

## **RESOLUTIONS RELATING TO CLEARING & SETTLEMENT RULES**

- 1- Resolution No. (3) of 2000, in respect of the Clearing, Settlement, Central Depository and Registry Rules.
- 2- Resolution No. (11) of 1999, in respect of transfer of shares ownership pursuant to an application signed outside the premises of Bahrain Stock Exchange.
- 3- Resolution No. (1) of 1998, in respect of disclosure of certain Information concerning the trading of listed securities at the Bahrain Stock Exchange.
- 4- Resolution No. (12) of 1991, in respect of procedural controls pertaining to the transfer of shares ownership by individuals from outside the state of Bahrain.

Bahrain Stock Exchange

**RESOLUTION NO. (3) FOR THE YEAR 2000  
WITH RESPECT TO THE CLEARING, SETTLEMENT,  
DEPOSITORY AND REGISTRY RULES**

**The Chairman of the Board of Directors:**

After perusal of Amiri Decree No. (4) for the year 1987, regarding the establishment and organization of the Bahrain Stock Exchange;  
And the Minister of Commerce and Agriculture's Resolution No. 13/1988, regarding the issuance of the Bahrain Stock Exchange's Internal Regulations, as amended;  
And upon the submission of the Director of the Bahrain Stock Exchange;

**Have resolved as follows:**

**Article 1**

The attached provisions shall be applied temporarily during the testing period of the application of the CSDR system at the BSE. The BSE's Management shall develop such provisions during the said period and propose its issuance in a final form after ascertaining its compliance with the Electronic Trading Rules adopted by the BSE.

**Article 2**

Notwithstanding the provisions of Article (1) above, the Director of the BSE may issue the necessary resolutions and procedures for the implementation of the provisions of this Resolution, and must inform the Chairman of the BSE's Board of Directors therewith from time-to-time. The Chairman may cancel or suspend the implementation of such resolutions or procedures.

### **Article 3**

Any resolution or provisions repugnant or inconsistent with the provisions of this Resolution shall be repealed forthwith.

### **Article 4**

The Director of the Bahrain Stock Exchange shall implement this Resolution, which shall be effective from the date of its signature.

Ali Saleh Al Saleh

Minister of Commerce

Chairman of the Bahrain Stock Exchange's Board of

Directors

Issued on 23 Rajab 1412 H

Corresponding to 21<sup>st</sup> October 2000

### **Article 5** **Definitions**

For all purposes of these Rules, the following definitions shall apply, as stated below:

<b>The BSE:</b>	shall mean the Bahrain Stock Exchange.
<b>BATS:</b>	shall mean the BSE's Automated Trading System.
<b>CSDR System:</b>	shall mean the BSE's Clearing, Settlement, Depository and Registry System.
<b>CSU:</b>	shall mean the BSE's Clearing and Settlement Unit.
<b>Credit Balance:</b>	shall mean the net to receive amount resulting from trades concluded on the BSE by a Participant, and which the BSE is liable to pay within two working days after the trade date (T+2).
<b>Director:</b>	shall mean the Director of the Bahrain Stock Exchange.
<b>Debit Balance:</b>	shall mean the net to pay amount resulting from trades concluded on the BSE by a Participant, and which the Participant has to settle within two working days after the

	trade date (T+2).
<b>Deposited Securities:</b>	shall mean any securities that from time-to-time are credited to a Participant or his client's account through the CSDR System, either by deposit or delivery.
<b>Central Depository:</b>	shall mean a person or institution which meets the standards and qualifications required by the BSE with respect to financial ability, personnel, facilities, procedures, operations and equipment, and which shall provide to the Participants and Participants' clients depository services for the central handling of all securities.
<b>Depository Service:</b>	shall mean the service provided by the BSE to the Participants, whereby the BSE maintains accounts, recording the securities deposited and held by the Participants and their clients.
<b>Eligible Security:</b>	shall mean a security deemed eligible by the BSE pursuant to the BSE's Internal Regulations.
<b>The Participant:</b>	shall mean a BSE member who is accepted and permitted by the BSE to effect transfer of securities and other entries in relation to securities, by means of the CSDR System.
<b>Guarantee Fund:</b>	shall mean the Guarantee Contribution Fund established by the BSE to satisfy a liability caused by a Participant's failure to fulfil his obligations to pay the net to pay balance on the Settlement Day (T+2).
<b>Liquidity Reserve:</b>	shall mean an amount that a Participant is obliged to pay as an advance (collateral) for the fulfillment of settlement obligations, in accordance with the BSE's Trading Cap Limit rules.
<b>Purchased Securities:</b>	shall mean securities where the value has not been paid in full on the Settlement Day.
<b>Securities Account:</b>	shall mean a securities account maintained by the BSE on behalf of the Participants and their clients, for use in one or more of its services.
<b>Settlement Bank:</b>	shall mean the regulated bank which provides the BSE and its Participants with the necessary facilities to effect

payment related to the settlement of securities transactions executed on the BSE.

**Settlement Day:** shall mean the designated day for settlement of obligations resulting from trades on the BSE.

**The Central Securities Registry:** shall mean a central information database where all securities deposited in the Central Depository, individual holders of such securities, and pledges and other third-party rights on securities, shall be recorded.

**Unique Identification Number:** shall mean the Central Population Registry's Unique Identification Number for a Bahraini legal entity or individual person and identification number allocated by the BSE on the basis of passport, extract of the home country company register, or any other official document showing the identity of non-Bahraini legal entities or individual persons.

## **Article 6**

### **Establishment of the Clearing, Settlement, Depository and Registry System**

The BSE shall maintain a CSDR system, whereby all securities bought and sold by the Participants are deposited, withdrawn, cleared, settled, and entered in the Central Securities Registry, and shall procure such financial support or guarantees as necessary to maintain its financial integrity.

## **Article 7**

### **Entries in the Central Securities Registry**

The following shall be subject to entry in the Central Securities Registry:

- 7.1 Eligible securities deposited in the Central Depository;
- 7.2 Rights arising from deposited securities;
- 7.3 Holders of securities;
- 7.4 Pledges and other third party rights on securities;
- 7.5 Limitations on the disposal of securities;
- 7.6 Limitations on the transfer of such securities.

**Article 8**  
**Elements for Entry of the Security**

The following elements shall be entered into the Central Securities Registry:

- 8.1 Type and class of security;
- 8.2 Name, registered office and the Commercial Registration (CR) number of the issuer;
- 8.3 Name of the legal owners of the security; their Unique Identification Numbers, registered office or permanent home address, and number of securities owned;
- 8.4 Designation of the issuer's obligation and owner's rights arising from the security;
- 8.5 Nominal value of the security;
- 8.6 Total nominal value of the whole issue of the security;
- 8.7 Date of issue.

**Article 9**  
**Book-Entries**

Securities entered into the Central Securities Registry shall be transferred, acquired, limited or terminated by the appropriate book-entry on the securities accounts in the Central Securities Registry.

