



Broker-Dealer Services

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1. BROKER-DEALER SERVICES COMPLIANCE FRAMEWORK

In alignment with the VARA Regulations and Rulebooks, specifically VARA Broker-Dealer Services Rulebook, MKX, as a distinguished Virtual Asset Service Provider (VASP), has established robust internal policies and procedures specifically tailored for its Broker-Dealer Services. These comprehensive measures encompass the prohibition, detection, prevention, and deterrence of market offences and abusive practices involve the establishment of specific internal rules, compliance programs, and sanctioning policies and powers.

1.1 INTERNAL POLICIES AND PROCEDURES

Insider Trading Prevention

- Strictly prohibit employees from engaging in insider trading activities.
- Implement controls to restrict access to confidential information and monitor employee trading activities.

To monitor and prevent any illegal activities related to insider trading, MKX has developed and is implementing its Market Conduct, Insider List, and HR policies. These policies clearly detail all controls and measures in place, as well as all reporting obligations regarding insider trading at MKX.

Market Manipulation Policies:

MKX is committed to maintaining a fair and transparent trading environment by implementing comprehensive Market Manipulation prevention procedures. These procedures include but are not limited to:

- **Clear Definitions and Prohibitions:** MKX explicitly defines and prohibits various forms of market manipulation within its operations. This includes, but is not limited to, practices such as pump and dump schemes, spoofing, wash trading, and layering. This ensures that all employees and clients are aware of these prohibited activities and understand the consequences of engaging in them.
- **Surveillance Mechanisms:** MKX has established robust surveillance mechanisms to monitor trading activities continuously. These mechanisms are designed to identify unusual trading patterns or behaviours that may indicate market manipulation. The surveillance system employs advanced analytics and machine learning algorithms to detect anomalies in trading data, flagging potential manipulative activities for further investigation.
- **Real-Time Monitoring:** The surveillance system operates in real-time, allowing MKX to promptly identify and address suspicious activities. Real-time alerts are generated when abnormal trading behaviours are detected, ensuring that potential issues are investigated immediately.
- **Investigation Procedures:** When potential market manipulation is identified, a dedicated compliance team conducts thorough investigations. This includes reviewing trading logs, analysing communication records,



and collaborating with other financial institutions if necessary. The team documents all findings and takes appropriate actions based on the severity of the manipulation.

- **Reporting Obligations:** MKX has established clear reporting obligations for both employees and clients. Any suspected market manipulation must be reported to the compliance team immediately. The compliance team is responsible for maintaining detailed records of all reports and investigations, and for ensuring that relevant regulatory authorities, such as VARA, are informed of significant findings in a timely manner. Provided herewith is the e-mail of the compliance team - compliance@MKX.ae
- **Training and Awareness:** MKX conducts regular training sessions for employees and clients to raise awareness about market manipulation and its implications. These sessions cover the types of prohibited activities, how to recognize signs of manipulation, and the importance of compliance with market conduct policies.

Conflict of Interest Guidelines

- Identify potential conflicts of interest and provide guidelines on how to manage and disclose such conflicts.
- Ensure that employees are aware of their responsibilities to maintain fair and transparent business practices.

MKX's Interest Policy provides comprehensive guidelines for identifying potential conflicts of interest and managing them appropriately. It outlines the procedures for disclosure and ensures that employees are fully aware of their responsibilities to maintain fair and transparent business practices. The policy emphasises the importance of integrity and impartiality in all business dealings, promoting a culture of ethical behaviour within MKX.

1.2 COMPLIANCE PROGRAMS

Employee Training

- MKX conducts regular training programs to keep employees informed about market offences, abusive practices, and compliance obligations.
- The Company also provides ongoing education to ensure awareness of regulatory changes and industry best practices.

Internal Audits

- MKX implements a comprehensive compliance program that includes regular internal audits.
- It conducts audits to assess adherence to regulatory requirements and identify areas for improvement.

