

Appendix 2

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



The DFSA Rulebook

Conduct of Business Module

(COB)

1 INTRODUCTION

1.1 Application

1.1.1 This module (COB) applies to every Authorised Firm with respect to the carrying on, in or from the DIFC, of any:

- (a) Financial Service; or
- (b) activity which is carried on, or held out as being carried on, in connection with or for the purposes of such a Financial Service;

except to the extent that a provision of COB provides for a narrower application.

1.1.2 COB does not apply to a Representative Office.

Guidance

An Authorised Firm may be able to rely on the Transitional Rules in section 2.6 for the purposes of meeting the client classification requirements in chapter 2.

2 CLIENT CLASSIFICATION

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2.3 Types of Clients

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Professional Clients

- 2.3.3** (1) An Authorised Firm may classify a Person as a Professional Client if that Person:
- (a) meets the requirements to be:
 - (i) a “deemed” Professional Client pursuant to Rule 2.3.4;
 - (ii) a “service-based” Professional Client pursuant to Rule 2.3.5, Rule 2.3.6 or Rule 2.3.6A; or
 - (iii) an “assessed” Professional Client pursuant to either Rule 2.3.7 or Rule 2.3.8; and
 - (b) has not opted-in to be classified as a Retail Client in accordance with the requirements in Rule 2.4.1.
- (2) If an Authorised Firm becomes aware that a Professional Client no longer fulfils the requirements to remain classified as a Professional Client, the Authorised Firm must, as soon as possible, inform the Client that this is the case and the measures that are available to the firm and the Client to address that situation.

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‘Assessed’ Professional Clients

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Undertakings

- 2.3.8** (1) For the purposes of Rule 2.3.3(1)(a)(iii), an Undertaking is an ‘assessed’ Professional Client if the Undertaking:
- (a) has own funds or called up capital of at least \$1 million; and
 - (b) appears, on reasonable grounds, to have sufficient experience and understanding of relevant financial markets, products or transactions and any associated risks, following the analysis set out in Rule 2.4.3.
- (2) An Authorised Firm may also classify an Undertaking as a Professional Client if the Undertaking has:

- (a) a controller;
- (b) a Holding Company;
- (c) a Subsidiary; or
- (d) a joint venture partner,

who meets the requirements to be classified as an 'assessed' Professional Client pursuant to either Rule 2.3.7(1)(a) and (b)(ii) or Rule 2.3.8(1) as applicable, or a 'deemed' Professional Client pursuant to Rule 2.3.4(1).

(3) For the purposes of classifying an Undertaking that is an industry or professional body or association as an 'assessed' Professional Client, the requirement in (1)(a) does not apply.

(34) In this Rule:

- (a) the terms 'own funds' and 'called up capital' in (1)(a) have the meaning given under Rule 2.3.4(3)(b) or (c) as the case may be; and
- (b) the term 'controller' in (2)(a) means an individual who meets the criteria in Rule 2.3.5(2).

Guidance

1. Under Rule 2.6.3, the asset test referred to in Rule 2.3.8(1)(a) remains \$500,000 until 1 April 2016.
2. Where an Authorised Firm proposes to classify an Undertaking as a Professional Client under (2), the firm must assess whether the Person on whom reliance is placed, i.e. a Person referred to in (2)(a) to (d) as is relevant, meets the Professional Client criteria, unless that Person falls within a category of 'deemed' Professional Client.
3. Where an Undertaking is set up by partners in a joint venture for the purposes of their joint venture, the Undertaking itself can be treated as a Professional Client provided a joint venture partner meets the Professional Client criteria (see Guidance paragraph 3 under Rule 2.3.5 for a description of a joint venture). To be able to rely on a joint venture partner's Professional Client status, such a partner should generally be a key decision maker with respect to the business activities of the joint venture, and not just a silent partner.
4. An Authorised Firm is not required to assess if an Undertaking meets the asset test referred to in Rule 2.3.8(1)(a), where the Undertaking is an industry or professional body or association i.e. a body or association that represents a particular industry sector or that oversees, or provides services to, members of a particular profession. The Authorised Firm will, however, still need to assess if the Undertaking meets the knowledge and experience requirement in Rule 2.3.8(1)(b).

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3 CORE RULES – INVESTMENT BUSINESS, ACCEPTING DEPOSITS, PROVIDING CREDIT, PROVIDING TRUST SERVICES, OPERATING A CROWDFUNDING PLATFORM, OPERATING AN EMPLOYEE MONEY PURCHASE SCHEME, AND ACTING AS THE ADMINISTRATOR OF AN EMPLOYEE MONEY PURCHASE SCHEME, PROVIDING MONEY SERVICES AND ARRANGING OR ADVISING ON MONEY SERVICES

Guidance

1. The Rules in this chapter give support to the Principles in GEN section 4.2 and in particular Principles 1, 2, 6 and 7.
2. There are additional Rules that apply to Authorised Firms in other chapters of this module, which are more specific to the nature of the Financial Service conducted by the Authorised Firm.

3.1 Application

3.1.1 This chapter applies to an Authorised Firm which carries on or intends to carry on:

- (a) Investment Business;
- (b) Accepting Deposits;
- (c) Providing Credit;
- (d) Providing Trust Services;
- (e) Operating a Crowdfunding Platform;
- (f) Operating an Employee Money Purchase Scheme; or
- (g) Acting as the Administrator of an Employee Money Purchase Scheme;
- (h) Providing Money Services; or
- (i) Arranging or Advising on Money Services.

except where it is expressly provided otherwise.