**Article 10**  
**Securities Accounts**

- 10.1 Accounts opened on the Central Securities Registry must be maintained to show the balances of individual holder's accounts, the transfer of securities, and any other pledges and third-party rights.
- 10.2 A securities account must contain all information regarding the securities of individual holders, information regarding the holder of the securities, and with the Unique Identification Number of the holder. Any limitations on exercising the rights arising from the security, pledges, other third-party

rights on the security and any other information relating to the rights arising from the security must also be recorded.

- 10.3 The legal owner of the security shall be the person to whose credit the security is entered into the Central Securities Registry on the securities account.

## **Article 11**

### **Disposal of Securities**

- 11.1 Securities maintained on the securities accounts shall be transferred or disposed of on the basis of a written transfer order, issued by the holder of the securities.

- 11.2 The transfer order shall contain at least the following elements:

- 11.2.1 Name and registered office, or the address of the existing and the new holder;
- 11.2.2 Unique Identification Number of the existing and new holder;
- 11.2.3 Security code allocated by the Central Securities Registry;
- 11.2.4 The number of securities subject to transfer or disposal;
- 11.2.5 Legal basis of transfer;
- 11.2.6 The Participant's code entering the transfer into the Central Securities Registry;
- 11.2.7 Signature of the existing holder.

- 11.3 An order for the entry of a pledge or any other third-party rights must contain the following elements:

- 11.3.1 Name and registered office, or the address of the securities holder and the beneficiary;
- 11.3.2 Unique Identification Number of the securities holder and the beneficiary;
- 11.3.3 Security code allocated by the Central Securities Registry;
- 11.3.4 Number of securities subject to disposal;
- 11.3.5 Content of the right and legal basis for disposal;
- 11.3.6 Amount and maturity of claim which is secured by the pledge;
- 11.3.7 Participant's code for entering the transfer into the Central

Securities Registry;

11.3.8 Participants authorized to execute (sell, pledge, call) the pledge on behalf of the beneficiary;

11.3.9 Signature of the securities holder.

11.4 Transfer orders for individual holders for:

11.4.1 The transfer of securities to the securities account of the existing holder (movement);

11.4.2 The transfer of securities to the securities account of the new holder (transfer);

11.4.3 The entry or release of a pledge, or any other third party rights on a security;

shall be entered into the Central Securities Registry by the Participant, who maintains a securities account on behalf of an individual holder. All other book-entries shall be entered and executed into the Central Securities Registry by the CSU.

11.5 Transfer orders of an individual holder for entry or release of a lien, or other third-party rights, shall be entered by the Participant directly into the Central Securities Registry through an electronic communication line to the Central Securities Registry and CSU.

11.6 The CSU shall execute the transfer of securities according to the holder's transfer order if the balance on the securities account is sufficient, and there is no legal obstacle for execution.

11.7 It shall be deemed that an obstacle for execution exists if:

11.7.1 A limitation on the disposal of securities exists in accordance with Article 45 of these Rules;

11.7.2 A legal basis for transfer is not exempt pursuant to Article 36 of the BSE's Internal Regulations and Resolution No. 13/1988, as amended by Resolution No. 8/1993.

## **Article 12**

### **Transfer Order on the Basis of a Daily Trade Report**

12.1 For trades transacted on the BSE, obligations to transfer the securities arising from such trades shall be fulfilled on the basis of a Daily Trade Report, provided by the BSE's Trading and Members Affairs Unit for that purpose.

12.2 The transfer of securities to the new holder's account, notwithstanding Article (11) of these Rules, shall be deemed that a security holder has issued to the trading Participant an order for the transfer of securities from his account to the account of the new holder, in order to fulfil the obligations arising from the trade carried out at the BSE, on behalf of the securities holder.

### **Article 13**

#### **Execution of Transfers and Entries**

13.1 The transfer of securities and entry on the accounts on the basis of court orders and any other administrative or governmental orders, shall be entered into the Central Securities Registry directly by the CSU.

13.2 The CSU shall conduct the transfer and any other entry, on the basis of a received copy of the court or administrative order.

### **Article 14**

#### **Execution Order and Universal Succession**

14.1 In the case of a court execution order for the collection of a claim, the right of a lien on securities for the benefit of the creditor shall be entered into the Central Securities Registry, on the debtor's securities account.

14.2 For the execution of a lien entered on the basis of a court order, securities shall be transferred to the buyer's securities account on the basis of that court order, or on the basis of trade carried out by the Participant authorized by the court to sell the securities in question on behalf of the creditor.

14.3 In the case of a court order for the execution and delivery of securities to the creditor, such securities shall be transferred through the Central

Securities Registry from the debtor's securities account to the creditor's account.

14.4 In the case of a universal legal succession (inheritance, liquidation of a company etc.), the securities shall be transferred from the holder's account to the successor's account on the basis of the final order on inheritance, liquidation, or other relevant title through public notification in the case of liquidation.

14.5 In the case of other transactions exempt from execution on the Trading Floor, securities shall be transferred from the holder's account to the beneficiary's, subject to Article (36) of the BSE's Internal Regulations and Resolution No. 13/1988, as amended by Resolution No. 8/1993.

## **Article 15**

### **Registration of the Transfer of Securities**

15.1 Pursuant to Article (7) hereof, the CSU shall, on behalf of the issuer, enter and maintain the relevant data of registered securities on the Central Securities Registry. Transfers of securities, pledges and any other third-party rights within the Central Securities Registry shall be deemed legal for the relevant entry in the issuer's share-book, or any other Registry used for the issuer's securities.

15.2 For the purpose referred to in sub-Article (15.1) above, the CSU shall provide to the issuer or authorized transfer agent, information regarding the holders of securities of such issuer on a periodical basis, as agreed between the relevant parties.

15.3 The CSU shall provide the issuer or its transfer agent with a list detailing:

15.3.1 the name and address or registered office of the holder;

15.3.2 the number of a security held by the holder, as of a specific date.

## **Article 16**

## **Maintenance of Data**

16.1 Information regarding securities holders maintained in the Central Securities Registry shall be regularly updated. The CSU and Participants shall regularly update the following information, in accordance with the securities holder's instruction given to the CSU or the Participant to maintain the securities account for the holder, and the information received from the Ministry of Commerce's Commercial Registry, the Central Population Registry and any other entity regarding the update of the said information.

16.1.1 A change of Unique Identification Numbers of the securities holder;

16.1.2 A change of name of the securities holder;

16.1.3 A change of address or registered office of the securities holder;

16.1.4 A change of legal status of the securities holder;

## **Article 17**

### **Access to the Database**

17.1 No person shall have the right to access the database maintained in the Central Securities Registry, which would enable him to obtain information on a particular person as a holder of one or more securities, or to obtain information regarding transfers or other entries in respect of a particular person.

17.2 Notwithstanding the provision of the preceding sub-Article (17.1) above, the securities holder and the court shall have the right to demand any information regarding the balance, transfer and any other entry on his securities account, pursuant to the procedure and charges prescribed by the BSE.

17.3 Notwithstanding the provision of sub-Article (17.2) above, the court shall have the right to demand the information regarding the balance, transfers and other entries on a particular person's securities accounts, if such

information is required, pursuant to the legal proceedings relevant to such securities holder.

- 17.4 Any other information regarding a Participant's securities account, clearing account and operating account shall be kept confidential by the BSE and the Settlement Bank respectively.

