بورصـــة البحـــرين
BAHRAIN BOURSE

Bahrain Bourse

Market Rules

Public Consultation

2026

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1 DEFINITION AND INTERPRETATION

For the purposes of these Rules, the terms and expressions set out below shall have the meanings assigned to them, unless the context requires otherwise.

Definition	Interpretation
"AML Module"	means the Anti-Money Laundering and Combating of Financial Crime Module set out in Volume 6 of the CBB Rulebook, as amended from time to time
"Arbitration Committee"	means the committee responsible for adjudicating disputes between Members and disputes involving Issuers, Members, and their clients arising from transactions executed through BHB or regulated activities undertaken by Members
"BHB or Exchange"	means Bahrain Bourse, established in accordance with applicable laws and regulations, and responsible for administering and enforcing of these Rules, as amended from time to time
"BHC"	means Bahrain Clear, the entity owned by BHB that carries out the clearing, settlement, central depository, and central registry functions
"Board"	means the Board of Directors of BHB
"Capital Adequacy Requirement"	means the minimum regulatory net worth a Member must maintain in accordance with Section 3.4.6 of these Rules
"CBB"	means the Central Bank of Bahrain
"CBB Law"	means the Central Bank of Bahrain and Financial Institutions Law 2006, promulgated by decree law No. 64 of 2006 and its amendments, which establishes the Central Bank of Bahrain
"CEO"	means the Chief Executive Officer of BHB
"Complaint"	means any expression of dissatisfaction made by or on behalf of a client alleging that they have suffered, or are likely to suffer, financial or other prejudice as a result of the conduct of a Member or other Persons subject to the authority of BHB
"Complainant"	means any individual, investor, Member, Issuer or a corporation, who makes a formal Complaint
"Day(s)"	means business days, unless otherwise specified as calendar days
"Disciplinary Appeals Committee"	means the committee constituted and appointed by the Board with the responsibility of reviewing and deciding on appeals against the decisions made by BHB's Disciplinary Board and BHB's Violations Committee

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"Disciplinary Board"	means the committee constituted and appointed by the Board to be responsible for adjudicating any alleged violation of the rules and regulations of BHB and determining administrative fines to be imposed against the Members of BHB and Issuers of Securities
"DRA Module"	means the Dispute Resolution, Arbitration and Disciplinary Proceedings Module of Volume 6 of the CBB Rulebook
"Eligible Security(ies)"	means Securities that BHB prescribes for Market Making activities and are approved for trading by Market Maker as set out in the Market Maker Agreement
"External Market Maker"	means an External Trading Member approved by the CBB to undertake Market Making activities and registered with BHB in accordance with Market Rules and relevant directives to provide bid and ask quotes as a principal through the initiation and administration of a type of fund
"External Trading Member"	means an eligible foreign institution (remote member) who is a member of a licensed exchange and authorized by the CBB but who conducts their regulated activity (including trading on behalf of their clients) exclusively outside the jurisdiction of the Kingdom of Bahrain
"Immediate Family"	means spouses, parents, children, siblings, close associates, as well as those under the guardianship or control of the Relevant Person whose relationship with a Relevant Person could reasonably give rise to a conflict of interest or the perception of improper trading advantage
"Issuer"	means a company or other legal person or undertaking some or all of whose Securities have been admitted to listing
"Key Persons"	means any individual occupying a position designated by BHB or the CBB as a significant management, control, supervisory, or operational role within a Member
"Listing Rules"	means the provisions of BHB's Listing Rules as from time to time amended, modified or supplemented
"Liquidity Enhancement"	means the service under which Liquidity Enhancement activity (providing two way quotes on a continuous basis) is carried out by a Liquidity Provider pursuant to an agreement between the Liquidity Provider and the issuer of the security (Liquidity Provider-Issuer Agreement) and where the economic effect of the activity apply to the issuer of the security
"Liquidity Provider-Issuer Agreement"	means a written agreement executed between the Liquidity Provider and the Issuer to undertake Liquidity Enhancement program in the Issuer's security
"Liquidity Provider"	means a CBB licensed that is admitted as Member of BHB in accordance with the requirements set out under the CBB

	Rulebook, including entities licensed as Banks, Investment Firms (Category 1 or Category 2), or Broker-Dealers, as applicable
"Local Market Maker"	means a CBB licensee that is registered with BHB in accordance with these Rules to act as principal by providing continuous bid and ask quotes, and who performs such activity through the establishment and management of a designated fund for Market Making purposes
"Market Maker"	means a Local Market Maker and/or an External Market Maker
"Market Maker Agreement"	means a written agreement between BHB and a Market Maker that sets the terms of registration and governs the Market Maker's obligations in carrying out Market Making activities
"Market Making"	means the activity of continuously providing bid and ask quotes in one or more Eligible Securities, carried out by a Market Maker with the objective of promoting liquidity and facilitating price discovery
"Market Participants"	means individuals or entities that take part in activities on BHB, whether directly or indirectly, including but not limited to Issuers, Members, Trading Representatives, institutional and retail investors, and other parties engaged in trading, settlement, clearing, or related regulated activities, as defined under these Rules
"Market Rules or Rules"	means the rules and requirements issued by BHB that govern the admission, conduct, and obligations of Members, and set out the framework for trading, supervision, and dispute resolution within BHB's markets
"Market Rules Enforcement Framework"	means the framework, guidelines, or mechanisms adopted by BHB from time to time for the detection, investigation, assessment, escalation, and enforcement of breaches of the Market Rules.
"Member(s)"	means any person or entity that has been admitted and approved by BHB to conduct trading activities on its markets, subject to compliance with these Rules and the relevant provisions of the CBB Rulebook
"Member Representatives"	means individuals holding key positions of influence and authority, within a Member, who must be registered with the CBB and/or BHB as applicable
"MIR Module"	means the Market Intermediaries and Representatives Module of Volume 6 of the CBB Rulebook
"Person(s)"	means any natural person or legal entity, including but not limited to any company, partnership, corporation, association, trust, fund, government body, or other organization, and includes Members, External Trading Members, Issuers, their directors,

	officers, employees, agents, Member Representatives, clients, beneficial owners, and any other individual or entity acting directly or indirectly on their behalf Person also includes any individual or entity that has access to, participates in, or otherwise engages with the market, the Trading System, or any activity governed by these Rules, whether directly or indirectly.
"Regular Trade"	Regular Market: means a trade with a value of not less than BD 1,500 or its equivalent in other currencies Bahrain Investment Market: means a trade with a value of not less than BD 1,000 or its equivalent in other currencies
"Relevant Person"	means employees, senior management, and directors of a Member who, by virtue of their role, have access to client order flow, Trading Systems, or other confidential, non-public, or price-sensitive information that could reasonably be misused for personal gain
"Security(ies)"	means shares, bonds, and other financial instruments accepted for trading on the Exchange, including any instruments classified as Securities under the CBB Law and approved for listing and trading on BHB
"Substantial Shareholders"	means any person whose ownership alone or his ownership together with that of his minor children, or any other accounts under his disposal or the ownership of any of his associate or affiliate companies amounts to 5% or more of an Issuer's listed shares
"Trading Day"	A day on which the Exchange is open for the trading of securities in accordance with its official trading calendar.
"Trading Representative(s)"	means an individual authorized by a Member to place, transmit, or execute trading orders on behalf of the Member or its clients
"Trading System"	means the trading electronic platform operated by BHB for the submission, matching, and execution of orders in listed Securities
"Violations Committee"	means the committee constituted and appointed by the Board to be responsible for reviewing and evaluating high-frequency violations of the BHB's rules, regulations and directives and determining administrative fines to be imposed on Issuers and Members

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2 REGULATORY FRAMEWORK

This Section defines the powers, responsibilities, and scope of authority of BHB in its capacity as a licensed exchange. It outlines the Exchange's role in regulating and supervising Members, maintaining orderly and transparent markets, and safeguarding investor protection in accordance with applicable laws and the CBB Rulebook.

2.1 BHB AS A LICENSED EXCHANGE

2.1.1 Role and Operations of BHB

BHB is a licensed exchange and self-regulatory organization (SRO) licensed and authorized by the CBB to operate, manage, and supervise the Securities markets in the Kingdom of Bahrain. In its capacity as the operator of the market, BHB is responsible for ensuring that trading activities are conducted in a fair, efficient, and transparent manner, and for overseeing compliance with applicable laws, the CBB Rulebook, and these Rules.

2.1.2 Services Provided by BHB

In carrying out its role as the market operator, BHB provides a range of services to its Members, which include but are not limited to:

1. Granting and maintaining market access to Members for the execution of trading transactions in accordance with these Rules.
2. Providing operational, technical, and ancillary support services necessary to facilitate Members' trading activities.
3. Making available such additional facilities, systems, or services as BHB may determine from time to time, in accordance with these Rules.

2.1.3 Introduction of New Services and Products

BHB may, from time to time, introduce new services, facilities, or financial instruments, including Sharia-compliant Securities, in order to meet evolving market needs. Any such offerings shall be subject to applicable laws, regulations, and approvals of the relevant regulatory authorities.

2.2 POWERS AND SCOPE OF AUTHORITY

2.2.1 General Power

BHB has the authority to exercise all powers necessary to regulate, oversee, and enforce compliance among Market Participants with these Rules and in accordance with the CBB Rulebook, these Market Rules, and other applicable BHB rules. Such powers extend to ensuring market integrity, transparency, and investor protection, and to taking any measures necessary for the proper performance of BHB's duties in its capacity as a licensed exchange. BHB shall exercise such powers in accordance with CBB regulations and, where required, subject to CBB approval.

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2.2.2 Specific Powers

Without limiting the generality of Rule 2.2.1, BHB's specific powers include, but are not limited to:

(a) Rulemaking and Directives

1. Draft, amend, repeal, or waive any of these Rules, subject to CBB's approval where necessary.
2. Issue directives, rulings, guidelines, or instructions to ensure compliance and orderly market conduct.

(b) Membership and Participation

1. Admit Members, Members Representatives, Trading Representatives, or other Market Participants as defined under BHB's rules and regulations, and revoke, suspend, or restrict their membership or trading rights in cases of non-compliance, misconduct, or when necessary to uphold market integrity.
2. Conduct inspections, audits, or reviews of Members and their representatives, or other Market Participants to ensure adherence to BHB rules and regulations and support compliance with applicable CBB laws and regulations.

(c) Trading and Securities Oversight

Suspend, restrict, or halt trading in specific Securities or across the market and prescribe, approve, suspend, or delist Securities to maintain market order or safeguard investors.

(d) Enforcement and Disciplinary Powers

1. Investigate suspected violations of BHB's Market Rules, applicable CBB laws and regulations or other applicable laws, including unauthorized trading activities, breaches of fiduciary duties, or other misconduct, and take appropriate action.
2. Impose penalties, administrative fines, or other disciplinary measures for non-compliance with BHB's rules and regulations and, where applicable, support enforcement and escalation to the CBB or other relevant authorities.

(e) Information and Disclosure

Request and verify information, documents, or reports from Members, Issuers, or other Market Participants.

(f) Dispute Resolution

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Establish and maintain mechanisms to facilitate dispute resolution among Members, Issuers, and other participants.

(g) Operational and Ancillary Powers

1. Undertake any actions or modifications to operational systems, trading platforms, or ancillary infrastructure as deemed necessary or expedient, and exercise any incidental powers required to perform its statutory and regulatory functions in ensuring the orderly, efficient, and transparent operation of the market, subject to applicable laws, regulations, and supervisory requirements.
2. Suspend, modify, or waive the application of any BHB rules, in full or in part, as mandated by the courts of the Kingdom of Bahrain, particularly in relation to transactions or actions involving Securities in the market, to ensure compliance with judicial directives and the effective execution of the court's instructions.

2.2.3 Oversight Responsibility

BHB shall cooperate with the CBB and other competent authorities to ensure effective regulation, supervision, and governance of the market in line with applicable laws and regulatory standards.

2.3 EMERGENCIES AND CONTINGENCIES

2.3.1 Emergency Power

In the event of an emergency that threatens the proper functioning of the market, BHB may, after consulting with the CBB where appropriate, declare an emergency and adopt temporary measures or rules ("Emergency Rules").

2.3.2 Definition of Emergencies

For the purposes of these Rules, an emergency refers to any circumstance that materially disrupts, or has the potential to disrupt, the fair, orderly, or transparent functioning of the market, including but not limited to:

1. Any situation that threatens, or has the potential to threaten, the integrity, transparency, liquidity, or orderly operation of the market, such as market manipulation.
2. Any situation that threatens the financial stability or operational integrity of BHB or its participants, including major market disturbances that prevent the market from accurately reflecting the forces of supply and demand.
3. External factors such as geopolitical events, natural disasters, pandemics, cyberattacks, or other crises that pose a significant risk to market operations or the interests of participants.
4. Severe disruptions to BHB's operations arising from incidents such as fires, power outages, system malfunctions, or other technological failures.

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5. Any other circumstance, internal or external, that is likely to have a material adverse effect on the fair, efficient, and transparent functioning of the market.

2.3.3 Implementation of Emergency Rules

Emergency Rules shall take immediate effect upon issuance by BHB and shall be binding on all Market Participants for the period specified by BHB. Any contravention of Emergency Rules shall constitute a breach of these Market Rules.

2.4 ENFORCEMENT, COMPLIANCE AND PROCEDURAL PROVISIONS

2.4.1 Market Rules as Binding Agreement

These Market Rules act as a binding agreement between BHB and all Market Participants, imposing obligations to adhere to the provisions herein. All decisions, directives, and rulings issued by BHB under these Market Rules are final and binding unless explicitly overturned by the CBB or other relevant authorities.

2.4.2 Compliance and Accountability

Members and Members Representatives are required to comply with all applicable Market Rules, directives, and guidelines issued by BHB. Non-compliance may result in disciplinary measures, including penalties, suspension, or revocation of membership or trading privileges.

2.4.3 Procedural Irregularities

No decision, action, or proceeding taken under these Market Rules shall be invalidated by reason of any minor procedural defect, irregularity, or omission, unless such defect results in material prejudice or unavoidable injustice to a Member or Market Participants.

2.4.4 Severability Clause

If any provision of these Market Rules is held to be invalid, illegal, or unenforceable by a competent authority, such provision shall be deemed severed, and the remaining provisions shall continue in full force and effect.

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3 MEMBERSHIP AND REGISTRATION REQUIRMENTS

3.1 MEMBERSHIP CATEGORIES

Members are classified into the following categories:

Category	Permitted Activities	Capital Requirement
Discount Broker	▪ Collect and forward investor orders to be executed via a broker or broker-dealer.	BD 10,000
Broker	▪ Trading in Securities as an agent. ▪ Arranging transactions in Securities as an agent.	BD 50,000
Broker-Dealer	▪ Trading in Securities as principal and agent. ▪ Arranging transactions in Securities as principal and agent. ▪ Managing Securities' portfolios. ▪ Depositing of Securities. ▪ Advising on Securities businesses. ▪ Providing market research and analysis. ▪ Local Market Maker (as authorized) ▪ Liquidity Provider (as authorized)	BD 250,000
External Broker	▪ Trading in Securities as an agent. ▪ Arranging transactions in Securities as an agent.	BD 100,000
External Broker-Dealer	▪ All activities permitted for broker-dealers within their jurisdiction.	BD 250,000
External Market Maker	▪ Provide bid and ask quotes as principal.	BD 250,000

3.2 ELIGIBILITY AND ADMISSION CRITERIA

3.2.1 Local Member

To qualify for admission as a Member, an applicant must meet the following criteria:

1. The applicant must be a corporation duly incorporated under the laws of the Kingdom of Bahrain and conducting business within its jurisdiction.
2. The applicant must be licensed by the CBB as a prerequisite for admission to BHB.
3. The applicant must meet the requirements stipulated under the CBB Volume 6 Module.
4. The applicant must be qualified by a clearing member to undertake clearing and settlement services, unless seeking direct admission as a clearing member, where applicable.
5. The applicant must meet the regulatory capital and financial requirements and maintain such compliance on an ongoing basis.
6. The applicant must demonstrate adequate operational capabilities, including appropriate facilities, robust technology systems, qualified personnel, and clear procedures to ensure secure, efficient, and orderly trading activities.
7. The applicant must demonstrate full compliance with all applicable rules, directives, decisions, and requirements set by the CBB and BHB. Additionally, the applicant must meet any specific conditions prescribed for their membership category or to address evolving market circumstances.

