:
 - (a) transparent and non-discriminatory rules and procedures to ensure fair and orderly trading of Private E-currencies on its facility;
 - (b) objective criteria governing access to its facility;
 - (c) objective and transparent criteria for determining the Investments that can be traded on its facility; and
 - (d) adequate technology resources.
- (2) An Authorised Private E-currency Trading Facility must maintain effective arrangements to verify that its members comply with requirements set out in COB, AML.
- (3) An Authorised Private E-currency Trading Facility must not introduce a liquidity incentive scheme other scheme for encouraging bids on a trading venue or to increase the volume of business transacted unless it has obtained the prior approval of the AFSA.
- (4) For the purposes of (1), an Authorised Private E-currency Trading Facility must make available to the public, without any charges, data relating to the quality of execution of transactions on the Authorised Private E-currency Trading Facility on at least an annual basis. Reports must include details about price, costs, speed and likelihood of execution for individual Private E-currencies.

6.2. Requirement to prepare Rules

- (1) An Authorised Private E-currency Trading Facility's Rules must:
 - (a) be based on objective criteria;
 - (b) be non-discriminatory;
 - (c) be clear and fair;
 - (d) be made publicly available free of charge;
 - (e) contain provisions for the resolution of Members' and other participants' disputes;
 - (f) contain provisions for penalties or sanctions which may be imposed by the Authorised Private E-currency Trading Facility for a breach of the Rules; and
 - (g) contain provisions for an appeal process from the decisions of the Authorised Private E-currency Trading Facility.

- (2) An Authorised Private E-currency Trading Facility must seek prior approval of its Rules (Business Rules, Admission to Trading Rules, Membership Rules) and of amendments to its Rules by:
 - (a) making its Rules available for market consultation for no less than 30 days; and
 - (b) obtaining approval of the AFSA.
- (3) Where an Authorised Private E-currency Trading Facility has made any amendments to its Rules, it must have adequate procedures for notifying users and the AFSA of such amendments with a notice period of at least 30 days prior to making any amendments to its Rules available for market consultation.
- (4) An Authorised Private E-currency Trading Facility must have procedures in place to ensure that its Rules are monitored and enforced.

6.3. Admission of Private E-currencies to trading

6.3.1. Admission to Trading Rules

- (1) An Authorised Private E-currency Trading Facility must make clear and transparent rules concerning the admission of Private E-currencies to trading on its facilities.
- (2) The rules of the Authorised Private E-currency Trading Facility must ensure that:
 - (a) Private E-currencies admitted to trading on an Authorised Private E-currency Trading Facility's facilities are capable of being traded in a fair, orderly and efficient manner; and
 - (b) Private E-currencies admitted to trading on an Authorised Private E-currency Trading Facility's facilities are freely negotiable.

6.3.2. Application for admission of Private E-currencies to Trading

- (1) Applications for the admission of a Private E-currency to trading can be made to an Authorised Private E-currency Trading Facility by the issuer of the Private E-currency, by a third party on behalf of and with the consent of the issuer of the Private E-currency, or by a Member of an Authorised Private E-currency Trading Facility.
- (2) A Private E-currency can also be admitted to trading on the Authorised Private E-currency Trading Facility's own initiative.
- (3) An Authorised Private E-currency Trading Facility must, before admitting any Private E-currency to trading:

- (a) be satisfied that the applicable requirements, including those in its Admission to Trading Rules, have been or will be fully complied with in respect of such Private E-currency; and
- (b) obtain approval of the AFSA in respect of such Private E-currency.
- (4) For the purposes of (1), an Authorised Private E-currency Trading Facility must notify an applicant in writing of its decision in relation to the application for admission of the Private E-currency to trading. In the case that such decision is to deny the application, the written notice should indicate (i) whether the application has been considered by the AFSA, and if so, (ii) the AFSA's determination in respect thereof.
- (5) For purposes of 3(b), an application to AFSA by Authorised Private E-currency Trading Facility shall include:
 - (a) a copy of the admission application; and
 - (b) any other information requested by the AFSA.

