

## **Resolution No. (92) of 2025**

### **Regarding the Development of the Infrastructure of the Post-Trade Model**

#### **Having Perused:**

- Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its Executive Bylaws, and their amendments; and
- Resolution No. (69) of 2018 Regarding Amending Some Provisions of the Executive Bylaws of Law No. (7) of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its Amendments for the Development of the Infrastructure of the Post-Trade Model; and
- CMA Board of Commissioners Resolution passed in its meeting No. (12) of 2025 held on 07/05/2025.

#### **The Following Was Resolved**

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

Module Four (Securities Exchanges and Clearing Agencies) of the Executive Bylaws of the Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments are hereby amended pursuant to Annex (1) attached to this Resolution.

##### **Article (2)**

Module One (Glossary), and Module Five (Securities Activities and Registered Persons), and Module Six (Policies & Procedures of Licensed Persons), and Module Eleven (Dealing in Securities), and Module Thirteen (Collective Investment Schemes), and Module Fifteen (Corporate Governance) of the Executive Bylaws of the Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments are hereby amended pursuant to Annex 2 attached to this Resolution.

##### **Article (3)**

Appendix 1 (Capital Requirements and Legal Form of Licensed Persons) of Module Five (Securities Activities and Registered Persons) of the Executive Bylaws of the Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments is hereby amended pursuant to Annex 3 attached to this Resolution.

**Article (4)**

Resolution No. (69) of 2018 Regarding Amending Some Provisions of the Executive Bylaws of Law No. (7) of 2010 is hereby canceled, and any resolution that conflicts with this Resolution shall also be cancelled.

**Article (5)**

The concerned bodies shall execute this Resolution, each within its jurisdiction. This Resolution shall come into force at the beginning of the implementation of the second part of the third phase of the market development project phases which shall be announced by the Authority at a later stage, and it shall be published in the Official Gazette.

**Emad Ahmed Tifouni**

**Issued on: 12/05/2025.**

## **Annex 1**

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## Chapter One

### General Provisions

Article 1-1	Scope of Application
	<p>Where no provision is provided, the provisions of this Chapter apply to the <u>Exchange</u> and the <u>Clearing Agency</u> which are licensed by the <u>Authority</u>. The provisions of Chapter 2 of this Module apply to the <u>Exchange</u>, while the provisions of Chapter 3 apply to the <u>Clearing Agency</u>.</p> <p>The provisions of Chapter 4 of this Module apply to the <u>Clearing Center</u> and <u>Central Securities Depository</u>, while the provisions of Chapter 5 of this Module apply to the following:</p> <ol style="list-style-type: none"><li>1. <u>Clearing Center</u>.</li><li>2. <u>Clearing Members</u>.</li><li>3. Collateral provided by the <u>Clearing Members</u>.</li></ol>
Article 1-2	License Requirements
	<p>No <u>Person</u> may establish, operate, nor assist in the establishment or operation of an <u>Exchange</u> or a <u>Clearing Agency</u> or manage it or announce the said unless obtaining a license issue by the <u>Authority</u> under the <u>Law</u> and these <u>Bylaws</u> in accordance with the systems and regulations approved by the <u>Authority</u>. The <u>Authority</u> shall be solely authorized to issue a license to the <u>Exchange</u> and <u>Clearing Agency</u>, and this license shall be published in the Official Gazette.</p>
Article 1-3	License Application
Article 1-3-1	<p>Licensing of an <u>Exchange</u> or a <u>Clearing Agency</u> shall be in accordance with the following:</p> <ol style="list-style-type: none"><li>1. An application for obtaining an <u>Exchange</u> or a <u>Clearing Agency</u> license shall be submitted <b>in accordance with the form specified by the <u>Authority</u> for that purpose</b>, attached to it all the documents and information specified in these <u>Bylaws</u>, and the prescribed fees must be paid.</li></ol>

	<p>2. Following receipt of an application for <u>Exchange</u> license or <u>Clearing Agency</u> license that fulfils the requirements in clause (1) of this Article, the <u>Authority</u> may request additional information or documents as it considers necessary to determine the application.</p> <p>If the applicant fails to submit documents and information within the notification period that is specified by the <u>Authority</u>, the application shall be deemed to have been withdrawn.</p> <p>3. The <u>Authority</u> shall determine the license application within three months from the date of receipt of the application complete with all information and documentation specified in this Module and Article (1-2) of Module Six (Policies &amp; Procedures of Licensed Persons) of these <u>Bylaws</u>.</p> <p>For the approval of the license application, the <u>applicant</u> shall fulfil all the requirements and obligations stipulated in this Module and any other requirements set by the <u>Authority</u>.</p> <p>4. The <u>Authority</u> shall inform the applicant of its determination regarding application to obtain an <u>Exchange</u> or <u>Clearing Agency</u> license. The <u>Authority</u> may reject granting the license for public interest reasons. In the event of a rejection of an application, the determination shall be justified.</p>
Article 1-3-2	<p>The <u>Authority</u> shall determine the minimum issued and paid-up capital of the <u>Exchange</u> and the <u>Clearing Agency</u>, and it shall determine the legal form of the company that practices the <u>Exchange</u> activity or any of the <u>Clearing Agency</u>'s activities.</p>
Article 1-3-3	<p>The <u>Authority</u> may take any of the following decisions regarding the license application:</p> <ol style="list-style-type: none"> <li>1. Grant a license to practice the activity/s required in the license application.</li> <li>2. Issue a preliminary conditional approval subject to the completion of certain procedures or the fulfilment of specific criteria within a period of time set by the <u>Authority</u> for the license applicant. The <u>Authority</u> may extend this term as it deems necessary.</li> <li>3. Reject the license application.</li> </ol>
Article 1-4	License Term and Renewal

	<p>A license to practice the <u>Exchange</u> activity or any of the <u>Clearing Agency</u>'s activities remains valid for a term of three years from the date of granting the license. The license may be renewed for a similar term/s based on an application submitted by the <u>Exchange</u> or <u>Clearing Agency</u> as follows:</p> <ol style="list-style-type: none"> <li>1. A license renewal application shall be submitted three months prior to the license expiration date and in accordance with the Application for Renewing the <u>Exchange</u> activity or any of the <u>Clearing Agency</u>'s activities set out in Appendix 1 of this Module, with payment of the prescribed fees.</li> <li>2. The <u>Authority</u> may, at any time after receipt of the license renewal application, inform the applicant of the necessity to provide any additional information or documents. If the applicant fails to submit the required documents and information within the period stipulated by the <u>Authority</u> without an excuse acceptable to the <u>Authority</u>, the application shall be deemed to have been withdrawn.</li> <li>3. The <u>Authority</u> shall determine a license renewal within two months from the date of receipt of this application attached with all required information and documents.</li> <li>4. The <u>Authority</u> may reject the license renewal in the event that the <u>Exchange</u> or <u>Clearing Agency</u> fails to comply with the basic requirements stipulated in this Module.</li> <li>5. The <u>Authority</u> shall notify the <u>Exchange</u> or <u>Clearing Agency</u> of its decision concerning the license renewal. In the event of rejection, the decision shall be justified.</li> </ol>
Article 1-5	Crisis Intervention by the Authority
Article 1-5-1	<p>In the event of any disaster, crisis and disturbance which may result in a serious impact on the market, and in the event that some traders have practiced connotations or misleading signals, the <u>Authority</u> may issue instructions that aim to restore justice, transparency, and efficiency to the market, and in particular, it may take any of the following measures:</p> <ol style="list-style-type: none"> <li>1. Suspend trading at an <u>Exchange</u> or the trading of any listed <u>Security</u> for a limited period.</li> <li>2. Cancel trading for a specific period or cancel transactions on certain <u>Shares</u>.</li> </ol>

	<p>3. Issue decisions to dissolve all or part of an account balance or reduction thereof.</p> <p>4. Amend the trading days and hours.</p> <p>5. Amend or suspend <b>any</b> of the <u>Exchange</u>'s rules or <u>Clearing Agency's rules</u>.</p>
Article 1-5-2	<p>In the event of non-compliance by an <u>Exchange</u> or <u>Clearing Agency</u> with the decisions or instructions issued by the <u>Authority</u> stipulated under the preceding Article, the <u>Authority</u> may take appropriate measures for the following purposes:</p> <p>1. To achieve a fair settlement and efficiency in the commercial transactions of <u>Securities</u> or any of its types.</p> <p>2. To achieve regular trading or liquidate any position related to the Securities.</p>
Article 1-6	Accounts and Reports
Article 1-6-1	The <u>Exchange</u> and <u>Clearing Agency</u> shall appoint one or more external <u>Auditor</u> from the <u>Auditors</u> registered with the <u>Authority</u> .
Article 1-6-2	The <u>Exchange</u> and <u>Clearing Agency</u> shall apply comprehensive systems and controls of risk management enabling it to identify, assess, classify, manage and address the risk associated with its activities. The <u>Exchange</u> and <u>Clearing Agency</u> shall submit a risk report to the <u>Authority</u> every six months.
Article 1-6-3	The <u>Exchange</u> and <u>Clearing Agency</u> shall maintain an internal audit system in accordance with the international standards approved by the <u>Authority</u> .
Article 1-6-4	The <u>Authority</u> may appoint, by means of a written notice, an <u>Auditor</u> who is registered in the <u>Authority</u> 's registry, to an <u>Exchange</u> or <u>Clearing Agency</u> at the expense of the <u>Exchange</u> or <u>Clearing Agency</u> (as the case may be) to examine and audit the accounts, data and records of the <u>Exchange</u> or <u>Clearing Agency</u> , as well as to prepare a general or a specific report regarding a specific matter, if the <u>Authority</u> deems it would be in the public interest.
Article 1-6-5	The <u>Exchange</u> and <u>Clearing Agency</u> shall submit to the <u>Authority</u> an annual report within ninety days from the end of its financial year that shall particularly include the following:



	<ol style="list-style-type: none"> <li>1. A report that describes the activities that are performed throughout the previous year with regard to financial and human resources provided to it.</li> <li>2. Audited financial statements including the report of the external <u>Auditor</u>.</li> <li>3. Any other reports, data, or information that the <u>Authority</u> may specify.</li> </ol>
Article 1-7	License Cancellation
Article 1-7-1	<p>By virtue of a written notification to the <u>Exchange</u>, the <u>Authority</u> may cancel the license granted to it as of the date specified in the <u>Authority</u>'s resolution in the following cases:</p> <ol style="list-style-type: none"> <li>1. If the company is no longer able to meet any of the conditions by which it was qualified to obtain the license.</li> <li>2. If operations in the <u>Exchange</u> have been suspended for more than five <u>Business Days</u>.</li> <li>3. In the event of its the closure.</li> <li>4. If it failed to comply with the <u>Authority</u>'s instructions despite being notified thereon by the <u>Authority</u>.</li> <li>5. If it failed to provide the <u>Authority</u> with the information requested by the latter or if it provided misleading or inaccurate information.</li> </ol> <p>The <u>Authority</u> shall publish the decision of license cancellation and reasons thereof in the Official Gazette.</p>
Article 1-7-2	<p>By virtue of a written notification, the <u>Authority</u> may cancel a <u>Clearing Agency</u>'s license granted to it according to the provisions of the <u>Law</u>, as of the date specified in the <u>Authority</u>'s resolution in any of the following cases:</p> <ol style="list-style-type: none"> <li>1. If the agency is no longer able to meet any of the conditions by which it was qualified to obtain a license.</li> <li>2. If the agency ceases to undertake the duties to which it is assigned or licensed.</li> <li>3. Liquidation of the agency.</li> <li>4. Failure to fulfil any obligation required under this <u>Law</u> and these <u>Bylaws</u>.</li> </ol>

	<p>5. Failure to provide the information requested by the <u>Authority</u> or providing incorrect or misleading information.</p> <p>6. If the agency had made any amendments to its objectives in its Memorandum or Articles of Association without obtaining prior approval from the <u>Authority</u>.</p> <p>7. If the agency requested cancellation of its license.</p> <p>The <u>Authority</u> shall publish the decision of license cancellation and reasons thereof in the Official Gazette.</p>
Article 1-7-3	<p>The <u>Authority</u> may grant the <u>Exchange</u> or <u>Clearing Agency</u> a specific time extension, or may extend the period after the date of license cancellation, if the <u>Authority</u> deems it necessary for the public interest, or pursuant to the request of the <u>Exchange</u> or <u>Clearing Agency</u> to suspend its operations or handover its activities to another licensed <u>Exchange</u> or <u>Clearing Agency</u>. Moreover, the <u>Authority</u> may appoint a temporary supervisor, and define their duties, jurisdictions and specialities, to manage or follow up the <u>Exchange</u> or <u>Clearing Agency</u>'s activity, and it may specify its tasks, authorities, and competences.</p>
Article 1-7-4	<p>Cancellation of the <u>Exchange</u> or <u>Clearing Agency</u>'s license by the <u>Authority</u> shall not affect the <u>Authority</u>'s ability to commence or take any disciplinary action against the violating <u>Person</u> prior to the license cancellation.</p>
Article 1-8	<p>Notice Requirements</p>
	<p>The <u>Exchange</u> and <u>Clearing Agency</u> shall abide to the following:</p> <ol style="list-style-type: none"> <li>1. Notify the <u>Authority</u> at least thirty days prior to the date of any change of address of headquarters or the chosen domicile to which notices or documents should be addressed.</li> <li>2. Notify the <u>Authority</u> within five <u>Business Days</u> as of the date of incorporation, ownership, sale or dissolution of a <u>Subsidiary Company</u>, or in the event of any change in the information submitted to the <u>Authority</u> with regard to the branch offices through which the <u>Licensed Person</u> practices its activities either inside or outside Kuwait.</li> <li>3. Notify the <u>Authority</u> within five <u>Business Days</u> from the date of appointment or resignation of its <u>Auditor</u>.</li> </ol>

	<p>4. Hold its annual ordinary general assembly following the end of the financial year within two months from the date of providing the <u>Authority</u> with its annual audited financial statements.</p> <p>5. Notify the <u>Authority</u> of the agenda and place of the ordinary and extra ordinary general assembly's meeting -attached with all documents relevant to the items listed on the agenda- at least ten <u>Business Days</u> prior to the commencement of the meeting.</p> <p>6. Provide the <u>Authority</u> with a copy of the authenticated minutes of meeting of the ordinary and extraordinary general assembly -as the case may be-, in addition to a certificate of noting the amendment of the <u>Company Contract</u> in the commercial register within a maximum of two weeks from the date of the commencement of the meeting.</p> <p>7. Obtain the <u>Authority's</u> prior approval on any amendment of the <u>Company Contract</u>.</p> <p>8. Provide the <u>Authority</u> with updated copies of the policies, procedures, documents, information, services, and data relevant to granting the license within five <u>Business Days</u> from the date of their approval by the Board of Directors of the <u>Licensed Person</u>.</p> <p>9. Provide the <u>Authority</u> with a copy of the updated supporting documents of the company's license issued by the <u>Ministry</u> within five <u>Business Days</u> from the date of this update.</p>
Article 1-8-1	<p>The <u>Clearing Agency</u> shall immediately notify the <u>Authority</u> of the following:</p> <p>1. If it was revealed to it that any of its counterparties became unable to comply with any of the rules applicable to clearing and settlement or depository processes.</p> <p>2. If it estimated that the financial position of any of its counterparties and its ability to fulfil its obligations has given signs of instability, or that its ability to fulfil its obligations has already become unstable.</p> <p>3. Upon the use of the <u>Default Fund</u>.</p> <p>The <b>written notification shall</b> particularly include a statement <b>of the notification reason and nature</b> of the case <b>and a detailed description of the case or circumstance</b> setting out the name of the counterparty, trading number, civil</p>

	identification number, a statement of the due net amount of money or that there is no due balance, a statement of the name and number of the purchased or sold <u>Securities</u> as well as the procedure held in that concern. In addition, both the <u>Exchange</u> and the concerned entity shall be provided with a copy of that notification.
Article 1-8-2	The <u>Exchange</u> and <u>Clearing Agency</u> shall provide the Authority with any reports, data or information that may be required by the <u>Authority</u> .
Article 1-9	Acquiring or Disposing of 5% or more of the Exchange or Clearing Agency Capital
Article 1-9-1	<p>Standard of Integrity and Honesty</p> <p>Each natural <u>Person</u> willing to acquire or dispose of direct or indirect ownership of 5% or more of the capital of a company that practices the activity of an <u>Exchange</u> or any of the <u>Clearing Agency</u>'s activities shall obtain prior approval from the <u>Authority</u>, noting that the <u>Authority</u> shall be provided with a Criminal Status Sheet and acknowledgment indicating the following:</p> <ol style="list-style-type: none"> <li>1. Not having been convicted of a crime involving a breach of honour or trust, or a freedom-restricting penalty for a crime unless he has been rehabilitated.</li> <li>2. Has a good reputation and manner.</li> <li>3. Any other requirements the <u>Authority</u> may specify.</li> </ol>
Article 1-9-2	<p>Financial Soundness</p> <p>Each natural <u>Person</u> or legal entity willing to acquire or dispose of direct or indirect ownership of 5% or more of the capital of a company that practices the activity of an <u>Exchange</u> or any of the <u>Clearing Agency</u>'s activities shall obtain a prior approval from the <u>Authority</u>.</p>
Article 1-9-3	The <u>Authority</u> may take all necessary procedures it deems appropriate to verify that the shareholder fulfils the conditions stated in Article (1-9-1) and Article (1-9-2) whether inside or outside the State of Kuwait, and that the change of ownership shall not affect monitoring and supervising of the <u>Exchange</u> or <u>Clearing Agency</u> or lead to its non-compliance with the <u>Law</u> and these <u>Bylaws</u> .
Article 1-9-4	In the event of the occurrence of any of the objections stipulated in Article (1-9-1) and Article (1-9-2) to the <u>Person</u> that acquired 5% or more of the capital of company that practices the activity of an <u>Exchange</u> or any of the <u>Clearing</u>