3.2.2 External Trading Member

To qualify for admission as an External Trading Member, an applicant must satisfy the applicable admission criteria set out under rules 3,4,5,6 and 7of Section 3.2.1, in addition to meeting the following criteria:

1. The External Trading Member is duly authorized by the CBB.
2. The External Trading Member must be duly licensed in its home jurisdiction to carry out activities commensurate with the activities it intends to undertake on BHB as per the membership categories under Section 3.1.
3. Must be a member of an exchange and licensed and supervised in its home market by a securities regulator that is a signatory to the International Organization of Securities Commissions (“IOSCO”) Multilateral Memorandum of Understanding (“MMOU”) or an acceptable bilateral agreement and provide evidence satisfactory to BHB of such membership, licensing, and regulatory supervision.

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3.2.3 Liquidity Providers and Market Makers

Liquidity Providers and Market Makers are subject to the specific admission and eligibility requirements, rights, and obligations set out under the Liquidity Enhancement and Market Making guidelines. Those provisions shall take precedence over the general membership provisions in Section 3 where applicable.

3.2.4 Application Procedures

An applicant seeking admission as a Member shall submit an application to BHB in the form prescribed by BHB, together with such supporting documents and information as may be required by BHB from time to time.

(a) Decision Timeline

An applicant will be notified in writing of BHB's decision on its application within 30 Days, provided that all relevant documents are submitted and all terms and conditions are met.

(b) Discretionary Authority

BHB, in coordination with the CBB reserves the absolute discretion to approve or reject any membership application.

(c) Grounds for Rejection

A membership application may be rejected if in BHB's opinion:

1. The applicant provides information or documentation that is false, misleading, and incomplete or fails to meet BHB's requirements.
2. The financial standing of the applicant or its substantial shareholders is deemed unsatisfactory.
3. BHB is not satisfied with the applicant's proposed business operations, governance, or compliance framework.
4. There are potential conflicts of interest that could impact the fairness or integrity of market operations.
5. The applicant or its shareholders have a history of significant non-compliance or breaches with other regulatory bodies or market authorities.
6. Admission of the applicant as a Member is in BHB's opinion, contrary to public interest or market integrity.

(d) Rejection Procedure

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BHB shall, prior to making a final decision to reject an application:

1. Notify the applicant in writing of the reasons for the proposed rejection.
2. Allow the applicant a reasonable opportunity to address the issues raised by providing additional information or taking corrective actions. This period shall be 10 Days, extendable up to 30 Days at BHB's discretion.
3. Consider any further information or remedial steps provided by the applicant within the allowed timeframe.
4. If the applicant fails to satisfactorily resolve the identified deficiencies, BHB shall issue a written notice of rejection, clearly stating the reasons for the decision.

(e) Appeal

An applicant whose application has been rejected may submit a written appeal to the Board within 14 Days of receiving the rejection notice. The Board shall review the appeal and issue a binding and conclusive final decision.

3.2.5 Discretionary Exemptions

1. BHB reserves the right to grant exemptions to any Member or applicant from specific requirements stipulated in these Rules, subject to CBB approval where necessary.
2. BHB may impose conditions or restrictions on any exemption granted, which shall be communicated to the Member or applicant in writing.

3.3 MEMBERS' RIGHTS

3.3.1 Market Access and Participation

1. Members are granted the right to access and participate in the markets established, operated, or approved by BHB. This includes executing trades, placing orders, and engaging in other permissible activities within the scope of their membership category, as defined by BHB.
2. Members shall have access to BHB's Trading System, platforms, and related technological infrastructure, subject to compliance with operational and technical requirements set by BHB.
3. Members may participate in market programs, incentives, or initiatives introduced by BHB, such as Liquidity Enhancement programs or other trading arrangements, subject to the relevant rules and eligibility criteria.

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3.3.2 Transparency and Information

1. Members have the right to expect that BHB will provide clear and transparent information regarding any applicable fees, charges, or costs associated with their membership or trading activities.
2. Members have the right to expect that sensitive business information shared with BHB is treated confidentially, in line with applicable laws, including the Personal Data Protection Law of the Kingdom of Bahrain.

3.3.3 Fair Treatment and Integrity

1. Members have the right to be treated fairly, without discrimination, in all interactions with BHB, including the allocation of trading opportunities and the application of Market Rules.
2. Members have the right to expect BHB's advocacy for fair and transparent regulatory practices, ensuring that the market operates in alignment with the broader interests of all stakeholders.
3. Members have the right to operate in a market that is governed by rules designed to uphold market integrity.

3.3.4 Communication and Redress

1. Members have the right to maintain open communication with BHB and receive responses to queries, concerns, or requests in a timely and professional manner.
2. Members have the right to appeal decisions made by BHB that directly impact their membership status, trading activities, or sanctions imposed, in accordance with these Market Rules.

3.4 MEMBERS' OBLIGATIONS

3.4.1 General Compliance

1. A Member must continuously satisfy the eligibility and admission criteria applicable to its membership category throughout the duration of its membership.
2. A Member must comply with all applicable laws, rules, regulations, and directives issued by the CBB and BHB as a condition of continued registration.
3. A Member must ensure the accuracy, completeness, and timeliness of all information and documents submitted to BHB and CBB, whether at the time of admission or during ongoing membership.

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3.4.2 Governance and Fitness

1. A Member must ensure that its directors, officers, employees, agents, and Member Representatives remain fit and proper, and that they perform their responsibilities in accordance with applicable regulations, internal controls, and policies.
2. A Member must ensure that its governance, operations, and risk controls meet standards equivalent to those required by BHB and CBB.

3.4.3 Appointment of Compliance Officer

1. A Member must appoint a Compliance Officer who is responsible for overseeing and ensuring the Member's compliance with all applicable laws, regulations, directives, and Market Rules.
2. The Compliance Officer must be suitably qualified, competent, and knowledgeable regarding the CBB Law and Rulebook, as well as the Market Rules and directives of BHB.
3. The Compliance Officer must have sufficient authority and access to the Member's senior management to discharge their responsibilities effectively and without conflict of interest.

3.4.4 Risk Management and Control

1. A Member must comply with the conduct of business and operational requirements set out in Sections 4 and 5 of these Market Rules, including the implementation of adequate systems, internal controls, and risk management procedures.
2. A Member must establish and maintain an effective AML/CFT compliance framework and must maintain systems and controls that are adequate to address the risks of money laundering and financial crime, in accordance with the CBB Rulebook, Volume 6 (Anti-Money Laundering and Combating of Financial Crime Module, the "AML Module").

3.4.5 Financial Requirements

1. A Member must meet the minimum capital requirements set for its category within six (6) months from the date of admission and maintain such capital on an ongoing basis.
2. A Member must promptly notify BHB and CBB of any actual or anticipated inability to meet minimum capital requirements.
3. A Member must pay all applicable fees, commissions, and charges as prescribed by BHB in a timely manner. BHB reserves the right to amend, waive, or adjust such fees and will notify Members accordingly.

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3.4.6 Capital Adequacy Ratio

1. Each Member shall maintain a regulatory net worth of not less than 110% of its paid-up capital at all times ('Capital Adequacy Requirement'). For the purpose of these Rules, regulatory net worth shall be calculated in accordance with Appendix A.3."
2. Where a Member's net worth falls short of the Capital Adequacy Requirement by between 15% and 20%, BHB may allow the Member a rectification period until the release of its next financial results.
3. Where a Member's net worth falls short of the Capital Adequacy Requirement by more than 20%, BHB may impose restrictions on the Member's market activities or take other regulatory actions as it deems necessary.
4. A Member must immediately notify BHB if its net worth falls below the thresholds.
5. BHB may, under exceptional circumstances and at its sole discretion, waive or vary the Capital Adequacy Requirement, provided that such action does not compromise market integrity or investor protection.

3.4.7 Large Exposures and Risk Concentration

1. A Member must establish and maintain adequate risk management tools, systems, procedures, and controls to monitor, measure, manage, and mitigate concentration risks and exposures arising from its trading activities, client positions, and dealings with individual clients and Securities on an ongoing basis.
2. BHB may, at its discretion, require a Member to demonstrate the adequacy and effectiveness of its exposure monitoring tools, systems, and procedures, and to provide evidence of compliance with the requirements under this Rule.

3.4.8 Guarantee Funds

1. A Member must meet the minimum guarantee fund amount as stipulated by BHC rules during its membership.
2. A Member must maintain its contribution to the guarantee fund on a continuous basis and promptly replenish any shortfall resulting from the use of such funds, as directed by BHC.

3.4.9 Supervision and Cooperation

In accordance with BHB's supervisory powers set out under Section 2.2.2:

1. A Member must cooperate fully with BHB and CBB in any supervision, inspection, or regulatory inquiry relating to its continued eligibility as a Member.
2. A Member must provide BHB and CBB, upon request and within the timeframe specified, with access to its books, records, systems, premises, and personnel for the purpose of supervision, monitoring, or inspection.

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3. A Member must respond in a timely, accurate, and complete manner to all information requests, directives, or remedial measures imposed by BHB or CBB.

3.4.10 Audit and Reporting

The audit and reporting obligations set out in this Section are based on relevant provisions of the MIR Module.

(a) Appointment of Auditors

1. Every Member shall appoint one or more qualified and experienced external auditors for its accounts for every financial year.
2. A Member must obtain prior written approval from the CBB before appointing or reappointing an external auditor.

(b) Submission of Financial Statements

3. A Member shall furnish to BHB and the CBB the following within 3 months after the end of its financial year:

    - The audited annual financial statements together with the external auditor's report
    - The annual report
    - The directors' report

4. A Member shall furnish BHB and the CBB within 45 calendar days after the end of each of the first three quarters:

    - The quarterly financial statements (Income statement, balance sheet, cash flow statement, and statement of changes in shareholders' equity)

(c) Auditor's Review of Internal Controls and Compliance

5. The external auditor's report submitted under Rule 3.4.10(b)(3) must include the auditor's findings and recommendations on the adequacy of the Member's internal controls and risk management systems.

6. The auditor's report must also include comments on the Member's compliance with:

    a. The applicable minimum capital adequacy requirements.
    b. The provisions of these Market Rules and the MIR Module.
    c. Any directions issued by BHB or the CBB.

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d. Any other relevant laws or regulations applicable to the Member's operations.

7. Where the CBB permits, such findings and recommendations may be provided separately by the auditor in the form of a management letter.

(d) Agreed-Upon Procedures Report on Client Asset Segregation

8. A Member must submit to BHB and the CBB, no later than three (3) months following the end of its financial year, an annual "Agreed Upon Procedures" report issued by its external auditor, addressing the Member's compliance with the requirements related to the segregation and handling of clients' assets, in accordance with the MIR Module.

3.4.11 Additional Obligations on External Trading Members (ETMs)

In addition to the general obligations set out in Section 3.4 of these Market Rules, External Trading Members must:

1. Comply with all provisions of these Market Rules, including any specific requirements applicable to locally incorporated Members of BHB, unless otherwise stated. This includes any directives issued by BHB or obligations imposed by the CBB.
2. Ensure that their governance, operations, and risk controls meet regulatory standards equivalent to those applicable to locally incorporated Members.
3. External Trading Members must not conduct activities that constitute doing business within or from Bahrain, including but not limited to, directly soliciting or engaging with clients in Bahrain, or any other activities as stated in the CBB MIR Module.
4. Notify BHB of any regulatory changes in its home jurisdiction that may affect its operations or obligations relating to its activities in BHB.

3.5 NOTIFICATION OF MATERIAL EVENTS AND INCIDENTS

A Member must immediately notify BHB in writing if the Member or any of its directors, Trading Representatives, officers, employees, or agents:

3.5.1 Breaches, Misconduct, and Regulatory Actions

1. Commit any violation of laws, rules, or regulations issued by the CBB, BHB, or any other exchange or regulatory authority, including, for External Trading Members, any breach of the laws, rules, or regulations of their home regulator or home exchange, where such breach may impact the Member's operations, conduct, or compliance with these Rules.

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2. Become the subject of any material written Complaint, investigation, or disciplinary action by any regulator, exchange, or capital markets authority, including, for External Trading Members, their home regulator or home exchange, to the extent that such matter relates to the Member's capital markets activities or may impact its obligations or continued eligibility under these Rules.
3. Engaging in fraud, dishonesty, market abuse, or any other conduct detrimental to market integrity, financial integrity, reputation, or the interests of BHB, its markets, or participants.
4. Breach any anti-money laundering or combating the financing of terrorism (AML/CFT) requirements under the CBB Law, relevant AML legislation, the CBB Rulebook, or the laws and regulations of any jurisdiction in which the Member operates.
5. Violate the duties and responsibilities of Trading Representatives, or any other registered role under the applicable regulatory framework.

3.5.2 Financial Insolvency

Fail to meet financial obligations, or become insolvent, bankrupt, or subject to liquidation or winding-up proceedings.

3.5.3 Governance and Management Changes

Any changes to the board of directors, CEO, or any individual registered with the CBB or BHB as a Member Representative under Section 3.6 must be reported to BHB within seven (7) Days.

3.5.4 Business and Structural Changes

1. Any change in the nature or scope of business that may give rise to a conflict of interest.
2. Any material change in the Member's business model, scope of activities, or corporate structure.
3. Any amendments to the memorandum and articles of association must be notified to BHB at least 7 Days before such changes take effect.
4. Any changes to the Member's business name or contact details must be notified to BHB at least 7 Days before such changes take effect.

3.5.5 Licensing, Ownership, and Control

1. Any material changes to the Member's licensing status, ownership structure, or circumstances affecting its regulatory standing or fitness for membership.
2. Any transaction resulting in the legal or beneficial ownership of 5% or more of the Member's issued share capital.
3. Any transaction or event that may result in a change in control of the Member.

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3.5.6 Operational Incidents

Any material operational disruptions or incidents that may affect trading services, including system failures, cybersecurity incidents, connectivity issues, or disruptions to order entry, execution, or reporting.

3.6 MEMBER REPRESENTATIVES (FIT AND PROPER)

3.6.1 CBB-Registered Member Representatives

Members must ensure that individuals holding positions subject to approval under the CBB Fit and Proper Module obtain the CBB's prior approval, where applicable, and continuously satisfy the fit and proper criteria prescribed by the CBB.
The identification of such positions shall be determined in accordance with the CBB requirements applicable to the Member's license category.

3.6.2 BHB-Registered Roles and Notified Persons

1. This rule enables BHB to maintain an accurate record of the individuals who act for, or on behalf of, a Member in its dealings with BHB and BHC, and who participate in market activities on BHB. Registration or notification under this rule is for identification, authorisation, coordination and market-surveillance purposes only. It does not constitute, and shall not be construed as, approval, certification of fitness and propriety, or prudential supervision of any individual.

2. A Member must register each individual appointed to perform any of the following market-facing roles with BHB, using the prescribed form, before the individual performs the role:

    a. a Trading Representative;
    b. a Market Making Representative;
    c. a Liquidity Providing Representative;
    d. a Market and Research Analyst.

3. A Member must register each individual who acts as an authorised representative or contact with BHB, using the prescribed form, and keep such registration current, including:

    a. an authorised signatory empowered to execute agreements, declarations and instructions on behalf of the Member in its dealings with BHB and BHC;
    b. the Member's operations and systems contact, responsible for its day-to-day operational and systems interface with BHB and BHC, including incident response and business continuity;
    c. the Member's settlement and clearing contact for BHC; and
    d. the Member's Compliance Officer and Money Laundering Reporting Officer.

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4. The board of directors and Chief Executive Officer of a Member are notified to BHB in accordance with Rule 3.5.3, for BHB's records only; such notification does not require BHB approval or assessment.
5. In the case of an External Trading Member, paragraphs (2) and (3)(a) apply. Paragraphs (3)(b) to (3)(d) and (4) apply only to the extent BHB considers necessary.
6. A Member must maintain an up-to-date register of the individuals registered or notified under this Rule and must inform BHB in writing, promptly, of any change.
7. BHB may designate further market-facing roles for registration under paragraph (2) where necessary for the integrity or orderly functioning of the market.
8. Members shall ensure that individuals registered under paragraph (2) are suitably qualified and competent to perform their respective roles, meeting any competency criteria BHB may prescribe, and comply with the Market Rules in the conduct of those activities.

