Subsidiary Legislation made under s.4.

Financial Services (Market Infrastructure) Regulations 2026

LN.2026/327

Commencement **27.8.2026**

ARRANGEMENT OF REGULATIONS

Regulation

In exercise of the powers conferred on the Minister by section 4 of the European Union Laws (Voluntary Implementation) Act 2019, the Minister has made these Regulations-

Title.

1. These Regulations may be cited as the Financial Services (Market Infrastructure) Regulations 2026.

Commencement.

2. These Regulations come into operation on the day of publication.

Overview.

3. These Regulations set out requirements in relation to DLT market infrastructures and their operators in respect of–

(a) granting and withdrawing specific permissions to operate DLT market infrastructures in accordance with these Regulations;

(b) granting, modifying and withdrawing exemptions related to specific permissions;

(c) mandating, modifying and withdrawing the conditions attached to exemptions and in respect of mandating, modifying and withdrawing compensatory or corrective measures;

(d) operating DLT market infrastructures;

(e) supervising DLT market infrastructures; and

(f) cooperation between operators of DLT market infrastructures and the GFSC.

Interpretation.

4. In these Regulations–

"2019 Act" means the Financial Services Act 2019;

"business day" has the meaning given in Article 2.1(14) of the CSD Regulation;

“central securities depository” or “CSD” has the meaning given in Article 2.1(1) of the CSD Regulation;

“consensus mechanism” means the rules and procedures by which an agreement is reached, among DLT network nodes, that a transaction is validated;

“credit institution” has the meaning given in Article 4(1) of the Annex to the Financial Services (Capital Requirements) (Technical Standards) Regulations 2026;

“CSD Regulation” means Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012, as it forms part of the law of Gibraltar;

“delivery versus payment” has the meaning given in Article 2.1(27) of the CSD Regulation;

“distributed ledger” means an information repository that keeps records of transactions and that is shared across, and synchronised between, a set of DLT network nodes using a consensus mechanism;

“distributed ledger technology” or “DLT” means a technology that enables the operation and use of distributed ledgers;

“DLT financial instrument” means a financial instrument that is issued, recorded, transferred and stored using distributed ledger technology;

“DLT market infrastructure” means a DLT multilateral trading facility, a DLT settlement system or a DLT trading and settlement system;

“DLT multilateral trading facility” or “DLT MTF” means a multilateral trading facility that only admits to trading DLT financial instruments;

“DLT network node” means a device or process that is part of a network and that holds a complete or partial replica of records of all transactions on a distributed ledger;

“DLT settlement system” or “DLT SS” means a settlement system that settles transactions in DLT financial instruments against payment or against delivery and that allows the initial recording of DLT financial instruments or allows the provision of safekeeping services in relation to DLT financial instruments;

“DLT trading and settlement system” or “DLT TSS” means–

(a) a DLT MTF or DLT SS that combines services performed by a DLT MTF and a DLT SS; or
(b) an arrangement consisting of a DLT MTF and a DLT SS operated by separate entities under a joint DLT TSS permission, which provides integrated trading and settlement services in DLT financial instruments;

“financial instrument” has the meaning given in section 2(2) of the 2019 Act;

“GFSC” means the Gibraltar Financial Services Commission within the meaning of section 21(1) of the 2019 Act;

“investment firm” has the meaning given in section 2(2) of the 2019 Act;

“investment services framework” means MiFIR and the provisions of or made under the 2019 Act in respect of investment services, including–

(a) the Investment Services Regulations; and

(b) the Financial Services (Investment Firms) (Prudential Requirements) Regulations 2021;

“Investment Services Regulations” means the Financial Services (Investment Services) Regulations 2020;

“market operator” has the meaning given in paragraph 1(1) of Schedule 2 to the 2019 Act;

“MiFIR” means Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012, as it forms part of the law of Gibraltar;

“multilateral trading facility” or “MTF” has the meaning given in paragraph 1(1) of Schedule 2 to the 2019 Act;

“settlement” has the meaning given in Article 2.1(7) of the CSD Regulation;

“settlement fail” has the meaning given in Article 2.1(15) of the CSD Regulation;

"Settlement Finality Regulations" means the Financial Services (Financial Markets and Insolvency: Settlement Finality) Regulations 2020;

"securities settlement system" has the meaning given in Article 2.1(10) of the CSD Regulation;

Limitations on the financial instruments admitted to trading or recorded on DLT market infrastructure.

5.(1) The aggregate market value of all the DLT financial instruments that are admitted to trading on a DLT market infrastructure or that are recorded on a DLT market infrastructure must not exceed the sterling equivalent of €100 billion at the moment of admission to trading, or initial recording, of a new DLT financial instrument.

(2) Where the admission to trading or initial recording of a new DLT financial instrument would result in the aggregate market value in sub-regulation (1) reaching the sterling equivalent of €100 billion, the DLT market infrastructure must not admit that DLT financial instrument to trading or record it.

(3) Where the aggregate market value of all the DLT financial instruments that are admitted to trading on a DLT market infrastructure or that are recorded on a DLT market infrastructure has reached the sterling equivalent of €150 billion, the operator of the DLT market infrastructure must–

(a) activate the transition strategy referred to in regulation 9(18) to (22); and

(b) notify the GFSC of its activation and of the timescale for the transition, in the monthly report provided for in sub-regulation (6).

(4) The operator of a DLT market infrastructure must calculate the monthly average aggregate market value of DLT financial instruments traded or recorded on that DLT market infrastructure; which must be calculated as the average of the daily closing prices of each DLT financial instrument, multiplied by the number of DLT financial instruments that are traded or recorded on that DLT market infrastructure with the same International Securities Identification Number (ISIN).