	<p><u>Agency</u>'s activities, or if he performed tasks that affect the sound management of the <u>Exchange</u> or <u>Clearing Agency</u>, the <u>Authority</u> may issue a resolution on banning the shareholder from voting and taking a position on the Board of Directors for any of his owned <u>Shares</u> until the shareholder regularizes his position as stipulated in this Article.</p>
Article 1-9-5	<p>Submission of the Application</p> <p>The application to obtain the approval of the <u>Authority</u> shall be submitted according to the following procedures:</p> <ol style="list-style-type: none"> <li>1. The application shall be submitted in accordance with the form provided in Appendix No. (2) of this Module at least sixty (60) days prior to entering into the arrangements or agreements that lead to acquiring or disposing of 5% or more of the capital of a company that practices the activity of an <u>Exchange</u> or any of the <u>Clearing Agency</u>'s activities. The period shall be calculated from the date of completing all required information or documents.</li> <li>2. The <u>Authority</u> shall decide on the application within a maximum period of sixty (60) days from the date of its submission after fulfilling any information or documents required by the <u>Authority</u>, otherwise the application will be accepted.</li> <li>3. If the <u>Authority</u> requested additional information, the applicant will be notified in writing within fifty (50) days from the date of its submission.</li> <li>4. If the <u>Authority</u> rejected the application, the rejection decision must be justified.</li> </ol>
Article 1-10	<p>Effective Control</p> <p>Those who wish to enter into arrangements or agreements that lead to <u>Effective Control</u> of the <u>Exchange</u> or <u>Clearing Agency</u> shall obtain the approval of the <u>Authority</u> before completion of such arrangements or agreements, according to the procedures stipulated in Article (1-10-1) of this Module.</p> <p>A <u>Person</u> who is complying with the provisions of Module Nine (Mergers and Acquisitions) of these <u>Bylaws</u> shall be excluded from the provision of this Article.</p>
Article 1-10-1	<p>The application to obtain the <u>Authority</u> approval of <u>Effective Control</u> of the <u>Exchange</u> or <u>Clearing Agency</u> shall be submitted according to the following procedures:</p>

	<p>1. The application shall be submitted in accordance with the form provided in Appendix (2) of this Module <b>along with payment of the prescribed fees</b> at least sixty (60) days prior to entering into the arrangements or agreements that lead to <u>Effective Control</u> of the <u>Exchange</u> or <u>Clearing Agency</u>. The period shall be calculated from the date of completing all required information or documents.</p> <p>2. The <u>Authority</u> shall decide on the application within a maximum period of sixty (60) days from the date of its submission after fulfilling any information or documents required by the <u>Authority</u>. The <u>Authority</u> grants its approval on the application after ensuring that any <u>Effective Control</u> on the <u>Licensed Person</u> or the acquisition of <u>Shares</u> or capital shares shall not affect controlling and supervising them or their compliance to the <u>Law</u> and these <u>Bylaws</u>, and <b>after payment of the prescribed fees</b>. In the case of the <u>Authority</u>'s refusal of the application, it must be reasoned.</p>
Article 1-11	Registered Persons
	Taking into consideration the provisions prescribed in this Module, the provisions of Chapter Two "Reviewing the Accounts of Licensed Persons, the Sharia Supervisory System for Licensed Persons to Operate in Accordance with Islamic Sharia" and Chapter Three "Registered Persons" of Module Five (Securities Activities and Registered Persons) of these <u>Bylaws</u> shall apply to the <u>Exchange</u> and <u>Clearing Agency</u> .
<b>Chapter 2</b> <b>Exchange</b>	
Article 2-1	Exchange Management
Article 2-1-1	<p>The <u>Exchange</u> runs a trading system designated to match Bid and Ask Offers for <u>Securities</u> that are listed on the <u>Exchange</u>. This system follows the procedures and rules set by the <u>Exchange</u> and approved by the <u>Authority</u>.</p> <p><u>Securities</u> that are listed in the <u>Exchange</u> shall not be traded outside this system. The <u>Exchange</u> may set provisions for certain transactions in the <u>Exchange</u>'s rules, after the <u>Authority</u>'s approval.</p>
Article 2-1-2	The conditions that are related to fit and proper rules <b>stipulated in Module Five (Securities Activities and Registered Persons) of these Bylaws</b> shall be fulfilled

	by each Member of the Board of Directors of the <u>Exchange</u> during his tenure as a member.
Article 2-1-3	<p>The <u>Exchange</u> shall be managed by a Board of Directors formed of a Chairman and a Vice Chairman, who shall replace the Chairman in case of the Chairman's absence, and six members who shall be elected and chosen by the general assembly of the company subject to the approval of the <u>Board</u>.</p> <p>The Chairman of the <u>Exchange</u>'s Board of Directors, or his authorized deputy, shall inform the Board of the names of candidates for the membership of the <u>Exchange</u>'s Board of Directors at least thirty days prior to the date of the company's general assembly meeting for election of the <u>Members of the Board of Directors</u>.</p> <p>Within fifteen days of being notified of such a nomination, the <u>Board</u> may object by a reasoned decision to any of such candidates for not fulfilling the required conditions. Such objection shall exclude the candidate from eligibility for membership of the Board of Directors. No candidate shall be nominated to the general assembly of the company if the <u>Board</u> has not been notified of that nominee, nor where an objection has been raised against a candidate as per the provisions of this Article.</p> <p>The <u>Board</u> may request the <u>Exchange</u>'s Board of Directors to displace any member who, during the tenure of his position, no longer meets any condition of those set out under the previous Article, or if such action is deemed appropriate to maintain the safety of investors' assets or is in the <u>Exchange</u>'s interest. In case of failure to displace this member, the <u>Board</u> may issue a reasoned decision to terminate them from their position and notate that order in the <u>Authority</u>'s records.</p>
Article 2-1-4	<p>The Chairman of the Board of the <u>Exchange</u> shall represent the <u>Exchange</u> before others and the courts, in addition to other competences stated in the <u>Company Contract</u>, and shall also execute the Board of Directors' decisions. The <u>Exchange</u> shall have a <u>Chief Executive Officer</u> or more appointed by the Board of Directors pursuant to the controls specified by the <u>Authority</u> and after its approval. The <u>Chief Executive Officer</u> is entitled to manage the <u>Exchange</u>, and the Board of Directors shall specify his remuneration and authorities. It is prohibited to conjoin the position of the Chairman of the Board of Directors with the position of the <u>Chief Executive Officer</u>.</p>

Article 2-1-5	The <u>Exchange</u> shall prepare appropriate policies and procedures to prevent <u>Members of the Board of Directors</u> from gaining access to the information of the clients and members of the <u>Exchange</u> , and to prevent any conflicts of interest amongst <u>Members of the Board of Directors</u> of the <u>Exchange</u> and those clients and members. The aforesaid policies and procedures shall be submitted to the <u>Authority</u> for approval.
Article 2-1-6	Employees of the <u>Exchange</u> are prohibited from participating as a <u>Member of the Board of Directors</u> or from accepting any position in a <u>Listed Company</u> or a <u>Licensed Person</u> or any related party.
Article 2-1-7	<p>Each employee and every <u>Member of the Board of Directors</u> of the <u>Exchange</u>, is obliged to disclose, as soon as being appointed, to the <u>Compliance Officer</u> of the <u>Exchange</u> the details of all <u>Shares</u> they own in the <u>Listed Companies</u> in the <u>Exchange</u>, including the ownership of their minor children under their custody, and any change that may occur to that ownership.</p> <p>The <u>Exchange</u> shall submit an annual report including the details of these disclosures to the <u>Authority</u>.</p>
Article 2-1-8	Each employee in the <u>Exchange</u> and every <u>Member of the Board of Directors</u> of the <u>Exchange</u> is obliged to keep the confidentiality of the data and inside information that they gain sight of, by virtue of their position or through their professional or personal relations, and they are not allowed to reveal such, or give advice on the basis thereof to another non-insider. They shall not sell, purchase or subscribe in listed <u>Securities</u> or those <u>Securities</u> that applied for listing unless under the circumstance and conditions stipulated in Article (2-1-9) of this Module.
Article 2-1-9	<p>Without violating the provisions of Article (2-1-8) of this Module, employees of the <u>Exchange</u> and their minor children under their custody are not allowed to purchase, sell, or subscribe in listed <u>Securities</u> or those <u>Securities</u> that applied for a <u>Listing Application</u>, unless in the following cases:</p> <ol style="list-style-type: none"> <li>1. Inheritance and will.</li> <li>2. Execution of a court judgment.</li> <li>3. <u>Public Offering</u> in companies allocated by the State, or offered from public entities and authorities, and subscribing to the <u>Pre-emptive Right</u> in increasing the companies' capital in which they own shares.</li> </ol>



	<p>4. Obtaining prior permission from the direct manager, the <u>Compliance Officer</u> and the <u>Chief Executive Officer</u> of the <u>Exchange</u> to sell or purchase the listed <u>Securities</u>. In the event of approval, selling or purchasing shall be completed within two <u>Business Days</u>. Any <u>Shares</u> purchased after such an approval may not be sold before six months after taking possession.</p> <p>The <u>Exchange</u> shall prepare a code of professional conduct for the <u>Members of the Board of Directors</u> of the <u>Exchange</u> which shall regulate the trading of the <u>Exchange's Member of the Board of Directors</u> in listed <u>Securities</u> and those <u>Securities</u> that applied for a <u>Listing Application</u> in the <u>Exchange</u>.</p>
Article 2-2	Regulatory Requirements
Article 2-2-1	<p>The <u>Exchange</u> shall abide by the following:</p> <ol style="list-style-type: none"> <li>1. Set policies and procedures to ensure the fairness, transparency and efficiency of trading in listed <u>Securities</u>.</li> <li>2. Ensure that management maintains proper awareness of the risks associated with its business and operations.</li> <li>3. Set policies and procedures to determine and manage any conflicts of interest between the <u>Exchange</u> and its members or among shareholders or management.</li> <li>4. Provide and operate its services in accordance with applicable laws and regulations.</li> <li>5. Organize its operations, standards of practice and its members' behaviour in accordance with the rules, policies and procedures of the <u>Exchange</u>.</li> <li>6. Set preventive measures to ensure the sound management of the technical operation of its systems, including the establishment of effective contingency arrangements to cope with the risks of system disruptions.</li> <li>7. Provide its services in accordance with the most advanced automated systems and techniques in line with the international standards approved and set by the <u>Authority</u>.</li> <li>8. Maintain sufficient financial resources to facilitate the performance of its business in a regulated form.</li> </ol>

	<p>9. Maintain the confidentiality of all information under its custody with respect to its members, <u>Issuers</u> and clients. It is not permissible to disclose such information except to the <u>Authority</u>, or by its order or by a judicial order. It shall set policies and procedures to protect the information systems.</p> <p>10. Follow the <u>Authority</u>'s instructions.</p>
Article 2-2-2	<p>After obtaining the approval of the <u>Authority</u>, the <u>Exchange</u> shall prepare, and ensure adherence to, policies and procedures to preserve the confidentiality of the information and data related to trading in <u>Securities</u> or related to the <u>Members of the Exchange</u> or the <u>Issuers</u>. Moreover, <u>Members of the Board of Directors</u> of the <u>Exchange</u> and any unauthorized employee are not allowed to review such data unless to do so is within the limits of those policies and procedures.</p>
Article 2-2-3	<p>The <u>Exchange</u> shall not enter into any outsourcing agreement relating to the delegation of any of its functions to another person without obtaining the <u>Authority</u>'s approval.</p>
Article 2-2-4	<p>Where an <u>Exchange</u>, because of the occurrence of any event or circumstances, is unable to operate any of its facilities or to provide any of its services within its regular working hours, it must immediately notify the <u>Authority</u> of that inability and provide further information as the <u>Authority</u> may require in that concern.</p>
Article 2-2-5	<p>The <u>Exchange</u> company shall inform the <u>Authority</u> immediately on the occurrence of any of the following matters:</p> <ol style="list-style-type: none"> <li>1. If it is found that one of its members cannot comply with any of the <u>Exchange</u>'s rules or its financial resources' regulations.</li> <li>2. If it deemed there is a financial irregularity or any other situation that may indicate inappropriateness of a member or his incapacity to fulfil his obligations.</li> <li>3. Any disciplinary action is taken against any member, operator, or his subordinates.</li> </ol>
Article 2-2-6	<p>The <u>Exchange</u> shall provide the <u>Authority</u> with any reports, data or information that may be required by the <u>Authority</u>.</p>

Article 2-2-7	The <u>Exchange</u> shall make public the prices, volume and time of the transactions executed in respect of listed <u>Securities</u> . The related information shall be available to the public at an appropriate financial charge.
Article 2-2-8	The <u>Exchange</u> shall not suspend, cancel or amend any sale or purchase transaction in a <u>Security</u> except in accordance with the rules and instructions set by the <u>Authority</u> .
Article 2-3	Rules and Regulations of an Exchange
Article 2-3-1	No rule issued by an <u>Exchange</u> , or any amendment thereof through withdrawal, replacement or change thereof or addition thereto, shall be valid unless approved by the <u>Authority</u> . The <u>Exchange</u> shall submit the reasons and objectives for proposing such a rule or amendment thereof and set out its impact; thereupon, the <u>Authority</u> may give its approval, disapproval or amendment and shall notify the <u>Exchange</u> of its decision within a period not exceeding three months of the date of notification of the proposal.
Article 2-3-2	<p>The <u>Exchange</u> shall prepare policies and procedures necessary to perform its activities after obtaining the <u>Authority</u>'s approval. Those policies and procedures shall in particular cover the following:</p> <ol style="list-style-type: none"> <li>1. Agreements concluded between the <u>Exchange</u> and <u>Members of the Exchange</u> or the <u>Clearing Agency</u>, <u>Market Maker</u> or <u>Issuers of Securities</u> admitted to trading in the <u>Exchange</u> including the acknowledgement of contractors with the <u>Exchange</u> and their adherence to the rules and procedures of the <u>Exchange</u>.</li> <li>2. Announcement of disclosures and the publishing of such information.</li> <li>3. Risk management.</li> <li>4. Complaints.</li> <li>5. Monitoring System.</li> <li>6. Disciplinary actions.</li> <li>7. Charges and fees.</li> <li>8. Code of professional conduct applicable to <u>Members of the Board of Directors</u> of the <u>Exchange</u> and its employees.</li> </ol>

Article 2-3-3	<p>The <u>Exchange</u> shall prepare rules for trading in <u>Securities</u> that are listed in the <u>Exchange</u> in order to ensure that they are traded in a fair, efficient and transparent manner, after obtaining the <u>Authority</u>'s approval thereof. The <u>Exchange</u> must have measures to verify that <u>Issuers</u> of <u>Securities</u> admitted to trading on the <u>Exchange</u> comply with their disclosure obligations under the <u>Law</u> and applicable regulations.</p> <p>The <u>Exchange</u> is obliged, periodically, to ensure that the <u>Securities</u> admitted to trading are in compliance with the <u>Exchange</u>'s requirements.</p>
Article 2-3-4	The <u>Exchange</u> must notify the <u>Authority</u> with any material <u>Violations</u> of its rules or regulations by <u>Members</u> of the <u>Exchange</u> or <u>Traders</u> . The <u>Exchange</u> must provide the <u>Authority</u> with any information required in this respect.
Article 2-3-5	The <u>Authority</u> may request from an <u>Exchange</u> to prepare policies and procedures or specific rules or regulations within its scope of activities, or to amend it within a certain period. If the <u>Exchange</u> fails to abide by or to meet such a request within the specified period, the <u>Authority</u> may undertake such preparation or amendment on behalf of the <u>Exchange</u> at the expense of the latter.
Article 2-3-6	<u>Issuers</u> of the <u>Securities</u> that are listed in the <u>Exchange</u> and <u>Members</u> of the <u>Exchange</u> shall adhere to the <u>Exchange</u> 's rules and regulations.
Article 2-3-7	The <u>Exchange</u> shall set, within its rules, the terms and conditions necessary for its membership, in addition to its members' obligations and rights, after obtaining the <u>Authority</u> 's approval. The <u>Exchange</u> may also divide its membership into categories, in which certain conditions, rights or obligations will be applicable for each category of members. The <u>Exchange</u> shall ensure the compliance of its members with the provisions included within its rules.
Article 2-4	Violation's Committee
Article 2-4-1	<p>The <u>Exchange</u> shall form a committee consisting of at least three members specializing in examining the <u>Violations</u> committed by a <u>Member of the Exchange</u>, and it shall be headed by a judge delegated by the Judicial Council. The other members shall be nominated by the <u>Exchange</u>, and they shall not be from its employees or members of its Board of Directors or those related to it, and they shall be approved by the <u>Authority</u>. The members shall be experienced in financial, economic and legal affairs and not related to the <u>Exchange</u>.</p>

	The <u>Exchange</u> shall determine their rewards and the procedures of disbursing them. Membership term shall be three renewable years, and its secretariat shall be an employee of the <u>Exchange</u> .
Article 2-4-2	Each member of the Violations Committee is prohibited from having a direct or indirect interest, during his tenure, with any of the <u>Exchange's Members</u> .
Article 2-4-3	The secretariat of the Violations Committee shall be responsible for receiving the notifications concerning the <u>Violations</u> referred from the <u>Authority</u> or the <u>Exchange</u> as the case may be and shall submit them to the committee's chairman as well as notifying the stakeholders with the dates of the sessions and undertaking such other tasks as the committee chairman shall assign to the secretariat.
Article 2-4-4	The Violations Committee chairman may order an investigation to be conducted before submitting the <u>Violation</u> to the committee. Investigations shall be conducted either by the <u>Exchange</u> or by a committee formed by the committee chairman for that purpose for the <u>Violations</u> committed by the <u>Exchange</u> . The investigating entity shall submit its opinion to the committee chairman by submitting a memorandum including a detailed statement of the investigation procedures, summary of incidents of the <u>Violation</u> , proofs, evidence and recommendations. The committee may decide to dismiss the investigation.
Article 2-4-5	The secretariat of the Violations Committee shall notify the <b>person referred to the Violations Committee</b> with the date set by the committee to consider the alleged <u>Violation</u> and its content. Notification shall be at least three <u>Business Days</u> before the specified date. Notice procedures stipulated in Chapter Four of Module Three (Enforcement of the Law) of these <u>Bylaws</u> shall be followed. Notice shall be made in writing by the secretariat or through the electronic means of communication.
Article 2-4-6	The secretariat of the Violations Committee shall enable the person referred <b>to</b> the committee or their attorney to review all papers related to the <u>Violation</u> and shall provide them with a copy of the papers after the payment of the prescribed fees.
Article 2-4-7	The committee shall place before the person referred to the committee the alleged <u>Violation</u> and the relevant evidence in order to enable the alleged violator to defend himself in person or by appointed attorney.