3.6.3 Fit and Proper Standards

Members must ensure that all Member Representatives:

(a) Are and remain fit and proper;
(b) Demonstrate integrity, competence and relevant experience;
(c) Perform their duties with honesty, diligence, and professional skill.

3.6.4 Refusal of Register

BHB may refuse to register, or impose conditions on the registration of, any individual in respect of roles subject to BHB registration and not subject to approval by the CBB, where such roles involve access to or participation in market activities, including trading or other operational functions, and where:

1. The registration information submitted is incomplete, false, or misleading;
2. The individual does not meet the qualification or competency requirements prescribed by BHB;
3. The registration may adversely affect the integrity, transparency, or orderly functioning of the market;
4. The individual has been subject to disciplinary action, investigation, or findings involving fraud, dishonesty, or misconduct in any jurisdiction.

3.6.5 Notification of Change

Members must notify BHB promptly of any changes affecting the appointment, role, or fitness and propriety of a Member Representative.

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3.7 SUPERVISION, ENFORCEMENT AND LEGAL JURISDICTION OF EXTERNAL TRADING MEMBERS

1. BHB shall supervise and regulate the activities of External Trading Members, including conducting inspections, investigations, and enforcement actions as necessary. External Trading Members must cooperate fully with BHB, including by providing information and participating in supervision through written correspondence or virtual meetings.
2. Subject to prior approval from the CBB and BHB, External Trading Members may be permitted to undertake additional trading activities as specified under these Rules and the CBB Rulebook.
3. External Trading Members are subject to investigations, disciplinary proceedings, and disciplinary measures in accordance with Section 8 of these Rules. The BHB Disciplinary Board shall adjudicate cases involving alleged breaches, misconduct, or circumvention of rules and regulations by External Trading Members.
4. If the license of an External Trading Member is revoked by its home regulator or any other relevant regulatory authority, BHB shall terminate the membership.

3.8 DISCIPLINARY AND REGULATORY ACTIONS

3.8.1 Grounds for Regulatory Action

BHB reserves the right to impose limitations on Member's trading rights, suspend or revoke the membership of any Member if, in the opinion of BHB, such Member has:

1. Breach of Laws and Rules

   Committed material or repeated breach of these Market Rules, BHB directives, the CBB rulebook, or any other applicable laws and regulations.

2. Conduct Harmful to the Market

   Engaged in activities, practices, or conduct that are fraudulent, dishonest, abusive, or otherwise detrimental to the integrity, fairness, transparency, stability, or reputation of BHB markets.

3. Financial Unsoundness

   Failed to maintain the required Capital Adequacy Requirements or has become insolvent, bankrupt, or subject to liquidation or winding-up proceedings.

4. Failure of Cooperation

   Failed to provide timely, accurate, or complete information, notifications, or reports or obstructed or failed to cooperate with BHB, CBB, or any other competent authority during supervision, inspection, or investigation.

5. Loss of Eligibility

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Ceased to satisfy the eligibility or admission criteria applicable to its category of membership, including as a result of a merger, acquisition, restructuring, or change in control.

6. Regulatory Directive

   Where limitation of trading rights, suspension or revocation is required pursuant to a directive, order, or instruction issued by the CBB or any other competent regulatory authority.

3.8.2 Limitation of Trading Rights

BHB may limit the trading right of a Member where any of the grounds set out under Section 3.8.1 Grounds for Regulatory Actions apply.

1. BHB reserves the right to impose limitations or restrictions on a Member's trading rights, temporarily or permanently, in cases of non-compliance, market misconduct, or other circumstances deemed necessary to ensure market integrity and stability.
2. Trading rights granted to Members are non-transferable and exclusive to the Member's authorized representatives. Members are prohibited from assigning or delegating these rights to third parties without prior approval from BHB and the CBB.

3.8.3 Suspension of Membership

BHB may suspend the activities of a Member where any of the grounds set out under Section 3.8.1 Grounds for Regulatory Actions apply.

1. Suspension may be imposed for a period determined by BHB, having regard to the seriousness of the matter and the need to protect market integrity.
2. During the suspension, the Member must cease all market and trading activities but remains subject to all other obligations under the Market Rules, CBB Law, and CBB rules and regulations.
3. Suspension does not relieve the Member from liabilities or obligations arising prior to or during the period of suspension.

3.8.4 Revocation of Membership

BHB may revoke the membership of a Member where any of the grounds set out under Section 3.8.1 Grounds for Regulatory Actions apply.

1. In the event of revocation, BHB shall notify the Member in writing of the decision, and shall also notify the market of the effective date of revocation.
2. Revocation shall not affect the liability of the Member or its Trading Representatives for obligations or breaches committed prior to revocation.
3. Following revocation, the Member and its Trading Representatives remain subject to disciplinary action for misconduct occurring during the period of registration.

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3.9 TEMPORARY CESSATION OF MEMBERSHIP

Temporary cessation of membership is a voluntary measure initiated by the Member. A Member may, subject to BHB's prior written approval, temporarily cease conducting its business while retaining its membership status, under the following conditions:

1. The Member must submit a written request to BHB specifying the reason(s) for the proposed cessation and the intended duration. BHB may approve, reject, or determine the duration of the cessation at its sole discretion.
2. During the period of cessation:

   (a) The Member must not hold itself out as an active Member of BHB.
   (b) The Member must not engage in any trading, business, or promotional activity that gives the impression it is actively operating on the market.
   (c) The Member must continue to meet all ongoing obligations under these Rules unless expressly waived by BHB in writing.

3. The Member must recommence business operations immediately upon the expiry of the approved cessation period, unless BHB has granted a written extension or imposed conditions for resumption.
4. If the Member fails to recommence operations within the approved period (or any extended period granted by BHB), BHB may impose restrictions, suspend, or revoke the Member's membership in accordance with these Rules.

3.10 VOLUNTARY DEREGISTERATION OF MEMBERSHIP

Pursuant to CBB's prior approval in relation to cessation of activities or services, a Member may voluntarily withdraw from its membership with BHB, subject to the following:

1. The Member must submit a written notice to BHB at least 30 Days before the proposed resignation date. BHB may waive or adjust this notice period at its discretion.
2. The Member must refrain from entering into new contracts with clients after submitting the resignation notice. During the notice period, the Member may only undertake sell transactions. The Member's trading and clearing accounts shall be suspended after the 30 Days notice period.
3. The Member must ensure an orderly wind down of its business with BHB, providing evidence that it has settled all outstanding obligations.
4. The Member must continue to comply with all Market Rules, directives, and regulatory requirements until the Member is deregistered.

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5. BHB may refuse to accept a Member's voluntary deregistration if an investigation or Complaint is pending against the Member, or if BHB is not satisfied that the Member has met all its obligations to BHB or its clients.
6. If BHB accepts a Member's voluntary deregistration request, it shall notify the Market and all Members of the effective date of deregistration.

3.11 POST-MEMBERSHIP OBLIGATIONS

A former Member shall remain subject to the following obligations:

1. Remains liable to BHB and its clients for any obligations or liabilities incurred during the period of its membership.
2. Remains subject to disciplinary action for any breach of the Market Rules committed during its period of membership.
3. Must not transfer its brokerage license to any other person without obtaining prior approval from the relevant regulatory authorities.
4. Must preserve and make available to BHB and the CBB, upon request, all records and documentation relating to its market activities for a minimum of 10 years from point of records being made.

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4 CONDUCT OF BUSINESS AND OPERATIONAL REQUIRMENTS

This Section sets out the obligations and standards governing the operational practices and conduct of Members in their dealings on the Exchange. It establishes the minimum rules and procedures to ensure fairness, transparency, integrity, and sound risk management in all business activities carried out by Members.

4.1 CLIENT ONBOARDING

4.1.1 General Requirements

1. A Member must enter into a written client agreement with each client as part of the account opening process and prior to providing any services. Such agreement must, at a minimum, contain the provisions set out in Appendix A.2
2. A Member must ensure that client onboarding, including account opening, identity verification, and internal approvals, is conducted in accordance with all applicable laws and regulatory requirements issued by the CBB, BHB and BHC. Onboarding must be completed prior to executing any order on behalf of the client and must be fully documented and approved.
3. A Member must conduct Know Your Customer (KYC), Customer Due Diligence (CDD), and risk assessment procedures in full compliance with applicable AML and CFT laws, including the Kingdom of Bahrain AML Law, the relevant AML & CFT module of the CBB Rulebook applicable to the Members, and the Financial Action Task Force (FATF) recommendations, as applicable.
4. A Member must determine whether the client or any beneficial owner is a Politically Exposed Person (PEP) and, where applicable, apply enhanced due diligence measures in accordance with the AML-1.5 of Volume 6 of the CBB Rulebook.

4.1.2 Account Opening and Authorizations

1. A Member must obtain and retain written authorization, or where applicable evidence of legal guardianship or other legal authority, for any third party empowered to trade on behalf of a client. Such authorization must be established as part of the account opening documentation and approved before any order is accepted.
2. A Member must assess the client's financial knowledge, investment experience, and risk tolerance as part of the account opening process to ensure that the products and services offered are suitable for the client.
3. A Member must provide the client with a risk disclosure statement at the time of account opening and obtain the client's signed acknowledgment confirming that they understand the general risks associated with investing and trading in Securities.

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4. A Member must open a trading account for a prospective client within 2 Days of receiving all required information and documentation.
5. If a Member declines to open an account, the Member must provide the prospective client with a written notice, including a clear rationale for the rejection, no later than the next Day.

4.1.3 Client Rights and Non-Discrimination

1. The client may appeal the rejection within 30 Days by submitting a completed client Complaint form to the BHB.
2. Rejection for the following reasons is explicitly prohibited and may subject the Member to penalties:

    (a) Discrimination based on age, gender, religion, nationality, disability, or any protected characteristic.
    (b) Personal disputes or arbitrary considerations, unrelated to regulatory, legal, or risk management requirements.
    (c) Lack of alignment with the Member's personal or unofficial business interests.
    (d) Any other reasons deemed unjustifiable by BHB.

4.1.4 Reporting and Regulatory Oversight

1. A Member must notify BHB if more than five (5) account rejections occur in a calendar month, along with reasons and supporting documentation.
2. Members found to have unjustifiably rejected client accounts may be subject to disciplinary action under Section 8 of these Market Rules.

4.1.5 Recordkeeping and Oversight

A Member must maintain records of all account opening requests for at least 10 years, including approvals and rejections, and make them available to the BHB and CBB upon request.

4.2 ONGOING CLIENT DUE DILIGENCE

1. A Member must conduct periodic reviews of client profiles, risk ratings, and underlying information to ensure accuracy and completeness. Such reviews must include, where appropriate, updates on the client's source of funds and source of wealth, with particular emphasis on high-risk clients.
2. A Member must apply enhanced due diligence to high-risk clients, including those from high-risk jurisdictions and those engaged in activities or transactions patterns that present elevated AML and CFT risks.
3. A Member must comply with all ongoing AML/CFT monitoring requirements in accordance with the applicable laws of the Kingdom of Bahrain, the relevant CBB

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Rulebook module, the Financial Action Task Force (FATF) recommendations, and these Market Rules.

4.3 SEGREGATION OF CLIENT FUNDS AND ASSETS

1. A Member must comply at all times with the requirements relating to the segregation, protection, custody, handling, reconciliation, reporting, and record-keeping of client funds and assets as prescribed under the CBB Rulebook, MIR-4.7 (Segregation and Handling of Clients' Assets), as amended from time to time.
2. A Member must maintain adequate systems, controls, and procedures to safeguard client funds and assets and ensure they are accurately recorded and kept separate from the Member's own funds and assets at all times.
3. A Member must not use, transfer, pledge, or otherwise deal with client funds or assets except in accordance with the client's instructions, applicable agreements, and relevant legal and regulatory requirements.
4. BHB may require a Member to provide information, records, reports, or other evidence demonstrating compliance with this Section and the applicable provisions of the CBB Rulebook.
5. A Member must promptly notify BHB and the CBB of any actual or suspected breach relating to the segregation or safeguarding of client funds or assets.

4.4 CLIENT PROTECTIONS AND PROHIBITED PRACTICES

1. A Member must not enter into any arrangement with a third party to transfer or share profits or losses with a client. This includes any hidden deals that could affect how a client's account performs.
2. A Member must not, under any circumstances, lead a client to believe whether through written communication or verbal assurance that the client will not incur losses as a result of opening an account or engaging in trading activities on BHB.
3. A Member must not induce, solicit, or procure clients through practices that could damage the integrity or reputation of the brokerage profession. This includes, but is not limited to, making exaggerated performance claims, guaranteeing profits, or employing misleading or aggressive sales tactics.
4. A Member or Trading Representative must not encourage, solicit, or execute transactions in a client's account primarily for the purpose of generating commissions or fees.
5. A Member must not offer, receive, or facilitate any form of undisclosed incentive, rebate, commission or benefit in connection with client transactions. All material benefits that may influence the Member's recommendation or conduct must be

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disclosed to the client in a clear and timely manner prior to the execution of the transaction.

6. A Member must not exercise discretionary authority over a client's trading account unless the client has provided prior written authorization explicitly stating the scope of such discretion. The Member must also ensure that adequate documentation and ongoing supervision are in place to govern such authority in accordance with BHB and CBB regulations.

7. All marketing materials, advertisements, or client communications disseminated by a Member must be fair, balanced, and not misleading. The content must not contain exaggerated claims or create unjustified expectations of trading success.

4.5 TRADE CONFIRMATION NOTE

1. A Member must notify its client promptly of trade execution and issue a formal trade confirmation on the same Day using a secure and reliable communication method that ensures confidentiality and accurate delivery.

2. The trade confirmation note must include at a minimum the following information:

    (a) Client details (Client name and account number)
    (b) Security Name
    (c) Trade Type (Buy/Sell)
    (d) Number of shares bought or sold
    (e) Price
    (f) Total value traded
    (g) Trade execution date and time
    (h) Trade reference
    (i) Brokerage charges
    (j) All BHC clearing and settlement fees
    (k) VAT, where applicable
    (l) Any other charges
    (m) Whether the Member has acted as principal in the transaction.

3. A Member may only amend a trade confirmation note if there's a clear error or a valid operational reason. Any amendment must be approved by a senior staff member who was not involved in the original trade, and the Member must keep a clear record of the change for audit and regulatory review.

4. A Member must retain auditable records of all trade confirmations for a minimum of ten (10) years. Upon request by BHB, the Member must be able to provide a copy of the original confirmation note, in the same format as was originally shared with the client.

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4.6 ACCOUNT ACTIVITY REPORTING

1. A Member must provide each client with a periodic statement of account that includes all trading activity, Securities holdings, fees and charges, cash movements and balances.
2. A statement of account must be issued at least monthly. If the client account has no activity during that period, statement may be issued quarterly, unless a more frequent interval is contractually agreed.
3. A Member must promptly issue an up-to-date statement of account upon receiving a client request, regardless of the regular statement schedule.
4. Members must notify clients in advance of any changes to the format, delivery method, or frequency of account statements.
5. Where technically feasible, Members are encouraged to offer interactive electronic statements via secure client portals or apps, allowing clients to filter and download their trading data in real-time.
6. A Member must retain copies of all statements of account issued to clients for a minimum period of 10 years and make them readily available for regulatory review upon request.

4.7 CONFIDENTIALITY OF CLIENT'S INFORMATION

1. A Member must treat all client information as confidential and must implement and maintain policies, procedures, and systems to protect the confidentiality of such information at all times, in accordance with the Kingdom of Bahrain Personal Data Protection Law (PDPL).
2. A Member must implement appropriate technical measures, such as encryption, access controls, audit trails, and secure communication to protect client information from unauthorized access, changes, or loss.
3. A Member must not use or share client information for marketing, business development, or data analytics purposes unless the client has provided specific, informed, and documented consent.
4. A Member may only disclose client information where one or more of the following applies:
    (a) The client has provided prior written consent for the disclosure.
    (b) The disclosure is required under the laws, regulations, or rules of the CBB and BHB.
    (c) The disclosure is required by a court order, regulatory authority, or under legal obligation.
    (d) Any other circumstances permitted under the MIR Module.

