



Conduct of Business Rulebook (COBS)

*In this attachment underlining indicates new text and striking through indicates deleted text.

3. CORE RULES – INVESTMENT BUSINESS, ACCEPTING DEPOSITS, PROVIDING CREDIT AND PROVIDING TRUST SERVICES

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3.4 Suitability

3.4.1 Application

The Rules in this section do not apply where the Authorised Person:

- (a) undertakes a Transaction with a Market Counterparty;
- (b) undertakes an Execution-Only Transaction;
- (c) undertakes the activities of Accepting Deposits, or Providing Credit, Operating a Private Financing Platform, Operating a Multilateral Trading Facility or Operating an Organised Trading Facility; or
- (d) carries on an activity of the kind described in section 67 of Chapter 14 of Schedule 1 of FSMR that constitutes marketing.

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8. ADDITIONAL RULES: OPERATING AN MTF OR OTF

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8.2 Rules Applicable to MTF and OTF Operators – General

8.2.1 In addition to the general requirements applicable to Authorised Persons in COBS, GEN and elsewhere in the Rules, an Authorised Person carrying on the Regulated Activity of Operating an MTF (an "MTF Operator") or an Authorised Person carrying on the Regulated Activity of Operating an OTF (an "OTF Operator") must comply with the following requirements applicable to a Recognised Body or Recognised Investment Exchange set out in the MIR rulebook, reading references to Recognised Bodies or Recognised Investment Exchanges in the relevant rules as if they were references to the MTF Operator or OTF Operator:

- (a) MIR 2.6 (Operational systems and controls);
- (b) MIR 2.7.1 and 2.7.2 (Transaction recording);
- (c) MIR 2.8 (Membership criteria and access);
- (d) MIR 2.9 (Financial crime and market abuse);
- (e) MIR 2.11 (Rules and consultation);
- (f) MIR 3.3 (Fair and orderly trading);

- (g) MIR 3.7 (Public disclosure);
- (h) MIR 3.8 (Settlement and Clearing Services);
- (i) MIR 3.10 (Default Rules).

Guidance

In assessing whether an MTF Operator or OTF Operator complies with the requirements set out above, the Regulator will take into account the general principle that users of an MTF anticipate less comprehensive regulatory protections, and users of an OTF less again.

8.2.2 An MTF that admits to trading Securities that are offered by way of an Exempt Offer under MKT Rule 4.3.1(13) shall ensure that it has effective systems and controls in place to:

- (a) admit only Securities of such Exempt Offers that are made on its own platform;
- (b) identify those Persons to whom the Exempt Offer was made;
- (c) restrict trading of the Securities, to no more than 200 Persons who are not Professional Clients or Market Counterparties;
- (d) comply with MIR Rule 3.9.1 (Admission to trading), as applicable in relation to the relevant Securities; and
- (e) allow users of its market to obtain Inside Information, including any Offer documents pursuant to MKT Rule 4.3.5 relevant to the Securities.

Guidance

MKT Rule 4.3.1(13) provides for the specific circumstance where an Exempt Offer can be directed to no more than 200 Persons who do not qualify as Professional Clients or Market Counterparties, where the Securities are to be admitted to trading on a MTF. An Issuer seeking admission to trading of its Securities on an MTF in accordance with MKT Rule 4.3.1(13) may also, pursuant to MKT Rule 4.3.3, utilise an Exempt Offer that relies on one or more of the circumstances within MKT Rule 4.3.1, with the exception of MKT Rule 4.3.1(2). For example, an Issuer may make a simultaneous Exempt Offer to 200 Persons under MKT Rule 4.3.1(13), and an unlimited number of Professional Clients under MKT Rule 4.3.1(1).

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