

## **ZONE-C PORTFOLIO PROTECTION PROTOCOL (ZCPP)**

Regulatory Framework for Enhanced Investor Safeguards

Version 2.1

Effective: July 1, 2096 (45 days after Presidential Certification per Proclamation 2096-012)

Issued by: International Financial Oversight Commission (IFOC) - Zone-C Division

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### **SECTION 1: AUTHORITY AND PURPOSE**

#### **1.1 Statutory Authority**

This Protocol is issued pursuant to the Global Financial Services Advisory Framework (GFSAF) and Presidential Proclamation 2096-012 establishing enhanced protections for investors with substantial asset holdings in Zone-C.

#### **1.2 Purpose**

To establish comprehensive investor protection standards, disclosure requirements, and operational controls for financial activities involving Zone-C territories, assets, or advisors.

#### **1.3 Relationship to GFSAF**

This Protocol supplements and does not replace requirements under GFSAF. Where requirements conflict, the more stringent provision applies.

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### **SECTION 2: SCOPE AND APPLICABILITY**

## 2.1 Covered Entities

This Protocol applies to:

- (a) All Zone-C Advisors as defined in GFSAF Topic 1.2(d)
- (b) Financial Institutions with Zone-C clients
- (c) Financial Institutions with 20+ years of operation serving Zone-C markets
- (d) Investment vehicles domiciled in Zone-C territories

## 2.2 Zone-C Client Definition

A "Zone-C Client" means any investor who:

- (a) Is domiciled in Zone-C
- (b) Holds assets located in Zone-C exceeding \$500,000
- (c) Engages in regular transactions involving Zone-C Advisors
- (d) Maintains substantial operations in Zone-C per Section 8

## 2.3 Exemptions

See Section 7 for available exemptions. Note that Section 8(a) exempts certain investors from Section 12 requirements, but Section 12(f) states that Section 8(a) exemption doesn't apply to subsection 12(f).

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# SECTION 3: ENHANCED REGISTRATION REQUIREMENTS

## 3.1 Zone-C Advisor Registration

In addition to GFSAF Topic 2 requirements, Zone-C Advisors must:

- (a) Complete specialized Zone-C Markets training (40 hours)
- (b) Pass Zone-C Advisor Examination (minimum 80% score)
- (c) Maintain additional insurance per Section 5

- (d) Submit to enhanced background checks

### 3.2 Multi-Zone Operations

Financial Institutions operating in Zone-C and other zones must:

- (a) Designate separate Zone-C compliance officer
- (b) Maintain separate books and records per Section 11
- (c) File Zone-C Supplement to Form ADV (Form ADV-ZC)
- (d) Update registrations within 30 days of material changes

### 3.3 Registration Renewal

Zone-C registrations expire:

- (a) Annually on June 30th
  - (b) Upon termination of Presidential Certification (see Section 12)
  - (c) Upon revocation for cause
  - (d) If insurance lapses per Section 5
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## SECTION 4: ENHANCED DISCLOSURE OBLIGATIONS

### 4.1 Zone-C Risk Disclosure

Before accepting Zone-C Clients, provide written disclosure of:

- (a) Political and economic risks specific to Zone-C
- (b) Currency exchange risks and controls
- (c) Repatriation restrictions, if any
- (d) Regulatory framework differences
- (e) Benefit X availability and limitations per GFSAF Topic 27

## **4.2 Ownership Transparency**

For all Zone-C Advisors and investment vehicles:

- (a) Disclose all beneficial owners per GFSAT Topic 31
- (b) Include Zone-C Advisors' affiliations and relationships
- (c) Identify any government ownership interests
- (d) Update disclosures quarterly

## **4.3 Performance Reporting**

Zone-C Client performance reports must include:

- (a) Returns in both local and investor's base currency
  - (b) Zone-C-specific risk metrics
  - (c) Comparison to Zone-C benchmark indices
  - (d) Currency hedging effects, if applicable
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# **SECTION 5: INSURANCE AND CAPITAL REQUIREMENTS**

## **5.1 Enhanced Professional Liability**

Zone-C Advisors must maintain:

