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Free Questions for UAE-Financial-Rules-and-Regulations

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Questions # 1:

Where an applicant for a financial activities licence uses a cloud-based server, they must set out provisions to ensure the outsourced party can operate with zero data loss for what stated period?

Options:

A.

Three years

B.

Five years

C.

Seven years

D.

Ten years



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Answer

B

Explanation

According to CISI UAE Financial Rules and Regulations, applicants utilizing cloud-based servers must demonstrate that their outsourced service providers have provisions in place to guarantee zero data loss for a minimum of five years. This requirement protects the integrity and availability of critical financial data over the regulatory retention period. The five-year timeframe aligns with data retention standards for audit, compliance, and operational continuity in the UAE financial sector, ensuring that regulatory bodies and firms can access historical information for supervisory purposes.

[Reference: CISI UAE Financial Rules and Regulations — IT and Data Management Requirements, Section 3.5.7 (2023).,]

Questions # 2:

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

Options:

A.

an independent audit function

B.

regular operational resilience exercises

C.

external consultants

D.

the audit committee



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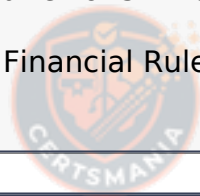
Answer

A

Explanation

Under the UAE Anti-Money Laundering (AML) laws and regulations, financial institutions are required to periodically test the effectiveness of their internal policies, controls, and procedures designed to combat money laundering. The independent audit function is specifically responsible for testing and evaluating these AML frameworks. The independent auditor must assess whether the institution's systems and procedures effectively detect, prevent, and report suspicious transactions and activities. This audit ensures that the policies are up-to-date, comprehensive, and compliant with both local and international standards. Regular audits provide an additional layer of scrutiny, ensuring that financial institutions can demonstrate their commitment to preventing money laundering and terrorist financing.

[Reference: CISI UAE Financial Rules and Regulations — AML Testing and Audits, Section 9.5.2 (2023).]



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Questions # 3:

In order to be authorised to deal in investments, which of the following professional roles would the Authority expect to see within the firm?

Options:

A.

Trading Manager

B.

Compliance Officer

C.

Operations Manager

D.

Broker Representative



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Answer

D

Explanation

The Authority expects licensed firms authorised to deal in investments to include a Broker Representative within their professional staff. The Broker Representative is the role licensed and trained to execute investment transactions on behalf of clients, adhering to regulatory standards. While other roles like Trading Manager, Compliance Officer, and Operations Manager are vital for the firm's overall functioning and compliance, the Broker Representative is specifically required for dealing activities, ensuring qualified and responsible conduct in investment execution.

[Reference: CISI UAE Financial Rules and Regulations — Licensing and Job Roles for Investment Dealing, Section 3.1.9 (2023).,]

Questions # 4:

In which circumstances might lawyers, notary publics, other legal stakeholders and independent legal auditors be exempt from suspicious transaction reporting requirements?

Options:

A.

When providing legal opinion with regards to legal proceedings

B.

When advising on financial transactions for politically exposed persons

C.

When conducting real estate transactions within the UAE

D.

When providing services relating to beneficiaries of insurance policies

Answer

A

Explanation



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Under Federal Law No. 20 of 2018 and CISI UAE Financial Rules and Regulations, lawyers, notary publics, and other legal professionals may be exempt from suspicious transaction reporting requirements when providing legal opinions related to legal proceedings. This exemption recognizes the privileged nature of legal advice and the confidentiality inherent in legal representation. However, when these professionals engage in financial or transactional activities outside the scope of legal proceedings, such as advising on financial transactions or real estate deals, they must comply with reporting obligations to prevent money laundering. The exemption balances legal professional privilege with AML/CTF requirements.

[Reference: CISI UAE Financial Rules and Regulations — AML Exemptions for Legal Professionals, Section 8.3.1 (2023).,]

Questions # 5:

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

Options:

A.

are on full-time or substantial part-time contracts

B.

are new to the company or the industry

C.

are employed to deal with clients or on their behalf

D.

are employed to operate an electronic trading or clearing system



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Answer

C

Explanation

DFM brokerage firms are required to ensure that their employees have appropriate professional experience if they are employed to deal with clients or on their behalf. This is because employees interacting directly with clients must possess the necessary skills, knowledge, and experience to provide accurate information, manage client portfolios, and handle client transactions in compliance with regulatory standards. This ensures that clients are protected from potential mismanagement or malpractice and that the brokerage firm maintains a high standard of service.

[Reference: CISI UAE Financial Rules and Regulations — Employee Competency Requirements for DFM Brokerage Firms, Section 7.2.1 (2023).]