Article 2-4-8	The committee shall hear the testimony of any person or consider his expertise by virtue of a decision it issues or a request from the person referred to the committee or his agent.
Article 2-4-9	The absence of the person referred to the Violations Committee, whose notification of the date was affirmed, shall not prevent the committee from considering the <u>Violation</u> and issuing a decision thereon.
Article 2-4-10	<p>This committee considers all <u>Violations</u> alleged to have been committed by any of the <u>Exchange Members</u>. The committee may impose the following penalties:</p> <ol style="list-style-type: none"> <li>1. Caution the <u>Violator</u> to discontinue committing the <u>Violation</u>.</li> <li>2. Issue a warning.</li> <li>3. Subject the <u>Violator</u> to further supervision.</li> <li>4. Suspend the <u>Violator</u> from working or practicing the profession for a period not exceeding one year.</li> <li>5. Impose restrictions on the <u>Violator</u>'s activity or activities.</li> <li>6. Suspend the trading of a <u>Security</u> for a specific period in the interest of the market.</li> </ol> <p>In all cases, the committee may cancel transactions related to the <u>Violation</u> and the consequences thereof.</p>
Article 2-4-11	The secretariat of the Violations Committee shall notify the secretary of the <u>Disciplinary Board</u> on each <u>Violation</u> that is referred to the committee, setting out the parties and the nature and reason of the <u>Violation</u> .
Article 2-4-12	<p>The secretariat shall inform the <u>Authority</u> and the <u>Exchange</u> of all the decisions issued by the committee against any of the <u>Members of the Exchange</u>, details of the <u>Violation</u> committed, and the procedures taken, and the penalty imposed immediately after their issuance. The <u>Authority</u> shall be provided with all documents related to the subject within three <u>Business Days</u> from the date of issuing the decision.</p> <p>The management of the <u>Exchange</u> shall inform the <u>Authority</u> of any action taken against any of its violating Members and the details of the <u>Violation</u> committed immediately after taking it. The <u>Authority</u> shall be provided with all</p>

	<p>documents related to the subject within three <u>Business Days</u> from the date of taking the action.</p> <p>The <u>Authority</u> may, by virtue of a decision it issues or based on a grievance filed by a complainant within fifteen days of his receipt in writing of the notification of the decision, refer the subject to the <u>Disciplinary Board</u> to review the disciplinary action in accordance with its accredited review system. The <u>Disciplinary Board</u> may uphold the decision of the <u>Exchange</u> or the committee, or amend, or cancel the same by a reasoned decision.</p>
<b>Chapter 3</b> <u>Clearing Agency</u>	
Article 3-1	Establishing and Licensing a Clearing Agency
Article 3-1-1	<p>The <u>Authority</u> may license a <u>Clearing Agency</u> to undertake one or more of the following activities or services:</p> <ol style="list-style-type: none"> <li>1. Providing one or all of the services related to settlements or clearing of <u>Securities</u> <b>as part of the <u>Securities Settlement System</u>.</b></li> <li>2. <b>The service of</b> safekeeping of <u>Securities</u> within a <b><u>Central Securities Depository</u></b>, transferring their ownership and registering the transactions related thereto including selling, purchasing, transfer of ownership, pledge, dividends distribution and other transactions.</li> <li>3. <b><u>Central Counterparty</u> service.</b></li> <li>4. <b>The service of <u>Central Counterparty for Derivatives Market</u>.</b></li> <li>5. <b>Establish, own, and manage companies whose purpose is to practice any of the <u>Clearing Agency</u>'s activities.</b></li> <li>6. Any other services set by the <u>Authority</u>.</li> </ol>
Article 3-1-2	<p>In the event that a <u>Clearing Agency</u> is licensed for more than one of the activities set out in Article (3-1-1) of this Module, <b>it shall practice such activities through companies with independent financial liability licensed by the <u>Authority</u>. A <u>Clearing House</u> is exempt from providing each of the settlement and clearing service, <u>Central Counterparty</u> service, and the service of <u>Central Counterparty for Derivatives Market</u> which can be practiced through a single entity.</b></p>

Article 3-1-3	<p>In the event of combining the service of <u>Central Counterparty</u> and service of <u>Central Counterparty for Derivatives Market</u> into one company with independent financial liability, the <u>Licensed Person</u> shall separate all operations of those services through various departments and prepare a separate policies and procedures manual for each one of them in accordance with the service provided. This manual shall include, in particular, preventative policies and procedures to prevent the leakage of information between those departments according to the services that will be provided.</p> <p>The <u>Authority</u> may request the <u>Clearing Agency</u> to provide such services through companies with independent financial liability that are licensed by the <u>Authority</u>.</p>
Article 3-1-4	<p>The <u>Authority</u> shall grant the <u>Clearing Agency</u> a license after ensuring that the cases described below shall not hinder the oversight and supervision of the <u>Clearing Agency</u> or lead to its non-compliance with the <u>Law</u> and these <u>Bylaws</u>. These cases include the following:</p> <ol style="list-style-type: none"> <li>1. The existence of any relation between the <u>Clearing Agency</u> and any <u>Related Party</u>.</li> <li>2. Any <u>Person</u> that has a direct ownership up to 20% or more of the <u>Clearing Agency</u>.</li> <li>3. The presence of a shareholder with a right to vote on up to 20% or more of the <u>Clearing Agency</u>.</li> </ol>
Article 3-1-5	<p>A <u>Clearing Agency</u> license may be granted only after the fulfilment of the following conditions:</p> <ol style="list-style-type: none"> <li>1. All the requirements and conditions set out in Appendix No. (3) of this Module.</li> <li>2. Provision of guarantees set by the <u>Authority</u>.</li> <li>3. Intention to provide one or more of the services referred to in Article (3-1-1) of this Module.</li> <li>4. Provide the <u>Authority</u> with a list of the <u>Major Shareholders</u> whose direct and indirect ownerships exceed 5% of the paid-up capital and specify the beneficial owner of the <u>Shares</u> and its total owned <u>Shares</u>.</li> <li>5. Any other conditions set by the <u>Authority</u>.</li> </ol>



Article 3-2	Clearing Agency Management Requirements
Article 3-2-1	<p>The conditions that are related to fit and proper rules <b>stipulated in Module Five (Securities Activities and Registered Persons) of these Bylaws</b> shall be fulfilled by each <u>Member of the Board of Directors</u> of the <u>Clearing Agency</u> during his tenure as a member.</p> <p><b>Without prejudice to the provisions of Article (2-2) and Article (2-3) of Module Fifteen (Corporate Governance) of these Bylaws, the percentage of independent members shall be one-third at least and not less than two independent members.</b></p>
Article 3-2-2	<p>The <u>Clearing Agency</u> shall prepare appropriate policies and procedures to prevent the <u>Members of the Board of Directors</u> from gaining access to information of the <u>Clients</u> and the <u>Clearing Agency Members</u>, and to prevent conflicts of interest amongst the <u>Members of the Board of Directors</u> of the <u>Clearing Agency</u> and those <u>Clients</u> and members.</p> <p>In the event that the <u>Clearing Agency</u> is a <u>Subsidiary Company</u> of any other entity, the <u>Clearing Agency</u> shall prepare the aforesaid policies and procedures, taking into account any circumstances that may lead to cases of conflicts of interest arising as a result of the legal and organizational structure and the commercial activities of another entity related to the <u>Clearing Agency</u>. It shall include the following as a minimum:</p> <ol style="list-style-type: none"> <li>1. Identifying the circumstances which constitute or may constitute a conflict of interest resulting in harm to the interests of one or more <u>Member of the Clearing Agency</u> or their <u>Clients</u>.</li> <li>2. Defining procedures that must be followed and measures to be taken in order to manage cases of conflicts of interest.</li> </ol> <p>The <u>Clearing Agency</u> shall submit the policies of conflicts of interest to the <u>Authority</u> for approval.</p>
Article 3-2-3	<p>Employees of a <u>Clearing Agency</u> are prohibited from participating as <u>Member of the Board of Directors</u> or from accepting any position in a <u>Listed Company</u> or a <u>Licensed Person</u> or any related party.</p> <p>An exception is made from the provisions of the previous paragraph if the employees of the <u>Clearing Agency</u> are <u>Members of the Board of Directors</u> of a</p>

	<p><u>Subsidiary Company</u> of the <u>Clearing Agency</u>, provided that the <u>Subsidiary Company</u> is licensed to practice any of the <u>Clearing Agency</u>'s activities.</p>
Article 3-2-4	<p>Each employee and every <u>Member of the Board of Directors</u> of a <u>Clearing Agency</u>, is obliged to disclose, as soon as being appointed, to the <u>Compliance Officer</u> of the <u>Clearing Agency</u> the details of all <u>Shares</u> they own in the <u>Listed Companies</u>, including the ownerships of their minor children under their custody and any change that may occur to that ownership.</p> <p>The <u>Clearing Agency</u> shall submit an annual report including the details of these disclosures to the <u>Authority</u>.</p>
Article 3-2-5	<p>Each employee in a <u>Clearing Agency</u> and every <u>Member of the Board of Directors</u> of a <u>Clearing Agency</u> is obliged to keep the confidentiality of the data and inside information that they gain sight of by virtue of their position or through their professional or personal relations, and they are not allowed to reveal such, or give advice on the basis thereof to another non-insider. They shall not sell, purchase or subscribe in listed <u>Securities</u> or those <u>Securities</u> that are under a <u>Listing Application</u> unless under the circumstance and conditions stipulated in Article (3-2-6) of this Module.</p>
Article 3-2-6	<p>Without prejudice to the provisions of Article (3-2-5) of this Module, employees of a <u>Clearing Agency</u> and their minor children under their custody are not allowed to purchase or sell listed <u>Securities</u> or those <u>Securities</u> that applied for a <u>Listing Application</u>, except in the following cases:</p> <ol style="list-style-type: none"> <li>1. Inheritance and will.</li> <li>2. Execution of a court judgment.</li> <li>3. <u>Public Offering</u> in companies allocated by the State, or offered from public entities and authorities, and subscribing to the <u>Pre-emptive Right</u> in increasing the companies' capital in which they own <u>Shares</u>.</li> <li>4. Obtaining prior permission from the direct manager, the <u>Compliance Officer</u> and the <u>Chief Executive Officer</u> of the <u>Clearing Agency</u> to sell or purchase the listed <u>Securities</u>. In the event of approval, selling or purchasing shall be completed within two <u>Business Days</u>. Any <u>Shares</u> purchased after such an approval may not be sold before six months after taking possession.</li> </ol> <p>The <u>Clearing Agency</u> shall prepare a code of professional conduct for the <u>Members of the Board of Directors</u> of the <u>Clearing Agency</u> which shall regulate</p>

	the trading of the <u>Clearing Agency's Member of the Board of Directors</u> in listed <u>Securities</u> and those <u>Securities</u> that applied for a <u>Listing Application</u> in the <u>Exchange</u> .
Article 3-2-7	The remunerations of the independent members and the other non-executive members of the Board of Directors shall not be linked to the performance of the <u>Clearing Agency</u> .
Article 3-3	Regulatory Requirements
Article 3-3-1	<p>A <u>Clearing Agency</u> shall abide by the following obligations:</p> <ol style="list-style-type: none"> <li>1. Arrange for fair and effective clearing and settlement in relation to any commercial transactions in <u>Securities</u>.</li> <li>2. Manage risks associated with its activity and operations at the highest levels of professionalism.</li> <li>3. Prioritize the public interest and that of those who deal with the company above the company's own interests.</li> <li>4. Manage its services according to the related rules approved by the <u>Authority</u>.</li> <li>5. Maintain confidentiality of all information and data under its possession, except what is required by the <u>Authority</u> or the judicial authorities.</li> <li>6. Provide its services with the most advanced technology and automated systems in line with the international standards adopted by the <u>Authority</u> or as requested or decided by the <u>Authority</u>.</li> <li>7. In the event of a <u>Clearing House</u>, the requirements stipulated in Article (3-5) of this Module shall be complied with.</li> <li>8. In the event of <u>Central Securities Depository</u>, the requirements stipulated in Article (3-6) of this Module shall be complied with.</li> </ol>
Article 3-3-2	<p>The <u>Clearing Agency</u> shall not disclose confidential information regarding the services it is providing except to the following <u>Persons</u>:</p> <ol style="list-style-type: none"> <li>1. The account holder or their authorized representative in respect of his account information.</li> <li>2. The <u>Authority</u>.</li> </ol>

	<p>3. Judicial authorities of the State of Kuwait, or to any <u>Person</u> based upon a judicial order.</p> <p>4. Governmental authorities and departments concerned in enforcing the laws and systems of anti-money laundering and combating terrorism financing or anti-corruption.</p> <p>5. The <u>Exchange</u> or another <u>Clearing Agency</u> in order to fulfil its obligations pursuant to agreements concluded with such an <u>Exchange</u> or <u>Clearing Agency</u> subject to the <u>Authority</u>'s approval.</p> <p>6. If the disclosure of this information is necessary to comply with the applicable laws and regulations.</p>
Article 3-3-3	Outsourcing
	The <u>Clearing Agency</u> shall not enter into any outsourcing agreement relating to the delegation of any of its <b>operating services or activities</b> to another <u>Person</u> <b>as a service provider</b> without obtaining the <u>Authority</u> 's approval.
Article 3-3-3-1	At all cases, the <u>Clearing Agency</u> shall not enter into outsourcing agreement to carry out any of the risk management tasks or whereby to transfer the exclusive rights of the <u>Clearing Agency</u> 's data to the service provider.
Article 3-3-3-2	<p>In the event that the <u>Clearing Agency</u> outsources any of its operating services or activities, it remains fully responsible to meet all obligations pursuant to the <u>Law</u> and these <u>Bylaws</u>, and it shall ensure the following at all cases:</p> <ol style="list-style-type: none"> <li>1. Outsourcing will not lead to a delegation of its responsibility as a <u>Clearing Agency</u>.</li> <li>2. Shall not affect the <u>Clearing Agency</u>'s relation and obligations toward its members.</li> <li>3. Will not lead to its <u>Violation</u> of any of its licensed terms and conditions.</li> <li>4. Outsourcing will not obstruct the ability of the <u>Authority</u> to practice any of its supervisory and regulatory tasks.</li> <li>5. It shall not lead to the <u>Clearing Agency</u>'s prevention of the necessary systems and controls for its risk management.</li> </ol>

	<p>6. The service provider shall implement the requirements of business continuity as requested by the <u>Clearing Agency</u> pursuant to the <u>Law</u> and these <u>Bylaws</u>.</p> <p>7. The <u>Clearing Agency</u> maintains the necessary expertise and resources to assess the quality of the services, regulatory efficiency, and capital adequacy of the service provider, supervises the functions, services, or activities assigned to the service provider efficiently, and manages and follows-up the risks associated with it continuously.</p> <p>8. The <u>Clearing Agency</u> has a direct access to relevant information related of the outsourced functions.</p> <p>9. The assigned service provider cooperates with the <u>Authority</u> with regards to his assigned activities.</p> <p>10. The assigned service provider protects any confidential information related to the activities of the <u>Clearing Agency</u> and its members and <u>Clients</u>.</p>
Article 3-3-3-3	<p>The <u>Clearing Agency</u> shall clearly allocate and determine its rights and obligations and the rights and obligations of the assigned service provider in a written agreement. The agreement shall include the following aspects as an example:</p> <ol style="list-style-type: none"> <li>1. Detailed description of the outsourced service and service provider's services.</li> <li>2. Mutual responsibilities, rights, and duties, which include data ownership rights, and in particular the rights of the <u>Clearing Agency</u> of inspection, instructions, and supervision.</li> <li>3. Security measures that should be met by the service provider.</li> <li>4. The service provider's compliance with the confidentiality and privacy requirements of the <u>Clearing Agency</u>'s data.</li> </ol>
Article 3-3-3-4	<p>The <u>Clearing Agency</u> and the assigned service provider shall provide all the necessary information upon the <u>Authority</u>'s request to enable it to assess its compliance with the requirements of the <u>Law</u> and these <u>Bylaws</u>.</p>
Article 3-3-4	<p>Business Continuity</p>