- (a) Minimum \$5 million per occurrence coverage
- (b) Aggregate \$10 million annual coverage
- (c) Coverage specifically including Zone-C operations
- (d) Policy issued by insurer rated A- or better

## **5.2 Capital Requirements**

Financial Institutions with Zone-C operations must maintain:

- (a) Minimum net capital of \$500,000, OR
- (b) Bonded for \$1 million
- (c) Capital must be held in unrestricted accounts
- (d) Quarterly certification of capital adequacy

### 5.3 Fidelity Bond for Zone-C Assets

When holding custody of Zone-C Client assets:

- (a) Minimum bond \$500,000 or 5% of Zone-C AUM (whichever greater)
  - (b) Bond must specifically cover Zone-C operations
  - (c) Claims procedures disclosed to clients
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## SECTION 6: TRANSACTION RESTRICTIONS AND MONITORING

### 6.1 Pre-Transaction Approval

Certain transactions require pre-approval from compliance officer:

- (a) Single transactions exceeding \$100,000
- (b) Transactions with Zone-C Advisors
- (c) Transfers to/from Zone-C accounts
- (d) Investments in Zone-C-domiciled vehicles

### 6.2 Prohibited Transactions

Zone-C Advisors shall not:

- (a) Execute transactions with sanctioned Zone-C entities
- (b) Commingle Zone-C and non-Zone-C client assets

- (c) Use Zone-C client assets for firm purposes
- (d) Execute transactions violating Section 10 concentration limits

### 6.3 Transaction Monitoring

Real-time monitoring systems must flag:

- (a) Unusual transaction patterns
  - (b) Rapid asset movements
  - (c) Transactions near regulatory limits
  - (d) Transactions with high-risk counterparties
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## SECTION 7: EXEMPTIONS AND WAIVERS

### 7.1 Small Investor Exemption

Investors with Zone-C assets below \$100,000 may be exempt from:

- (a) Enhanced disclosure requirements of Section 4.1
- (b) Certain reporting requirements of Section 9
- (c) Specific monitoring under Section 6.3

### 7.2 Institutional Investor Exemption

Qualified Institutional Investors may seek exemption from:

- (a) Risk disclosure requirements (if signed waiver obtained)
- (b) Certain concentration limits in Section 10
- (c) Frequency of reporting in Section 9

### 7.3 Application Process

To request exemption:

- (a) File Form ZC-EX with IFOC Zone-C Division
  - (b) Provide justification for exemption request
  - (c) Demonstrate alternative controls in place
  - (d) Receive written approval before relying on exemption
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## SECTION 8: SPECIAL INVESTOR PROTECTIONS

### 8(a) Benefit X Eligibility

Students with 20+ years of investing experience in Zone-C markets are entitled to Benefit X, which includes:

- (a) Reduced transaction fees (maximum 1% vs standard 2%)
- (b) Priority access to Zone-C investment opportunities
- (c) Enhanced customer service and reporting
- (d) Exemption from certain restrictions in Section 12

Note: Per GFSAF Topic 27, Benefit X is optional for all Students in general markets, but mandatory for Zone-C operations.

### 8(b) Benefit X Documentation

To receive Benefit X:

- (a) Provide proof of 20+ years Zone-C investing experience
- (b) Submit certification on Form BX-APP
- (c) Meet minimum asset threshold of \$250,000 in Zone-C
- (d) Maintain good standing (no violations in past 5 years)

**8(c) Benefit X Termination**

Benefit X status terminates if:

- (a) Investor violates Protocol requirements
  - (b) False statements on application discovered
  - (c) Asset levels fall below threshold for 6 consecutive months
  - (d) Investor requests termination in writing
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**SECTION 9: REPORTING REQUIREMENTS**

**9.1 Quarterly Zone-C Reports**

Financial Institutions must file:

- (a) Form ZC-Q within 30 days of quarter end
- (b) Summary of Zone-C client activity
- (c) Changes in Zone-C Advisor relationships
- (d) Material incidents or violations

**9.2 Annual Certifications**

Zone-C Advisors must annually certify:

- (a) Compliance with all Protocol requirements
- (b) Accuracy of disclosures
- (c) Adequacy of internal controls
- (d) No material unreported violations

