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CISI UAE Financial Rules and Regulations Exam

CISI UAE-Financial-Rules-and-Regulations

Version Demo

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Topic Break Down

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QUESTION NO: 1

Following a public subscription, what must a Special Purpose Acquisition Company do with the proceeds?

A. Deposit not less than 90% of the public subscription proceeds within one business day of receipt

B. Deposit not less than 90% of the public subscription proceeds within two business days of receipt

C. Deposit not less than 100% of the public subscription proceeds within one business day of receipt

D. Deposit not less than 100% of the public subscription proceeds within two business days of receipt

ANSWER: A

Explanation:

Deposit not less than 90% of the public subscription proceeds within one business day of receipt. Under the UAE Securities and Commodities Authority framework for Special Purpose Acquisition Companies, the substantial majority of money raised from public subscribers must be protected by placing it in an escrow account promptly after it is received. The requirement is expressed as a minimum threshold, so the SPAC may escrow more than 90%, but it cannot escrow less. The one-business-day period is equally material: it ensures that public subscription money is ring-fenced without delay while the SPAC pursues its proposed business combination.

This escrow mechanism is central to the SPAC model because, at the subscription stage, investors are funding a vehicle that has not yet completed its acquisition. Segregating the prescribed portion of the proceeds protects investor funds, supports orderly redemption and acquisition processes, and limits the use of public money before the transaction is completed in accordance with the applicable rules. The relevant UAE regulatory materials are published by the Securities and Commodities Authority in its Regulations and Decisions section. The UAE government's financial-market regulatory information is also available through the official finance and investment portal.

QUESTION NO: 2

In cases where securities are bought and sold during the same trading session, the client must have in its cash account enough:

A. credit to cover the value of purchase

B. credit to cover the value of sale

C. credit to cover the value of any losses

D. securities to the value of purchase

ANSWER: A

Explanation:

credit to cover the value of purchase is correct because an intraday sale does not remove the client's obligation to be able to pay for securities bought during that same trading session. The cash-account requirement is assessed on the purchase side: before or when the purchase is executed, the client must have sufficient available credit to meet the purchase consideration. This prevents a client from relying solely on the anticipated proceeds of an intraday sale to finance an acquisition and helps control settlement and counterparty exposure for the broker and market.

The requirement reflects the client-protection principle that cash trading must be supported by funds or authorised credit adequate for the transaction. Even where purchases and sales are matched during the day, the purchase remains a binding contractual commitment and must be covered in the client's cash account. This supports orderly settlement, prudent broker controls and confidence in market trading. The Securities and Commodities Authority publishes the applicable UAE regulatory framework at SCA legislation and regulations. Exchange trading and settlement requirements are also reflected in the market rules available from Dubai Financial Market regulations.

QUESTION NO: 3

The whistleblowing policy submitted by an applicant for a financial activities licence must include a mechanism for:

A. protecting the reporting employee

B. escalating any reports to board level

C. disciplining staff proven to have breached rules

D. ensuring all staff have a named reporting contact

ANSWER: A

Explanation:

protecting the reporting employee is correct because a whistleblowing arrangement is only effective where individuals can raise genuine concerns without fear that making a report will expose them to retaliation, unfair treatment, or unnecessary disclosure of their identity. A licence applicant's policy should therefore establish safeguards that support confidential reporting, restrict access to information about the reporter to those with a legitimate need to know, and protect the employee from adverse consequences arising from a good-faith report. This mechanism promotes early identification and escalation of suspected misconduct, regulatory breaches, fraud, or other improper practices, while reinforcing a culture of integrity and accountability within the applicant's governance framework. Protection is not merely an administrative feature: it is central to ensuring that employees are willing and able to report concerns in practice. UAE financial-services firms should implement such arrangements consistently with applicable supervisory requirements and their wider governance, conduct, and internal-control obligations. The Securities and Commodities Authority publishes its regulatory framework at SCA Regulations; the UAE's official legislation portal is available at UAE Legislation.

QUESTION NO: 4

The approved job for conducting securities dealing is:

A. Trading Manager

B. Operations Manager

C. Broker Representative

D. Category Manager

ANSWER: C

Explanation:

Broker Representative is the approved job associated with conducting securities dealing. In the UAE regulatory framework for securities business, this is a controlled, client-facing function: the individual is authorised to receive and process client instructions and undertake dealing activities for the licensed brokerage firm within the scope of the firm's approval. Requiring an approved individual in this role supports market integrity because trading activity is performed by a person who meets the regulator's fit-and-proper, competence and registration requirements and who operates under the broker's systems, controls and supervision.

