

## Section 3: Business Practice

|  |           |
|--|-----------|
| <b>Chapter One: Introduction</b>   |           |
| Article (1) Preamble   | 4         |
| Article (2) Scope of Application   | 4         |
| <br>   |           |
| <b>Chapter Two: Conditions for Providing Financial Service to a Client</b>               | <b>4</b>  |
| Article (1) Preamble   | 4         |
| Article (2): Meeting the requirements for money laundering and financing of terrorism    | 4         |
| Article (3) Classification of clients  | 4         |
| Article (4) Ordinary Investor  | 5         |
| Article (5) Professional Investor  | 5         |
| Article (6) Counterparty   | 6         |
| Article (7) Concluding an agreement with the client                                      | 7         |
| Article (8): Meeting the client's Suitability and Appropriateness standards              | 8         |
| <b>First: Suitability Standards</b>  | 8         |
| <b>Second: Suitability Report</b>  | 8         |
| <b>Third: Suitability Obligations</b>  | 9         |
| <b>Fourth: Appropriateness Standards</b>   | 9         |
| <b>Fifth: Appropriateness Report</b>   | 9         |
| <b>Sixth: Appropriateness Obligations</b>  | 10        |
| <b>Seventh: Documenting and archiving the Suitability and Appropriateness procedures</b> | 10        |
| <br>   |           |
| <b>Chapter Three: Client Money</b>   | <b>10</b> |
| Article (1) Meaning of client's money  | 10        |
| Article (2) Cash amounts   | 10        |
| <b>First: Receiving and recording cash amounts</b>                                       | 10        |
| <b>Second: Prohibitions related to clients' bank accounts</b>                            | 12        |
| <b>Third: Deposit cash amounts and bank accounts</b>                                     | 11        |
| <b>Fourth: Auditing and Matching</b>   | 12        |
| Article (3) Securities   | 13        |
| <b>First: Registration of the client's securities</b>                                    | 13        |

|   |           |
|---|-----------|
| <b>Second: Keeping the client's securities</b>                                    | 13        |
| <b>Third: Prohibitions related to client securities:</b>                          | 14        |
| <b>Fourth: Auditing and Matching</b>  | 14        |
| <b>Fifth: Mortgage, freezing or seizing the client's securities</b>               | 14        |
| Article (4) Client Guarantees   | 14        |
| <b>Chapter Four: General Obligations</b>  | <b>15</b> |
| Article (1) Inactive Client Accounts  | 15        |
| <b>First: Term and Notice</b>   | 15        |
| <b>Second: Procedures for not responding to the notice</b>                        | 15        |
| <b>Third: The implications of considering the inactive account</b>                | 16        |
| <b>Fourth: Accounts excluded from being transferred to a<br/>inactive account</b> | 16        |
| Article (2) Conflict of Interest Management Arrangements                          | 16        |
| Article (3) Separation of financial activities                                    | 17        |
| Article (4) The commission of the licensed body                                   | 17        |
| Article (5) Motivating clients  | 18        |
| Article (6) Practicing financial activity with due diligence                      | 18        |
| Article (7) Best Execution Rate   | 18        |
| Article (8) Marketing of Financial Services                                       | 19        |
| Article (9) Circulation of senior management and workers of the<br>licensed body  | 20        |
| <b>Chapter Five: Practicing Financial Activity</b>                                | <b>20</b> |
| Article (1) Brokers   | 20        |
| <b>First: Receiving the client's trading orders</b>                               | 20        |
| <b>Second: Collecting and allocating trading orders</b>                           | 21        |
| <b>Third: Executing trading orders</b>  | 21        |
| <b>Fourth: Notification of the execution of trading orders</b>                    | 23        |
| <b>Fifth: Settlement of trading orders</b>  | 23        |
| Article (2) Securities Dealer (Dealer)  | 24        |
| Article (3) Financial Consulting  | 24        |
| <b>First: Obligations of the Public Financial Consulting<br/>Company</b>          | 24        |

|   |    |
|---|----|
| <b>Second: Obligations when preparing and publishing the analysis report, financial planning, or financial recommendation</b> | 24 |
| <b>Third: Disclosure obligations to the client</b>  | 25 |
| <b>Fourth: Prohibitions on the licensed body and its financial analysts</b>   | 25 |
| Article (4) The Financial Advisor (Issue Manager)   | 27 |
| <b>First: General obligations of the financial advisor</b>  | 27 |
| <b>Second: The financial advisor's obligations when subscribing to the Book Building Process</b>                              | 27 |
| <b>Third: Obligations of the financial advisor related to underwriting, taking into account the Companies Law:</b>            | 28 |
| Article (5) The listing advisor   | 28 |
| Article (6) Promotion of Securities   | 29 |
| <b>First: Exceptions:</b>   | 29 |
| <b>Second: The Public Promoter's Obligations</b>  | 29 |
| <b>Third: The Promoter's obligations concerning the information it provides to its client when promoting:</b>                 | 31 |
| <b>Fourth: The promoter's additional obligations when promoting foreign fund units within the state:</b>                      | 31 |
| Article (7) Introducing Financial Services  | 32 |
| <b>First: Exceptions:</b>   | 32 |
| <b>Second: The Identifier Obligations</b>   | 32 |
| Article (8) General Clearing  | 32 |
| Article (9) Management of Securities Portfolios   | 32 |
| Article (10) Management of Investment Funds Investments   | 33 |
| Article (11) Administrative Services for Investment Funds   | 34 |
| Article (12) Safe custody   | 35 |
| <b>First: General obligations:</b>  | 35 |
| <b>Second: Exercising general clearing functions for its clients:</b>   | 36 |
| Article (13) Registrar of Private Joint Stock Companies   | 36 |
| Article (14) Source of Covered Warrants   | 37 |
| Article (15) Depository Bank  | 37 |
| <b>First: General Depository Bank Obligations:</b>  | 37 |

|   |    |
|---|----|
| <b>Second: The obligations of the depository bank related to the agreement concluded with the foreign source:</b> | 38 |
| Article (16) Depository Bank Agent  | 39 |
| Article (17) Credit Rating  | 39 |
| <b>First: Exceptions</b>  | 39 |
| <b>Second: Obligations related to the quality and integrity of the rating process</b>                             | 39 |
| <b>Third: Obligations related to independence and avoiding conflicts of interest</b>                              | 40 |
| <b>Fourth: Commitments related to transparency and disclosure</b>   | 41 |
| <b>Fifth: Obligations related to the data of the credit rating report</b>   | 42 |
| <b>Sixth: Subsequent commitments to the issuance of the credit rating report</b>                                  | 43 |
| <b>Annex No. (1) Minimum requirements of the client agreement</b>   | 44 |
| <b>Annex No. (2) The content of the notice confirming the execution of the trading order</b>                      | 45 |
| <b>Annex No. (3) Client account statement data</b>  | 46 |
| <b>Annex No. (4) trading order data</b>   | 46 |
| <b>Annex No. (5): Regulations and Technical Requirements for the Telephone Registration System</b>                | 47 |
| <b>Annex No. (6): Accounts Separation Report</b>  | 49 |

## **Chapter One: Introduction**

### **Article (1) Preamble**

This chapter aims to regulate the licensed body's practice of its financial activity and businesses.

### **Article (2) Scope of Application**

The provisions of this chapter shall apply to every person practicing a financial activity or providing a financial service within the state, unless it is exempted according to its license from some provisions or texts.

## **Chapter Two: Conditions for Providing Financial Service to a Client**

### **Article (1) Preamble**

1. This chapter deals with the mechanism that each licensed body must adhere to before providing any financial service to the client or conducting any deal therewith, in order to ensure the provision of an appropriate level of protection consistent with the knowledge and experience of the client, the resources available thereto and the risks that it may be exposed to associated with providing a financial service, including:
  - a) Meet the requirements of money laundering and terrorist financing.
  - b) Client classification.
  - c) Concluding an agreement with the client.
  - d) Meeting the client's Suitability and Appropriateness standards.
2. The body licensed to conduct credit rating activity is exempt from clauses (A, B, and D).

### **Article (2): Meeting requirements of money laundering and financing of terrorist**

The licensed body is obligated to meet the requirements of the Law of Anti-Money Laundering and Combating the Financing of Terrorism and Illicit Organizations and its implementing regulations.

### **Article (3) Classification of clients**

1. The licensed body is obligated to classify the client into an ordinary investor, professional investor or counterparty, to document and archive the classification procedures, and prepare a classification record for each client that includes sufficient information about those procedures and supporting documents.
2. The client may not be classified into more than one category. As an exception, the professional investor or a counterparty may request to be classified as an ordinary investor.
3. The licensed body may rely in its classification of clients on the classification of a third party, whether from within or outside its financial group, provided that the third party is authorized by the Authority or the Central Bank of the UAE or a supervisory authority similar to the Authority, provided that the classification requirements are not less than the requirements applied by the Authority. In all cases, the licensed body shall be responsible for such classification.
4. The client must notify in case of failing to meet the conditions of the professional investor as soon as it becomes aware thereof, and the procedures that must be taken by the client and the licensed body to remedy the situation.
5. Obtaining an annual declaration from the client that its classification data has not been changed, and updating any of such data in the event that it changes for any reason at any time, provided that the classification is updated - in all cases - every three years while keeping all the declarations and updates.

#### **Article (4) Ordinary Investor**

Any natural or legal person who is not a Professional investor or counterparty.

#### **Article (5) Professional Investor**

##### **First: Professional investor by nature:**

1. International bodies and organizations whose members are states, central banks, or national monetary authorities.
2. Governments, bodies, institutions and their own investment and non-investment bodies or companies that are wholly owned by any of them.

3. A central bank or other national monetary authority in any country, state, or legal authority.
4. Capital market institutions licensed by the Authority or a similar supervisory authority.
5. Financial institutions.
6. A regulated financial institution, a domestic or foreign investment fund, a regulated pension fund management company, or an organized pension fund.
7. Any body whose main activity is the investment in financial instruments, asset securitization, or financial transactions.
8. Any company whose shares are listed or accepted to being traded in any market of an IOSCO state member.
9. A Trustee of trust who has, during the past twelve months, assets of not less than AED 35 million.
10. The owner of a license according to the regulations of (same family office) with respect to only practicing its activities to perform its duties (such as same family office) and has assets of not less than AED 15 million.
11. Joint ventures or civil establishments that have or have had at any time during the past two years net assets of not less than AED 25 million and are calculated in the case of the joint venture without deducting the loans owed to any of the partners.
12. A large undertaking person who, on the date of his last financial statements, fulfills at least two of the following requirements:
  - a) His total assets are not less than AED (75) million before deducting short and long-term liabilities.
  - b) Annual net income of not less than AED (150) million.
  - c) The sum of cash and investments in the balance sheet or the total of his authorized capital minus his paid-up capital is not less than AED (7) million.

**Second: Professional investor (based on the service):**

1. Practicing an activity involving the provision of credit facilities for commercial purposes for any of the following:
  - a) An undertaking person.

- b) The controlling body of the undertaking person.
  - c) Any member of the group to which the undertaking person belongs.
  - d) Any joint investment venture that participates in the undertaking person.
2. A person who practices the service of arranging credit facilities and investment deals related to structuring, financing and companies.

**Third: Professional investor (resident):**

1. A natural person who owns net assets - excluding the value of his main residence - of not less than AED (4) million.
2. A natural person approved by the Authority or a similar supervisory authority, an employee at the licensed body, a regulated financial institution, or whoever has been employed by either of them during the past two years or has sufficient knowledge and experience in the field of investment and its risks in accordance with the suitability standards, or represented by a body licensed by the Authority in a manner that does not conflict with the terms of its license.
3. A natural person who has a joint account with a natural person representing a resident professional investor according to Clause (1) (the main account holder), provided that the following conditions are met:
  - a) The (account participant) must be a member of the (main account holder) family, up to the second degree.
  - b) The account is used to manage the investments of the main account holder and his subscribers.
  - c) Written confirmation from the person subscribing to the account that investment decisions related to the joint account are made on his behalf by the main account holder.
4. Any establishment with a special purpose or a special legal form such as the trust and the institution founded only to facilitate the management of an investment portfolio of a natural person representing a resident professional investor in accordance with Clause (1).
5. **Undertaking person who meets the following conditions:**



- a) The total of his cash and investments in the balance sheet, or the total of his authorized capital minus the paid-up capital, is not less than AED (4) million.
  - b) Has sufficient experience and understanding of the markets, financial products and related financial transactions and the risks associated therewith, in accordance with suitability standards.
6. **Undertaking person who has:**
- a) A controlling natural person who owns the majority of shares in a company, is able to control the majority of voting rights therein, or has the power to appoint or remove the majority of its board of directors.
  - b) Holding or subsidiary company.
  - c) A joint venture partner.

#### **Article (6) Counterparty**

A body licensed by the Authority or a similar supervisory authority if it is a client of another licensed party, and the client is considered a counterparty if it is:

1. A Professional investor (by nature) according to Article (5/ I).
2. A professional (resident) investor if it is owned by a holding company that is a (professional investor by nature) in accordance with Article (9, 13/I).

This definition applies with respect to the classification of clients. Otherwise, the counterparty is the counterparty for each trading order.

#### **Article (7) Concluding an agreement with the client**

1. The licensed body shall sign an agreement with the client written in Arabic or in both Arabic and English, provided that it includes, at a minimum, the information stipulated in Annex No. (1), all obligations and rights of the client, the financial services clearly provided thereto that do not in conflict with the law or any of the decisions issued in implementation thereof, or in violation of the financial activity authorized for the licensed body to perform, or related to services that are not licensed by the Authority, provided that it is signed by the legal representative of the licensed body or the authorized signatory.
2. The licensed body may rely on the agreement concluded with the client and signed with a third party outside the state according to the following conditions:
  - a) The third party must be licensed by a supervisory authority similar to the Authority.
  - b) The requirements, standards and conditions for providing the financial service to the client are not less than the conditions applied by the Authority in accordance with the provisions of this chapter and provided that the client agreement concluded with the third party includes evidence that the client has authorized the third party to represent him and deal on his behalf with other parties.
  - c) The Authority shall be provided with a copy of all documents and data validating the fulfilment of the client's financial service requirements and any documents or statements relating to the client upon request.
  - d) The licensed body continues to be responsible for any actions, procedures, or data from the third party.
3. Any amendment or change in the agreement signed with the client shall be made only by agreement of both parties. Any amendment or change made by either party without the written consent of the other party shall not be taken into consideration, excluding any amendments made at the request of the Authority in accordance with the legislation in force, provided that the client shall be notified of the amendments within a period not exceeding (30) days after the amendment is made.

