

**RESOLUTIONS RELATING
TO BROKERAGE COMPANIES AND CUSTODIANS**

- 1- Resolution No. (2) of 2002, in respect of the provision of custodial services through the Central Depository system at the Bahrain Stock Exchange.
- 2- Resolution No. (2) of 2000, in respect of brokerage companies and financial institutions attending the General Assembly Meetings on behalf of their clients.
- 3- Resolutions No. (4) of 1999, amending certain provisions of the Bahrain Stock Exchange's Internal Regulation.
- 4- Resolution No. (2) of 1995, in respect of services provided by brokerage companies at the Bahrain Stock Exchange.

**RESOLUTION NO. (2) OF 2002
IN RESPECT OF THE PROVISION OF CUSTODIAL
SERVICES THROUGH THE CENTRAL DPOSITORY SYSTEM
AT THE BAHRAIN STOCK EXCHANGE**

The Chairman of the Exchange's Board of Directors:

After perusal of Decree Law No. (4) of 1987, pertaining to the establishment and organization of the Bahrain Stock Exchange,
And Decree Law No. (23) of 1973, in respect of establishment of the Bahrain Monetary Agency and its amendments,
And the Minister of Commerce and Agriculture's Resolution No. (13) of 1988, regarding the issuance of the Exchange's Internal Regulation and its amendments,
And the Chairman of the Bahrain Stock Exchange's Resolution No. (3) of 2000 pertaining to the Clearing, Settlement, Central Depository and Registry Rules,
And the Minister of Commerce and Agriculture and Chairman of Bahrain Stock Exchange Resolution No. (2) of 1995, pertaining to the services provided by the brokerage firms at the Bahrain Stock Exchange,
And upon the submission of the Director of the Bahrain Stock Exchange,
And the approval issued by the Bahrain Stock Exchange's Board of Director at the its meeting No. (3/4) of 2002.

RESOLVED AS FOLLOWS:

Article (1)

Custodian: shall mean the participating member of the Clearing, Settlement and Central Depository System other than the brokerage company licensed by the Minister of Commerce and Agriculture's Resolution No. (2) of 1995, to provide the services of custody, transfer of securities' and settlement of commitments resulting from trading on behalf of his clients.

Article (2)

Companies other than brokerage companies licenced to provide custodial services pursuant to the Minister of Commerce and Agriculture's No/ 2/1995 may be admitted in the membership of Central Depository on the Exchange according to the following conditions:

- 1- The company should be a Bahraini joint stock company, a limited liability company, a branch of a foreign company or an exempted company licensed to operate in Bahrain.
- 2- The company's objects clause should include the provision of custodial services.
- 3- The company shall undertake the following:

- a- To separate its assets and accounts from the securities of client's to whom it provide custodial services.
 - b- To provide the custodial services in accordance with the standard agreement for the provision of custodial service approved by the Exchange.
 - c- To implement the provisions of this Resolution and abide by the rules, regulations and procedures related to the Clearing, Settlement and Central Depository issued by the Exchange from time to time.
- 4- The company should have not been convicted for any crime of money laundering or mismanagement of its client's accounts or funds.
 - 5- Any other conditions stipulated by the Exchange.

Article (3)

The company should present to the Exchange a formal application for admission in the Central Depository membership for the provision of custodial services together with the following attachments:

- 1- A copy of the Memorandum and Articles of Association.
- 2- A copy of the Commercial Register Certificate.

Banks and financial institution under the supervision of the Bahrain Monetary Agency must attach with the above documents the Agency's approval for the provision of custodial services. .

Article (4)

The company should pay the following fees:

- 1- Registration fee of BD1000 (Bahraini Dinar one thousand) to be paid once.
- 2- Annual subscription fee of BD500 (Bahraini Dinar five hundred).

Article (5)

The obligations referred to in Clause (3) of Article (2) of this Resolution shall be applicable to the brokerage companies licenced to provide custodial services in accordance with the Minister of Commerce and Agriculture's, Resolution No. 2/1995 with respect to the services provided by the brokerage services at the Bahrain Stock Exchange.

Article (6)

The Director of Bahrain Stock Exchange shall implement the provisions of this Resolution, which shall take effect from the date of issuance and shall be published in the Official Gazette.