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5. A Member must ensure that any third party or service provider receiving client information, including technology vendors and outsourcing partners, is contractually bound by confidentiality obligations equivalent to those of the Member on ongoing basis.
6. A Member must limit access to client information strictly to personnel who require it to perform their official duties and must maintain segregation of duties and appropriate internal controls to prevent unauthorized access or misuse.
7. A Member must have procedures in place to detect, investigate, and respond to any suspected or actual breaches of client data confidentiality. Any material breach must be reported to BHB without delay.
8. A Member must retain client information only for as long as necessary to fulfill its legal, regulatory, and business obligations. Upon expiry of the retention period, the Member must ensure secure disposal or anonymization of such information.

4.8 SEPARATION OF CONFLICTING BUSINESS ACTIVITIES

1. A Member must ensure that its brokerage, proprietary trading, Market Making, Liquidity Enhancement, and any fund management or advisory activities are properly segregated to prevent conflicts of interest.
2. A Member must establish policies and procedures, including information barriers to ensure that persons involved in proprietary trading, Liquidity Enhancement, Market Making, or fund management do not have access to confidential client order information.
3. A Member must maintain clear organizational structures and reporting lines that support the separation of these activities and prevent any preferential treatment of proprietary or affiliated accounts over client accounts.
4. The Member must monitor adherence to these arrangements and retain auditable records demonstrating the segregation of these activities.
5. Any material breach or failure in these segregation controls must immediately reported to BHB.

4.9 PERSONAL ACCOUNT DEALING

4.9.1 Trading Restrictions

1. For the purpose of these Rules, “Relevant Persons” are employees, senior management, and directors of a Member who, by virtue of their role, have access to client order flow, Trading System, or other confidential, non-public, or price-sensitive information that could reasonably be misused for personal gain.
2. Relevant Persons must conduct all personal trading in Securities listed on BHB exclusively through their employer (the Member).

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3. For the purpose of these Rules, "Immediate Family" refers to spouses, parents, children, siblings, household dependents, as well as any close associates whose relationship with a Relevant Person could reasonably give rise to a conflict of interest or the perception of improper trading advantage.
4. Immediate Family of Relevant Persons must conduct all personal trading in Securities listed on BHB through the Member employing the Relevant Person.
5. Relevant Persons are strictly prohibited from using friends, close associates, or any third party with the intent of circumventing these obligations or improperly benefiting from access to confidential, non-public, or price-sensitive information.

4.9.2 Monitoring and Oversight

1. All transactions conducted by Relevant Persons and their Immediate Family must be reported and actively monitored by the Member's Compliance Officer. Such records must be maintained in an auditable form and made available to BHB or the CBB upon request.
2. Where it is impractical for a Relevant Person or their Immediate Family to conduct trading through the Member, such trades may be executed through another Member, provided that the accounts are fully disclosed, subject to monitoring by the Compliance Officer of the employing Member, and the circumstances of the impracticality are documented and made available to BHB upon request.
3. No Member may open or maintain a trading account, or execute trades, for a Relevant Person or Immediate Family of a Relevant Person employed by another Member, unless prior written approval has been obtained from the employing Member.

4.9.3 Personal Trading Policy

A Member must establish and maintain a written personal trading policy covering employees, senior management, directors, and Relevant Persons. Such policy must:

(a) Set out approval, disclosure, and reporting requirements for personal trades.
(b) Define the scope of individuals subject to these obligations.
(c) Define restrictions on trading activities that may give rise to conflicts of interest or misuse of confidential information
(d) Be made available to BHB upon request.

4.10 INTERNAL COMPLIANCE REVIEW

1. A Member must conduct an annual review to verify compliance with applicable regulatory requirements issued by the CBB, the rules and directives of BHB, and its own internal policies and procedures.

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2. The review must be carried out by the Member's designated Compliance Officer. The results must be documented and made readily available to BHB or the CBB upon request.
3. The Member must take appropriate remedial actions to address any deficiencies identified during the review.

4.11 PROPRIETARY ACCOUNT AND KEY PERSON REGISTERS

1. A Member must maintain a register of Securities held in its proprietary trading account. Such a register must be made available to BHB upon request.
2. A Member must maintain an up-to-date register of individuals registered under Section 3.6 and must inform BHB in writing of any changes to that register.

4.12 ETHICAL STANDARDS AND BUSINESS CONDUCT

1. Members must adhere to the principles of good business practice in all aspects of their operations.
2. Members must refrain from engaging in any practices or activities that could harm market integrity and public confidence.
3. Members must ensure that all communications with clients and stakeholders are clear, transparent, and not misleading, and uphold the highest standards of integrity.
4. Members must ensure that all employees and representatives are adequately trained on ethical business standards and regulatory compliance.
5. Members are encouraged to implement a whistleblowing policy that facilitates the safe reporting of unethical or illegal activities, providing protection for individuals who report misconduct.

4.13 SYSTEMS, INFRASTRUCTURE, AND RISK CONTROL

1. A Member must establish, implement, and maintain comprehensive policies, procedures, and systems that govern all activities conducted within BHB.
2. A Member must implement effective compliance and risk management systems that proactively identify, assess, and mitigate operational, legal, and reputational risks.
3. A Member must implement appropriate controls and procedures to monitor its trading activity and detect any unusual patterns or transactions that may indicate irregular conduct, market abuse, or manipulation.
4. A Member must establish and maintain a robust cyber-security framework that protects the Trading System, client data, and market-sensitive information from cyber threats, data breaches, and unauthorized access.

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5. A Member must ensure that its technology infrastructure, including trading and order management systems, meets the operational resilience standards prescribed by BHB, including measures for redundancy, business continuity, and disaster recovery.

4.14 BUSINESS CONTINUITY PLAN

1. A Member must establish and maintain a written Business Continuity Plan (BCP) that sets out procedures to be followed in the event of an emergency or significant disruption to its business operations.
2. The BCP must be designed to ensure the Member can continue to meet its obligations to clients and counterparties during such disruptions, and resume operations in a fair, orderly, and transparent manner.
3. A Member must immediately notify the BHB of any activation of its BCP, along with a summary of the disruption and the recovery measures taken or planned.
4. A Member must notify BHB and the CBB of any material changes to its BCP within 14 Days, unless otherwise agreed with the CBB.
5. The BCP must be reviewed at least annually by the Member, and whenever there is a material change to its operations, structure, systems, or premises. Updates must be made accordingly.
6. The BCP must be made available promptly upon request by the BHB or the CBB.

4.15 RECORDKEEPING AND DOCUMENTATION

1. A Member must maintain accurate, complete, and auditable records relating to all aspects of its regulated activities, including but not limited to onboarding, client due diligence, order handling, trade execution, confirmations, account statements, and internal controls.
2. A Member must ensure that a daily record of all client orders is maintained. Such records must accurately reflect the identity of the Trading Representative, account identification of the client, the specific order, and the date and time the order was received, transmitted, amended, executed, or cancelled.
3. Records must be retained for a minimum of ten (10) years or longer where required by the applicable CBB Law or BHB rules and regulations.
4. A Member must ensure that all records are stored securely and are readily retrievable in their original format or a format acceptable to the BHB and the CBB upon request.
5. Records may be stored in electronic form, provided that access, integrity, and authenticity can be demonstrated and are compliant with applicable regulatory requirements.

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5 TRADING PRACTICES AND MARKET INTEGRITY

5.1 ACTING AS PRINCIPAL

1. A Member authorized to conduct proprietary trading must disclose its dealer capacity in the client agreement or account opening documentations in a clear and prominent manner, indicating that the Member may be the counterparty to a client's trade.
2. A Member must not give preference to proprietary trades over client orders. If the Member executes the counterparty leg of a client order as principal, the transaction must be carried out at a fair and transparent market price, and in a manner that does not disadvantage the client.
3. A Member must maintain internal procedures to identify, monitor, and manage conflicts of interest arising from principal trading, including maintaining appropriate information barriers (e.g., Chinese walls) between client and proprietary trading desks.

5.2 ACTING AS AGENT

1. A Member owes a fiduciary duty to its clients and must carry out the client's instructions in line with the CBB's and BHB's rules and regulations.
2. A Member must act with due skill, care, diligence, honesty, and in the best interests of the client at all times.
3. A Member must take all reasonable steps to avoid conflicts of interest when acting as agent. Where a conflict arises, it must be disclosed to the client in a timely and clear manner.
4. A Member must implement effective internal controls and information barriers to ensure that Trading Representatives or proprietary desks do not misuse client order flow information. This includes maintaining proper segregation between client order handling functions and proprietary trading functions.
5. A Member must disclose to the client any material risks or circumstances that could reasonably be expected to influence the client's investment decision, including risks arising from the nature of the transaction and the market conditions.
6. A Member must disclose to clients all applicable charges, fees, commissions, and other benefits receivable, directly or indirectly, in connection with the transaction, prior to execution or as soon as reasonably practicable thereafter.
7. A Member must not disclose any client order or related information to a third party unless:

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(a) The client has given prior written consent.
(b) The disclosure is necessary for the effective execution of the client's order.
(c) The disclosure is required by law or regulation; or
(d) The disclosure is for the purpose of risk management or outsourced operational functions, subject to confidentiality safeguards.

5.3 ORDER HANDLING AND EXECUTION

1. A Member and its Trading Representatives must ensure that all client orders entered into the Trading System are accurate and complete.
2. A Member must not alter, modify, or delay client orders without the client's explicit instruction or prior consent, unless such action is necessary to comply with legal or regulatory requirements.
3. A Member must implement effective systems and internal controls to prevent the unauthorized modification, cancellation, or misrepresentation of any order information.
4. Where any material inaccuracy, unauthorized amendment, or error in execution is detected, the Member must take prompt corrective action, notify the affected client, and report the matter to BHB.
5. A Member and its Trading Representatives must not use knowledge of a client's pending order to place or arrange a trade for their own account, or for any account in which they or a related party have a beneficial interest, in advance of the client's order ("Front Running").
6. If a client and the Member submit simultaneous or overlapping orders, the client's order must be given execution priority unless market conditions or regulatory obligations justify otherwise.
7. A Member may execute proprietary trade in parallel with a client order only if the Member can demonstrate through audit logs or system controls that the proprietary trade was initiated without any access to or knowledge of the pending client order.
8. A Member must ensure that client instructions and orders are handled equitably, and in the sequence in which they are received.
9. A Member must implement systems and controls in place to:
    (a) Accurately receive, record, timestamp, and route client orders.
    (b) Monitor execution quality and alignment with client instructions.
    (c) Retain all order-related records in an auditable form for a minimum of ten (10) years.
10. A Member must not delay, withhold, or fail to immediately enter client orders into the Trading System for any reason, including the intention to internally match the order with another client order. Members are strictly prohibited from retaining client orders

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for the purpose of manually sourcing a counterparty before submitting the orders to the market.

11. A Member must not influence, encourage, or induce a client to delay the entry of an order into the Trading System for the purpose of circumventing the prompt and transparent entry of orders into the market.

5.4 ERROR TRADE

1. A Member must exercise due diligence and accuracy when entering client orders into the Trading System to avoid execution errors.
2. Error trades caused by Member negligence, system misconfiguration, or operator lapses must immediately identified, recorded, and reported to BHB.
3. Members are required to immediately notify affected clients of any error trade that impacts their account and explain the nature of the error.
4. Any post-trade amendment to investor account is strictly prohibited unless it has prior approval from BHB. Any post-settlement correction must also receive prior approval from the CBB in accordance with the MAM Module "Prohibition of Market Abuse and Manipulation" of the CBB rulebook Volume 6.
5. Members shall bear full financial responsibility for rectifying error trades arising from their actions, including any associated market losses, administrative fees.
6. BHB reserves the right to take corrective action, including cancellation or reversal of such trades, where such action is necessary to uphold orderly market conduct and investor protection.
7. The occurrence of multiple error trades on behalf of clients by a Member may warrant supervisory escalation by the BHB and may lead to regulatory investigations or enforcement actions.
8. A Member must maintain policies, training, and systems designed to prevent error trades and ensure accountability of responsible personnel.

5.5 USER CREDENTIALS AND RESPONSIBILITY

1. Each Trading Representative must be assigned a unique identification number to access the Trading System. Trading Representatives are responsible for maintaining the confidentiality of their credentials and must not share or delegate their access under any circumstances.
2. Trading Representatives shall be held individually accountable for all actions taken under their assigned user ID. They must be fully aware of their personal liability for any misuse or unauthorized activity carried out through their access credentials.
3. Members are responsible for ensuring that access to the Trading System is granted only to authorized individuals.

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4. Upon admission, a Member must submit a complete and up-to-date list of authorized Trading Representatives, including their identification numbers and names. Any amendments to this list must be promptly reported to BHB.

5.6 MARKET MANIPULATION AND ABUSE

5.6.1 General Prohibitions

1. A Member or Trading Representative must not engage, directly or indirectly, whether by act or omission and whether alone or in collaboration with others, in any conduct that creates, or is reasonably likely to create:
    a. A false or misleading impression of the supply, demand, price, or trading activity in any listed Securities; or
    b. A distorted, unfair, or artificial market conditions, including prices, volume or volatility that do not reflect genuine supply and demand.
    c. Any form of manipulative transaction or order**,** misleading behaviors**,** improper disclosure of beneficial ownership, or distortion of market signals**.**

2. For the purpose of Rule 5.6.1(1), the following activities shall be deemed to constitute market manipulation and abuse, whether carried out intentionally or recklessly:

    a. Disseminating, or causing to be disseminated, information that is false, exaggerated, misleading, or incomplete, where such information is reasonably likely to influence market behavior or investor decisions.
    b. Participating in or facilitating coordinated trading practices, such as collusive or prearranged transactions, intended to manipulate market price or volume.
    c. Placing fictitious, deceptive, or misleading orders with no genuine intention of execution, for the purpose of misleading other Market Participants or disrupting the integrity and functioning of the market.
    d. Entering into transactions that do not result in a genuine change in beneficial ownership for the purpose of creating a false or misleading appearance of market activity or liquidity.
    e. Insider trading, or trading based on material non-public information acquired through a position of trust or access, or improperly disclosing such information to others.
    f. Failing to disclose or misrepresent beneficial ownership in Securities where disclosure is required by CBB and BHB laws, regulations and rules.

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5.6.2 Liability of Market Manipulation and Abuse

1. A breach of this section may be established irrespective of whether the Member or Trading Representative intended to engage or did not intend to engage in market manipulation or abuse. Any conduct or omission that results in, or is reasonably likely to result in, a distortion of market integrity, misleading signals to market participants, or a disruption to fair and orderly trading shall constitute a violation, regardless of intent.
2. A Member or Trading Representative may also be in breach of this section where they act improperly, fail to act when required, or demonstrate reckless disregard for market integrity or applicable Market Rules. This includes, but is not limited to:
    a. Failing to implement and maintain adequate systems, policies, or controls to prevent abusive trading behavior or suspicious orders.
    b. Ignoring red flags or suspicious patterns in trading activity that reasonably suggest potential manipulation.
    c. Disregarding internal procedures, risk alerts, or regulatory obligations designed to ensure market integrity.

5.6.3 Duty to Act Upon Suspicious Conduct

A Member or Trading Representative must have in place processes for the purpose of detecting suspicious conduct. Where a Member or Trading Representative encounters any trading instruction, activity, or market behavior that can clearly and directly be identified as conduct that will constitute market manipulation, market abuse, or otherwise undermine the integrity of the market, the Member must:

a. Conduct appropriate review and escalation in accordance with its policies and procedures and, where warranted, decline or otherwise restrict an instruction; and
b. Immediately inform BHB that they became aware of any suspected market manipulation and/or market abuse**,** even where the suspicion is not conclusive.

5.7 RESEARCH AND INVESTMENT RECOMMENDATIONS

5.7.1 General Requirements

1. Subject to alignment with the permitted activities allowed for each category of membership under Section 3.1, a Member intending to establish or commence research activities must notify BHB in writing prior to the initiation of such activities.
2. BHB may request further details regarding the organizational structure, governance arrangements, personnel, and operational scope of the proposed research function.

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3. BHB reserves the right to impose conditions, restrictions, or operational limitations on the Member's research activities if deemed necessary to safeguard market integrity, promote transparency and ensure investor protection.

