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CISI UAE Financial Rules and Regulations Exam

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Question: 1

An applicant for a license from the Authority has submitted a feasibility study and work plan. What method will be used to evaluate this?

- A. An operational risk matrix
- B. Comparison with the same sector
- C. A stress testing exercise
- D. SWOT analysis

Answer: D

Explanation:

CISI UAE Financial Rules and Regulations require that feasibility studies and work plans submitted by licence applicants be evaluated using a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats). This comprehensive method assesses the internal and external factors affecting the viability and strategic positioning of the applicant's business plan. The SWOT analysis helps regulators understand the applicant's operational readiness, competitive environment, risk exposures, and growth potential, ensuring robust due diligence before licensing. Other methods such as operational risk matrices or stress testing may be used in broader risk assessments but are not the primary evaluation tool for feasibility studies.

CISI UAE Financial Rules and Regulations — Licensing Procedures and Evaluation, Section 3.6.2 (2023).

Question: 2

The policies of a firm applying for a financial activities licence must include arrangements to provide a copy of its complaints handling procedure to clients:

- A. on request
- B. within 24 hours of accepting the client
- C. within 48 hours of accepting the client
- D. on receipt of a complaint

Answer: A

Explanation:

Under the CISI UAE Financial Rules and Regulations, firms applying for a financial activities licence are required to have formal policies addressing client protection, including clear complaints handling procedures. Such firms must make these procedures available to clients on request, ensuring transparency and accessibility without imposing undue burden on clients or firms. The regulatory framework does not mandate automatic distribution within fixed timeframes upon client acceptance or complaint receipt but emphasizes accessibility and prompt responsiveness when clients seek the

information. This approach balances operational feasibility and client rights to be informed about how their complaints will be managed. Providing the procedure upon request also fosters a trust-based relationship and helps resolve disputes effectively.

Reference: CISI UAE Financial Rules and Regulations — Client Protection and Complaints Handling, Section 4.2.7 (2023).

Question: 3

Where a brokerage firm on the DFM has a client with a debit balance, the regulations prevent the firm from:

- A. accepting new orders from the client
- B. providing investment advice to the client
- C. paying any cash to the client
- D. selling securities on the client's behalf

Answer: A

Explanation:

According to CISI UAE Financial Rules and Regulations, if a client holds a debit balance with a brokerage firm on the Dubai Financial Market (DFM), the firm is prevented from accepting new orders from that client until the debit balance is cleared. This measure protects both the brokerage firm and market integrity by ensuring that clients do not accumulate unpaid debts from trading activities, thereby reducing credit risk. The restriction applies specifically to new orders; other services such as providing advice or selling securities may continue under certain conditions.

CISI UAE Financial Rules and Regulations — Client Protection and Debit Balance Controls, Section 4.4.12 (2023).

Question: 4

Customer due diligence measures require management approval if the natural person involved is:

- A. under the age of 21
- B. registered as disabled
- C. normally resident outside the State
- D. a politically exposed person

Answer: D

Explanation:

Federal Law No. 20 of 2018 and related CISI UAE Financial Rules specify that enhanced customer due diligence procedures require management approval when the client is a politically exposed person (PEP). PEPs present higher risks due to their potential access to public funds and influence, increasing vulnerability to corruption or money laundering. Management approval ensures senior oversight in onboarding and monitoring PEP clients, aligning with international AML/CTF best practices. Other conditions such as residency or age do not mandate this elevated level of scrutiny. This regulatory

requirement enhances governance and mitigates reputational and compliance risks associated with politically exposed persons.

CISI UAE Financial Rules and Regulations — AML Regulations, Enhanced Due Diligence, Section 8.1.7 (2023).

Question: 5

A failure to report suspicions, or gross negligence in implementing processes and procedures in relation to suspicions of money laundering, can result in a fine of:

- A. no less than AED 50,000 and no more than AED 1,000,000
- B. no less than AED 100,000 and no more than AED 1,000,000
- C. no less than AED 100,000 and no more than AED 5,000,000
- D. no less than AED 1,000,000 and no more than AED 10,000,000

Answer: C

Explanation:

Under Federal Law No. 20 of 2018 and the CISI UAE Financial Rules and Regulations, entities failing to report suspicions of money laundering or exhibiting gross negligence in their anti-money laundering (AML) processes are subject to severe financial penalties. The fine ranges from no less than AED 100,000 and no more than AED 5,000,000. These substantial fines are intended to enforce strict compliance with AML obligations and deter negligence or complicity in money laundering activities. This penalty framework ensures organizations maintain robust internal controls, timely reporting, and staff training to identify and report suspicious activities effectively, thereby protecting the UAE's financial system. CISI UAE Financial Rules and Regulations — AML Enforcement and Penalties, Section 8.5.2 (2023).

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