Resolution No. (31) of 2020 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 their Amendments

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

- CMA Board of Commissioners Resolution passed in its meeting No. (9) of 2020 held on 19/4/2020; and

- CMA Board of Commissioners Resolution passed in its meeting No. (10) of 2020 held on 21/4/2020;

The Following Was Resolved

Article (1)
Module Five (Securities Activities and Registered Persons), Module Ten (Disclosure and Transparency) and Module Eleven (Dealing in Securities) of the Executive Bylaws of Law No. (7) of 2010 is hereby amended pursuant to Annex (1) attached to this Resolution.

Article (2)
This Resolution is effective from the date of its issuance and shall be published in the Official Gazette. The concerned bodies shall execute this Resolution immediately, each within its jurisdiction.

Prof. Ahmad A. Al-Melhem

Issued on: 22/4/2020

Annex (1)

#	Module	Chapter	Article	Before Amendment	After Amendment
1	Five	One	(1-41-7)	A company's Treasury Shares shall not be used in market making operations.	Taking into considertaion the provisions perscribed in Chapter Fourteen of Module Eleven these Bylaws, a Market Maker may use the Treasury Shares of Listed Companies. If a Market Maker borrows the shares of a Listed Company, the following conditions shall be taken into consideration: 1 .Securities are free from any legal restrictions for the duration of the agreement. 2 .Enter into an agreement with the lender, provided that the following items are specified: a. The duration of the agreement, and it may stipulate that the contract be terminated before the end of the specified period, upon the desire of one party or both parties. b. Determine the party of the share rights, including but not limited to cash dividends and bonus shares. c. Not to deal in shares if there is insider information or a statement that has a material impact. d. Ensure that the Treasury Shares are listed in the records of the lending company in accordance with the requirements of international standards for accounting treatments in this regard. e.Comply with the rules of the Clearing Agency regarding lending and borrowing securities that are specific to the Market Maker only.

2	Five	One	~~(1-41-8)~~ (1-41-8)	A Market Maker is not permitted to exercise voting rights in respect of the Shares that it holds for its market making activity, nor is it permitted to authorize a third party to exercise these voting rights, nor may it appoint Members of the Board of Directors or exert any direct or indirect influence on the company's decisions. Its Shares shall be included within the required quorum for holding a general assembly, and its Shares shall be calculated within the Shares represented at the assembly.	A Market Maker is not permitted to exercise voting rights in respect of the Shares that it holds for its market making activity, nor is it permitted to authorize a third party to exercise these voting rights, nor may it appoint Members of the Board of Directors or exert any direct or indirect influence on the company's decisions. Its Shares shall be included within the required quorum for holding a general assembly, and its Shares shall be calculated within the Shares represented at the assembly, excluding borrowed Treasury Shares.
3	Ten	Three	(3-1-1)	Those provisions shall apply to Listed Companies, Members of Boards of Directors and members of the executive body of a listed company, and any other Insiders who have access to Inside Information. The Market Maker shall be exempt from such provisions regarding listed Securities in which it practices its activity in this capacity.	The provisions of this chapter shall apply to Listed Companies, Members of Boards of Directors and members of the executive body of a Listed Company, and any other Insiders who have access to Inside Information. The Market Maker shall be exempt from such provisions regarding listed Securities in which it practices its activity in this capacity, in addition to parties that hold an agreement related to lending and borrowing shares.
4	Ten	Four	(4-1-1) Item (17)	A Listed Company shall disclose Material Information within the timing set out in Article (4-2) of this Module, including but not limited to the following: …… ……	A Listed Company shall disclose Material Information within the timing set out in Article (4-2) of this Module, including but not limited to the following: …… ……..