Article 3-3-4-1	<p>Without prejudice to the provisions of Chapter Six “Business continuity” of Module six (Policies &amp; Procedures of Licensed Persons) of these <u>Bylaws</u>, the <u>Clearing Agency</u> shall set in place plans and procedures for business continuity to ensure its ability to maintain or restore its operations in the nearest time upon the occurrence of disorders and disasters. Such measures shall be documented and tested at least annually, and they shall include the following in particular:</p> <ol style="list-style-type: none"> <li>1. Tasks, responsibilities, and authorities of the organizational units of the <u>Clearing Agency</u> and their business continuity plan.</li> <li>2. Business impact analysis.</li> <li>3. Disaster strategy and recovery plan.</li> <li>4. Reporting, communication and training tasks.</li> </ol>
Article 3-3-4-2	<p>The <u>Clearing Agency</u> shall prepare an annual report to analyse the business impact which shall determine the objectives of the points and the time for recovery of vital processes to operate the <u>Clearing Agency</u>. The report shall be available upon the <u>Authority</u>’s request without delay.</p>
Article 3-3-4-3	<p>Where a <u>Clearing Agency</u>, because of the occurrence of any event or circumstances, is unable to operate any of its facilities or to provide any of its services within its regular working hours, it must immediately notify the <u>Authority</u> of that inability and to provide further information as the <u>Authority</u> may require in that concern.</p>
Article 3-3-4-4	<p>The <u>Authority</u> may issue instructions to the <u>Clearing Agency</u> to ensure fair, orderly and appropriate settlement of <u>Securities</u> transactions and to maintain the integrity and soundness of comprehensive risk management in <u>Securities</u> markets. The <u>Authority</u> may, in particular, issue instructions concerning the settlement of <u>Securities</u> contracts, and make amendments to the contractual obligations that may arise from the <u>Securities</u> contracts or any other matters deemed necessary by the <u>Authority</u> to implement the provisions of the <u>Law</u>.</p>
Article 3-4	<p>Rules and Regulations of a Clearing Agency</p>
Article 3-4-1	<p>The <u>Authority</u> shall require a <u>Clearing Agency</u> to prepare the rules and regulations related to the operations of clearing, settlement and registration of <u>Securities</u> and other activities that relate to the <u>Clearing Agency</u>’s business, or to amend the same within a certain period. If the <u>Clearing Agency</u> does not</p>

	<p>comply with the requirements within the specific period, the <u>Authority</u> may prepare or amend the said rules on behalf of the <u>Clearing Agency</u> and its expenses shall be reimbursed by the <u>Clearing Agency</u>.</p>
Article 3-4-2	<p>The <u>Clearing Agency</u> shall prepare rules <b>and regulations</b> necessary to perform its activities <b>and conduct any amendments thereon according to the activity or service it is providing</b>, after obtaining the <u>Authority</u>'s approval. Those rules and regulations shall in particular cover the following:</p> <ol style="list-style-type: none"> <li>1. Providing services of clearing and settlement related to <u>Securities</u>, <b>and they shall include the obligations related to delivering the <u>Securities</u> and the procedures that facilitate settlement of <u>Securities</u> and <u>Financial Derivatives</u>' transactions in the <u>Exchange</u> on the specified settlement date, and they shall limit the traders' exposure to the counterparty and liquidity risks. Such procedures shall include additional procedures to prevent the settlement default or any other related services.</b></li> <li>2. Providing services of <u>Central Counterparty</u> and any other related services.</li> <li>3. Providing <u>Securities</u> depository services, which include the services of general assemblies that include the services of the general assemblies held through the <u>Electronic System of Participation</u>, and any related services.</li> <li>4. Becoming a member of a <u>Clearing Agency</u> and the obligations of its members, in addition to cancelling or suspending the membership.</li> <li>5. Monitoring system.</li> <li>6. Specifications of the rights and obligations of parties to <u>Securities</u> transactions in respect of providing <u>Clearing Agency</u>'s services or any other related services.</li> <li>7. Information, data and records that the <u>Clearing Agency</u> must disclose, and those to which the public may have access and obtain copies thereof.</li> <li>8. Information, data and records which are considered confidential, and the <u>Persons</u> authorised to access the same due to the nature of their work.</li> <li>9. Determination of the time at which the rights of the creditors of parties to a <u>Securities</u> transactions arise, including the rights pertaining to the cash return or its equivalent and the relevant <u>Securities</u> as a result of sales, purchases or ownership transfer operations. <b>This should be without prejudice to the provision of Article (3-6-6) of this Module, and the provisions of Articles (8-</b></li> </ol>

	<p>1), (10-1), and (10-1-1) of Module Eleven (Dealing in Securities) of these <u>Bylaws</u>.</p> <p>10. <b>Services</b>, fees, commissions, charges, and expenses.</p> <p>11. Code of professional conduct applicable to the <u>Clearing Agency's Members of the Board of Directors</u> and its employees.</p> <p>12. Dealing with the complaints of the <u>Clearing Agency Members</u> and <u>Clients</u>.</p> <p>13. Rules and procedures of risk management relevant to the transactions of <u>Central Counterparty</u> and <u>Central Counterparty for Derivatives Market</u> members, particularly the requirements of financial guarantees.</p> <p>14. Procedures to be followed in the event that any person dealing with a <u>Clearing Agency</u> fails to deliver <u>Securities</u> or funds for the purposes of settling a transaction or other obligations within the clearing system.</p> <p>15. Any other rules <b>and regulations</b> specified by the <u>Authority</u>.</p> <p>The <u>Clearing Agency</u> shall prepare the policies and procedures required for implementing the matters included in the rules referred to in the first paragraph. The <u>Authority</u> may require the <u>Clearing Agency</u> to obtain the <u>Authority's</u> prior approval on the policies and/or procedures as it deems appropriate. In all events, the <u>Clearing Agency</u> shall submit all the policies and procedures to the <u>Authority</u>.</p> <p>The <u>Authority</u> may exempt the <u>Clearing Agency</u> from some of the requirements or impose additional requirements according to the nature of the activity licensed to the <u>Clearing Agency</u>.</p>
Article 3-4-3	<p>No rule issued by a <u>Clearing Agency</u> nor amendments thereof, either by withdrawal, replacement or change, or addition thereof, shall be valid and effective unless accredited by the <u>Authority</u>. The <u>Clearing Agency</u> shall submit the reasons and objectives for proposing such a rule or amendment and set out its impact; thereupon, the <u>Authority</u> may give its approval, disapproval or amendment thereof and shall notify the <u>Clearing Agency</u> in writing of its decision within at latest one week of date of its decision.</p>
Article 3-4-4	<p>The <u>Clearing Agency</u> shall, where practical and available, use the system of the <u>Central Bank</u> for the settlement and clearing of the cash side of transactions in accordance with the conditions and policies set by the <u>Central Bank</u>. In the</p>



	event of not using the system of the <u>Central Bank</u> , the necessary steps and procedures to limit the cash settlement risks must be taken.
Article 3-4-5	All, <u>Issuers of Securities</u> that were admitted to trading on an <u>Exchange</u> and <u>Clearing Agency Members</u> shall comply with the <u>Clearing Agency's</u> rules once they are approved by the <u>Authority</u> and have come into effect.
Article 3-4-6	<p>The <u>Clearing Agency</u> shall have adequate resources for effective monitoring and enforcement of compliance with such rules. In the event that one of the traders does not comply with the clearing rules, the <u>Clearing Agency</u> may bind that trader to pay the fees resulting from his incompliance. The <u>Clearing Agency</u> should prepare a table setting out the stipulated fees regarding incompliance to the rules. The <u>Authority</u> shall approve the table or any amendment to it before it may be enforced.</p> <p>The <u>Clearing Agency</u> shall notify the <u>Authority</u> immediately upon the imposition of any fees under this Article, in addition to notifying the <u>Authority</u> about the incompliance incident related to those fees.</p>
Article 3-4-7	The <u>Clearing Agency</u> shall notify the <u>Authority</u> immediately of any case that leads to the occurrence of <u>Systemic Risks Expected to Occur in Securities Activities</u> .
Article 3-4-8	The <u>Clearing Agency</u> shall publish all rules, regulations, policies, procedures, fees, and commissions that it issues with respect to the method of dealing with its members and users of its services through its website.
Article 3-5	<p>Detailed Requirements for the <u>Clearing House</u></p> <p>The provisions of sub-articles of this Article shall apply to the <u>Clearing House</u>.</p>
Article 3-5-1	<p>The rules and regulations of the <u>Clearing House</u>, in addition to the requirements stipulated in Article (3-4) of this Module, shall include the following:</p> <ol style="list-style-type: none"> <li>1. <u>Default Fund</u>.</li> <li>2. Default management.</li> <li>3. Transfer of contractual positions and liabilities, netting and set-off.</li> <li>4. Membership types, which include the legal, organizational, and technical and risk management arrangements regarding <u>Clearing Members</u>.</li> </ol>

Article 3-5-2	<p>Novation</p> <p>The <u>Clearing Members</u> that clear transactions on behalf of their <u>Clients</u> shall have the necessary financial resources and operational capacity to perform this activity. The <u>Clearing House</u> shall set the conditions and criteria required for the financial resources and operational capacity in its rules and regulations pursuant to article (3-4) of this Module.</p> <p>The <u>Clearing House</u> shall deal with the <u>Clearing Member</u> as the principal for the settlement of all the obligations determined in the rules of the <u>Clearing House</u>, and his obligations towards the <u>Clearing House</u> remain effective and binding.</p>
Article 3-5-3	<p>Segregation of Funds, Assets, and Positions</p> <p>Without prejudice to the duties of the <u>Clearing Member</u> in his capacity as a <u>Licensed Person</u> stipulated in Module Seven (Clients' Funds and Clients' Assets) of these <u>Bylaws</u>, the <u>Clearing House</u> shall maintain segregated records and accounts to determine the following:</p> <ol style="list-style-type: none"> <li>1. Its own funds, assets, and positions from the funds, assets, and positions of its members.</li> <li>2. The funds, assets, and positions held for the account of one <u>Clearing Member</u> from the funds, assets, and positions held for the account of any other <u>Clearing Member</u>.</li> </ol> <p>The <u>Clearing House</u> shall maintain segregated records and accounts to enable each <u>Clearing Member</u> to perform the following:</p> <ol style="list-style-type: none"> <li>1. Distinguish between the funds, assets, and positions of the <u>Clearing Member</u> and those reserved for the accounts of his <u>Clients</u> (omnibus client segregation).</li> <li>2. Distinguish between the funds, assets, and positions held for the <u>Client's</u> account and those held for the accounts of the other <u>Clients</u> (individual client segregation).</li> </ol>
Article 3-5-4	Portability of Funds, Assets, and Positions

	<p>In the event of a <u>Clearing Member Default Event</u>, the <u>Clearing House</u> shall set the rules and regulations that ensure the transfer of funds, assets, and positions held by the defaulted <u>Clearing Member</u> on behalf of its <u>Clients</u> to another <u>Clearing Member</u>.</p> <p>In the event that the transfer of funds, assets, and positions was not performed during the specified periods by the <u>Clearing House</u>, the <u>Clearing House</u> may take all measures in accordance with its rules and regulations to ensure the transfer of the funds, assets, and positions of the <u>Clients</u>' accounts with the defaulted <u>Clearing Member</u> to another <u>Clearing Member</u>.</p>
Article 3-5-5	<p>Risk Management</p> <p>Further to the requirements stipulated in Chapter Four (Risk Management) of Module Six (Policies &amp; Procedures of Licensed Persons) of these <u>Bylaws</u>, the <u>Clearing House</u> shall have in place a system to determine, assess, manage, and monitor the risks, with respect to the following in particular:</p> <ol style="list-style-type: none"> <li>1. Legal risks.</li> <li>2. Settlement risks.</li> <li>3. Any other relevant risks.</li> </ol> <p>The <u>Clearing House</u> shall have in place rules that require the <u>Clearing Members</u> to have systems that ensure business continuity and limit the risks arising from themselves and from the <u>Clearing House</u>.</p> <p>The <u>Clearing House</u> shall ensure the existence of effective procedures and systems for internal control which include compliance with the legal and internal business rules and regulations.</p>
Article 3-5-6	<p>Risk Management Procedures</p> <p>The <u>Clearing House</u> shall monitor the <u>Clearing Members Default Events</u>, and shall establish the necessary procedures to address them and periodically test those procedures and have appropriate arrangements in place to respond to the <u>Clearing Members Default Events</u>.</p> <p>The risk management models shall be subjected to frequent stress tests by the <u>Clearing House</u> to assess their resilience in different market conditions and shall perform back tests to assess the adopted methodology. The <u>Clearing</u></p>

	<p><u>House</u> shall notify the <u>Authority</u> of these tests' results and obtain the <u>Authority's</u> approval prior to adopting any material change in the approved models and parameters.</p> <p>The <u>Clearing House</u> shall review the approved models and parameters to calculate the margin requirements, <u>Default Fund</u> contributions, collateral requirements, and other risk control mechanisms related to <u>Clearing Members Default Events</u>. Such revision shall be performed regularly, and at least quarterly.</p>
Article 3-5-7	Risk Advisory Committee
Article 3-5-7-1	<p>The <u>Clearing House</u> must establish a Risk Advisory Committee of no less than three members and whose representatives shall consist of:</p> <ol style="list-style-type: none"> <li>1. <u>Clearing Members</u>.</li> <li>2. Independent <u>Members of the Board of Directors</u>.</li> </ol> <p>The majority of the committee shall be non-executive members, and it shall be chaired by a member of competent knowledge and practical experience, and is fully independent from the executive management of the <u>Clearing House</u>. The Risk Advisory Committee shall take its decisions independently without any influence of the management of the <u>Clearing House</u>.</p> <p>The Risk Advisory Committee may invite the employees of the <u>Clearing House</u> and external independent experts to attend the meetings of the committee, without having voting right. The <u>Authority</u> may request to attend the meetings of the Risk Advisory Committee, and its representative may not have voting rights, and it shall be informed of the activities and decisions of the Risk Advisory Committee.</p> <p>The advice of the Risk Advisory Committee shall be independent of any direct influence of the <u>Members of the Board of Directors</u> of the <u>Clearing House</u>.</p>
Article 3-5-7-2	<p>The <u>Clearing House</u> shall clearly determine the delegation mechanism, governance arrangements to ensure its independency, operational procedures, approval criteria, and the mechanism of electing the members of the Risk Committee, the membership terms of the committee's members, and its business model.</p>

Article 3-5-7-3	<p>The Risk Advisory Committee shall provide advice to the Board of Directors regarding all matters that may affect risk management at the <u>Clearing House</u>, such as significant or material changes to its risk forms, procedures for addressing defaults, <u>Clearing Members</u> acceptance criteria, clearing through new categories of financial instruments, or outsourcing.</p> <p>In case of emergencies, the necessary due care and effort shall be made for discussion with the Risk Advisory Committee regarding the updates that may affect risk management at the <u>Clearing House</u>.</p>
Article 3-5-7-4	<p>The <u>Clearing House</u> and members of the Risk Committee shall maintain the committee's meetings confidentiality, the discussed matters, and the decisions taken or provided recommendations, and it is prohibited to disclose information related to the aforementioned unless in the circumstances determined by law or based on the <u>Authority</u>'s approval.</p>
Article 3-5-7-5	<p>In the event that one or some of the committee's members has conflict of interest regarding an issue brought before the committee, such member shall not attend the committee's meeting or discuss an issue brought before the committee. At all cases, the member must disclose to the committee any case of conflict of interest.</p>
Article 3-5-7-6	<p>The <u>Clearing House</u> shall immediately notify the <u>Authority</u> in writing of any decision where its Board of Directors decides not to take the advice of the Risk Committee.</p>
Article 3-5-8	<p>Margins</p> <p>The <u>Clearing House</u> shall impose and collect the margins -according to the approved methodology- to limit the credit exposure to the <u>Clearing Members</u> against the transactions that are settled or will be settled through the <u>Clearing House</u>. These margins shall be adequate to cover all potential exposures estimated by the <u>Clearing House</u>.</p> <p>The <u>Clearing House</u> shall call and collect the margins as follows:</p> <ol style="list-style-type: none"> <li>1. Within the period predetermined by the <u>Clearing House</u> in its rules and regulations.</li> <li>2. In a method that ensures the sufficiency of the margins to cover all the risks resulted from the positions registered in each segregated account pursuant to Article (3-5-3) of this Module, in segregated records and accounts to</li> </ol>

	distinguish between the assets and positions held for the account of one <u>Clearing Member</u> from the assets and positions held for the account of the other <u>Clearing Members</u> .
Article 3-5-9	<p>Collateral</p> <p>The <u>Clearing House</u> shall accept highly liquid collateral with minimal credit and market risks from the <u>Clearing Members</u> to cover its the initial and ongoing exposures, taking into account the concentration risk on collateral assets.</p> <p>The <u>Clearing House</u> shall determine the following in its rules and regulations:</p> <ol style="list-style-type: none"> <li>1. Type of collateral that could be considered highly liquid .</li> <li>2. Decreasing the collateral value (haircut) and its application methodology.</li> </ol>
Article 3-5-10	<p>Default Fund</p> <p>The <u>Clearing House</u> shall maintain a pre-funded <u>Default Fund</u> to cover the losses that exceed the losses to be covered by the margin requirements set forth in Article (3-5-8) of this Module, which result from the <u>Clearing Members Default Events</u>. The <u>Clearing House</u> shall determine the following:</p> <ol style="list-style-type: none"> <li>1. The minimum amount of the <u>Default Fund</u>.</li> <li>2. The minimum size of contributions to the <u>Default Fund</u> and the criteria for calculating the contributions of the <u>Clearing Members</u>, taking into account that such contributions are proportionate to the risks of each member.</li> <li>3. The contributions of the <u>Clearing House</u> to the <u>Default Fund</u>.</li> <li>4. The order in which the <u>Default Fund</u> collaterals are exhausted (Risk Waterfall).</li> </ol> <p>The <u>Clearing House</u> may establish more than one <u>Default Fund</u> for different classes of <u>Securities</u>.</p>
Article 3-5-11	<p>Clearing Member Default Event</p> <p>In the event of a <u>Clearing Member Default Event</u>, the <u>Clearing House</u> shall take immediate measures to cover the resulted losses on the <u>Clearing House</u>, which include the use of margins and the contributions to the <u>Default Fund</u> and the other financial resources in accordance with the approved rules and procedures.</p>