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3.4 Suitability

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Suitability assessment

- 3.4.2** (1) Subject to (2), an Authorised Firm must not recommend to a Client a financial product or financial service, or execute a Transaction on a discretionary basis for a Client, unless the Authorised Firm has a reasonable basis for considering the recommendation or Transaction to be suitable for that particular Client. For this purpose, the Authorised Firm must:
- (a) undertake an appropriate assessment of the particular Client's needs and objectives, and, financial situation, and also, to the extent relevant, risk tolerance, knowledge, experience and understanding of the risks involved; and
 - (b) take into account any other relevant requirements and circumstances of the Client of which the Authorised Firm is, or ought reasonably to be aware.
- (2) An Authorised Firm may, subject to (3) and (4), limit the extent to which it will consider suitability when making a recommendation to, or undertaking a Transaction on a discretionary basis for or on behalf of, a Professional Client if, prior to carrying on that activity, the Authorised Firm:
- (a) has given a written warning to the Professional Client in the form of a notice clearly stating that the Authorised Firm will consider suitability only to the extent specified in the notice; and
 - (b) the Professional Client has given his express consent, after a proper opportunity to consider the warning, by signing that notice.
- (3) Where an Authorised Firm manages a Discretionary Portfolio Management Account for a Professional Client, it must ensure that the account remains suitable for the Professional Client, having regard to the matters specified in (1) (a) and (b).
- (4) If an Authorised Firm has, before the Commencement Date, given a written warning to a Professional Client in the form of a notice stating that it will not consider suitability, the firm must, no later than 6 months after the Commencement Date, either:
- (a) issue a new warning that meets the requirements in (2); or
 - (b) carry out a full suitability assessment in accordance with (1).
- (5) In (4), Commencement Date means the day on which Rule-Making Instrument No. 259 of 2019 comes into force.

Guidance
Information a firm needs to have for a suitability assessment

1. When carrying out a suitability assessment under Rule 3.4.2 (1), an Authorised Firm should have, or obtain, certain minimum information about the Client. For example, the information about the Client's:
 - a. needs and objectives should include, where relevant, information about the length of time the Client wishes to hold the financial product. The age of a Client that is an individual may also be relevant;
 - b. financial situation should include, where relevant, the assets, liabilities (including tax), income and expenses, and general capacity to withstand losses arising from investing in financial products; and
 - c. knowledge and experience should include, where relevant, the nature, volume and frequency of previous investments made by the Client, and the Client's level of familiarity with relevant financial products and financial services. The Client's occupation or profession, former professional experience, and level of financial education may also be relevant.

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Suitability assessment when recommending a Credit Facility

7. An Authorised Firm that recommends to a Client a particular Credit Facility as suitable for that Client, needs to consider whether the facility is suitable for the Client in terms of its affordability by the Client. An Authorised Firm acting as a credit broker for a Client would need to consider not only the affordability of the facility for the Client, but also whether the product is suitable compared to other credit products available in the market. However, a provider of a Credit Facility is only required to assess the suitability for a particular Client if it makes a recommendation to that Client.
8. When an Authorised Firm recommends a Credit Facility to a Retail Client it should consider, in particular, the impact of the rates and other applicable conditions on the Retail Client. For example, the DFSA does not consider that a firm could have any reasonable basis to recommend to a Retail Client a pay-day facility, salary advance facility or any similar arrangement that has exorbitant rates.

Suitability assessment when Operating an Employee Money Purchase Scheme or Acting as the Administrator of an Employee Money Purchase Scheme

89. The Financial Services of Operating an Employee Money Purchase Scheme or Acting as the Administrator of such a Scheme do not permit the Operator or Administrator to advise Members of the Scheme, particularly on the suitability of investments offered on the Investment Platform. If an Operator or Administrator wishes to give such advice, it must obtain an authorisation for Advising on Financial Products.

4 ADDITIONAL RULES - ACCEPTING DEPOSITS AND PROVIDING CREDIT

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4.3 Providing Credit

- 4.3.1** (1) An Authorised Firm may, subject to (2), Provide Credit to a:
- (a) Professional Client or Market Counterparty; and
 - (b) Retail Client, but only where:
 - (i) the Retail Client is an Undertaking; and
 - (ii) the Credit Facility is provided to the Retail Client for a business purpose.
- (2) An Authorised Firm, in the course of Providing Credit, must not:
- (a) Provide Credit in the U.A.E. Dirham; or
 - (b) undertake currency or foreign exchange transactions involving the U.A.E. Dirham.

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6 ADDITIONAL RULES - INVESTMENT BUSINESS

6.1 Application

- 6.1.1** (1) The Rules in this chapter apply to an Authorised Firm when conducting Investment Business.
- (2) Sections 6.11, 6.12, 6.13 and 6.14 also apply to an Authorised Firm in respect of Client Assets that it holds or controls (within the meaning of Rule 6.11.4) in the course of, or in connection with, Operating a Crowdfunding Platform or Providing Money Services.
- (3) Sections 6.2 and 6.3 also apply to an Authorised Firm when:
- (a) Operating an Employee Money Purchase Scheme; or
 - (b) Acting as the Administrator of an Employee Money Purchase Scheme.
- (4) The requirements in this chapter apply to an Authorised Firm regardless of the classification of the Client, unless expressly provided otherwise.

Guidance

The requirements in chapter 3 also apply to the conduct of Investment Business.