				Any transaction between a Listed Company and the Parent Companies, Subsidiary Companies or Associate Companies or Related Parties or any arrangement by which both parties may enter into a project, share an asset or provide financing, which has Significant Effect. The disclosure should contain a description of the transaction or the arrangement, value, conditions and the nature of the relationship between the two parties or the arrangement.	17. Any transaction between a Listed Company and the Parent Companies, Subsidiary Companies or Associate Companies or Related Parties or any arrangement by which both parties may enter into a project, share an asset or provide financing, which has Significant Effect or has a value of 5% or more of the Listed Company's assets, The disclosure should contain a description of the transaction or the arrangement, value, conditions and the nature of interest of the relationship between the two parties or the arrangement, and it shall be included in the annual report.
5	Eleven	Fourteen	(14-2)	Treasury Shares may only be used as follows: 1. Maintaining stability of the company's share price. 2. Reduction of the company's paid-up capital. 3. Settlement of a company's account receivables. 4. Repayment of a company's outstanding debt. 5. Distribution of bonus shares to shareholders without an increase of the capital or the number of Shares issued. 6. Swap deals in the event of Merger with or an Acquisition Offer of other companies. 7. Distribution of all or some of the Treasury Shares to the company's workers in	Treasury Shares may only be used as follows: 1. Maintaining stability of the company's share price. 2. Reduction of the company's paid-up capital. 3. Settlement of a company's account receivables. 4. Repayment of a company's outstanding debt. 5. Distribution of bonus shares to shareholders without an increase of the capital or the number of Shares issued. 6. Swap deals in the event of Merger with or an Acquisition Offer of other companies. 7. Distribution of all or some of the Treasury Shares to the company's workers in

				the context of the employees' Share option plans conditional upon the general assembly's approval, and in accordance with the regulatory rules approved by the general assembly of the company. 8. Other cases determined by the Authority. Unlisted Companies may not dispose of shares in the events referred to in paragraphs (1), (3) and (4) of this Article.	the context of the employees' Share option plans conditional upon the general assembly's approval, and in accordance with the regulatory rules approved by the general assembly of the company. 8. Lend and borrow it for the purpose of Market Making. 9. Other cases determined by the Authority. Unlisted Companies may not dispose of shares in the events referred to in paragraphs (1), (3), (4) and (8) of this Article.
6	Eleven	Fourteen	(14-17)	Listed Companies may not deal in shares thereof through financial derivatives. Any deals in shares shall take place in accordance with the Exchange rules applicable on the exchange. Cases specified in paragraph (3), (4), (5), (6) and (7) of Article (14-2) of this Module and other cases approved by the Authority shall be excluded.	Listed Companies may not deal in shares thereof through financial derivatives. Any deals in shares shall take place in accordance with the Exchange rules applicable on the exchange. Cases specified in paragraph (3), (4), (5), (6) , (7) and (8) of Article (14-2) of this Module and other cases approved by the Authority shall be excluded.
7	Eleven	Fourteen	(14-19)	A Listed Company shall not deal in shares ten Business Days before disclosing its financial statements (reviewed quarterly financial statement or audited annual financial statements) or any other significant information that may affect the company's shares.	A Listed Company shall not deal in shares ten Business Days before disclosing its financial statements (reviewed quarterly financial statement or audited annual financial statements) or any other significant information that may affect the company's shares, dealings of Treasury Shares by a Market Maker is not subject to this prohibition.

8	Eleven	Fifteen	(15-1)	Adding an Article	**Scope of Application:** Without prejudice to the provisions of Law No. (1) of 2016 on issuing the Companies Law and its Executive Bylaws and their Amendments, the provisions of this chapter shall apply to the following: 1. Public shareholding Kuwaiti companies. 2. Kuwaiti shareholding companies listed on Boursa Kuwait Securities Exchange. 3. Shareholidng companies licensed by the Authority to practice securities activities.
9	Eleven	Fifteen	(15-2)	Adding an Article	The company wishing to increase, decrease or restructure its capital must follow the procedures mentioned below according to the following order: 1. The company's Board of Directors shall issue a decision explaining the reasons and methods for increasing, reducing or restructuring the capital, along with a statement of the priority rights of shareholders in the event of an increase. 2. The Central Bank of Kuwait's approval must be obtained for the units subject to its supervision. 3. Submit an application to increase, reduce or restructure the company's capital to the Authority, with an obligation to fulfill the information and requirements in accordance with the forms in appendices No. (13, 14, 15, 17) of this Module, and provide any additional information or documents. requested by the Authority in this regard.