(5) The operator of the DLT market infrastructure must use that monthly average–

(a) when assessing whether the admission to trading or recording of a new DLT financial instrument in the following month would result in the aggregate market value of DLT financial instruments reaching the threshold in sub-regulation (1); and

(b) when deciding whether to activate the transition strategy referred to in regulation 9(18) to (22).

(6) The operator of a DLT market infrastructure must submit monthly reports to the GFSC demonstrating that all DLT financial instruments that are admitted to trading or recorded on the DLT market infrastructure do not exceed the thresholds set out in sub-regulations (1) to (3).

(7) The GFSC may set lower thresholds than the values set out in sub-regulations (1) and (2) but, if the GFSC lowers the threshold in sub-regulation (1), the value set out in sub-regulation (3) must be treated as being commensurately lowered.

(8) For the purposes of sub-regulation (7), the GFSC must consider the market size and the average capitalisation of DLT financial instruments of a given type that have been admitted to trading platforms where the services and activities will be carried out and must consider the risks that relate to the issuers, to the type of distributed ledger technology used and to the services and activities of the DLT market infrastructure.

(9) The Market Abuse Regulation (Regulation (EU) No 596/2014 as it forms part of the law of Gibraltar) applies to DLT financial instruments admitted to trading on a DLT MTF or on a DLT TSS.

Requirements and exemptions regarding DLT MTFs.

6.(1) A DLT MTF is subject to the requirements that apply to a multilateral trading facility under the investment services framework.

(2) Sub-regulation (1) does not apply in respect of those requirements from which the investment firm or market operator operating the DLT MTF has been exempted under sub-regulations (3) to (7), if that investment firm or market operator complies with–

(a) regulation 9;

(b) sub-regulations (3) to (8); and

(c) any compensatory measures that the GFSC considers appropriate in order to meet the objectives of the provisions in respect of which an exemption has been requested or in order to ensure investor protection, market integrity or financial stability.

(3) In addition to the persons specified in regulation 61(3) of the Investment Services Regulations, if requested by an operator of a DLT MTF, the GFSC may permit that operator to admit natural and legal persons to deal on own account as members or participants, if such persons fulfil the following requirements–

(a) they are of sufficient good repute;

(b) they have a sufficient level of trading ability, competence and experience, including knowledge of the functioning of distributed ledger technology;

(c) they are not market makers on the DLT MTF;

(d) they do not use a high-frequency algorithmic trading technique on the DLT MTF;

(e) they do not provide other persons with direct electronic access to the DLT MTF;

(f) they do not deal on their own account when executing client orders on the DLT market infrastructure; and

(g) they have given informed consent to trading on the DLT MTF as members or participants and have been informed by the DLT MTF of the potential risks of using its systems to trade DLT financial instruments.

(4) Where the GFSC grants an exemption under sub-regulation (3), it may require additional measures for the protection of natural persons admitted to the DLT MTF as members or participants which are proportionate to the risk profile of those members or participants.

(5) At the request of an operator of a DLT MTF, the GFSC may exempt that operator or its members or participants from Article 26 of MiFIR.

(6) Where the GFSC grants an exemption under sub-regulation (5), the DLT MTF must keep records of all transactions executed through its systems and those records must contain all the details specified in Article 26(3) of MiFIR that are relevant, having regard to the system used by the DLT MTF and the member or participant executing the transaction.

(7) The DLT MTF must also ensure that the GFSC and any other competent authority entitled to receive the data directly from the multilateral trading facility in accordance with Article 26

of MiFIR have direct and immediate access to those details and, in order to access those records, the GFSC and any other competent authority must be admitted to the DLT MTF as a regulatory observer participant.

(8) Where an operator of a DLT MTF requests an exemption under sub-regulation (3) or (5), it must demonstrate that the exemption requested is–

(a) proportionate to, and justified by, the use of distributed ledger technology; and

(b) limited to the DLT MTF and does not extend to any other multilateral trading facility operated by that operator.

(9) Sub-regulations (3) to (8) apply, with the necessary modifications, to a CSD operating a DLT TSS in accordance with regulation 8(3) and (4).

Requirements and exemptions regarding DLT SSs.

7.(1) The person operating a DLT SS (a “DLT SS operator”) is subject to the requirements that apply to a CSD operating a securities settlement system under the CSD Regulation.

(2) Sub-regulation (1) does not apply in respect of those requirements from which the DLT SS operator has been exempted under sub-regulations (3) to (17), if that operator complies with–

(a) regulation 9;

(b) sub-regulations (3) to (18); and

(c) any compensatory measures that the GFSC considers appropriate in order to meet the objectives of the provisions in respect of which an exemption has been requested or in order to ensure investor protection, market integrity or financial stability.

(3) At the request of a DLT SS operator, the GFSC may exempt that operator from Articles 2.1(4), (9) or (28), 3, 37 or 38 of the CSD Regulation, if that operator –

(a) demonstrates that the use of a securities account as defined in Article 2.1(28) of that Regulation or the use of the book-entry form as provided for in regulation 5 is incompatible with the use of the particular distributed ledger technology;

(b) proposes compensatory measures to meet the objectives of the provisions in respect of which an exemption has been requested, and ensures at a minimum that–

(i) the DLT financial instruments are recorded on the distributed ledger;

(ii) the number of DLT financial instruments in an issue or in part of an issue recorded by the DLT SS operator is equal to the total number of DLT financial instruments making up such issue or part of an issue that are recorded on the distributed ledger at any given time;

(iii) it keeps records that enable the DLT SS operator at any given time to segregate the DLT financial instruments of a member, participant, issuer or client from those of any other member, participant, issuer or client without delay; and

(iv) it does not allow securities overdrafts, debit balances or the improper creation or deletion of securities.