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6.3 Investment research and offers of securities

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Restriction on own account transactions

- 6.3.6** (1) Unless ~~Rule 6.2.2~~ (2) applies, an Authorised Firm or its Associate must not knowingly execute an Own Account Transaction in an Investment or related Investments, which is the subject of Investment Research, prepared either by the Authorised Firm or its Associate, until the Clients for whom the Investment Research was principally intended have had a reasonable opportunity to act upon it.
- (2) The restriction in (1) does not apply if:
- (a) the Authorised Firm or its Associate is a Market Maker in the relevant Investment;
 - (b) the Authorised Firm or its Associate undertakes an Execution-Only Transaction for a Client; or
 - (c) it is not expected to materially affect the price of the Investment.

Guidance

The exceptions in Rule 6.3.6(2) allow an Authorised Firm to continue to provide key services to the market and to its Clients even if the Authorised Firm would be considered to have knowledge of the timing and content of the Investment Research which is intended for publication to Clients, for example when it is impractical for an Authorised Firm to put in place a Chinese Wall because the Authorised Firm has few Employees or cannot otherwise separate its functions.

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6.11 Client Assets
Application

- 6.11.1** (1) This section applies to an Authorised Firm which:
- (a) holds or controls Client Assets; or
 - (b) Provides Custody.
- (2) This section applies to an Authorised Firm Arranging Custody only to the extent specified in Rule 6.11.2(3).

Guidance

1. Client Assets is defined in the GLO Module as “Client Money and Client Investments”.
2. Principle 9 of the Principles for Authorised Firms (Customer assets and money) requires an Authorised Firm to arrange proper protection for Clients' Assets when the firm is responsible for them. An essential part of that protection is that an Authorised Firm must properly safeguard Client Money and Client Investments held or controlled on behalf of a Client in the course of, or in connection with, the carrying on of Investment Business in or from the DIFC.
3. Rule 6.11.3 requires an Authorised Firm to introduce adequate organisational arrangements to minimise the risk of the loss or diminution of Client Assets, or of rights in connection with Client Assets, as a result of, for example, the Authorised Firm’s or a third party’s insolvency, fraud, poor administration, inadequate record-keeping or negligence.
4. For information about the difference between Providing Custody and Arranging Custody, see Guidance under GEN Rule 2.13.1.
5. The Client Asset provisions apply only to a limited extent to an Authorised Firm that Arranges Custody, as such a firm does not hold or control Client Assets (see Rule 6.11.2(3)).
6. If an Authorised Firm is Providing Money Services, the Client Asset provisions apply to funds or other assets it receives from a User (i.e. a payer or payee), or that are for the benefit of a User.

General requirements
6.11.2 ...

Guidance

Authorised Firms are reminded that they must ensure that their auditor produces a Client Money Auditor’s Report, ~~and~~ a Safe Custody Auditor’s Report and a Money Services Auditor’s Report, as applicable, in accordance with GEN 8.6.

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Holding or controlling client assets

6.11.4 Client Assets are held or controlled by an Authorised Firm if they are:

- (a) directly held by the Authorised Firm;
- (b) held in an account in the name of the Authorised Firm;
- (c) held by a Person, or in an account in the name of a Person, controlled by the Authorised Firm; or
- (d) held in the Client’s own name, but the Authorised Firm has a mandate from the Client to manage those assets on a discretionary basis.

Guidance

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- 5. If an Authorised Firm is Providing Money Services, funds or assets that it receives from, or that are for the benefit of, a User will be Client Assets held or controlled by the firm.

6.12 Client money

6.12.1 All Money held or controlled on behalf of a Client in the course of, or in connection with, the carrying on of Investment Business, ~~or~~ the Operation of a Crowdfunding Platform, or Providing Money Services, in or from the DIFC is Client Money, except Money which is:

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6.12.1A (1) All Money received from, or for the benefit of, a User in connection with Providing Money Services is Client Money, including Stored Value and Money

received from another Money Services Provider for the execution of a Payment Instruction on behalf of a User.

- (2) Where:
- (a) only a portion of the Money referred to in (1) is to be used for Money Services; and
 - (b) the precise portion attributable to Money Services is variable or unknown in advance.

the Client Money is such amount as the Authorised Firm reasonably estimates, based on historical data, to be representative of the portion attributed to Money Services.

Client money provisions

- 6.12.2**
- (1) An Authorised Firm in Category 4 must not hold Client Money, except if it does so in connection with it Operating a Crowdfunding Platform or providing Money Transmission.
 - (2) An Authorised Firm which holds or controls Client Money for a Client must, subject to (3), comply with the Client Money Provisions in COB App5.
 - (3) Where the Client is a Market Counterparty, an Authorised Firm may exclude the application of the Client Money Provisions but only where it has obtained the prior written consent of the Market Counterparty to do so.

Guidance

- 1. Providing Money Transmission is an activity that is included in the Financial Service of Providing Money Services – see the definition in GEN Rule 2.6.1(2).
- 2. In accordance with GEN chapter 8, an Authorised Firm which holds or controls Client Money must arrange for a Client Money Auditor’s Report and, if it is Providing Money Services, a Money Services Auditor’s Report to be submitted to the DFSA on an annual basis.

13 PROVIDING MONEY SERVICES AND ARRANGING OR ADVISING ON MONEY SERVICES

13.1 Application

13.1.1 This chapter applies to an Authorised Firm that:

- (a) Provides Money Services; or
- (b) Arranges or Advises on Money Services.