Minister of Commerce and Industry and
Chairman of the Bahrain Stock Exchange

Issued on 8 Thu Al Higgah 1422 H
Corresponding to 20 February 2002
The Ministry of Commerce

**RESOLUTION NO. (2) OF 2000,
IN RESPECT OF ORGANIZING THE COMPANIES MANAGING PORTFOLIOS AND
FINANCIAL INSTITUTIONS ATTENDING THE GENERAL ASSEMBLY MEETINGS
OF LISTED JOINT STOCK COMPANIES**

The Minister of Commerce:

After perusal of Decree Law No. (28) of 1975, pertaining to the issuance of the Commercial Companies Law and its Amendments, specifically Article (173);
And Decree Law No. (4) of 1987, in respect of the establishment and organization of the Bahrain Stock Exchange;
And the Minister of Commerce & Agriculture's No. (13) of 1988, concerning the issuance of the Bahrain Stock Exchange's Internal Regulation and its amendments;
And the Minister of Commerce & Agriculture's Resolution No. (2) of 1995, in respect of services rendered by brokerage companies on the Bahrain Stock Exchange;
And upon the submission of the Director of the Bahrain Stock Exchange;

RESOLVED AS FOLLOWS:

ARTICLE ONE

Brokerage companies and financial institutions which manage investment portfolios shall have no right to attend general assembly meetings of the listed joint stock companies and vote on behalf of the securities in the portfolios management by them, except with written proxies issued by the securities owners.

ARTICLE TWO

The aforementioned proxy instrument must be issued by the securities owner or his duly authorized attorney. If the securities owner is a corporation, the proxy must be signed by an authorized person or an attorney of the company and duly stamped with the company seal. The concerned brokerage companies and financial institutions shall not vote in the general assembly meetings on the basis of general unspecified proxies, or on the basis of the general wording of the portfolio management agreements.

ARTICLE THREE

The concerned brokerage companies and financial institutions should request the registrar of shares to send them copies of the proxy cards equal to the number of their investment portfolio accounts at least two weeks before the date of the general assembly meeting. The registrar of shares must send to these companies and institutions the required cards immediately following the

publication of the notice for the general assembly meeting.

ARTICLE FOUR

The concerned brokerage companies and financial institutions must forward to the shareholders the proxy cards referred to in the above Article, with the notification of the date of the general assembly meeting and the agenda at least 15 days before the date of the meeting.

The owner of the securities has the right to attend the general assembly meeting and vote personally, or appoint a brokerage company or any other person to vote on his behalf, in accordance with the Memorandum and Articles of Association of the company. In all cases, the proxy shall be signed by the securities owner and returned to the said brokerage company.

The concerned brokerage company or financial institution shall undertake to transfer securities ownership from the portfolio to the securities owner, if he decided to attend the general assembly meeting personally.

ARTICLE FIVE

A Global Depository Receipt (GDR) issued by listed joint stock companies shall have no right to vote in the general assembly meetings of those companies, unless such GDRs are transferred into ordinary shares, in accordance with the related prospectus. The securities represented by the GDRs shall not be taken into account when calculating the quorum.

ARTICLE SIX

Voting in the general assembly meetings of the investment funds on behalf of the unit holders shall take place in accordance with the provisions of the Commercial Companies Law referred to above.

ARTICLE SEVEN

The Undersecretary of the Ministry of Commerce shall implement this Resolution, with effect from the date of its publication in the Official Gazette.

Minister of Commerce & Agriculture
Ali Saleh Al Saleh

Issued on 3 Thel Quodah 1420 H
Corresponding to 8th February 2000

RESOLUTION NO. (4) OF 1999
AMENDING CERTAIN PROVISIONS OF THE
BAHRAIN STOCK EXCHANGE'S INTERNAL REGULATION

The Minister of Commerce:

After perusal of Decree Law No. (4) of 1987, pertaining to the establishment and organization of the Bahrain Stock Exchange;

And Article (166) of the Commercial Companies Law, issued by Decree Law No. (28) of 1975 and its amendments;

And the Internal Regulation of the Bahrain Stock Exchange, issued by the Minister of Commerce & Agriculture's Resolution No. (13) of 1988;

And upon the submission of the Director of the Bahrain Stock Exchange;

RESOLVED AS FOLLOWS:

ARTICLE ONE

As an exception to Article (16) (Secondly) Clause (1) of the Internal Regulation of the Bahrain Stock Exchange, permission may be given to foreign brokerage companies to undertake the business of securities brokerage or market making at the Exchange, provided that the concerned company has distinguished expertise in securities, which will enhance the securities profession at the Exchange, add international dimension to it and contribute towards attracting foreign investors.