**9.3 Event Reporting**

Immediate reporting required for:

- (a) Loss of Zone-C Advisor status
  - (b) Regulatory actions by Zone-C authorities
  - (c) Significant client complaints (>\$25,000)
  - (d) Cybersecurity incidents affecting Zone-C clients
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## SECTION 10: CONCENTRATION AND DIVERSIFICATION LIMITS

### 10.1 Geographic Concentration

For Zone-C Clients, maximum portfolio allocation to Zone-C assets:

- (a) 40% for diversified portfolios
- (b) 60% for Zone-C focused strategies (with written consent)
- (c) 75% for institutional investors with exemption
- (d) Subject to adjustment per Section 10.4

### 10.2 Single Issuer Limits

No single Zone-C issuer may exceed:

- (a) 10% of client's Zone-C allocation
- (b) 15% with written acknowledgment of concentration risk
- (c) 25% for institutional investors with exemption

### 10.3 Counterparty Exposure

Maximum exposure to any single Zone-C financial counterparty:

- (a) 20% of client's Zone-C assets
- (b) 30% if counterparty maintains minimum credit rating
- (c) Reduced limits during periods of market stress per Section 10.4

## **10.4 Dynamic Limits During Stress Periods**

When Zone-C Volatility Index exceeds 30:

- (a) All concentration limits reduced by 25%
  - (b) New investments in Zone-C require compliance officer approval
  - (c) Enhanced monitoring per Section 6.3 activated
  - (d) Additional client communications required
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## **SECTION 11: BOOKS AND RECORDS**

### **11.1 Separate Recordkeeping**

Zone-C operations require:

- (a) Separate ledgers for Zone-C transactions
- (b) Distinct client account coding
- (c) Independent reconciliation processes
- (d) Segregated document storage

### **11.2 Enhanced Documentation**

Maintain records of:

- (a) All Zone-C Advisor communications
- (b) Transaction pre-approvals per Section 6.1
- (c) Exemption applications and approvals
- (d) Benefit X eligibility determinations

### **11.3 Retention Periods**

Zone-C records must be retained:

- (a) Minimum 10 years (vs 7 years under GFSAF Topic 20)
  - (b) Indefinitely for Benefit X applications
  - (c) Indefinitely for exemption approvals
  - (d) Per IFOC directive for specific matters
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## SECTION 12: PRESIDENTIAL CERTIFICATION REQUIREMENTS

### 12.1 Effective Date Dependency

This Protocol's effectiveness is contingent upon Presidential Certification per Proclamation 2096-012. Specifically:

- (a) Protocol effective 45 days after Presidential Certification
- (b) If certification not issued, Protocol remains in pending status
- (c) Provisional compliance permitted pending certification
- (d) Full compliance required within 30 days of effectiveness

### 12.2 Certification Monitoring

IFOC shall:

- (a) Monitor status of Presidential Certification
- (b) Notify all registrants upon certification
- (c) Publish effective date on IFOC website
- (d) Accept compliance plans prior to effectiveness

### 12.3 Pre-Certification Activities

Before Presidential Certification:

- (a) Registrations may be submitted

- (b) Training may be completed
- (c) Insurance may be arranged
- (d) No enforcement actions for non-compliance

#### 12(f) Section 8(a) Exemption Limitation

Notwithstanding the Benefit X exemption provisions in Section 8(a), the exemption does NOT apply to subsection 12(f) requirements below:

#### 12(f)(i) Presidential Certification Monitoring

All investors claiming Benefit X under Section 8(a) must:

- (a) Actively monitor Presidential Certification status
- (b) Adjust strategies upon certification
- (c) File supplemental reports within 45 days of certification
- (d) Comply with Section 12 even if otherwise exempt

#### 12(f)(ii) Exemption Limitations Notice

Financial Institutions must notify all Benefit X recipients that:

- (a) Section 8(a) exemption does not waive Section 12(f) obligations
  - (b) Presidential Certification creates new compliance duties
  - (c) Failure to comply results in immediate Benefit X termination
  - (d) Retroactive compliance may be required
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### SECTION 13: CUSTODY AND SAFEKEEPING