5.7.2 Separation and Independence

1. A Member must maintain clear and effective separation between its research function and other departments, including dealing, investment banking, sales, and proprietary trading.
2. Research staff must not be supervised or compensated by departments whose interests may conflict with the objectivity of research.
3. Compensation for research analysts must not be linked directly to specific investment banking or trading revenues generated by the Member.
4. A Member must establish information barriers (Chinese walls) to restrict the flow of sensitive or non-public information between research and other departments.
5. The Member's compliance officer must periodically test the effectiveness of the information barriers and document any breaches or exceptions.
6. If due to operational constraints, a research analyst reports to someone who is also involved in other departments (like trading or investment banking), the Member must put strong safeguards in place to make sure the research stays objective and independent.

5.7.3 Conduct and Integrity

1. A Member must establish written policies to identify, monitor, and manage potential conflicts of interest that may influence research content or dissemination.
2. The policy must be reviewed yearly to ensure it remains effective and appropriate given the Member's operations and must be made available to clients upon request.
3. A Member must ensure that research analysts exercise sound professional judgment and base their recommendations on objective, fact based analysis free from external influence.
4. A Member must ensure that analysts must not knowingly issue false or misleading reports, nor may they be influenced by the Member's commercial interests or relationships.
5. Research teams must be protected from retaliation or negative performance assessments based on the impact of their recommendations on revenue or commercial relationships.
6. If a published research report is found to contain a material error, the Member must issue a prompt correction or clarification and notify clients accordingly.

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5.7.4 Equal and Timely Dissemination

A Member must ensure that research reports, investment recommendations, and any material changes thereto are distributed promptly and made available in a fair, consistent, and non-preferential manner to the intended recipients. A Member must not grant selective or preferential access to such information to any client, group of clients, or affiliated parties within the intended recipient group ahead of its general dissemination.

5.7.5 Supervision and Accountability

1. A Member must maintain effective oversight and supervision of its research analysts and their activities through appropriate governance, controls, and supervisory arrangements.
2. A Member shall be held responsible to BHB for the conduct, performance, and regulatory compliance of its research analysts, including any breach or omission committed in the course of their duties.
3. All research reports must be reviewed and approved by a designated supervisory analyst or qualified person before publication, to ensure compliance with BHB rules and applicable laws.
4. A Member must ensure that its research analysts meet relevant competency standards and receive periodic training on regulatory requirements and ethical obligations related to their role.
5. BHB may require the Member to take appropriate measures regarding a research analyst, including restricting their research activities or reassigning them, if the individual:
    (a) Causes or contributes to a breach of BHB and the CBB rules and regulations.
    (b) Engage in conduct detrimental to the financial integrity, reputation, or interests of the market.
    (c) Is found to have committed fraud or dishonesty, either within or outside Bahrain.
    (d) Is the subject of an ongoing investigation related to misconduct, fraud, or dishonesty.

5.7.6 Investment Recommendation

1. A Member must ensure that any investment recommendation is based on a reasonable and substantiated basis, supported by reliable analysis and data.

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2. A Member must maintain independence and objectivity in preparing research reports or investment recommendations and avoid external influences that may compromise the integrity of the analysis.
3. A research report or investment recommendation must accurately reflect the genuine views of the research analyst or team responsible for its preparation and must not be manipulated to serve the interests of other departments or clients.
4. A Member must not pressure or influence the analyst to change their honest view If the research report is reviewed internally without proper documented justification.

5.7.7 Restrictions on Research Analyst

1. A research analyst must not trade in any Security they are actively covering during the period of report preparation, or within 3 Days following its publication, unless significant new publicly available information has materially changed the recommendation or if such trade is approved based on a documented case of financial hardship.
2. A research analyst must not trade, or induce others to trade, based on material non-public information acquired through their role.
3. All personal trading by research analysts must receive prior written approval from senior management independent of both the research and trading functions.
4. The Member must maintain documentation of approvals and justifications for a minimum of ten (10) years.

5.7.8 Disclosure of Interest

A Member must ensure that all research reports and investment recommendations include clear, prominent, and timely disclosures of any interests or circumstances that could reasonably be expected to influence the objectivity of the analysis, which includes:

1. Any direct or indirect interest in the subject Security as of the report's publication, including ownership of Securities, board positions, trustee roles, or client relationships that could reasonably be seen as a conflict of interest.
2. Any compensation (excluding standard salary and bonus) or benefit received by the Member or analyst in connection with the subject of the report.
3. Any economic interest, direct or indirect, held by the analyst or their Immediate Family person that may reasonably influence the analysis or recommendations provided.
4. A Member must ensure that each research report issued or disseminated includes a disclaimer by the research analyst(s) responsible for its content and confirms that such views are their own and are not influenced by any form of compensation or external pressure.

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6 MARKET STRUCTURE AND TRADING RULES

6.1 MARKET SEGMENTS

BHB operates multiple distinct market segments, each established to facilitate the listing and trading of specific categories of Securities. The classification of these markets and their respective characteristics is outlined in the table below:

Market	Description
Regular Market	The main equity board of BHB where equity Securities, including ordinary shares, preference shares, REITs, and other Securities approved by BHB, are admitted to trading.
Bahrain Investment Market (BIM)	A parallel equity market for shares of companies admitted under lighter listing requirements.
Special Order Market (SOM)	A dedicated market for executing transactions in equity Securities that are subject to special conditions or negotiated terms.
Debt Primary Market (DPM)	A market for the initial subscription and primary trading of bonds, sukuk, and other debt instruments.
Debt Securities Market	A market dedicated to the listing and trading of bonds, sukuk, and other debt instruments.
T-Bills Market	A dedicated market for the listing and trading of government treasury bills and other short-term government debt Securities.
Funds Market	A dedicated market where investment funds, including mutual funds, exchange traded funds (ETFs), index tracking funds, foreign exchange funds, and other funds approved by the CBB, are listed and traded.

***Note*:** All rules applicable to the Regular Market shall apply to all other BHB markets, *unless expressly stipulated otherwise within these Rules.*

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6.2 TRADING HOURS

6.2.1 Market Trading Hours

Trading sessions shall be conducted on every business day (Sunday to Thursday) between 09:30 a.m. and 01:00 p.m.

6.2.2 Pre-Opening Phase

In addition to the hours specified in Rule 6.2.1, a pre-opening phase shall be conducted for Securities listed on the Regular Market and the Bahrain Investment Market (BIM). No pre-opening phase shall apply to other markets operated by BHB.

6.2.3 Trading Phases

The trading phases applicable to each market segment are summarized in the table below:

Market	Timings and phases
Regular Market	9:15 am – 9:29 am: Pre-opening 9:29 am – 9:30 am: Opening auction 9:30 am –1:00 pm: Continuous trading
Bahrain Investment Market (BIM)	9:15 am – 9:29 am: Pre-opening 9:29 am – 9:30 am: Opening auction 9:30 am –1:00 pm: Continuous trading
Special Order Market (SOM)	9:30 am – 1:00 pm: Continuous trading
Debt Securities Market	9:30 am – 1:00 pm: Continuous trading
Debt Primary Market (DPM)	9:30 am – 1:00 pm: Continuous trading
T Bills Market	9:30 am – 1:00 pm: Continuous trading
Funds Market	9:30 am – 1:00 pm: Continuous trading

6.2.4 Exceptional Trading Hours

1. BHB may modify trading hours, including the timing of market opening or closing, or temporarily suspend trading sessions for all Securities or specific market segments where it considers such action necessary to maintain market integrity and orderly trading, including in cases of exceptional market volatility or technical or operational disruptions.

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2. Any modification to the trading schedule shall be communicated in advance to Market Participants and published on the BHB's official website. In emergency circumstances, notice shall be given as soon as reasonably practicable.

6.3 TRADING PHASES

6.3.1 Pre-Opening and Opening Auction Phase

During the pre-opening phase, orders may be entered, modified, or cancelled in the Trading System, but no trades are executed. Orders accumulate in the order book for the purpose of determining the Derived Opening Price ("DOP").

At the end of the pre-opening phase, the Trading System conducts an opening auction, which serves as a transitional phase between the pre-opening and continuous trading phases. During the opening auction, accumulated orders are matched at the DOP.

The DOP becomes the official opening price of the Security and the first traded price of the session. Any unmatched or partially executed orders are carried forward into the continuous trading phase in accordance with their priority.

1. The Trading System shall determine the DOP using the algorithm in Appendix A.1, which applies maximum executable volume as the primary criterion, followed by secondary priorities to resolve ties.
2. If no DOP can be established because there are no crossing orders in the order book, the opening price shall be the price of the first Regular Trade executed during the continuous trading phase.

6.3.2 Continuous Trading Phase

During the continuous trading phase, orders may be entered, modified, or cancelled in the Trading System, and shall be matched in accordance with the order matching priority stipulated under Section 6.4. Orders are executed instantaneously whenever matching bid and ask orders are available, while unmatched orders remain in the order book until executed, modified, cancelled, or expired in line with their duration.

1. Orders that are not compliant with the applicable price limits, tick size or lot size requirements shall be automatically rejected by the Trading System.
2. All trades executed during the continuous trading phase shall be binding and final, unless subsequently determined by BHB.
3. All transactions executed during this phase shall be automatically transmitted to the clearing and settlement system for post-trade processing.

6.4 ORDER MATCHING PRIORITIES

The Trading System shall match orders in accordance with the priorities set out in this Section.

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6.4.1 Priority Sequence

1. *Best Price*: Highest bid price and lowest ask price shall have priority.
2. *Order Type*: Regular orders shall have priority over non-regular orders, and market orders shall have priority over limit orders.
3. *Source of Order*: Orders from Key Persons have the least priority.
4. *Counterparty Priority*: Orders that cross between different Members shall take precedence over orders that would match the same Member.
5. *Time Priority*: Orders are ranked by the time of entry into the Trading System, with earlier time stamps taking priority.
6. *Random Allocation*: If two or more orders are identical in all respects, priority shall be determined by a random mechanism within the Trading System.

6.4.2 Changes Affecting Time Priority

The following modifications to orders result in a new effective time stamp and priority:

- A change in price.
- An increase in quantity.
- The activation of private order (i.e., an order previously entered and stored in the Member's private order book, not visible to other Market Participants until activation).
- The re-entry of an order into the Trading System following its removal due to the application of fluctuation limits in accordance with Rule 6.5.6

6.5 ORDERS

6.5.1 Order Particulars

All orders entered into the Trading System shall contain the particulars prescribed by BHB from time to time, including, but not limited to, the following information:

- Security
- Market
- Buy or sell
- Price
- Quantity
- Order type
- Order duration
- Client account number

6.5.2 Types of Orders

For the purposes of these Rules, orders entered into the Trading System are classified into two categories:

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- Regular Orders (Standard Orders): are orders that do not contain any special execution conditions or restrictions.
- Non-Regular Orders (Orders with Special Conditions): are orders that impose additional execution restrictions and require special execution requirements relating to quantity or immediacy.

Regular / Standard Orders	
Market Order	An order to buy or sell a Security without specifying a price, which is executed immediately at the best available price(s) in the order book. Any portion of a market order that is not executed immediately shall be converted into a limit order, with the limit price set at the last execution price of that order.
Limit Order	An order to buy or sell at a specified price or better, within permitted trading limits.
Stop-Limit Order	A conditional order that is activated once the specified stop price is reached. When triggered, the order is automatically placed in the order book as a limit order at the specified limit price.
Stop-Loss Order	A conditional order that is activated once the specified stop price is reached. When triggered, it is automatically entered into the order book as a market order and executed at the best available price.

Non-Regular / Orders with Special Conditions	
Minimum-Fill Order	An order that will only be executed if at least the specified minimum quantity can be matched.
All-or-None (AON) Order	An order that must be executed in full or not at all and may be matched against one or more counterparties, provided the entire quantity can be executed immediately.
Whole-or-None (WON) Order	An order that must be executed in full against a single counterparty.
Fill-and-Kill (FAK) Order	An order that executes immediately upon entry against available orders in the order book. Any unfilled portion is cancelled, and the order is considered expired.

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6.5.3 Permitted Orders by Market/ Trading Phase

Order entry in the Trading System is subject to defined conditions that vary by market segment and trading phase. Unless otherwise specified, only the order types listed in the table below are permitted for each market and phase.

Market	Trading Phase	Permitted Orders
Regular Market & Bahrain Investment Market (BIM)	*9:15am– 9:30am*	Only market and limit orders are permitted.
	9:30am– 1:00pm	All order types are permitted except Whole-or-None.
Special Order Market (SOM)	*9:30am– 1:00pm*	Only All-or-None and Whole-or-None orders are permitted.
Debt Securities Market	*9:30am– 1:00pm*	All order types are permitted except Fill-and-Kill and Whole-or-None.
Debt Primary Market (DPM)	*9:30am– 1:00pm*	Only market and limit orders are permitted.
T-Bills Market	*9:30am– 1:00pm*	All order types are permitted except Fill-and-Kill and Whole-or-None.
Funds Market	*9:30am– 1:00pm*	Only regular orders are permitted.

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6.5.4 Order Durations

Orders entered into the Trading System may be assigned different validity instructions that determine how long they remain active before expiring. Unless executed or withdrawn earlier, the maximum validity period of any order in the system shall not exceed six (6) months from the date of entry.

Order Duration	Definition
Day Order	An order that is valid only for the Trading Day on which it is placed. If not executed during that Day, it will expire at the close of the trading session.
Good-Till-Time (GTT)	An order that remains valid until a specified time during the Trading Day. If the order has not been executed by the specified time, it will be automatically withdrawn.
Good-Till-Date (GTD)	An order that remains valid until a specified date set by the Member.
Good-Till-Cancelled (GTC)	An order that remains valid until cancelled by the Member, with a maximum validity of 6 months from the date of entry.

6.5.5 Cases Requiring Re-entry of Orders

An order must be cancelled and re-entered if any of the following fundamental changes are required, as they materially alter the nature or ownership of the order:

a. A change in the Security or Market
b. A change in order side (Buy or Sell)

6.5.6 Orders Falling Outside Trading Limits

For GTC and GTD orders, if the order price moves outside the permitted trading limits of the Security, the order shall be removed from the order book and will not be available for matching. If, on a later Trading Day, the order price falls within the permitted trading range, the order will automatically be re-entered into the Trading System and restored to the order book with a new timestamp.

6.6 TICK SIZE

Each market segment operates with defined tick sizes and board lot requirements, which establish the minimum price increment and minimum tradable quantity permitted in the Trading System.

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6.6.1 Tick Size and Board Lots

Market	Currency	Price Range	Tick Size	Board Lot
Regular Market	BHD	From 0.001	0.001	1 Share
	USD	From 0.001	0.001	1 Share
Bahrain Investment Market (BIM)	BHD	From 0.001	0.001	1 Share
	USD	From 0.001	0.001	1 Share
Special Order Market (SOM)	BHD	From 0.001	0.001	1 Share
	USD	From 0.001	0.001	1 Share
Debt Securities Market	BHD	From 0.00001	0.00001	1 Unit
	USD	From 0.00001	0.00001	1 Unit
Debt Primary Market (DPM)	BHD	From 0.00001	0.00001	1 Unit
	USD	From 0.00001	0.00001	1 Unit
T-Bills Market	BHD	From 0.00001	0.00001	1 Unit
	USD	From 0.00001	0.00001	1 Unit
Funds Market	BHD	From 0.001	0.001	1 Unit
	USD	From 0.001	0.001	1 Unit

6.6.2 Minimum Order Value

Market	Minimum Order Value per lot/unit
Debt Securities Market	BD 400 (or equivalent in listing currency)
T-Bills Market	BD 5,000 (or equivalent in listing currency)

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6.7 PRICE FLUCTUATION LIMITS

Unless otherwise determined by BHB, all Securities traded on the Exchange are subject to daily price fluctuation limits, which define the maximum upward and downward movements permitted from the previous closing price.

6.7.1 General Limits

1. The standard daily price fluctuation limits are set at +15% upward and –10% downward from the previous trading session's closing price of the Security. For example, if a Security closes at 100 fils, the allowed trading range for the following session will be from 90 fils (–10%) to 115 fils (+15%).
2. Orders entered at prices outside these limits will be automatically rejected and will not be displayed in the order book.
3. Price fluctuation limits shall not apply to newly listed Securities during the Initial Listing Phase, as provided under Rule 6.10

6.7.2 Adjustment to Price Fluctuation Limits

BHB reserves the right to vary the price fluctuation limits of any Security, either temporarily or for a specified period, where it considers such action necessary to safeguard market integrity or to facilitate orderly price discovery. In making such adjustments, BHB may consider, among other factors, the following:

1. Liquidity considerations, including cases of limited market depth or imbalance between supply and demand. In such cases, BHB may review the following order book characteristics:
    1. Order prices
    2. Number of orders
    3. Size of order
    4. Time of entry
    5. Order type
    6. Order duration
2. Material price-sensitive disclosures or announcements that significantly affect the valuation of the Security.
3. Cross-listed Securities, where in addition to the conditions specified above, BHB may also take into account conditions in the host market(s), including but not limited to:
    1. The closing price of the Security in the host market(s)
    2. Bid and ask prices in the host market(s)
    3. The fluctuation limits applied in the host market(s)

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4. The liquidity and trading activity of the Security in the host market(s)
5. The effect of foreign exchange rates between the host market currency and the currency of trading on BHB.