13.1.2 A requirement in this chapter (other than a restriction in section 13.2) does not apply in relation to a Market Counterparty, if the Market Counterparty has given prior notice in writing to the Authorised Firm that it has elected to waive the requirement.

Guidance

This chapter uses a number of key terms defined in GEN and GLO that are set out below for reference:

1. “Account Information Service” means an online service to provide consolidated information on one or more accounts held by the User with one or more providers, and includes such a service whether information is provided:
 - (a) in its original form or after processing; and
 - (b) to the User or to another person in accordance with the User’s instructions.
2. “Payment Account” means an account held in the name of one or more Users which is used to execute Payment Transactions.
3. “Payment Account Provider” means a Person that provides or operates a Payment Account;
4. “Payment Initiation Services” means an online service to initiate a Payment Order at the request of the User with respect to a Payment Account held at another Payment Service Provider, but does not include:
 - (a) a service that involves contact with any funds at any stage of the Payment Transaction; or
 - (b) the issue of a Payment Instrument.
5. “Payment Instrument” means a:
 - (a) personalised device; or
 - (b) personalised set of procedures agreed between the User and the provider,
that is used by the User to initiate a Payment Order.
6. “Payment Order” means an instruction by a payer or payee to their respective Payment Service Provider requesting the execution of a Payment Transaction.

7. “Payment Service” means an activity referred to in the definition of “Providing Money Services” other than providing currency exchange or issuing Stored Value.
8. “Payment Service Provider” means a Person providing a Payment Service.
9. “Payment Transaction” means an act initiated by the payer or payee, or on behalf of the payer, of placing, transferring or withdrawing funds, irrespective of any underlying obligations between the payer and payee.
10. Providing Money Services means:
 - (a) providing currency exchange;
 - (b) providing Money Transmission;
 - (c) providing or operating a Payment Account;
 - (d) executing Payment Transactions on a Payment Account provided or operated by another Person;
 - (e) issuing Payment Instruments; or
 - (f) issuing Stored Value.
11. “Stored Value” means any electronically (including magnetically) stored monetary value as represented by a claim on the issuer which is issued on receipt of funds or other assets for the purpose of making Payment Transactions, but does not include monetary value excluded under GEN Rule 2.6.4.
12. “User” means a Client using the service of Providing Money Services or Arranging or Advising on Money Services and includes, in relation to a Payment Service, a Person acting in the capacity of payer, payee or both.

13.2 Requirements relating to use of currencies

13.2.1 An Authorised Firm must execute Payment Transactions, and carry out any other instructions for or on behalf of the User, in the specific currency agreed with the User.

13.2.2 An Authorised Firm must not, in connection with Providing Money Services, receive or provide physical notes or coins.

13.2.3 Where an Authorised Firm Provides Money Services involving the UAE Dirham, it must ensure that all Dirham transactions related to the provision of those services are settled through the accounts of a financial institution that is licensed by the Central Bank to accept deposits.

13.3 General requirements

13.3.1 Where there is a dispute between a User and an Authorised Firm about whether a requirement in this chapter has been complied with, it is for the Authorised Firm to prove that it complied with the relevant requirement.

13.3.2 Where an Authorised Firm relies on a third party to execute some parts of a Payment Transaction for a User, the Authorised Firm must take reasonable steps to ensure

that the third party carries out those parts of the transaction (even if the firm is not responsible for those parts of the transaction).

13.3.3 An Authorised Firm must ensure any information it is required to provide to a User under this chapter is made available:

- (a) in an easily accessible manner;
- (b) in a durable medium that can be easily stored and retrieved by the User;
- (c) in easily understandable language and in a clear and comprehensible form;
- (d) in English or in the language agreed by the parties; and
- (e) unless specified otherwise in these Rules, in good time before the service is provided.

13.4 Additional disclosure requirements

13.4.1 An Authorised Firm must comply with the additional disclosure requirements:

- (a) in App 7 section A7.1, if it is Providing Money Services; or
- (b) in Rules A7.1.1 to A7.1.4 of that section, if it is Arranging or Advising on Money Services.

13.4.2 An Authorised Firm Providing Money Services or Arranging or Advising on Money Services does not need to comply with the requirement in Rule 13.4.1, if it reasonably believes that another regulated entity, such as a Payment Account Provider, has provided that information to the User in a timely manner.

13.5 Rights and obligations of parties

13.5.1 An Authorised Firm Providing Money Services must comply with the requirements relating to the rights and obligations of parties specified in App7 section A7.2.

13.5.2 An Authorised Firm Arranging or Advising on Money Services must comply with:

- (a) the requirements in App7 section A7.2, if it is providing Payment Initiation Services; and
- (b) only Rules A7.2.2, A7.2.3, A7.2.14 and A7.2.15, if it is providing Account Information Services.

13.5.3 An Authorised Firm must ensure that Client Agreements do not contain any provisions that are inconsistent with the rights and obligations of parties specified in App7 section A7.2.

13.6 Specific requirements for issuers of Stored Value

13.6.1 An Authorised Firm that issues Stored Value must comply with the requirements relating to Stored Value in App7 section A7.3.