4. The agreement concluded with the client that the trustee or the guardian undertook to conclude on behalf of the minor shall be terminated in the cases in which this is permissible once the minor completes the legal age, and the licensed body bears the responsibility to verify the same.
5. The agreement with the client that the trustee has entered shall be terminated in the cases in which this is permissible once the curatorship is completed according to a court judgment or decision. The trustee is obligated to notify the licensed body of the end of the curatorship immediately upon the issuance of such judgment or decision, and the licensed body shall be responsible for continuing the agreement as soon as it is notified or being aware thereof.
6. When the broker trades in the foreign market by way of normal trading or using pooled accounts, his agreement with the client must include the following:
  - a) Determination of the method of trading that the client wishes to deal in (regular trading or using pooled accounts).
  - b) The name of the foreign market in which the listed securities will be transacted.
  - c) Evidence that the client has authorized the broker to take all necessary measures regarding these transactions.
  - d) Evidence of the broker's guarantee of the client's securities and cash amounts and the guarantee of fulfillment of its dues in the event that the foreign broker breaches its obligations or if it suffers any damage as a result of its actions or the actions of the foreign broker. The broker has the right to recourse to the foreign broker - on behalf of its client - with these dues.

The broker is excluded from such guarantee and is obligated only to follow up the complaint and take any measures to preserve the rights of the client if the client has a trustee who deals with delivery in exchange for payment.

## **Article (8): Meeting the client's Suitability and Appropriateness standards**

### **First: Suitability standards:**

The licensed body that makes a recommendation to the client or executes a client's order on a complex financial product is obligated to meet the client the following suitability standards - with the exception of the professional investor and counterparty:

**1) The extent of the client's experience, which is measured through the following:**

- a) Types of financial services, activities, or investments related to financial products, which the client is aware of.
- b) The nature, size and frequency of client transactions related to financial services, activities, or investments related to financial products.
- c) The educational level and the current and previous occupation.

**2) The client's financial position and financial solvency, which are measured through the following:**

- a) The source and amount of the client's regular income and expenses.
- b) The client's assets, properties and investments.
- c) The client's regular financial obligations.
- d) The extent of the client's ability to bear losses and risks, their types, and their maximum limit.

**3) The client's investment goals, which are measured through the following:**

- a) Investment options related to the client's preferred financial products.
- b) Investment goals or objectives related to financial products in terms of duration and value.

**Second: Suitability Report:**

The licensed body is obligated to prepare a suitability report for the client and include the following data therein:

1. Evidence of the client's knowledge of the necessity to provide the licensed body with up-to-date, accurate, correct, consistent information to ensure its accuracy and correctness, and his understanding of the questions directed to him.

2. Evidence that a correct and reliable assessment of the client's knowledge, experience, and ability to withstand risks and losses has been carried out.
3. Explanation of the mechanisms and tools used for assessment and their suitability.
4. A detailed explanation of the recommendation submitted to the client or the standards upon which the licensed body relied to consider the financial product that the client wishes to invest is complex, with an indication of the nature, characteristics and risks of that financial product.
5. A statement of the reason for the suitability or unsuitability of the recommendation or a complex financial product for the client, and a statement of how this will meet its objectives, with an indication of the client's position towards risks and his ability to bear those risks and losses.
6. Evidence of the periodic update and review of the client's suitability standards, the recommendation or the characteristics, conditions and risks of the complex financial product submitted to him on the basis of those standards and how to do so.

**Third: Suitability Obligations:**

When measuring a client's suitability, the licensed body is obligated to:

1. Take necessary actions, measures to ensure that the information received from the client is correct, complete and up-to-date and that the recommendation or complex financial product is appropriate and not inconsistent with the result of its suitability measurement.
2. Refrain from making any recommendation or execution on a complex financial product to the client in the event that it does not receive sufficient information therefrom to enable it to assess its suitability therefor, provided that the client is notified thereof.
3. Provide the client with sufficient information to evaluate the benefits, costs and risks of the financial product and indicate any potential risks that its interest may be exposed to.

4. Notify the client about the suitability or unsuitability of the investment or the complex financial product for him and the extent to which it meets the suitability standards while preserving such notice.
5. Execute the client's orders on its responsibility in the event of its insistence on investing or executing on a complex financial product after being notified of its unsuitability for it, provided that evidence of the client's insistence on the same is preserved.
6. Obtain an annual declaration from the client that its classification data has not been changed, and updating any of such data in the event that it changes for any reason at any time, provided that the classification is updated - in all cases - every three years while keeping all the declarations and updates.
7. Maintain suitability reports for clients, and providing the Authority with the same upon request.
8. Update internal procedures to ensure compliance with the requirements of suitability standards.

#### **Fourth: Appropriateness Standards**

The licensed body shall, if its role is limited to execution only - to an uncomplicated financial product - and without making a recommendation to the client to meet the Appropriateness Standards to the client - with the exception of the professional investor and counterparty - meet the following:

1. The client's knowledge of financial services, activities, or investments related to financial products.
2. The nature, size and frequency of client transactions related to services, financial activities, or investments related to financial products.
3. The educational level and current and previous occupation.
4. The appropriateness of the financial products in question for the client in light of the data obtained from him.
5. The extent of the appropriateness of the client's target financial markets to invest in in light of the data obtained from him.

#### **Fifth: Appropriateness Report**

The licensed body is obligated to prepare the appropriateness report for the client and include the following data therein:

1. Financial products or services to be implemented for the client.
2. The appropriateness evaluation result.
3. Indicating the reason for the appropriateness or inappropriateness of the execution for the client.

### **Sixth: Appropriateness Obligations**

The licensed body shall, when measuring a client's appropriateness, follow the following:

1. Exercising due diligence to increase the client's level of understanding of the financial service, financial activity and financial product provided to him by providing him with the necessary information.
2. Notifying the client about the inappropriateness of the execution for him and the extent to which he meets the appropriateness standards while preserving such notice.
3. Refrain from executing for the client in the event that it does not receive sufficient information from him to enable it to evaluate appropriateness for him in accordance with the mentioned requirements, provided that the client is notified thereof.
4. Executing the client's orders on its responsibility in the event of its insistence on execution after being notified of the inappropriateness of the execution for him, provided that evidence of the client's insistence on that is preserved.
5. Obtaining an annual declaration from the client that its classification data has not been changed, and updating any of such data in the event that it changes for any reason at any time, provided that the classification is updated - in all cases - every three years while keeping all the declarations and updates.
6. Maintaining the appropriateness reports for clients, and providing the Authority with the same upon request.
7. Update internal procedures to ensure compliance with the requirements of appropriateness standards.

## **Seventh: Documenting and archiving the suitability and appropriateness procedures**

The licensed body shall document and archive the suitability and appropriateness procedures in accordance with the procedures for organizing and keeping records and their updates for a period of (10) years.

### **Chapter Three: Client Money**

#### **Article (1) Meaning of the Client's Money**

##### **In this chapter, the client's money means the following:**

1. **Cash amounts**: What the client deposits or delivers to the licensed body with the intention of investing or in exchange for the financial services provided to him or for any other reason in accordance with the provisions of this chapter.
2. **Securities**: The securities owned by the client.
3. **Client guarantees**: the guarantee deposited by the client in accordance with the provisions of this chapter.

#### **Article (2) Cash amounts**

##### **First: Receiving and recording cash amounts.**

1. No licensed body shall receive and keep any cash amounts directly or indirectly from the client except through the licensed body **to practice the works of the safe custody or general clearing business**, with the exception of:



- a) The body licensed as a trading and clearing broker, a broker for trading non-exchange traded derivatives contracts and currencies in the spot market, a promoter, if a foreign bank or branch of a bank is established within the state, and provided that the client has a separate bank account in its name dedicated to investment or adherence to the procedures for separating accounts and prohibitions contained in this chapter, **and submit a report on separating accounts, provided that it includes, at a minimum, the data mentioned in Annex No. (6)**, in case the clients' cash amounts are at a bank account (for the clients) in the name of the licensed body.
- b) The licensed body's receipt of cash amounts from the client in exchange for the financial services provided to him or in return for a prescribed fee he is owed.
2. In all cases, the licensed body shall register and record any cash amounts received, deposited, transferred or withdrawn from the client in any form, directly or indirectly, in the client's accounting records, with a statement of the details of those cash amounts.
3. The licensed body shall separate the client's cash amounts from any other amounts of cash for another client and from any cash amounts pertaining thereto.
4. The licensed body - permitted according to its financial activity - may retain the client's cash amounts in a currency different from the received currency, and in such case the following must be adhered to:
  - a) Ensure on a daily basis that the amount of cash held in the different currency is at least equal to the amount in the original currency.
  - b) Pay off any shortfall in the amount retained by making up for any deficiency if necessary.
  - c) Calculate the currency using the spot currency rate at the close in the day before the calculation.

**Second: Prohibitions related to clients' bank accounts.**

**The licensed body is prohibited from the following:**

1. Depositing any cash amounts owned by the licensed body in the bank account (for the clients) except within the limits of the commission agreed upon in writing between both parties or the fee prescribed by the Authority or any of the capital market institutions.
2. Withdrawing, depositing, or transferring any cash amounts in the licensed body bank account (for the clients) or making any action regarding those amounts except for the following purposes:
  - a) Based on client written and clearly dated directions.
  - b) Based on what has been agreed upon in the agreement concluded with the client in relation to investments and the returns or obligations arising therefrom, provided that the same is written and recorded in the accounting records.
  - c) Payment of commissions and fees for providing financial services due to the licensed body in accordance with the agreement concluded with the client.
  - d) Payment of the fees, expenses and commissions prescribed for the Authority or any of the capital market institutions.
  - e) In implementation of the decision of the Authority or any of the capital market institutions.
3. Obtaining any interest or returns on the funds deposited in its (clients') bank account, unless agreed upon in writing with the client.
4. Obtaining any credit facilities or bank loans guaranteed by the cash deposited in its (clients') bank account.

**Third: Deposit of cash and bank accounts:**

1. The licensed body - permitted to receive cash - is obligated to deposit the client's cash amounts in a bank account (for the clients) in its name with a local bank or in a bank account in the name of the client designated for investment - as the case may be - within a period not exceeding the next day of receiving the cash amounts.
2. The bank account (for the clients) of the licensed body or the bank account in the name of the client that is designated for investment may be in a foreign bank if trading is in foreign securities.
3. In the event that a bank account is opened in its name (for the clients), the licensed body shall comply with the following:

- a) Indicate the necessity to open a bank account in its name in more than one local or foreign bank.
  - b) Evaluate the risks of the local or foreign bank and the suitability of depositing clients' funds therein.
  - c) Include in its account (for the clients) in the bank the cash amounts pertaining to clients only without any cash amounts related to it except within the limits of the commission agreed upon in writing between both parties or the fee prescribed by the Authority or any of the capital market institutions.
  - d) Ensure that the bank does not implement any claim it has against licensed body on the bank account (for the clients) or the cash amounts therein except within the limits of the commission agreed upon in writing between both parties or the fee prescribed for it by the Authority or any of the capital market institutions.
4. The licensed body shall separate its own bank accounts from its (clients') bank accounts when showing the bank balances in its financial statements and the complementary notes.
  5. The licensed body is obligated to provide the Authority with data on bank accounts that have been opened with any of the banks and with any changes that occur to those data as soon as they occur, provided that these data include in particular the following information:
    - a) Its bank account numbers (for the clients), bank names, type of accounts and currency type.
    - b) The licensed body's account numbers (related to its own accounts as a licensed body), bank names, type of accounts, currency type.
    - c) Persons authorized by the licensed body to open and / or close or dispose of the bank accounts of the licensed body and / or clients, and the limits of the powers granted to them in this regard.
  6. The cash amounts deposited in the account of the licensed body (for the clients) as a trust and not property and are not subject to the procedures of mortgage, seizure, liquidation, bankruptcy, or any other legal procedures to which the licensed body is subject as a result of the obligations arising therefrom for any reason whatsoever.

#### **Fourth: Auditing and matching**

**The licensed body is committed to the following:**

1. Conducting a daily audit at the end of each business day of the accounting records of each client to calculate his balance of cash amounts.
2. Conducting daily matching between the total credit clients' balances with the total balances of the clients' bank accounts at the end of the previous business day, and verifying that the total balance in all clients' bank accounts is not less than the balances of their credit. In addition to providing the Authority with a report, on demand and on a monthly basis, signed by Operations Manager and Compliance Officer clarifying the outcome of that matching.
3. Settlement of clients' accounts no later than the end of the business day following the day on which the matching took place, by covering the shortage of cash amounts or withdrawing any surplus from the same during the same period.
4. Inform the Authority if it is unable to reconcile or settle accounts on the next day of such discovery.

**Article (3) Securities**

**First: Registration of the client's securities**

1. The licensed body shall register the securities owned by each client in his own account with it in his name and register the securities owned by him in another separate account in its name.
2. The licensed body shall keep a documented record that includes each client's account of the securities, and all the details, movements and balances of such account.

**Second: Keeping the client's securities**

1. The licensed body may open a private account in its name for the securities (for the clients) with a custodian as a master account including sub-accounts for clients showing the securities owned by each client or open an account for each client separately with a custodian. In all cases, if the custodian is within its financial group, it is required to obtain the client's written consent.