(4) At the request of a DLT SS operator, the GFSC may exempt that operator from Article 6 or 7 of the CSD Regulation if that operator ensures, at a minimum, by means of robust procedures and arrangements, that the DLT SS–

(a) enables clear, accurate and timely confirmation of the details of transactions in DLT financial instruments, including any payments made in respect of DLT financial instruments, as well as the discharge of any collateral in respect of those instruments or calls for collateral in respect of DLT financial instruments; and

(b) either prevents settlement fails or addresses settlement fails if it is not possible to prevent them.

(5) At the request of a DLT SS operator, the GFSC may exempt that operator from Article 19 of the CSD Regulation in relation only to the outsourcing of a core service to a third party, if the application of that Article is incompatible with the use of distributed ledger technology as envisaged by the DLT SS operated by that operator.

(6) At the request of a DLT SS operator, the GFSC may, in addition to those persons falling within the definition of participant in regulation 2(1) of the Settlement Finality Regulations, permit that operator to admit natural and legal persons as participants in the DLT SS if such persons–

(a) are of sufficient good repute;

(b) have a sufficient level of ability, competence, experience and knowledge in relation to settlement, the functioning of distributed ledger technology, and risk assessment; and

(c) have given informed consent to be included in the pilot regime provided for in this Regulation and are adequately informed of its experimental nature and the potential risks associated with it.

(7) At the request of a DLT SS operator, the GFSC may exempt that operator from Article 33, 34 or 35 of the CSD Regulation, if that operator proposes compensatory measures to meet the objectives of those Articles and, at a minimum, ensures that–

(a) the DLT SS publicly discloses criteria for participation that allow fair and open access for all persons that intend to become participants, and that those criteria are transparent, objective, and non-discriminatory; and

(b) the DLT SS publicly discloses prices and fees associated with the settlement services that it provides.

(8) At the request of a DLT SS operator, the GFSC may exempt that operator from Article 39 of the CSD Regulation, if that operator proposes compensatory measures to meet the objectives of that Article, and ensures at a minimum, by means of robust procedures and arrangements, that–

(a) the DLT SS settles transactions in DLT financial instruments at close to real time or intraday and in any case no later than on the second business day after the conclusion of the trade;

(b) the DLT SS publicly discloses the rules governing the settlement system; and

(c) the DLT SS mitigates any risk arising from the non-designation of the DLT SS as a system for the purposes of the Settlement Finality Regulations, in particular with regard to insolvency proceedings.

(9) For the purposes of operating a DLT SS, the definition of a CSD in the CSD Regulation as a legal person who operates a securities settlement system does not require the GFSC to designate a DLT SS as a designated system under regulation 5 of the Settlement Finality

Regulations, but the GFSC is not precluded from designating a DLT SS under that regulation where the DLT SS fulfils its requirements.

(10) Where a DLT SS is not a designated system under regulation 5 of the Settlement Finality Regulations, the DLT SS operator must propose compensatory measures to mitigate risks arising from insolvency.

(11) At the request of a DLT SS operator, the GFSC may exempt that operator from Article 40 of the CSD Regulation, if that operator settles on the basis of delivery versus payment.

(12) The settlement of payments must be carried out through central bank money, including in tokenised form, where practical and available or, where not practical and available, through the account of the operator in accordance with Title IV of the CSD Regulation or through commercial bank money, including in tokenised form, in accordance with that Title, or using e-money tokens.

(13) Despite sub-regulation (12), Title IV of the CSD Regulation does not apply to a credit institution when it provides the settlement of payments using commercial bank money to a DLT market infrastructure that records DLT financial instruments whose aggregate market value, at the time of the initial recording of a new DLT financial instrument, does not exceed the sterling equivalent of €100 billion, as calculated in accordance with regulation 5(6) and (7).

(14) Where the settlement occurs using commercial bank money provided by a credit institution to which Title IV of the CSD Regulation does not apply by virtue of sub-regulation (13), or where the settlement of payments occurs using e-money tokens, the DLT SS operator must identify, measure, monitor, manage, and minimise any risks arising from the use of such means.

(15) Services related to e-money tokens that are equivalent to the services listed in Section C(b) and (c) of the Annex to the CSD Regulation must be provided by the DLT SS operator in accordance with Title IV of the CSD Regulation or by a credit institution.

(16) At the request of a DLT SS operator, the GFSC may exempt that operator from Article 50, 51 or 53 of the CSD Regulation, provided that that operator demonstrates that the use of distributed ledger technology is incompatible with legacy systems of other operators or other market infrastructures or that granting access to another operator or access to another market infrastructure using legacy systems would trigger disproportionate costs, given the scale of the activities of the DLT SS.

(17) Where a DLT SS operator has been exempted in accordance sub-regulation (16), it must give other DLT SS operators or other operators of DLT TSSs access to its DLT SS. The DLT SS operator must inform the GFSC of its intention to give such access and the GFSC may prohibit such access to the extent that such access would be detrimental to the stability of the financial system.

(18) Where a DLT SS operator requests an exemption under sub-regulations (3) to (17), it must demonstrate that the exemption requested is–

(a) proportionate to, and justified by, the use of distributed ledger technology; and

(b) limited to the DLT SS and does not extend to a securities settlement system that is operated by the same operator.

(19) Sub-regulations (3) to (18) apply, with the necessary modifications, to an investment firm or market operator operating a DLT TSS in accordance with regulation 8(1) and (2).

Requirements and exemptions regarding DLT TSSs.