					4. The Auhority's approval decision shall be issued on the application. 5. Obtaining the approval of the Extraordinary General Assembly of the company for the process of increasing, reducing or restructuring the capital.
10	Eleven	Fifteen	(15-3)	Adding an Article	Companies licensed by the Authority shall comply with the provisions of Module Seventeen of these Bylaws.
11	Eleven	Fifteen	(15-4)	Adding an Article	**First: Capital Increase (ordinary shares):** The capital increase of the shareholding company shall be in one of the following methods: 1. Cash increase. 2. In kind Increase. 3. Increase by distributing of free bonus shares. 4. Increase by transferring a debt into shares. 5. Increase for the purpose of issuing shares for the employees.
12	Eleven	Fifteen	(15-5)	Adding an Article	**Cash Increase:** The cash increase of capital is implemented by issuing new Shares that are paid in cash, issued according to the par value or the share premium. In the event of a share premium account, a report shall be submitted by a licensed Investment Advisor stipulating the basis and the method of calculating the Share premium.
13	Eleven	Fifteen	(15-6)	Adding an Article	**In-Kind Increase:** The in-kind increase of capital is implemented by issuing new Shares that are paid against providing an asset in-kind in full (tangible or intangible), issued according to the par value or the share premium.

					In the event of a share premium account, a report shall be submitted by a licensed Investment Advisor stipulating the basis and the method of calculating the Share premium.
14	Eleven	Fifteen	(15-7)	Adding an Article	In kind Shares shall be evaluated by an Asset Valuator licensed by the Authority, provided that he is not the Auditor of the company or partner to the company.
15	Eleven	Fifteen	(15-8)	Adding an Article	**Increase by distribution of free bonus shares** The increase by distribution of free bonus shares is implemented by transferring from the voluntary reserves, or retained profits, or what exceeds the minimum limit of the legal reserve. The shares shall be issued according to the par value without the share premium, and shall be distributed among the shareholders per their ownership of the capital.
16	Eleven	Fifteen	(15-9)	Adding an Article	**Increase by transferring a debt to shares** The increase by transferring the debt of a company to shares in the capital is implemented by issuing new shares to pay up the amount of debt or part of it in accordance with an agreement between the company and the creditor, provided that the following are complied with: 1. Obtain written approval from the creditor approving the transfer of debt to

					shares in the company's capital. 2. Declaring the debt bond and submitting a copy of the debt contracts, or any related contracts.
17	Eleven	Fifteen	(15-10)	Adding an Article	**Increase for the purpose of issuing shares for the employees** Increasing the company's capital is implemented by issuing new shares allocated for the Employees Stock Options system, provided that the approved instructions of the Authority are complied with.
18	Eleven	Fifteen	(15-11)	Adding an Article	**Second: Capital reduction (ordinary shares):** Reducing the capital of a shareholding company is implemented by one of the following ways: 1. Cancelling the ordinary shares. 2. Reducing the par value of the ordinary shares. 3. The company's purchase of the treasury's shares for the purpose of cancelling them.
19	Eleven	Fifteen	(15-12)	Adding an Article	**Cancelling ordinary shares** Reducing the company's capital is implemented by cancelling the ordinary shares of the company's paid up capital in proportion of the ownership of each shareholder in accordance with his ownership in the company's paid up capital.
20	Eleven	Fifteen	(15-13)	Adding an Article	**Reducing the par value of the ordinary shares**

					Reducing the company's capital is implemented by reducing the par value of the ordinary shares in not less than the minimum limit stipulated in the Companies Law without resulting in cancelling these shares. Reducing the par value of each share of the company's capital equally at a value that is equal to the value to be reduced from the company's capital.
21	Eleven	Fifteen	(15-14)	Adding an Article	Reducing the company's capital is implemented by the company's purchase of a number of its shares in the value of the amount to be reduced from the capital, taking into consideration that the provisions of Chapter Fourteen (Treasury Shares) of this Module are complied with, and provided the company has valid approval from the Authority to deal with the Treasury Shares.
22	Eleven	Fifteen	(15-15)	Adding an Article	Reducing the company's capital for the purpose of amortizing the accumulated losses of the company while considering the following order in using the financial reserves before the reduction: First: Using the voluntary reserve. Second: Using the legal reserve of what exceeded 50% of the company's capital of this reserve. Third: Using the share premium.