2. The client may keep the securities deposited with the depository center or the market with a custodian, and in this case, the licensed body must obtain the approval of the custodian regarding any dealings in the securities owned by the client in accordance with the Delivery Versus Payment (DVP) settlement system.
3. The licensed body shall keep the client's securities with a custodian if they are not deposited with the depository center or the market.
4. The licensed body is obligated to keep foreign securities for clients with a custodian, a foreign custodian or a Global Custodian in an account in the name of the client or in an account in the name of the licensed body (for the clients), provided that the client's consent is obtained in writing if the account is in the name of the licensed body and the client is an ordinary investor, and that the legal and financial risks that the client may be exposed to as a result of registering these securities in the name of the licensed body shall be clarified, and the client shall be notified in writing if it is a professional investor or a counterparty.
5. Upon opening a securities account in its name (for the clients) with a custodian or a foreign custodian, or with a global custodian, the licensed body shall comply with the following:
  - a) Indicate the necessity to open a securities account with more than one custodian, foreign custodian, or global custodian.
  - b) Evaluate the risks of the custodian or / and the foreign custodian or / and global custodian and the extent of suitability of keeping the securities owned by its clients.
  - c) Obtaining a written confirmation from the custodian, foreign custodian or global custodian with whom the securities account (for the clients) was opened, including the following:
    - 1) Confirmation that the licensed body's account (for the clients) includes securities owned by clients and not any securities owned by the licensed body.
    - 2) The custodian's pledge that it will not implement any right or claim it has against the licensed body on the securities account (for the clients) or any of the securities therein.

If the licensed body does not receive the written confirmation from the custodian within the twenty days following the opening of the account, it must withdraw all client securities and keep the same with another custodian.

6. The securities deposited in the account of the licensed body (for the clients) with the custodian or / or the foreign custodian or / and the global custodian as a trust and not property and are not subject to the procedures of mortgage, seizure, liquidation, bankruptcy, or any other legal procedures to which the licensed body is subject as a result of the obligations arising therefrom for any reason whatsoever.

### **Third: Prohibitions related to client securities:**

1. Transfer, assignment of ownership or sale of any securities in the account of the licensed body (related to clients) or conducting any action regarding those securities except for the following purposes:
  - a) Based on the client's written and clearly dated directions.
  - b) Based on what has been agreed upon in the agreement concluded with the client in relation to investments and the returns or obligations arising therefrom, provided that the same is written and recorded in the accounting records.
  - c) In implementation of the decision of the Authority or any of the capital market institutions.
2. Obtaining any credit facilities or bank loans guaranteed by the securities account (for the clients).

### **Fourth: Auditing and Matching**

**The licensed body is committed to the following:**

1. Conduct a matching every (7) working days at least for each client's securities records with the statements of the depository center, custodians, and foreign custodians contracted with them to calculate the client's balance of securities.
2. Settlement of the matching results in the records within (3) working days of the matching procedure by correcting any error, whether an increase or decrease in the securities owned by the client during the same period.

3. Inform the Authority if it is unable to reconcile or settle accounts on the next day of such discovery.

**Fifth: Pledging, freezing or seizing the client's securities**

1. The licensed body shall not commit any act or behavior that would freeze the securities of clients or prevent them from disposing thereof in any way, whether in the interest of the licensed body or in favor of any other party, except in accordance with a judicial judgment to seize the same, in accordance with the Law on Money Laundering, Combating the Financing of Terrorism and the Financing of Illegal Organizations, according to the procedures followed by any of the capital market institutions, according to the Authority's Law, or any of the decisions issued in implementation thereof.
2. The securities shall be mortgaged according to the procedures followed by the Depository Center and / or the Market.

**Article (4) Client Guarantees**

1. Upon obtaining a guarantee from the client, the licensed body shall comply with the following, according to the nature of its financial activity:
  - a) The guarantee shall be either in the form of cash, local or foreign securities, or a bank letter of guarantee issued by a local bank or a foreign bank branch in the state, according to the decisions of the Authority or any of the capital market institutions.
  - b) The guarantee received from the client shall be recorded in the client's record, indicating the details of the guarantee and its reasons, and separating those guarantees from any accounts of their own.
  - c) Not to dispose of the guarantees deposited by the client except in accordance with the Authority's Law and the decisions issued in implementation thereof, or any of the decisions of the capital market institutions.

2. The guarantees deposited by the client with the licensed body shall be considered a trust in its possession and not property and shall not be subject to the procedures of mortgage, seizure, liquidation, bankruptcy or any other legal procedures to which the licensed body is subject as a result of its obligations for any reason whatsoever except in the event that the disposal and liquidation thereof is in the interest of the licensed body in accordance with the Authority's Law, the decisions issued in implementation thereof, or the decisions of any of the capital market institutions.
3. The Authority, the Capital Market Institutions and the licensed body, respectively, may fulfill the rights related to the guarantees deposited with the body licensed by the client.

## **Chapter Four: General Obligations**

### **Article (1) Inactive Client Accounts**

#### **First: Term and Notices**

**The licensed body is committed to the following:**

1. Transferring the client's account to an inactive account if a period of (3) Gregorian years - (36) thirty-six months has passed - without any transaction or updating of the data.
2. Notifying the client - according to the last known address to him - after the lapse of (3) years without carrying out any transactions through his account or updating the data completely and correctly of the need to update his data with the licensed body or deal with his account within (30) days from the date of notice.
3. Include in the client's notice the procedures and effects that will arise as a result of his failure to comply with what is required within the specified period, as described later.
4. Notify by one of the means agreed upon in the agreement concluded with the client, and in the event such notice is not possible by any of those means, the client may be notified by one of the available legal means.

#### **Second: Procedures for not responding to the notice**



The licensed body shall be bound within 2 working days after the expiration of the client's deadline, without an obligation by the client, to update his data or to deal in his account by the following procedures:

1. Classifying the client's account within the inactive accounts and refraining from conducting any dealings through such account.
2. Transferring the client's balances from securities to the market or the depository center. In this case, fees may be exempted from the transfer process according to the mechanism and procedures in force.
3. Maintaining balances from the client's cash amounts, with the obligation to provide them on an ongoing basis and not to prejudice the same except based on his instructions or the instructions of the Authority or the judicial authorities.
4. Providing the client - according to the last known address - with a final account statement, indicating that the licensed body has not sent any other account statement until it is reviewed to activate the account.

### **Third: The implications of considering the account inactive**

1. If the client's account is classified as inactive accounts, the client may reactivate his account by reviewing the licensed body and making the necessary updates for the same.
2. In the event that the client does not wish to activate, he may review the licensed body to close the account or obtain his dues from cash amounts, and review the market or the depository center and the concerned custodian regarding his dues from securities, without prejudice to the right of the licensed body to close the account, taking into account the agreement concluded with the client.

### **Fourth: Accounts excluded from being transferred to inactive accounts**

Clients' accounts in respect of which complaints are raised with the Authority, reports with the Public Prosecution, or cases with the courts are excluded from the inactive account procedures, until it is proven that the complaint, report or lawsuit has ended according to a notice from the authority or an order or judgment from the prosecution or the competent court, as the case may be.

## **Article (2) Conflict of Interest Management Arrangements**

**The licensed body is committed to the following:**

1. Identify current and potential conflict of interest situations between it and its clients, and between any client and another, and work to limit and manage the same in a way that does not negatively affect the interests of the client while ensuring that all clients are treated fairly and without bias as a result of the conflict of interest.
2. Disclose the client's conflict of interest in writing, either in general or in relation to a specific transaction.
3. Refrain from any action that may lead to a conflict of interest when providing or implementing a financial service to a client in the event that it is unable to limit current or potential conflicts of interest.
4. Not allow the partners to exploit the licensed body's funds in any way, whether by withdrawing, financing, transferring, or other actions that are not related to the activity of the licensed body.
5. Establish arrangements to limit conflicts of interest cases by taking the following measures:
  - a) Spatially separation between departments or divisions that engage in different financial activities, and securing entrances to each of them by appropriate means of insurance to prevent the access of unauthorized people or their knowledge with any data or information.
  - b) Organizational separation to ensure that none of the employees in a specific financial activity perform another job in any department or section that engages in a different financial activity subject to the Authority's control, with the exception of jobs whose work for other departments or divisions does not constitute a conflict of interest.
  - c) Setting and applying technical precautions to ensure that employees in a specific financial activity do not enter the technical systems used to carry out other financial activities for which the licensed body is licensed, except in cases of inquiry or the issuance of specific reports, so that viewing their content does not lead to a conflict of interests or tasks.

**Article (3) Separation of financial activities**

The licensed body shall develop a guide to separate the financial activities licensed by the Authority and any other financial activity that it engages in, provided that the guide is updated whenever necessary. The same shall include the policy and procedures followed by it to separate activities and manage conflicts of interest, in particular the following:

1. Procedures to prevent the leakage of internal information between financial activities, including the complete separation in terms of spatial, organizational and technical aspects between the various financial activities.
2. Procedures for limiting and managing conflicts of interest between departments and organizational units within the same financial activity in a manner that ensures limiting the leakage or conflict of information, and determining the cases of communication and information permitted to be shared between employees in the same financial activity and / or in the licensed financial activities.
3. Documenting cases of communication between employees of various financial activities with a statement of the information that has been viewed by both parties, and ensuring that all employees adhere to the required documentation processes, and the compliance officer must verify that no employee is exploiting the internal information that was viewed during the permitted communication cases.
4. Instructions explaining the procedures to be followed by the employee in the event that he has access to internal information or data related to other financial activities practiced by the licensed body.
5. The procedures that the licensed body must follow to deal with the employee in the event that he viewed, exploited, or disclosed important internal information about the other financial activities that the licensed body conducts.
6. Taking into account that the approved incentive structure or system at the licensed body does not allow the employee to obtain incentives except based on his performance and his contribution to the completion of the tasks directly assigned to him, as well as not to disburse any incentives to employees depending on the result of performing another financial activity.

7. The commitment of the licensed body to refrain from any act that may lead to a conflict of interest or from providing or implementing a financial service to the client in the event that it is unable to limit and manage the conflict of interest and manage current or potential conflict of interest cases.

#### **Article (4) Commission of the licensed body**

1. The licensed body shall be entitled to a cash commission for the financial services provided by it to the client, provided that it is clarified in the agreement concluded with the client.
2. The licensed body may obtain additional commissions in exchange for additional or distinctive services or works that it provides to the client in addition to its tasks and within the limits of its licensed activity, which distinguishes each licensed body from another before investors and allows competition between the licensed bodies, provided that:
  - a) The additional commission shall be agreed upon in writing.
  - b) The same shall not be against an obligation or duty imposed on the licensed body to perform according to the law or the decisions issued in implementation thereof, or any of the decisions of the capital market institutions.
  - c) The same shall not be in exchange for advertising or marketing services for the services of the licensed body.
3. The licensed body may reduce its commission, and the broker may reduce the commission value for executing trading orders due to him in accordance with the Authority's decisions.
4. The licensed body is obligated to disclose to the ordinary investor the details of any direct or indirect commission or interest that it will receive from him before recommending to him a financial product or executing any transaction or providing any financial service.
5. As an exception from the previous clause (4), the licensed body may not disclose to the ordinary investor the details of the commission unless the client requests so in the cases described below:
  - a) Execution by the licensed body only.
  - b) The client's certain aware of that commission.

- c) The execution shall be based on the agreement concluded with the manager of the securities portfolio regarding his discretionary management of the client's portfolio.

#### **Article (5) Motivating clients**

1. It is prohibited for the licensed body and its employees to compel, motivate or delude the client, directly or indirectly, to provide incentives, commissions, benefits, gifts, donations or the like in its favor or in the interest of any of its employees, and it is prohibited to accept any of that in exchange for an obligation or duty of any of them towards the client or in return for providing services that are inconsistent with any of those obligations or duties, other than the following:
  - a) The commission agreed upon in writing between both parties, as indicated in the previous article related to the commission.
  - b) The fee prescribed by the Authority or any of the capital market institutions.
2. The licensed body is obligated to document and archive the procedures that prove its and employees' compliance with such commitment.

#### **Article (6) Carrying out financial activity with due diligence**

**The licensed body and all its approved employees are obligated to do the following:**

1. Exercise financial activity and provide financial service to the client with due diligence for their experience and competence by practicing tasks with accuracy, care and attention without any negligence and taking all reasonable measures in accordance with the surrounding circumstances, the experience gained and future expectations.
2. Carry out financial activity and job duties in accordance with the conditions and controls on which the license and approval was issued for the employees and taking into account the commercial norms and general principles of the licensed body and authorized employees mentioned in section Two and principles of justice and equality.

3. Achieve the interests of clients and not discriminating between them, and take into account that personal or third party interests are not preferred to those of clients.
4. Refrain from engaging in or cooperating with third parties to carry out any misleading, deceptive or fraudulent behavior.
5. Refrain from exploiting client data to achieve personal benefits or gains for either of them or for others.
6. Refrain from publishing any incorrect or misleading information.

#### **Article (7) Best Execution Rate**

1. The licensed body shall take into account the achievement of the (best execution rate) for the client and take into account the distribution to the brokers in the market in which it deals, and not take sides in a way that may achieve special gains for it or cause damages to the client rights, and that the implementation processes should not be aimed at increasing commissions, fees or expenses for them or for others.
2. The licensed body is not obligated to achieve (the best execution rate) in the following cases:
  - a) If dealing with a counterparty.
  - b) If it only handles execution for the client as per his instructions.

