

CONSULTATION PAPER
NO. 8 OF 2025

**ENHANCEMENTS FOR CONTINUED
ALIGNMENT WITH INTERNATIONAL
STANDARDS - IOSCO PRINCIPLES**

30 July 2025



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Introduction

Why we are issuing this paper

1. The Financial Services Regulatory Authority (the “FSRA” or “we”), the financial services regulator for Abu Dhabi Global Market (“ADGM”), is approaching ten years of operations and considers this an opportune moment to take stock of our regulatory framework for financial services. Our ambition is to ensure that our regulatory framework continues to be aligned with current best practices enshrined in the following standards, as issued by the international standard-setting bodies:
 - (i) *Core Principles for effective banking supervision*¹, issued by the Basel Committee on Banking Supervision (the “BCBS Principles”);
 - (ii) *Objectives and Principles of Securities Regulation*², issued by the International Organization of Securities Commissions (the “IOSCO Principles”); and
 - (iii) *Insurance Core Principles*³, issued by the International Association of Insurance Supervisors (the “IAIS Principles”).

For this Consultation Paper (“CP”), these will be referred to collectively as the “International Standards”.

2. The first stage in the benchmarking of our regulatory framework considered alignment with the BCBS Principles. We published Consultation Paper No. 9 of 2024 in October 2024, and implemented the relevant amendments in January 2025 alongside other miscellaneous amendments.
3. The proposals in this CP similarly seek to address those areas where enhancements to the regulatory framework will ensure further, appropriate alignment with International Standards, in this case the IOSCO Principles.
4. In turn, we shall assess the regulatory framework against the remaining International Standards, i.e. the IAIS Principles, and where associated enhancements are deemed to be necessary, undertake a further consultation exercise.
5. Additionally, we are taking this opportunity to propose some changes to the FSRA’s objectives, as contained within the Financial Services and Markets Regulation 2015 (“FSMR”). These changes will further align the FSRA’s objectives with the Abu Dhabi Law No (4) of 2013 (“Abu Dhabi Law”) and highlight the FSRA’s ongoing strong commitment to prevention of money laundering in the ADGM.

¹ <https://www.bis.org/bcbs/publ/d573.pdf>, April 2024

² <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD561.pdf>, May 2017

³ <https://www.iaisweb.org/uploads/2022/01/191115-IAIS-ICPs-and-ComFrame-adopted-in-November-2019.pdf>, November 2019

6. Capitalised terms which appear in this paper have the meanings attributed to them in the FSRA's Glossary Rulebook ("GLO"), unless otherwise defined herein.

Who should read this paper

7. This CP proposes enhancements that should be of interest to all Authorised Persons. We also welcome feedback from other stakeholders, particularly Corporate Service Providers ("CSPs") and professional advisors.
8. We welcome suggestions for alternative approaches to address the regulatory considerations raised herein, and comments supported by reasoning and evidence will be given more weight.

How to provide comments

9. All comments should be made in writing and sent to the email address below. If sending your comments by email, please use the Consultation Paper number in the subject line. If relevant, please identify the organisation you represent when providing your comments. We reserve the right to publish any comments you provide, including on our website, unless you expressly request otherwise when submitting those comments.

Deadline for comment

10. The deadline for providing comments on these proposals is 27 August 2025.

Comments to be addressed to:

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Background

1. The FSRA is taking a phased approach to address areas where there is an opportunity to further align our regulatory framework with ever-evolving International Standards. This CP is the second phase of enhancements, which aims to increase alignment of our regulatory framework with the IOSCO Principles. This follows the enhancements implemented in January 2025 that further aligned it with the BCBS Principles. Any additional enhancements arising from our self-assessment against the IAIS Principles, will be undertaken once that self-assessment is completed.
2. The proposals contained within this paper have also been benchmarked against regulatory frameworks in other key international jurisdictions to ensure that the FSRA's regulatory powers and requirements remain comprehensive and result in fair, proportionate and risk-sensitive outcomes for Authorised Persons and Recognised Bodies.
3. Overall, the FSRA's regulatory framework remains aligned with IOSCO Principles and other international regulatory frameworks. However, we are proposing some enhancements including:
 - Creating a general prohibition against misleading and deceptive conduct.
 - Expanding the FSRA's suspension powers as an interim measure in appropriate circumstances.
 - Clarifying the FSRA's ability to exercise certain powers and the relevant procedures that apply in certain circumstances, such as:
 - the granting of a Financial Services Permission subject to conditions, and the withdrawal of conditions or restrictions;
 - the giving of directions for prudential purposes with immediate effect;
 - exercising powers in urgent circumstances where the application of the usual advance notice procedures would be prejudicial or detrimental to the ADGM Financial System.
 - Adding a prohibition on offering a Unit of a Fund without a complying prospectus to FSMR, and the power to issue a stop order in relation to the offer of Units in a Fund that do not meet applicable requirements.
4. Where appropriate, the enhancements identified as a result of our review against the IOSCO Principles have been applied to all relevant Authorised Persons and Recognised Bodies.

Proposals to align with the IOSCO Principles

Powers of the FSRA

- IOSCO Principle 11 provides that a regulator should have comprehensive enforcement powers, and this is intended to have wider application beyond only regulated entities. It deals with courses of action available to the regulator where a breach of relevant securities legislation by any person, both individuals and corporate entities, is suspected or identified.

Prohibitions against misconduct

- The FSRA's regulatory framework does not currently include a general prohibition specifically against fraudulent, misleading or deceptive conduct. Existing prohibitions relating to false, misleading or deceptive conduct are expressly limited in their scope of application⁴. Accordingly, this may not expressly enable the FSRA to take appropriate corrective or enforcement action against a person for misleading or deceptive conduct in relation to the carrying on of financial services activities or in connection with financial products in ADGM.
- We therefore propose to add a new section in FSMR that will create a specific prohibition against such misleading, deceptive, fraudulent or dishonest conduct in relation to Regulated Activities and Specified Investments, Virtual Assets, Fiat Currency, Fiat-Referenced Tokens, and Spot Commodities.

Question 1: Do you agree with the proposal to include a general prohibition specifically against misleading, deceptive, fraudulent or dishonest conduct in relation to Regulated Activities and Specified Investments, Virtual Assets, Fiat Currency, Fiat-Referenced Tokens, and Spot Commodities?

Suspension powers

- Under section 233 of FSMR, the FSRA has the power to suspend a Financial Services Permission ("FSP"), impose restrictions on carrying on Regulated Activities, suspend the approval of an Approved Person or disqualify an auditor or actuary from acting for a regulated entity. This power is only available where the FSRA considers that a contravention of FSMR has been committed. This means that the FSRA is unable to exercise suspension powers as an interim measure in appropriate circumstances, for example during an investigation.
- Suspension powers should be available to the FSRA while considering whether more permanent action should be taken in appropriate circumstances. For example,

⁴ FSMR: section 66: misleading and deceptive conduct in relation to Offers of Securities; section 98: prohibition on market abuse; sections 102 and 103: misleading statements and impressions; section 195: misleading an auditor or actuary; and section 221: misleading the FSRA.

where the FSRA has formed a reasonable opinion that allowing a regulated entity to continue its activities during the time it takes to formalise enforcement action could be detrimental to the interests of ADGM. Accordingly, we propose creating new suspension powers that the FSRA may exercise on its own initiative in certain, necessary and appropriate circumstances in relation to regulated entities and Approved Persons, similar to its existing own initiative variation and requirement powers.

Question 2: Do you agree with the creation of an own-initiative suspension power that the FSRA may exercise on an interim basis in necessary and appropriate circumstances?