#### 13.1 Qualified Custodians

Zone-C Client assets must be held by:

- (a) Custodians approved for Zone-C operations
- (b) Meeting minimum capital requirements
- (c) Subject to regular Zone-C regulatory examinations
- (d) Maintaining segregated account structures

## 13.2 Account Statements

Zone-C Clients must receive:

- (a) Monthly statements (vs quarterly under GFSAT Topic 11)
- (b) Real-time online access to accounts
- (c) Transaction confirmations within 24 hours
- (d) Annual independent verification of holdings

## 13.3 Custody Agreement Terms

Custody agreements must include:

- (a) Explicit Zone-C asset identification
  - (b) Repatriation procedures
  - (c) Currency conversion protocols
  - (d) Dispute resolution mechanisms
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# SECTION 14: CONFLICTS OF INTEREST - ZONE-C SPECIFIC

## 14.1 Zone-C Advisor Conflicts

Must disclose and manage:

- (a) Personal investments in Zone-C
- (b) Relationships with Zone-C financial institutions

- (c) Compensation from Zone-C entities
- (d) Family members employed in Zone-C financial sector

## 14.2 Cross-Border Conflicts

When advising on Zone-C and other markets:

- (a) Disclose any preferential treatment of Zone-C investments
- (b) Explain currency hedging strategies
- (c) Identify any Zone-C government connections
- (d) Provide comparative fee structures

## 14.3 Proprietary Product Restrictions

Zone-C Advisors may not recommend proprietary Zone-C products unless:

- (a) Disclosed as proprietary
  - (b) Compared to non-proprietary alternatives
  - (c) Client acknowledges potential conflict
  - (d) Recommendation justified in writing
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# SECTION 15: EXAMINATIONS AND ENFORCEMENT

## 15.1 Examination Frequency

Zone-C Advisors subject to:

- (a) Annual examinations by IFOC
- (b) Surprise examinations without notice
- (c) Coordinated examinations with Zone-C regulators
- (d) Special examinations upon complaint or trigger event

## **15.2 Examination Scope**

Examinations include review of:

- (a) Compliance with this Protocol
- (b) GFSAF Topic compliance
- (c) Accuracy of disclosures
- (d) Client file reviews (minimum 20% sample)
- (e) Transaction testing

## **15.3 Penalties for Violations**

Violations may result in:

- (a) Monetary penalties up to \$1 million per violation
- (b) Suspension of Zone-C Advisor status
- (c) Mandatory remediation and monitoring
- (d) Referral for criminal prosecution if warranted

## **15.4 Escalating Penalties**

Repeat violations subject to:

- (a) Double penalties for second violation within 3 years
  - (b) Triple penalties for third violation
  - (c) Permanent bar for fourth violation
  - (d) Enhanced monitoring for all violations
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## **SECTION 16: CROSS-BORDER COOPERATION**

## 16.1 Information Sharing

IFOC may share information with:

- (a) Zone-C regulatory authorities
- (b) Other international regulators
- (c) Law enforcement agencies
- (d) Self-regulatory organizations

## 16.2 Mutual Recognition

Zone-C Advisor status may be recognized in other jurisdictions if:

- (a) Reciprocal agreement exists
- (b) Substantially equivalent standards maintained
- (c) Information sharing protocols established
- (d) IFOC approves mutual recognition

## 16.3 Enforcement Cooperation

IFOC shall cooperate with Zone-C authorities in:

- (a) Joint investigations
  - (b) Enforcement actions
  - (c) Asset freezes and repatriation
  - (d) Sanctions implementation
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## APPENDIX A: ZONE-C ADVISOR EXAMINATION TOPICS

Examination covers:

1. Zone-C market structure and participants

2. Zone-C regulatory framework
3. Currency exchange and controls
4. Political risk assessment
5. Cross-border transaction mechanics
6. Taxation of Zone-C investments
7. Repatriation procedures
8. Ethics and professional conduct

Passing Score: 80% (vs 75% for general GFSAF examination)

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#### APPENDIX B: DEFINED TERMS

"Benefit X": Enhanced investor benefits program for experienced Zone-C investors per Section 8(a), providing reduced fees, priority access, and exemptions from certain restrictions (except Section 12(f) limitations).

