

The Executive Bylaws
Module Six

**Policies & Procedures
of Licensed Persons**



هَذَا كِتَابٌ أَنْبَأَ فِيهِ الْمَلَأَمُ

Contents

Chapter	Title
Chapter One	General Provisions
Chapter Two	Manual of Policies and Procedures of Licensed Persons
Chapter Three	Management & Monitoring Precautions
Chapter Four	Risk Management
Chapter Five	Clients' Complaints
Chapter Six	Business Continuity
Appendices	
Appendix 1	Obligations Relevant to Practicing Securities Activities of the One Person Company

Chapter One
General Provisions

Article 1-1

The provisions of this Module shall apply to each Licensed Person according to the nature of his licensed activity.

The provisions of this Module shall apply to the Units Subject to the Supervision of the Central Bank in coordination between the Authority and the Central Bank by virtue of a memorandum of understanding signed between the two parties.

Chapter Two

Manual of Policies and Procedures of Licensed Persons

Article 2-1

Each Licensed Person shall prepare a manual of policies and procedures in order to ensure compliance with the Law and these Bylaws, and these shall regulate, in particular, the following:

1. The organizational structure of Licensed Person which specifies explicitly the limitations of the authority, capacity and responsibility pertinent to the Board of Directors and executive management and all other various main supporting positions of the Licensed Person. In addition, this will set out the administrative levels and capacities pertaining to approval of entering into transactions, payment of expenses and financial costs and carrying out procedures of ratification of operations and transactions.
2. Monitoring systems and internal control programs.
3. Human resources, training and development.
4. Adherence to fit and proper requirements for Licensed Persons.
5. Conflicts of interest.
6. Separation between activities carried out by the Licensed Person, except for Investment Portfolio management and the establishment and management of Collective Investment Schemes, in a manner that ensures that information does not leak between such activities.
7. Handling Clients' complaints.
8. Risk management.
9. Anti-Money Laundering and Combating the Financing of Terrorism.
10. Compliance.
11. Standards of professional conduct.
12. Implementation and management of the operations of the Licensed Activities, including the documentary cycle required to be followed, the terms of providing services to Clients and investors, and a list of current or proposed fees, commissions, charges and expenses.
13. Emergency plans and ensuring business continuity.
14. Protection of whistleblowers in respect of any unlawful practice of the Licensed Person.
15. Sharia supervision for persons licensed to operate in accordance with the provisions of Islamic Sharia.
16. Policies and procedures of capital adequacy regulations.
17. Any other policies and procedures as required by the Authority.

The Licensed Person shall provide the Authority with the manual of policies and procedures, and the Authority may request to have said manual amended to ensure compliance with the laws and regulations in force.

Article 2-2

Without prejudice to Article (2-1) of this Module, the policies and procedures of implementing and managing business operations for Custodians shall include – in particular – the following:

1. Procedures followed for keeping records and accounts which include distinguishing the Client's Assets and Funds from the ones of another Client, or the ones of the Licensed Person to ensure compliance with the provisions of Chapter Two, in particular Article (2-3) and Article (3-1) of Chapter Three of Module Seven (Clients' Funds and Clients' Assets) of these Bylaws, and the means of defining the keeping entity, and the value and ownership of the Client's assets at all times.
2. Procedures followed by the Licensed Person to ensure the conformity of the Client's accounts and records with the bank accounts of the Client's Funds, as well as the records of any other party that keeps the Client's Assets and Funds.
3. The method of delivery of reports notifications and notices, whether written to be delivered by courier or mail, or through fax or E-mail or any other modern communication mechanism.
4. Receiving and executing Client's orders, and determining whether that will be in writing or through recorded phone calls or E-mail or any other modern communication mechanism.
5. Evidence of separating the tasks performed by operational departments of the Licensed Person, and the departments that offer any other services to the Client.

Chapter Three

Management & Supervision Precautions

- Article 3-1** A Licensed Person shall set proper precautions to maintain clear and proper division of major responsibilities among Member of a Board of Directors and members of the executive management, all in a manner sufficient to determine the capacities and responsibilities attached to each position, in a manner that ensures sufficient monitoring and supervision being in place.
- Article 3-2** A Licensed Person shall set proper precautions for the execution of operations and the disposal of assets and funds by the entity within the Licensed Person authorised accordingly and pursuant to the powers granted to such entity.
- Article 3-3** A Licensed Person shall set proper precautions to prevent the leakage or disclosure of any information arising from any of its Licensed Activities to Persons who operate under the Licensed Person in another Securities Activity, or to any Persons other than those entitled to have access to such information (“Chinese Wall”).