8.(1). The person or persons operating a DLT TSS (a "DLT TSS operator") is subject to–

(a) the requirements that apply to a multilateral trading facility under the investment services framework; and

(b) with the necessary modifications, the requirements that apply to a CSD under the CSD Regulation, with the exception of Articles 9, 16, 17, 18, 20, 26, 27, 28, 31, 42, 43, 44, 46 and 47 of that Regulation.

(2) Sub-regulation (1) does not apply in respect of those requirements from which the DLT TSS operator has been exempted under regulations 6(3) to (7) and 7(3) to (17), if that operator complies with–

(a) regulation 9;

(b) regulations 6(3) to (8) and 7(2) to (18); and

(c) any compensatory measures that the GFSC considers appropriate in order to meet the objectives of the provisions in respect of which an exemption has been requested, or in order to ensure investor protection, market integrity or financial stability.

(3) A DLT TSS operator is subject to–

(a) the requirements that apply to a CSD under the CSD Regulation; and

(b) with the necessary modifications, the requirements that apply to a multilateral trading facility under the investment services framework (other than the provisions giving effect to Articles 5 to 13 of Directive 2014/65/EU).

(4) Sub-regulation (3) does not apply in respect of those requirements from which the DLT TSS operator has been exempted under regulations 6(3) to (7) and 7(3) to (17), if that CSD complies with–

(a) regulation 9;

(b) regulations 6(3) to (8) and 7(2) to (18); and

(c) any compensatory measures that the GFSC considers appropriate in order to meet the objectives of the provisions in respect of which an exemption has been requested or in order to ensure investor protection, market integrity or financial stability.

Additional requirements for DLT market infrastructures.

9.(1) Operators of DLT market infrastructures must establish clear and detailed business plans describing how they intend to carry out their services and activities, which must include a description of their critical staff, the technical aspects and use of the distributed ledger technology, and the information required under sub-regulation (6).

(2) Operators of DLT market infrastructures must also make publicly available up-to-date, clear and detailed written documentation that defines the rules under which the DLT market infrastructures and their operators are to operate, including the legal terms defining the rights, obligations, responsibilities and liabilities of operators of DLT market infrastructures, as well as those of the members, participants, issuers and clients using their DLT market infrastructure.

(3) Those legal terms must specify the governing law, any pre-litigation dispute settlement mechanisms, any insolvency protection measures under the Settlement Finality Regulations and the jurisdictions in which legal action may be brought.

(4) Operators of DLT market infrastructures may make their written documentation available by electronic means.

(5) Operators of DLT market infrastructures must establish or document, as appropriate, rules on the functioning of the distributed ledger technology they use, including rules on accessing the distributed ledger, on the participation of the validating nodes, on addressing potential conflicts of interests, and on risk management including any mitigation measures to ensure investor protection, market integrity and financial stability.

(6) Operators of DLT market infrastructures must provide their members, participants, issuers and clients with clear and unambiguous information on their website regarding how the operators carry out their functions, services and activities and how their performance of those functions, services and activities deviates from those performed by a multilateral trading facility or securities settlement system that is not based on distributed ledger technology. That information must include the type of distributed ledger technology used.

(7) Operators of DLT market infrastructures must ensure that the overall IT and cyber arrangements related to the use of their distributed ledger technology are proportionate to the nature, scale and complexity of their businesses.

(8) Those arrangements must ensure the continuity and continued transparency, availability, reliability and security of their services and activities, including the reliability of smart contracts used on the DLT market infrastructure. Those arrangements must also ensure the integrity, security and confidentiality of any data stored by those operators, and must ensure that those data are available and accessible.

(9) Operators of DLT market infrastructures must have in place specific operational risk management procedures for the risks posed by the use of distributed ledger technology and crypto-assets and for how to address those risks if they materialise.

(10) To assess the reliability of the overall IT and cyber arrangements of a DLT market infrastructure, the GFSC may require an audit of those arrangements. If the GFSC requires an audit, it must appoint an independent auditor to carry it out. The DLT market infrastructure must bear the costs of the audit.

(11) Where an operator of a DLT market infrastructure ensures the safekeeping of members', participants', issuers' or clients' funds, collateral or DLT financial instruments and ensures the means of access to such assets, including in the form of cryptographic keys, that operator must have adequate arrangements in place to prevent the use of those assets on the operator's own

account without the prior express written consent of the member, participant, issuer, or client concerned, which may be made through electronic means.

(12) Operators of DLT market infrastructure must maintain safe, accurate, reliable and retrievable records of the funds, collateral and DLT financial instruments held by their DLT market infrastructure for their members, participants, issuers or clients, as well as of the means of access to those funds, collateral and DLT financial instruments.

(13) Operators of DLT market infrastructure must segregate the funds, collateral and DLT financial instruments of the members, participants, issuers or clients using the DLT market infrastructure, and the means of access to such assets, from those of the operator as well as from those of other members, participants, issuers and clients.

(14) The overall IT and cyber arrangements referred to in sub-regulations (7) to (10) must ensure that those funds, collateral and DLT financial instruments held by a DLT market infrastructure for its members, participants, issuers or clients, as well as the means of access to them, are protected from the risks of unauthorised access, hacking, degradation, loss, cyber-attack, theft, fraud, negligence and other serious operational malfunctions.

(15) In the event of a loss of funds, a loss of collateral or a loss of a DLT financial instrument, the operator of a DLT market infrastructure that lost the funds, collateral or DLT financial instrument is liable for the loss, up to the market value of the asset lost. The operator of the DLT market infrastructure is not liable for the loss where it proves that the loss arose as a result of an external event beyond its reasonable control, the consequences of which were unavoidable despite all reasonable efforts to the contrary.