1.3 SANCTIONING POLICIES AND POWERS

Disciplinary Measures



- **Comprehensive Disciplinary Guidelines:** MKX integrates comprehensive disciplinary measures within its internal procedures to address violations of market offence rules. These guidelines cover a range of actions, including warnings, mandatory retraining, suspensions, demotions, and termination of employment.
- **Detailed Offence Classification:** Offences are classified into categories based on their severity—minor, moderate, and severe. Minor offences might include first-time violations or unintentional breaches, while severe offences cover deliberate acts of fraud or repeated violations.
- **Investigation and Documentation:** Each reported offence undergoes a thorough investigation. An internal compliance committee reviews the incident, gathers evidence, interviews involved parties, and documents findings. A detailed report is compiled to ensure transparency and consistency in handling cases.
- **Proportional Sanctions:** Sanctions are applied proportionally to the severity of the offence, ensuring that penalties are fair and equitable. A matrix is used to match the type and severity of the offence with the corresponding disciplinary action.
- **Consistency and Fairness:** MKX ensures consistent application of disciplinary measures. Regular reviews and audits of disciplinary actions are conducted to monitor fairness and adherence to guidelines.
- **Employee Awareness:** All employees are educated about the disciplinary process and the potential consequences of violations during onboarding and through ongoing training programs.

Whistleblower Protection

- **Integrated Whistleblowing Mechanism:** MKX has integrated whistleblower protection measures into its overall compliance framework to encourage reporting of market offences. Employees are informed about their rights and the protections available to them.
- **Confidential Reporting Channels:** Multiple confidential reporting channels are established, including anonymous hotlines, secure email addresses, and online reporting forms. These channels are accessible to all employees, ensuring they can report concerns without fear of identification. Provided below are the contact details of the Compliance Officer:
 - E-mail: compliance@mkx.ae
 - Mobile Number: +971 50 705 6680
- **Investigation and Response:** All reports are received by a dedicated compliance officer who initiates an immediate and thorough investigation. Findings are documented, and appropriate actions are taken based on the severity and nature of the reported issue.
- **Protection Measures:** Strong protections are in place to safeguard whistleblowers from retaliation. This includes confidentiality guarantees, protection from dismissal or discrimination, and legal support if necessary. Any retaliatory actions against whistleblowers are themselves subject to disciplinary measures.
- **Awareness and Training:** Regular training sessions are conducted to inform employees about the whistleblowing process, the importance of reporting unethical behaviour, and the protections they can expect. This helps to foster a culture of transparency and accountability within the organisation.



Communication of Sanctions

- **Clear and Consistent Communication:** MKX communicates the consequences of non-compliance clearly and consistently to all employees through various channels, including training sessions, internal newsletters, and the employee handbook.
- **Transparency in Disciplinary Actions:** The reasons for disciplinary actions are transparently communicated to the affected individuals and, where appropriate, to the wider organisation. This helps in reinforcing the importance of compliance and the seriousness with which MKX treats market offences.
- **Comprehensive Documentation:** All disciplinary actions are meticulously documented. This includes the nature of the offence, the investigation process, the disciplinary measures taken, and the rationale behind these decisions. This documentation is used for internal reviews and audits to ensure adherence to policies and for continuous improvement.

1.4 COLLABORATION WITH REGULATORY AUTHORITIES

- **Information Sharing and Cooperation:** MKX has established robust procedures for collaborating and sharing information with regulatory authorities. This includes regular reporting, joint investigations, and participation in regulatory discussions to enhance the detection and prevention of market offences.
- **Monitoring Regulatory Changes:** Dedicated compliance officers continuously monitor regulatory updates from VARA and other relevant bodies. Any changes in regulations are promptly reflected in MKX's internal policies and procedures.
- **Proactive Engagement and Feedback:** MKX proactively engages with regulatory authorities to understand emerging trends, compliance requirements, and best practices. Feedback from these engagements is used to strengthen internal controls and ensure alignment with regulatory expectations.