6.7.3 Revision of Limits

Once Regular Trade has been established in a Security, the fluctuation limits will, unless otherwise determined by BHB, revert to 10% (downward) and +15% (upward) at the start of the next Day.

6.7.4 Instrument-Specific Limits

BHB may prescribe specific price fluctuation limits for particular classes of Securities where it considers such limits appropriate having regard to the characteristics of the instrument and the orderly operation of the market.

6.7.5 T-Bills Limits

The daily price fluctuation limit applicable to T-Bills shall be 5% upward and 5% downward from the previous closing price.

6.7.6 Market Announcement

BHB shall announce through its official channels any decision relating to the adjustment, suspension, or reversion of price fluctuation limits, including the effective time of such measures.

6.8 SUSPENSION OF TRADING

BHB may suspend or restrict trading in any Security or market segment where it considers such action necessary to protect market integrity, maintain fair and orderly trading, or safeguard the interests of investors and the wider public.

6.8.1 Circumstances for Suspension

Trading in a Security or market segment may be suspended or restricted by BHB in any of the following circumstances:

(a) Where the market is, or is reasonably expected to become disorderly, uninformed, or unfair.

(b) Where a suspension is mandated by a directive or resolution of the CBB, or by order of the court.

(c) Following the release of market-sensitive information relating to an Issuer.

(d) At the request of an Issuer, where BHB determines a suspension is appropriate.

(e) Where other conditions specified under the Listing Rules require suspension.

(f) Where access to the Trading System is generally restricted or disrupted.

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(g) Where the functions of BHB are, or are threatened to be, severely affected by a physical or operational emergency (including fire, power failure, communication or transportation breakdowns, or technical malfunctions).

(h) Where BHB determines a suspension is necessary in the wider public interest.

6.8.2 Effect of Suspension

1. Once suspended, a Security shall cease to be traded on the Trading System and no new orders may be entered.
2. Outstanding orders may be cancelled but not modified.
3. BHB shall announce any suspension and subsequent resumption of trading specifying the time and the reasons for suspension through BHB's official channels.

6.9 RESUMPTION OF TRADING

Suspensions may be lifted by BHB in accordance with the procedures prescribed in these Rules:

1. For Securities listed on the Regular Market and the Bahrain Investment Market (BIM), the resumption of trading shall, unless otherwise determined by BHB, be preceded by a pre-opening phase of fifteen (15) minutes.
2. For Securities listed on the Regular Market or BIM that have already been subject to the pre-opening period during the Day prior to being suspended, the resumption of trading shall not be preceded by a pre-opening phase.
3. The resumption of Trading for all other securities listed on other Markets are not subject to any pre-opening phase.
4. Where the suspension occurred during the same trading session and the Security has already undergone the applicable pre-opening phase, trading may resume at any time during the session, provided the suspension is lifted no later than fifteen (15) minutes before market close, unless otherwise determined by BHB.
5. In all other cases, a suspension shall not be lifted within thirty (30) minutes prior to market closing, as sufficient time must remain to conduct a pre-opening session before resumption of continuous trading.
6. BHB may extend a trading session, for all or specific Securities, where trading recommences following a suspension.

6.10 INITIAL LISTING PHASE

The Initial Listing Phase is a transitional period during which newly listed Securities are first admitted to the Regular Market under special trading provisions. This phase is designed to

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facilitate price discovery and ensure an orderly introduction of the Security to the market before it becomes fully subject to the standard rules of the Regular Market.

1. Newly listed Securities shall be subject to the Initial Listing Phase for a period of 3 months, unless otherwise determined by BHB, after which they shall transition to the standard provisions of the Regular Market.
2. Newly listed Securities shall trade without price fluctuation limits on the first Trading Day. If a Regular Trade occurs, limits remain open until the end of that session and shall apply from the following Trading Day. If no Regular Trade occurs on the first Trading Day, the exemption shall continue until a regular trade is executed, and the limits shall apply starting from the following Trading Day.
3. Trading data for Securities in the Initial Listing Phase shall be recorded as part of the Regular Market statistics, however, such Securities shall be excluded from the calculation of BHB indices and market capitalization until the completion of the Initial Listing Phase.
4. BHB may, at its discretion, extend or shorten the Initial Listing Phase for a specific Security where it deems such action necessary to maintain fair and orderly trading.
5. Any change to the status of a Security under the Initial Listing Phase, including its commencement, duration, or expiry, shall be announced by BHB through its official website.

6.11 SPECIAL ORDER MARKET (SOM)

The Special Order Market (SOM) is a dedicated market designed to facilitate transactions under special conditions, tailored to trades that have obtained special approvals and satisfy the eligibility criteria prescribed by BHB.

6.11.1 Eligibility

Only transactions meeting specific eligibility criteria are permitted in the SOM, including but not limited to:

1. Transactions executed pursuant to court orders issued by the courts of the Kingdom of Bahrain; and
2. Pre-arranged transactions approved by the CBB and/or BHB.

6.11.2 Transaction Requirements

1. Any trade between two known parties in SOM must be accompanied by a Sale and Purchase Agreement (SPA), where applicable, and the seller's Securities must be under full ownership and free from any restrictions at the time of the transaction.

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2. Trades executed under an SPA must be carried out through a licensed broker.
3. Participants in SOM are required to obtain the necessary approvals and documentation requirements associated with each type of transaction, where applicable.
4. No order may be placed in the Trading System without prior approval from BHB.
5. Orders shall not be accepted within a timeframe specified by BHB prior to the close of the trading session.

6.11.3 Treatment and Oversight

1. Transactions executed in the SOM shall not impact the prevailing market price or contribute to the price formation of the relevant Security.
2. Transactions in the SOM shall not be reflected in any of the Regular Market statistics, including number of trades, total value and volume but will be announced on BHB's website where relevant.
3. BHB reserves the right to introduce, amend, or withdraw specific provisions governing the SOM as necessary to maintain market integrity, regulatory compliance, and alignment with evolving market practices.

6.12 OFF-MARKET TRANSACTIONS

Off-Market Transactions refer to transfers of Securities that are exempted from execution through the Trading System. Such transfers shall only be permitted under the categories defined in these Rules and remain subject to BHB oversight.

6.12.1 Categories of Exempted Transactions

The following transactions shall be exempted from execution through the Trading System:

1. Securities dealings conducted in the primary market, including initial public offerings and public offerings for capital increases.
2. Dealing in Bahraini joint stock companies' Securities on exchanges outside Bahrain pursuant to the Board's permission.
3. Transfer of Securities between spouses and relatives up to the second degree of relationship, provided such transfers are affected without consideration.
4. Transfers of Securities pursuant to inheritance.
5. Any other transactions designated by the CBB and/or BHB as exempted, subject to obtaining any required authorizations from the relevant authorities where applicable.

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6.12.2 Treatment of Consideration

Exempted transfers affected without consideration, meaning no monetary payment or other compensation is exchanged (e.g. gift or donation) may be conducted off-market. However, exempted transactions that involve monetary consideration shall be recorded and executed through BHB's Trading System.

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7 VIOLATIONS

7.1 GENERAL PROVISIONS

7.1.1 Scope and Authority

The Disciplinary Board or the Violations Committee of BHB retains the authority to impose disciplinary measures, including administrative fines for breaches and violations, which may take various forms and evolve with changing circumstances. All actions shall be taken in accordance with the provisions of Section 8 of these Rules and the Market Rules Enforcement Framework.

7.1.2 Non-Exhaustive Nature of Violations

The violation categories and violations set out in these Rules are not exhaustive. BHB may determine additional categories of violations or additional violations within any category where conduct is inconsistent with the BHB Market Rules and the applicable regulations.

7.1.3 Enforcement and Reporting

In the implementation of the Market Rules Enforcement Framework, BHB will provide the CBB with written notifications of potential violations at the stages of detection, escalation, and resolution or enforcement. Each notification will include, at a minimum, a summary of the suspected violation, the relevant breached rules or regulations, and the party involved.

7.1.4 Market Manipulation and Abuse

For the purposes of these Rules, market manipulation and abuse have the meaning set out in *Section 5 (Trading Practices and Market Integrity)*. Any such conduct shall constitute a violation and may result in investigation, enforcement action, and the imposition of administrative fines or disciplinary measures pursuant to Section 8 of these Rules.

7.2 CATEGORIZATION OF VIOLATIONS

Violations under these Rules may include, but are not limited to, the following categories:

1. ***Conduct of Business Violations***: Breaches arising from unethical conduct, misuse of client information, conflicts of interest, breach of fiduciary duty, or other conduct by Members or their representatives that undermines client protection, fair dealing, or the proper handling of client interests.

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2. ***Market Integrity Violations***: Conduct that may distort fair and orderly market operations, including market manipulation, insider trading, fraudulent trading practices, dissemination of false or misleading information, or any other form of market abuse affecting price formation, market transparency, or investor confidence.
3. ***Administrative and Operational Violations***: Failures to comply with operational, reporting, procedural, or administrative obligations under BHB Market Rules or other BHB applicable directives.

7.3 CONDUCT OF BUSINESS VIOLATIONS

7.3.1 Frontrunning (Trading ahead):

Frontrunning occurs when a Member executes the purchase or sale of a Security for its own account to benefit from the price movement that follows the execution of large customer orders, as per CBB Rulebook Volume 6, MAM-3.10.2. It also occurs when a Member trades for its own account ahead of issuing a strong recommendation to clients, or when a trader takes a position in a Security to profit from advance non-public knowledge of an imminent order that may affect the Market price.

7.3.2 Tailgating

Tailgating occurs when a Member or adviser executes a transaction for a client and then immediately enters the same transaction in his or her own account, relying solely on the client's order or investment decision. This practice constitutes misuse of client information and a conflict of interest, as the Member is improperly seeking to profit by replicating the client's trade, rather than acting on independent judgment. As per CBB Rulebook Volume 6, MAM-3.10.3).

7.3.3 Interpositioning

Interpositioning is a two-step process whereby a Member inserts its proprietary account between opposite customer orders to capture a riskless profit from the spread. In one form, the Member purchases stock from a customer sell order and then satisfies a customer buy order by selling from its proprietary account at a higher price. In another form, the Member sells stock into a customer buy order and later fills a customer sell order by repurchasing at a lower price. In both cases, the Member participates on both sides of the trades, thereby capturing the spread and disadvantaging at least one customer. Reference: CBB Rulebook Volume 6, MAM-3.10.26.

7.3.4 Bucketing

Bucketing occurs when a Member, acting on a client's order, falsely confirms execution at a specified price without actually carrying out the trade. Instead, the Member delays execution, waits for the market price to move, and then executes the order at the new price, retaining

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the difference as profit. This deceptive practice is prohibited under CBB Rulebook Volume 6, MAM-3.10.31.

7.3.5 Overtrading

Overtrading occurs when a Member engages in excessive or unnecessary trading in a client's account with the primary objective of generating additional commissions or fees, rather than serving the client's investment interests. This abusive practice, also referred to as "Churning," "Churn and Burn," or "Twisting," results in increased costs and potential losses for the client while benefitting the Member. This conduct is prohibited under the CBB Rulebook Volume 6, MAM-3.10.38.

7.3.6 Breach of Fiduciary Duty

Occurs when a Member fails to act in good faith or follow client instructions, such as not placing orders according to receipt priority or delaying execution.

7.4 MARKET INTEGRITY VIOLATIONS

7.4.1 Insider Trading

Insider trading is defined as the purchase or sale of a Security by an individual who possesses material non-public information relating to that Security. In line with the CBB Rulebook Volume 6 MAM-B.2.11, such transactions are considered insider activity whenever the individual has a direct or indirect beneficial interest in the relevant Securities or options, regardless of whether they are registered in the individual's name.

7.4.2 Concealing of Ownership

Concealing of ownership refers to a transaction, or series of transactions, undertaken to conceal the true beneficial ownership of a Security through a breach of disclosure requirements, including by holding the Security in the name of a colluding party or parties. Such disclosures are misleading as they obscure the identity of the actual underlying holder. This conduct is prohibited under the CBB Rulebook Volume 6, MAM-3.10.5.

7.4.3 Touting

Touting is the practice whereby a person, whether directly or indirectly compensated, recommends the purchase or sale of a Security without disclosing the fact of such compensation and the amount received. In accordance with the CBB Rulebook Volume 6, MAM-3.10.6, this non-disclosure constitutes a violation.

7.4.4 Manipulative Naked Short Sale

In a "naked" short sale, the seller does not borrow or arrange to borrow the Securities in time to make delivery to the buyer within the standard settlement period. As a result, the seller fails to deliver Securities to the buyer when delivery is due. Selling stock short and failing to

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deliver shares at the time of settlement with the purpose of driving down the Security's price is a manipulative activity with reference to CBB Rulebook Volume 6, MAM-3.10.24.

7.4.5 Spoofing

Spoofing occurs when an investor places orders in the market without the intention of having them executed, with the intent of creating a misleading impression of supply or demand. Other Market Participants, observing these large orders, may place their own orders based on apparent market interest. Shortly before the market trades at the spoofed price, the original orders are withdrawn. This conduct is prohibited under the CBB Rulebook Volume 6, MAM-3.10.37.

7.4.6 Painting the Tape

Painting the Tape is an illegal practice in which traders repeatedly buy and sell a Security, often among themselves, to create the illusion of high trading activity and to influence other Market Participants to trade at certain prices. This manipulative activity is prohibited under the CBB Rulebook Volume 6, MAM-3.10.17.

7.4.7 Wash Trading

Wash Trading is a manipulative practice in which a trader repeatedly buys and sells the same Security, often through multiple brokers, without any change in beneficial ownership. The rapid, circular transactions artificially inflate trading volume, creating the illusion of market activity and potentially misleading other investors. This practice is prohibited under the CBB Rulebook Volume 6, MAM-3.10.18.

7.4.8 Pump and Dump

Pump and dump is a form of market manipulation in which a person takes a long position in a Security and then undertakes further buying activity and/or disseminates misleading positive information with the intention of increasing the price of the Security. The manipulator subsequently sells the Security at an inflated price. Other Market Participants were misled by the artificial price movement and may be induced to purchase the Security. This manipulative activity is prohibited under CBB Rulebook Volume 6, MAM-3.10.7.

7.4.9 Trash and Cash

Trash and cash is a manipulative practice in which an investor takes a short position in a Security and engages in selling activity and/or spreads misleading negative information about the Security with the intention of driving its price down. The manipulator then closes their position after the price has fallen. This practice is prohibited under CBB Rulebook Volume 6, MAM-3.10.8.

7.4.10 Stock Basher

A Stock Basher is a person who engages in an illegal form of market manipulation by disseminating misinformation to undermine confidence in a Security, causing its price to fall

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below its intrinsic value. Following the price decline, the basher may then purchase the Security at a lower price than its perceived intrinsic worth. This manipulative activity is prohibited under CBB Rulebook Volume 6, MAM-3.10.16.

7.4.11 Marking the Close

Marking the close is a form of market manipulation in which a trader attempts to influence the closing price of a Security by executing purchase or sale orders, typically shortly before the close of trading. This practice can occur on any day but is particularly associated with dates such as the end of quarters and yearend periods. It is prohibited under CBB Rulebook Volume 6, MAM-3.10.20.

7.4.12 Abusive Squeeze:

An Abusive Squeeze occurs when a party with significant influence over the supply, demand, or trading of a Security uses that position to artificially distort the price, forcing other Market Participants to buy or sell at unfair levels to meet their obligations. This conduct is prohibited under the CBB Rulebook Volume 6, MAM-3.10.22.