(16) Operators of DLT market infrastructure must establish transparent and adequate arrangements to ensure investor protection, and must establish mechanisms for handling client complaints and procedures for compensation or redress in cases of investor loss as a result of any of the circumstances referred to in sub-regulation (15) or as a result of the cessation of the business due to any of the circumstances referred to in regulations 10(10), 11(9) and 12(10).

(17) The GFSC may decide, on a case-by-case basis, to require additional prudential safeguards from the operator of a DLT market infrastructure in the form of own funds or an insurance policy if the GFSC determines that potential liabilities for damages to clients of the operator of the DLT market infrastructure as a result of any of the circumstances referred to in sub-regulation (15) are not adequately covered by the prudential requirements provided for in the CSD Regulation or the Investment Services Framework.

(18) An operator of a DLT market infrastructure must establish and make publicly available a clear and detailed strategy for reducing the activity of a particular DLT market infrastructure or for transitioning out of, or ceasing to operate, a particular DLT market infrastructure ("transition strategy"), including the transition or reversion of its distributed ledger technology operations to traditional market infrastructures, in the event–

(a) that the threshold referred to in regulation 5(5) has been exceeded;

(b) that a specific permission or exemption granted under this Regulation is to be withdrawn or otherwise discontinued; or

(c) of any voluntary or involuntary cessation of the business of the DLT market infrastructure.

(19) The transition strategy must be ready to be deployed in a timely manner.

(20) The transition strategy must set out–

(a) how members, participants, issuers and clients are to be treated in the event of a withdrawal or discontinuation of a specific permission or the cessation of the business as referred to in sub-regulation (18); and

(b) how clients, in particular retail investors, are to be protected from any disproportionate impact from the withdrawal or discontinuation of a specific permission or the cessation of the business.

(21) The transition strategy must be updated on an ongoing basis subject to the prior approval of the GFSC.

(22) The transition strategy must specify what is to be done in the event that the threshold referred to in regulation 5(5) is exceeded.

(23) Investment firms or market operators that are only permitted to operate a DLT MTF under regulation 10(2) and that do not indicate in their transition strategies that they intend to obtain an authorisation to operate a multilateral trading facility under the investment services framework, as well as CSDs operating a DLT TSS, must use best efforts to conclude arrangements with investment firms or market operators operating a multilateral trading facility under the investment services framework to take over their operations, and must specify those arrangements in their transition strategies.

(24) CSDs operating a DLT SS that are only permitted to operate a DLT SS under regulation 11(2) and that do not indicate in their transition strategies that they intend to obtain an authorisation to operate a securities settlement system under the CSD Regulation, and investment firms or market operators operating a DLT TSS, must use best efforts to conclude arrangements with CSDs operating a securities settlement system to take over their operations, and must specify those arrangements in their transition strategies.

(25) CSDs operating a securities settlement system that receive a request to conclude the arrangements referred to in sub-regulation (24) must respond within three months of the date of receipt of the request. The CSD operating the securities settlement system must conclude the arrangements in a non-discriminatory manner and may charge a reasonable commercial fee based on actual costs. It may deny such a request only where it considers that the arrangements would affect the smooth and orderly functioning of the financial markets or would pose a systemic risk. It must not deny a request on the grounds of loss of market share. If it denies a request, it must inform the operator of the DLT market infrastructure that made the request of its reasons in writing.

(26) The arrangements referred to in sub-regulations (23) to (25) must be in place no later than five years from the date of granting of the specific permission, or must be in place at an earlier date if required by the GFSC in order to address any risk of early termination of the specific permission.

(27) The GFSC in its discretion, may permit a DLT market infrastructure operator to comply with one or more of the requirements in this regulation after it has been authorised but within a period specified by the GFSC.

Specific permission to operate DLT MTF.

10.(1) A legal person who is authorised as an investment firm, or authorised to operate a regulated market, under the investment services framework may apply for a specific permission to operate a DLT MTF under these Regulations.

(2) Where a legal person applies for authorisation as an investment firm or for authorisation to operate a regulated market under the investment services framework and, simultaneously, applies for a specific permission under this regulation, for the sole purpose of operating a DLT MTF, the GFSC must not assess whether the applicant fulfils the requirements of the investment services framework and the CSD Regulation in respect of which the applicant has requested an exemption in accordance with regulation 6.

(3) Where, as referred to in sub-regulation (2), a legal person simultaneously applies for authorisation as an investment firm, or for authorisation to operate a regulated market, and for a specific permission, it must submit in its application the information required under the investment services framework, except for information that would be necessary to demonstrate compliance with the requirements in respect of which the applicant has requested an exemption in accordance with regulation 6.

(4) An application for a specific permission to operate a DLT MTF under this regulation must contain the following information–

(a) the applicant's business plan, the rules of the DLT MTF and any legal terms as referred to in regulation 9(1) to (4), as well as information regarding the functioning, services and activities of the DLT MTF as referred to in regulation 9(6);

(b) a description of the functioning of the distributed ledger technology used, as referred to in regulation 9(5);

(c) a description of the applicant's overall IT and cyber arrangements as referred to in regulation 9(7) and (8);

(d) evidence that the applicant has in place sufficient prudential safeguards to meet its liabilities and to compensate its clients, as referred to in regulation 9(17);

(e) where applicable, a description of the safekeeping arrangements for clients' DLT financial instruments as referred to in regulation 9(11) to (14);

(f) a description of the arrangements for ensuring investor protection and a description of the mechanisms for handling client complaints and redress, as referred to in regulation 9(16); and

(g) the exemptions that the applicant is requesting under regulation 6, the justification for each exemption requested and any compensatory measures proposed and the means by which it intends to comply with the conditions attached to those exemptions.