Chapter Four

Risk Management

Article 4-1

Risk management systems are considered an essential part of strategic management of a Licensed Person, and accordingly shall include the main aspects which would enable the Licensed Person to determine, analyse, assess and evaluate risks and management thereof and the mechanisms of following up on them and report them properly to ensure protection and to add value to the establishment and to all other concerned parties as a minimum. These systems may include environmental, social and governance Sustainability factors through supporting the objectives of the establishment in the following way:

1. Presenting a business framework to support the implementation of current and upcoming activities
2. Developing methods of decision making, planning and setting priorities through comprehensive and organised consideration of the activities of the organisation, relevant developments and the positive and negative aspects of possible projects.
3. Contributing to the effective use and appropriation of the capital and resources available to the organisation.
4. Reducing excessive volatility in secondary trading.
5. Maintaining and developing the assets and the reputation of the organisation.
6. Developing and supporting the manpower and the informational resources of the organisation.
7. Maximising the efficiency of operation.

Article 4-2

Risk management systems of the Licensed Persons shall include the main aspects that would enable them to determine risks and to manage them in a proper manner, including at the least the following:

1. Credit risks: potential risks of exposure to failure of another party to meet its commitments.
2. Market risks: potential risks of exposure to fluctuations in the market value of assets.
3. Liquidity risks: potential risks of insufficiency of funds required to meet the Licensed Person's obligations upon maturity.
4. Operations risks: potential risks of failure of financial, administrative or technical systems or human errors.
5. Any other risks that the Licensed Person may incur.

Article 4-3

The Licensed Person shall set in place policies and procedures that determine the following:

1. Method of managing credit risks within the framework of the risk management system, setting a maximum limit for the amount of exposure of any one party and assessing the same periodically and to set out the procedures to be followed in the event of reaching said limit.
2. Method of managing market risks to which the Licensed Person might be exposed in various circumstances and the methods to be followed in the measurement of such risks.
3. Method of managing liquidity risks to which the Licensed Person might be exposed in various circumstances and the methods of managing liquidity that would enable them to deal with such risks in unexpected circumstances.
4. Method of managing operational risks to which the Licensed Person might be exposed in various circumstances and rating of the same according to the nature of the business of the company.
5. Methods adopted in the measurement of various other risks to which the Licensed Person might be exposed in various circumstances and the methods of rating the same and the policies and procedures to be followed to manage them.

Article 4-4

The Risk Management Officer shall file a report to the Board of Directors related to risks every six months, and submit a copy thereof to the Authority. The Board of Directors shall notify the Authority whenever any breach of the risk management system occurs, and report upon the procedures that are to be followed to deal with such.

The Board of Directors is responsible for approving policies and procedures for managing the risks of the Licensed Person to ensure that all such risks are defined, rated and managed, and for maintaining continuous monitoring thereof in a proper manner.

Article 4-5

The Authority has the right to impose any additional requirements or to request specific reports to ensure that the Licensed Person has the ability of managing their risks in a manner that corresponds to the nature and volume of the Licensed Activities that they carry out. The Authority also has the right to relieve the Licensed Person of some requirements as it may deem fit.

Chapter Five

Clients' Complaints

Article 5-1

Policies and procedures of dealing with complaints of Clients shall in particular include the following:

1. A template of a complaint form which indicates information and documents needed from the Client. The form shall be published on the website of the Licensed Person.
2. Procedures for receiving a complaint, including notifying the Client of receipt of the respective complaint and number thereof.
3. Procedures required to be taken on the part of the Licensed Person to ensure proper handling of complaints and in a timely manner.
4. Procedures of settling complaints, ensuring that each employee dealing with Clients is notified of such procedures.
5. Procedures required to be taken to notify the Client of the results of the investigation of a complaint. The Licensed Person is required to inform a complaining Client of the steps taken in response to a complaint within a maximum period of thirty days as of receipt of the complaint.

Article 5-2

The Compliance Officer of a Licensed Person shall follow up on Clients' complaints and shall be responsible for the due consideration thereof. The Licensed Person may suspend consideration of a complaint submitted by a Client if such a complaint is subject of legal proceedings.

Article 5-3

A Licensed Person shall send a report biannually to the Authority concerning Clients' complaints.

A Licensed Person shall maintain a record of each complaint for five years from the submission thereof.