#### **Article (8) Marketing of Financial Services**

1. The licensed body may market its financial services that has a license or approval to provide, provided that the marketing material shall include the following:
  - a) Clear name of the licensed body, its legal status, and the license or approval it obtained.
  - b) A clear statement of the financial services it is licensed or approved to provide.
  - c) A clear statement in case the marketing material is intended for the professional investor or counterpart only.
2. The licensed body is obligated to guarantee the following:

- a) The compliance of the marketing material with the Authority's law, the decisions issued in implementation thereof, and any other legislation in force in the state.
  - b) Communicating the information in a clear, fair and correct manner and not including the marketing material any data that may be deceptive, fraudulent or misleading.
  - c) Not to distribute the marketing material intended for the professional investor or counterparty to an ordinary investor.
  - d) Not to publish or disclose any future expectations based on past performance or any other assumptions.
3. Upon agreement with specialized persons to advertise and market its financial services on its behalf, the licensed body shall comply with the following:
- a) The agreement with any of them shall not include limitation of its responsibility for the marketing material, its content and the mechanism of marketing the same, as it is responsible for that in accordance with the provisions of this section.
  - b) Ensure that whoever conducts marketing on its behalf adheres to all of its above-mentioned obligations.
  - c) Ensure that financial services are not marketed on its behalf in an offensive or dishonorable way to the body, Authority, or third party.
  - d) The commission or fee shall be for the effort that the person exerts on its behalf in marketing financial services.
4. The licensed body is obligated to document and archive the marketing material, whether submitted by it or on its behalf.
5. The licensed body may market its business by educating its clients about its business, tasks and services provided to them, and it and any of its employees are prohibited from presenting lectures or seminars to the public and investors regarding awareness of the Authority's decisions related to financial activities and their interpretation.

## **Article (9) Trading of High Management and Staff at the Licensed Body**

- 1- The partners, members of the board of directors of the licensed body and its director or board of directors and its staff shall not execute any trading orders for their account or for the account of their spouses, ascendants, or descendants up to the second degree, or for the account of any of spouses of those or minor children, or in any capacity except in accordance with the following:
  - a- Ensuring that these orders do not conflict with job duties.
  - b- Obtaining compliance officer approval to prevent conflicts and exploitation of client orders.
  - c- Market member brokers shall obtain the written approval of the market if the security is listed on the market.
- 2- In the event that the execution of the trading orders for any of the aforementioned is by same licensed body, then the licensed body must comply with the following:
  - a- Clearly defining the account of each of them and distinguishing it from the accounts of other clients.
  - b- Maintaining a record containing trading orders and their details and related approval or rejection and the reasons for the same.
- 3- In the event that the compliance officer rejects to execute a trading order for any of those mentioned in Clause (1) of this article with it, then it is not permissible for any of them to execute it with any other licensed body as long as the rejection is justified.



- 4- None of the staff of the licensed body may trade in certain securities if the licensed body, in accordance with its license, provides financial consultancy related to the securities, their source, or related securities or their source, until this is published and made available to all clients of the licensed body.

## **Chapter Five: Practicing Financial Activity**

### **Article (1) Brokers**

#### **Brokers shall be obliged to the following:**

##### **First: Receiving the client trading orders**

- 1- Receiving duly the client trading order before executing it.
- 2- Failure to execute any client trading order in the event that the broker becomes aware, knows, or in any way that the client's eligibility is lacked or lost.
- 3- Fulfill the minimum trading order data issued by the client in accordance with Appendix No. 4
- 4- Refraining from acting in violation of the trading order issued by the client.
- 5- Documenting and archiving trading orders registered by telephone in accordance with Appendix No. (5) or received in writing or through the Internet, fax, e-mail, or any other electronic means or keeping them for a period of not less than 10 years. In all cases, the broker shall be burdened to prove these orders with a copy of them (according to the record-keeping mechanism established by the Authority).
- 6- Refraining from receiving or keeping any trading orders signed on blank from any client.
- 7- Refraining from receiving any trading orders from third parties relating to the client on his behalf, except in the following cases:

- a- A third party outside the country, provided that the conditions set forth in the article (2/7) of the Second Chapter of this Section are fulfilled and that the client agreement with the third party includes evidence of the client authorization for the third party to issue the trading order on its behalf.
- b- A third party licensed by the Authority to deal on behalf of the client
- c- Any person to whom the client has granted an executed power of attorney at the market in accordance with its procedures, or a legal power of attorney attested from inside or outside the country in accordance with the procedures followed by the official authorities and within the limits of such power of attorney. Provided that the power of attorney includes, in all cases, the limits and powers of the attorney to the client account at cash amounts and the securities owned by it, and the manner of disposing of each of them clearly and explicitly.

## **Second: Combining trading orders and allocating them**

### **1- Combining and allocating orders in the market:**

The broker may collect trading orders in the securities listed on the market in combined accounts for clients and allocate them in the account of each client in accordance with the controls issued by the market and approved by the Authority.

### **2- Combining orders and allocating them in the foreign market:**

- a- The broker may trade in the foreign market by means of regular trading or by using combined accounts if it has a license or approval to do so.

- b- The broker is obligated to include into the contract to be concluded with the foreign broker, the obligations and rights of each of them, and a statement of the mechanism for transferring orders received from the client - in its capacity as its delegate - to the foreign broker for enforcement.
- c- When trading in a foreign market, the broker shall be bound by the same obligations related to trading in the market and the obligations of the foreign market in which trading takes place, in addition to the following obligations:
  - 1- It is permissible to combine the trading orders of a client with another client trading orders or with the trading orders related to the broker account - if he has approval to trade for his own account from the market or the Authority as the case may be provided that there are written standards and policies regarding the combination and allocation are applied consistently and include following:
    - a- The mechanism for dealing with combined trading orders if they are partially executed.
    - b- Ensuring that combining client trading orders are not unfavorable to them.
    - c- Obtaining the written approval of the client in the event that he is a regular investor regarding the combination of his trading orders with any other trading orders and a statement of the effects and risks that may befall it as a result of the same.
    - d- Determining the identity of each client and allocation details in advance of executing the trading order.
  - 2- Allocating securities to each client or to the broker private account after executing the trading orders as follows:

- a- Allocating in a fair and unified manner by not preferring one client over another, or preferring the allocation to a broker private account over clients.
- b- Allocating the client securities and record them in the client account in an expeditious manner.
- c- Allocating the securities according to the declared instructions.
- d- The broker shall be obligated to document and archive all the details of the combined trading orders and their allocation, including the date and time, the identity of the client, the securities details and the amounts pertaining to each client.

### **Third: Executing trading orders**

- 1- Executing trading order in accordance with the trading order issued by the client.
- 2- Executing trading orders in a timely manner, once the order is issued by the client.
- 3- Executing trading orders related to the broker private accounts - if he has approval to do so from the market or the Authority, as the case may be - and the trading orders of its clients in a fair manner and in accordance with priority and precedence of their receipt.
- 4- Prove that the executed trading orders were valid at the time of their execution.
- 5- Fulfilling all obligations arising from the execution of the trading orders that were brokered to be concluded on the dates specified for the same.
- 6- Not to combine its capacity as a broker with that of the attorney in the contract that it brokers in its conclusion.
- 7- Refraining from executing excessive trading orders

- 8- Refraining from executing any trading orders outside the trading session, unless the applicable legislation so permits.
- 9- Refraining from executing clients trading orders except through actual execution in the market or foreign market, or through alternative trading platforms for non-exchange traded derivatives contracts and currencies in the spot market.
- 10- Refraining from executing any trading orders in its name and for its own account in the market or foreign market unless he has a license to do so or has the approval of the market to trade in its name and for its own account in accordance with the regulations issued by the market and approved by the Authority.
- 11- Refraining from exploiting clients' data, transactions and trading orders to achieve benefits or gains for the broker, its employees, or others, and to maintain their confidentiality.
- 12- Refraining from using the username and password - granted by the market to the approved employee -to execute orders by any other employee or by others.
- 13- Commitment when trading on margin to register with the Authority and to the procedures and rules for margin trading issued by the market and approved by the Authority, and/or to the rules of the foreign market in the event of margin trading in a foreign market, and the rules of non-exchange traded derivative contracts and currencies in the spot market is excluded from this clause.
- 14- Refraining from executing margin trading operations in favor of one or more clients participating in a single combined account.

15- In addition to the above execution obligations, the non-exchange traded derivative contracts and currencies broker in the spot market shall be bound to the following:

- a- Ensure that the client deposits the Tier margin in its account for trading non-exchange traded derivative contracts according to the specified percentages and obtains its written approval to keep that margin until the client position is closed, before entering any trading order.
- b- Performing the daily settlement (mark to market) for non-exchange traded derivative contracts
- c- Obtaining an undertaking from the client to immediately replenish the non-exchange traded derivative contracts trading account when the value of the Tier margin decreases to maintenance margin.
- d- Margin controls in force in markets where non-exchange traded derivative contracts or currencies are listed, if any.
- e- Issuing a list specifying the level of tier margin percentage and the required maintenance margin at each level of risk in each derivative contract that contains various included assets or each type of currency.
- f- Notify the client when updating the tier margin list and commit not to apply it retroactively to any previous trading orders that have not been completed and closed.
- g- Recording and saving data and details of non-regulated derivative contracts or currencies and their trading orders in the market or depository center according to their procedures.

**Fourth: Notification of the execution of trading orders**

- 1- Notifying the client according to the agreed means of the completion of the trading order on the same day in which the execution was made in accordance with Appendix No. (2). The client may object to any transaction immediately upon being notified thereof.
- 2- Notifying the custodian in writing or according to the agreed means of trading orders executed on the client account, as soon as they are executed according to the delivery versus payment (DVP) procedures.
- 3- Providing the client with a statement of account (quarterly) within (45) days from the end of the quarter period - if there is a movement on the account during that period - and an annual statement of account within (three months) from the end of the fiscal year without prejudice to the client right to request providing him with a statement of account, A detailed statement of account or a statement of its stocks of securities at any time, provided that the notification in all cases includes the data contained in the appendix no. (3) as a minimum, with the exception of the professional investor and counterpart, unless otherwise agreed upon.
- 4- Notifying the client immediately when the percentage of ownership in the account (trading non-exchange traded derivatives and currencies in the spot market) decreases to the maintenance margin, so that the client will cover the shortage in its account according to the period agreed upon with the licensed body, and the licensed body may close the client position if it breaches its commitment.

**Fifth: Settlement of trading orders**

- 1- The broker shall be obligated to settle its obligations with the market or the central clearing and the depository center according to the procedures in force or according to the foreign market system if trading is in foreign markets, and it also shall be obligated to settle his obligations with the general clearing in accordance with the agreement concluded between them if it is a trading broker.
- 2- Not to pay any cash amounts to clients with debit balances, and not to pay any amounts that exceed the client credit balance, unless it is for the purposes of margin trading.
- 3- Not to add balance to client' accounts by means of cheques, except after the actual collection of those cheques.
- 4- Verifying the client ability to pay the value of securities purchases before the settlement date. In the event that securities purchase and sale transactions are executed in the same trading session, a cash balance must be available in the client account that covers the purchase value. The clearing between the securities buying and selling operations is not entertained in the same trading session.
- 5- The broker shall sell the securities that are the subject of the purchase order that has been executed - in the event that the client does not commit to paying its price during the two days of settlement - within a period not exceeding one working day from the date of the settlement according to the following procedures:
  - a- Sale after obtaining the approval of the market.
  - b- Selling at the market price.
  - c- The client shall bear the loss arising from the sale.
  - d- The broker shall bear the loss arising from the sale if he does not comply with the above procedures.



- e- In all cases, depositing any profits arising from the sale of securities in accordance with the above procedures according to the mechanism determined by the market.
- 6- With the exception of the previous (5) clause, clients' operations are settled according to the settlement system on the o the delivery versus payment (DVP)
- 7- The trading broker shall be obligated to conclude an agreement with the licensed body to practice the public clearing activity to settle the clients accounts or its accounts that include organizing the relationship between them, the rights and obligations of each party, work procedures, and the method for distributing the commission between them, and providing both the Authority and the market with a copy of it immediately upon its signature, as well as not receiving any cash from clients, provided that clients pay for general clearing.

### **Article (2) Securities Dealer**

#### **First: A securities dealer shall be obligated to do the following:**

- 1- Buying and selling the securities listed on the market inside or outside the trading session according to the market procedures and/or the depository center.
- 2- Buying and selling securities from the investor outside the trading session through the market and/or the depository center in case the securities are not listed but registered with the market and/or the depository center.
- 3- Take the necessary measures to transfer the securities to the investor account after executing the sale order if the securities are not registered with the market or the depository center or are foreign securities.

- 4- Disclosure to the investor of the commission and/or margin of price increase or decrease on the real purchase price.
- 5- Refraining from executing any sale order for a security for the ordinary investor at a price higher than the market price at the time being or at a price higher than the last closing price of such security. With the exception of same, execution may be made on the basis of the best price if the market price of the security and the last closing price is not available.
- 6- Keeping data related to the date and time of the buying and selling price, the number and type of securities subject to the trading process, and the related disclosures.

**Second: The Securities Buying Price:**

- 1- The buying price may be higher than the market price or the last closing price of the security.
- 2- The buying price may be lower than the market price or the last closing price of the security if the investor is a professional or a counterparty.

**Article (3) Financial Consultations**

**First: The Public Financial Consultation Company obligations**

Establishing appropriate procedures and controls to ensure that the financial consultation issued to the client is correct, impartial, and includes the necessary disclosures, with documenting and archiving all such disclosures and all that is presented to or notified to the client.

**Second: Obligations when preparing and publishing the analysis report, financial planning, or financial recommendation**

- 1- Determining the names and addresses of the persons participating in preparing the report.

- 2- Determining the date of preparation of the report and the period of coverage.
- 3- Determining the relationship of the licensed body with all the authorities concerned with the report.
- 4- Indicating that the recommendation contained in the report is a technical opinion without guaranteeing the results.
- 5- Avoiding exaggerating words, promises, dazzling, deceit, deceit, misleading, or manipulation with emotions.
- 6- Using terms such as forecasts, estimates, or assumptions when preparing the report.
- 7- Using the words (buy), (sell) or (keeping) in the financial recommendation report.
- 8- Determining the estimation and evaluation mechanism used and the assumptions and comparisons that have been relied upon
- 9- Determining the source of the information and data on which it relied.
- 10- Primarily identifying the types of target clients.
- 11- Preparing a table or chart showing the target prices that were included in the previous analysis reports - for at least a previous year, if any - for the same security subject of the analysis report compared to the actual prices on the expected date of achieving the target prices mentioned in these reports.
- 12- Distinguishing between facts and opinion or estimates.
- 13- Taking the necessary steps to enable the client to be aware of the nature of the risks associated with implementing the recommendations related to the financial recommendation report.