By incorporating these enhanced details and actions, MKX ensures a robust framework for sanctioning policies, whistleblower protection, and collaboration with regulatory authorities, providing a comprehensive approach to maintaining compliance and ethical standards.

1.5 TRANSACTION MONITORING AND REPORTING

- MKX implements a robust transaction monitoring system to detect and report suspicious activities.
- The Company defines protocols for investigating and reporting suspicious transactions to regulatory authorities which are detailed in our AML/CFT policy.

1.6 RECORD-KEEPING AND DOCUMENTATION



- MKX maintains comprehensive records of transactions, communications, and relevant activities for audit and compliance purposes.
- The Company has established secure record-keeping systems aligned with regulatory requirements which are provided in the Records Management and Records Retention Policy.

To summarise, MKX strictly prohibits all forms of market offences and abusive practices, including insider trading, market manipulation, fraudulent activities, misrepresentation, and unethical behaviour. To detect market offences, MKX employs transaction monitoring, advanced surveillance systems, data analytics, and confidential reporting mechanisms, ensuring continuous oversight and real-time identification of suspicious activities.

Preventive measures include the establishment of comprehensive internal rules and policies, regular training programs for employees and contractors, conducting risk assessments, and performing thorough client due diligence. MKX deters market offences through strict sanctioning procedures, transparent public disclosure of enforcement actions, active cooperation with regulatory bodies, and maintaining a zero-tolerance policy towards any form of market abuse.

2. ORDER EXECUTION AND ROUTING

MKX operates as an online OTC desk, providing clients the opportunity to buy and sell virtual assets directly through its platform. Clients can convert fiat currency to virtual assets and vice versa. The following outlines the procedures and policies for order execution and routing to ensure a fair, transparent, and efficient trading environment.

Order Placement

To place any order, clients must first complete a full onboarding process, including KYC (Know Your Customer) and CDD (Customer Due Diligence) checks in accordance with MKX's relevant policies and procedures and accept the Terms of Use and Risk Disclosure document. No order will be accepted or executed unless the client's account opening is completed, accepted, and approved on the MKX platform.

Order Initiation

- Clients initiate orders through the MKX online platform, specifying the amount and type of virtual asset or fiat currency to be bought or sold.
- The platform automatically verifies the order details and confirms the client's identity.

Order Execution

Market Price Determination

- MKX provides clients with real-time market prices for the requested virtual assets and fiat currencies.
- Prices are determined based on current market conditions and the liquidity available through Binance, MKX's primary liquidity provider.



Order Confirmation

- Once the client agrees to the quoted price, the order is confirmed, and the transaction details are recorded.
- A transaction receipt is generated, detailing the amount, price, and type of virtual asset or fiat currency involved.

Transaction Processing

The MKX platform processes the transaction by either:

- Transferring the Virtual Assets (VAs) to the client's individual wallet maintained on the MKX platform.
- Transferring the equivalent fiat currency into the Client Money account at MKX.

If the client prefers, they have the option to transfer both the Virtual Assets to their external wallet and the fiat currency to their external bank account. All transactions are processed in real-time to ensure prompt execution and settlement.

Order Routing

Liquidity Providers

- MKX partners with Binance as its primary external liquidity provider to ensure deep liquidity and the best possible execution prices for all transactions.
- Binance adheres to strict compliance and operational standards, maintaining the integrity of each transaction routed through its platform.

Post-Transaction Procedures

Transaction Verification

- After the transaction is executed, the platform verifies the transaction details and updates the client's account records.
- Clients receive a confirmation email with the transaction receipt and details.

Record Keeping

- All transaction records are securely stored in compliance with regulatory requirements and internal policies.
- Detailed audit trails are maintained for all transactions, including timestamps, amounts, and parties involved.

Client Reporting

- MKX provides clients with periodic monthly statements detailing their transaction history and current holdings.
- Clients can request transaction reports at any time for their records.