Chapter Six Business Continuity

- Article 6-1** A Licensed Person shall set in place proper precautions to ensure its ability to maintain its operations, in particular to maintaining sufficient capital for its purposes, and to fulfil its legal obligations in the event of an unexpected suspension of their business, taking into consideration the nature, volume and diversity of their business. Such precautions shall be documented and periodically updated and tested to ensure their effectiveness and continued relevance to the latest developments in the field of activity of the Licensed Person.
- Article 6-2** Records related to precautions pertaining to business continuity shall be kept for five years as of suspension of use or amendment thereof.
- Article 6-3** Policies and plans in respect of emergencies and the need to maintain business continuity shall include in particular the following:
1. Identifying the internal unit or the individual in charge of the implementation of the business continuity plan and the means of communications with concerned entities domestically and internationally in the event of an unexpected suspension of the operations of the Licensed Person.
 2. Setting priorities to be followed upon an unexpected suspension of the operations of the Licensed Person.
 3. The Licensed Person's plans for ensuring the continuing availability of appropriate human, technical and financial resources.
 4. Documented means of communication whether internally among units of the Licensed Person, or externally with Clients and all other entities.
 5. The Licensed Person's plans for maintaining the continuity of operation of its technical systems and its policies for maintaining and safeguarding assets and records and for retrieval of any necessary information upon the occurrence of any unexpected suspension of its operations.
- Article 6-4** The Authority has the right to impose additional requirements or to make requests for specific reports to ensure that the Licensed Person has the ability to continue their business, particularly holding a sufficiency of capital, in a manner that is commensurate with the nature and volume of the Securities Activities that they carry out.

Appendix 1

Obligations Relevant to Practicing Securities Activities of the One Person Company

Obligations Relevant to Practicing Securities Activities of the One Person Company**First: Regarding the internal policies and procedures manual of the Licensed Person**

The Licensed Person shall establish a manual for the policies and procedures to ensure compliance with the Law and these Bylaws, in line with the activity subject to the license, its legal entity, the company's size, its Client base, and the services it wishes to offer. These policies and procedures shall regulate in particular the following aspects:

1. The organizational structure of the Licensed Person that clearly defines the limits of the powers, authority, and responsibility of the Licensed Person in relation to the executive management and other various main supporting jobs. In addition to defining the administrative hierarchy and powers in relation to the approval of the concluding transactions, the payment of expenses and financial expenditures, and the procedures for ratifying operations and transactions.
2. The company's policies and procedures relevant to compliance.
3. Policies and procedures of Anti-Money Laundering and Combating Financing of Terrorism.
4. The supervisory systems and internal control programs, provided that they include risk management related to the work of the Licensed Person and the Related Parties, in line with the type of licensed activity and the conflict of interest policy.
5. Human resources, training and development provided that it includes evidence of the Licensed Person's compliance with the provisions and requirements of the Registered Employment Positions, the mechanism of assigning external entities to provide the services of Registered Employment Positions, and the rules of professional conduct, as well as the requirements of the continuous training.
6. Dealing with the Clients' complaints.
7. Executing and managing business operations of the licensed activities, provided that they include details of the services intended to be offered, conditions for provision of services to Clients, the mechanism of the contract and its termination, the draft of the contract to be concluded with the Client, in addition to all the reports issued by the Licensed Person to the Clients and regulatory entities, and the mechanism of the record keeping.
8. Information technology, provided that it includes the details of the electronic programs used to provide the services to the Clients (if any) and the contracts concluded with the entities that develop such programs, the technical support of the records and operations provided through such program, as well as the obligations of the confidentiality of information and data and prevention of information leakage.
9. Emergency plans and business continuity follow-up.
10. Protection of whistleblowers of any unlawful practices committed by the Licensed Person.
11. Any other policies and procedures required by the Authority.

The Licensed Person must provide the Authority with the policies and procedures' manual and its updates, and the Authority may require amendment on this manual to ensure compliance with the applicable laws and regulations.

Second: General Provisions

- The Licensed Person is exempted from submitting the risk management report stipulated in Article 4-4 of this Module, provided that the Licensed Person shall immediately notify the Authority upon the occurrence of any breach of the risk management system and details of the procedures that will be followed to deal with it.
- The Chief Executive Officer or whoever is entrusted with the responsibility of dealing with the Client complaints shall be responsible for implementing the provisions of Chapter Five of this Module.
- The Chief Executive Officer shall be responsible for implementing the provisions of Chapter Six of this Module in the event an exception is requested for the position of Compliance Officer.

DISCLAIMER:

This “translation” of the Bylaws of the Capital Markets Authority from Arabic into English is provided solely for reference. No translation can exactly reflect every aspect of an original text and accordingly this “translation” may be used for guidance but not for legal purposes. Only the Arabic original shall be considered for legal proceedings and legal actions before the competent courts of jurisdiction and in any arbitration mechanism agreed upon by contracting parties to any transaction made under the Law and the Bylaws thereof. The Capital Markets Authority shall not be responsible for any mistake, error and/or misinterpretation made or given by any party based on that party’s interpretation of the Law and the Bylaws whether arising from a reading of the Arabic text or, specifically in the context of this document, the English “translation”. The original Arabic versions, as approved and accordingly published by the Authority, shall constitute the only source of the provisions and regulations of the Law and its Bylaws.