

## Dealing and Advisory supplement

This supplement form must be submitted by applicants applying to conduct one or more of the Regulated Activities<sup>1</sup> of Dealing in Investments as Principal, Dealing in Investments as Agent, Arranging Deals in Investments, or Advising on Investments or Credit Facility. These financial services are defined in Schedule 1 of the AIFC General Rules.

In addition to this supplement you<sup>2</sup> will also have to complete the *Application for a Licence to carry on Regulated Activities* form. Depending on the suite of Regulated Activities your firm will be offering, there might be other forms or supplements that need to be completed and submitted. Where you believe a question in this supplement may have already been answered in the *Application for a Licence to carry on Regulated Activities* form or other forms then you may provide an unequivocal cross reference to the relevant section.

To assist you in completing this form we occasionally make reference to various Rules, sections, or chapters of the various modules which make up the AIFC Regulations and Rules. However, these references are provided only as a guide and are not an exhaustive list of the Rules that may be applicable to your situation. It is your responsibility to research any Rules that might be pertinent to your application.

Do not leave any response-cells empty. If a question we ask does not pertain to your intended Regulated Activities respond to that effect in the cell. If it is more appropriate to answer certain questions in an attachment then indicate in the cell that that is the case. The use of acronyms is to be avoided. If you do need to use acronyms then they must be defined.

As a matter of good practice, and to avoid any confusion, words and terms that are defined in AIFC Glossary should have their first letter in upper-case.

Ensure that that you are using the latest version of this application form. AFSA will only accept out-of-date forms if they are submitted within one month of the latest version available on our website.

You are advised to retain a copy of the form and all relevant attachments for the records.

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<sup>1</sup> Terms defined in the Glossary (GLO) or the glossary sections in the Rules are identified by the capitalisation of the initial letter of a word or of each word in a phrase, unless the context otherwise requires the word to have its natural meaning.

<sup>2</sup> The terms “you” and “your” as used throughout are not implied in the personal sense, but rather refer to the applicant applying for a Licence to carry on Regulated Activities. The terms “we” and “our” refer to the AFSA.

## 1. Declaration by the applicant

1.1 I declare that, to the best of my knowledge and belief, having made due inquiry, the information given in this form, the supplements and documents attached, as well as any applicable supporting documents, is complete and correct. I understand that it may be a breach of Article 119(e) of the AIFC Framework Regulations to provide to the AFSA any information which is deceptive, misleading or dishonest.

1.2 I declare my understanding that the AFSA may request more detailed information (including but not limited to, personal educational, employment and financial information) should it be deemed necessary to adequately assess the fitness and propriety of the firm or any person connected to the firm. I consent to the AFSA contacting any previous employers, educational institutions, professional organisations or any other organisation, to verify any information contained in this form.

1.3 I confirm that I have the authority to make this application, to declare as specified above and sign this form for, or on behalf of, the applicant. I also confirm that I have authority to give the consent specified above.

1.4 I understand that any personal data provided to the AFSA will be used to discharge its regulatory functions under the AIFC Data Protection Regulations, and other relevant legislation and may be disclosed to third parties for those purposes.

1.5 I confirm that all documents submitted as part of this application, whether physical or electronic, become property of the AFSA.

\_\_\_\_\_  
Signature of Director/Partner of the applicant<sup>3</sup>

\_\_\_\_\_  
Date

Enter the name and position or title of the above signed Director/Partner of the applicant:

<sup>3</sup> Or the person who will be authorised by the entity once it has been incorporated or established.

## 2. Business model

- 2.1 Indicate the projected number of Clients you will have at the end of your first full year of business. Include the anticipated business revenues or fees:

[Insert text here]

- 2.2 Indicate the business activities that your firm will undertake and the estimated percentage of the total business revenue attributed to each in the first year of operation:

Activity	Yes	No	Value or %
<b><i>Arranging Deals in Investments</i></b>			
Exchange traded securities including shares, bonds, Funds and trusts:			
Exchange traded Derivatives:			
Over-the-counter instruments including Derivatives, swaps, Structured Products, money market instruments, and bonds:			
Collective Investment Schemes:			
<b><i>Advising on Investments or Credit Facility</i></b>			
Exchange traded securities including shares, bonds, Funds and trusts:			
Exchange traded Derivatives:			
Over-the-counter instruments including Derivatives, swaps, Structured Products, money market instruments, and bonds:			
Collective Investment Schemes:			
Other (Specify):			
<b><i>Dealing in Investments as Agent</i></b>			
Exchange traded securities including shares, bonds, Funds and trusts:			
Exchange traded Derivatives:			
Over-the-counter instruments including Derivatives, swaps, Structured Products, money market instruments, and bonds:			
Collective Investment Schemes:			
Other (Specify):			
<b><i>Dealing in Investments as Principal</i></b>			
Exchange traded securities including shares, bonds, Funds and trusts:			
Exchange traded Derivatives:			
Over-the-counter instruments including Derivatives, swaps, Structured Products, money market instruments, and bonds:			
Other (Specify):			

- 2.3 For your first year of operation provide the estimated percentage of revenues from your targeted Clients:

<b>Type of Clients</b>	<b>%</b>
Retail Clients:	
Professional Clients:	
Market Counterparties:	
<b>Total:</b>	<b>100</b>

- 2.4 Will your firm conduct proprietary trading? If “Yes”, what are your risk-limits in relation to your capital?

