

Abu Dhabi Global Market Launches Public Consultation on Financial Services Laws and Regulations

Abu Dhabi Global Market (ADGM), Abu Dhabi's financial free zone, has published a series of [consultation papers](#) on draft Financial Services and Market Regulations (the "**FSMR Regulations**") which will establish the framework which will govern the licensing, operation and regulation of financial services firms established in the ADGM. In addition, a consultation paper has been issued on a proposed Limited Liability Partnership Regulation, which will govern the formation and operation of limited liability partnerships.

ADGM was established as a financial free zone pursuant to Abu Dhabi Law No. 4 of 2013. In the first phase of legislation, the ADGM has established the application of English law and the core regulations that will govern entities operating in the free zone, including commercial licensing regulations, companies regulations and insolvency regulations. The FSMR Regulations constitute the second phase of legislation, and will establish a financial services regulatory framework. The regime is very closely modeled on the UK Financial Services and Markets Act 2000 regime, and will create a Financial Services Regulatory Authority (the "**FSRA**"), with similar duties and powers to the UK Financial Conduct Authority. The consultation also sets out draft rules which, together with a forthcoming Guidance and Policy Manual, will constitute the FSMR Rulebook. The FSMR Rulebook is based on the UK Financial Conduct Authority Rulebook.

The FSMR Regulations establish the legal framework within which the FSRA and regulated firms will operate, and include:

- A description of those financial services which will be Regulated Activities.
- A licensing regime, under which firms with a Permission from the FSRA to carry on regulated activities will be Authorised Persons.
- A General Prohibition on carrying out a regulated activity without authorisation or exemption.
- A Financial Promotion regime which prohibits making certain financial promotions unless authorised or unless the content has been approved by an Authorised Person.
- A requirement that only certain Approved Persons, determined by the FSRA to be fit and proper, perform various Controlled Functions in relation to an Authorised Person.
- A market abuse regime, which mirrors the UK implementation of the EU Market Abuse Directive.

- A Change of Control regime, governing the acquisition and disposal of control of FSRA regulated firms.
- Requirements relating to the operation of Benchmarks.
- Regulations governing collective investment funds.
- A framework for the regulation of FSRA recognised investment exchanges and clearing houses, including requirements replicating the European Markets Infrastructure Regulation regime on the clearing, reporting and risk mitigation of OTC derivatives.
- A parallel regime prohibiting the making of misleading statements and practices.
- A framework governing the disciplinary and enforcement powers and processes of the FSRA.
- Provisions governing the listing of securities admitted to trading, and the requirement to issue a prospectus when making a public offer of securities.

In parallel with the draft FSMR Regulations, ADGM has published in draft a series of appendices which contain the text of the core modules of the FSRA Rulebook. They are as follows:

- General Module (“GEN”)
- Conduct of Business Rulebook (“COBS”)
- Fund Rules (“FUNDS”)
- Market Infrastructure Rulebook (“MIR”)
- Market Rules (“MKT”)
- Rules of Market Conduct (“RMC”)
- Anti-Money Laundering and Sanctions Rules and Guidance (“AML”)
- Islamic Finance Rules (“IFR”)
- Prudential – Investment, Insurance Intermediation and Banking Rules (“PRU”)
- Fees Rules (“FEES”)
- Glossary (“GLO”)

The proposed Limited Liability Partnership Regulations are broadly aligned with the UK Limited Liability Partnership Act regime. They provide that the constitution of a LLP and the rights and duties of its members may be governed by agreement between the members, which need not be filed with the ADGM, or between the limited liability partnership and its members.

The consultation will close on 11 August 2015. Should you have any questions about the consultation papers, or should you wish to submit comments, please get in touch with your regular contacts at the firm or, in the Abu Dhabi office, Gamal Abouali (gabouali@cgsh.com) or Chris Macbeth (cmacbeth@cgsh.com).

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