Article 3-5-12	<p>Other Financial Resources</p> <p>Further to the requirements of the <u>Default Fund</u> set forth in Article (3-5-10) of this Module, the <u>Clearing House</u> shall maintain sufficient pre-funded financial resources, such as funds or credit lines, to cover the potential losses that exceed the losses to be covered by the margin requirements.</p> <p>The <u>Clearing House</u> may require from the non-defaulting <u>Clearing Members</u> to provide additional funds in the case of a <u>Clearing Member Default Event</u>.</p>
Article 3-5-13	<p>Record Keeping</p> <p>The <u>Clearing House</u> shall maintain all the records of provided services and activities, and data of the information of all settled operations for a period of no less than 10 years from the date of execution or until settlement of any ongoing dispute between the <u>Licensed Person</u> and the <u>Client</u>, whichever is longer.</p>
Article 3-5-14	<p>Investment Policy</p> <p>The <u>Clearing House</u> shall invest its financial resources in cash or in highly liquid financial instruments with minimal credit risk. These instruments shall be promptly liquidated with minimal adverse price impact.</p> <p>The cash deposits of the <u>Clearing House</u> are held in standing deposits or other instruments provided by the <u>Central Bank</u> or through secure arrangements with local banks.</p>
Article 3-5-15	<p>Transparency</p> <p>The <u>Clearing House</u> shall comply with the following transparency requirements:</p> <ol style="list-style-type: none"> <li>1. The <u>Clearing House</u> and <u>Clearing Members</u> shall publish on their websites all fees and commissions related to their services for each service provided separately, including discounts and the conditions for benefiting from them. The <u>Clearing House</u> shall provide the <u>Authority</u> with an annual report on the revenues and expenses related to each service separately.</li> <li>2. The <u>Clearing House</u> shall provide to the <u>Clearing Members</u> with the risks related with each of its services.</li> </ol>

	<p>3. The <u>Clearing House</u> shall disclose to the <u>Clearing Members</u> and the <u>Authority</u> the price information used to calculate its end of trading day exposures for its members. The <u>Clearing House</u> is required to publish on its website the volumes of cleared trades for each class of <u>Securities</u> on an aggregated basis.</p> <p>4. The <u>Clearing House</u> shall publish on its website the operational and technical requirements related to communication protocols, including the content and message formats with external parties.</p> <p>5. The <u>Clearing House</u> shall publish on its website any <u>Violations</u> committed by the <u>Clearing Members</u> on any of the rules or regulations governing their membership, except in cases where the <u>Authority</u> considers that such disclosure would constitute a threat to the financial stability or to market confidence , or would seriously jeopardize the financial market, or cause damage that is disproportionate to the size of the <u>Violation</u>.</p>
Article 3-5-16	Users Groups of Clearing House Services
Article 3-5-16-1	The <u>Clearing House</u> shall create Users Committee for the <u>Clearing House</u> services (User Groups), consisting of representatives from its members and users of its services.
Article 3-5-16-2	The Users Committee recommendations shall be independent of any influence from the <u>Clearing House's</u> management.
Article 3-5-16-3	The <u>Clearing House</u> shall notify the <u>Authority</u> immediately of any decision by its Board of Directors that do not follow the recommendations of the Users Committee, with an explanation for the reasons for the decision.
Article 3-5-16-4	The <u>Clearing House's</u> Board of Directors shall determine the term of membership of the Users Committee, working methods, and their management mechanisms by a decision issued by the <u>Clearing House's</u> Board of Directors.
Article 3-5-17	<p>Policies and Procedures</p> <p>The policies and procedures for implementing and managing the <u>Clearing House's</u> operational processes shall include, in particular, the following:</p> <p>1. Training programs for <u>Clearing Members</u>, requirements, and necessary documents.</p>



	<ol style="list-style-type: none"> <li>2. Establishing and managing the Users Groups for the <u>Clearing House's</u> services.</li> <li>3. Engaging external entities to perform some of the tasks it undertakes.</li> <li>4. Investment Policy.</li> <li>5. The IT systems used, structure, controls, supervision systems, and reporting methods.</li> <li>6. Remuneration of <u>Board Members</u> and executive management, to promote sound and effective risk management.</li> <li>7. Employee remuneration, to ensure the independence of the compensation of risk management, compliance, and internal audit staff from the <u>Clearing House's</u> financial performance .</li> <li>8. Record keeping.</li> <li>9. Members' operational processes, which define how members work with the <u>Clearing House</u> in accordance with the licensed service.</li> <li>10. Reviewing the performance of the post-trade model for the <u>Central Counterparty</u> service to verify its performance and conduct stress tests or any other required tests.</li> <li>11. Any other requirements set forth by the <u>Authority</u>.</li> </ol>
Article 3-6	<p>Detailed Requirements for Central Securities Depository</p> <p>The provisions of the sub articles apply to <u>Central Securities Depository</u></p>
Article 3-6-1	<p>Each <u>Issuer</u> shall have a special register kept with the <u>Central Securities Depository</u>. The register shall contain the names, nationality, domicile, and number of <u>Securities</u> owned by each holder, the type and the capital paid in for each <u>Securities</u>.</p> <p>The register shall be updated by any changes required to be registered and which are received from the <u>Issuer</u> or the <u>Central Securities Depository</u>. Any party with a relevant interest may request the <u>Issuer</u> or the <u>Central Securities Depository</u> to provide them with such information from the register.</p>

Article 3-6-2

After obtaining the approval of the Authority, the Central Securities Depository shall prepare the policies and procedures of offering the services of the general assembly that shall include the following as a minimum:

1.The procedures of verification of proxies or the powers of attorneys for attendance and participation of shareholders and holders of other Securities or their representatives in the general assemblies and the authorities of the holders of those Securities in order to ensure the legal and fair representation in the attendance and participation, and to apply any legal or contractual restrictions concerning the voting rights.

2.The mechanism of the Custodian's participation by requesting access to the data on the Electronic System of Participation for all the accounts of their shareholder clients .

3.The participation mechanism of the clients of portfolio accounts, the electronic trading accounts managed by the clients and the portfolios managed by the companies of the Licensed Persons. A participation mechanism shall be specified in compliance with the internal systems of the Licensed Persons providing the service.

4.Providing special forms to the shareholders or their representatives and the Issuers to participate in the general assemblies, whether in the assembly's headquarters or through the electronic systems.

5.The mechanism followed in the event that the general assembly's meeting was postponed due to the lack of a quorum for participation.

6.The mechanism followed in transferring the data of the shareholders' registries to the general assemblies' systems.

7.The mechanism followed to allow each shareholder or his representative to use the Electronic System of Participation in the general assemblies through accessing and viewing the documents submitted by the Issuer, and attending and participating in the voting on the general assembly's resolutions in which he only participates.

8.The mechanism followed to participate in the voting on items of the meeting and verifying the vote through the Electronic System of Participation.

9.The mechanism followed by the shareholder or his representative to express approval or objection of the items, in addition to inquiries through the

	<p><u>Electronic System of Participation</u> window prior to or during the general assembly.</p> <p>10. The mechanism followed to activate the feature of transmitting the events of the general assembly meeting through audio and video.</p> <p>11. The mechanism used to facilitate the process of the counting of the votes in the general assemblies and the authorities of the <u>Securities</u>' holders.</p> <p>12. The mechanism for calculating the quorum and the results of attendance or participation.</p> <p>13. The reports on the quorum and the results of voting on the items of the meeting issued through the <u>Electronic System of Participation</u> of the general assemblies.</p> <p>14. The reports of the notices and reservations of the shareholders or their representatives from the participants in the <u>Electronic System of Participation</u>.</p> <p>15. Reports to be provided to the <u>Authority</u>, including the data on the attendance at the general assemblies, the authorities of the <u>Securities</u>' holders and the percentages of voting on each of the agenda items.</p>
Article 3-6-3	<p>The deposited listed <u>Securities</u> shall be registered and the obligations resulting from them shall be settled through the <u>Central Securities Depository</u>. It is not permissible to deal in those <u>Securities</u> or to obtain any consequential rights except through registration in the <u>Central Securities Depository's</u> registers.</p> <p>The <u>Central Securities Depository</u> shall carry out the procedures for registering the ownership transfer of <u>Securities</u> in the Central Registry of <u>Securities</u> in accordance with the Central Depository Rules approved by the <u>Authority</u>.</p> <p>The <u>Central Securities Depository</u> may reject to register ownership of <u>Securities</u> in any of the following cases:</p> <ol style="list-style-type: none"> <li>1. Any dealing in <u>Securities</u> that violates the provisions of Article (3-6-6) of this Module;</li> <li>2. Any transaction that requires prior approval from the <u>Authority</u>, the <u>Exchange</u>, or the <u>Central Securities Depository</u>, and the applicant has not obtained such approval;</li> </ol>

	<p>3. If there is a ruling, order, or decision issued by a judicial authority prohibiting the dealing of shares.</p>
Article 3-6-4	<p>With consideration to <a href="#">Article (3-6-10)</a> of this Module, the owners of <u>Securities</u>, whose holdings are registered at the <a href="#">Central Securities Depository</a> may request it to issue a statement of holding, showing their names and number of owned shares.</p> <p>The <a href="#">Central Securities Depository</a> shall issue to the <u>Omnibus Account Operator</u> such statement against its registered holding.</p>
Article 3-6-5	<p>The depository receipts issued by the <a href="#">Central Securities Depository</a> is considered prima facie evidence of title at the time of issuance of the <u>Securities</u> holder's shareholding if it conforms to the registers held by the <a href="#">Central Securities Depository</a>.</p>
Article 3-6-6	<p>Rights and obligations arise <b>for anyone who trades in</b> listed <u>Securities</u> by selling or purchasing by executing transactions through the <u>Exchange's</u> trading system with settlement pursuant to the rules adopted by the <u>Clearing Agency</u>. The <u>Exchange's</u> rules may include provisions for certain transactions after the <u>Authority's</u> approval.</p> <p>The title of the <u>Securities</u> that are listed in an <u>Exchange</u> shall only be transferred by virtue of completing the entries in the designated registers at the <u>Clearing Agency</u>, unless such transfers are in <u>Violation</u> of the <b>laws</b>, regulations, or rules or the <u>contract of the company</u> that issued such Securities.</p>
Article 3-6-7	<p><u>Securities</u> that have been permanently cancelled from trading shall be excluded from the <a href="#">Central Securities Depository</a> system, whatever was the reason of the cancellation.</p>
Article 3-6-8	<p>The <a href="#">Central Securities Depository</a> shall provide the Issuers of the <u>Securities</u> that are deposited in it with the requested reports in accordance with the <a href="#">Central Depository's</a> rules which are approved by the <u>Authority</u>.</p>
Article 3-6-9	<p>Any pledge, attachment, redeeming a pledge, cancellation of attachment, transfer of title or any other action concerning a <u>Security</u> shall be recorded in the <a href="#">Central Securities Depository's</a> registers concerning that security.</p>
Article 3-6-10	<p>If the <u>Securities</u> are registered in the <a href="#">Central Securities Depository</a> under the name of a bank, a company that manages portfolios of a third party, a <u>Qualified Securities Broker</u> registered with an <u>Exchange</u> or an <u>Omnibus Account Operator</u>, then that registration must state that the title belongs to the company or to the bank or to third party's account.</p>

Article 3-6-10-1	<p>An <u>Omnibus Account Operator</u> is responsible for complete, accurate, record-keeping and safekeeping of <u>Securities</u> in <u>Omnibus accounts</u>.</p> <p>The <u>Omnibus Account Operator</u> shall hold and have available at all times a quantity of <u>Securities</u> in the <u>Omnibus Account</u> with the <u>Central Securities Depository</u> or with another <u>Omnibus Account Operator</u> in a quantity and kind equal to the total of <u>Securities</u> deposited in the <u>Securities</u> accounts of its <u>Clients</u> holding <u>Securities</u> with the <u>Omnibus Account Operator</u>.</p> <p>If the total number of <u>Securities</u> in the <u>Omnibus Account</u> falls short of the total number of <u>Securities</u> registered with the <u>Central Securities Depository</u> or with another <u>Omnibus Account Operator</u>, the <u>Omnibus Account Operator</u> must without delay purchase the missing <u>Securities</u> at his own expense and deposit it in the <u>Securities</u> account or accounts.</p>
Article 3-6-10-2	<p>The <u>Central Securities Depository</u> shall, in accordance with its rules and regulations, include the following:</p> <ol style="list-style-type: none"> <li>1. Oblige the <u>Depository Members</u> to conduct a reconciliation of records regarding their positions and transactions with the records of the securities holders' register maintained by the <u>Central Securities Depository</u> pursuant to Article (3-6-1) of this module on an ongoing basis, at least daily, and submit the results of this reconciliation to the <u>Central Securities Depository</u>;</li> <li>2. Oblige the <u>Depository Members</u> to resolve any reconciliation differences before the commencing of trading on the next <u>Business Day</u>.</li> </ol>
Article 3-6-11	<p><u>Issuers of Securities</u> that are listed in the <u>Exchange</u> shall submit to the <u>Central Securities Depository</u> a copy of their shareholders registers, that includes the names of the holders of those <u>Securities</u>, information about their identities, nationalities and addresses, once these <u>Securities</u> are issued, or any update on the shareholders information.</p> <p>The <u>Central Securities Depository</u> must take the reconciliation procedures for the <u>Securities</u> register maintained pursuant to Article (3-6-1) of this Module to verify that the number of <u>Securities</u> issued by the <u>Issuer</u>, or a part of a <u>Securities</u> issuance, is equal to the sum of <u>Securities</u> registered in the <u>Securities</u> accounts of <u>Depository Members</u> and in the <u>Securities</u> holders' accounts maintained by the <u>Central Securities Depository</u>. Such reconciliation procedures must be conducted at least daily.</p> <p><u>Securities</u> overdrafts, debit balances, or <u>Securities</u> creation in excess of the number of <u>Securities</u> issued in the register maintained under Article (3-6-1) of this Module are not permissible.</p>

Article 3-6-11-1	<p>When reconciliation reveals an unjustified excess in the creation or deletion of <u>Securities</u>, and the <u>Central Securities Depository</u> fails to resolve this excess or shortfall by the end of the next <u>Business Day</u>, the <u>Central Securities Depository</u> must suspend the issuance of the relevant <u>Securities</u> for settlement and any further entries to the <u>Securities</u> account until this issue is resolved.</p> <p>The <u>Central Securities Depository</u> must resume settlement once the unjustified creation or deletion of <u>Securities</u> has been resolved.</p>
Article 3-6-12	The <u>Securities</u> ' register shall be subject to the supervision and control of the <u>Authority</u> . The <u>Central Securities Depository</u> may refuse to record any event in its registers if there was a <u>Violation</u> of laws or regulations that are applicable to the <u>Central Securities Depository</u> or to the <u>Exchange</u> .
Article 3-6-13	Users Groups of the Central Securities Depository's Services
Article 3-6-13-1	The <u>Central Securities Depository</u> shall create Users Committee for the <u>Central Securities Depository</u> services (User Groups), consisting of representatives from its members and users of its services.
Article 3-6-13-2	The Users Committee recommendations shall be independent of any influence from the <u>Central Securities Depository</u> 's management.
Article 3-6-13-3	The <u>Central Securities Depository</u> shall notify the <u>Authority</u> immediately of any decision by its Board of Directors that do not to follow the recommendations of the Users Committee.
Article 3-6-13-4	The <u>Central Securities Depository</u> 's Board of Directors of the shall determine the term of membership of the Users Committee, working methods, and their management mechanisms by a decision issued by the Board of Directors of the <u>Central Securities Depository</u> .
Article 3-6-14	<p>Policies and Procedures</p> <p>The policies and procedures for implementing and managing the <u>Central Securities Depository</u> operational processes shall include, in particular, the following:</p> <ol style="list-style-type: none"> <li>1. Establishing and managing the Users Groups for the <u>Central Securities Depository</u>'s services.</li> <li>2. Outsourcing some of its tasks to external parties.</li> <li>3. The IT systems used, structure, controls, supervision systems, and reporting methods.</li> </ol>

	<p>4. Remuneration of <u>Board Members</u> and executive management, to promote sound and effective risk management.</p> <p>5. Employee remuneration, to ensure the independence of the compensation of risk management, compliance, and internal audit staff from the <u>Central Securities Depository's</u> financial performance.</p> <p>6. Record keeping.</p> <p>7. Members' operational processes, which define how members work with the <u>Central Securities Depository</u> in accordance with the licensed service.</p> <p>8. Any other requirements determined by the <u>Authority</u>.</p>
Article 3-7	Clearing Agency Members: Members of the Clearing House and Members of the Central Securities Depository
Article 3-7-1	<p>Membership</p> <p>The <u>Clearing Agency</u> shall, after the <u>Authority's</u> approval, establish within its rules the terms and requirements for membership, as well as the obligations and rights of its members. The <u>Clearing Agency</u> may divide its membership into categories, with each category of member subject to special conditions for membership, or specific rights and obligations. The <u>Clearing Agency</u> shall ensure that its members adhere to the provisions contained in its rules.</p>
Article 3-7-2	<p>Admission Criteria</p> <p>The <u>Clearing Agency</u> shall determine the admission criteria for each category of <u>Clearing Agency Members</u>. The admission criteria must be fair, clear, and objective. The <u>Clearing Agency</u> shall ensure that all its members have sufficient financial resources and operational capacity to meet the obligations arising from their membership.</p> <p>The <u>Clearing Agency</u> shall ensure that the admission criteria are met before accepting a member and that the member continues to meet those standards.</p> <p>The <u>Clearing Agency</u> must conduct a comprehensive review of its members' compliance at least once a year. This review shall be available to the <u>Authority</u> upon request.</p>
Article 3-7-3	<p>Clearing Members</p> <p>The <u>Clearing House</u>, after consulting the Risk Advisory Committee and obtaining the <u>Authority's</u> approval, shall establish membership requirements for its <u>Clearing Members</u> and the obligations of its members, including procedures for suspending or canceling <u>Clearing Members</u>. The <u>Clearing House</u> may reject an applicant for membership in writing, provided that the rejection is justified and based on a risk analysis.</p>