(5) Within two months of the date of receipt of an application for a specific permission to operate a DLT MTF, the GFSC must assess whether the application is complete. If the application is not complete, the GFSC must set a time limit by which the applicant is to provide

the missing or any additional information. The GFSC must inform the applicant when the GFSC considers the application to be complete.

(6) Within six months of the date of receipt of a complete application for a specific permission to operate a DLT MTF, the GFSC must carry out an assessment of the application and decide whether to grant the specific permission. Where an applicant applies simultaneously for authorisation under the investment services framework and for a specific permission under this Regulation, the assessment period may be extended for a further period of up to six months.

(7) Without limiting regulation 10 of the Investment Services Regulations, the GFSC may refuse to grant a specific permission to operate a DLT MTF if there are grounds for believing that–

(a) there are significant risks to investor protection, market integrity or financial stability that are not properly addressed and mitigated by the applicant;

(b) the specific permission to operate a DLT MTF and the exemptions requested are being sought for the purpose of circumventing legal or regulatory requirements; or

(c) the operator of the DLT MTF will not be able to comply, or will not allow its users to comply, with applicable legal provisions.

(8) A specific permission may be granted for a period of up to six years from the date of issuance and must specify the exemptions that are granted in accordance with regulation 6, any compensatory measures and any lower thresholds set by the GFSC in accordance with regulation 5(10).

(9) Without limiting the Investment Services Regulations, the GFSC must withdraw a specific permission or any related exemptions where–

(a) a flaw has been discovered in the functioning of the distributed ledger technology used, or in the services and activities provided by the operator of the DLT MTF, that poses a risk to investor protection, market integrity or financial stability, and the risk outweighs the benefits of the services and activities under experimentation;

(b) the operator of the DLT MTF has breached the conditions attached to the exemptions;

(c) the operator of the DLT MTF has admitted to trading financial instruments that do not fulfil the conditions set out in regulation 5(1) and (2);

(d) the operator of the DLT MTF has exceeded the threshold referred to in regulation 5(3) and (4);

(e) the operator of the DLT MTF has exceeded the threshold referred to in regulation 5(5);and has not activated the transition strategy; or

(f) the operator of the DLT MTF obtained the specific permission or related exemptions on the basis of misleading information or a material omission.

(10) Where an operator of a DLT MTF intends to introduce a material change to the functioning of the distributed ledger technology used, or to the services or activities of that operator, and that material change requires a new specific permission, a new exemption, or the modification of one or more of the operator's existing exemptions or of any conditions attached to an exemption, the operator of the DLT MTF must request a new specific permission, exemption or modification.

(11) Where an operator of a DLT MTF requests a new specific permission, exemption or modification, the procedure set out in regulation 6 applies and the GFSC must process that request in accordance with this regulation.

Specific permission to operate a DLT SS.

11.(1) The following persons may apply for a specific permission to operate a DLT SS under these Regulations–

(a) a legal person who is authorised as a CSD under the CSD Regulation; or

(b) a person with permission under Part 7 of the 2019 Act which, as part of its regulated activities, is authorised to operate a settlement system that has been assessed by the GFSC.

(2) Where a person in sub-regulation (1) (an "applicant") applies for authorisation as a CSD under the CSD Regulation and simultaneously applies for a specific permission under this regulation, for the sole purpose of operating a DLT SS, the GFSC must not assess whether the applicant fulfils those requirements of the CSD Regulation in respect of which the applicant has requested an exemption in accordance with regulation 7.

(3) Where, as referred to in sub-regulation (2), an applicant simultaneously applies for authorisation as a CSD and for a specific permission, it must submit in its application the information referred to in Article 17(2) of the CSD Regulation, except for information that would be necessary to demonstrate compliance with the requirements in respect of which the applicant has requested an exemption in accordance with regulation 7.

(4) An application for a specific permission to operate a DLT SS under this Regulation must contain the following information–

(a) the applicant's business plan, the rules of the DLT SS and any legal terms as referred to in regulation 9(1) to (4), as well as information regarding the functioning, services and activities of the DLT SS as referred to in regulation 9(6);

(b) a description of the functioning of the distributed ledger technology used, as referred to in regulation 9(5);

(c) a description of the applicant's overall IT and cyber arrangements as referred to in regulation 9(7) to (10);

(d) evidence that the applicant has in place sufficient prudential safeguards to meet its liabilities and to compensate its clients, as referred to in regulation 9(17);

(e) where applicable, a description of the safekeeping arrangements for clients' DLT financial instruments as referred regulation 9(11) to (14);

(f) a description of the arrangements for ensuring investor protection and a description of the mechanisms for handling client complaints and redress, as referred to in regulation 9(16); and

(g) the exemptions that the applicant is requesting under regulation 7, the justification for each exemption requested and any compensatory measures proposed and the means by which it intends to comply with the conditions attached to those exemptions.

(5) Within two months of the date of receipt of an application for a specific permission to operate a DLT SS, the GFSC must assess whether the application is complete. If the application is not complete, the GFSC must set a time limit by which the applicant is to provide the missing or any additional information. The GFSC must inform the applicant when the GFSC considers the application to be complete.

(6) Within six months of the date of receipt of a complete application for a specific permission to operate a DLT SS, the GFSC must carry out an assessment of the application and decide whether to grant the specific permission. Where the applicant applies simultaneously for authorisation as a CSD under the CSD Regulation and for a specific permission under this Regulation, the assessment period may be extended for a further period up to that specified in Article 17(8) of the CSD Regulation.