## **Article 18**

### **Services to the Participants**

The CSU shall provide the Participants with the following services:

- 18.1 Depository services for securities issued as physical certificates;
- 18.2 Deposits and withdrawals of securities on their own behalf, or on behalf of holders of securities;
- 18.3 Maintenance in the Central Securities Registry of deposited securities, and in connection with:
  - 18.3.1 up-to-date balances for the Participant's securities accounts;
  - 18.3.2 up-to-date balances on the accounts of individual holders of securities;
  - 18.3.3 book-entry transfers on the securities accounts of both the Participants and individual holders of securities;
  - 18.3.4 book-entries of pledges and other third-person rights on securities;
  - 18.3.5 other entries and updates relating to securities accounts and securities holders.
- 18.4 Clearing and settlement of payment obligations arising from BSE trades and in connection with:
  - 18.4.1 calculation of the total amounts payable and receivable by individual Participants.
  - 18.4.2 determination of net amounts payable and receivable by individual Participants.
  - 18.4.3 ensuring the execution of cash payment obligations and fulfillment of transfer of ownership obligations.
- 18.5 The CSU may effect on behalf of the Participants and their clients other

services with respect to securities, including but not limited to, borrowing, lending, settlements, credit and debit of dividends, interest payments and other distribution services, and processing of issuer's securities undergoing reorganization.

## **Article 19**

### **Participants Services to Clients**

A Participant may provide his clients (individual holders of securities) through the CSU with the following services:

- 19.1 Opening and closing different types of securities accounts;
- 19.2 Maintaining different types of securities accounts, including but not limited to:
  - 19.2.1 delivery and receipt (transfers and movements) of securities to the securities accounts, with the entry and dispatch of proper transfer instructions;
  - 19.2.2 inquiries of balances and transactions regarding the securities accounts;
  - 19.2.3 reports on balances and transactions regarding the securities accounts of the Participant's clients.
- 19.3 Deposits and withdrawals of securities in the Central Depository and to the securities accounts;
- 19.4 Settlement of money obligations arising from trading in securities on behalf of clients;
- 19.5 Effecting transactions related to entries, releases and executions of pledges, upon instructions from clients or third parties (pledgee);
- 19.6 Updating the securities account information in respect of a client, upon the client's instructions.

## **Article 20**

### **Participants Allowed to Participate In the CSDR System**

Application to become a Participant shall be limited to applicants who are members of the BSE, pursuant to Articles (15) and (16) of the BSE's Internal Regulations and

the Resolutions passed thereunder.

**Article 21**  
**Participation Requirements**

- 21.1 The BSE shall approve the application of any member wishing to be a Participant in the CSDR System, if the applicant meets the following criteria:
- 21.1.1 The applicant has sufficient financial ability to pay his anticipated contribution to the Guarantee Fund and the calls for additional funds by the BSE, as and when required;
  - 21.1.2 The applicant has shown that he has adequate personnel, physical facilities, suitable computer equipment compatible with that of the BSE, books, records, and procedures to fulfil his anticipated commitments to the BSE and to other Participants;
  - 21.1.3 The applicant has shown that he has and maintains appropriate money accounts with the Settlement Bank for the purpose of payments and receipt of the amounts arising from trades concluded on the BSE.
- 21.2 The BSE shall approve or decline the application no later than 15 days from the receipt of such application, unless the application is incomplete or deficient, or there are reasonable grounds to believe that the applicant may not honour his commitments to the BSE.
- 21.3 An applicant may become a Participant upon payment to the BSE of his contribution to the Guarantee Fund and the execution of a CSDR Membership Agreement with the BSE, whereby he undertakes:
- 21.3.1 To abide by the BSE Law, Regulations, Procedures and their amendments.
  - 21.3.2 To pay to the BSE, fees, charges and costs for services rendered, and any surcharges as may be imposed by the failure of the Participant to discharge his obligations.
  - 21.3.3 That except as otherwise permitted by the BSE, to give all instructions concerning securities, clearing, settlement, depository and registry services through the BSE, and not otherwise.

21.4 Notwithstanding the foregoing, the BSE may decline to accept the application of any candidate, upon determination that the BSE does not have adequate data processing capacity, or other operational capabilities at that time to furnish services to additional Participants, without impairing the ability of the BSE to provide such services. Applications which are denied pursuant to this provision shall be processed as promptly as possible, in the order in which their applications were filed with the BSE.

## **Article 22**

### **Participant's Rights and Obligations**

22.1 A Participant shall at all times comply with the BSE Law, Regulations, Resolutions and Procedures, and any amendments to such Law, Regulations, Resolutions and Procedures.

22.2 A Participant shall at all times ensure that before entering the sell transaction on his own securities account, or on behalf of his client's securities account, there is sufficient securities balance on such securities accounts.

22.3 A Participant shall ensure that there are, at all times, sufficient funds for the purpose of fulfilling all his financial obligations resulting from his trading in securities.

22.4 A Participant shall submit to the BSE the following reports:

22.4.1 Copies of unaudited semi-annual financial statements (prepared in accordance with generally accepted accounting standards).

22.4.2 Copies of annual financial statements, audited by independent public accountants, within three months of the fiscal year-end.

22.5 A Participant shall, except as otherwise permitted by the BSE, give all the instructions concerning the securities through the CSU, and not otherwise.

22.6 A Participant's books and other records relating to his operations with the CSU shall be open to the inspection of the duly authorized representative of the BSE at all times.

**Article 23**  
**Securities Accounts**

- 23.1 All Participants and their clients must open and maintain accounts in the CSDR System, before being allowed to conduct any buying or selling activities on the BSE.
- 23.2 The CSU shall open and maintain in the Central Securities Registry securities accounts («house accounts») for the Participants, and enable them to open and maintain securities accounts for their clients («client accounts»), over which the Participant shall have the authority to instruct the CSU, on behalf of the holder of securities, on any transactions and operations in the Central Securities Registry.
- 23.3 A Participant and his clients shall record on their securities account deposited securities, and reflect any transactions and balances of securities, pledges, and any other third-party rights on securities.

**Article 24**  
**Access to the Information System**

- 24.1 The Participant shall authorize one or more of his employees to access the computer processing activities for the BSE's on-line services. The Participant shall appoint a security administrator, who shall be responsible for giving the Participant's employees access to the computer processing activities, and to assigning them with a password recognized by the BSE. The Participant's security administrator shall promptly notify the CSU of any change in the form currently on file with the CSU.
- 24.2 Each Participant's files with the CSU shall have a list of designated authorized signatories, specifying the name, function and telephone number of the designated employee as an authorized signatory, and a specimen signature of that employee. The authorized signatory shall be empowered to act on behalf of and in the name of the Participant for all purposes relating to clearing and settlement in accordance with these

Rules, and the Participant shall be responsible for any document signed by such authorized signatory.