6.3.3. Decision-making procedures for the AFSA in relation to applications for approval of the admission of Private E-currencies to trading

- (1) Where an Authorised Person Operating a Private E-currency Trading Facility applies for approval of the admission of a Private E-currency to trading, the AFSA may:
 - (a) approve the application;
 - (b) deny the application; or
 - (c) approve the application subject to conditions or restrictions.
- (2) The AFSA may exercise its powers under (1)(b) where the AFSA reasonably considers that:
 - (a) granting the Private E-currencies admission to trading of Private E-currencies would be detrimental to the interests of Persons dealing in the relevant Private E-currencies using the facilities of an Authorised Person Operating a Private E-currency Trading Facility or otherwise; or
 - (b) any requirements imposed by the AFSA or in the Rules of an Authorised Private E-currency Trading Facility as are applicable have not been or will not be complied with; or
 - (c) the Issuer of the Private E-currencies has failed or will fail to comply with any obligations applying to it including those relating to having its Private E-currencies admitted to trading or traded in another jurisdiction.
- (3) Where the AFSA denies an application for approval of admission of a Private E-currency to trading pursuant to (2), such Private E-Currencies must not be admitted by an Authorised Person Operating a Private E-currency Trading Facility to its facility.

- (4) Where the AFSA approves an application for approval of admission of a Private E-currency to trading subject to conditions or restrictions, the Authorised Person Operating a Private E-currency Trading Facility is responsible for implanting such conditions and restrictions in admitting the Private E-currency to trading, and such conditions or restrictions may not be varied or removed without the approval of the AFSA.

6.3.4. Undertaking to comply with the acting law of the AIFC

An Authorised Private E-currency Trading Facility may not admit Private E-currencies to trading unless the person who seeks to have Private E-currencies admitted to trading:

- (a) gives an enforceable undertaking to the AFSA to submit unconditionally to the jurisdiction of the AIFC in relation to any matters which arise out of or which relate to its use of the facilities of the Authorised Market Institution;
- (b) agrees in writing to submit unconditionally to the jurisdiction of the AIFC Courts in relation to any disputes, or other proceedings in the AIFC, which arise out of or relate to its use of the facilities of the Authorised Market Institution; and
- (c) agrees in writing to subject itself to the acting law of the AIFC in relation to its use of the facilities of the Authorised Market Institution.

6.3.5. Review of compliance

The Authorised Private E-currency Trading Facility must maintain arrangements regularly to review whether the Private E-currencies admitted to trading on its facilities comply with the Admission to Trading Rules.

6.4. Suspending or removing Private E-currencies from trading

6.4.1. Power to suspend

- (1) The rules of an Authorised Private E-currency Trading Facility must provide that the Authorised Private E-currency Trading Facility have the power to suspend or remove from trading on its facilities any Private E-currencies with immediate effect or from such date and time as may be specified where it is satisfied that there are circumstances that warrant such action or it is in the interests of the AIFC.
- (2) The AFSA may direct an Authorised Person Operating a Private E-currency Trading Facility to suspend or remove Private E-currencies from trading with immediate effect or from such date and time as may be specified if it is satisfied there are circumstances that warrant such action or it is in the interests of the AIFC.
- (3) The AFSA may withdraw a direction made under (2) at any time.

- (4) Private E-currencies that are suspended from trading of Private E-currencies remain admitted to trading for the purposes of this Chapter.
- (5) The AFSA may prescribe any additional requirements or procedures relating to the removal or suspension of Private E-currencies from or restoration of Private E-currencies to trading.

6.4.2. Limitation on power to suspend or remove Private E-currencies from trading

The rules of an Authorised Private E-currency Trading Facility must contain provisions for orderly suspension and removal from trading on its facilities any Private E-currency which no longer complies with its rules taking into account the interests of investors and the orderly functioning of the financial markets of the AIFC.

6.4.3. Publication of decision

- (1) Where the Authorised Private E-currency Trading Facility suspends or removes any Private E-currency from trading on its facilities, it must notify the AFSA in advance and make that decision public by issuing a public notice on its website.
- (2) Where the Authorised Private E-currency Trading Facility lifts a suspension or re-admits any Private E-currency to trading on its facilities, it must notify the AFSA in advance and make that decision public by issuing a public notice on its website.
- (3) Where an Authorised Private E-currency Trading Facility has made any decisions on admission, suspension, or removal of Private E-currencies from trading on its facilities, it must have adequate procedures for notifying users of such decisions.

