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**FINANCIAL SERVICES REGULATORY AUTHORITY**  
**سلطة تنظيم الخدمات المالية**

**Supplementary Guidance –  
Authorisation for Dealing Activities**



**ABU DHABI GLOBAL MARKET**  
**سوق أبوظبي العالمي**

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## **1 Purpose**

- 1.1 This Guidance is issued under section 15(2) of the Financial Services and Markets Regulations 2015 (“FSMR”). It should be read in conjunction with the FSMR, the ADGM Rulebook and other applicable Rules.
- 1.2 The Guidance sets out the Regulator’s expectations on the minimum criteria for an applicant seeking a Financial Services Permission to carry on the regulated activities of Dealing in Investments as Principal, Dealing in Investments as Agent, or Arranging Deals in Investments (collectively referred to as “Dealing Activities”). The Guidance is not an exhaustive source of the Regulator’s policy on the exercise of its statutory powers and discretions. In the discharge of its regulatory mandate, the Regulator may impose other requirements to address any specific risks posed to the objectives of the Regulator by the proposed activities of the applicant.
- 1.3 Unless otherwise defined or the context otherwise requires, the terms contained in the Guidance have the same meaning as defined in the FSMR and the GLO Rulebook.

## **2 Consideration and Assessment of Applications**

- 2.1 As set out in GEN Rule 5.2.7, the applicant shall demonstrate to the satisfaction of the Regulator that it:
- (a) has adequate and appropriate resources, including financial resources;
  - (b) is fit and proper;
  - (c) is capable of being effectively supervised; and
  - (d) has adequate compliance arrangements, including policies and procedures, that will enable it to comply with all the applicable legal requirements.
- 2.2 In assessing the adequacy and appropriateness of an applicant’s resources, systems and controls, the Regulator will consider the risks posed by the applicant taking into account the nature, size and complexity of the proposed activities. For instance, a Start-up entity<sup>1</sup> without

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<sup>1</sup> A “Start-up” entity is:

- (a) any newly set up business entity which is not part of a Group subject to financial services regulation;  
or
- (b) any existing business entity which, or whose Group is not subject to financial services regulation.

relevant track record may seek authorisation to conduct Dealing Activities, subject to certain restrictions and other conditions to limit the scale and impact of its activities.

2.3 The Regulator will apply a risk-based assessment according to the categories of dealers (“Dealers”) as set out in Table 1 below. The applicant should ensure that the category it chooses accommodates its needs over a reasonable timeframe.

**Table 1 – Categories of Dealers**

| <b>Category</b>      | <b>Permissible Activities</b>   |
|----------------------|---|
| Retail Dealer        | Dealing in investments with or for all types of Clients, including Retail Clients.  |
| Institutional Dealer | Dealing in investments only with or for Professional Clients in the ordinary course of business.  |
| Restricted Dealer    | Dealing in investments only with or for Professional Clients and: <ul style="list-style-type: none"> <li>• does not carry any customers’ positions or accounts on its own books<sup>2</sup>; and</li> <li>• does not receive, hold or control Client Assets.</li> </ul> |

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<sup>2</sup> This includes any intra-day positions pending settlement or undertaking of settlement risks.

### 3 Minimum Criteria for Authorisation

- 3.1 **Track Record** – The applicant should demonstrate that it or its Group has a minimum 5-year proven track record in the dealing or related business, in a jurisdiction which has a regulatory framework that is comparable to ADGM. The applicant or its parent / related entities, where applicable, should be subject to proper supervision by a competent regulatory authority.
- 3.2 To be a Retail Dealer, the applicant should have a total Group shareholders' funds of at least US\$200 million.
- 3.3 Where the applicant does not satisfy the 5-year track record requirement, the Regulator may take into account the (i) track record of the applicant's Controllers/substantial shareholders; and (ii) experience and qualifications of the applicant's key management staff, when assessing the application. In the case of a Start-up entity, the applicant should demonstrate that it has an effective resolution mechanism in the event of any shareholder dispute.
- 3.4 **Competency of Key Individuals** – A Dealer should ensure that the minimum competency criteria, set out in **Appendix 1**, are met.
- 3.5 **Capital Requirements** – As set out in section 3 of the PRU Rulebook, a Dealer must meet the following minimum capital requirements:

**Table 2 – Capital Requirement**

| <b>Category</b>   | <b>Capital Requirement</b>   |
|---|--|
| Retail Dealer /<br>Institutional Dealer<br>(Dealing as principal) | (a) Base Capital Requirement of US\$2,000,000;<br>(b) Expenditure-Based Capital Minimum; or<br>(c) Risk Capital Requirement;<br>whichever is higher. |
| Retail Dealer /<br>Institutional Dealer<br>(Dealing as agent)     | (a) Base Capital Requirement of US\$500,000;<br>(b) Expenditure-Based Capital Minimum; or<br>(c) Risk Capital Requirement;<br>whichever is higher.   |

|                                |  |
|--------------------------------|--|
| Restricted Dealer <sup>3</sup> | (a) Base Capital Requirement of US\$10,000; or<br>(b) Expenditure-Based Capital Minimum;<br>whichever is higher. |
|--------------------------------|--|

The applicant should make a reasonable assessment of the amount of additional capital buffer it needs, bearing in mind the scale and scope of its operations.

- 3.6 **Compliance Arrangements** – A Dealer shall have in place compliance arrangements that are appropriate to the nature, scale and complexity of its business. The minimum criteria in respect of compliance arrangements are set out in **Appendix 2**. While compliance support may be provided by a related entity and/or third party service providers, the ultimate responsibility for compliance with applicable laws and regulations lies with the Dealer’s Senior Executive Officer (“SEO”) and Board of Directors.
- 3.7 **Risk Management** – The risk management function should be subject to adequate oversight by the SEO and Board of the Dealer. It should be segregated from and independent of the front office function. The Dealer should have policies and procedures to ensure that management is kept informed of the risk exposures in a regular and timely basis. Staff of the risk management function should have adequate knowledge and expertise in risk management.
- 3.8 **Internal Audit** – The internal audit arrangements should be appropriate to the scale, nature and complexity of its operations. The internal audit may be conducted by the internal audit function within the Dealer, an internal audit team from the head office of the Dealer, or outsourced to a third party service provider, as set out in **Appendix 3**.

<sup>3</sup> As set out in section 6.12 of the PRU Rulebook, a Restricted Dealer shall maintain PII cover appropriate to the nature, size, and risk profile of its business. We may consider granting a waiver of the requirement under appropriate circumstances acceptable to the Regulator.

### **Appendix 1 – Minimum Competency Criteria**

|  | <b>Restricted Dealer</b>   | <b>Institutional Dealer</b>   | <b>Retail Dealer</b>   |
|--|--|---|--|
| <p><b>(i) Number of Licensed Directors:</b><br/> <i>A Licensed Director is a Controlled Function set out in GEN 5.3.3. Nominee directors such as legal advisers or corporate secretaries will not count towards meeting this requirement.</i></p> <p><b>Minimum years of relevant experience<sup>#</sup>:</b></p> <p><b>Of these Directors,</b></p> <ul style="list-style-type: none"> <li>• <b>Number of executive Directors:</b><br/> <i>Executive Directors are employed full-time in the day-to-day operations of the company and should be resident in the U.A.E.</i></li> <li>• <b>Minimum years of relevant experience<sup>#</sup> of Senior Executive Officer [“SEO”]:</b><br/> <i>The SEO is a Controlled Function set out in GEN 5.3.2.</i></li> </ul> | At least 2<br><br><br><br><br><br><br><br><br><br><br>5 years<br><br><br><br><br><br><br><br><br><br><br>At least 1<br><br><br><br><br><br><br><br><br><br><br>5 years | At least 2*<br><br><br><br><br><br><br><br><br><br><br>5 years<br><br><br><br><br><br><br><br><br><br><br>At least 1<br><br><br><br><br><br><br><br><br><br><br>5 years | At least 2*<br><br><br><br><br><br><br><br><br><br><br>5 years<br><br><br><br><br><br><br><br><br><br><br>At least 1<br><br><br><br><br><br><br><br><br><br><br>10 years |
| <p><b>(ii) Number of Approved Persons residing in the U.A.E:</b><br/> <i>Approved Persons (as set out in GEN 5.3) will include the Licensed Directors, Licensed Partners and SEO of the Dealer.</i></p> <p><b>Minimum years of relevant experience<sup>#</sup>:</b></p>  | At least 2<br><br><br><br><br><br><br><br><br><br><br>5 years  | At least 2<br><br><br><br><br><br><br><br><br><br><br>5 years   | At least 3<br><br><br><br><br><br><br><br><br><br><br>5 years  |

|  | <b>Restricted Dealer</b> | <b>Institutional Dealer</b> | <b>Retail Dealer</b> |
|--|--------------------------|-----------------------------|----------------------|
| <p><b>(iii) Number of employees / professionals conducting the regulated activities residing in the U.A.E:</b><br/> <i>Such employees / professionals may include the Approved Persons and Recognised Persons (as set out in GEN 5.4) of the Dealer.</i></p> | At least 2               | At least 2                  | At least 3           |

#: The relevance of an individual’s experience should be assessed in the context of the role that the individual will perform in the Dealer. For example, experience in proprietary trading for financial institutions could be counted towards meeting the relevant experience criteria for a relevant professional conducting Dealing Activities on behalf of customers. Directors/Parnters, SEO and Senior Managers should have managerial experience or experience in a supervisory capacity as part of their relevant experience.