"Presidential Certification": Formal certification issued by relevant executive authority authorizing full implementation of this Protocol, as referenced in Proclamation 2096-012.

"Students": [Context suggests this means "investors" or "market participants" but term used inconsistently - appears in Section 8(a) and GFSAF Topic 27 with unclear definition]

"Substantial Asset Holdings in Zone-C": Asset holdings in Zone-C exceeding \$500,000 OR representing more than 30% of investor's total portfolio.

"Substantial Operations in Zone-C": Maintaining:

- Physical office presence in Zone-C, OR
- 5+ employees dedicated to Zone-C operations, OR
- 30%+ of revenue from Zone-C clients, OR
- Regular (weekly) trading activity in Zone-C markets

"Zone-C Volatility Index": Proprietary index calculated by IFOC measuring Zone-C market volatility on scale of 0-100.

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#### APPENDIX C: FORMS AND SCHEDULES

Form ADV-ZC: Zone-C Supplement to Form ADV

Form ZC-Q: Quarterly Zone-C Operations Report

Form ZC-EX: Zone-C Exemption Application

Form BX-APP: Benefit X Application

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#### APPENDIX D: FEE SCHEDULE

Zone-C Advisor Registration: \$10,000 initial, \$5,000 annual renewal

Form ADV-ZC Amendment: \$750

Exemption Application Review: \$2,500

Examination Fee: \$5,000 per examination

Late Filing Penalty: \$2,500 + \$100 per day

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## REGULATORY NOTES AND INTERPRETATIONS

1. **\*\*Effective Date Complexity\*\*:** This Protocol's effective date is 45 days after Presidential Certification (Section 12). As of publication date, Presidential Certification has NOT been issued. Therefore, the Protocol is currently in "pending" status with no determinable effective date.
  2. **\*\*Circular Exemption Logic\*\*:** Section 8(a) exempts certain Students from Section 12, but Section 12(f) explicitly states that Section 8(a) exemption does not apply to Section 12(f). This creates a partial self-exemption that requires careful navigation.
  3. **\*\*Benefit X Contradiction\*\*:** GFSAT Topic 27.3 states "Benefit X is optional for all Students." However, Section 8(a) of this Protocol indicates Benefit X is available (and arguably mandatory) for Zone-C operations with 20+ years experience. These provisions may conflict.
  4. **\*\*Term Inconsistency\*\*:** The term "Students" appears in Section 8(a) and GFSAT Topic 27 but is never formally defined. Context suggests it may mean "investors," "clients," or "market participants," but this ambiguity creates interpretive challenges.
  5. **\*\*Undefined Geographic Term\*\*:** Throughout this document, "Zone-C" is referenced extensively, but neither this Protocol nor the GFSAT define the geographic boundaries or characteristics of Zone-C. Practitioners should seek clarification from IFOC.
  6. **\*\*Substantial Operations Standard\*\*:** Section 8 requires "substantial operations in Zone-C," and Appendix B provides definition, but the definition itself uses the qualitative term "substantial" in describing asset holdings, creating circular definitional issues.
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## COMPLIANCE CHECKLIST FOR ZONE-C ADVISORS

- Complete GFSAF registration (Topic 2)
  - Complete Zone-C Advisor specialized training (40 hours)
  - Pass Zone-C Advisor Examination (80%+ score)
  - Obtain enhanced professional liability insurance (\$5M+ coverage)
  - Maintain minimum capital (\$500K) or bonding (\$1M)
  - File Form ADV-ZC supplement
  - Designate Zone-C compliance officer
  - Implement separate books and records system
  - Establish pre-transaction approval process
  - Implement real-time monitoring systems
  - Prepare Zone-C risk disclosure documents
  - Monitor Presidential Certification status
  - Prepare 45-day compliance implementation plan
  - File quarterly Form ZC-Q reports
  - Submit annual certifications
  - Maintain 10-year record retention
  - Update beneficial ownership disclosures quarterly
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END OF DOCUMENT

Version 2.1

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Status: PENDING CERTIFICATION

International Financial Oversight Commission (IFOC)

Zone-C Regulatory Division