(7) Without limiting Article 17 of the CSD Regulation, the GFSC must refuse to grant a specific permission to operate a DLT SS if there are grounds for believing that–

(a) there are significant risks to investor protection, market integrity or financial stability that are not properly addressed and mitigated by the applicant;

(b) the specific permission to operate a DLT SS and the exemptions requested are being sought for the purpose of circumventing legal or regulatory requirements; or

(c) the CSD will not be able to comply, or will not allow its users to comply, with applicable legal provisions.

(8) A specific permission may be granted for a period of up to six years from the date of issuance. The specific permission must specify the exemptions that are granted in accordance with regulation 7, any compensatory measures and any lower thresholds set by the GFSC in accordance with regulation 5(10).

(9) Without limiting Article 20 of the CSD Regulation, the GFSC must withdraw a specific permission or any related exemptions where–

(a) a flaw has been discovered in the functioning of the distributed ledger technology used, or in the services and activities provided by the CSD operating the DLT SS, that poses a risk to investor protection, market integrity or financial stability, and the risk outweighs the benefits of the services and activities under experimentation;

(b) the CSD operating the DLT SS has breached the conditions attached to the exemptions;

(c) the CSD operating the DLT SS has recorded financial instruments that do not fulfil the conditions set out in regulation 5(1) and (2);

(d) the CSD operating the DLT SS has exceeded the threshold referred to in regulation 5(3) and (4);

(e) the CSD operating the DLT SS has exceeded the threshold referred to in regulation 5(5) and has not activated the transition strategy; or

(f) the CSD operating the DLT SS obtained the specific permission or related exemptions on the basis of misleading information or a material omission.

(10) Where a CSD operating a DLT SS intends to introduce a material change to the functioning of the distributed ledger technology used, or to the services or activities of that CSD, and that material change requires a new specific permission, a new exemption, or the modification of one or more of that CSD's existing exemptions or of any conditions attached to an exemption, the CSD operating the DLT SS must request a new specific permission, exemption or modification.

(11) Where a CSD operating a DLT SS requests a new specific permission, exemption or modification, the procedure set out in regulation 7 applies. That request must be processed by the GFSC in accordance with this regulation.

Specific permission to operate DLT TSS.

12.(1) The following persons may apply for a specific permission to operate a DLT TSS under these Regulations–

(a) a legal person authorised–

(i) as an investment firm, or to operate a regulated market, under the investment services framework; or

(ii) as a CSD under the CSD Regulation; or

(b) a DLT MTF and a DLT SS which is not a CSD, acting jointly.

(2) Where a person, or persons acting jointly, in sub-regulation (1) (an "applicant") applies for authorisation as an investment firm or for authorisation to operate a regulated market under the investment services framework, or as a CSD under the CSD Regulation, and, simultaneously, applies for a specific permission under this regulation, for the sole purpose of operating a DLT TSS, the GFSC must not assess whether the applicant fulfils those requirements of the investment services framework or those of the CSD Regulation in respect of which the applicant has requested an exemption in accordance with regulation 8.

(3) Where, as referred to in sub-regulation (2), an applicant simultaneously applies for authorisation as an investment firm or for authorisation to operate a regulated market, or for authorisation as a CSD, and for a specific permission, it must submit in its application the information required under the investment services framework or Article 17 of the CSD Regulation respectively, except for information that would be necessary to demonstrate compliance with the requirements in respect of which the applicant has requested an exemption in accordance with regulation 8.

(4) An application for a specific permission to operate a DLT TSS under this regulation must contain the following information–

(a) the applicant's business plan, the rules of the DLT TSS and any legal terms as referred to in regulation 9(1) to (4), as well as information regarding the functioning, services and activities of the DLT TSS as referred to in regulation 9(6);

(b) a description of the functioning of the distributed ledger technology used, as referred to in regulation 9(5);

(c) a description of the applicant's overall IT and cyber arrangements as referred to in regulation 9(7) to (10);

(d) evidence that the applicant has in place sufficient prudential safeguards to meet its liabilities and to compensate its clients, as referred to in regulation 9(17);

(e) where applicable, a description of the safekeeping arrangements for clients' DLT financial instruments as referred to in regulation 9(11) to (14);

(f) a description of the arrangements for ensuring investor protection and a description of the mechanisms for handling client complaints and redress, as referred to in regulation 9(16); and

(g) the exemptions that the applicant is requesting under regulation 8, the justification for each exemption requested and any compensatory measures proposed and the means by which it intends to comply with the conditions attached to those exemptions.

(5) In addition to the information referred to in sub-regulation (4), an applicant that intends to operate a DLT TSS as an investment firm or market operator must submit the information on how it intends to comply with the applicable requirements of the CSD Regulation as

referred to in regulation 8(1) and (2) except for information that would be necessary to demonstrate compliance with requirements in respect of which the applicant has requested an exemption in accordance with that regulation.

(6) In addition to the information referred to in sub-regulation (4), an applicant that intends to operate a DLT TSS as a CSD must submit the information on how it intends to comply with the applicable requirements of the investment services framework as referred to in regulation 8(3) and (4), except for information that would be necessary to demonstrate compliance with requirements in respect of which the applicant has requested an exemption in accordance with that regulation.

(7) Within two months of the date of receipt of an application for a specific permission to operate a DLT TSS, the GFSC must assess whether the application is complete. If the application is not complete, the GFSC must set a time limit by which the applicant is to provide the missing or any additional information. The GFSC must inform the applicant when the GFSC considers the application to be complete.

(8) Within six months of the date of receipt of a complete application for a specific permission to operate a DLT TSS, the GFSC must carry out an assessment of the application and decide whether to grant the specific permission.

(9) Where the applicant applies simultaneously for authorisation under the investment services framework or under the CSD Regulation and for a specific permission under this regulation, the assessment period may be extended for a further period of up to six months.