	<p>The <u>Clearing House</u> may impose specific additional obligations on its members, such as participating in auctions for <u>Client</u> positions in the event of another <u>Clearing Member</u>'s default. These additional obligations must be proportional to the risks posed by the <u>Clearing Member</u> and must not restrict participation to certain categories of <u>Clearing Members</u>.</p>
Article 3-7-3-1	<p>The <u>Clearing House</u> is committed to supervise its members' continued compliance with membership requirements and to provide timely access to information relevant to the membership. It shall also conduct an annual review to ensure its members' compliance with these requirements. The <u>Clearing House</u> shall include, among its requirements, the technical, operational, and financial standards necessary for membership.</p> <p>The <u>Clearing House</u> shall establish rules that enable <u>Clearing Members</u> who settle transactions on behalf of their <u>Clients</u> to gather relevant basic information to identify, monitor, and manage risks related to these services. They shall also have additional financial resources and operational capacity to enable them to perform this service. The <u>Clearing Member</u> shall be responsible for ensuring that clients comply with their responsibilities.</p>
Article 3-7-4	<p>Depository Members</p> <p>The <u>Central Securities Depository</u> shall, after the <u>Authority's</u> approval, determine the types and obligations of <u>Depository Members</u> and the requirements for membership.</p>
<b>Chapter Four</b> <b>Recovery</b>	
Article 1-4	<p>Preface</p> <p>This Chapter explains the rules and procedures related to the recovery plan for the <u>Clearing House</u> and the <u>Central Securities Depository</u>.</p>
Article 4-2	<p>Recovery Plan</p> <p>The <u>Clearing House</u> and the <u>Central Securities Depository</u> must prepare a recovery plan that specifies the measures to be taken in cases of financial and non-financial defaults that may affect the financial position of the capital market system. The recovery plan and any subsequent amendments thereto are subject to prior written approval by the <u>Authority</u>.</p> <p>The recovery plan shall allow the <u>Clearing House</u> or the <u>Central Securities Depository</u> to restore its sound financial position without the direct involvement from the <u>Authority</u>, and to continue providing essential main services following a significant decline in its financial position, the potential</p>



	for such decline, or the risk of violating the capital and prudential requirements under the <u>Law</u> and these <u>Bylaws</u> .
Article 4-3	<p>Contents of the Recovery Plan</p> <p>The recovery plan shall include, depending on the licensed activity or service, at least the following:</p> <ol style="list-style-type: none"> <li>1. Identified risks in various circumstances, including possible liquidity shortfall.</li> <li>2. The criteria, events, and corporate powers that will trigger the implementation of part or all of the recovery plan.</li> <li>3. A description of the losses resulting from potential financial and non-financial defaults.</li> <li>4. In the event of losses resulting from financial defaults, ensuring the full allocation of losses to <u>Clearing Members</u> and the Clearing House, taking into account the public interest.</li> <li>5. A description of loss-absorbing arrangements for each stakeholder that may arise from non-financial defaults.</li> <li>6. A description of the possibility of financial defaults that could cause financial losses covered by the risk waterfall, including the event of default of one or more <u>Clearing Members</u>, whose combined defaults could consume a significant portion of the <u>Default Fund</u>.</li> <li>7. Means to enable the renewal of the <u>Clearing House's</u> financial resources in the event of financial default to a level sufficient to meet its obligations and support the continuous and timely operation of the <u>Clearing House's</u> critical services.</li> <li>8. A framework that includes indicators specific to the <u>Clearing House</u> or <u>Central Securities Depository</u> that identify the circumstances in which the measures included in the recovery plan should be initiated and implemented.</li> <li>9. Procedures for obtaining liquidity and replenishing financial resources, including replenishing the Default Fund.</li> </ol>
Article 4-4	Authority Notification
Article 4-4-1	The <u>Clearing House</u> or <u>Central Securities Depository</u> shall immediately notify the <u>Authority</u> if the recovery plan is activated, specifying the nature and extent of the default (whether financial or non-financial) and indicating the recovery or other measures it intends to take to address the situation, including the expected timeframe for each measure.
Article 4-4-2	The <u>Authority</u> may request the <u>Clearing House</u> or <u>Central Securities Depository</u> to make specific changes to the recovery plan within a specified period. If the <u>Clearing House</u> or <u>Central Securities Depository</u> does not submit an amended plan, or if the deficiencies identified by the <u>Authority</u> are not addressed, the

	<p><u>Authority</u> may, within a specified period, request the <u>Clearing House</u> or <u>Central Securities Depository</u> to take the following actions:</p> <ol style="list-style-type: none"> <li>1. Request the <u>Clearing House</u> or <u>Central Securities Depository</u> to refinance its capital and prudential requirements in a timely manner.</li> <li>2. Review and amend the <u>Clearing House's</u> or <u>Central Securities Depository's</u> strategy.</li> <li>3. Making changes to the Risk Waterfall, recovery measures, and other loss allocation arrangements to improve resolvability and the resilience for critical functions.</li> <li>4. Making amendments to the governance of the <u>Clearing House</u> or <u>Central Securities Depository</u>.</li> <li>5. Any other measures the <u>Authority</u> deems necessary.</li> </ol>
<b>Chapter Five</b>	
<b>Settlement Finality</b>	
Article 5-1	Transfer orders and Settlement
Article 5-1-1	When a <u>Person</u> is subject to the provisions of insolvency, bankruptcy, or liquidation, or when a receiver is appointed over their assets, the <u>Clearing Agency's</u> clearing and settlement procedures shall have priority over any ordinary procedures or debts.
Article 5-1-2	<p>If the court or bankruptcy judge issues a ruling or decision regarding the procedures stipulated in Law No. 71 of 2020 Promulgating the Bankruptcy Law and its amendments, or when approving a protective settlement proposal or restructuring plan, or issuing a bankruptcy declaration against a <u>Clearing Member</u>, the issuance of such rulings or decisions shall not affect the following clearing and settlement procedures in any way:</p> <ol style="list-style-type: none"> <li>1. <u>Transfer Order</u>.</li> <li>2. <u>Net Settlement</u>, including the <u>Condition of Concluding the Final Liquidation</u>.</li> <li>3. Settlement of the <u>Transfer Order</u> in accordance with the rules of the <u>Clearing House</u>.</li> <li>4. Any transaction related to <u>Securities</u> or funds, or the transfer of ownership of <u>Securities</u> pursuant to a <u>Transfer Order</u>.</li> </ol> <p><u>Transfer Orders</u> shall be legally enforceable and may not be revoked or canceled in accordance with any provisions of the Bankruptcy Law. They are binding in the following cases:</p> <ol style="list-style-type: none"> <li>1. If the <u>Transfer Order</u> is entered prior to the issuance of any of the decisions or rulings stipulated in the Bankruptcy Law, provided that the order is final in</li> </ol>

	<p>accordance with the rules of the <u>Clearing House</u> or the rules of the <u>Central Securities Depository</u>.</p> <p>2. If the <u>Transfer Order</u> is executed on the <u>Business Day</u> specified in accordance with the rules of the <u>Clearing House</u> and the <u>Transfer Order</u> coincides with the same day on which the ruling or decision regarding the preventive settlement, restructuring, or declaration of bankruptcy is issued, and it is proven that the <u>Clearing House</u> was not aware of the measures taken regarding the preventive settlement, restructuring, or declaration of bankruptcy.</p>
Article 5-1-3	<p>The <u>Clearing House</u> shall specify the time of receipt of the <u>Transfer Order</u> in its rules, and clearly regulate the following:</p> <ol style="list-style-type: none"> <li>1. The time the <u>Transfer Order</u> came into force in the relevant systems.</li> <li>2. Specify the status in which the <u>Transfer Order</u> has been entered into the system and has become irrevocable by the <u>Clearing Member</u> or others.</li> <li>3. Prohibiting the cancellation of a <u>Transfer Order</u> by a <u>Clearing Member</u> or others, effective from the case specified in Item (2) of this Article.</li> </ol> <p>The <u>Central Securities Depository</u> shall clearly regulate the following in its rules:</p> <ol style="list-style-type: none"> <li>1. Rules regulating the prohibition of nullifying or canceling a transfer of ownership or any other action related to <u>Securities</u> registered in its records.</li> <li>2. Rules regulating the prohibition of nullifying or canceling the registration of any debt or detain on deposited <u>Securities</u>, or the cancellation of a debt or the detain related to a <u>Security</u>.</li> </ol>
Article 5-2	Net Settlement
Article 5-2-1	The <u>Net Settlement</u> , including the <u>Condition of Concluding the Final Liquidation</u> , shall be legally enforceable in accordance with its terms and may not be suspended, invalidated, or restricted by any action or decision issued in accordance with Law No. 71 of 2020 Promulgating the Bankruptcy Law and its amendments as a result of any clearing member being subject to bankruptcy, preventive settlement, or restructuring procedures.
Article 5-2-2	The <u>Net Settlement</u> becomes effective in accordance with its terms and conditions and is binding on others if <u>Transfer Orders</u> were entered into the relevant systems of the <u>Clearing House</u> prior to the decision coming into force to initiate bankruptcy, protective settlement, or restructuring proceedings against a <u>Clearing Member</u> .
Article 5-2-3	The issuance of a ruling or decision by the court or the competent bankruptcy judge to initiate bankruptcy, protective settlement, or restructuring proceedings

	<p>against a <u>Clearing Member</u> shall not prejudice the <u>Clearing House's</u> right to take the following actions:</p> <p>1. Implement the <u>Net Settlement</u> for all obligations owed by or to the <u>Clearing Member</u> that have accumulated up to the <u>Business Day</u>, including the day on which the court order declaring the <u>Clearing Member</u> bankrupt is enforced.</p> <p>2. The <u>Net Settlement</u> made by the <u>Clearing House</u> and any payment made by the <u>Clearing Member</u> related to the <u>Net Settlement</u> shall not be revoked under bankruptcy, protective settlement, or restructuring proceedings.</p>
Article 5-3	Guarantees Granted to the Clearing House
Article 5-3-1	Any action, ruling, or decision issued pursuant to Law No. 71 of 2020 Promulgating the Bankruptcy Law shall not prejudice the rights of the <u>Clearing House</u> or <u>Clearing Members</u> to the guarantees provided to them as safekeeping for the <u>Clearing House's</u> operations, whether such guarantees are provided by any <u>Clearing Member</u> or by any third party.

## **Appendix No. (1)**

### **Application For Renewing Securities Exchange or Clearing Agency Activities License**

#### **Contents**

- **Instructions**
- 1. Information of the Applicant**
- 2. License Intended for Renewal**
- 3. Major shareholders**
- 4. Attachments and required documents**
- 5. Appendix A – Declaration**
- 6. Appendix B – List of Registered Employment Positions**

## Instructions

- This form shall be submitted after the payment of the fee depending on the type of license to be renewed according to the schedule of fees, and three months before the license expiration date according to the Executive Bylaws of Law No.7 of 2010 and its amendments.
- The Authority shall review the application within two months from the date of the receipt of the application fulfilling all the requirements and documents required for approval of the license renewal.
- Licensed person may resort to the Authority's arbitration rules to solve a dispute concerning securities activities.
- Applicant shall send the application or any inquiries concerning this form to the licensing and registration department in the Capital Markets Authority at the address below:

**Capital Markets Authority – 20th floor Al-Hamra Tower – Sharq – Kuwait**

**P.O. Box 3913 Safat 13040 Kuwait    [lrd@cma.gov.kw](mailto:lrd@cma.gov.kw)**

## **2.Information of the Applicant**

### **2.1 Information of the Applicant**

Name of licensee:

License Number:

Date of Issuance of License:

Date of Expiration of License:

### **2.2 Information of Liaison Officer**

Name:

Phone Number:

Mobile Number (individual):

E-mail Address:

## **3. License Intended for Renewal**

### **3.1 License Intended for Renewal**

☐The Exchange.

☐The Clearing Agency- Securities Depository  
Service

☐The Clearing Agency – Central Counterparty Service.

☐The Clearing Agency- Clearing and Settlement Service.

☐The Clearing Agency- Establishing, Owning, and managing companies whose purpose is to carry out any  
Clearing Agency Activities

### **3.2 Company's Legal Form**

☐ Shareholding Company

☐ Shareholding Holding Company

#### 4. Major Shareholders

4.1 Major Shareholders*			
	Major shareholders	Share	Nationality
1			
2			
3			

\*The Authority shall be provided with names of major shareholders who own 5% or more from the company's capital pursuant to the latest update of data approved by the Clearing Agency.

#### 4.2 Capital

#### 5.List of Required Documents and Attachments

5.1 Required Attachments				
#	Attachment/ Required Document	Status		Notes
1	Copy of Fees Payment Receipt	<input type="checkbox"/> Available	<input type="checkbox"/> Not Applicable	
2	Copy of License Certificate	<input type="checkbox"/> Available	<input type="checkbox"/> Not Applicable	
3	Copy of the license issued by the Ministry of Commerce and Industry.	<input type="checkbox"/> Available	<input type="checkbox"/> Not Applicable	
4	Updated and valid certificate to whom it may concern indicating Board Members issued by Ministry of Commerce and Industry.	<input type="checkbox"/> Available	<input type="checkbox"/> Not Applicable	
5	List of Names of Officers filling Positions required for Registration**	<input type="checkbox"/> Available	<input type="checkbox"/> Not Applicable	
6	Declaration as per the attached form – Appendix.	<input type="checkbox"/> Available	<input type="checkbox"/> Not Applicable	

\* If the state of the appendix is not applicable for the applicant, please provide the Authority with a separate document to indicate the reasons why it is not applicable.

\*\* List to be prepared as per the schedule attached to Appendix (7-B).

Applicant:

Application Reviewer (For Office Use)

Date:../../....

Date:../../....

Signature	Signature
Seal	Seal



6. Appendix (A)	
Declaration	
I, the undersigned, hereby declare that no changes have been made to the information and documents pertaining to granting the license, as submitted to the Authority, and undertake to report any changes that might occur in this regard and to provide the Authority with copies of such modified information and documents.	
Approval of declaration	
Applicant name	
Applicant capacity	
Signature	
Date	
Seal of the company	

7. Appendix (B)
List of Registered Employment Positions
<p>The table shall be filled in with all the names of officers who perform registered employment positions, taking into account the following:</p> <ul style="list-style-type: none"> <li>• All registered employment positions required according to the type of activity.</li> <li>• All names of officers, in the event of more than one officer in a Registered Employment Position, by way of adding entries to the position in the table provided below.</li> <li>• All names of external entities that are assigned to undertake Registered Employment Positions (if any).</li> <li>• “N/A” shall be used in the event the company does not carry out a Registered Employment Position as per the licensed activities.</li> </ul>

Registered Employment Position	Name of Employees/ External Entity	Occupational Title	Civil ID No.	Phone No. (Direct)	Phone No. (Mobile)	Email Address
Chief Executive Officer						
Senior Executive Officers						
Chief Financial Officer						
Compliance Officer						
Risk Management Officer						
Internal Audit Officer						

## **Appendix 2**

### **Application for Obtaining Approval of Effective Control or Ownership or Disposal of 5% or more of the Capital of the Exchange or the Clearing Agency**

#### **Table of Contents**

- Instructions
- 1. Required documents from the applicant
- 2. Documents of Effective Control
- 3. Standards of financial integrity and soundness (for a natural person)
- 4. Declaration
- 5. Attachments and required documents

## INSTRUCTIONS

- Kindly complete this form and ensure that all the necessary documents related to this form are attached.
- This application must be submitted by anyone who desires to enter into arrangements or agreements that lead to Effective Control of or Ownership or Disposal of direct or indirect ownership of up to 5% or more of the Capital of the Exchange or the Clearing Agency in accordance to the provisions of this Module.
- A person who is complying with the Provisions of Module Nine (Mergers and Acquisitions) of these Bylaws shall be excluded from the provision of this Article.
- Must comply with the Securities Exchange rules and the rules of trading unlisted securities at Boursa Kuwait.
- The application shall be submitted at least sixty (60) days prior to entering into the arrangements to Effective Control or Ownership or Disposal of direct or indirect ownership of up to 5% or more of the Capital of the Exchange or the Clearing Agency .
- The Authority reserves the right to request any additional information and documentation or clarifications from the applicant when processing the application.
- The applicant should send the application or, any inquiry regarding the completion of this form or any related topic to the Licensing and Registration Department at the Capital Markets Authority at the address below:

**Capital Markets Authority – 15th floor Al-Hamra Tower – Sharq – Kuwait**

**P.O. Box 3913 Safat 13040 Kuwait    [lrd@cma.gov.kw](mailto:lrd@cma.gov.kw)**

## 1. Information of the Applicant

### 1.1 Applicant Details

☐ Natural Person

Name:

Nationality:

Civil ID Number:

Passport Number (for Non- Kuwaitis):

Current Address:

Current Job:

Phone Number:

Mobile Number (individual):

☐ Corporate Person. \*

Name:

Commercial Register Number:

- Is the applicant a licensed person at the Authority? ☐ Yes ☐ No

For foreign entities only

Country of establishment:

Organizing party:

Are registered in a country that applies FATF recommendations? ☐ Yes ☐ No

**\* Please complete Items 1.2,1.3,1.4,1.5,1.6 from the Information of the Applicant**

### 1.2 Liaison Officer Details

Name:

Status:

Phone Number:

Mobile Number (individual):

E-mail:

### 1.3 Application Legal Form

☐ Shareholding Company

☐ Commercial Bank

☐ Foreign Company Branch

☐ Limited Liability Company

☐ Other.....

-Does the applicant practice his activities according to Islamic Sharia? ☐ Yes ☐ No

-Is the applicant subject to the supervision of the Central Bank? ☐ Yes ☐ No

<b>1.4 Major Shareholders*</b>			
#	Major Shareholders	Share in percentage %	Nationality
1			
2			
3			
4			
5			

\*The Authority shall be provided with names of major shareholders who own 5% or more of the shares of the company's capital.