Powers to apply conditions or issue directions

Power to apply conditions upon the granting of an FSP

10. IOSCO Principle 29 outlines that regulations should provide for minimum entry standards for market intermediaries. This includes setting minimum standards for licensing that are clear and publicly available, and providing the regulator with the ability to withdraw, suspend or apply a condition to a licence.
11. Section 30(4) of FSMR enables the FSRA to “*incorporate in the description of a Regulated Activity such limitations and stipulations...as it considers appropriate*”. However, the exercise of this power is subject to the ‘Enforcement Procedure’ in Part 21 of FSMR, which includes giving a warning notice pursuant to section 246 and associated procedural requirements, such as the opportunity to make representations. In practice, the FSRA works closely with all applicants to discuss any conditions before a Financial Services Permission is granted. Accordingly, the procedure offers little benefit to the FSRA or the applicant in those circumstances. Further, in most cases where the FSRA grants a Financial Services Permission subject to conditions, it does not change the ‘description’ of the relevant Regulated Activity. Rather, it separately lists any applicable conditions that must be met for the firm to carry on the relevant activity.
12. We therefore propose clarifying in section 30 of FSMR that the FSRA may grant a Financial Services Permission that may be subject to appropriate conditions, restrictions or limitations. We further propose to amend section 246 of FSMR so that a warning notice is not required where a person has consented to the FSRA’s decision, including when conditions are imposed to the granting of a Financial Services Permission.

Power to issue directions for prudential purposes

13. IOSCO Principle 30 outlines that a regulator should establish initial and ongoing capital standards. This should include the ability for a regulator to impose restrictions on a firm’s regulated business activities and apply more stringent capital monitoring and/or reporting requirements if a firm’s capital deteriorates such that it endangers its capacity to fulfil its obligations.

14. Under section 202 of FSMR, the FSRA currently has the power to issue directions for prudential purposes. However, the powers under section 202 are subject to the Enforcement Procedure referenced at paragraph 11 above, which requires a warning notice to be issued.
15. The application of the Enforcement Procedure to prudential directions extends the timeframe for such directions to take effect, which may impede the effectiveness of this power, particularly in circumstances requiring immediate intervention. Accordingly, we propose to exclude prudential directions from the scope of the Enforcement Procedure and to enable such directions to take immediate effect where the FSRA reasonably considers it necessary or desirable to do so in order to further one or more of its objectives. To ensure appropriate due process, we propose to amend section 202 to require that a prudential direction issued to a subject:
 - a. sets out the FSRA's reasons for issuing the direction;
 - b. informs the subject that representations may be made to the FSRA; and
 - c. informs the subject of its right to refer the matter to the Appeals Panel.

Exercise of other powers without application of Enforcement Procedure

16. Further to paragraphs 10 to 15, FSMR does not currently allow for deviation from the Enforcement Procedure where applicable, even in urgent or exceptional circumstances. This creates the unintended consequence of inhibiting the FSRA's ability to take timely action where circumstances warrant it.
17. Accordingly, as foreshadowed in paragraph 12 above, we are proposing revisions to sections 246 and 247 of FSMR that enable the FSRA to depart from the Enforcement Procedure in specific circumstances while ensuring that firms retain the opportunity to make representations or appeal the decision. Such circumstances include where:
 - a. a direction, requirement, condition or restriction is being withdrawn;
 - b. the relevant person has requested or consented to the proposed decision; or
 - c. urgent action is required and applying the Enforcement Procedure would be prejudicial to the ADGM or users of the ADGM Financial System.

Question 3: Do you agree with the proposal that the Enforcement Procedure should not apply to the imposition of conditions on a Financial Services Permission at the time of authorisation?

Question 4: Do you have any comments on the proposed changes to the procedural requirements that apply to the FSRA's power to issue directions for prudential purposes?

Question 5: Do you have any comments on the proposed amendments to the procedural requirements applicable to the exercise of the FSRA's powers where: (i) a direction, requirement, condition or restriction is being withdrawn; (ii) the relevant person has requested or consented to the proposed decision; or (iii) urgent action is required and applying the Enforcement Procedure would be prejudicial?

Powers in relation to offering Units of a Fund

Extending requirement to provide disclosures when offering Units of a Fund

18. IOSCO Principle 26 provides that regulation should require disclosure which is necessary to evaluate the suitability of a collective investment scheme ("CIS") for an investor and the value of the investor's interest in the scheme. As such, regulation should require that all matters material to the valuation of a CIS are disclosed to investors on a timely basis.
19. Currently, the FSRA's prospectus requirements for CISs are contained within the Fund Rulebook ("FUNDS") and apply to a Fund Manager as an Authorised Person. To enhance our regulatory framework to better reflect the intended breadth of Principle 26, we are proposing to include a general prohibition in FSMR against the offer of a Unit of a Fund without a complying prospectus. By doing so, we will ensure that any person offering a Unit of a Fund in ADGM, not just a Fund Manager, is covered by the requirement to make adequate disclosure.