The conditions for the admission of the Bahraini companies in the membership of the Exchange, as stipulated in Article (16) (Secondly) of the Exchange's Internal Regulation shall be applied to foreign brokerage companies, in addition to any other conditions specified by the Exchange's Board of Directors

As an exception to Article (16) (Firstly) Clause (1) of the Bahrain Stock Exchange's Internal Regulation, permission may be granted to non-Bahrainis who are experienced in the brokerage field to be employed in a licenced brokerage or market making company on the Exchange, and the same conditions stipulated in Article (16) (Firstly) of the Exchange's Internal Regulation for the admission of individual persons, either as a broker or market maker, as well as any other conditions specified by the Exchange's Board of Directors, shall be applied to them.

ARTICLE TWO

Clauses (12) and (13) of Article (39), and Clause (5) of Article (40) of the Bahrain Stock Exchange's Internal Regulation shall be replaced with the following texts:

Article (39):

12. The company shall issue annual financial reports and audited financial accounts, within three months of the company's year-end.
13. The company's ordinary general assembly shall be held at least once a year, within the three months following the company's financial year-end.

Article (40):

4. The company shall issue annual financial reports and audited final accounts within the three months following the company's financial year-end.

ARTICLE THREE

Clause (13) of the joint stock companies listing agreement and Clause (13) of acceptance of the joint stock companies for trading, as stated in the Exchange's Internal Regulation, shall be replaced with the following texts:

Listing Agreement of Joint Stock Companies

14. Issuance of annual financial reports and audited final accounts within three months of the company's financial year-end.

Acceptance of Joint Stock Companies for Trading Agreement

13. Issuance of annual financial reports and accounts within three months of the company's financial year-end.

ARTICLE FOUR

The Director of the Bahrain Stock Exchange shall execute this Resolution, which shall come into effect from the date of its publication in the Official Gazette.

The Minister of Commerce

Issued on 4 Jamada Al Akhra 1420 H
Corresponding to 14th September 1999

Bahrain Stock Exchange

**RESOLUTION NO. (2) OF 1995
IN RESPECT OF SERVICES OFFERED BY BROKERAGE COMPANIES
ON THE BAHRAIN STOCK EXCHANGE**

The Minister of Commerce and Agriculture and Chairman of the Exchange's Board of Directors:

After perusal of Amiri Decree No. (4) of 1987, pertaining to the establishment and organization of the Bahrain Stock Exchange;

And the Minister of Commerce and Agriculture's Resolution No. (13) of 1988, concerning the issuance of the Bahrain Stock Exchange's Internal Regulations and its Amendments;

And upon the proposal of the Bahrain Stock Exchange's Board of Directors;

RESOLVED AS FOLLOWS:

ARTICLE ONE

Securities brokerage companies which are licenced in accordance with the rules and conditions prescribed in the Bahrain Stock Exchange's Internal Regulation, may perform the following services:

1. To provide brokerage services in local, Gulf Cooperation Council (GCC) States and international securities listed on the Bahrain Stock Exchange.
2. To deal directly for their own account in listed securities, in accordance with the Exchange's rules.
3. To offer consultancy services, or to deal on behalf of clients, whether local or foreigners, on the Bahrain Stock Exchange.
4. To offer consultancy services, or to deal on behalf of clients, whether local or foreigners, on other bourses outside Bahrain.
5. To offer custodial services.

ARTICLE TWO

Brokerage companies referred to in the above-mentioned Article shall comply with the following conditions:

1. The capital of the company shall not be less than BD350,000, or the equivalent in foreign currencies.
2. The company shall provide a valid guarantee of not less than BD50,000, or the equivalent in foreign currencies, with a local bank in favour of the Exchange.
3. The company shall have a comprehensive accounting and administrative system and records for registering all of the company's transactions.
4. The company shall have an external auditor.
5. The company shall prepare the annual financial reports and final audited accounts within the first three months of each financial year's end.

6. The company shall have agreements with the clients in whose names the company deals in securities and financial instruments.

ARTICLE THREE

The Director of the Bahrain Stock Exchange shall implement this Resolution, which shall come into effect from the date of its publication in the Official Gazette.

Minister of Commerce and Agriculture
Chairman of the Board of Directors of the
Bahrain Stock Exchange

Issued on 2 Thee Al Qudah 1415 H
Corresponding to 1st April 1995