6.5. Transparency obligations

6.5.1. Trading transparency obligation

An Authorised Private E-currency Trading Facility must make available to the public:

- (a) the current bid and offer prices of Private E-currencies traded on its systems on a continuous basis during normal trading hours;
- (b) the price, volume and time of the transactions executed in respect of Private E-currencies traded on its facilities in as close to real-time as technically possible; and
- (c) provide price, volume, time and counterparty details to the AFSA within 24 hours of the close of each trading day via a secure electronic feed.

6.5.2. Public notice of suspended or terminated Membership

The Authorised Private E-currency Trading Facility must promptly issue a public notice on its website in respect of any Member that has a Licence to carry on

Market Activities or Regulated Activities whose Membership is suspended or terminated.

6.5.3. Cooperation with office-holder

The Authorised Private E-currency Trading Facility must cooperate, by the sharing of information and otherwise, with the AFSA, any relevant office-holder and any other authority or body having responsibility for any matter arising out of, or connected with, the default of a Member of the Private E-currency Trading Facility.

6.6. Additional requirements on technology resources

6.6.1. Cyber-security policy

- (1) An Authorised Private E-currency Trading Facility shall implement a written cyber security policy setting forth its policies and procedures for the protection of its electronic systems and members and counterparty data stored on those systems, which shall be reviewed and approved by the Authorised Private E-currency Trading Facility's governing body at least annually.
- (2) The cyber security policy must, as a minimum, address the following areas:
 - (a) information security;
 - (b) data governance and classification;
 - (c) access controls;
 - (d) business continuity and disaster recovery planning and resources;
 - (e) capacity and performance planning;
 - (f) systems operations and availability concerns;
 - (g) systems and network security;
 - (h) systems and application development and quality assurance;
 - (i) physical security and environmental controls;
 - (j) customer data privacy;
 - (k) vendor and third-party service provider management; and
 - (l) incident response.
- (3) An Authorised Private E-currency Trading Facility must advise the AFSA immediately if it becomes aware, or has reasonable grounds to believe, that a significant breach by any Person of its cyber security policy may have occurred or may be about to occur.

6.6.2. Technology governance

An Authorised Private E-currency Trading Facility must, as a minimum, have in place systems and controls with respect to the procedures describing the creation, management and control of digital wallets and private keys.

6.6.3. Trading controls

An Authorised Private E-currency Trading Facility must be able to:

- (a) reject orders that exceed its pre-determined volume and price thresholds, or that are clearly erroneous;
- (b) temporarily halt or constrain trading on its facilities if necessary or desirable to maintain an orderly market; and
- (c) cancel, vary, or correct any order resulting from an erroneous order entry and/or the malfunctioning of the system of a Member.

6.6.4. Settlement and Clearing facilitation services

- (1) An Authorised Private E-currency Trading Facility must ensure that satisfactory arrangements are made for securing the timely discharge (whether by performance, compromise or otherwise), clearing and settlement of the rights and liabilities of the parties to transactions effected on the Authorised Private E-currency Trading Facility (being rights and liabilities in relation to those transactions).
- (2) An Authorised Private E-currency Trading Facility acting as a Private E-currency Depository must:
 - (a) have appropriate rules, procedures, and controls, including robust accounting practices, to safeguard the rights of Private E-currencies issuers and holders, prevent the unauthorised creation or deletion of Private E-currencies, and conduct periodic and at least daily reconciliation of each Private E-currency balance it maintains for issuers and holders;
 - (b) prohibit overdrafts and debit balances in Private E-currencies accounts;
 - (c) maintain Private E-currencies in an immobilised or dematerialised form for their transfer by book entry;
 - (d) protect assets against custody risk through appropriate rules and procedures consistent with its legal framework;
 - (e) ensure segregation between the Private E-currency Depository's own assets and the Private E-currencies of its participants and segregation among the Private E-currencies of participants; and
 - (f) identify, measure, monitor, and manage its risks from other custody related activities that it may perform.