The designation is important because securities dealing involves execution-related responsibilities, including handling orders and ensuring that client transactions are conducted in accordance with applicable market rules and the firm's procedures. The approval is therefore tied to the individual role, rather than being merely a managerial title within a firm. The UAE Securities and Commodities Authority is the relevant federal regulator for securities markets and licensed financial activities; its regulatory materials and rulebooks provide the framework for authorisation and oversight of such activities. See the SCA regulations page and the Securities and Commodities Authority website.

QUESTION NO: 5

For all local funds, a semi-annual report on the public fund's performance must be prepared no later than:

A. 45 days from the end of the semi-annual period

B. 30 days from the end of the financial year

C. 2 months from the end of the semi-annual period

D. 2 months from the end of the financial year

ANSWER: C

Explanation:

The applicable deadline is **2 months from the end of the semi-annual period**. This requirement applies to a local public fund's semi-annual performance reporting cycle, so the relevant date is calculated from the close of the six-month reporting period, rather than from the end of the fund's financial year. Requiring preparation within two months gives investors prompt access to material information about the fund's performance and financial position during the period, supporting transparent disclosure and informed investment decisions. It also establishes a consistent timetable for the fund manager's reporting and regulatory-compliance processes. The distinction between a semi-annual period and a financial year is important: semi-annual reporting is an interim reporting obligation and therefore has its own deadline. The UAE Securities and Commodities Authority is the regulator responsible for the framework governing investment funds and their disclosure obligations; its legislation and regulations resources are available at SCA Legislation and SCA Regulations.

QUESTION NO: 6

DFM brokerage firms are required to ensure that employees have appropriate professional experience if they:

A. are on full-time or substantial part-time contracts

B. are new to the company or the industry

C. are employed to deal with clients or on their behalf

D. are employed to operate an electronic trading or clearing system

ANSWER: C

Explanation:

DFM brokerage firms must ensure appropriate professional experience for employees who are employed to deal with clients or to deal on clients' behalf. These roles place the employee directly within the client-facing execution and service process: they may receive or communicate client instructions, support the placing of orders, provide information connected with transactions, or otherwise act for a client in securities-market activity. Appropriate experience is therefore essential to ensuring that such activity is performed competently, accurately, and in accordance with the broker's regulatory obligations and internal controls.

This requirement supports investor protection and orderly markets by requiring the firm to assess whether staff entrusted with client-related responsibilities have the practical capability needed for their role. It is a responsibility of the brokerage firm, rather than a condition determined merely by whether employment is full-time, whether the person is newly recruited, or whether the role involves operating market infrastructure. The relevant trigger is the nature of the employee's client-facing or client-representative function. DFM's regulatory materials and the UAE securities regulator's framework provide the broader basis for broker conduct, market professionalism, and investor protection; see the DFM Regulations and the UAE Securities and Commodities Authority Regulations.

QUESTION NO: 7

The effectiveness of a financial institution's internal policies, controls and procedures to combat money laundering must be tested by:

A. an independent audit function

B. regular operational resilience exercises

C. external consultants

D. the audit committee

ANSWER: A

Explanation:

an independent audit function is correct because effective anti-money-laundering governance requires objective, periodic testing of the institution's AML/CFT framework. Independence is essential: the reviewers must be able to assess the design and operation of policies, customer due diligence, transaction monitoring, suspicious-activity escalation, record keeping, training and reporting without being responsible for the day-to-day controls being reviewed. The audit work should identify control gaps, assess whether procedures are being followed in practice, report findings through appropriate governance channels, and support timely remediation by management. This provides the institution's governing body and senior management with reliable assurance that its AML/CFT measures remain effective and proportionate to its risks. The requirement is consistent with the international AML/CFT standard in FATF Recommendation 18, which calls for financial institutions to maintain an independent audit function to test the system. UAE regulated financial institutions apply this risk-based AML/CFT governance expectation under the UAE framework and relevant supervisory guidance. See the FATF Recommendations and the Central Bank of the UAE AML/CFT information.

QUESTION NO: 8

An investor purchases shares after an unsubstantiated rumour is deliberately circulated that the issuer is about to receive a major government contract. The rumour is later shown to have caused the transaction. Why may the purchase be declared null and void?

A. The investor acquired more than one listed security

B. The transaction resulted from a rumour being spread

C. The issuer did not issue a dividend during the year

D. The investor had previously sold shares in the issuer

ANSWER: B

Explanation:

It resulted from a rumour being spread is correct. Trading induced by a rumour that distorts investor behaviour and price formation undermines fair and orderly market conditions. The relevant issue is not whether the investor had previously traded in the shares or whether the issuer subsequently denied the rumour, but that the transaction resulted from improper rumour-based activity.