<b>1.5 Capital</b> Paid-up Capital: Issued Capital
--

<b>1.6 Members of the Board of Directors*</b>				
#	Members of the Board of Directors	Share/ Ownership	Represented Entity	Nationality
1				
2				
3				
4				
5				

## 2. Effective Control Information

<b>2.1 Licensed Person Information</b> Name:  Activity:  <input type="checkbox"/> The Exchange. <input type="checkbox"/> The Clearing Agency- Securities Depository Service <input type="checkbox"/> The Clearing Agency – Central Counterparty Service. <input type="checkbox"/> The Clearing Agency- Clearing and Settlement Service. <input type="checkbox"/> The Clearing Agency- Establishing, Owning, and managing companies whose purpose is to carry out any Clearing Agency Activities
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<b>2.2 Effective Control Percentage</b> <div style="text-align: center;"> <input type="checkbox"/>Effective Control    <input type="checkbox"/>Ownership/Disposal         </div> -Current ownership percentage (if the applicant is a current shareholder): -Target Ownership Percentage: -Purpose of Control/ Ownership: <p style="color: red;">* Please complete Items 2.3 and 2.4 from the Information of Effective Control.</p>
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<b>2.3 How to achieve Effective Control</b>
<input type="checkbox"/> Purchase Shares <input type="checkbox"/> Increase of issued capital <input type="checkbox"/> Other, please mention:    

<b>2.4 Reasons of Effective Control</b>
- Please state the basis of which will lead to Effective Control:    - Is there an approach to appoint a majority of members of the Board of Directors of a Licensed Person? <input type="checkbox"/> Yes <input type="checkbox"/> No When the answer is yes, please answer the following: - Target Date:  - Will the appointment be made during the current Board cycle or after it is completed?   - Number of seats targeted for appointment, and how:  

<b>3. Standards of Financial Soundness (for a natural person)*</b>
1. Are you currently standing trial or have you previously been convicted locally or abroad in cases related to crimes against honor or integrity, money laundering, financing terrorism, capital market crimes, or corruption crimes? <input type="checkbox"/> Yes <input type="checkbox"/> No
2. Have you ever, in the course of your employment, refrained from adherence to the provisions of the compliance with the regulations, monitoring requirements or professional standards, or have you obstructed procedures or been misleading or dishonest in your cooperation with the regulatory bodies? <input type="checkbox"/> Yes <input type="checkbox"/> No
3. Have you ever been convicted or penalised or issued a disciplinary punishment by a professional or regulatory entity? <input type="checkbox"/> Yes <input type="checkbox"/> No
4. Have you ever been dismissed from your position or job or prohibited from applying for a vacant position or job in an entity? <input type="checkbox"/> Yes <input type="checkbox"/> No
5. Have you ever been a partner in the ownership or was a Member of the Board of Directors or had an executive position in an entity that was prohibited from registration or licensing to practice an activity, or cancelled by the Authority or any other regulatory entity? <input type="checkbox"/> Yes <input type="checkbox"/> No
6. Has an entity managed by you or where you have been performing in a senior position been subject to liquidation or declared bankrupt? <input type="checkbox"/> Yes <input type="checkbox"/> No

7. Have you ever refrained from payment of any amounts owed by you to the banking or financial sector or any other entity, whether local or foreign? <input type="checkbox"/> Yes <input type="checkbox"/> No
8. Has a judgment of bankruptcy ever been rendered against you, whether in Kuwait or abroad? <input type="checkbox"/> Yes <input type="checkbox"/> No
9. Have you ever entered into a settlement with your creditors? Have you executed such settlement whether locally or abroad? <input type="checkbox"/> Yes <input type="checkbox"/> No
10. Do you own more than 1% of a company's capital, whether locally or abroad? <input type="checkbox"/> Yes <input type="checkbox"/> No

**\*Please provide details in the attached statement if any question was answered with "Yes".**

<b>4.Declaration</b> <ul style="list-style-type: none"> <li>• I hereby declare that I have reviewed of the Capital Market Authority's Law No. 7 of 2010 and its Executive Bylaws as amended and all regulations, decisions, instructions.</li> <li>• I hereby declare that all information set out in this form and the related attachments thereto are accurate and complete, as well as the accuracy of the facts provided, I, furthermore, declare that my knowledge of the laws and bylaws of the CMA related to the penalties resulting from providing any false or misleading representations in this form or in any of the related attachments.</li> <li>• I undertake that I will notify the Authority of any changes that may occur, other than all information and data provided to the Authority in this form.</li> <li>• I declare that I am aware of the Capital Markets Authority's right to take any disciplinary action against anyone who submits incorrect or misleading statements in this form.</li> </ul> <p style="text-align: center;"><b>This is a declaration and undertaking to said effect.</b></p>
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<b>Applicant signature</b>	
Name of the Applicant	
Status of the Applicant	
Signature	
Date	

## 5. Required Attachments and Documents

5.1 Required Attachments			
Number	Attachment/Required Document	Status of the Attachment*	Comments
1.	A detailed investment plan to indicate the objectives of effective control and information on the structural, financial and management changes to be made by the licensed person and the reasons for such changes.	<input type="checkbox"/> Available <input type="checkbox"/> Not Applicable	
2.	Disclosure of the shareholders who have shown preliminary approval of the sale and the percentage of their ownership	<input type="checkbox"/> Available <input type="checkbox"/> Not Applicable	
3.	Prior Approval from the Central Bank in case applicant is subject to its surveillance	<input type="checkbox"/> Available <input type="checkbox"/> Not Applicable	
4.	Approval of the Board of Directors to the applicant (for corporate person)	<input type="checkbox"/> Available <input type="checkbox"/> Not Applicable	
5.	Copy of the memorandum of association and articles of association and commercial register of the applicant (for a natural person)	<input type="checkbox"/> Available <input type="checkbox"/> Not Applicable	
6.	Copy of the license certificate (for licensed person)	<input type="checkbox"/> Available <input type="checkbox"/> Not Applicable	
7.	A copy of the identification number and the passport (in the event the applicant is non-Kuwaiti) (for a natural person)	<input type="checkbox"/> Available <input type="checkbox"/> Not Applicable	
8.	A certificate of criminal clearance (for a natural person) * *You are required to apply to the Authority to request the issuance of a criminal clearance certificate with a copy of the civil id, so that we can provide you with a letter addressed to the Criminal Evidence at the Ministry Department at the Ministry of Interior to issue the certificate according to Appendix No. (1) of this application.	<input type="checkbox"/> Available <input type="checkbox"/> Not Applicable	
9.	Legal opinion from an external legal firm regarding cases or a group of cases which has a significant impact on the financial status of the company, whether filed by it or against it, or its subsidiary companies, and if possible the estimated amount of such cases. (for a corporate person)	<input type="checkbox"/> Available <input type="checkbox"/> Not Applicable	
10.	The applicant's legal status and the financial position of the financial center in accordance with the financial statements for the last three years after approval by the regulatory body	<input type="checkbox"/> Available <input type="checkbox"/> Not Applicable	

**\*If the attachment is not applicable for the applicant, please provide the Authority with a separate document indicating the reasons why the attachment does not apply.**



### Annex (3)

#### **Capital Requirements and Legal Form of the Clearing Agency's Activities and Services**

Article One: The following table sets out the required minimum paid up capital and legal form of Persons Licensed to carry on the activities and services of the Clearing Agency, according to the activity type:

#	Activity Type	Legal form	Capital (KWD)
1	Clearing Agency- Securities Depository Service	Shareholding Company	10,000
2	Clearing Agency- Clearing and Settlement Service	Shareholding Company	10,000
3	Clearing Agency- Central Counterparty Service	Shareholding Company	10,000

Article Two: A Clearing Agency must have at least a primary, permanent, and existing paid-up capital, according to the table set forth in Article 1, to be licensed according to these Bylaws.

The actual Eligible Regulatory Capital of the Clearing Agency, in accordance with the requirements of Chapter Three of Module Seventeen of these Bylaws, must cover the risks arising from the Clearing Agency's activities and must be equivalent to the nature of its activities and the type of asset classes cleared by the Clearing House. It must be in excess on an ongoing basis to ensure the orderly liquidation of activities within an appropriate period of time, in accordance with the requirements of Chapters Four, Five, and Six of Module Seventeen of these Bylaws.

The Eligible Regulatory Capital of the Clearing Agency must be in excess on an ongoing basis to adequately protect against the risks set forth in Chapters Four and Six of Module Seventeen. Additional capital must also be maintained to cover the costs of voluntary business termination,

restructuring, or crisis recovery for financial market infrastructure entities, in accordance with the requirements of Chapter Five of Module Seventeen.

Article Three: The Clearing Agency must have procedures in place to comply with the Capital Adequacy Regulations stipulated in Module Seventeen of the Executive Bylaws, including identifying all sources of risk that may affect its ongoing functions and services, considering the potential negative impacts of its services and functions on its revenues or expenses, and ensuring its regulatory capital adequacy level meets those risks and requirements.

If the capital adequacy percentage—according to the requirements of Module Seventeen of these Bylaws—falls less than 110%, or if the amount of paid-up capital held by the Clearing Agency is less than 110% of the amount specified in the table in Article One, the Clearing Agency must immediately notify the Authority and keep it updated at least weekly until the amount of capital held by the Clearing Agency is back above the notification edge.

## **Annex (2)**

Module	Article	Amendment type	Text before Amendment	Text After Amendment
One				
	Clearing Agency Member	Amending Definition	a Licensed Person with whom a Clearing Agency agrees to interact in the performance of its duties.	A corporate entity or a Licensed Person registered with a system that provides any of the Clearing Agency services, which includes the Clearing Member and the Depository Member.
	Licensed Activities	Adding Definition	-	<p>The licensed activities include the following:</p> <ol style="list-style-type: none"> <li>1. Securities Activities provided for in Article (1-2) of Chapter One of Module Five (Securities Activities and Registered Persons) of these Bylaws.</li> <li>2. The Securities Exchange.</li> <li>3. The Clearing Agency activities provided for in Article (3-1-1) of Chapter Three of Module Four (Securities Exchanges and Clearing Agencies) of these Bylaws.</li> <li>4. Any other activities set by the Authority.</li> </ol>
	Clearing Member Default Event	Adding Definition	-	The status of a Clearing Member or its client following its failure to fulfill Settlement obligations at the time and date of Settlement due to a lack of cash or Securities, or for any reason.
	Licensed Person	Amending Definition	a natural or corporate entity that has a license from the Authority to practice one or more of the Securities Activities provided for in Article (1-2) of Module Five (Securities Activities and Registered Persons) of these Bylaws.	a natural or corporate entity that has a license from the Authority to practice one or more of the Licensed Activities.

	Default Fund	Adding Definition	-	The fund maintained by the Clearing House to cover losses that may arise from the default of one or more clearing members, in accordance with the specified rules and procedures.
	Depository Member	Adding Definition	-	A corporate entity or a Licensed Person by the Authority and is a member in the Central Securities Depository after fulfilling the conditions and requirements stipulated for the membership, with the right to act as an accounts officer or request transfers in the central registry according to the approved list of members.
	Clearing Member	Adding Definition	-	A corporate entity or a Licensed Person by the Authority who is a member in the Clearing House after fulfilling the conditions and requirements stipulated for the membership, and shall be responsible to fulfill the financial obligations or securities obligations for his own trading account or those of his clients.
	Major Shareholders	Amending Definition	any shareholder holding 5% or more of the Shares of a shareholding company in accordance with the provisions of Module Ten (Disclosure and Transparency) of these Bylaws	any shareholder holding 5% or more of the Shares of a shareholding company.
	Senior Executives	Amending Definition	persons occupying executive positions and performing important and essential work relating to Securities Activities carried out by the Licensed Person.	persons occupying executive positions and performing important and essential work relating to <b>Licensed Activities</b> carried out by the Licensed Person.

	Central Securities Depository	Amending the defined term and definition	an entity that provides securities accounts, central safekeeping services, and asset services, which may include the administration of corporate actions, and plays an important role in helping to ensure the integrity of securities issues (that is, ensuring that securities are not accidentally or fraudulently created or destroyed or their details changed).	A corporate entity licensed to practice the activity of a Clearing Agency to provide the service of securities depository within the Central Securities Depository, and transfer their transfer and register the related transactions including sale, purchase, transfer of ownership, pledge and any other transactions and additional services stipulated in the rules of the Central Securities Depository.
	Clearing House	Adding Definition	-	A corporate entity licensed to practice the activity of a Clearing Agency to provide the services of securities settlement and clearing and the Central Counterparty together in one entity.
	Securities Settlement System	Amending Definition	an entity that enables Securities to be transferred and settled by book entry according to a set of predetermined rules.	A corporate entity licensed to practice the activity of a Clearing Agency to provide the services of securities settlement and clearing .
	Central Counterparty	Amending Definition	an entity that interposes itself between counterparties to contracts, becoming the buyer to every seller and the seller to every buyer.	A corporate entity licensed to practice the activity of a Clearing Agency to provide the service of Securities Central Counterparty to interpose itself between counterparties to contracts, becoming the buyer to every seller and the seller to every buyer, the Central Counterparty also becomes the counterparty to trade with its members by replacing the contract between the seller and buyer with two contracts (a contract between the seller and the counterparty and a contract between the counterparty and the seller) or the open offers, and it does not include financial derivatives.

	Central Counterparty for Financial Derivatives Market	Adding Definition	-	A corporate entity licensed to practice the activity of a Clearing Agency to provide the service of Central Counterparty for Financial Derivatives Market only, to interpose itself between counterparties to contracts, becoming the buyer to every seller and the seller to every buyer, the Central Counterparty also becomes the counterparty to trade with its members by replacing the contract between the seller and buyer with two contracts (a contract between the seller and the counterparty and a contract between the counterparty and the seller) or the open offers.
	Transfer Order	Adding Definition	-	An order issued by a Clearing Member to transfer financial payments or to transfer ownership of Securities, which shall be executed through the Clearing House in accordance with the approved rules of the Clearing House.
	Net settlement	Adding Definition	-	Consolidating the obligations of a Clearing Member and converting them into a single final obligation.
	Close-out Netting Provision	Adding Definition	-	An agreed-upon condition, whether concluded in the Net Settlement process, or the clearing in accordance with Decree-Law No. 67 of 1980 Promulgating the Civil Code, or for any other reason.
<b>Five</b>				

	Article (1-1)	Amending Article	<p>Without violating the Provisions in Module Four (Securities Exchange and Clearing Agencies) of these Bylaws, the provisions of this Chapter shall apply to all <u>Licensed Persons</u>.</p> <p>The <u>Authority</u> may exempt the <u>Units Subject to the Supervision of the Central Bank</u> of all or some of the provisions provided for in this Module, pursuant to an MoU signed between the <u>Authority</u> and the <u>Central Bank</u>.</p>	<p>The provisions on this <b>Module</b> shall apply to <b>all <u>Licensed Persons</u> to practice the <u>Securities Activities</u> provided for in Article (1-2) of this Module</b>. The <u>Authority</u> may exempt the <u>Units Subject to the Supervision of the Central Bank</u> of all or some of the provisions provided for in this Module, pursuant to an MoU signed between the <u>Authority</u> and the <u>Central Bank</u>. <b>The provisions of Chapter Two (Reviewing the Accounts of Licensed Persons, the Sharia Supervisory System for Persons Licensed to Operate in accordance with Islamic Sharia) and Chapter Three (Registered Persons) of this Module shall also apply to the <u>Exchange and Clearing Agency</u>.</b></p>
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	Article (1-2)	Amending Article	<p>The following are included within the realm of Securities Activities:</p> <ol style="list-style-type: none"> <li>1. <u>Security Exchange.</u></li> <li>2. <u>Clearing Agency.</u></li> <li>3. <u>Investment Portfolio manager.</u></li> <li>4. <u>Collective Investment Scheme manager.</u></li> <li>5. <u>Investment Advisor.</u></li> <li>6. <u>Subscription Agent.</u></li> <li>7. <u>Custodian.</u></li> <li>8. <u>Market Maker.</u></li> <li>9. <u>Securities Broker registered in the Securities Exchange.</u></li> <li>10. <u>Securities Broker not registered in the Securities Exchange.</u></li> <li>11. <u>Investment Controller.</u></li> <li>12. <u>Credit Rating Agency.</u></li> <li>13. <u>Valuation of Assets.</u></li> <li>14. <u>Qualified Securities Broker registered with an Exchange.</u></li> <li>15. Any other activities which the <u>Authority</u> may specify.</li> </ol>	<p>The following are included within the realm of Securities Activities:</p> <ol style="list-style-type: none"> <li>1. <u>Investment Portfolio manager.</u></li> <li>2. <u>Collective Investment Scheme manager.</u></li> <li>3. <u>Investment Advisor.</u></li> <li>4. <u>Subscription Agent.</u></li> <li>5. <u>Custodian.</u></li> <li>6. <u>Market Maker.</u></li> <li>7. <u>Securities Broker registered in the Securities Exchange.</u></li> <li>8. <u>Securities Broker not registered in the Securities Exchange.</u></li> <li>9. <u>Investment Controller.</u></li> <li>10. <u>Credit Rating Agency.</u></li> <li>11. <u>Valuation of Assets.</u></li> <li>12. <u>Qualified Securities Broker registered with an Exchange.</u></li> <li>13. Any other activities which the <u>Authority</u> may specify.</li> </ol>
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Article (1-19)	Amending Article	<p>Without prejudice to the provisions of the Securities Exchanges and Clearing Agencies, anyone who desires to enter into arrangements or agreements that lead to <u>Effective Control</u> of a <u>Licensed Person</u> shall obtain the approval of the <u>Authority</u> before completion of such control, according to the procedures stipulated in Article (1-19-1) of this Module. Obtaining the prior approval of the Central Bank for the units subject to its supervision shall be taken into account.</p> <p>A <u>Person</u> who is complying with the provisions of Module Nine (Mergers and Acquisitions) of these <u>Bylaws</u> shall be excluded from the provision of this Article.</p>	<p>Anyone who desires to enter into arrangements or agreements that lead to <u>Effective Control</u> of a <u>Licensed Person</u> shall obtain the prior approval of the Authority before completion of such control, according to the procedures stipulated in Article (1-19-1) of this Module. Obtaining the prior approval of the <u>Central Bank</u> for the units subject to its supervision shall be taken into account.</p> <p>A <u>Person</u> who is complying with the provisions of Module Nine (Mergers and Acquisitions) of these <u>Bylaws</u> shall be excluded from the provision of this Article.</p>
Article (1-33)	Amending Article	<p>6. Reconcile the contents of the Client's accounts with the contents with the <u>Central Securities Depositories</u> and <u>Licensed Persons</u> and other financial services providers regarding the custody of assets.</p>	<p>6. Reconcile the contents of the Client's accounts with the contents with <u>the Central Securities Depository</u> and <u>Licensed Persons</u> and other financial services providers regarding the custody of assets.</p>
Article (1-33)	Adding Article	-	<p>11. Excute the obligations related to <u>Securities</u> transactions, including delivery and payment as specified in the rules of the <u>Clearing House</u>.</p>

	Article (3-2-1)	Amending Article	Each <u>Licensed Person</u> who practices <u>Securities Activities</u> shall appoint employees to fulfil <u>Registered Employment Positions</u> as stated in Article (3-2-2) of this Module. Only natural <u>Persons</u> shall occupy <u>Registered Employment Positions</u> . The position of <u>Member of a Board of Directors</u> of a <u>Licensed Person</u> is considered a <u>Registered Position</u> .	Each <u>Licensed Person</u> shall appoint employees to fulfil <u>Registered Employment Positions</u> as stated in Article (3-2-2) of this Module. Only natural <u>Persons</u> shall occupy <u>Registered Employment Positions</u> . The position of <u>Member of a Board of Directors</u> of a <u>Licensed Person</u> is considered a <u>Registered Position</u> .
	Appendix No. (1)	Amending Appendix	-	In accordance with the form attached to this resolution.
<b>Six</b>				
	Article (2-1)	Amending Item	12. Implementation and management of the operations of the licensed activities, including the documentary cycle required to be followed.	12. Implementation and management of the operations of the <u>Licensed Activities</u> , including the documentary cycle required to be followed, <b>the terms of providing services to <u>Clients</u> and investors, and a list of current or proposed fees, commissions, charges and expenses.</b>
	Article (3-3)	Amending Article	A <u>Licensed Person</u> shall set proper precautions to prevent leakage or disclosure of information arising from any <u>Securities Activity</u> to <u>Persons</u> who operate under the <u>Licensed Person</u> in another <u>Securities Activity</u> , or to any <u>Persons</u> other than those entitled to have access to such information (“Chinese Wall”).	A <u>Licensed Person</u> shall set proper precautions to prevent the leakage or disclosure of any information arising from any of its <u>Licensed Activities</u> to <u>Persons</u> who operate under the <u>Licensed Person</u> in another <u>Securities Activity</u> , or to any <u>Persons</u> other than those entitled to have access to such information (“Chinese Wall”).