[Insert text here]

- 2.5 Provide a flow chart for each type of sales and/or trading Transaction that your firm will undertake. These should clearly identify your role, the Client’s role, and the role of any other third parties in each Transaction. Indicate the movement of monies and assets. Each step in a Transaction should be clear, with the responsibilities and obligations of the parties involved unambiguously identified:<sup>4</sup>

[Insert text here]

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<sup>4</sup> It might be more convenient to attach these flow charts with this supplement. If so, indicate such is the case.

### 3. Financial and operational risk management

- 3.1 Describe how trading limits are set and monitored:
- 3.2 How will your firm ensure that your remuneration policies for front office staff do not encourage a culture of excessive risk taking?
- 3.3 Describe the nature and frequency of the trading book valuation. What risk mitigating tools will be used to manage risk in this area?<sup>5</sup>
- 3.4 Describe your clearing and settlement arrangements. How will you ensure appropriate clearing and settlement of Transactions?
- 3.5 Describe how you manage your credit risks for Client trading. How will you mitigate the risks of payment or delivery failure in relation to executed trades? How will you deal with error trades?<sup>6</sup>
- 3.6 Provide details of any underwriting activities you will carry on:
- 3.7 Will your firm offer margin accounts?
- 3.8 If you answered “Yes” to the questions above provide a description of your margin financing policy. This should include a full account of the: 1) concentration policy; 2) type of collateral accepted; 3) criteria for granting margin finance and the interest rate charged; 4) procedures and personnel responsible for computing margin shortfalls, making margin calls, and making good shortfalls; and 5) how often the margin finance policy is reviewed:

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<sup>5</sup> We would expect a description to include details of any stress testing and validation model-based techniques used.

<sup>6</sup> We are interested to know how you will intend to manage Client accounts in terms of payments, distributions, valuations, and reporting.

## 4. Conduct of business

4.1 Will you hold Client Money?

[Insert text here]

4.2 For customer trading, describe what arrangements you will have in place to ensure the safeguarding of Client Assets, including custody and Client Money arrangements:<sup>7</sup>

[Insert text here]

4.3 How often will reconciliations of Client holdings be carried out and who will be responsible for the reconciliation? How will you reconcile your records of Client Assets, including Client Money, with the records of other parties (such as third party custodians or dealers) so as to ensure any differences identified are rectified promptly?

[Insert text here]

4.4 How does the Board and Senior Management monitor the firm's trading activities for any market abuse / misconduct? Describe the surveillance of trading activities:

[Insert text here]

4.5 How does the Board and Senior Management ensure compliance with record keeping requirements?<sup>8</sup>

[Insert text here]

The following six questions pertain to applicants dealing for Retail Clients. If you will not be dealing for Retail Clients, insert "N/A" in the cells.

4.6 Describe how the Board and Senior Management will ensure that employees in Client-facing roles are competent and continue to maintain their knowledge and skills:<sup>9</sup>

[Insert text here]

4.7 Describe your Complaint handling process:<sup>10</sup>

[Insert text here]

4.8 How will you ensure that the Client achieves the best execution for the Transaction?<sup>11</sup>

[Insert text here]

<sup>7</sup> Refer to AIFC Conduct of Business Rules 8.2 and 8.3.

<sup>8</sup> Refer to AIFC Conduct of Business Rules, Chapter 16 – Record keeping.

<sup>9</sup> This should include your recruitment process and ongoing training and competence programmes.

<sup>10</sup> Refer to AIFC Conduct of Business Rules, Chapter 15 – Complaints Handling and Dispute Resolution.

<sup>11</sup> Refer to AIFC Conduct of Business Rules 6.1 - Best Execution and 6.2.7 – Timely Execution. Where a Client order is passed to another person to execute the Transaction, describe the procedures to be adopted to ensure Client orders are passed on in a timely fashion and are properly executed. You should also address how you will manage any differences in work days and time between the AIFC and the jurisdiction in which that other Person is located.

4.9 What is your policy to ensure and evidence that customer assessments and considerations of suitability are carried out:<sup>12</sup>

[Insert text here]

4.10 Provide a copy of your standard Client agreement:<sup>13</sup>

[Insert text here]

4.11 What is your policy to ensure that the appropriate disclosures are made to Retail Clients?

[Insert text here]

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<sup>12</sup> Refer to AIFC Conduct of Business Rules, Chapter 5 – Suitability and Appropriateness.

<sup>13</sup> Refer to AIFC Conduct of Business Rules, Chapter 4.