Questions # 6:

If there is a material change in the nature of the relevant software, the regulations state that investors who have accepted an offer of crypto assets must be notified:

Options:

A.

promptly in advance

B.

immediately after implementation

C.

within no less than 7 days

D.

within no less than 14 days

Answer

A

Explanation

The CISI UAE Financial Rules and Regulations require that investors in crypto assets be promptly notified in advance of any material change in the nature of the software relevant to the assets. This advance notification is crucial to allow investors to make informed decisions regarding their holdings before changes take effect. Material changes could affect functionality, security, or value of the crypto asset. The regulation promotes transparency and investor protection by ensuring timely and clear communication, preventing investors from being blindsided by unexpected developments. The requirement aligns with international best practices on disclosure for crypto asset issuers.

[Reference: CISI UAE Financial Rules and Regulations — Legislation and Practice, Crypto Asset Regulation, Section 7.2.1 (2023).,]

Questions # 7:

Why would a transaction to purchase securities be declared null and void?

Options:

A.

It was the result of a rumour being spread

B.

The individual is a former employee

C.

The Authority has levied a penalty for delay of payment

D.

The investor has a conviction of an offence of dishonour

Answer

A

Explanation

A transaction to purchase securities could be declared null and void if it was the result of a rumour being spread. According to the CISI UAE Financial Rules and Regulations, transactions based on market manipulation, misinformation, or rumors that mislead investors and distort the market are considered invalid. The integrity of the financial

markets depends on transparency and the accuracy of the information that drives trading decisions. Therefore, if a transaction is found to have been influenced by rumors, it could be declared void to maintain fairness and prevent manipulative practices.

[Reference: CISI UAE Financial Rules and Regulations — Market Manipulation and Invalid Transactions, Section 6.3.2 (2023).,]

Questions # 8:

If a discrepancy comes to light when conducting an external reconciliation, what must the firm do?

Options:

A.

Immediately inform the regulator verbally and follow this up in writing

B.

Immediately suspend operations with the third party

C.

Investigate and correct it as soon as possible

D.

Close the client's account by close of business on the same day

Answer

C

Explanation

If a discrepancy is identified during an external reconciliation process, the firm is required to investigate and correct it as soon as possible. The CISI UAE Financial Rules and Regulations emphasize that discrepancies, whether in financial data or operational procedures, must be thoroughly examined to determine the root cause and rectified promptly. Immediate corrective action helps to ensure that financial statements and other reports remain accurate and reliable, preventing any further errors or compliance issues. While it may be necessary to inform the regulator or suspend operations in extreme cases, the first priority is to address the discrepancy through investigation and correction.

[Reference: CISI UAE Financial Rules and Regulations — Reconciliation and Error Resolution, Section 8.1.4 (2023).,]

Questions # 9:

A joint-stock company applying for a licence to conduct clearing activities in a commodity market recently appointed a new chairman and a new CEO. Why did this lead to the application being refused?

Options:

- A.
Only the chairman held a tranche of the company's shares
- B.
Only the CEO's compensation had been approved by the Authority
- C.
They were supported by just three other board members
- D.
They had been employed by the company during the previous year

Answer

D

Explanation

According to CISI UAE Financial Rules and Regulations, applications for licences to conduct clearing activities require that key senior officers such as the chairman and CEO meet certain tenure and independence criteria. The application was refused because both the newly appointed chairman and CEO had been employed by the company during the previous year, which raises concerns about independence and potential conflicts of interest. Regulators require sufficient separation and stability in leadership to ensure effective governance and risk management in critical market infrastructure roles like clearing. The recent employment history suggested insufficient cooling-off periods or independence safeguards.

[Reference: CISI UAE Financial Rules and Regulations — Licensing Requirements for Clearing Firms, Section 7.1.3 (2023)., ,]

Questions # 10:

A real estate investment fund may borrow no more than what percentage of its total assets value?

Options:

- A.
10%
- B.
25%
- C.
50%
- D.
75%



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Answer

C

Explanation

According to the CISI UAE Financial Rules and Regulations, real estate investment funds are subject to borrowing limits to ensure financial stability and prevent excessive leverage. A real estate investment fund may borrow no more than 50% of its total assets value. This limit helps mitigate the risks associated with high levels of debt and ensures that the fund remains adequately capitalized to handle fluctuations in the real estate market. By restricting the borrowing capacity, the regulations aim to protect investors and ensure the fund's long-term sustainability.

[Reference: CISI UAE Financial Rules and Regulations — Borrowing Limits for Real Estate Investment Funds, Section 6.1.5 (2023).,]

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