Power to issue a stop order in relation to Units of a Fund

20. IOSCO Principle 26 outlines that a regulator should have the power to hold back, or intervene, with regard to offering documents. The FSRA currently has the power to issue a stop order in relation to an Offer of Securities⁵. In order to further align our framework with the IOSCO Principles, we are proposing to include an equivalent power in FSMR in relation to making an Offer of a Unit of a Fund.

Question 6: Do you agree with the proposal to include a general prohibition in FSMR against the offer of a Unit of a Fund without a complying prospectus?

Question 7: Do you have any comments on the proposed extension of the FSRA's power to issue a stop order to with the proposed changes to the procedural requirements that apply to the FSRA's power to Offers of Units?

Protection of client assets

21. As referenced in paragraph 10 above, IOSCO Principle 29 outlines that regulation should provide for minimum entry standards for market intermediaries. Among other expectations, it lays out that, where an investment advisor does not deal but is

⁵ Section 71 of FSMR. Pursuant to the operation of section 57, the power does not apply to an Offer of a Unit.

permitted to have custody of client assets, regulation should provide for the protection of client assets, including segregation and periodic or risk-based inspections.

22. We are proposing amendments to the Conduct of Business Rulebook (“COBS”) to better align with this IOSCO principle in relation to the protection of client assets. In particular, we are proposing to:

- strengthen the restriction on Authorised Persons in Category 4⁶ holding or controlling Client Money, by making the guidance in paragraph 5 under COBS 14.1.3 into a Rule;
- make it explicitly clear that Authorised Persons are required to maintain a Client Account with a Third-Party Agent with the words “Client Account” in its title; and
- strengthen disclosure requirements when Arranging Custody through a Third-Party Agent where the Client’s Safe Custody Assets may be held in a jurisdiction outside ADGM. In particular, we propose to require advance disclosure to the Client that the market practices, insolvency and legal regime may differ from the regime applicable in ADGM.

Question 8: Do you have any comments on the proposed amendments relating to the protection of client assets?

Audit requirements

Appointment of an auditor

23. As referenced in paragraph 13 above, IOSCO Principle 30 outlines that a regulator should establish initial and ongoing capital standards, including an expectation that the financial position of a market intermediary should be subject to audit by independent auditors to provide additional assurance. While there are specific obligations outlined under Part 15 of the ADGM Companies Regulations 2020 regarding the requirements for audited accounts and the appointment of auditors, to bring the relevant provisions within the FSRA’s regulatory framework, we are proposing to explicitly state in the General Rulebook (“GEN”) that Authorised Persons and Recognised Bodies must appoint an auditor to audit their financial statements.

Question 9: Do you have any comments on the proposed inclusion of the requirement for Authorised Persons and Recognised Bodies to appoint an auditor in GEN?

⁶ Other than an Authorised Person engaged in Operating a Private Financing Platform.

Other minor enhancements

24. As a result of our review against the IOSCO Principles, we are proposing various other minor enhancements, including:

- a slight revision to COBS to clarify certain record-keeping requirements;
- clarification that the definition of a Listed Entity in the Market Rulebook (“MKT”) includes a Listed Fund and simplifying the definition of Listed Securities in GLO;
- amendments to the Market Infrastructure Rulebook (“MIR”) Rule 3.9.1 to clarify the requirements to be satisfied by a Recognised Investment Exchange which admits derivatives to trading;
- minor amendments to FUNDS, including alignment of the definition of an Eligible Custodian with FSMR;
- aligning the definitions of Clearing Services and Recognised Clearing House in GLO and FSMR;
- amending the Code of Market Conduct (“CMC”) to clarify the relevant references to the Market Abuse provisions in FSMR; and
- updating the Guidance & Policies Manual (“GPM”) to reflect the enhancements proposed in this CP.