14- Indicating clearly that the report should not be relied upon by the ordinary investor in the event that the financial recommendation is intended for the professional investor or the counterparty only.

15- Approval of the report from the higher management or its delegate.

**Third: Disclosure obligations to the client**

1- Disclosure of any financial interest or material interest of the licensed body, the financial analyst, or his spouse or minor children related to the securities subject of financial consultation.

2- Disclosure of any relationship that links the licensed body, the financial analyst, his spouse or his minor children with the issuer of the security subject of the financial consultation or obtaining any compensation therefrom.

3- Disclosure of what the licensed body or any of its financial group owns at a percentage of (1%) or more, or what the financial analyst owns, or his spouse or minor children, in the issuer of the security subject of financial consultation.

4- Disclosure of any arrangements or bonuses that may constitute a conflict of interest and are likely to affect and weaken the quality of financial consultation, in whole or in part.

5- Disclosure of any services rendered to the issuer of the security subject of financial consultation during the 12 (twelve months) period preceding the provision of consultation or any services expected to be rendered to the issuer of the security (within the period of (3) three months following the provision of financial consultation.

6- Disclosure of the relationship - if any - with the market maker of the security subject of the financial consultation.

- 7- Disclosure of any material contribution made by the issuer of the security in the licensed body.

**Fourth: Prohibitions on the licensing authority and its financial analysts**

- 1- Possessing the security that is the subject of financial consultation or any of the financial derivatives associated with it during cooling off period
- 2- Trading in the security, the subject of financial consultation or trading, by any of the financial derivatives associated with it during a period of (15) fifteen days before the issuance of the financial consultation and a period of (5) five days after the issuance of the financial consultation or issuing any attached financial consultation that includes an amendment or change in the recommendation or target price, unless its possession thereof is before starting your financial consultation.
- 3- Trading in the security the subject of financial consultation financial consultation or trading in any of the financial derivatives associated with it in violation of the recommendations contained in the financial consultation for a period of no less than (30) thirty days from the date of issuance of the financial consultation report.
- 4- Publishing or submitting any report related to the security in case it is was a principal financial consultant or a participant with the issuer of the security or appearing before the public regarding the security subject to the offering by any means during the cooling off period.
- 5- Providing or publishing financial consultation, or disclosing or declaring it by any usual or electronic means about any security or any of its financial derivatives in the event that it or any of its board members, its director, financial analysts or its staff receive directly or indirectly a material or moral consideration in a manner (regardless of its form or type, from the issuer of the security or any party related to it.

- 6- Including in the report any incorrect or misleading information or data.
- 7- Providing advice to the client that contradicts or conflicts with the recommendations of the report issued thereby, unless it discloses the reasons for this conflict before providing advice to the client.
- 8- Exercising any kind of material or moral pressure (directly or indirectly) on the financial analyst while performing its work duties to influence its neutral technical opinion regarding the issuer of security or the security subject of financial consultation.
- 9- Giving specific prices for a certain security if the company is under incorporation.
- 10- Agreement with the issuer of the security or any other parties with the intent to influence the prices of their securities or their financial position contrary to the truth.
- 11- The prohibition contained in clauses (1, 2, 3) applies to everyone who participated in preparing, reviewing, or approving financial consultation, their spouses and relative up to the first degree, and all those who have knowledge of the content of financial consultation as to the members of the board of directors and the executive management of the licensed company and the managers and those working in it and their relatives up to the first degree, and the prohibition does not apply in the following cases:
  - a- If the possession is before starting the financial consultation.
  - b- If there is an essential and unexpected change in the financial position of any of the persons subject to the prohibition, after obtaining the written approval from the compliance officer.

- c- If any of the persons subject to the prohibition has shareholding to an investment fund trading in the security subject of financial consultation or any financial derivatives associated with it, provided that the ownership percentage of any of them does not exceed (1%) of the total assets of this fund and that the percentage of investments of this fund in this security or any of its derivatives does not exceed a total of (20%) of Fund assets.
- d- If important events or essential information arise that lead to a change in the subject of financial consultation, after obtaining the written approval from the compliance officer.

#### **Article (4) The Financial Advisor (Issuance Manager)**

##### **First: the obligations of financial consultant**

- 1- Managing and organizing the offering process by managing the issuance and marketing of securities, providing financial consultation related to that, and ensuring that the subscription prospectus includes the information necessary to enable investors to know the costs, benefits and risks of investment, and that it does not omit key information.
- 2- Covering the remaining securities that have not been subscribed for, once agreed upon.
- 3- Acting as the primary communication link between the parties to the offering process, the Authority and the market in which the security is to be listed.
- 4- Ensuring that the issuer fulfills all the requirements for offering shares and subscribing for them in accordance with the instructions issued by the Authority.

- 5- Providing the subscription prospectus by electronic and printed means, and ensuring that it continues to exist with the recipients of the subscription during the subscription period.
- 6- Supporting the issuer in the processes of issuance, public offering and subscription.
- 7- Obtaining the Authority approval of the advertisements and promotional campaigns that the issuer wishes to carry out during the public offering and subscription period, and documenting and archiving the advertising materials submitted through its or on its behalf.
- 8- Providing the Authority with a report after the subscription closes on the results of the subscription, in accordance with the requirements of the Authority.
- 9- Notifying the subscribers and the recipients of the subscription of the allocation.
- 10- Preparing the subscribers register according to the market requirements and coordinating with it to finalize the procedures for listing the issuer shares.
- 11- Providing the Authority with a daily report explaining the position of subscription and coverage.
- 12- Coordinating with the Authority and the Market and notify them of any essential or significant changes or developments.
- 13- Providing the Authority, within two days from the date of the approval of the prospectus, with a soft copy of the approved subscription prospectus for the purpose of publishing it on its website, along with providing a soft copy of the subscription prospectus on the issuer website and the recipients of the subscription.



- 14- Any other duties or responsibilities required by the public offering and subscription process in accordance with the contract concluded with the issuer.
- 15- Ensuring the competence and suitability of other financial consultants to perform the duties of managing and organizing the offering or/ or covering the remainder of it in the event that it arranges with other financial consultants licensed by the Authority or by counterpart regulatory authorities.

**Second: Obligations of the financial consultant upon subscription with the book building process**

- 1- Inviting a number of professional investors to hold a series of meetings to present a report on the issuer business and activities.
- 2- Surveying the opinions of professional investors and registering them in the register of orders of subscription to the offered shares regarding their initial perceptions of the value of the shares to be offered for subscription by the issuer.
- 3- Cooperating with the issuer in studying and analyzing the opinions of professional investors in order to decide on the details of the planned offering and the price range of the shares subject of offering.
- 4- Cooperating with the issuer to prepare an initial subscription prospectus specifying the price range of the shares and submit it to the Authority to obtain its approval in preparation for the announcement of the offering, with the exception of the announcement period - (5) working days before the subscription at the company's headquarters and the and the recipients of the subscription and (15) days in the event of the company capital.
- 5- Make offers to investors about the shares to be offered by the issuer

- 6- Carrying out explanatory and educational campaigns for investors to familiarize them with the share book building system.
- 7- Cooperating with the issuer to determine the share price in the final subscription prospectus, after analyzing the register data for the subscription orders for the offered shares, whether the individual investors subscription was received at the same time as the professional investors subscription was received or in two phases and in accordance with the allocation mechanism disclosed in the subscription prospectus.

**Third: Obligations of the financial Consultant related to the subscription obligation - taking into account the Companies Law -:**

- 1- Refraining from performing any duties that affect the price of shares - covered by it - in the market, such as investment and speculation.
- 2- Refraining from buying the shares of the issuer whose shares he covered as long as it is still the owner of the covered shares
- 3- Maintaining the stability of the share price in the market in accordance with the controls set by the market after the approval of the Authority.
- 4- Commitment to the provisions of the issuer's articles of association and the required disclosures before and after listing.

**Article (5) The Listing Consultant**

**The listing Consultant shall be obligated to the following:**

- 1- Providing advice and Consultation to the issuer and verifying that it fulfills the requirements for listing and continues to adhere to those requirements.

- 2- Providing the Authority and the concerned market, upon submitting the application for listing, with a notification indicating that the issuing company has fulfilled the listing requirements in accordance with the form prepared same by the market.
- 3- Verifying that the issuer has sufficient working capital for a period of (12) months following the date of the Authority approval of the subscription prospectus, based on a feasibility study.
- 4- Verifying that the issuer has put in place all the necessary procedures to make all the disclosures required by it on time in accordance with the law, the companies law, the decisions issued under them, the listing rules, and the market decisions and instructions.
- 5- Verifying that the issuer has put in place all the necessary regulations that allow its board of directors to be aware of the current and future financial position of the company and that allow the board of directors to take the necessary decisions on this basis.
- 6- Cooperating with the issuer to comply with all the disclosures required by it in accordance with the law, decisions issued in implementation thereof, and market decisions.
- 7- Cooperating with and taking the necessary decisions with the issuer to allow its board of directors to be aware of the current and future financial position of the company on this basis.
- 8- Notifying the issuer immediately upon becoming aware of any violation of the law, decisions issued in implementation thereof, or market decisions, so that the issuer can correct the situation.

- 9- Notifying the Authority of any corrective measures taken by the exporter in the event of a violation of the law or the companies law or any of the decisions issued in implementation thereof, and cases of non-cooperation of the issuer with the listing consultation.

### **Article (6) Securities Promotion**

#### **First: exclusions:**

The following shall not be subject to the provisions of promotion:

- 1- The broker when trading for its clients in the foreign markets and the broker for trading non-exchange traded derivatives and currencies in the spot market.
- 2- Financial products listed on the market.
- 3- Financial products promoted to the professional investor.
- 4- Securities, commodities contracts or derivatives issued by the federal government or local governments, governmental institutions and authorities, or companies wholly owned by any of them
- 5- Reverse promotion, at the initiative of an investor inside the country to request the offer or purchase of any specific foreign securities outside the country without this being based on promotion by the foreign source, promoters or distributors, provided that this is proven by the concerned authority.
- 6- Promotion between the company and its financial group, related parties, or parties related to investment funds or the group linked between them.
- 7- The Broker defined in accordance with the regulations for listing and trading of commodities and commodities contracts.
- 8- The issuer, foreign issuer or financial consultant according to the system for offering and issuing shares of public joint-stock companies, with the exception of the general obligations of the promoter.

## **Second: General Obligations of the Promoter**

- 1- Refraining from promoting any financial products except in accordance with these provisions.
- 2- The tasks shall be limited to attracting investors through an invitation to buy or subscribe in financial products, and defining the issuer or foreign issuer and the means of communicating with it without engaging in any other tasks or carrying out any financial services or activities unless it is licensed to do so
- 3- Dealing with the issuer or foreign issuer on behalf of the client and according to his instructions and without taking any decision by the promoter.
- 4- Refraining from owning any of the financial products - promoted - on behalf of clients or receiving money or issuer, directly or indirectly from them, unless the promoter is a bank or a branch of a foreign bank licensed in the state.
- 5- Using easy, clear, honest, correct, not misleading promotional means, and in a language that the investor understands without using any means of fraud or deception.
- 6- Refraining from publishing, promoting or using any data or information that is incorrect or misleading about financial products, the issuer, foreign issuer, or the market in which it is listed - if any -.
- 7- Refraining from providing any financial consultations or financial analysis related to the financial product transferred to the promotion unless it is not licensed for the same
- 8- Notifying the clients about the possibility effect of the exchange rate on the value of promoted foreign securities.

- 9- Notifying the clients that the previous performance of the promoted financial products is not necessarily an indication or evidence on the future performance.
- 10- Withdrawing the promotional material immediately upon awareness of violation by its issuer of any legislative provisions, procedures, or regulatory conditions, or awareness of the possibility of any damage to investors.
- 11- Enabling clients to review the essential disclosures and information, approved financial reports and statements, and all their data on time.
- 12- Disclosing - through the mechanisms and means specified in the promotional material - about the prices of the promoted financial products, and any risks or essential information related to them Abreast, and about the sources that have been resorted to when preparing comparisons, provided that they are valid, modern and reliable sources, and do not include any predictions on the future prices or selection of information or exclusion of any important or essential information.
- 13- In the event of contracting with the issuer or foreign issuer, the following conditions shall be taken into account.
  - a- statement of the type and number of financial products that will be promoted
  - b- The agreement concluded between both parties shall not violate any legislation in force in the country, and it shall include a statement of the rights, duties and responsibilities of each party, the mechanism for terminating or expiring or amending the agreement, and the means of communication between both parties.

- c- Not to contract with an issuer or foreign issuer with which a promotional agreement had been previously terminated for reasons related to its breach of its obligations or its violation of the legislation in force in the country.
  - d- Providing the Authority with a copy of the agreement, and any subsequent change, amendment or termination thereof.
- 14- Refraining from promoting the shares of the foreign issuer that are to be offered for public subscription in the country except after the approval by the Authority of the offer is issued.
- 15- Registering any financial product not listed in the market or foreign market with the Authority before its promotion by the legal representative of the issuer or foreign issuer and after paying the registration fees, and the Authority may within (10) days approve or reject the application, provided that that the registration application includes a statement of the type and number of financial products to be promoted within the country, the disclosure of the promoter relationship with the promoted financial products or their source within (12) months prior to the promotion, and a copy of the promotional material in a clear language that the investor understands.
- 16- Obtaining the approval of the Authority before promotion of the unlisted financial product if it is registered with the Authority, and the Authority may within (5) days approve or reject the application.
- 17- Notifying the Authority before promoting any financial product listed on a foreign market, provided that the counterpart supervisory authority has no objection to the promotion.