APP2 KEY INFORMATION AND CLIENT AGREEMENT

A2.1 Key Information and content of the Client Agreement

General

A2.1.1 The key information which an Authorised Firm is required to provide to a Client and include in the Client Agreement with that Client pursuant to Rule 3.3.2 must include:

- (a) the core information set out in:
 - (i) Rule A2.1.2 (1) if it is a Retail Client; and
 - (ii) Rule A2.1.2 (2) if it is a Professional Client;
- (b) where relevant, the additional information required under Rule A2.1.3 for Investment Business and Rule A2.1.4 for Investment Management;
- (c) the additional terms set out in Rules A2.1.5 and A2.1.6 if the Client Agreement relates to the use of a Crowdfunding Platform.; and
- (d) the additional terms set out in Rule A2.1.7 if the Client Agreement relates to Providing Money Services or Arranging or Advising on Money Services.

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Additional information for Money Service activities

A2.1.7 An Authorised Firm Providing Money Services or Arranging or Advising on Money Services must include in the Client Agreement:

- (a) if the Authorised Firm is entitled to unilaterally vary or terminate the Client Agreement, the terms and conditions under which it can do so;
- (b) the applicable currency, the currency rate (actual or indicative) and all fees and charges relating to a Payment Transaction;
- (c) if quoted currency rates are indicative, a clear statement that they are 'indicative rates'; and
- (d) clear procedures relating to unauthorised or incorrectly executed Payment Transactions, which include that the Client is:
 - (i) not entitled to redress unless he notifies the Authorised Firm without delay and, in any case, no later than six months after the unauthorised or incorrectly executed Payment Transaction; and
 - (ii) liable in full, if he acted fraudulently or with gross negligence.

APP5 CLIENT MONEY PROVISIONS

A5.1 Application

A5.1.1 This appendix applies to an Authorised Firm, in accordance with Rule 6.12.2

A5.5 Exceptions to holding client money in client accounts

A5.5.1 The requirement for an Authorised Firm to pay Client Money into a Client Account does not, subject to Rule A5.5.2 and Rule A5.5.4, apply with respect to such Client Money:

- (a) received in the form of cheque, or other payable order, until the Authorised Firm, or a Person or account controlled by the Authorised Firm, is in receipt of the proceeds of that cheque;
- (b) temporarily held by an Authorised Firm before forwarding to a Person nominated by the Client;
- (c) in connection with a Delivery Versus Payment Transaction where:
 - (i) in respect of a Client purchase, Client Money from the Client will be due to the Authorised Firm within one day upon the fulfilment of a delivery obligation; or
 - (ii) in respect of a Client sale, Client Money will be due to the Client within one day following the Client's fulfilment of a delivery obligation; or
- (d) held in the Client's own name where the Authorised Firm has a mandate to manage the Money on a discretionary basis.

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A5.5.4 The exceptions in Rule A5.5.1(b) to (d) do not apply to Client Money held for, or in connection with, Providing Money Services.

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APP7 PROVIDING MONEY SERVICES AND ARRANGING OR ADVISING ON MONEY SERVICES PROVISIONS

A7.1 Additional disclosure requirements

Guidance

This table sets out the information required to be provided by an Authorised Firm under section 13.4.

<p><u>A7.1.1</u></p>	<p><u>Details of Providing Money Services or Arranging or Advising on Money Services</u></p> <p><u>An Authorised Firm must provide to a User:</u></p> <ul style="list-style-type: none"> <u>(a) a description of the services including the types of Payment Order or Payment Transaction that the firm is authorised to perform;</u> <u>(b) the information needed for a Payment Order or Payment Transaction to be properly initiated or executed and the consequence of providing incorrect information;</u> <u>(c) the form and procedure for giving consent to the initiation or execution of a Payment Order and the procedure to withdraw consent;</u> <u>(d) details of when a Payment Order is deemed received (including information about cut-off times, future dated payments and recurring transactions);</u> <u>(e) an indication of the maximum time for the funds or Stored Value to be received by the beneficiary or payee; and</u> <u>(f) any spending limits not already known by the User.</u>
<p><u>A7.1.2</u></p>	<p><u>Details of rates, fees and charges</u></p> <p><u>An Authorised Firm must provide to a User:</u></p> <ul style="list-style-type: none"> <u>(a) details of all fees and charges payable by the User and, where applicable, a breakdown of the fees and charges including fees and charges:</u> <ul style="list-style-type: none"> <u>(i) for rejections or refusals of Payment Transactions;</u> <u>(ii) for any information provided or made available to the User beyond what is required under these Rules;</u> <u>(iii) imposed by third parties involved in Payment Transactions if the firm is aware of such charges;</u> <u>(b) any applicable exchange rates, the process for notifying changes to rates and when the changes take effect; and</u> <u>(c) details of any fees and charges for adding funds to Stored Value and for early or late redemption of Stored Value.</u>
<p><u>A7.1.3</u></p>	<p><u>Transmission of Information</u></p> <p><u>An Authorised Firm must inform a User of:</u></p> <ul style="list-style-type: none"> <u>(a) how, and in what form, information and communications relating to the services will be transmitted to the User, including timing, frequency and language;</u>