Compliance and Monitoring **Regulatory Compliance**



- MKX ensures all transactions comply with relevant regulations, including AML and KYC requirements.
- Quarterly audits are conducted to ensure compliance with internal policies and regulatory standards.

Monitoring and Surveillance

- MKX continuously monitors trading activities to detect and prevent market manipulation, fraud, and other illicit activities.
- Any suspicious activity is promptly investigated, and necessary actions are taken to mitigate risks.

By adhering to these order execution and routing procedures, MKX ensures a secure, transparent, and efficient trading experience for its clients, while maintaining compliance with regulatory requirements and industry best practices.

3. CLIENT ASSETS WITHDRAWALS

The clients of MKX will have the ability to hold their virtual assets and/or money on the MKX's platform. This will allow the clients to decide when to transfer or withdraw the virtual assets or AED funds to their external wallets or bank accounts.

Withdrawal Initiation

- Clients initiate the withdrawal or transfer of asset through the MKX online platform by selecting available virtual asset and entering the desired amount of asset to be transferred.
- In case of virtual asset transfer, the client will provide the external wallet address where the VA will be transferred. For AED withdrawal, the client must provide the external bank account details where the funds will be transferred.
- The platform automatically verifies the transfer or withdrawal request and confirms the client's identity through security measures such as OTP sent to the client.

Withdrawal Execution

Market Price Determination

- MKX provides clients with real-time market prices for the requested virtual assets and fiat currency (AED).
- Prices are determined based on current market conditions and the liquidity available through Binance, MKX's primary liquidity provider.

Withdrawal Confirmation

- Once the client agrees to the quoted price, the transfer/withdrawal is confirmed, and the transaction details are recorded.



- A transaction receipt is generated, detailing the amount, price, and type of virtual asset or fiat currency involved.

Withdrawal Processing

The MKX platform processes the transfer/withdrawal by:

- Transferring the Virtual Assets (VAs) to the client's external wallet.
- Transferring the equivalent fiat currency into the provided bank account of the client

Withdrawal Verification

- After the transfer/withdrawal is executed, the platform verifies the transfer/withdrawal details and updates the client's account records.
- Clients receive a confirmation email with the transaction receipt and details.

4. BEST EXECUTION POLICY

MKX has developed and implemented a Best Execution Policy that outlines MKX's commitment to obtaining the best possible outcome for clients when executing orders. While executing clients orders we are considering factors such as price, speed, likelihood of execution, and cost when determining the best execution strategy. Our best execution principles include but are not limited to the following:

- MKX diligently executes each client order to buy or sell Virtual Assets, aiming to secure the most favourable price for the client within the current market conditions. While prioritising obtaining the best possible result for the client, MKX also considers factors such as costs, speed, likelihood of execution and settlement, size, nature, or any other relevant consideration associated with order execution.
- MKX will disclose to clients, both before and after order execution, the portion of the amount payable that is retained as fees or commission.
- MKX prohibits any payment or receipt of monetary or non-monetary benefits, except necessary service fees, for its Execution services. This includes refraining from receiving remuneration or discounts for routing clients' orders to specific venues. Any fees with other entities are structured to prevent conflicts of interest in client order execution.
- MKX, upon receiving an unsolicited instruction from a client to route their order to a particular market or counterparty, is not obliged to make additional best execution determinations. However, MKX must promptly process the order in accordance with the client's specific terms.
- MKX does not delegate to another Entity responsibility to provide best Execution to its client's orders.
- MKX will notify clients with whom we have an ongoing relationship of any material changes to our order Execution arrangements or our Execution policy.
- MKX maintains an adequately resourced department dedicated to executing client orders.
- The company meticulously documents its compliance with policies and procedures related to selecting the best market for a virtual asset (VA). This includes detailing how to execute client orders in scenarios where



there is an absence of pricing information, absence of drivers or valuation factors behind such prices, or multiple quotations.