- 18- The bank and the branch of a foreign bank licensed in the country shall be excluded from the provisions of the clauses (15, 16 and 17) provided that maintaining a register that includes the data of the promoted financial product and everything related to promotions, and providing the Authority with any of them upon request.
- 19- Exclusion from the clauses (15, 16,17 and 18), The Promoter is obligated to submit an application the Authority on the form designated for the same before promoting any units of investment funds which are unlisted on the market or units of foreign funds. The Authority may approve or reject the application within (15) days from the date of submitting the application, provided that the investment fund is licensed or registered with the Authority.
- 20- Demonstrating the proposed mechanisms and means of promoting financial products.
- 21- Stopping any promotional process if the Authority so requests, based on the requirements of the public interest.

**Third: The Promoter's Obligations Relating to the Information provided to its client upon Promotion:**

- 1- The promoter's name, data, address and means of communication with it.
- 2- The type of financial products to be promoted, the place of their issuance, the number of what is issued out of them, the currency of issuance and all the information related to them.
- 3- A statement of whether or the promoted financial products are listed or not, and a statement of the markets in which they are listed.
- 4- The data contained in the subscription prospectus or the offering document, and any amendments thereto



- 5- The minimum limit for subscription or purchase and any prohibitions or restrictions on the investor, its trading or subscriptions.
- 6- The mechanism of profits distribution, redemption or maturity dates.
- 7- Determine the type of investor (ordinary or professional investor or counterparty).
- 8- The investment risks associated with the financial products to be promoted.
- 9- A statement showing the major shareholders of the issuer or the foreign issuer who owns 10% or more.
- 10- Means of communication with the parties concerned with the subscription, sale and purchase of promoted financial products.
- 11- Determining the Sharia Supervisory Board that approved the conformity of the financial products promoted to Islamic Sharia
- 12- Mechanisms and means of disclosure of the data and information required in accordance with the provisions of this resolution.
- 13- Documenting and archiving the financial products, recommendations and consultations provided to the client.

**Fourth: The promoter's additional obligations when promoting foreign fund units within the state:**

- 1- The promotion of the foreign fund in the private offering should be restricted to the professional investor and counterpart.
- 2- Verify the provision of all mechanisms that enable the foreign fund that promotes its units to fulfill all of the fund tasks and obligations towards the unit holders promoted in the Country, in accordance with the offering document.
- 3- Maintaining a record of the foreign fund units distributed through it, provided that it includes all data related to unit owners, including:

- a- **For individuals**: the names of unit owners, their addresses, their ID or passports numbers, and the number of units for each individual.
  - b- **For companies**: company names, head office address, commercial registry numbers, and the number of units for each company.
  - c- The date on which the name of the licensed body or the company was listed in the registry and any other data related to unit owners.
- 4- Ensuring that the investor in the foreign fund obtains a copy of the offering document for the fund's units, whether the offering is public or private, before the investor subscribes for the units of the foreign fund.
  - 5- Ensuring the availability of a daily price for the fund unit - or as stipulated in the offering document - or the unit quota of the fund of net assets, with an obligation to provide the appropriate means to enable the investor in the country to have access to it.
  - 6- Delivering its subscribing clients the evidence of their subscription to the fund, the units that have been allocated and/or purchased for them, and the document guaranteeing the exercise of all their ownership rights for those units.
  - 7- Ensuring that the foreign fund distributes profits to unit owners and/or returns the units to their owners according to the announced price and in accordance with the document of foreign fund offering.

## Article (7) Introducing Financial Services

### **First: Exclusions:**

#### **The following shall be excluded from obtaining a license by introduction:**

- 1- Introduction between the company and its financial group, or the related parties or parties related to investment funds, or the group associated between them.
- 2- Introduction carried out by the financial consulting and financial analysis company, or the introduction of the legal consultant if this constitutes part of the consultation, provided that the client shall be disclosed of any commissions that are being received from by the introduced authorities, as well as disclosing to both parties to the introduction about the relationship that binds it to each party.

### **Second: the obligations of the introducer**

- 1- Introducing the client to financial services related to financial activities for the purpose of dealing in financial products.
- 2- Refraining in any way from being a contracting party to provide the introduced financial service.
- 3- Disclosing to both parties to the introduction about the relationship that binds it to each party.
- 4- Ensuring that the financial service provider is efficient and appropriate when introducing the client to it.
- 5- Refraining from any action that would mislead or mislead the client or provide it with incorrect data
- 6- Providing the client with all the data and details of the financial service and the service provider.
- 7- Ensuring that the financial services it introduces are distinct, value-added, and have competitive contractual terms.

- 8- Assisting the client in completing the financial service application form and contracting with the licensed body subject of introduction.
- 9- Keeping all records related to the above procedures.

### **Article (8) General Clearing**

**The licensed body shall be obligated to do the following to practice public clearing activity:**

- 1- Concluding an agreement with the licensed body to settle its clients' accounts or its accounts that regulate the mechanism of dealing between them, the rights and obligations of each party, and the manner of distributing the commission between them.
- 2- Commitment to the decisions of the market or the central clearing and the depository center related to the clearing and settlement activities.
- 3- Applying a mechanism that ensures separating the accounts of the contracting authority from the accounts of such authority clients in a way that ensures protecting the clients funds and not exploiting those accounts by the contracting authority; provided that this mechanism shall include the following:
  - a- Allocating a special account for each of the clients of the contracting authority.
  - b- Limiting the transfer of cash amounts from clients accounts to the accounts of the contracting authority with respect to commissions resulting from trading only.
  - c- Establishing procedures to ensure that the funds of any client of the contracting authority are not used to settle the trading operations of any other client with it.

### **Article (9) Managing Securities Portfolios**

**The licensed body shall comply with the following to practice the activity of managing securities portfolios:**

- 1- Achieving the client agreed investment goals.
- 2- Constituting an investment committee by a decision of the company board of directors to undertake planning for implementing the investment policy for managing investment, following up on the actual performance and monitoring it, and periodically reviewing the controls and procedures necessary to practice the activity at least twice annually.
- 3- Managing the clients securities portfolio according to an agreement with them based on the discretion of the portfolio manager without the client interference (Discretionary) or based on a decision made by the client itself (Non-Discretionary).
- 4- Disclosure to the client of data and information related to his investment evaluation in line with the client classification and its investment goals.
- 5- Taking into account the provision of liquidity which commensurate with the nature of investment that its managing to face the risks and obligations associated therewith.
- 6- Providing the client with a monthly statement of account, unless the agreement concluded between them provides for a shorter period of time, provided that the statement of account includes, as a minimum, the data mentioned in Appendix No. (3)
- 7- Refraining from investing the funds of the securities portfolios it manages in the investment funds it manages - if it is licensed to manage the fund investments - unless with the prior consent of the owner of portfolio.

- 8- Doing everything possible to study the financial position of the companies and assets in which it invests the client funds, which it manages, and to diversify these investments to reduce the investment risks that it may be exposed to in accordance with the investment policy, and not to use these funds to influence the prices of securities in the market.
- 9- Receiving orders from the clients according to the procedures mentioned in (First) of Article (1) of Fifth Chapter, if the portfolio is managed based on the client's decisions (Non-Discretionary).
- 10- The procedures mentioned in (Second) of Article (1) of fifth Chapter in the event of combining and assigning orders.
- 11- Refraining from executing margin trading orders in the clients combined account.
- 12- Procedures set out in (Third 1, 2, 3) upon executing its clients orders based on the client decisions (Non-Discretionary).
- 13- Procedures set out in (Third 7, 11) of Article (1) of the Fifth Chapter.
- 14- Notifying the client of the trading that took place in its account in accordance with the procedures mentioned in (Fourth) of Article (1) of the Fifth Chapter.
- 15- Evaluating Assets, and calculating unit net asset value, and distributing or retaining profits.

#### **Article (10) Managing of Investment Funds Investments**

**The licensed body, to practice the activity of managing investment funds, in addition to the obligations set out in the investment funds system, shall comply with the following:**

- 1- Managing investments of the Investment Fund in accordance with its offering document and in accordance with the legislation in force.

- 2- Constituting an investment committee by a decision of the company board of directors to undertake planning for implementing the investment policy for managing investment, following up on the actual performance and monitoring it, and periodically reviewing the controls and procedures necessary to practice the activity at least twice annually and that it submits a report on the performance and activity of the licensed body to its board of directors every three months.
- 3- Establishing effective investment policies to manage liquidity and stopping redemption processes to ensure the provision of an amount of liquidity commensurate with the nature of the investment fund to face the risks associated with its investments. Such liquidity may be represented in low-risk investment tools that can be converted into cash on demand.
- 4- Studying the financial position of the companies and the assets in which the investment funds assets that they manage are invested.
- 5- Coordinating and cooperating with the Administrative Services Company and providing it with all data related to asset valuation.
- 6- Approval of selling and redeeming the units of the Investment Fund at the declared price of the units net assets value and in accordance with the mechanism specified in the offering document, provided that it shall be declared at least twice a month.
- 7- Notifying the Investment Fund units owners of the distributions and cases of stopping redemption processes in accordance with the means of notification stipulated in the offering document, that all procedures are documented and that they are dealt with in a fair manner.

- 8- Refraining from owning it and its financial group and its financial group of (30%) or more of the capital of the investment funds it manages except after obtaining the approval of the Authority.
- 9- Refraining from investing the funds of the securities portfolios it manages in the investment funds it manages - if they are licensed to manage securities portfolios - except with a prior approval of the portfolio owner.
- 10- Managing Risks and conflict of interest between it and investment funds and securities portfolios it manages - if it practices the activity of managing securities portfolios - as well as between securities portfolios and investment funds it manages and between each investment fund and another.
- 11- Ensuring that the fund assets are kept separate from its funds and assets and from the assets of any other fund it manages or the securities portfolios it manages if it is licensed to do so
- 12- Disclosing the fees it receives and any financial services it provides, and refraining from receiving those fees in the event that it outsource any financial services to others.
- 13- The fees of managing investment fund shall be in proportion to the investment fund risks and interest and shall be determined and revised in accordance with its procedures, provided that they are determined, clear and disclosed in the offering document.
- 14- Refraining from collecting subscription or redemption fees for the units of the investment fund it establishes if the fund investments are linked to other investment funds established thereby.
- 15- Disclosing to unit owners of all investment fund information and any other disclosures related to its business, reports, and prospectus.



16- Employees' salaries should not be linked to the performance of the investment fund, with the exception of incentives and bonuses.

17- Continuing to perform its tasks related to the investment fund until others assume those tasks, in the event that it does not wish to manage the investment fund or it is dismissed by the founders of fund, provided that shall notify the unit owners of this before (60) working days in case the licensed body is the founder of the investment fund.

### **Article (11) Administrative Services of Investment Funds**

The licensed body shall comply with the following to practice the activity of administrative services shall investment funds:

- 1- Managing and maintaining the register of unit owners, issuing and recovering units, and distributing or maintaining profits.
- 2- Evaluating and pricing assets, and calculating the unit net asset value
- 3- Selling and redeeming the investment fund units at the declared price of the units net assets value in accordance with the mechanism specified in the offering document based on the approval of the Investment Funds Investment Management Company.
- 4- Settling Fund obligations contracts with the contracting authorities.
- 5- Providing internal accounting services to Investment Fund.
- 6- Supervising the investment fund compliance with applicable legislation
- 7- Providing information, delivering reports to unit owners, and answering to their inquiries.
- 8- Disclosing to the Authority any essential errors in the process of evaluating the net asset value of the fund to which it provides its services.
- 9- Refraining from receiving any amounts or funds from investors on behalf of the investment fund.

10-Signing a contract with the fund founders regarding the provision of administrative services to the investment fund explaining in particular all the information shown below:

- a- All data related to the fund and the means of communication with it.
- b- A detailed statement of the fund investment policy and all the details related to it, and all the conditions under which the investment is managed.
- c- Types and details of the reports that will be provided to the fund
- d- A detailed statement of the rights and obligations of each of the fund and the management services company.
- e- Fees and fees payable by the fund for providing management services and the basis for their calculation and the payment dates.
- f- A statement of the proposed mechanism for resolving disputes between it and the Fund.
- g- The conditions for terminating the contract or terminating the contract in a manner that does not contradict the applicable legislation.
- h- Procedures for tasks handover to another administrative service provider, and how to transfer the necessary books and records without affecting the proper functioning of the fund.

#### **Article (12) Safe custody**

**First: The custodian shall be obligated to perform one or more of the below obligations in accordance with the agreement concluded with its client:**

- 1- Keeping the client financial products.
- 2- Keeping clients' cash amounts

- 3- Exercising the rights associated with financial products, including receiving interests or profits, the right to subscribe, or the right to attend general assembly meetings and vote therein on behalf of the client based on its instructions.
- 4- Recording or freezing mortgages on financial products based on the client desire or based on instructions from any capital market institutions or the Authority, or attaching on them based on the request of the competent official authorities.
- 5- Submit a request to transfer the ownership of securities within the cases excluded from trading on behalf of the client.

**Second: The custodian shall comply with the following:**

- 1- Opening an account for each client including all documents and transactions that took place on its account.
- 2- Executing the instructions issued to him by his client in a manner that achieves the client investment goals.
- 3- Not to dispose of the financial products or monetary amounts kept with him except in accordance with the provisions of law or the decisions issued in implementation thereof and the terms of the agreement concluded with the client.
- 4- Accepting the transfer of financial products from the broker (seller), and transfer of financial products to the broker (the buyer) on behalf of the client in accordance with market procedures and / or the depository center.
- 5- Transferring cash amounts to the broker (seller), and accepting the transfer of cash amounts from the broker (buyer) on behalf of the client.