	<p>(b) <u>any technical requirements for the User's equipment and software to receive information and communications; and</u></p> <p>(c) <u>the User's right to obtain a copy of such information or communications and the Client Agreement.</u></p>
A7.1.4	<p><u>Safeguards and corrective measures</u></p> <p><u>An Authorised Firm must provide to a User:</u></p> <p>(a) <u>a description of the steps the User needs to take in order to keep a Payment Instrument safe;</u></p> <p>(b) <u>information on how the User may notify the firm of the loss, theft or misappropriation of a Payment Instrument;</u></p> <p>(c) <u>details of the procedure the firm will follow to contact the User in the event of suspected or actual fraud or a security threat;</u></p> <p>(d) <u>details of the circumstances under which the firm proposes to reserve the right to stop or prevent the use of a Payment Instrument;</u></p> <p>(e) <u>information on the circumstances in, and the extent to which, the User may be liable for unauthorised Payment Transactions;</u></p> <p>(f) <u>information:</u></p> <p style="padding-left: 20px;">(i) <u>on how the User must notify the firm of any unauthorised transactions; and</u></p> <p style="padding-left: 20px;">(ii) <u>informing the User that, to obtain redress, the notification must be made to the firm no later than 6 months from the date of the unauthorised transaction;</u></p> <p>(g) <u>information about the firm's liability for unauthorised transactions; and</u></p> <p>(h) <u>information about the conditions under which a refund is payable to the User in relation to an unauthorised transaction initiated by a third party.</u></p>
A7.1.5	<p><u>Confirmation of transactions</u></p> <p><u>An Authorised Firm must provide to the User:</u></p> <p>(a) <u>confirmation of the successful initiation of the Payment Transaction;</u></p> <p>(b) <u>a reference to identify the Payment Transaction, and, where appropriate, information relating to the payee or payer;</u></p> <p>(c) <u>the amount of the Payment Transaction in the currency of the Payment Order or currency of the relevant Payment Account;</u></p> <p>(d) <u>any charges payable by the User in relation to the Payment Transaction, in accordance with Rule A7.1.2(a);</u></p> <p>(e) <u>the currency exchange rate applied for the Payment Transaction and the amount of payment after conversion to that currency; and</u></p> <p>(f) <u>the date the Money Services Provider received the Payment Order.</u></p>

Guidance

1. The form and procedure for giving consent referred to in Rule A7.1.1(c) may include, for example, that consent may be given or verified:
 - (a) in writing;
 - (b) by a signature;

- (c) by the use of a fingerprint;
 - (d) by means of a payment card and PIN number;
 - (e) over a secure password-protected website;
 - (f) by telephone; or
 - (g) by use of a password pin, password, verification code or phone number.
2. In Rule A7.1.1(f) the spending limits include, for example, any card limits that apply to the User.

A7.2 Rights and obligations of parties

Guidance

This table sets out the requirements that must be complied with by an Authorised Firm under section 13.5.

<u>A7.2.1</u>	<p><u>Charges</u></p> <p>(1) <u>An Authorised Firm must ensure that fees and charges imposed on a User are reasonable.</u></p> <p>(2) <u>An Authorised Firm must ensure that the quoted currency rate, fees and charges accurately reflect the rates, fees and charges expected to be applied when the Payment Transaction is executed.</u></p> <p>(3) <u>The Authorised Firm must ensure, except where the payer and payee have agreed otherwise, that:</u></p> <p style="margin-left: 20px;">(a) <u>the payee pays any charges levied by the payee's Money Services Provider; and</u></p> <p style="margin-left: 20px;">(b) <u>the payer pays any charges levied by the payer's Money Services Provider.</u></p> <p>(4) <u>An Authorised Firm may impose a charge where a User has failed to fulfil its obligations only where the charge relates to:</u></p> <p style="margin-left: 20px;">(a) <u>refusal of a Payment Order (see Rule A7.2.9);</u></p> <p style="margin-left: 20px;">(b) <u>revoking a Payment Order (see Rule A7.2.10); or</u></p> <p style="margin-left: 20px;">(c) <u>liability arising from the use of incorrect unique identifiers by the User (see Rule A7.2.13).</u></p> <p>(5) <u>An Authorised Firm may impose a charge or fee for a Stored Value redemption only where the relevant charge or fee:</u></p> <p style="margin-left: 20px;">(a) <u>is agreed in the Client Agreement; and</u></p> <p style="margin-left: 20px;">(b) <u>relates to early termination or late redemption (that is, a redemption that occurs more than one year after the Client Agreement is terminated).</u></p> <p>(6) <u>An Authorised Firm must ensure that any changes to the exchange rate are communicated to the User as soon as possible and implemented in a manner which ensures priority is given to the interests of the User.</u></p> <p>(7) <u>An Authorised Firm, other than a Stored Value Issuer, must ensure:</u></p> <p style="margin-left: 20px;">(a) <u>any charges payable by the User on termination are:</u></p> <p style="margin-left: 40px;">(i) <u>proportionate to the cost and time of terminating the relevant services; and</u></p> <p style="margin-left: 40px;">(ii) <u>not imposed where the termination occurs after 6 months from the date of the Client Agreement; and</u></p> <p style="margin-left: 20px;">(b) <u>any amounts prepaid by a User are reimbursed on termination.</u></p>
<u>A7.2.2</u>	<p><u>Consent and withdrawal of consent</u></p> <p><u>An Authorised Firm must:</u></p>