(10) Without limiting the Investment Services Regulations or Article 17 of the CSD Regulation, the GFSC must refuse to grant a specific permission to operate a DLT TSS if there are grounds for believing that–

(a) there are significant risks to investor protection, market integrity or financial stability that are not properly addressed and mitigated by the applicant;

(b) the specific permission to operate a DLT TSS and the exemptions requested are being sought for the purpose of circumventing legal or regulatory requirements; or

(c) the operator of the DLT TSS will not be able to comply, or will not allow its users to comply, with applicable legal provisions.

(11) A specific permission may be granted for a period of up to six years from the date of issuance and must specify the exemptions that are granted in accordance with regulation 8,

any compensatory measures and any lower thresholds set by the GFSC in accordance with regulation 5(10).

(12) Without limiting the Investment Services Regulations or Article 20 of the CSD Regulation, the GFSC must withdraw a specific permission or any related exemptions where–

(a) a flaw has been discovered in the functioning of the distributed ledger technology used, or in the services and activities provided by the operator of a DLT TSS that poses a risk to investor protection, market integrity or financial stability, and the risk outweighs the benefits of the services and activities under experimentation;

(b) the operator of the DLT TSS has breached the conditions attached to the exemptions;

(c) the operator of the DLT TSS has admitted to trading or recorded financial instruments that do not fulfil the conditions set out in regulation 5(1) and (2);

(d) the operator of the DLT TSS has exceeded the threshold referred to in regulation 5(3) and (4);

(e) the operator of the DLT TSS has exceeded the threshold referred to in regulation 5(5) and has not activated the transition strategy; or

(f) the operator of the DLT TSS obtained the specific permission or related exemptions on the basis of misleading information or a material omission.

(13) Where an operator of a DLT TSS intends to introduce a material change to the functioning of the distributed ledger technology used, or to the services or activities of that operator, and that material change requires a new specific permission, a new exemption, or the modification of one or more of the operator's existing exemptions or of any conditions attached to an exemption, the operator of the DLT TSS must request a new specific permission, exemption or modification.

(14) Where an operator of a DLT TSS requests a new specific permission, exemption or modification, the procedure set out in regulation 8 applies and the GFSC must process that request in accordance with this regulation.

GFSC's power to waive or modify application requirements.

13.(1) The GFSC may waive or modify the application of one or more provisions of regulation 10, 11 or 12 as it considers appropriate so that they–

(a) do not to apply to a relevant person; or

(b) apply to a relevant person with such modifications as the GFSC may specify.

(2) In this regulation a "relevant person" means a person specified–

(a) in regulation 10(1) who proposes to apply under regulation 10 for specific permission to operate a DLT MTF;

(b) in regulation 11(1) who proposes to apply under regulation 11 for specific permission to operate a DLT SS; or

(c) in regulation 12(1) who proposes to apply under regulation 12 for specific permission to operate a DLT TSS.

(3) The GFSC may only exercise the power in sub-regulation (1) where it is satisfied that, having regard to information which it considered when the relevant person was authorised, requiring the relevant person to comply with the provisions in question is unnecessary or would be superfluous.

Cooperation between DLT market infrastructure operators and GFSC.

14.(1) Without limiting the investment services framework and CSD Regulation, operators of DLT market infrastructures must cooperate with the GFSC.

(2) In particular, operators of DLT market infrastructures must notify the GFSC upon becoming aware of any of the following matters, without delay–

(a) any proposed material change to their business plan, including changes in relation to critical staff, the rules of the DLT market infrastructure and the legal terms;

(b) any evidence of unauthorised access, material malfunctioning, loss, cyber-attacks or other cyber-threats, fraud, theft or other serious malpractice suffered by the operator of the DLT market infrastructure;

(c) any material change to the information provided to the GFSC;

(d) any technical or operational difficulties in performing the activities or providing the services that are subject to the specific permission, including difficulties related to the development or use of the distributed ledger technology and DLT financial instruments; or

(e) any risks affecting investor protection, market integrity or financial stability that have arisen and that were not anticipated in the application requesting the specific permission or that were not anticipated at the time when the specific permission was granted.

(3) Changes to which sub-regulation (2)(a) applies must be notified at least four months before the change is planned, regardless of whether the proposed material change requires a change to the specific permission or related exemptions or conditions attached to those exemptions in accordance with regulations 10, 11 or 12.

(4) Where the GFSC is notified of the matters listed in sub-regulation (2)(a) to (e), it may require the operator of the DLT market infrastructure to–

(a) make an application in accordance with regulation 10(10), 11(10) or 12(13); or

(b) take corrective measures as referred to in sub-regulation (6).

(5) The operator of the DLT market infrastructure must provide the GFSC with any relevant information it requires.

(6) The GFSC may require any corrective measures with respect to the business plan of the operator of the DLT market infrastructure, the rules of the DLT market infrastructure and the legal terms in order to ensure investor protection, market integrity or financial stability.

(7) The operator of the DLT market infrastructure must report on the implementation of any corrective measures required by the GFSC in its reports under sub-regulation (8).

(8) Every six months from the date of the specific permission, the operator of a DLT market infrastructure must submit a report to the GFSC and that report must include–

(a) a summary of the information listed in sub-regulation (2);

(b) the number and value of DLT financial instruments admitted to trading on the DLT MTF or DLT TSS and the number and value of DLT financial instruments recorded by the operator of the DLT SS or DLT TSS;

(c) the number and value of transactions traded on the DLT MTF or DLT TSS and settled by the operator of the DLT SS or DLT TSS;

(d) a reasoned assessment of any difficulties in applying any financial services legislation; and

(e) any actions taken to implement the conditions attached to the exemptions or to implement any compensatory or corrective measures required by the GFSC.