- 6- Notifying the client of all decisions and actions taken by issuers of financial products related to the rights associated with his financial products in accordance with the agreed means of communication as soon as possible and taking into account the client interest.
- 7- Notifying the client of all transactions and transfers that took place on his account within (24) hours, according to the means of notification agreed upon between them.
- 8- Notifying the client of - at least - a monthly statement of account detailing all the transactions and transfers that took place in his account with a statement of his current balance of financial products and/or cash amounts.
- 9- Transferring financial products and/or cash amounts from the client account to another custodian based on the client request.

**Third: Practicing general clearing Tasks for its clients:**

The custodian may - in exception from Article (8) of fifth Chapter of this section – if it is a local bank or a branch of a foreign bank - practice the general clearing activity to settle the obligations of (its clients) only in accordance with the market procedures and controls approved by the Authority, provided that he notifies the Authority once he performs such tasks and once he stops performing them.

**Article (13) Custodian of Private Joint Stock Companies Register**

**The registrar shall be obligated to:**

- 1- Record the dispositions related to the shares of the shareholders of the private joint-stock company, including ownership and related rights, and any restrictions on those rights in the company shareholders shares register, provided that none of these dispositions is contrary to the law and decisions issued in implementation thereof and the companies law or in violation of the articles of association of company, and it is not permissible to urge with any disposition against the company or others except from the date of its recording in this register.
- 2- The restrictions mentioned in the Companies Law regarding the transfer of shares ownership.
- 3- Refrain from recording any disposition made to the shares in the cases specified in the Companies Law.
- 4- Carry out the necessary technical measures to ensure the integrity of the company shares register and it contains all the dispositions that have been made to the shares, including the provision of a system for keeping the instructions of the shareholders.
- 5- Grant a certificate or a statement of the number of shares or the movement made thereto during a certain period and any disposition related to them to any shareholder registered in the shares register who so desire - or their legal representatives - and upon a request in writing.
- 6- The permanent and continuous verification of non-infringement of the ownership percentages stipulated in the Companies Law and the company memorandum of association or articles of association.
- 7- Determine annual fees to be approved by the Authority in exchange for receiving the share register of the shareholders of the private joint-stock company, provided that 20% of those fees are paid to the Authority.

- 8- Transfer of ownership of the shares of the private joint-stock company without any fee in the first year from the date of receiving the register.

#### **Article (14) Covered Warrants Issuer**

##### **The Warrants issuer shall comply with the following:**

- 1- Conditions for issuance, listing, trading in and settlement of warrants
- 2- Appointing a market maker for the covered warrants that it has issued, and it may perform the duties of a market maker if it is licensed to do so.
- 3- Submit a monthly report to the Authority that includes the total volume of issuance of covered warrants, the number of warrants purchased or sold during the month, and the purchase or sale price rate.
- 4- Refraining from issuing any covered warrants except after the approval of the Authority on that issuance and in accordance with the form designated for the same.
- 5- Disclosing to the Authority and the Market immediately any essential developments or any decisions that may affect the price of the covered warrants, or its ability to fulfill its obligations, or any amendments made to the process of calculating the price of the warrants.
- 6- Notifying the Authority when it requests the listing of the warrants covered by the market, or its request to cancel their listing at the end of the period specified therefor, or the event that the market suspends trading on those warrants or on the assets, subject of the warrants.

#### **Article (15) Depository Bank**

##### **First: Depository Bank General Obligations:**

- 1- The issuance and cancellation of deposit certificates according to the rate of transfer based on the request of the owner of foreign securities, or the owner of deposit certificates, as the case may be, and coordination with the custodian to amend the data resulting from the issuance or cancellation.
- 2- Providing the owners of deposit certificates with copies of all invitations and prospectus issued to the owners of foreign securities corresponding to those certificates.
- 3- Distributing the cash returns of foreign securities corresponding to the certificates of deposit in the currency in which the certificates of deposit are issued, taking into account the exchange rate on date of distribution.
- 4- Appointing a custodian licensed in the country in which the foreign issuer was established, to preserve the foreign securities corresponding to the deposit certificates on its behalf.
- 5- Signing a deposit agreement with the foreign issuer that includes all the data and information required by the Authority and providing the Authority, the Market and/or the Depository center with a copy thereof.
- 6- Coordination and communication with the foreign issuer and the market and/or the depository center or the foreign market regarding all rights related to the foreign securities corresponding to the deposit certificates, whether in the case of subscribing to the capital increase of or when distributing of returns in cash or in kind, or when dividing or joining to the nominal value and other operations that are approved for owners of foreign securities corresponding to deposit certificates
- 7- Coordination with the foreign issuer regarding the voting system in his general assemblies, and voting on behalf of the owners of the deposit certificates according to their instructions.

- 8- Notifying the owners of deposit certificates of all the data related to the subscription subscribing to the capital increase of or when distributing of returns in cash or in kind, or when dividing or joining to the nominal value by any of the appropriate means, including electronic means of communication, provided that the deposit agreement includes specifying these means.
- 9- Providing the market with all essential information and disclosures related to the foreign issuer in conjunction with any disclosure issued by or related to the foreign issuer or its securities in the country of incorporation or any other country.
- 10- Immediately providing the Authority and the Market and/or depository center with the data, information and documents it requires regarding deposit certificates, the rights of their owners, or other data that may affect the circulation of those certificates or the foreign securities that correspond thereto.

**Second: Obligations of the depository bank related to the agreement concluded with the foreign issuer:**

**The depository bank shall sign a deposit agreement with the foreign issuer, which includes all the data and information required by the Authority, in particular the following:**

1. The tasks of the depository bank are to issue certificates of deposit as the foreign issuer agent and to deposit foreign securities that correspond to them with a custodian licensed in the State in which the foreign issuer was established.
2. The tasks of the Depository Bank are to keep the register of owners of certificates of deposit, and the registry of foreign securities corresponding to the certificates of deposit.



3. Verifying that certificates of deposit represent the ownership rights of foreign securities' owners and that its registered certificate owners are the legal owners of certificates of deposit.
4. Tasks, functions and conditions for appointing a custodian appointed by a depository bank to keep foreign securities for its account on behalf of the certificate holders.
5. Method of issuing and registering certificates of deposit by the depository bank upon receiving foreign securities.
6. Rights of the owners of deposit certificates to transfer, trade or mortgage them, and the manner of doing so.
7. Rights of owners of deposit certificates to deliver them for the purpose of their cancellation in exchange for receiving foreign securities corresponding to those canceled certificates, provided that any fees or taxes specified in the deposit agreement are paid.
8. Rights of the owners of deposit certificates to receive any cash distributions on foreign securities corresponding to certificates of deposit, except in cases that are explicitly specified in the deposit agreement, provided that the deposit agreement contains separately rights and procedures related to cash distributions, shares distributions, private subscriptions, and any distributions related to foreign securities corresponding to certificates of deposit, and the distribution of cash returns of securities in the currency of certificates of deposit and taking into account the exchange rate on the date of distribution.
9. The mechanism of practicing the voting rights inherent in the foreign securities corresponding to the certificates of deposit, the mechanism of notifying the owners of those certificates of the general assembly meetings of those securities, and the voting mechanism according to their instructions.

10. The procedures that the depository bank will follow based on the instructions of the foreign issuer in the delivery of invitations, reports, voting forms, and any correspondence related to the shareholders of the foreign issuer to the owners of the deposit certificates, and in providing copies of these correspondences for reviewing by the owners of deposit certificates in the head office of the depository bank and the custodian, as well as the procedures that the depository bank will follow to provide reports of the foreign issuer for owners of certificates of deposit.
11. Obligations of the certificate owners, including any fees that certificate owners may incur as a result.
12. A clear statement of the taxes, fees and expenses that owners of deposit certificates will bear.
13. Procedures for replacing or terminating the services of the depository bank and / or the custodian with the approval of the foreign issuer, including notifying the owners of deposit certificates in advance of any possible resignation, replacement or termination of the services of any of the depository bank or custodian, and not making any substantial changes to the rights and duties of certificate owners without obtaining their prior consent in this regard.
14. Procedures for amending or terminating the depository agreement.

#### **Article (16) Depository Bank Agent**

**The agent of the depository bank shall sign an agreement with the depository bank and provide the Authority, the Market and / or the Depository Center with a copy thereof, provided that it contains all the data and information required by the Authority, in particular the following:**

1. Obligations and responsibilities of the depository bank agent.
2. The obligations of the depository bank in a manner that does not conflict with the provisions of this section and the regulations, decisions and controls issued by the Authority.

3. Determining the role of the depository bank agent in the required disclosures in accordance with the applicable laws, regulations and decisions.
4. A statement of the procedures, tasks and how to practice the activity.
5. Procedures for amending or terminating the depository agency agreement.

### **Article (17) Credit rating**

#### **First: Exceptions**

#### **The following are excluded from the credit rating provisions:**

1. The credit rating, whose subject is one of the federal or local government authorities, companies wholly owned by any of them or any of their financial products based on the request of any of those authorities.
2. The credit rating of the rated authority or any of its financial products based on its request, for its internal use, whether for its structure, risk management or evaluation of its financial position, or for its internal commercial purposes or evaluating any of the contracting parties with the condition that it is not published, advertised, or sent by any means to others, unless for mandatory disclosure purposes to the regulatory authorities to which it is subject.
3. The credit rating issued to any person at his request and exclusively presented to the party that request it and not intended for public disclosure, publication or distribution.
4. **Second: Obligations related to the quality and integrity of the rating process**

The credit rating agency and / or its employees are obligated to:

1. Conclude an agreement with the party wishing to obtain a credit rating for it or its financial products, which is dated and signed between the two parties and explaining all the obligations and conditions between them, especially the conditions related to the confidentiality of data and information between them.
2. Using rating categories, models and basic assumptions, and follow specific, accurate, organized, and high quality classification methodologies that can be verified, periodically reviewed, conduct back testing, update them according to market and economic changes, and disclose them on an ongoing basis.
3. Adopt and implement appropriate measures and standards to ensure that categories, models, assumptions and methodologies are used objectively.
4. A statement of credit rating forms that are compatible with the principles of Islamic Sharia.
5. Put the grades indicating the rating, along with the definition and statement of each symbol, number or letter in the rating scale used to denote the rating category and the segments of each of its categories, and disclose them continuously.
6. Enable its employees concerned with credit rating to access the necessary information.
7. Refrain from preparing the credit rating if the data, information or sources relied on are insufficient or unclear to prepare the assessment or the agency is unable to determine an objective credit rating.
8. Refrain from issuing a credit rating report in the event that the structured products are new or complex unless the rating agency has sufficient information and experience to prepare the report.
9. Refrain from rating in the event of any conflict of interest cases between the rating agency or any of the parties related to it and the rating agency or any of the parties related to it.

10. Notify the compliance officer of any breaches or violations of the credit rating preparation controls.
11. Document all steps related to the preparation of the credit rating report in order to enable to carry out the procedures of the necessary periodic review process and internal auditing and supervision to ensure that all the rules and procedures for preparing the report are followed, and that it is not issued under the effect of any conflict of interest.
12. Notify the rated entity of the relevant information and data that would affect the preparation of a new credit rating, review or update of a previous credit rating, and the rated entity may review that information and data and provide the rating agency with any notes related to it during the period specified by the rating agency or during the agreed upon period.

**Third: Obligations related to independence and avoidance of conflicts of interest**

The credit rating agency and / or its employees are obligated to:

1. Prepare the credit rating independently and without being affected by any factors or relationship between the rating agency and the rated entity or any of the parties related to it.
2. Refrain from accepting any cash or in-kind gifts and ensure the quality and independence of the credit rating process and that it is free from any influence or restrictions.
3. Refrain from providing any advisory services, recommendations or proposals to the rated entity or any of the parties related to it.
4. Refrain from granting any guarantees, assurances or indications, directly or indirectly, regarding the result of the credit rating.
5. Refrain, as well as the refrainment of any of the parties related to it, which have a direct role in the credit rating process, from owning the financial product under rating, with the exception of owning units of investment funds.

6. Establish policies and procedures to reduce the possibility of any conflict of interest, and a mechanism for managing any conflict of interest.
7. The non-interference of its employees - participating in the preparation of the credit rating report - or their participation in determining the fees, charges or commissions of the rating processes.
8. Review the rating report that was prepared, supervised, reviewed or audited by any of its employees if that employee joined the work for the rated entity.

#### **Fourth: Obligations related to transparency and disclosure**

The credit rating agency is obligated to:

1. Disclose to the public about the initial ratings, subsequent changes to them, the rating categories, its methodologies and forms and any changes that occur to them, in order to enable the rating users to evaluate accurately.
2. Disclose in writing, clearly and accurately, any actual or potential conflict of interest that may affect the credit rating while ensuring its exclusion or management. However, it is permissible not to disclose the conflict of interest if this represents internal information. In this case, the Authority shall be immediately notified of this and sufficient measures must be taken to limit and manage conflicts of interest.
3. Disclose to the Authority about any fees, commissions or fees that are being charged from the rated entity, and the name of the rated entity if the fees paid from it exceed (5%) of the annual revenues to the rating agency.
4. Explain the means and mechanisms of disclosure related to the credit rating reports issued by it and the required information and reports on the scheduled dates.

5. Disclose the percentages of the ratings that have been reduced or upgraded annually, in addition to a cumulative disclosure every three years and ten years, which represents the transition rates from rating to another.
6. Disclose the default rates under its different rating categories to the public at least once annually, with a distinction between geographical areas and business sectors of the rated entities and indicate whether the default rates of these categories have changed over time.
7. Provide the Authority with the following reports:
  - a. A report every (6) months on historical information on default rates under the different rating categories, along with a distinction between the main geographical areas of the issuers, and whether these rates have changed over time.
  - b. An annual report, which includes a list of the largest (20) customers in terms of their contribution to the revenue of the rating agency and the names of customers, whose contribution to the rate of growth of the agency's revenues in the previous fiscal year exceeded the rate of growth of its total revenues in that year by more than one and a half times, provided that the contribution of each of them is more than a quarter of a percent of the agency's total revenues in that year. This paragraph shall apply to foreign agencies' revenues obtained from practicing credit rating activity in the State.
8. Submit a transparency report to the Authority annually, including the following:
  - a. A description of the extent of the rating agency's compliance with the issued law and the decisions in implementation thereof, detailed information about its legal structure, and a description of its internal control mechanisms to ensure the quality of rating reports.