- 24.3 Each Participant and each securities account shall be allocated with a Unique Identification Number, which must be used at all times.
- 24.4 With regard to the BSE's communication network used by the Participant, all Participants shall implement security measures to restrict the use of any of their terminals authorized to access the Central Securities Registry data to their employees on their own computer network, and must ensure that every employee having access to the Participant's terminals used to access the Central Securities Registry data communication network, is exclusively and confidentially identified by a log-on identification and a password.
- 24.5 Participants authorized representatives shall be present at the BSE's premises, or contactable during office hours each business day, between the hours of 7:30 a.m. and 2:45 p.m.

## **Article 25**

### **Charges and Fees**

- 25.1 Notwithstanding the fees provided for in Article (53) of the Internal Regulations, and the Resolutions passed thereunder, the BSE shall adopt, and may from time-to-time amend, a non-discriminatory schedule of charges for services rendered according to these Rules.
- 25.2 Notwithstanding any charges levied by the BSE in accordance with Article (14) of the BSE Law and Article (73) of the Internal Regulations and the Resolutions passed thereunder for violation of the BSE Law, and the Internal Regulations as amended, the BSE may impose a surcharge for conduct likely to impede the operations of the BSE, provided that no surcharge for any given offence shall exceed the sum of BD5,000.
- 25.3 Subject to Article (25.2) above, the BSE shall impose on the Participant who fails to discharge his clearing and settlement obligations on T+2, a

default charge of BD20 for a transaction not exceeding BD10,000, and BD20 for each BD10,000 thereafter. The charge shall be imposed for each day of default, until the failing Participant discharges his clearing and settlement obligation in full.

The defaulting Participant may seek compensation in lieu of such a charge from his client, if the Participant's failure to discharge his clearing and settlement obligation is due to the client of such Participant.

## **Article 26**

### **Sufficient Cause for the Limitation of Activities**

- 26.1 The BSE may at any time, suspend or limit the activities, functions or operations of a Participant, or any service provided by the BSE, either with respect to a particular transaction, or transactions in general, in the event that:
- 26.1.1 The Participant has failed to make timely payment of net money obligations, or any other amount payable to the BSE;
  - 26.1.2 The BSE has determined that the Participant no longer meets the financial, operational or technical qualifications prescribed in the Internal Regulations, or any other rules, or has materially violated any agreement with the BSE;
  - 26.1.3 The CSU has reasonable grounds to believe that the Participant is in financial difficulty, or will otherwise be unable to meet his obligations towards the BSE, or other Participants;
  - 26.1.4 The Participant has been suspended from trading services or his membership at the BSE has been terminated.
- 26.2 If the BSE ceases to provide its services to a Participant pursuant to this Article, it may either eliminate the operations and all pending transactions to which such a Participant is a party, or allow him to complete such pending transactions. If the BSE eliminates the pending transactions from its operations, such transactions shall be completed by such Participant directly with the other Participants.

**Article 27**  
**Termination of Services**

27.1 The BSE's services to Participants may be terminated according to these Rules:

27.1.1 Upon a Participant's written request, giving thirty days notice for termination;

27.1.2 In the event that a Participant is terminated from the BSE's Membership Registry, according to Article (32) of the BSE's Internal Regulations;

27.1.3 In the event of bankruptcy or liquidation proceedings against the Participant, pursuant to Article (23) of these Rules.

27.2 Upon reaching a decision regarding the suspension, limitation or termination of services to the Participant, the BSE shall promptly notify the aggrieved Participant, other Participants and the Settlement Bank in respect of such decision.

27.3 After reaching such a decision regarding the procedure for termination of services, and until the final notice of termination of services has been issued, all securities held for the account of such Participant, or his clients, shall be transferred to the securities accounts held with one or more of the other Participants, subject to arrangements reached with the concerned parties.

**Article 28**  
**Fungability**

28.1 Securities of the same class deposited at the Central Depository are considered equal. Any number or par value of such a security is the equivalent to the same number or par value of any other security. The

Central Depository shall not be under any obligation to issue securities certificates for Participants or their clients with the same serial numbers of their deposited securities.

- 28.2 Deposited securities may be transferred, pledged or subject to any other transaction through entries in the securities accounts maintained in the Central Securities Registry, without physical delivery of a securities certificate.

### **Article 29** **Deposits and Withdrawals**

- 29.1 Securities shall be deposited or withdrawn from the Central Depository solely by the Participants, either on their own behalf, or on behalf of their clients.
- 29.2 Delivery of a security (deposit) to the Central Depository by a Participant shall be credited to the balance position of the securities account nominated by the Participant (house or client account), and a withdrawal of a security from the Depository shall be debited to the balance position of the securities account nominated by the Participant.

### **Article 30** **Deposit Processing**

- 30.1 Participants may deposit or withdraw securities at the Central Depository on any business day, and during such hours as may be prescribed by the BSE.
- 30.2 Participants may deposit or withdraw securities by:
- 30.2.1 Entering the security deposit or withdrawal request (transaction) into the CSDR System.
  - 30.2.2 Posting the security deposit or withdrawal request (transaction) into the CSDR System.
  - 30.2.3 Delivering or withdrawing the securities certificates held in the Central Depository.

- 30.3 All securities deposits shall be accompanied by a deposit advice, which shall be undamaged and in good order. Each Participant warrants to the BSE that all securities delivered or deposited with the Central Depository shall be valid and genuine. Neither the initial receipt of such securities, nor the crediting of such receipt to the Participant's nominated account position shall constitute a waiver of such warranty.
- 30.4 Securities received by the Central Depository shall be processed as of the same/next business day. The deposit or withdrawal shall be checked by the Central Depository and double-checked by the Participant as to number and transferability.
- 30.5 The Central Depository shall, through the CSU, approve the deposit or withdrawal into the CSDR System unless:
- 30.5.1 The securities check indicates that there are discrepancies between the securities delivered or received, and the attached deposit or withdrawal advice;
  - 30.5.2 There are omissions on the deposit or withdrawal advice;
  - 30.5.3 The securities are invalid, not genuine, or damaged;
  - 30.5.4 There is no sufficient position in the relevant securities account for a securities withdrawal;
  - 30.5.5 Any other reason prescribed by the BSE.
- 30.6 The Central Depository shall in such events through the CSU, reject the delivery or withdrawal and enter the rejection into the CSDR System.

### **Article 31**

#### **Effectiveness of Deposit or Withdrawal**

- 31.1 Upon the CSU's approval of deposit or withdrawal into the CSDR System, the deposited securities shall be credited to the balance position of the securities account nominated by the Participant (house or client account), and withdrawal of a security from the Central Depository shall be debited to the balance position of the securities account

nominated by the Participant.

- 31.2 Upon crediting the securities to the securities account, such securities shall be eligible for the Central Securities Registry operations and transactions.
- 31.3 Prior to effecting a sell trade on a particular security, and for which security there is no sufficient position in the relevant securities account at that time, the Participant shall deposit the securities in the relevant securities account in a quantity sufficient to ensure the settlement of such security pursuant to the trade.

### **Article 32**

#### **Clearance and Settlement through the Exchange**

All trades executed on the BATS shall be reported and submitted for clearance to the CSU for settlement by the delivery of securities and payment through the Settlement Bank on Settlement Day (T+2), by means of the transfer of securities coinciding with payment of net money balances.

