



ISRAEL SECURITIES AUTHORITY



ABU DHABI GLOBAL MARKET
سوق أبوظبي العالمي

FINANCIAL SERVICES REGULATORY AUTHORITY
سلطة تنظيم الخدمات المالية

Memorandum of Understanding

between

Israel Securities Authority (ISA)

And

The Abu Dhabi Global Market (ADGM)
Financial Services Regulatory Authority (FSRA)

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Abu Dhabi Global Market
Financial Services Regulatory Authority
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United Arab Emirates

Israel Securities Authority
22 Kanfei Nesharim St.
Jerusalem
Israel

Innovation Functions Memorandum of Understanding

between

Israel Securities Authority ("ISA") and Abu Dhabi Global Market ("ADGM")
Financial Services Regulatory Authority
("FSRA")

1. Definitions

For the purposes of this MoU, unless the context requires otherwise:

- **"Authorisation"** means the process of licensing, registering, approving, authorising or otherwise bringing an entity under either Authority's regulatory ambit so that they are authorised to carry on business in providing a financial service or issuing a financial product in the relevant Authority's jurisdiction, and "Authorised" has a corresponding meaning;
- **"Authority"** means the FSRA or the ISA; and collectively, shall be referred to as "the Authorities";
- **"Criteria for Support"** means the criteria of a Referring Authority that an Innovator Business is required to meet before the Referring Authority will refer the Innovator Business to a Receiving Authority;
- **"Innovator Business"** means an innovative financial business that has been offered support from an Authority through its Innovation Function, or would qualify for such support;
- **"Innovation Function"** means the dedicated function established in both Authorities to support innovation in financial services in their respective markets;
- **"Receiving Authority"** means the Authority that is receiving an Innovator Business referral or information relating to that referral;
- **"Referring Authority"** means the Authority that is referring an Innovator Business to the Receiving Authority; and
- **"Regulations"** means any regulation or regulatory requirement applicable in the jurisdiction of an Authority.

2. Introduction

- 2.1. The Authorities share a mutual desire to promote innovation in financial services in their respective markets. Both Authorities have established Innovation Functions in order to do so. The Authorities believe that through co-operation with each other, they will be able to further the promotion of innovation in their respective markets.

Background to the two Authorities' Innovation Functions

- 2.2. The ISA is set to promote and enable the technological and business innovation in the area of financial services. The ISA aims at establishing trust and providing certainty to the Fintech industry and encourages market actors in the Fintech industry to contact its staff with the purpose of becoming familiar with the relevant regulatory framework and to examine any required adjustments to their activity, through guidance of the ISA's staff. In July 2018, the ISA established a Fintech Innovation Hub. This initiative is aimed at promoting common discourse between the ISA and relevant players in the field of Fintech.
- 2.3. The FSRA recognises that progressive regulations applied in a well-calibrated manner can be an enabler for the adoption of technology innovation to bring about better efficiencies, consumer choices, financial inclusion and regulatory outcomes in the financial services sector. In particular, the FSRA launched the Regulatory Laboratory ("RegLab") in November 2016 to provide a controlled environment for Innovator Businesses to develop and test innovative solutions that promote efficiency and consumer choices in the financial sector, and to support FSRA in the development of risk-appropriate and effective regulations for such innovation.

Support offered through the Innovation Functions

- 2.4. The support offered by the Authorities to Innovator Businesses through their Innovation Functions includes:
 - 2.4.1. A dedicated team and/or a dedicated contact for each Innovator Business;
 - 2.4.2. Help for Innovator Businesses to understand the regulatory framework in the relevant Authority's jurisdiction, and how it applies to them;
 - 2.4.3. Assistance during the pre-Authorisation application phase to:
 - 2.4.3.1. Discuss the Authorisation application process and any regulatory issues that the Innovator Business has identified;
 - 2.4.3.2. Assist the Innovator Business understands the relevant Authority's regulatory regime and what it means for them; and
 - 2.4.3.3. Refer the Innovator Business to any other regulatory entity within the country, if necessary.
 - 2.4.4. Support during the Authorisation process, including the allocation of Authorisation staff who are knowledgeable about financial innovation in their respective markets, to consider the application.
 - 2.4.5. A dedicated contact and the provision of support as mentioned above after an Innovator Business is authorised, as and when circumstances require it.

- 2.4.6. Within the scope of its authority and subject to its discretion, each Authority will provide Innovator Businesses originating from the other jurisdiction with the same level of support that it provides to Innovator Businesses originating from its own jurisdiction.

3 Purpose

The purpose of this MoU is to provide a framework for co-operation and referrals in the matters of Fintech and innovation between the two Authorities. The framework centres on a referral mechanism which will enable the Authorities to refer Innovator Businesses between their respective Innovation Functions. It also sets out how the Authorities plan to share and use information on Fintech and innovation in their respective markets.

4 Principles

The Authorities intend to provide the fullest possible mutual assistance to one another within the terms of this MoU. This MoU operates subject to the domestic laws and regulations of each Authority and does not modify or supersede any laws or regulatory requirements in force in, or applying to, Abu Dhabi Global Market, United Arab Emirates, or Israel. This MoU sets forth a statement of intent and accordingly does not create any enforceable rights, and is not legally binding.