- b. Distribution statistics of the rating agency's employees and rating analysts regarding new ratings, review of existing ratings, evaluation's methodologies and forms, and members of senior management.
- c. Details of its record keeping policy.
- d. Results of the annual internal audit of the compliance officer.
- e. Financial information about the revenues resulting from the credit rating activity and other activities along with details of them being mentioned. As for the foreign rating agency, the revenues must be based on its revenues obtained from the rating activities and other activities that it carries out in the State.
- f. A statement on the rating governance that includes the details of the administrative or supervisory committee, the structure of the executive committee and its powers. As for a foreign rating agency, the information must be specific to the administrative structure of its branch, the main cadre and the lines of administrative hierarchy of its structure and staff.
- g. Disclose any information required to be published and disclosed to the public in both Arabic and English on its website, provided that it is available for an appropriate period.

**Fifth: Obligations related to the data of the credit rating report**

The credit rating agency and / or its employees are obligated to:

1. Prepare the credit rating report in an easy, clear, honest and not misleading manner, in a way that ensures that it is not misunderstood, and in a language that the investor understands, without using any fraudulent means or wrong information, and in a way that reflects the available information that has been analyzed and the mechanisms and methodologies of that analysis.
2. Include the following in the credit rating report:
  - a. The name of the rating agency.



- b. The name and position of the employee who prepares the report, supervises its preparation and is responsible for approval of its issuance.
  - c. The subject of the credit rating, whether it is related to the rated entity or the financial product, the rating category, its methodologies, forms and assumptions, the procedures and sources that were used when preparing the report, any restrictions on that rating, and an indication of its risks.
  - d. Determine the type of beneficiary from the credit rating report (customer, specific customers, or the public) or on its own initiative.
  - e. A statement of whether the credit rating is related to a newly issued financial product, whether it is the first time that the rating agency has granted a rating to that product, and whether the rating lacks historical information.
  - f. Credit rating risk, and expected losses in the event of default.
  - g. Information related to pledges or guarantees and enforcement mechanisms available to investors if the credit rating relates to asset-secured financial products.
  - h. The date on which the credit rating report was first issued, and its last update date.
  - i. A statement of whether the credit rating was issued at the request of the rated entity or without its request; and in this case the means of obtaining the information related to the rated entity or the financial product must be disclosed.
3. Review the credit rating report before its issuance, and review any update that occurs to it, provided that such review is made by another competent employee who has not previously prepared or reviewed the report.
  4. Publish the credit rating report to the public upon its issuance.

**Sixth: Obligations subsequent to the issuance of the credit rating report**

After issuing the credit rating report, the credit rating agency and / or its employees are obligated to:

1. Periodically and continuously review the credit rating report issued by it (whether the initial or subsequent ratings) or upon knowledge of any information that may affect it throughout the review period.
2. With except from Clause (1), the credit rating report is not subject to review if it is indicated in it that it is not subject to review.
3. Monitor any changes in market or macroeconomic conditions that may affect the credit rating issued by it through its procedures and arrangements for this.
4. Notify the Authority and disclose to the public about any significant change or update in the rating categories, forms, assumptions, methodologies, or rating grades, indicate the impact of that change on the rating, and review the credit ratings affected by the change within a period not exceeding (6) months from its date.
5. Clearly disclose to the public of the date on which the credit rating was updated, and its effective date if it is changed, as well as the date on which it is withdrawn or suspended, and the reasons for that.
6. Publish and update any data related to actual or potential conflict of interests, or substantial amendments to its systems, resources or procedures.

## Appendix No. (1) Minimum terms of the client agreement

**First: In the case of the ordinary investor, the licensed body is obligated to include the following basic information in the agreement concluded with the client:**

- 1- The name and address of the licensed body, the name and address of the client and his data, according to his passport and identity card, if he is an individual or according to its commercial license if it is an establishment or a company.
- 2- Explaining that the body is licensed and subject to the Authority supervision, along with indicating the type of the licensed class and the financial activities that are permitted to practice.
- 3- The name and data of the persons mandated or authorized to deal on behalf of the client, and the details of the delegation or the power of attorney and its limits, the name and data of the person authorized to manage the account if the client is a company.
- 4- Explaining the means of communication with the client to receive orders and the means of notifying him of the required information, statements and reports.
- 5- Clearly determining the client relationship with the licensed body that contracts with him or with any of the members of its board of directors or any of its financial group

- 6- Determining the client relationship with any of the capital market institutions or any of the companies listed in the market or any of the other licensed companies or members of the board of directors of any of them.
- 7- The effective date of the agreement between the two parties, the mechanism and conditions for its amendment or termination.
- 8- Details of the financial service that he will provide to the client.
- 9- Details related to any financial product related to providing a financial service.
- 10- Explaining the client classification.
- 11- Explaining the client objectives and its investment policy.
- 12- Explaining the presence or absence of any restrictions that limit the effective provision of its financial services and in the event of any restrictions, a statement of how it affects the financial service provided to the client.
- 13- Details of the commissions and fees payable by the client in return for providing financial service thereto and the basis of this commission.
- 14- The procedures that the client shall take to file a complaint against the licensed body or any of the employees thereof.
- 15- The licensed body's obligations and rights, and the client's obligations and rights, in clear and detailed form.

16- How to resolve disputes between the two parties, provided that the interpretation of the disputes related to the financial services provided in accordance with the law and the decisions issued pursuant thereto, and a explaining whether the parties will resort to the judiciary for consideration of their dispute or arbitration, with a clear statement of the terms of arbitration and the party that will consider the same.

17- Stating the bank account number of the client that the cash dividends of its shares profits shall be transferred thereto and for executing any financial services for the client.

**Second: In the case of a professional investor and counterparty, the basic information is the information referred to in the first clause, with the exception of items (4 and 6).**

**Third: The licensed body shall be obligated, in order to practice the activity of managing securities portfolios, to include the following additional information in the agreement concluded with the client:**

1- Initial value of the client's securities portfolio.

2- Elements of the initial formation of the client's securities portfolio.

3- In the event that the portfolio is managed on a discretionary basis, the extent of the restrictions imposed on the management power shall be explained, on a discretionary basis, including the value of any single investment, the percentage of the portfolio that may be represented by any single investment, any specific type of investment, or there are no such restrictions.

- 4- Explaining whether the licensed body will undertake margin trading on behalf of the client or conduct any transaction of lending and borrowing securities on his behalf and the related obligations.

**Appendix No. (2) The content of the notification confirming the execution of the trading order**

**The licensed body is obligated to include in notification of the client of the completion of the execution of the trading order, the following data as minimum:**

- 1- Name and address of the licensed body.
- 2- Whether the licensed body has executed the trading order on behalf of the client after being licensed or approved to do so.
- 3- The name of the employee who carried out the execution of the trading order.
- 4- The name of the client and its account number with the company.
- 5- The name, number and type of the security or currency subject of the trading order.
- 6- An indication of the type of trading order, purchase or sell.
- 7- The date and time of executing the trading order.

- 8- The purchase or sell price of the security for which the trading order was executed.
- 9- An indication of whether the trading order was executed on the basis of execution only or on a discretionary basis.
- 10- The commission owed to the licensed body related to the execution of the trading order and any increase, decrease or tax and any due fees.
- 11- The total payable amount and the due date thereof.
- 12- The amount or basis of any joint commission with another licensed body.
- 13- Description of the contract and the quantity, and specifying if the order is open or closed, and any due amount or applicable dates related to the delivery or expiry date of the period and is related to the order in the event that the execution of the trading order related to derivative contracts or currencies in the spot market.

### **Appendix No. (3) Data of the client account statement**

**First: The licensed body is obligated to include the following data as a minimum in the client's account statement:**

- 1- A statement of the name, number and type of the security or currencies that the client owns.

- 2- The total value of securities or currencies that the client owns in its account.
- 3- The volume and value of executed trading orders in the client's account, their details, dates and timing of their execution.
- 4- Details of margin payments and guarantees, and the market value of those guarantees at the date of preparing the statement.
- 5- Cash in and out of the client's account, and the total cash available in its account.
- 6- The commission owed by the client to the licensed body and any prescribed fees.

**Second: The licensed body is obligated to include the following data as a minimum in the client's account statement, in the event of trading in non-exchange traded derivatives and currencies in the spot market, as well as the data shown in clause first :**

- 1- Details of open contracts and currencies, expiry dates of closed contracts and currencies.
- 2- Profits or losses realized for the client before deducting or adding any commissions that shall be paid upon closing of each transaction opened in the account at the end of the account period.
- 3- Profits or losses realized for the client after deducting or adding any commissions in respect of each transaction made during the account period to close the client's transaction.



#### **Appendix No. (4) Data of the trading order**

**The licensed body is obligated to include the following data as a minimum in the trading order:**

**First: Receiving trading orders from the client or from the licensed body to take the decision on behalf of the client on a discretionary basis:**

- 1- The name and legal capacity of the issuer of the trading order, and the account number with the licensed body.
- 2- The basic data of the trading order, such as the date and time, the name and type of the security or currency, its number, the price and the period of validity, and whether it is a sale or purchase, and if the orders are in writing, then they shall be signed by the client or its representative.
- 3- Conditions and instructions included in the trading order.
- 4- The identity of the employee who received the trading order and / or who executed the same.

#### **Appendix No. (5) Technical Controls and Requirements for the Telephone Recording System**

- 1- It impermissible to listen to telephone calls recorded with the licensed body except by the Director General or the Compliance Officer or whomever authorized by both of them under a special authorization for this and for a specified period.
- 2- Receiving and recording the orders received by phone call from the clients of the licensed body shall be made through the phone call record system, and the licensed body shall arrange, prepare, and apply the above system according to the following characteristics:
  - A. Recording of all telephone calls between clients and the licensed body.
  - B. All data on the trading order issued by the client shall be correctly completed in accordance with Appendix No. (4).
  - C. Storing the date and time of receipt of the trading order issued by the client to ensure that it is executed according to the priority of its issuance.
  - D. Setting the timing of the server device assigned to the telephone recording according to the local time of the state, and the system administrator has the responsibility to set the timing.
  - E. Refraining from modifying the timing or date of incoming calls from clients of the licensed body.
  - F. Refraining from deleting or modifying recorded calls or any part thereof except with the knowledge of the System Administrator and for specific technical reasons and justifications, after keeping backup copies thereof.

- G. Maintaining backup copies of the telephone record system on a daily basis (Incremental Backup), and on a monthly basis, (Full Backup) on storage media out of the telephone recording server device for a period of not less than (10) years.
- H. Adding synchronized sound to the recorded call, which is a regular and recorded sound along with the main sound, such as Background Greeting message the type of which is background music or background Bell, and it shall be repeated every period of no more than five seconds or the call includes a two-dimensional echo without affecting the clarity and quality of the sound in the original call.
- I. Issuing an automatic voice message upon initiation of the incoming call from the client, confirming to him that his call is to the licensed body will be reordered to ensure the level of financial service provided to him.
- J. The possibility to show the recorded calls through the caller number, the call recipient line number (channel number), or the date and time of the incoming call, with the possibility to add notes to the incoming calls and keep the same.
- K. The files originating from the recording system shall be compressed encrypted files and cannot be listened thereto, decoded or converted into audio files with different extensions such as Wave, Mp3, Ram... etc except through the program itself and with the knowledge of System Administrator.

- L. The possibility to show the calls and convert the same to Wave extensions to facilitate listening thereto on another computer, provided that this is done under the knowledge of the System Administrator.
- 3- The licensed body shall notify the Authority immediately upon the occurrence of any sudden malfunctions in the telephone record system indicating the expected period for the continuation of the malfunction, provided that a technical report from the system manufacturer shall be attached containing the reasons for the malfunction and the time required to repair the same.

**Appendix No. (6) Accounts segregation report**

| Statement   | AED | AED            |
|---|-----|----------------|
| <b>Total credit balances of the clients on / /20 .</b>  | X X |                |
| <b><u>Add:</u></b>  |     |                |
| 1- Net trades executed in (T-1 & T) that were not settled - in the event that the purchase value is greater than the sale value, including commissions. * | X X |                |
| 2- Decrease in total debit balances of clients between the end of two days (T-2 & T) **   | X X |                |
| <b><u>Less:</u></b>   |     |                |
| 1- Net trades executed in (T-1 & T) that were not settled - in the event that the sale value is greater than the purchase value, including commissions. * | X X |                |
| 2- Increase in total debit balances of clients between the end of two days (T-2 & T) **   | X X |                |
| <b>Credit balances due to clients (1) **</b>  |     | <b>#VALUE!</b> |
| <b>Cash balances <u>of the clients</u> in the treasury and banks on / /20</b>   |     |                |
| Balances of clients in the company treasury   | X X |                |
| Book balance of account No. .... in a bank of ....  | X X |                |
| .....   | X X |                |

|  |     |                 |
|--|-----|-----------------|
| Bank account balance of..... "Abu Dhabi Market Settlement" {ineffective in the trades that haven't been settled with the market}   | X X |                 |
| Bank account balance of..... "Dubai Market Settlement" {ineffective in the trades that haven't been settled with the market}   | X X |                 |
| Cheque under collection {Provided that it is shown on the account statement of the client, are not postponed for payment, and are actually deposited for collection in one of the banks of the client's funds} | X X |                 |
| <b>Total balances of the client (2) ***</b>  |     | <b>0<br/>00</b> |

\* (T): Means the last trading day of the month.

\* (T-1): Means the trading day preceding (T).

\*\* (T-2): Means the trading day preceding (T-1).

\*\*\* Take into account the conformity of (1) with (2), and in the event of a difference, reasons shall be clarified

! VALUEH#: The difference

\_\_\_\_\_

Operation Manager

\_\_\_\_\_

Compliance Officer