QUESTION NO: 9

A key reason why the regulator applies financial promotion rules is to ensure that:

A. the market is kept competitive

B. the customers are treated fairly

C. the impact of operational risk is avoided

D. the available product range is maximised

ANSWER: B

Explanation:

The correct answer is **"the customers are treated fairly"**. Financial-promotion requirements are a core client-protection measure: they seek to ensure that communications used to market financial products or services give customers an appropriate and reliable basis on which to make decisions. In practice, this means promotions should be clear, fair and not misleading, with material information presented in a balanced manner. Such standards reduce the risk that a customer acts on an exaggerated claim, an omitted qualification, or a presentation that obscures the nature and risks of a product.

This objective is closely linked to fair treatment because customers often depend on promotional communications when comparing firms and assessing whether a product may be suitable for their needs and risk appetite. By setting enforceable standards for advertisements, invitations, and other communications, the regulator supports informed decision-making, confidence in authorised financial services, and orderly market conduct. The Dubai Financial Services Authority's Conduct of Business rules state the general requirement that communications with clients be clear, fair and not misleading; its financial-promotion provisions apply that principle specifically to promotional activity. See the DFSA Conduct of Business Rulebook, financial promotions and the DFSA Rulebook.

QUESTION NO: 10

Why might employees in one part of a regulated business be permitted to withhold information from employees in another part of the business?

A. At the request of the audit function

B. Prevention of insider trading

C. To comply with a Chinese wall

D. Strict privacy of client information

ANSWER: C

Explanation:

To comply with a Chinese wall is correct. A Chinese wall, more commonly called an information barrier, is a set of organisational and procedural controls that separates parts of a financial-services firm that may hold confidential or price-sensitive information from parts that could use that information in trading, research, sales, corporate-finance, or advisory activity. It permits information to be withheld internally because employees do not automatically have a business need to know all information held elsewhere in the firm.

For example, a corporate-finance team working on a confidential takeover may possess inside information. That information must be restricted to those working on the matter, rather than passed to a securities-dealing or research team. The barrier is therefore a practical control for managing conflicts of interest, preserving confidentiality, and preventing improper disclosure or use of inside information. It will normally be supported by restricted lists, physical or electronic access controls, documented procedures, staff training, monitoring, and controlled wall-crossing processes where disclosure is genuinely necessary.

The FCA Handbook describes the need for arrangements that prevent or control inappropriate information flows within a firm, including Chinese walls, in its conflicts-of-interest rules: FCA SYSC 10.1. The UK Market Abuse Regulation also addresses the unlawful disclosure and use of inside information: Market Abuse Regulation, Article 10.

QUESTION NO: 11

Which of the following customer due diligence measures should be taken if a client is a foreign politically exposed person?

A. Conduct a prescribed risk / benefit analysis

B. Seek Authority approval to proceed

C. Examine the latest Interpol watch list

D. Attempt to establish the source of the funds

ANSWER: D

Explanation:

Attempt to establish the source of the funds is correct because a foreign politically exposed person requires enhanced due diligence. A politically exposed person's prominent public function can create a heightened exposure to bribery, corruption, or misuse of public assets; this risk may also arise through family members or known close associates. Firms must therefore take reasonable measures to understand the origin of funds involved in the proposed business relationship or transaction, so that activity can be assessed against the customer's known profile and legitimate economic circumstances. In practice, this may involve obtaining credible information or documents showing how the money was generated, such as employment income, business ownership, investment proceeds, inheritance, or asset sales. Source-of-funds checks form part of the wider enhanced due-diligence framework for foreign politically exposed persons, which also includes senior-management approval to establish or continue the relationship and enhanced ongoing monitoring. The Financial Action Task Force sets out these requirements in its standards for politically exposed persons, and UAE regulated financial institutions apply a risk-based AML/CFT framework consistent with those standards. See the FATF Recommendations and the UAE Central Bank's AML/CFT resources.

QUESTION NO: 12

An applicant for a financial activities licence must have procedures in place to recover electronic records from the archive within what maximum period?

A. Two calendar days

B. Three business days

C. Four calendar days

D. Five business days

ANSWER: B

Explanation:

Three business days is the required maximum recovery period. The UAE Securities and Commodities Authority's financial-activities requirements expect a licence applicant to maintain records in a manner that preserves their availability, integrity, and retrievability throughout the relevant retention period. Where records are held electronically in an archive rather than being immediately available on the live system, the firm must have documented procedures and adequate technical capability to retrieve them within three working days. This makes archived information available promptly for regulatory supervision, inspections, audit activity, client-related reviews, or an investigation, while recognising that retrieval from long-term storage can require a controlled operational process.

This obligation is part of the broader records-management and internal-control framework assessed when an applicant seeks authorisation to conduct regulated financial activities. In practice, the applicant should be able to evidence the procedure, assign responsibility for retrieval, protect access controls, and test that archived records can be recovered within the stated timeframe. The applicable regulatory materials are published through the Securities and Commodities Authority regulations portal; the UAE's official legislation platform is also available at UAE Legislation.