- To address these challenges, MKX employs a detailed procedure. When there is an absence of pricing information, MKX relies on historical data and comparative market analysis to determine a fair market price. In cases where drivers or valuation factors are lacking, the department leverages advanced analytical tools and market intelligence to evaluate the intrinsic value of the VA. For instances with multiple quotations, MKX uses a weighted average approach to derive the most accurate and fair price for execution.
- Furthermore, MKX has developed, implemented, and maintains robust systems to ensure the capacity and capabilities to execute client orders efficiently. These systems are designed to handle large volumes of orders and incorporate real-time monitoring and adjustments to ensure optimal performance. They also include contingency protocols to manage and mitigate risks associated with order execution. MKX continuously updates and enhances these systems to align with evolving market conditions and regulatory requirements, ensuring reliable and effective order execution through its platforms or other agreed-upon means with clients.

5. POLICY REVIEW AND UPDATE

MKX is committed to maintaining up-to-date and effective policies that align with industry best practices and regulatory requirements. To ensure that this policy along with our additional internal policies remain current and compliant, we have established a comprehensive review and update process.

Annual Review

- **Scheduled Reviews:** MKX conducts a thorough review of all policies at least annually. This process is led by the compliance team in collaboration with relevant departments to ensure comprehensive coverage and relevance.
- **Documentation:** Each policy review is documented, detailing the date of the review, participants involved, and any changes made. This documentation is maintained for audit purposes and to track the evolution of our policies.

Regulatory Changes

- **Monitoring:** MKX continuously monitors changes in regulatory requirements, especially those issued by the Virtual Asset Regulatory Authority (VARA). This includes staying abreast of new laws, amendments to existing regulations, and guidance notes.
- **Prompt Updates:** Upon identifying relevant regulatory changes, MKX promptly incorporates these updates into our policies. The compliance team ensures that all adjustments are made in a timely manner to maintain full compliance with the latest regulatory standards.
- **Other Policies and Procedures Required by VARA:** We maintain an agile approach to compliance, with policies and procedures that are regularly updated to meet the evolving requirements set by VARA. These include:
 - Timely implementation of any additional rules, policies, or frameworks mandated by VARA.



- Immediate adoption of industry best practices as recommended by VARA or other recognized regulatory bodies.
- Comprehensive documentation and reporting to VARA on compliance with all policies.

Internal Audit Findings

- **Audit Integration:** Findings from internal audits are integral to the policy review process. Any identified gaps, risks, or areas for improvement are addressed and incorporated into the updated policies.
- **Continuous Improvement:** MKX uses audit findings to drive continuous improvement, ensuring that policies are not only compliant but also effective in mitigating risks and enhancing operational efficiency.

Stakeholder Feedback

- **Inclusive Process:** MKX values feedback from all stakeholders, including employees, clients, and regulatory authorities. This feedback is actively solicited and considered during the policy review process.
- **Implementation:** Relevant suggestions and concerns from stakeholders are evaluated and, where appropriate, integrated into the policies. This ensures that our policies are practical, user-friendly, and aligned with the needs and expectations of our stakeholders.

Ad Hoc Reviews

- **Triggered Reviews:** In addition to the scheduled annual reviews, MKX conducts ad hoc policy reviews as necessary. These reviews are triggered by significant events such as regulatory changes, internal incidents, or major business changes.
- **Rapid Response:** The compliance team is prepared to initiate and conduct these reviews swiftly to ensure that our policies remain robust and relevant in the face of new developments.

Communication and Training

- **Policy Dissemination:** Updated policies are communicated to all relevant stakeholders promptly. This includes distributing the updated documents and providing summaries of key changes.
- **Training Programs:** MKX conducts regular training programs to ensure that all employees understand and adhere to the updated policies. These programs are designed to reinforce the importance of compliance and to provide practical guidance on implementing policy changes.

Please reach out to our customer support team if you have any questions or require further information at contact@mkx.ae.