	<p><u>(a) recognise a Payment Transaction as a duly authorised transaction by the User only if the User has given its consent to the execution of that transaction;</u></p> <p><u>(b) allow a User’s consent to be given in any form as agreed between the User and the Money Service Provider executing the Payment Transaction; and</u></p> <p><u>(c) not allow the User to withdraw consent to a Payment Transaction except where:</u></p> <p style="padding-left: 40px;"><u>(i) the consent relates to a future scheduled Payment Transaction; and</u></p> <p style="padding-left: 40px;"><u>(ii) the withdrawal of consent is in accordance with the terms and conditions agreed between the User and the Authorised Firm.</u></p>
A7.2.3	<p><u>Authorised Firm’s access to Payment Accounts and information</u></p> <p><u>An Authorised Firm must:</u></p> <p><u>(a) access a User’s Payment Account for Payment Transactions or information only as agreed with, or with the explicit consent of, the User;</u></p> <p><u>(b) ensure that access to a Payment Account is restricted to information essential to provide services requested by the relevant User and only for the time needed to provide that service;</u></p> <p><u>(c) not use, access or store a User’s information or data for any purpose, except to provide the services explicitly requested by the User;</u></p> <p><u>(d) ensure that a User’s security credentials are not accessible to other parties; and</u></p> <p><u>(e) ensure that a contract with a Payment Account Provider includes sufficient obligations on the provider to adequately protect customer information and security credentials in accordance with this Rule.</u></p>
A7.2.4	<p><u>User’s access to the services</u></p> <p><u>(1) An Authorised Firm may only restrict or stop a User’s access to its service:</u></p> <p style="padding-left: 40px;"><u>(a) as explicitly set out in the Client Agreement; and</u></p> <p style="padding-left: 40px;"><u>(b) on reasonable grounds, limited to:</u></p> <p style="padding-left: 80px;"><u>(i) specific limits agreed with the User;</u></p> <p style="padding-left: 80px;"><u>(ii) valid security reasons or suspected unauthorised or fraudulent use; or</u></p> <p style="padding-left: 80px;"><u>(iii) a significant increased risk that the User may be unable to meet its liability to repay, where a credit line is used.</u></p> <p><u>(2) An Authorised Firm must inform the User that it intends to restrict or stop access to its service and of its reasons for doing so:</u></p> <p style="padding-left: 40px;"><u>(a) before restricting or stopping access to the service; or</u></p> <p style="padding-left: 40px;"><u>(b) where prior notice is not possible, immediately after restricting or stopping access to the service,</u></p> <p><u>unless it is unlawful to do so or there is a valid security reason for not doing so.</u></p>

	<p><u>(3) An Authorised Firm must restore access to the service, or offer another service, as soon as practicable after the reasons for restricting or stopping use of the service cease to be valid.</u></p>
<u>A7.2.5</u>	<p><u>Obligations in relation to Payment Instruments</u></p> <p>(1) <u>An Authorised Firm issuing a Payment Instrument must ensure that:</u></p> <p>(a) <u>a User to whom a Payment Instrument is issued notifies the firm in the agreed manner and without delay on becoming aware of the loss, theft, misappropriation or unauthorised use of the Payment Instrument;</u></p> <p>(b) <u>a User's security credentials are not accessible to any Person except the User to whom the Payment Instrument is issued;</u></p> <p>(c) <u>no Payment Instrument is issued on an unsolicited basis except to replace an existing instrument as agreed with the User; and</u></p> <p>(d) <u>the User is provided with an appropriate means to notify the firm of loss or unauthorised use of a Payment Instrument issued to the User.</u></p> <p>(2) <u>An Authorised Firm is responsible for the loss of the Payment Instrument or of the User's security credentials if that occurs within its control.</u></p>
<u>A7.2.6</u>	<p><u>Unauthorised or incorrectly executed Payment Transactions</u></p> <p>(1) <u>If an Authorised Firm is responsible for an unauthorised or incorrectly executed Payment Transaction, or for the non-execution of a Payment Transaction, and the User's Payment Account has been incorrectly debited, it must promptly and within 3 business days put the User's Payment Account to the state it would have been had the Payment Transaction been correctly executed.</u></p> <p>(2) <u>An Authorised Firm may charge the User for unauthorised transactions from lost or stolen Payment Instruments up to \$50, except where the User did not detect the loss prior to the Payment Transaction or the loss is caused by the negligence or wilful misconduct of the Authorised Firm's employees or agents.</u></p>
<u>A7.2.7</u>	<p><u>Refunds and funds block for Payment Transactions initiated by third parties</u></p> <p>(1) <u>Where a Payment Transaction is initiated by or through a payee or a third party, the Authorised Firm must:</u></p> <p>(a) <u>not block funds in the User's Payment Account unless the payer has authorised the exact amount of funds to be blocked;</u></p> <p>(b) <u>release the blocked funds without undue delay after receipt of the Payment Order with the exact amount; and</u></p> <p>(c) <u>if the amount of the Payment Transaction is unreasonable, taking into account the User's previous spending pattern and the conditions in the Client Agreement, refund the User, or justify not providing a refund, within 10 business days.</u></p> <p>(2) <u>The right to a refund referred to in (1)(c) does not apply if the User:</u></p> <p>(a) <u>received information about the proposed Payment Transaction at least 4 weeks before its execution;</u></p>