5 Scope

Referral mechanism

- 5.1 The Authorities, through their Innovation Functions, will refer to each other Innovator Businesses that would like to operate in the other's jurisdiction.
- 5.2 Referrals will be made in writing, and should include information demonstrating that the Innovator Business seeking to operate in the Receiving Authority's jurisdiction meets, or would meet, the Referring Authority's Criteria for Support.
- 5.3 The Criteria for Support should include the following:
 - 5.3.1 The Innovator Business should offer technological financial products or services that seems to benefit the consumer, investor and/or industry; and
 - 5.3.2 The Innovator Business should demonstrate that they have conducted some background research on Regulations as it might apply to them.
- 5.4 Following referral, the Receiving Authority's Innovation Function should offer support to the Innovator Business in accordance with paragraph 2.4 above.
- 5.5 The Referring Authority acknowledges that an Innovator Business benefiting from the Receiving Authority's Innovation Function's assistance during the pre-Authorisation phase may or may not meet the requirements for Authorisation, and that in providing assistance through the Innovation Function, the Receiving Authority is not expressing an opinion about whether an Innovator Business will ultimately meet the requirements for Authorisation in its jurisdiction.

Potential joint innovation projects

- 5.6 The Authorities undertake to consider participating in joint innovation projects on the application of key technologies such as digital and mobile payments, BlockChain and distributed ledgers, big data, flexible platforms (API), regulatory and supervisory technology, and other areas of new technologies.
- 5.7 The Authorities undertake to consider cooperating in joint projects regarding the opportunities that both capital markets can offer to companies and entrepreneurs engaged in technology and innovation activities in diverse fields, such as, AI, solar energy, automotive innovation, smart cities, water utilization, desert agriculture, cyber and other areas of new technologies.

Information sharing

- 5.8 The Authorities undertake, subject to applicable domestic laws and regulations, to share information about innovations in financial services in their respective markets, where appropriate. This may include, but is not limited to:
 - 5.8.1 Emerging market trends and developments (including use of new technologies); and
 - 5.8.2 Regulatory issues pertaining to innovation in financial services.
- 5.9 The Authorities undertake, subject to applicable domestic laws and regulations, to share further information on an Innovator Business which has been referred to a Receiving Authority for support through its Innovation Function by a Referring Authority (including the nature of the support to the Innovative Business by the Referring Authority).
- 5.10 The Authorities should notify each other of any material changes to the other Authority's Criteria for Support.
- 5.11 The Innovation Functions and/or representatives from International Affairs Departments from both authorities undertake to virtually meet once a year to discuss local and international developments on issues related to this MOU.

6 Confidentiality & Permissible Uses

- 6.1 Any information disclosed by one Authority to the other Authority under paragraphs 5.7 to 5.9, any information contained in a referral under paragraphs 5.1 to 5.4, and any information shared in connection with a joint innovation project as contemplated in paragraph 5.6 should be treated by the other Authority as confidential information.
- 6.2 Information about an Innovator Business included in a referral under paragraphs 5.1 to 5.4 and shared under paragraph 5.8 should be sent to a Receiving Authority only if the Innovator Business consents to that disclosure.
- 6.3 A Receiving Authority should use information about a referred Innovator Business only for the purpose of providing support to the referred Innovator Business through the Receiving Authority's Innovation Function and ensuring compliance with the law of the Receiving Authority's jurisdiction.

- 6.4 A Receiving Authority should use any information disclosed to it by the Referring Authority only for the purposes for which the information was disclosed, unless the Referring Authority consents to other uses.
- 6.5 If either Authority is required to disclose any information provided to it by the other Authority pursuant to a requirement of law, such Authority should notify the other Authority prior to complying with such a requirement and should assert all appropriate legal exemptions or privileges with respect to such information as may be available.

7 Term

- 7.1 This MoU takes effect from the date of execution and will continue to have effect until terminated by either of the Authorities by the giving of at least 30 days' written notice of termination to the other Authority.
- 7.2 In the event of the termination of this MoU, information obtained under this MoU will continue to be treated in the manner set out under paragraph 6.

8 Amendment

- 8.1 The Authorities will review the operation of this MoU and update its terms as required. The Authorities acknowledge that review may be required if there is a material change to the support offered by a Receiving Authority's Innovation Function to Innovator Businesses referred by a Referring Authority pursuant to paragraph 5.1; or the Authority's Criteria for Support. This MoU may be amended if both Authorities agree in writing to do so.



ISRAEL SECURITIES AUTHORITY

For the ISA

Anat Guetta
Chairwoman
Date: 18 November 2020



ABU DHABI GLOBAL MARKET
سوق أبوظبي العالمي

FINANCIAL SERVICES REGULATORY AUTHORITY
سلطة تنظيم الخدمات المالية

For the FSRA

Richard Teng
Chief Executive Officer
Date: 18 November 2020

Appendix 1: Authority-wide Contact Details



ISRAEL SECURITIES AUTHORITY

ISA Fintech Innovation Hub
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22 Kanfei Nesharim St.
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