Question 10: Do you have any comments on the proposed minor enhancements set out in Appendices 1 to 6 and the relevant guidance as outlined above?

Proposals to align the FSRA’s objectives

25. FSMR was enacted in October 2015 and, amongst other things, outlines the powers, functions and objectives of the Regulator, i.e. the FSRA, in Chapter 1. Section 1(3) of FSMR has the eleven objectives that the FSRA must strive to fulfil, and these are supplemented by the twelve guiding principles laid out in section 1(4), which are to be taken into consideration by the FSRA in exercising its powers and performing its functions.

26. The FSRA’s objectives detailed in section 1(3) of FSMR override all other considerations when it comes to exercising its powers and performing its functions. As such, the guiding principles specified in section 1(4) of FSMR are to be taken into consideration by the FSRA in the discharge of its responsibilities, rather than supplanting its objectives.

The FSRA's jurisdiction over the ADGM financial services industry

27. Article (12) of the Abu Dhabi Law states that the “[t]he Financial Services Regulations Bureau⁷ shall be solely responsible for the regulation of Financial Services and related activities in the Global Market”.
28. In contrast with the narrow jurisdiction over financial services and related activities granted to the FSRA under the Abu Dhabi Law, the FSRA's objectives as currently drafted in section 1(3) set the regulatory perimeter of the FSRA more broadly.
29. We therefore propose minor amendments to FSMR to address this difference between the Abu Dhabi Law and FSMR by clarifying that the FSRA's objectives under section 1(3) of FSMR are applicable in relation to the financial services industry in ADGM.

Financial crime objective

30. As set out in our Business Plan 2025-2026⁸, the prevention of financial crime continues to be a key priority for the FSRA to maintain the integrity of the financial services industry in ADGM, and we are working closely in this area with our national and international peers and other relevant authorities. Several of the FSRA's objectives reflect our commitment to preventing financial crime in ADGM, particularly the objectives relating to promoting and enhancing the integrity of ADGM (section 1(3)(e) of FSMR) and preventing, detecting and restraining conduct that may cause reputational damage (section 1(3)(f) of FSMR). However, none of these explicitly reference the FSRA's mission to combat financial crime, including money laundering, within ADGM.
31. We propose introducing a new section 1(3A) to FSMR to make it explicit that, in the pursuit of the two objectives referenced above, the FSRA will:
 - a. seek to protect the financial services industry in ADGM from being used for financial crime;
 - b. monitor and enforce, or assist other relevant authorities to monitor and enforce, compliance with Federal AML legislation and our own regulatory framework in relation to money laundering; and
 - c. take action against Relevant Persons where necessary.

Question 11: Do you have any comments on the proposed amendments to FSMR to align the FSRA's objectives with its remit pursuant to the Abu Dhabi Law?

Question 12: Do you have any comments on the proposed addition of financial crime language to the FSRA's objectives in FSMR?

⁷ Subsequently designated “the Financial Services Regulatory Authority”

⁸ The FSRA Business Plan 2025-2026 is published [here](#).

Miscellaneous

32. We are also taking this opportunity to make some minor amendments to FSMR and various Rulebooks, where they will correct typos, errors, omissions and inconsistencies in those pieces of legislation.

Question 13: Do you have any comments on the proposed miscellaneous amendments included in Appendices 1-6?

Conclusion

33. The detailed, proposed legislative amendments to FSMR are included as Annex A, to the relevant Rulebooks in Appendices 1 to 6, and to the guidance documents in Attachments 1 and 2. We believe that these proposed enhancements will continue to support our efforts to ensure ongoing alignment of our regulatory framework against International Standards.

Attachment and appendices

Annex A: Proposed amendments to FSMR

Appendix 1: Proposed amendments to COBS

Appendix 2: Proposed amendments to FUNDS

Appendix 3: Proposed amendments to GEN

Appendix 4: Proposed amendments to GLO

Appendix 5: Proposed amendments to MIR

Appendix 6: Proposed amendments to MKT

Attachment 1: Proposed amendments to CMC

Attachment 2: Proposed amendments to GPM