	<p><u>(b) gave consent directly to the Money Service Provider for the Payment Transaction; or</u></p> <p><u>(c) requests a refund more than 8 weeks from the date the funds were debited from the User's account.</u></p>
<u>A7.2.8</u>	<p><u>Debiting account only on receipt of Payment Orders</u></p> <p><u>An Authorised Firm must not debit the User's Payment Account before receipt of a Payment Order.</u></p>
<u>A7.2.9</u>	<p><u>Grounds for refusal of Payment Orders</u></p> <p><u>(1) An Authorised Firm that refuses to execute or initiate a Payment Order must, except where it is unlawful to do so, notify the User of the refusal:</u></p> <p><u>(a) in the agreed manner;</u></p> <p><u>(b) no later than on the next business day; and</u></p> <p><u>(c) if possible, with the reasons for the refusal.</u></p> <p><u>(2) An Authorised Firm, must notify the User, if applicable, of the procedure for rectifying any factual errors that led to the refusal.</u></p> <p><u>(3) An Authorised Firm may not refuse to execute an authorised Payment Order except in the circumstances specified in the Client Agreement, or where execution is unlawful.</u></p> <p><u>(4) Where the execution of a Payment Order is refused, the Payment Order is deemed not to be received.</u></p>
<u>A7.2.10</u>	<p><u>Revocation of a Payment Order</u></p> <p><u>An Authorised Firm must allow the User to revoke a Payment Order once received by the Authorised Firm if it relates to a future transaction to be executed at least one business day after the order is received.</u></p>
<u>A7.2.11</u>	<p><u>Amounts transferred and amounts received</u></p> <p><u>An Authorised Firm acting for a payer or a payee must ensure that the full amount of a Payment Transaction is transferred and received and that no charges are deducted from the amount transferred unless such charges are agreed with the payer and payee (as applicable).</u></p>
<u>A7.2.12</u>	<p><u>Value date and availability of funds</u></p> <p><u>An Authorised Firm must:</u></p> <p><u>(a) ensure that the date on which an amount is credited to the Payment Account of the User is not later than the business day on which the amount is received by the Payment Services Provider acting for the User;</u></p> <p><u>(b) ensure that the date on which an amount is recorded as debited to the Payment Account of a payer is not earlier than the actual time at which the amount of the Payment Transaction is debited to that Payment Account; and</u></p> <p><u>(c) in the case of a Payment Transaction initiated by the payee, take reasonable steps to ensure that the firm acting for the payee submits the Payment Instruction to the Authorised Firm in time to allow for the settlement to occur on the agreed date.</u></p>

<u>A7.2.13</u>	<p><u>Liability for the use of incorrect unique identifiers</u></p> <p>(1) <u>Where an Authorised Firm executes a Payment Order in accordance with a unique identifier provided by the User, the Payment Order is deemed to be correctly executed by the firm irrespective of any other information provided by the User.</u></p> <p>(2) <u>Where a unique identifier provided by the User is incorrect, the Authorised Firm is not liable for non-execution or defective execution of the Payment Transaction but must take reasonable steps to recover the funds involved in the Payment Transaction.</u></p>
<u>A7.2.14</u>	<p><u>Right of recourse</u></p> <p><u>Nothing in this section restricts or prevents an Authorised Firm's or User's right of recourse against another person who is at fault.</u></p>
<u>A7.2.15</u>	<p><u>Incident Reporting</u></p> <p><u>If an Authorised Firm becomes aware of a major operational or security incident, the firm must, without undue delay:</u></p> <p>(a) <u>inform its Users of the incident and of all measures that it is taking to limit the adverse effects of the incident; and</u></p> <p>(b) <u>notify the DFSA in accordance with the requirements in GEN Rules 4.2.10 and 11.10.7.</u></p>
<u>A7.2.16</u>	<p><u>No interest or other return permitted</u></p> <p><u>An Authorised Firm must not pay any interest or other return on amounts in a Payment Account.</u></p>
<u>A7.2.17</u>	<p><u>Payment Accounts only to be used for Payment Transactions</u></p> <p><u>An Authorised Firm must not permit a Payment Account to be used for a purpose other than making Payment Transactions.</u></p>

Guidance

1. The references to a "unique identifier" in Rule A7.2.13 are to letters, combination of letters, numbers or symbols that identify unambiguously a specific Payment Account or User.
2. A credit line under Rule A7.2.4(1)(b)(iii) can only be provided if the Authorised Firm or the other person providing the credit line has the appropriate authorisation to Provide Credit, or it is incidental to, and in connection with, a Financial Service referred to in GEN Rule 2.5.2.
3. In relation to User security credentials referred to in Rule A7.2.5, PIB Rule 6.13.3 sets out systems and controls an Authorised Firm must implement to maintain the integrity of User security credentials.

A7.3 Additional requirements for issuers of Stored Value

Guidance

This table sets out the requirements that must be complied with under section 13.6 by an Authorised Firm issuing Stored Value.

<p><u>A7.3.1</u></p>	<p><u>Issue and redemption of Stored Value</u></p> <p><u>An Authorised Firm must:</u></p> <p>(a) <u>on receipt of funds from a User, issue Stored Value at par without delay; and</u></p> <p>(b) <u>upon the request of a Stored Value holder, redeem at par the Stored Value held, except where such a request is received more than 6 years from the termination of the relevant Client Agreement to issue Stored Value.</u></p>
<p><u>A7.3.2</u></p>	<p><u>No interest or other return permitted</u></p> <p><u>An Authorised Firm must not pay any interest or other return on Stored Value.</u></p>
<p><u>A7.3.3</u></p>	<p><u>Limit on stored value issued and transactions</u></p> <p><u>An Authorised Firm must maintain effective systems and controls which ensure that:</u></p> <p>(a) <u>the total amount of Stored Value on issue to any individual User at any point in time does not exceed \$5,000; and</u></p> <p>(b) <u>no single Payment Transaction relating to Stored Value exceeds \$1,000.</u></p>

Guidance

Rule A7.3.2 prohibits an Authorised Firm from paying any interest or other return on Stored Value. This prohibition is intended to remove the likelihood or perception that the funds are held as deposits. However, the Rule does not prevent the Authorised Firm from offering incentives that encourage the use of stored value, such as reward points or merchant discounts.