7.4.13 Holding the Market

Holding the Market occurs when a trader places active or pending orders for a Security during a rapid price decline in an attempt to stabilize the price or create an artificial floor. This practice is prohibited in most cases, except when a Member or other party is authorized to maintain price stability, such as during price stabilization or buy-back programs. Such exceptions are rare and typically apply only when market depth is insufficient to support the price. This manipulative activity is prohibited under CBB Rulebook Volume 6, MAM-3.10.28.

7.4.14 Ghosting

Ghosting is a manipulative practice in which two or more traders collude to artificially influence the price of a Security to profit from the resulting movement. Unlike painting the tape, which creates the illusion of high trading volume, ghosting specifically targets the price itself through coordinated trades. This practice is prohibited under CBB Rulebook Volume 6, MAM-3.10.29.

7.4.15 Portfolio Pumping

Portfolio Pumping is an illegal practice in which a fund manager or trader artificially inflates the value of a fund's holdings, typically at the end of a reporting period, by placing a large number of trades on existing holdings. Portfolio Pumping is prohibited under CBB Rulebook Volume 6, MAM-3.10.32.

7.4.16 Advancing the Bid

Advancing the Bid is a manipulative practice in which a trader increases the bid price of a Security to create the impression of market strength or increased demand, without genuine

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interest in buying. Even if orders are executed, this activity misleads other Market Participants and is prohibited under CBB Rulebook Volume 6, MAM-3.10.33.

7.4.17 Improper Matched Order

Transactions where bid and ask orders are entered simultaneously, at the same price and the same or nearly the same quantity, either by colluding parties or arranged by a Member. Reference to the CBB Rulebook Volume 6, MAM-3.10.19.

7.4.18 Excessive Bid-Ask Spread

Excessive Bid-Ask spread occurs when intermediaries with significant market power, such as specialists, Liquidity Providers, or Market Makers, intentionally widen or maintain the bid-ask spread at artificial levels, far from fair market values, by exploiting the lack of competition. This manipulative activity is prohibited under CBB Rulebook Volume 6, MAM-3.10.35.

7.5 ADMINISTRATIVE AND COMPLIANCE VIOLATIONS

7.5.1 Failure or Delay in Submission of Periodic Financial Statements

Members who fail to submit or delay the submission of financial statements as per 3.4.10 shall be subject to a late fee, unless a prior extension has been granted by BHB.

7.5.2 Failure to Notify Material Changes Relating to Member Representatives

Members must promptly notify BHB of any material changes related to Member Representatives or any modifications to the license issued to the Member by the CBB. Failure to do so constitutes a violation.

7.5.3 Unauthorized Use of Trading or Clearing Systems

Members are strictly prohibited from allowing any unauthorized or non-registered person to access or use the trading and/or clearing system(s) as the case may be.

7.5.4 Misuse of Employee Identification Credentials or System Access Rights

Employees of Members are prohibited from using credentials assigned to another employee.

7.5.5 Failure to Comply with BHB Market Rules, Guidelines, Directives, or Applicable CBB Requirements

Members are required to comply with all rules and guidelines issued by BHB and the CBB, including the Market Rules and the CBB rulebook, as may be updated or amended from time to time. Administrative fines for violations will vary depending on the nature of the breach and will be imposed by the Disciplinary Board or Violations Committee.

7.5.6 Failure to Open Investor Trading Account

Members must not refuse to open a trading account for an investor without providing a valid reason documented in the “Open Trading Account Rejection Form.”

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7.5.7 Failure to Cooperate with BHB in Investigations

Members must cooperate fully with BHB in all matters related to market surveillance, including providing material information concerning their clients and the market. Failure to assist or provide such information constitutes a violation. Administrative fines for breaches will vary depending on the nature of the violation and may be imposed by the Disciplinary Board or Violations Committee.

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8 ENFORCEMENT AND DISCIPLINARY PROCEEDINGS

8.1 APPLICATION

8.1.1 Scope

This section establishes the framework governing the handling of Complaints, the resolution of disputes, investigations, disciplinary proceedings, and appeals relating to violations of the BHB Market Rules and other applicable regulatory requirements by Members and other Persons subject to BHB's authority.

8.1.2 Enforcement Principles

BHB shall administer and enforce these Rules in a manner that promotes market integrity, investor protection, transparency, and fair treatment of Members and Market Participants.

8.2 COMPLAINTS

8.2.1 Definition of Complaints

For the purposes of these Rules, a "Complaint" shall mean any expression of dissatisfaction made by or on behalf of a client alleging that they have suffered, or are likely to suffer, financial or other prejudice as a result of the conduct of a Member or other Persons subject to the authority of BHB. A Complaint may include, but is not limited to, allegations that a Member has:

1. Contravened or failed to comply with any client instruction, agreement, or mandate.
2. Breached the rules, regulations, or directives of BHB.
3. Acted dishonestly, negligently, or recklessly.
4. Treated the client in an unreasonable, unfair, or improper manner.

8.2.2 BHB Complaints Handling Function

BHB shall maintain an independent function responsible for receiving, assessing, and handling Complaints relating to Members or Persons subject to its authority. Where appropriate, BHB may review, investigate, or refer such Complaint for investigation or disciplinary proceedings in accordance with these Rules.

8.2.3 Members' Complaint Handling Obligations

Members shall establish and maintain effective internal systems and written procedures for the proper handling and resolution of client Complaints, in accordance with the DRA Module of Volume 6 of the CBB Rulebook.

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Such procedures shall, at a minimum, ensure that:

a. Receipt of a Complaint is acknowledged promptly;
b. Complaints are appropriately investigated and assessed;
c. Appropriate decision-making processes are followed in relation to the Complaint;
d. A substantive response is provided to the Complainant within four (4) weeks of receipt; and
e. Where a substantive response cannot be provided within four (4) weeks, the Member shall provide the Complainant with a written explanation outlining the reasons for the delay and the expected timeframe for providing the substantive response.
f. Complaints and their outcomes are appropriately recorded and retained.

8.2.4 Escalation of Unresolved Complaints to BHB

8.2.4.1 Right to Escalate Unresolved Complaints

A Complaint shall be deemed unresolved where:

a. The Member has failed to provide a substantive response within four (4) weeks of receipt of the Complaint; or
b. The Complainant is dissatisfied with the Member's final response.

In such cases, the Complainant may submit the unresolved Complaint to BHB in writing.

8.2.4.2 Timeline for Lodging Unresolved Complaints with BHB

An unresolved Complaint must be submitted to BHB:

a. Within six (6) months from the date of the Member's Final Reply; and
b. Within twelve (12) months from the date of the act, omission, or conduct giving rise to the Complaint.

BHB may consider Complaints submitted outside these periods where it determines that the delay was beyond the control of the Complainant.

8.2.4.3 Final Reply

A "Final Reply" is a written communication issued by the Member which clearly states that it constitutes the Member's final position on the Complaint and informs the Complainant of the right to refer the matter to BHB within six (6) months from the date of such reply.

8.2.5 Receipt of Complaints Referred to BHB

8.2.5.1 Information and Documentation

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BHB may request relevant information and documentation from the Member and the Complainant for the purpose of assessing whether the matter falls within its dispute resolution jurisdiction.

8.2.5.2 Complaint Submission

All Complaints must be submitted by the Complainant or by a duly authorized representative.

8.2.5.3 Referral to Dispute Resolution

Where a Complaint referred to BHB remains unresolved, the matter shall be treated as a dispute and handled in accordance with Section 8.3 of these Rules.

8.2.5.4 Notification to the CBB

BHB shall notify the CBB of the Complaint and submit a report on the final resolution of the Complaint.

8.3 DISPUTES

8.3.1 Scope of Eligible Disputes

An eligible dispute may be reviewed and resolved by BHB in accordance with these Rules, provided that the following conditions are met:

1. The Member involved in the dispute is subject to the jurisdiction of BHB;
2. The activity or conduct giving rise to the dispute falls within the regulatory jurisdiction of BHB;
3. The dispute arises from the Complainant's relationship with the Member as a client;
4. The Member was subject to BHB's jurisdiction at the time of the act or omission giving rise to the dispute and remains subject to BHB's jurisdiction at the time the dispute is submitted; and
5. The Complaint has first been submitted to the Member and the Member has failed to resolve the Complaint to the satisfaction of the Complainant within four (4) weeks of receipt.

8.3.2 Disputes Not Accepted by BHB

BHB shall not consider disputes in the following situations:

1. Commercial decisions unrelated to market transactions.
2. Policies such as pricing, interest rates, or fees.
3. Cases under investigation by law enforcement, including allegations of fraud or criminal activity.
4. Complaints that have already been settled privately between the Member and the Complainant.
5. Cases that have been decided by a court, including any judgment or order.

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6. Complaints submitted outside the time limits specified in Rule 8.2.4.2, unless BHB determines that exceptional circumstances justify consideration.

8.3.3 Submission of Disputes to BHB

To initiate BHB's review or investigation of a dispute, the Complainant must complete and submit the dispute to BHB together with a statement of facts and supporting evidence. Disputes may be submitted through any official BHB or government channels, including:

a. BHB website
b. Electronic services
c. Email
d. National Suggestions and Complaints System (Tawasul)
e. Telephone
f. Physical Complaint form

8.3.4 Facilitation of Settlement

At any stage, while the dispute is being reviewed, BHB may seek to facilitate an amicable resolution between the parties, without prejudice to its regulatory or disciplinary powers.

8.3.5 Finality of BHB Dispute Decisions

Any decision made by BHB under this provision shall be final for the purposes of BHB's dispute resolution process, without prejudice to BHB's authority to refer the matter to the relevant regulatory authority.

8.3.6 Dismissal and Resolution of Disputes

Subject to the approval of the CEO, BHB may dismiss and close the dispute without mediation where:

a. The dispute is frivolous or vexatious;
b. The matter has previously been settled or for which an award has been made;
c. There are compelling reasons why it is inappropriate for BHB to consider the dispute;
d. The Complainant fails to cooperate.

8.4 INVESTIGATIONS

8.4.1 Bourse Investigation Committee

BHB shall establish the Bourse Investigation Committee responsible for conducting investigations into suspected violations of these Rules and other BHB business rules, and into conduct that may constitute a breach of applicable regulatory requirements.

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8.4.2 Identification of Potential Violations

BHB shall analyse Complaints, disputes, surveillance findings, inspections, and any other relevant information for the purpose of identifying potential contraventions of:

a. These Market Rules and other BHB business rules and directives;
b. The relevant CBB law and regulations;
c. Any other applicable law, rules or regulations to the extent falling within BHB's regulatory jurisdiction.

8.4.3 Referral to the Bourse Investigation Committee

Where the CEO determines that there is a reasonable basis to suspect a potential violation, the CEO shall refer the matter to the Bourse Investigation Committee for investigation.

8.4.4 Powers and Conduct of Investigations

1. The Bourse Investigation Committee may, for the purpose of conducting an investigation, require a Member, any of its directors, officers, employees, agents, or any other relevant person to:
    a. Render such assistance, cooperation, explanations, or representations as the Bourse Investigation Committee may reasonably require.
    b. Produce or provide any information, books, records, documents, correspondence, electronic data, communications, or other materials which, in the opinion of the Bourse Investigation Committee, may be relevant to the investigation, within such timeframe as may be specified by BHB.
2. No Member or related person shall knowingly provide false, misleading, or incomplete information to BHB in connection with an investigation.

8.4.5 Investigation Report and Outcome

Upon completion of an investigation, the Bourse Investigation Committee shall prepare a written investigation report and submit it to the CEO, who shall determine the appropriate course of action, including:

a. Referring the matter to the Disciplinary Board or Violations Committee;
b. Referring the matter to the CBB where required;
c. Taking such other action as may be appropriate under these Rules.

8.4.6 Reporting and Referral to the CBB

1. BHB shall notify the CBB of any matters involving potential breaches of applicable CBB laws or BHB rules and regulations, in accordance with the DRA Module.

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2. Any breach of BHB rules and regulations by an investor or any person not subject to BHB's disciplinary jurisdiction, including individual or corporate clients, shall be referred to the CBB for further action.

8.5 DISCIPLINARY COMMITTEES

BHB shall establish disciplinary committees responsible for the adjudication of violations and the imposition of disciplinary measures under these Rules.

8.5.1 Disciplinary Board

8.5.1.1 Establishment and Independence

1. The Disciplinary Board shall be established by resolution of the Board to exercise disciplinary authority in accordance with these Rules and the DRA Module.
2. The constitution, membership, and any subsequent changes to the Disciplinary Board shall be subject to the prior approval of the CBB.
3. The Disciplinary Board shall be independent of and operationally separate from the executive management of BHB.
4. The Board shall approve the Disciplinary Board's charter, procedures, and terms of reference, in accordance with the DRA Module.

8.5.1.2 Composition and Qualifications

1. The Disciplinary Board shall consist of not less than three (3) members.
2. Members of the Disciplinary Board shall be individuals of good repute with appropriate qualifications and experience in law, finance, accounting, economics, management or administration, with demonstrated experience in financial services, including securities markets or any other relevant field.
3. At least one member of the Disciplinary Board shall be legally qualified.
4. No person shall be appointed as a member if such person is, or within the three (3) years preceding the proposed appointment date was, a director, officer, or employee of BHB or any related corporation of BHB.

8.5.1.3 Jurisdiction

1. The Disciplinary Board shall adjudicate alleged violations of these Rules and other BHB business rules committed by Members, Member Representatives, Issuers, or other Persons subject to BHB's disciplinary jurisdiction, including Conduct of Business Violations and Market Integrity Violations as described in Rule 7.2.
2. Such matters may include violations involving serious misconduct, breaches affecting market integrity, or conduct that may involve fraud, market

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manipulation, insider trading, or otherwise present a potential criminal dimension under applicable laws or regulations.

3. The Disciplinary Board may adjudicate matters involving potential breaches of applicable CBB rules where such matters have been referred by the CBB to BHB for investigation or disciplinary action.
4. BHB may, where appropriate, initiate disciplinary proceedings in accordance with these Rules. Any disciplinary proceedings or actions initiated by BHB shall be without prejudice to any supervisory, regulatory, enforcement, or criminal action that may be taken by the CBB or any other competent authority.

8.5.1.4 Referral of Matters to the Disciplinary Board

1. Where an investigation conducted by BHB indicates that a violation may have occurred, the CEO shall refer the matter to the Disciplinary Board for adjudication.
2. Any referral shall be made in writing and accompanied by the relevant information and supporting documentation.

8.5.1.5 Powers of the Disciplinary Board

1. Convene and conduct hearings in respect of alleged violations, and determine, based on the evidence presented, whether such violations have been established.
2. Impose one or more enforcements, in accordance with these Rules and other relevant BHB rules and regulations.
3. Summon parties, witnesses, and relevant employees to attend hearings and make representations.
4. Liaise with the CBB as necessary in relation to its powers and duties, or as the CBB may require.
5. Act in accordance with any written or oral directions or guidance issued by the Board or the CBB.

8.5.1.6 Disciplinary Measures

Where a violation is established, the Disciplinary Board may impose one or more of the following disciplinary measures. In determining the appropriate disciplinary measure, the Disciplinary Board shall consider the nature, seriousness, and impact of the violation, including any mitigating or aggravating circumstances.

Non-financial disciplinary measures

1. Issuing a reminder.
2. Issuing a warning.
3. Imposing restrictions, conditions, or remedial measures on the activities of a Member or its Representatives.

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Market-related and membership disciplinary measures

4. Suspending trading in a Security for a period not exceeding four (4) months
5. Delisting a Security.
6. Suspending a Member's membership for a period not exceeding four (4) months.
7. Cancelling a Member's membership.

Financial disciplinary measures

8. Confiscating all or part of a Member's guarantee funds.
9. Imposing financial penalties (fines) on Members or Issuers in accordance with violation guidelines issued by BHB from time to time.
10. Imposing financial penalties (fines) on listed companies in accordance with violation guidelines issued by BHB from time to time, provided that such penalties shall not exceed BD 100,000.

Other disciplinary measures

11. Imposing any other disciplinary measure permitted under BHB's rules and regulations.

8.5.1.7 Decision Notification

All decisions of the Disciplinary Board shall be communicated in writing to the respondent and submitted to the CBB as soon as practicable.

8.5.1.8 Penalties

Where the Disciplinary Board imposes a financial penalty on a Member, such a penalty shall be payable within fourteen (14) Days from the date of notification, unless an appeal is lodged in accordance with the rules and regulations of BHB.