### **Article 33**

#### **Netting of the Money Claims and Obligations**

- 33.1 Upon the clearance of the Participant's trades for all transactions executed through BATS on the Settlement Day, all money claims deriving from such trades shall be transferred to all the Participants who are considered as the new creditor. At the same time, the Participants shall assume that all money obligations deriving from such trades belong to the new holders.
- 33.2 It is considered that an agreement on transferring the claims to the Participants and the obligation has been concluded upon the execution of the trade on the BSE.
- 33.3 The Participants shall compensate all money claims transferred from a particular Participant against equal obligations assumed by the other

Participants. The surplus of money claims over money obligations (Participant's net to pay balance), or the surplus of money obligations over money claims (Participant's net to receive balance), as the case may be, and which were not compensated, shall represent each Participant's net to pay or net to receive balance due for payment on the Settlement Day (T+2).

33.4 Information regarding:

33.4.1 All money obligations and claims arising from the trades executed by the Participants on their behalf and on behalf of their clients;

33.4.2 Projected gross and net money obligations or claims;

33.4.3 Amount of Liquidity Reserve;

shall be immediately communicated after the trade execution to each Participant on-line through the CSDR System.

33.5 Information regarding net to pay balance, or net to receive balance shall be final and irrevocable on the next business day following the trade day (T+1), no later than 12:00 hours. Information regarding the Liquidity Reserve shall be final and irrevocable on the trade day (T+ 0), no later than 13:00 hours.

## **Article 34**

### **Payments of Net Amounts**

34.1 All net funds payment obligations arising on the Settlement Day (T+ 2) are effected and settled by the Settlement Bank through the Participant's clearing account and the BSE's clearing account.

34.2 Participants shall settle transactions with their clients through their operating accounts, subject to the agreement between them, provided that the net to pay balance amount is available in the Participant's clearing account on the Settlement Day (T+2), not later than 09:30 hours.

34.3 Participants having a net to pay balance amount shall ensure that funds

are available in their clearing account with the Settlement Bank on the Settlement Day (T+2) no later than 09:30 hours, with an instruction to the Settlement Bank for such funds to be credited to the BSE's clearing account.

34.4 If the CSU establishes that:

34.4.1 All Participants with a net balance due to pay have credited the BSE's clearing account with the same amount; and

34.4.2 Upon the notice of the Settlement Bank to the CSU regarding instructions to all Participants for the funds to be credited to the BSE's clearing account, and immediately after 09:30 hours on the Settlement Day, each Participant having a net balance due to receive will be credited with the amount from the BSE's clearing account to the Participant's clearing account with the Settlement Bank.

34.5 Payments of net to pay or net to receive balance amounts to the BSE's clearing account shall be final and irrevocable. A Participant or the BSE cannot revoke, cancel, return or otherwise refuse to pay, or attempt to prevent any payment to or from the clearing account.

34.6 Information in respect of Participants net to pay balance and net to receive balance amounts shall be communicated to the Settlement Bank through the CSDR System, by any means of communication agreed upon by the Parties.

### **Article 35** **Trading Cap Limit**

35.1 The BSE may limit the Participants trading services (bid orders) subject to the Trading Cap limit fixed by the BSE, in accordance with the following formula:

$$\text{Cap Limit} = \text{Collateral} + (\text{Capital} \times \text{Risk Factor})$$

(Number of Settlement Days + Reserve Settlement Days) X  
Maximum Risk

- 35.2 The 'Risk Factor' referred to in sub-Article (35.1) above shall be 1/3, 'Settlement Days' shall be 3 working days, 'Reserve Settlement Days' shall be 3 working days, and the 'Maximum Risk' shall be 10% per day.
- 35.3 The BSE may increase or decrease the Participant's Trading Cap Limit, depending on relevant factors such as the Participant's frequency and volume of his trading activities, his financial position, solvency, ability to increase his contribution to the Guarantee Fund, his past experience in the settlement of transactions executed, the client's financial position, liquidity of securities and volume of the transactions intended to be executed.

### **Article 36** **Liquidity Reserve**

- 36.1 For the purpose of ensuring the Participant's financial ability to meet his settlement obligations on the Settlement Day (T+2), Participants are required to pay into the Liquidity Reserve account the full value of the transaction, as follows:
- 36.1.1 30% of the trading transaction on (T+1), no later than 09:30 hours.
- 36.1.2 70% of the trading transaction on (T+2) before 09:30 hours.
- 36.2 All Liquidity Reserve payment obligations shall be effected through the BSE's Liquidity Reserve account, and settled on the BSE's clearing account.
- 36.3 In the event that a Participant fails to pay the required Liquidity Reserve amount, the BSE shall immediately cease to provide trading, clearing and settlement services to the defaulting participant.
- 36.4 It shall be deemed that a Participant failed to pay the Liquidity Reserve

amount by 09:30 hours on T+1, if the CSU did not receive confirmation from the Settlement Bank that the Participant has submitted the appropriate payment to the Liquidity Reserve amount.

- 36.5 In the event that a Participant fails to pay the required Liquidity Reserve amount, such amount shall be added to the Participant's net to pay balance due for payment on the Settlement Day.

### **Article 37**

#### **Purpose of the Guarantee Fund**

The BSE's Board of Directors may establish a Guarantee Contribution Fund to be utilized by the BSE, at its own discretion, to satisfy a liability caused by a Participant's failure to fulfil his obligation to pay the net to pay balance amount.

### **Article 38**

#### **Participants Contributions**

- 38.1 The minimum contribution of each Participant to the Guarantee Fund shall be fixed by the BSE, in accordance with a formula based upon the Participant's anticipated settlement obligations, at the time such Participant's application for participation is approved.
- 38.2 Notwithstanding the above, the BSE may fix the Participants' contributions on a basis other than the formula specified in sub-Article (34.1) above.
- 38.3 Contributions made by a Participant must be paid in cash to the Guarantee Fund account.
- 38.4 Participants contributions to the Guarantee Fund account may, from time-to-time, be increased or reduced by the BSE, in accordance with the foregoing formula or any other basis. The BSE may also require any Participant to make additional contributions to the Guarantee Fund account, based upon current (net or gross) settlement obligations.

38.5 Participants must at all times maintain the fixed minimum Guarantee Fund contribution established by the BSE.

38.6 Notice of any change to the fixed or additional contribution amount shall be given to each Participant at least three business days prior to the effective date of the change. Payment of the additional contribution in the Guarantee Fund account shall be made within 5 business days after the notice.

### **Article 39**

#### **Management of the Guarantee Fund**

39.1 Contributions to the Guarantee Fund account must be segregated from the BSE's assets, but need not be segregated from the other Participants assets.

39.2 Cash contained in the Guarantee Fund account may be partially or wholly invested by the BSE or by the Settlement Bank, pursuant to the Agreement between the BSE and the Settlement Bank. Any interest received from such investments or deposits of cash contributions, which are in excess of the minimum cash contributions less the BSE's maintenance fees, shall be accrued to the Participants not in default of their obligations under these Rules.

### **Article 40**

#### **Application of the Guarantee Fund Account**

40.1 If a Participant fails to pay his net to pay balance amount on the Settlement Day (T+2) no later than 09:30 hours, the amount of deficiency shall be debited from the Guarantee Fund account and credited to the BSE's clearing account.

