



Guernsey Financial
Services Commission

Consultation Paper

Regulated Investment Exchange Operator Rules

Who might benefit from reading this paper?

This consultation paper is a public document and feedback is welcomed from any interested stakeholder. The proposals will directly impact persons licensed to operate an investment exchange in the Bailiwick and may be of relevance to members, issuers and other persons connected to such an investment exchange.

How to respond

Responses to this Consultation Paper are sought by 12 November 2024.

Feedback may be provided via the Consultation Hub section of the Commission's website (www.gfsc.gg).

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1. Introduction

This consultation seeks comments on proposed new rules for licensed operators of investment exchanges, replacing the existing framework of rules applying to such licensees.

1.1 Background

The operation of an investment exchange, in or from within the Bailiwick, is a restricted activity requiring licensing under the Protection of Investors (Bailiwick of Guernsey) Law 2020 (the PoI Law).

The PoI Law defines an “investment exchange” as

“a market for the buying and selling of–

- a) shares, debentures or securities,*
- b) instruments entitling their holders to subscribe for, or certificates representing property rights in, shares, debentures or securities,*
- c) contracts for property or commodity futures or contracts for differences,*
- d) rights under insurance contracts the effecting and carrying out of which in the Bailiwick would constitute long term business within the meaning of the Insurance Business Law, or*
- e) options to acquire or dispose of, or other rights or interest in, any investment mentioned in this definition.”*

The Commission licenses persons operating such markets by way of business.

Licensed investment exchange operators are subject to the general framework of rules applicable under the PoI Law, including for example the Conduct of Business Rules¹ for licensees (the CoB Rules), but are also subject to the Investment Exchange (Notification) Rules 1998 (the 1998 Rules) which are specific to operators of investment exchanges.

At present there is only one licensed operator of an investment exchange in the Bailiwick.

2. Objectives of the proposed new rules

Modernisation

In recent years the Commission went through a comprehensive exercise to revise its supervisory laws and rules framework. The Investment Exchange (Notification) Rules 1998 were not updated as part of this exercise because it was decided that a more focussed and comprehensive exercise should be undertaken to review the longstanding 1998 Rules. The proposed new draft rules will modernise both the format of the rules and the references to the revised supervisory laws.

¹ [Licensees \(Conduct of Business\) Rules and Guidance, 2021](#)

Consolidation

While the 1998 Rules are nominally “notification” rules their scope extends to other areas including the specification of requirements for licensing. However the 1998 Rules do not represent a comprehensive rules framework for operators of exchanges and such licensees must also comply with the other sets of rules such as the Capital Adequacy Rules² and the CoB Rules. It is proposed that the new rules will consolidate these requirements for investment exchange operators, having the twin benefits of removing any conflicts between different sets of applicable rules and creating a core rulebook for easier reference by licensees.

Specialisation

As much of the current applicable rules framework is aimed at other types of investment firms, certain current rules are either not applicable or not easily applied to investment exchange operators. The proposed new rules will be tailored specifically for this type of licensee.

Consistency with international standards

The International Organization of Securities Commissions (IOSCO) is the global standard setting body for securities market regulators and it sets the Core Principles for the supervision of investment exchanges. These Principles were last revised in 2017, many years after the drafting of the 1998 Rules. In preparing the proposed draft rules the Commission has reviewed the relevant IOSCO principles to ensure that the proposed framework is up-to-date and consistent with international standards.

Question 1: Do you agree with the objectives of the proposed new rules, as set out above?

3. Proposal

It is proposed that the 1998 Rules will be repealed and the Capital Adequacy Rules and the CoB Rules will be disappplied for licensed operators of investment exchanges. A new set of comprehensive rules will be made applying only to licensed operators of investment exchanges.

The proposed new rules are divided into different sections covering the following areas:

- rules on corporate governance and the responsibilities of senior management;
- rules on compliance arrangements;

² [Licensees \(Capital Adequacy\) Rules and Guidance, 2021](#)

- rules on the licensee’s conduct of business;
- rules of the operation of the investment exchange;
- rules setting prudential requirements for the licensee; and
- rules on notifications to be made to the Commission.

A copy of the proposed rules is provided in the Appendix.

Question 2: Do you have any comments on the proposed Regulated Investment Exchange Operator Rules? Please provide these in the box below.

4. Next steps

Following the closing date of 12 November 2024 the Commission will review and consider the comments received and make any appropriate changes to the rules. The Commission will then issue a public feedback paper and publish final rules.

Appendix - The Regulated Investment Exchange Operator Rules and Guidance, 2024

Please see attached draft.