					Fourth: Using the rest of the remaining legal reserve.
23	Eleven	Fifteen	(15-16)	Adding an Article	If the company's accumulated losses reached 75% of the company's capital, the Board of Directors shall invite the extraordinary general assembly to consider the company's continuation or dissolution, and it shall be before submitting the request of reducing the capital to the Authority.
24	Eleven	Fifteen	(15-17)	Adding an Article	If reducing the capital is for its being redundant for the company, the shares that equal the value to be reduced by the par value of each share shall be cancelled. The value of these shares shall be paid to the shareholders registered in the company's register on the maturity date by the ownership of every shareholder in the capital. Before reducing the capital, the company shall meet the current debts, and submit sufficient collaterals to meet the future debts.
25	Eleven	Fifteen	(15-18)	Adding an Article	Reducing the capital may not be implemented for its being redundant for the company during the term of the Convertible Sukuk or Bonds into shares until it obtains the approval of the Bonds or Sukuk Association.
26	Eleven	Fifteen	(15-19)	Adding an Article	**Restructuring the capital** The provisions mentioned above regarding the

					requests of restructuring the companies' capitals shall be applied, and the company shall attach a study of restructuring the capital and its impact on the company's financial situation with the request of restructuring.
27	Fifteen	Seven	(7-7)	The Company shall assign an independent expert, such as an Asset Valuator or Investment Advisor, to report to the general assembly or the Board of Directors, as the case may be, on any transaction between the company and any Related Party or any arrangement whereby each party enters into any project or financing asset where the value of the transaction or arrangement equals 10% or more of the total assets of the company, provided that such report is submitted before the transaction is approved or the arrangement stipulated in this article.	The Company shall assign an independent expert, such as an Asset Valuator or Investment Advisor, to report to the general assembly or the Board of Directors, as the case may be, on any transaction between the company and any Related Party or any arrangement whereby each party enters into any project or financing asset where the value of the transaction or arrangement equals 10% or more of the total assets of the company, provided that such report is submitted before the transaction is approved or the arrangement stipulated in this article. **The assigned expert must be objective and impartial in preparing the report required in this Article.**
28	Fifteen	Nine	(9-5)	Adding an Article	General rights of shareholders shall include: ……. 10. approving any sale and purchase transactions or disposal in any way of the company's assets, if this transaction is 50% or more of the total amount of the company's assets.
29	Fifteen	Nine	(9-9) Item (4)	The agenda items shall include informing shareholders with the following issues as minimum:	The items of the **shareholders'** agenda shall include the following issues as minimum:

				a. Reading the governance report and the audit committee report. b. The Board report of the company activity, financial position, and outcomes of works thereof. c. Discussion of the report of the external Auditor on the results of the company financial statements, approving the same, and the approval of the dividable net profit. d. Dealing with Related Parties. e. Any breaches monitored by the Regulatory Body/Bodies and any penalties issued due to such breaches and led to (financial/non-financial) penalties against the company, in a manner not contradicting with the applicable laws and rules issued by the concerned Regulatory Body/Bodies in this regard, and discussing remarks of the representative of such Regulatory Body if such representative attends. f. The general assembly's approval for the purchase and sale transactions or disposal in any way of the company's assets, if the transactions or actions are 50% or more of the total amount of the company's assets.	a. Reading the governance report and the audit committee report. b. **Discussion of** the Board report of the company activity, financial position, and outcomes of works thereof. c. Discussion of the report of the external Auditor on the results of the company financial statements, approving the same, and the approval of the dividable net profit. d. **Presenting the deals** with **the** Related Parties. e. **Presenting** any breaches monitored by the Regulatory Body/Bodies and any penalties issued due to such breaches and led to (financial/non-financial) penalties against the company, in a manner not contradicting with the applicable laws and rules issued by the concerned Regulatory Body/Bodies in this regard, and discussing remarks of the representative of such Regulatory Body if such representative attends. f. **Providing a request for the Shareholders for the** approval for the purchase and sale transactions or disposal in any way of the company's assets, if the transactions or actions are 50% or more of the total amount of the company's assets.