	Article (4-5)	Amending Article	The <u>Authority</u> has the right to impose any additional requirements or to request specific reports to ensure that the <u>Licensed Person</u> has the ability of managing their risks in a manner that corresponds to the nature and volume of the <u>Securities Activities</u> that they carry out. The <u>Authority</u> also has the right to relieve the <u>Licensed Person</u> of some requirements as it may deem fit.	The <u>Authority</u> has the right to impose any additional requirements or to request specific reports to ensure that the <u>Licensed Person</u> has the ability of managing their risks in a manner that corresponds to the nature and volume of the <u>Licensed Activities</u> that they carry out. The <u>Authority</u> also has the right to relieve the <u>Licensed Person</u> of some requirements as it may deem fit.
<b>Eleven</b>				
	Contents	Amending Title	Chapter Six: Securities Registry	Chapter Six: <b>Central</b> Securities Registry
	Chapter Six	Amending Title	Securities Registry	<b>Central</b> Securities Registry
	Article (6-1)	Amending Article	<u>Securities</u> shall be deposited in a central securities depository system for <u>Securities</u> of a <u>Clearing Agency</u> . The statement of holding of <u>Securities</u> issued by the <u>Clearing Agency</u> is prima facie evidence of title of the <u>Securities</u> and any rights arising therefrom. A statement of holding shall be delivered to each receipt holder showing the number of its <u>Securities</u> . In the event of pledge or attachment of <u>Securities</u> , the creditor pledgee and attachment creditor shall be given a receipt of <u>Securities</u> with annotation of pledge or attachment.	<u>Securities</u> shall be deposited at the <u>Central Securities Depository</u> register as stated in Article (3-6-1) of Module Four (Securities Exchanges and Clearing Agencies) of these <u>Bylaws</u> , the statement of holding of Securities issued by the <u>Central Securities Depository Entity</u> is prima facie evidence of title of the Securities and any rights arising therefrom. A statement of holding shall be delivered to each receipt holder showing the number of its <u>Securities</u> . In the event of pledge or attachment of <u>Securities</u> , the creditor pledgee and attachment creditor shall be given a receipt of <u>Securities</u> with annotation of pledge or attachment.

	Article (6-2)	Amending Article	Any action related to <u>Securities</u> not deposited with a <u>Clearing Agency</u> , or not recorded in their registers in accordance with the procedures applicable by a <u>Clearing Agency</u> in this regard, shall not be taken into consideration.	Any action related to <u>Securities</u> not deposited with the <u>Central Securities Depository</u> , or not recorded in their registers in accordance with the procedures applicable by the <u>Central Securities Depository Entity</u> in this regard, shall not be taken into consideration.
	Article (6-3)	Deleting Article	Each <u>Issuer</u> shall have a special register kept with a <u>Clearing Agency</u> for each issue, the register shall contain the names, nationality, domicile, and number of <u>Securities</u> registered for each holder, the type and the capital paid in for each <u>Security</u> . The register shall be updated by any changes required to be registered and which are received from the <u>Clearing Agency</u> . Any party with a relevant interest may request the <u>Clearing Agency</u> to provide them with such information from the register.	-
	Article (6-4)	Amending and renumbering Article	(6-4) The <u>Clearing Agency</u> shall - within the specific dates determined by the <u>Authority</u> - provide the <u>Authority</u> with any requested information concerning the information entered into the register of the <u>Securities</u> ' holders kept with such <u>Clearing Agency</u> .	(6-3) The <u>Central Securities Depository</u> shall - within the specific dates determined by the <u>Authority</u> - provide the <u>Authority</u> with any requested information concerning the data entered into the register of the <u>Securities</u> ' holders kept with such <u>Central Securities Depository</u> .

	Article (6-5)	Amending and renumbering Article	<p>(6-5)</p> <p>Pursuant to a complaint presented by any party with a relevant interest, or pursuant to the results of inspection procedures, the <u>Authority</u> may decide to maintain the register of the <u>Securities</u>' holders by some agency other than the <u>Clearing Agency</u>. Both agencies shall take the necessary actions to deliver and receive the register of the <u>Securities</u>' holders and the other documents showing the entries added thereto within the specific dates set by the <u>Authority</u>.</p>	<p>(6-4)</p> <p>Pursuant to a complaint presented by any party with a relevant interest, or pursuant to the results of inspection procedures, the <u>Authority</u> may decide to maintain the register of the <u>Securities</u>' holders by some <b>entity</b> other than the <u>Central Securities Depository</u>. Both <b>entities</b> shall take the necessary actions to deliver and receive the register of the <u>Securities</u>' holders and the other documents showing the entries added thereto within the specific dates set by the <u>Authority</u>.</p>
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	Article (6-6)	Amending and renumbering Article	<p>(6-6)</p> <p>The statement of holding of <u>Securities</u> shall include the following details:</p> <ol style="list-style-type: none"> <li>1. Name, commercial register number and headquarters address of the <u>Issuer</u> and <u>Obligor</u>.</li> <li>2. Capital of the <u>Issuer</u> and <u>Obligor</u>.</li> <li>3. Name of the <u>Security</u>'s holder.</li> <li>4. Par value and number of security.</li> <li>5. Return eligible for the security, if any, and the specific dates for paying the same.</li> <li>6. Annual dividend of the security from the company's profits, if any.</li> <li>7. Statement of collaterals of securities, if any.</li> <li>8. Redemption conditions for <u>Bonds</u> and <u>Sukuk</u>.</li> <li>9. In the event that the <u>Securities</u> comprise <u>Bonds</u> and <u>Convertible Sukuk</u> into <u>Shares</u>, the receipt shall state the dates whereon the <u>Bondholder</u> or <u>Sukukholder</u> may exercise the right of conversion, and the conditions of conversion.</li> </ol>	<p>(6-5)</p> <p>The statement of holding of <u>Securities</u> shall include the following details:</p> <ol style="list-style-type: none"> <li>1. Name, commercial register number and headquarters address of the <u>Issuer</u> and <u>Obligor</u>.</li> <li>2. Capital of the <u>Issuer</u> and <u>Obligor</u>.</li> <li>3. Name of the holder of the registered <u>Security</u>.</li> <li>4. Par value and number of security.</li> <li>5. Return eligible for the security, if any, and the specific dates for paying the same.</li> <li>6. Annual dividend of the security from the company's profits, if any.</li> <li>7. Statement of collaterals of securities, if any.</li> <li>8. Redemption conditions for <u>Bonds</u> and <u>Sukuk</u>.</li> <li>9. In the event that the <u>Securities</u> comprise <u>Bonds</u> and <u>Convertible Sukuk</u> into <u>Shares</u>, the receipt shall state the dates whereon the <u>Bondholder</u> or <u>Sukukholder</u> may exercise the right of conversion, and the conditions of conversion.</li> </ol>
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	Article (8-12-2)	Amending two Items	<p>The following are the requirements of providing the <u>Margin Trading</u> service:</p> <ol style="list-style-type: none"> <li>1. The service provider shall be a <u>Licensed Person</u> authorized by the <u>Authority</u> to practice the activity of an <u>Investment Portfolio Manager</u> or the activity of a <u>Qualified Securities Broker</u> registered with an <u>Exchange</u>.</li> <li>2. He shall be registered at the <u>Clearing Agency</u>, provided that the Clearing Agency shall notify the <u>Authority</u> of the registrants list.</li> <li>3. The <u>Margin Trading Service Provider</u> shall have administrative and technical expertise as well as experience in systems, policies, and operational procedures sufficient to practice the <u>Margin Trading</u> service.</li> <li>4. The <u>Margin Trading Service Provider</u> shall have the necessary financial resources to provide the service and shall consider the capital adequacy regulations stipulated in Module Seventeen of the <u>Executive Bylaws</u>.</li> <li>5. Any requirements, conditions, or controls deemed by the <u>Authority</u>.</li> </ol>	<p>The following are the requirements of providing the <u>Margin Trading Service</u>:</p> <ol style="list-style-type: none"> <li>1. The service provider shall be a <u>Licensed Person</u> authorized by the <u>Authority</u> to practice the activity of an <u>Investment Portfolio Manager</u> or the activity of a <u>Qualified Securities Broker</u> registered with an <u>Exchange</u>.</li> <li>2. He shall be a <u>Clearing Member</u>, provided that the <u>Clearing House</u> is obligated to notify the <u>Authority</u> of the list of its registered members.</li> <li>3. The <u>Margin Trading Service Provider</u> shall have administrative and technical expertise as well as experience in systems, policies, and operational procedures sufficient to practice the <u>Margin Trading</u> service.</li> <li>4. The <u>Margin Trading Service Provider</u> shall have the necessary financial resources to provide the service and shall consider the capital adequacy regulations stipulated in Module Seventeen (<u>Capital Adequacy Regulations for Licensed Persons</u>) of these <u>Bylaws</u>.</li> <li>5. Any requirements, conditions, or controls deemed by the <u>Authority</u>.</li> </ol>
Thirteen				



	Article (2-17-1)	Amending Article	<p>The <u>Fund</u>'s <u>Unit</u> holders' record shall be kept at the <u>Clearing Agency</u>. If the <u>Fund</u> is not listed, such record may be kept at the <u>Custodian</u>.</p> <p>In the event of the <u>Fund</u>'s liquidation, it is permitted to keep the <u>Unit</u> holders' record at the <u>Fund</u>'s liquidator if the services of the record keeping entity were dismissed.</p> <p>In any event, the charges of the record keeping entity shall be paid from the <u>Fund</u>'s monies.</p>	<p>The <u>Fund</u>'s <u>Unit</u> holders' record shall be kept at the <u>Clearing Agency</u>. If the <u>Fund</u> is not listed, such record may be kept at the <u>Custodian</u>.</p> <p>In the event of <b>liquidation</b>, the record <b>may be</b> kept at the <u>Fund</u>'s liquidator in the event of termination of the services of the record keeping entity.</p> <p><b>Article No. (3-6-1) of Module Four (Securities Exchanges and Clearing Agencies) and Article No. (6-1) and Article No. (6-2) of Module Eleven (Dealing in Securities) of these Bylaws do not apply to the provisions of this article.</b></p> <p><b>And that</b> the charges of the record keeping entity shall be paid from the <u>Fund</u>'s monies.</p>
	Article (3-29-1)	Amending Article	<p>The register of Scheme <u>Unit</u> holders shall be kept with a <u>Clearing Agency</u> or with a <u>Custodian</u>.</p> <p>In the event of liquidation of the Scheme, the register of <u>Unit</u> holders may be kept with the liquidator of the Scheme if the services of the entity that keeps the register are dispensed.</p> <p>In all events, the fees of the entity that keeps the register shall be paid from the funds of the Scheme.</p>	<p>The register of Scheme <u>Unit</u> holders shall be kept with a <u>Clearing Agency</u> or with a <u>Custodian</u>.</p> <p>In the event of <b>liquidation</b>, the register of <u>Unit</u> holders may be kept with the liquidator of the Scheme in the event of termination the services of the record keeping entity.</p> <p><b>Article No. (3-6-1) of Module Four (Securities Exchanges and Clearing Agencies) and Article No. (6-1) and Article No. (6-2) of Module Eleven (Dealing in Securities) of these Bylaws do not apply to the provisions of this article, provided that</b> the fees of the entity that keeps the register shall be paid from the funds of the Scheme.</p>
<b>Fifteen</b>				

	Article (1-3)	Amending Article	<p>This Module shall be applied to <u>Listed Companies</u> on the <u>Exchange</u> and licensed shareholding companies, whether listed or unlisted on the <u>Exchange</u>, except the following:</p> <ol style="list-style-type: none"> <li>1. <u>Units Subject to the Supervision of the Central Bank</u>.</li> <li>2. <u>Listed Companies</u> subject to the supervision of the <u>Insurance Regulatory Unit</u>.</li> <li>3. Non-Kuwaiti companies which are listed on the <u>Exchange</u> upon the issuance of this Module.</li> </ol>	<p>This Module shall be applied to <u>Listed Companies</u> on the <u>Exchange</u> and licensed shareholding companies <b>by the Authority</b>, whether listed or unlisted on the <u>Exchange</u>, except the following:</p> <ol style="list-style-type: none"> <li>1. <u>Units Subject to the Supervision of the Central Bank</u>.</li> <li>2. <u>Listed Companies</u> subject to the supervision of the <u>Insurance Regulatory Unit</u>.</li> <li>3. Non-Kuwaiti companies which are listed on the <u>Exchange</u> upon the issuance of this Module.</li> </ol>
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	Article (2-2)	Amending Item	<p>Without prejudice to the provisions of the <u>Companies Law</u> and its Executive Bylaws, the following must be complied with upon Board composition:</p> <ol style="list-style-type: none"> <li>1. Board shall be composed of sufficient members so that it can form the required number of committees derived from it and subject to governance rules requirements.</li> <li>2. Upon Board composition, variety of experiences and specialized skills must be considered to enhance the efficiency of undertaking resolutions.</li> <li>3. Majority of <u>Members of the Board of Directors</u> must be <u>Non-Executive Members</u>, and that at least 20% of the <u>Members of the Board of Directors</u> are independent members. In the event of a fraction in the result of calculating the ratio, the result is rounded to the next whole number, provided that the number of independent members does not exceed half of the <u>Members of the Board of Directors</u>.</li> </ol>	<p>Without prejudice to the provisions of the <u>Companies Law</u> and its Executive Bylaws, the following must be complied with upon Board composition:</p> <ol style="list-style-type: none"> <li>1. Board shall be composed of sufficient members so that it can form the required number of committees derived from it and subject to governance rules requirements.</li> <li>2. Upon Board composition, variety of experiences and specialized skills must be considered to enhance the efficiency of undertaking resolutions.</li> </ol> <p>Majority of <u>Members of the Board of Directors</u> must be <u>Non-Executive Members</u>, and that at least 20% of the <u>Members of the Board of Directors</u> are independent members. In the event of a fraction in the result of calculating the ratio, the result is rounded to the next whole number, provided that the number of independent members does not exceed half of the <u>Members of the Board of Directors</u>. <b>With the exception of the <u>Clearing Agency</u>, it shall comply to what is stated in Article (3-2-1) of Module Four (Securities Exchanges and Clearing Agencies) of these <u>Bylaws</u>.</b></p>
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### **Annex 3**

#### **Appendix No. (1)**

##### Capital Requirements and Legal Form of Licensed Persons

###### Article One:

The following table sets out the required minimum paid up capital and legal form of Licensed Persons to carry on each type of securities activity:

#	Activity Type	Legal form	Capital (KWD)
1	Securities Broker registered in a Securities Exchange	Shareholding Company	5,000,000
2	Securities Broker not registered in a Securities Exchange	Shareholding Company	1,000,000
3	Investment Advisor	Shareholding or Limited Liability Company	100,000
		One-person Company	30,000
4	Assets Valuator	Shareholding or Limited Liability Company	100,000
5	Investment Portfolio Manager	Shareholding Company	5,000,000
6	Collective Investment Scheme Manager	Shareholding Company	5,000,000
7	Custodian	Shareholding Company	5,000,000
8	Investment Controller	Shareholding Company	2,000,000

9	Market Maker	Shareholding Company	5,000,000
10	Subscription Agent	Shareholding Company	1,000,000
11	Qualified Securities Broker Registered in a Securities	Shareholding Company	5,000,000

Article Two: If a person is licensed to carry on more than one Securities activity of those mentioned in Article (1) of this Appendix, this person must meet, at a minimum, the higher capital for any of the activities he wants to practice.