40.2 If the amount of the undischarged obligation to pay the net to pay balance exceeds the amount of the failed Participant's contribution, the amount of deficiency shall be debited pro-rata against all other

Participants' contributions to the Guarantee Fund account, on the basis of their respective contributions, and credited to the BSE's clearing account.

40.3 A Participant who fails to pay the net to pay balance amount shall be liable to refund the amount debited to the Guarantee Fund account, and all costs relating to the use of the Guarantee Fund, as determined by the BSE.

40.4 In the case of a Participant's failure to pay the net to pay balance amount, the BSE shall, immediately after 09:30 hours on T+2 (and until the amount is honoured in accordance with sub-Article (40.3) above), suspend the defaulting Participant from:

40.4.1 Any trading services provided by the BSE, with respect to securities transactions generally.

40.4.2 All services and activities in relation to clearing, settlement, depository and registry functions, or operations of a Participant, except the services in relation to the pending settlement obligations of such Participant.

#### **Article 41**

##### **Disposition of the Participants' Purchased Securities**

41.1 To secure the due payment of net to pay balance amounts due from the Participant to the BSE, the BSE shall have the right to dispose of all or any securities purchased in favour of the Participant, provided that the right of disposition shall subsist until such time as the Participant's obligations have been fulfilled.

41.2 In case a Participant fails to refund the amount debited to the Guarantee Fund account and cover all the costs relating to the use of the Guarantee Fund, the BSE may be obliged to authorize the selling of all or any of the securities referred to in sub-Article (41.1) hereof by another Participant. Such a sale shall be made at the BSE without further notice to the said Participant. The proceeds of the sale (net of

commission, costs, fees and expenses) shall be paid into the Guarantee Fund account.

## **Article 42**

### **Disposition of Clients' Purchased Securities**

42.1 To secure payment of the amount due from clients to a Participant arising from trading of securities, the BSE shall have the right to dispose of all or any securities purchased for the defaulting client, provided that the right of disposition shall subsist until such time as the client's obligation has been fulfilled.

42.2 In case a client fails to discharge his obligations towards the Participant, the BSE may be obliged to authorize the selling of all or any of the securities referred to in sub-Article (42.1) hereof by another Participant. Such a sale shall be made at the BSE without further notice to the said client. The proceeds of the sale (net of commission, costs, fees and expenses) shall be used for the settlement of all the client's obligations towards the Participant.

## **Article 43**

### **Return of Securities and Other Property**

In the event that the BSE terminates its services to a Participant, such Participant's contribution to the Guarantee Fund account and the securities deposited in his account with the Central Depository shall be returned to that Participant as soon as possible, provided that the Participant has satisfied all his obligations to the BSE.

## **Article 44**

### **Position Before the Trade**

No Participant shall accept and effect an order to sell securities on the BATS on his own behalf, or on behalf of his client unless:

44.1 The Participant has received securities certificates and deposited such

certificates with the Central Depository, pursuant to Articles (46) and (47) of these Rules;

- 44.2 Has received confirmation from the CSU that the deposit of securities has been approved.

#### **Article 45** **Settlement**

- 45.1 Each and every trading transaction executed on the BSE must be settled in accordance with the provisions of the CSDR Rules, no matter whether the buyer intends to resell the purchased securities in the same trading session, or otherwise. The Participant shall be liable to discharge the settlement obligations and any other consequential charges and penalties for non-compliance with the provisions of the above paragraph.
- 45.2 The book-entry transfer of securities shall be effected by the CSU in the Central Securities Registry on the Settlement Day (T+2), by debiting the seller's securities account and crediting the buyer's securities account.
- 45.3 A seller's position in his securities account, subject to trade, shall not be effected by any transfer or entry of such security, until the final settlement for such a contract has been made.
- 45.4 Notwithstanding the provisions of sub-Article (45.1) above, in case of a failed trade deemed to compromise the integrity of the settlement system, the settlement of the said transaction may be rolled over, subject to the CSU's discretion, and marked-to-market outside the netting system until the buy-in or sell-out date, at which the transaction will be settled.

#### **Article 46** **Opening the Securities Account**

- 46.1 Prior to opening and maintaining securities accounts in the Central Securities Registry on behalf of his clients («client account»), the

Participant shall make adequate verification of the client's identification.

- 46.2 Any instruction to change, update or correct a securities account regarding the name, permanent address, or registered office and Unique Identification Number shall be given to the CSU by the Participant, on behalf of his client. Any other change, update or correction shall be made by the Participant.

#### **Article 47**

#### **Transfers on the Participant's Instruction**

- 47.1 The following transfers, movements and entries without the corresponding funds shall be effected in the Central Securities Registry upon the Participant's instruction to the CSU, on the basis of a transfer order issued by the holder of the securities:

47.1.1 Transfers of securities between accounts of the securities holder, opened by the same or different Participant (movements);

47.1.2 Transfers of securities to the new securities holder's account, opened by the same or different Participant (transfers);

47.1.3 Entries in relation to pledges and other third party rights on securities:

47.1.3.1 entry of pledge;

47.1.3.2 release of pledge

47.1.3.3 transfer of securities subject to pledge execution;

47.1.3.4 entries in relation to any other third party rights on securities.

47.1.4 Transfers in accordance with Article (36) of the BSE's Internal Regulations and Resolution No. 31/1988, as amended by Resolution No. 8/1993.

- 47.2 Prior to the effect of any transfer, movement, or entry into the Central Securities Registry on behalf of his clients, the Participant shall make adequate verification of the client's identity and the validity of the respected transfer order.

**Article 48**  
**Transfer Processing**

- 48.1 Participants may effect transfers, movements, or any other book-entries on any business day, and during such hours as may be laid down in the prescribed procedures.
- 48.2 Participants may effect transfers, movements, or any other book-entries (transaction) in connection with securities accounts on their own behalf, or on behalf of a securities holder (client) by:
- 48.2.1 Verifying the terms of the legal basis of transfer, movement, or entry;
  - 48.2.2 Entering the appropriate information regarding the transaction into the CSDR System.
  - 48.2.3 Posting the transaction into the CSDR System.
  - 48.2.4 Sending a copy of the respective transfer order to the CSU.
- 48.3 A copy of the transfer order referred to in sub-Article (48.2) above shall be considered with the BSE when given in writing to the CSU's designated staff, delivered to the BSE's address, or sent by facsimile to the facsimile number prescribed by the CSU (and followed by the Participant's telephone call to the CSU's designated staff, confirming that the facsimile message has been properly received).
- 48.4 Posted transactions shall be processed not later than three business days after receipt of the copy of the transfer order, as referred to in sub-Article (44.3) above, provided that the enabling documents are complete and sound.
- 48.5 The CSU shall approve the entry of appropriate information into the CSDR System unless:
- 48.5.1 The transfer order check indicates that there are discrepancies or omissions between the transfer order and the relevant (posted) information in the CSDR System;

- 48.5.2 There is no sufficient position in the relevant securities account;
- 48.5.3 There is a limitation on the disposal of securities, in accordance with Article (45) hereof;
- 48.5.4 The legal basis for the transfer is not exempt, pursuant to Article (36) of the BSE's Internal Regulations, and Resolution No. 13/1988, as amended by Resolution No. 8/1993.