\*: For a Dealer that is deemed as high impact or systemically important, the Regulator may require the Dealer to have at least more than 2 directors.

- The following are examples where the Regulator would consider a Restricted/Institutional Dealer as having met the minimum competency criteria:

Example 1

The Dealer has two executive resident directors, one of whom is the SEO, who is responsible for dealing function. The other is the Chief Operating Officer, who is responsible for back office functions such as trade reconciliation and risk management (i.e. not engaged in regulated activity). Both directors have at least 5 years of relevant experience in their respective functions. The Dealer will meet the minimum competency criteria if it employs at least one additional resident full-time employee/professional on the dealing desk. There will not be any minimum experience criteria for



this additional employee, although the employee should be suitably competent.

Example 2

The Dealer has two executive directors as dealers. Both directors are resident in the U.A.E and have at least 5 years of relevant experience in dealing activities. One of the directors is the SEO. The Dealer should appoint another Recognised Person independent of the front office to be the Compliance Officer / Finance Officer / Money Laundering Reporting Officer.

Example 3

The Dealer in ADGM (“ADGM Dealer”) is a subsidiary of a foreign-based Dealer who is regulated in its home jurisdiction. The ADGM Dealer has one resident executive director appointed as the SEO, who has 5 years of relevant experience and heads the dealing function. The ADGM Dealer has another director based overseas. The ADGM Dealer will meet the criteria if it employs an additional resident full-time employee/professional to conduct dealing activities, and this employee will be required to have at least five 5 years of relevant experience.

**Appendix 2: Minimum Compliance Arrangements**

| Category             | Compliance Arrangements   |
|----------------------|---|
| Retail Dealer        | <ul style="list-style-type: none"> <li>• The Dealer should put in place an independent and dedicated compliance function in the U.A.E with staff who are suitably qualified and independent from the front office.</li> <li>• Compliance staff may perform other non-conflicting and complementary roles such as that of an in-house legal counsel.</li> </ul>  |
| Institutional Dealer | <ul style="list-style-type: none"> <li>• The Dealer should have an independent compliance function with staff who are suitably qualified and independent from the front office.</li> <li>• The Dealer may, depending on the size and scale of the business:               <ul style="list-style-type: none"> <li>(i) rely on compliance oversight and support from an independent and dedicated compliance team at its holding company or related entity; or</li> <li>(ii) engage an external service provider to support its compliance arrangements. The Dealer should ensure that the service provider is competent and familiar with the regulatory requirements for Dealers in ADGM. The service provider should be able to provide meaningful onsite presence at the Dealer.</li> </ul> </li> </ul> |
| Restricted Dealer    | <p>In either case, the Dealer should designate a senior staff independent from the front office (e.g. COO or CFO) to oversee the compliance arrangement;</p>  |

### Appendix 3 – Internal Audit Arrangements

| Category             | Internal Audit Arrangements  |
|----------------------|--|
| Retail Dealer        | <ul style="list-style-type: none"> <li>• The Dealer should have an independent and dedicated internal audit function.</li> <li>• The internal audit function may be undertaken by an internal audit team within the Dealer, a group internal audit team from the parent or related company of the Dealer, or outsourced to a third party service provider.</li> </ul>  |
| Institutional Dealer | <ul style="list-style-type: none"> <li>• The internal audit function may be undertaken by an internal audit team within the Dealer independent from the business functions, a group internal audit team from the parent or related company of the Dealer, or outsourced to a third party service provider.</li> <li>• Where the Dealer does not have a dedicated internal audit function, the adequacy of the Dealer’s internal audit arrangements should be assessed against the context of the Dealer’s overall business scale and control environment i.e. whether there are periodic checks similar to those performed by internal auditors, which are performed by other control functions such as risk management and compliance.</li> </ul> |
| Restricted Dealer    |  |

- The SEO and Board of the Dealer are ultimately responsible for ensuring there are adequate internal controls within the Dealer and should take reasonable measures to ensure that the internal controls are complied with.