48.6 In the above cases, the CSU shall reject the transaction and enter such rejection into the CSDR system.

48.7 The CSU shall have no obligation to verify the terms of the legal basis of transfer, movement, or entry, or compliance by either Participant or Parties to a contract.

#### **Article 49** **Pledge**

49.1 A pledge of securities shall be effected in the Central Securities Registry by the Participant maintaining the securities account for the holder, on the basis of an order issued by the holder of such securities, and the pledge transaction containing all relevant information regarding the pledge is entered into the CSDR System on behalf of the client.

49.2 Securities pledged in the Central Securities Registry are identified as pledged to the pledgee, and recorded in the appropriate holder's securities account. Securities pledged may be dealt with, or be subject to any other transfers or movements exclusively in accordance with the instruction issued by the pledgee.

#### **Article 50** **Unavailable Position**

Securities that are pledged are no longer eligible for any transaction on the BSE, unless first released by the pledgee.

#### **Article 51**

## **Realization**

In the event of a pledgor's default to meet his principal obligation secured by a pledge of securities, the pledgor authorizes and directs the Participant maintaining the holder's securities account to comply with any instruction from the pledgee to sell such securities.

## **Article 52** **Release**

After the termination of the pledge, Participants maintaining the holder's securities account subject to the pledge shall effect a release of the pledge in the Central Securities Registry, pursuant to an order issued by the pledgee, and enter the relevant information regarding the release of a pledge into the CSDR System.

## **Article 53** **Transfers and Entries**

- 53.1 The following transfers and entries shall be effected in the Central Securities Registry directly by the CSU in the CSDR System, subject to an order issued by the court or any other administrative body, including but not limited to:
- 53.1.1 Hereditary transfers of securities;
  - 53.1.2 Limitation of the disposal of securities according to an execution or enforcement order issued by a court, pursuant to Chapter Four of the Bahrain Civil and Commercial Procedures Law (1971) (hereinafter referred to as the CCP);
  - 53.1.3 Transfers of securities according to an interim order issued by the execution court, pursuant to Chapter Eight of the CCP;
  - 53.1.4 Entry of a lien, realization (sale or transfer) and removal of a lien (distress) on securities, according to the enforcement order (distress statement) against a debtor's property issued by the execution court, pursuant to Article (273) and Article (280) of the CCP.

**Article 54**  
**Transfer and Entry Processing**

- 54.1 The CSU shall effect any transfer or entry pursuant to an instruction which must be attached with a true and original copy of the relevant court order delivered for execution purposes, in accordance with Article (261) of the CCP.
- 54.2 The CSU shall effect a transfer, movement, or any other book-entry (transaction) in connection with a securities account, either on its own or on behalf of the securities holder (client) by:
- 54.2.1 Verifying the relevant copy of the court order;
  - 54.2.2 Entering the appropriate information regarding the transaction into the CSDR System.
  - 54.2.3 Posting and approving the transaction into the CSDR System.
- 54.3 In the case of an enforcement order (distress statement) issued pursuant to Article (280) of the CCP, instructing the CSU to effect a lien on the holder's (debtor's) securities, the CSU shall, together with the lien, enter and record into the Central Securities Registry the Participant nominated by the execution Court Judge to sell the securities in question. Such securities may be sold or dealt with strictly and exclusively, in accordance with the instruction of the Participant nominated by the execution Judge.

**Article 55**  
**Amendment of Regulations**

The BSE may, from time-to-time amend these Rules and shall promptly notify all the Participants of any proposal it has made to change, revise, add or repeal any Rule or text, or alter any description of the proposed Rule and its purpose and effect. The Participants may submit to the BSE their comments for its consideration with respect to any such proposal, and such comments shall be filed with the BSE's records.

**Article 56**  
**Procedures**

56.1 The BSE shall, pursuant to these Rules, prescribe from time-to-time procedures and other regulations in respect of the business and functions of the CSU's operations. Each Participant shall be bound by such procedures and regulations and any amendment thereto, in the same manner as it is bound by the provisions of these Rules. Participants shall be given prompt notice of any proposed amendment to the procedures. Upon adequate notification to the Participants, the BSE may, at its own discretion, alter the procedures with respect to any particular transaction.

56.2 In connection with any transaction handled through the Central Securities Registry under these Rules, the BSE may at any time change such forms, lists, instructions, notices, or any other documents used.

**Article 57**  
**CSDR Membership Agreement**

The provisions and conditions of the CSDR Membership Agreement with the Participant, referred to in sub-Article (21.3) hereof, shall be considered as part and parcel of these Rules.

Bahrain Stock Exchange

**RESOLUTION NO. (11) FOR 1999  
IN RESPECT OF THE TRANSFER OF SHARES OWNERSHIP  
APPLICATION SIGNED OUTSIDE  
THE BAHRAIN STOCK EXCHANGE'S PREMISES**

**The Chairman of the Board of Directors:**

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

And the Minister of Commerce & Agriculture's Resolution No. (13) of 1988,

concerning the issuance of the Bahrain Stock Exchange's Internal Regulation;  
And the Minister of Commerce & Agriculture's Resolution No. (8) of 1993, amending certain provisions of the Bahrain Stock Exchange's Internal Regulation;  
And the Minister of Commerce & Agriculture and Chairman of the Bahrain Stock Exchange's Board of Directors' Resolution No. (2) of 1990, amending Article (54) of the Bahrain Stock Exchange's Internal Regulation;  
And upon the submission of the Director of the Bahrain Stock Exchange;  
And upon the proposal of the Bahrain Stock Exchange's Board of Directors;

**RESOLVED AS FOLLOWS:**

**ARTICLE ONE**

In cases of transactions exempted from trading on the Exchange's Trading Floor, the owner of shares who is unable to attend the Exchange's premises for reasons of old age, sickness, or any other reasonable cause, may sign the transfer of ownership application and the undertaking in accordance with the attached form, provided that the value of shares to be transferred does not exceed BD300.000.

**ARTICLE TWO**

In cases where the value of the shares to be transferred exceeds the amount stipulated in the aforesaid Article, the transfer of securities form shall be signed in the presence of a Bahrain Stock Exchange representative, who shall endorse the application and the standard form. The Exchange representative's transportation cost amounts to BD5.000 shall be paid in advance, in addition to the Exchange's commission.

**ARTICLE THREE**

The Exchange's staff in charge shall assess the cases of disability, sickness and any other reasons preventing the presence of the concerned person at the Exchange's premises. He shall give the transfer application form and a copy of the attached standard form if any of the above reasons have been satisfied. The designated staff shall have the right to decline any request for transfer if he believes that this would be in the public interest, and will maintain in his opinion the accuracy, soundness and efficiency of transactions and will avail the protection for the clients.

#### **ARTICLE FOUR**

The provisions of this Resolution shall be applicable to all transactions exempted from being traded on the Exchange's Trading Floor premises, provided for in Article No. (36) of the Internal Regulation issued by the Minister of Commerce & Agriculture's Resolution No. (13) of 1988, and which has been substituted by Resolution No. (8) of 1993, provided that the owner of the shares who wishes to transfer ownership of his shares is resident in Bahrain.

#### **ARTICLE FIVE**

The Director of the Bahrain Stock Exchange shall implement this Resolution from the date of its publication in the Official Gazette.

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

Issued on 20 Ramadhan 1420 H  
Corresponding to 28<sup>th</sup> December 1999

**ACKNOWLEDGEMENT**

I the undersigned...../..... national.  
Holder of passport No.....,acknowledge that I have assigned my  
below- detailed shares to .....  
And I have no objection to register the same in his name with all their rights, as  
transactions exempted from trading in the Trading Floor. I also discharge The  
Bahrain Stock Exchange from any legal responsibility or claim that may emerge as a  
result of transferring the ownership of these shares.

**SHARES' PARTICULARS:**

Certificate Number	Name of the Company	Shares' No.
1- .....	.....	.....
2- .....	.....	.....
3- .....	.....	.....
4- .....	.....	.....

**Signature:**.....

**CPR. No.:** .....

**Date:** .....

**First Witness**

Name:.....

.....  
CPR No.:.....

Date:.....

.....

**Second Witness**

Name:

CPR No.:

Date:

**ACKNOWLEDGEMENT AND UNDERTAKING OF TRANSFEREE:**

I the undersigned...../ national of.....

Holder of passport No...../CPR No....., acknowledge that the above mentioned person had signed this acknowledgement in front of me, and I undertake to bear all legal responsibilities resulting from the transfer of these shares to me. And I also undertake to repay the value of the transferred shares if such value is claimed.

**Signature:** .....  
**Name:** .....  
**CPR No.:** .....  
**Date:** .....

Bahrain Stock Exchange

**RESOLUTION No. (1) 1998  
IN RESPECT OF DISCLOSING CERTAIN PRIVATE INFORMATION ABOUT THE  
TRADING OF LISTED SECURITIES  
ON THE BAHRAIN STOCK EXCHANGE**

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

After perusal of Decree Law No. (23) of 1973 establishing the Bahrain Monetary Agency and its Amending Laws;  
And Decree Law No. (28) of 1975 regarding the Commercial Companies Law and its Amending Laws;  
And Decree Law 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, pertaining to the Internal Regulations of the Bahrain Stock Exchange;  
And upon the submission of the Director of the Bahrain Stock Exchange;  
And after the consent of the Exchange's Board of Directors.

**RESOLVED AS FOLLOWS:**

## **ARTICLE ONE**

In the application of the provisions of this Resolution, a legal person means any company or institution whose financial transactions come under the control of the Bahrain Stock Exchange, regardless of whether they are a public or private company or institution.

## **ARTICLE TWO**

Any individual or legal entity shall inform the Exchange immediately in writing when his ownership, or his ownership in addition to his minor sons' ownership, or accounts under his control, reaches 5% or more of the issued and paid-up capital of a listed joint stock company.

## **ARTICLE THREE**

Any individual or legal entity shall inform the Exchange immediately if his ownership, or his ownership in addition to his minor sons' ownership, or any accounts which come under his control, or the ownership of any of his associates or subsidiaries, reaches 10% or more of any listed securities of a joint stock company. The Exchange shall have the right to publish the name of the person who owns the said percentage.

Any person or persons referred to in the preceding paragraph, who wish to execute a transaction for himself, or for accounts under his control in a number of securities representing 1% or more of the said issue, shall inform the Exchange in writing, prior to the conclusion of the transaction's contract. Non-compliance with this procedure shall result in the cancellation of the transaction.

## **ARTICLE FOUR**

Any individual or legal entity whose ownership of any listed securities reaches 10% or more and wishes to purchase or own 20% of a company's shares, shall inform the Director of the Exchange in writing, prior to the submission of his purchase order on the Trading Floor. The Exchange's Board of Directors shall have the right to reject the transaction, if such a transaction, in the Board's opinion, is not in the interest of the national economy.

In the case of purchasing shares of a financial institution which comes under the control of the Bahrain Monetary Agency, the Bahrain Monetary Agency's approval shall be obtained before purchasing or owning 20% or more of the said financial institution's shares.

#### **ARTICLE FIVE**

Listed companies and brokerage offices established under Resolution No. (2) of 1995 pertaining to the services offered by brokerage firms on the Bahrain Stock Exchange, and registration and transfer offices, shall be responsible for immediately submitting to the Exchange, a written report of each trading transaction amounting to 5% or more of any listed security owned by any individual or legal entity, and provide the Exchange with such statements and documents for the purpose of ascertaining the correctness of the statements provided for in the reports.

#### **ARTICLE SIX**

Brokerage companies established under Resolution No. (2) of 1995 referred to in the above Article, shall prepare weekly reports including statements regarding the nationalities of clients for whom they deal with their accounts and Mutual Funds portfolios managed by them, and shall also inform the transfer offices therewith.

The transfer offices shall inform the Exchange weekly of the nationalities whose ownership approaches the limits authorized by the Commercial Companies Law and its Amendments, and the Articles of Association of the said companies.

#### **ARTICLE SEVEN**

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  
Chairman  
Board of Directors of the Bahrain Stock Exchange

Issued on 19 Shaaban 1419H  
Corresponding to 8 December 1998

Official Gazette No. 2350, Wednesday, 9<sup>th</sup> December 1998, Page No. 12

Bahrain Stock Exchange

**RESOLUTION NO. (12) OF 1991  
IN RESPECT OF PROCEDURAL CONTROLS PERTAINING  
TO THE TRANSFER OF SHARES OWNERSHIP BY INDIVIDUALS  
FROM OUTSIDE THE STATE OF BAHRAIN**

**The Director of the Exchange:**

After perusal of Amiri Decree No. (4) of 1987, pertaining to the establishment and organization of the Bahrain Stock Exchange;  
And Resolution No. (13) of 1988, in respect of the issuance of the Bahrain Stock Exchange's Internal Regulations and its Amendments;  
And the Exchange's Board of Directors Resolution No. (1) of 1990, concerning cases exempted from trading;  
And upon the Bahrain Stock Exchange's Board of Directors Resolution No. (2) of 1990, concerning some controls of trading in securities;

**RESOLVED AS FOLLOWS:**

**ARTICLE ONE**

The Exchange's Operations Department may transfer the ownership of shares owned by shareholders outside Bahrain, subject to a Power of Attorney authenticated by one of the following authorities:

1. Notarization and justice offices.
2. Chambers of Commerce in the transferee's country.
3. Commercial banks in the transferee's country.
4. Registration or transfer offices of the companies whose shares are to be transferred.
5. Any other official authority approved by the Exchange.

The person who authenticated the transferee's signature shall be legally liable for the genuineness of his signature.

## **ARTICLE TWO**

This Resolution shall be disseminated to all of the Exchange's concerned departments, and shall come into effect from the date of its issuance.

The Director of the Bahrain Stock Exchange

Issued on 22 Safar 1411 H  
Corresponding to 1<sup>st</sup> September 1991