8.5.1.9 Appeals

Decisions of the Disciplinary Board may be appealed to the Disciplinary Appeals Committee in accordance with section 8.6

8.5.2 Violations Committee

8.5.2.1 Establishment and Purpose

1. The Violations Committee of BHB shall be constituted by resolution of the Board.
2. The Violations Committee shall be responsible for reviewing and evaluating administrative, routine, or minor breaches of the directives, rules and regulations of BHB, and for determining appropriate penalties.

8.5.2.2 Composition and Independence

1. The Violations Committee shall consist of not less than three (3) members.

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2. Members of the Violations Committee shall be experienced senior members of BHB staff, appointed by the Board.
3. Members shall be independent from any function responsible for investigations, assessments, or recommendations in relation to matters reviewed by the Violations Committee.
4. Appointments shall be for a term of three (3) years and may be renewed with the approval of the Board.

8.5.2.3 Scope of Authority

The Violations Committee shall review and determine Administrative and Operational Compliance Violations as described in Rule 7.2, and may impose penalties in accordance with these Rules and the Market Rules Enforcement Framework, without prejudice to the jurisdiction of the Disciplinary Board in respect of Conduct of Business Violations or Market Integrity Violations, or where the nature, seriousness, or circumstances of the matter warrant formal disciplinary proceedings.

8.5.2.4 Power of the Violations Committee

The Violations Committee may:

a. Review administrative and operational compliance violations;
b. Determine whether a violation has occurred; and
c. Impose financial penalties or other prescribed measures in accordance with these Rules, the Market Rules Enforcement Framework, and other applicable BHB rules and regulations from time to time.

8.5.2.5 Penalties

Where the Violations Committee imposes a financial penalty on a Member, such a penalty shall be payable within fourteen (14) Days from the date of notification, unless an appeal is lodged in accordance with the rules and regulations of BHB.

8.5.2.6 Escalation and Referral to the Violations Committee

The Violations Committee may, at any stage of its review, refer a matter to the Disciplinary Board where it determines that the nature, severity, or circumstances of the violation warrant formal disciplinary proceedings.

Such referral may occur where, including but not limited to, the following circumstances apply:

1. The violation is not suitable for summary determination by the Violations Committee.
2. The violation involves repeated, systemic, or persistent non-compliance.

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3. The matter involves potential serious misconduct, conduct affecting market integrity, or conduct that may involve fraud, market manipulation, insider trading, or otherwise present a potential criminal dimension.
4. The violation may warrant disciplinary measures beyond the authority of the Violations Committee.
5. The Violations Committee otherwise considers that referral is necessary in the interests of market integrity, investor protection, or regulatory compliance.

8.5.2.7 Appeals

Decisions of the Violations Committee may be appealed to the Disciplinary Appeals Committee in accordance with section 8.6.

8.6 DISCIPLINARY APPEALS COMMITTEE

8.6.1 Establishment and Status

1. The Disciplinary Appeals Committee of BHB shall be established by resolution of the Board in accordance with these Rules and the DRA Module.
2. The constitution, membership, and any subsequent changes to the Disciplinary Appeals Committee shall be subject to the prior approval of the CBB.
3. The Disciplinary Appeals Committee shall operate independently in the exercise of its appellate functions under these Rules.

8.6.2 Composition and Qualifications

1. The Disciplinary Appeals Committee shall consist of not fewer than three (3) members.
2. No person shall be appointed as a member of the Disciplinary Appeals Committee if such person is, or within the three (3) years preceding the proposed appointment date was, a director, officer, or employee of BHB or any related corporation of BHB.
3. Members of the Disciplinary Appeals Committee shall be individuals of good repute with appropriate qualifications and experience in law, finance, accounting, economics, management or administration, with demonstrated experience in financial services, including the Securities markets or any other relevant field.
4. At least one member of the Disciplinary Appeals Committee shall be legally qualified.

8.6.3 Scope of Authority

The Disciplinary Appeals Committee shall review and determine appeals against decisions of the Disciplinary Board and the Violations Committee in accordance with the rules and regulations of BHB and the CBB Rulebook, including the DRA Module.

8.6.4 Powers of the Disciplinary Appeals Committee

Without prejudice to its general jurisdiction, the Disciplinary Appeals Committee may:

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1. Convene and conduct hearings in respect of appeals referred to it and determine whether such appeals have been brought on valid and sufficient grounds.
2. Summon Members, Issuers, and their respective representatives or employees to attend appeal hearings and make representations.
3. Require Members, Issuers, and their respective representatives or employees to produce books, records, documents, and information relevant to the appeal.
4. Admit and consider fresh or additional evidence not presented to the Disciplinary Board or the Violations Committee, having regard to whether such evidence was reasonably available at the time of the original proceedings and the reasons for its non-production.
5. Remit a matter to the Disciplinary Board or the Violations Committee, as applicable, for reconsideration where fresh or additional evidence is admitted or where the Disciplinary Appeals Committee considers such reconsideration is appropriate.
6. Dismiss the appeal and uphold the decision appealed against.
7. Vary, substitute, or set aside the decision appealed against, including by imposing the same, a lesser, or a greater sanction, where permitted under the BHB rules and regulations.

8.6.5 Conflicts of Interest

1. Members of the Disciplinary Appeals Committee shall disclose any actual or potential conflict of interest as soon as it arises.
2. The chair shall determine whether the member concerned should attend the hearing of that appeal.
3. The chair shall not participate in any appeal in which the chair has a conflict of interest.

8.6.6 Appeal Procedure and Timelines

1. An appellant shall submit a notice of appeal, setting out full grounds of appeal, to BHB and the secretary of the Disciplinary Appeals Committee within fourteen (14) Days of receipt of the written decision appealed against.
2. BHB may submit a response within fourteen (14) Days of receipt of the notice of appeal.
3. The appellant may submit a reply within fourteen (14) Days of receipt of the response.

8.6.7 Decisions

1. The Disciplinary Appeals Committee shall determine the appeal and notify the appellant of its decision in writing.
2. Decisions of the Disciplinary Appeals Committee shall be final, subject only to regulatory oversight by the CBB.

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8.6.8 Fees and Payment

1. Any financial penalty upheld or imposed by the Disciplinary Appeals Committee shall be payable within fourteen (14) Days from the date of notification, unless otherwise permitted by the Disciplinary Appeals Committee.
2. An appellant shall pay an administrative fee upon submission of a notice of appeal.
3. The administrative fee shall not be refundable unless:
    a. The appeal is withdrawn at least seven (7) Days prior to the hearing.
    b. The appeal is successful; or
    c. The chair approves a refund, in whole or in part.
4. The unsuccessful party shall bear all administrative fees and costs associated with the appeal process, unless otherwise determined by the Disciplinary Appeals Committee.

8.6.9 Regulatory Notification

All decisions of the Disciplinary Appeals Committee shall be submitted to the CBB in writing as soon as practicable after issuance.

8.6.10 Market Disclosure

BHB may, where it considers appropriate, publish disciplinary decisions to the market in order to promote transparency and maintain market integrity.

8.7 ARBITRATION

8.7.1 Arbitration Committee

BHB may establish an Arbitration Committee in accordance with the DRA Module of Volume 6 of the CBB Rulebook. Where established, the Arbitration Committee shall be responsible for adjudicating disputes between Members and disputes involving Issuers, Members, and their clients arising from transactions executed through BHB or regulated activities undertaken by Members.

8.7.2 Constitution and Procedures

The Arbitration Committee shall be constituted by a resolution of the Board, subject to the CBB's approval where required. The Committee shall conduct its proceedings in accordance with the DRA Module of Volume 6 of the CBB Rulebook and any procedures, terms of reference, or administrative arrangements adopted by BHB.

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8.7.3 Binding Effect of Awards

Any arbitral award issued by the Arbitration Committee shall be binding upon the parties to the dispute, subject to the applicable laws and regulations.

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9 APPENDICES

A.1 – DERIVED OPENING PRICE

The Derived Opening Price ('DOP') is the initial price established for Securities at the start of a trading session. The Trading System shall calculate the DOP based on an algorithm that considers criteria in a predetermined order as follows:

Principle 1: Maximum Executable Volume

Principle 2: Minimum Surplus

Principle 3: Market Pressure

Principle 4: Reference Price

A.1.1 Determining the Maximum Executable Volume

There are two steps involved in applying this principle:

1. Determine the Cumulative Bid and ask quantities at each eligible price

The Cumulative bid quantity increases as price decreases – a bid price is the maximum that a buyer is willing to pay for their shares, however, it is accepted that the buyer is willing to pay a lower price.

Conversely Cumulative Ask quantity increases as prices increase – a ask price is the minimum a seller will accept for their shares but the seller will accept a higher price.

Using the example market in Table A, the Cumulative Bid and ask quantities at each price are listed in Table B:

Table A - Example of a non-anonymous market immediately prior to the Open session state:

BID			OFFER		
Broker	Quantity*	Bid (BD)	Offer (BD)	Quantity	Broker
111	4500	8.250	8.180	6600	666
222	25000	8.240	8.180	5000	777
333	3200	8.240	8.190	3600	888
444	1900	8.220	8.200	17500	999
555	49700	8.200	8.230	1900	111
666	8000	8.190	8.240	16900	999
777	16400	8.180	8.250	8500	888
888	5400	8.150	8.260	21650	666

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BID			OFFER		
999	900	8.140	8.280	11420	444
111	4575	8.120	8.310	290	222

Table B - Determining the Cumulative Bid and Ask quantities at each price

CUMULATIVE BID QTY	BID QTY AT PRICE	PRICE (BD)	ASK QTY AT PRICE	CUMULATIVE ASK
4500	4500	8.250	8500	60000
32700	28200	8.240	16900	51500
32700	0	8.230	1900	34600
34600	1900	8.220	0	32700
34600	0	8.210	0	32700
84300	49700	8.200	17500	32700
92300	8000	8.190	3600	15200
108700	16400	8.180	11600	11600

2. Establish the total tradable volume at each eligible price step.

The total tradable volume at a price is the minimum of the Cumulative Bid and Cumulative Ask quantities at that price.

Table C - Maximum Executable Volume (MEV) for each eligible price (listed in Table A):

CUMULATIVE BID QTY	PRICE (BD)	CUMULATIVE ASK QTY	MAXIMUM EXECUTABLE VOLUME (MEV)
4500	8.250	60000	4500
32700	8.240	51500	32700
32700	8.230	34600	32700
34600	8.220	32700	32700
34600	8.210	32700	32700
84300	8.200	32700	32700
92300	8.190	15200	15200
108700	8.180	11600	11600

In this example:

a. The maximum quantity of shares that may be traded is 32,700. If there had only been one price, at which the maximum quantity of shares that may be traded, that price would be the official auction price.
b. The MEV occurs at prices 8.200, 8.210, 8.220, 8.230 and 8.240 BD. Therefore, at the completion of Principle 1, the potential auction price for XYZ may be any of these prices.

The algorithm has eliminated 8.250, 8.190 and 8.180 BD as opening prices. To further narrow the choices for an auction, Principle 2 is used to determine the Minimum Surplus level.

A.1.2 Establishing the Minimum Surplus

The second principle determines the eligible price levels at which the unfilled or unmatched quantity is a minimum. The quantity of shares left in the market at the auction price should always be the lowest possible.

The Minimum Surplus (MS) at each price level is equal to the Cumulative Bid Quantity less the Cumulative Ask Quantity.

The MS values at each potential opening price achieved after applying Principle 1 are listed in Table D.

Table D- Minimum Surplus

CUMULATIVE BID QTY	PRICE (BD)	CUMULATIVE ASK QTY	MAXIMUM EXECUTABLE VOLUME (MEV)	MINIMUM SURPLUS (MS)
4500	8.250	60000	4500	*
32700	8.240	51500	32700	-18800
32700	8.230	34600	32700	-1900
34600	8.220	32700	32700	1900
34600	8.210	32700	32700	1900
84300	8.200	32700	32700	51600
92300	8.190	15200	15200	*
108700	8.180	11600	11600	*

*Price eliminated by Principle 1.

Ignoring the positive and negative signs, the lowest number in the MS column is 1,900. Were there to be only one price at which this occurs, that price would be the official auction price. In this example, the minimum surplus occurs at prices 8.210, 8.220 and

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8.230 BD. Therefore, at the completion of Principle 2, the potential auction price for XYZ may be any of these prices.

The algorithm has further eliminated 8.240 and 8.200 BD as opening prices. To further narrow the choices for an auction price we use Principle 3 to determine Market Pressure.

A.1.3 Ascertaining Where the Market Pressure Exists

The third principle determines where the Market Pressure of the potential auction prices exists – on the bid or the ask side. A positive sign (+) indicates a surplus will remain on the bid side, demonstrating bid side pressure at the conclusion of the auction. A negative sign (-)indicates a surplus will remain on the ask side, demonstrating ask side pressure at the conclusion of the auction. Refer Table E.

If the Market Pressure is on the bid side, then the principle uses the highest of the potential auction prices.

If the Market Pressure is on the ask side, then the algorithm chooses the lowest of the potential auction prices. If both positive and negative Market Pressure exists or if the Minimum Surplus is zero for each potential auction price, the algorithm continues to Principle 4: Consulting the Reference Price.

Table E- Market Pressure

CUMULATIVE BID QTY	PRICE (BD)	CUMULATIVE ASK QTY	MAXIMUM EXECUTABLE VOLUME (MEV)	MINIMUM SURPLUS (MS)
4500	8.250	60000	4500	*
32700	8.240	51500	32700	*
32700	8.230	34600	32700	-1900
34600	8.220	32700	32700	1900
34600	8.210	32700	32700	1900
84300	8.200	32700	32700	*
92300	8.190	15200	15200	*
108700	8.180	11600	11600	*

*Price eliminated by Principle 1 and Principle 2.

At the potential auction prices of 8.210 and 8.220 BD, the surplus is positive (+1,900), indicating that Market Pressure is on the bid side. At 8.230 BD the surplus is negative, indicating that Market Pressure is on the ask side. If the market opens at 8.210 or 8.220 BD, a surplus of +1,900 signifies that after the market opens 1,900 shares will remain

unfilled on the bid side at 8.210 or 8.220 BD, while if the market opens at 8.230 BD a surplus of –1,900 indicates that 1,900 shares will remain unfilled on the ask side at 8.230 BD.

In this example it is not yet possible to calculate an auction price, since the surpluses at 8.210, 8.220 and 8.230 BD are identical in magnitude but different in sign.

In general, residual bid pressure is likely to cause the price to rise after the opening, therefore, if at this stage the surpluses are all positive, the algorithm chooses the highest of the potential prices and this becomes the official auction price. If at this stage the surpluses are all negative then the algorithm will opt for the lowest of the potential prices as the official auction price.

As the surpluses at 8.210, 8.220 and 8.230 BD are equal in size but opposite in direction, the algorithm continues to the fourth and final step to establish an auction price.

A.1.4 Consulting the Reference Price

The fourth and final principle determines an auction price from the range of prices, established in Principle 3, on the basis of their proximity to a reference price.

Generally, the reference price is the last automatically matched traded price. Where an automatically matched trade has occurred on the current Day, the reference price will be the price of the latest Regular Trade executed on that Day. If, during the current Day, an automatically matched Regular trade has not occurred, the reference price will carried over from the previous Day (adjusted for corporate actions, if any).

There are two steps to this Principle:

STEP	ACTION	OUTCOME
1	Narrow the options of potential auction prices to two within the entire range of possible auction prices.	If the: • Result of Principle 3 is a combination of positive and negative Market Pressure, then the algorithm marks the two prices where the sign changes • Minimum Surplus for all possible auction prices is zero, and then the algorithm marks the highest and lowest prices within that range as the potential auction prices to be applied in this principle.
In the example (refer Table E), the sign at 8.210 and 8.220 BD is positive and changes to negative at 8.230 BD. Therefore, the algorithm chooses 8.220 and 8.230 BD as the potential auction prices to be applied in this principle.		
2	Determine the relationship between the reference price and the final auction price.	If the reference price: • Is equal to or greater than the higher of the two possible prices established in the first section of this principle, then the higher price becomes the auction price

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STEP	ACTION	OUTCOME
		• Is equal to or less than the lower of the two possible prices established in the first section of this principle, then the lower price becomes the auction price • Lies between the two possible prices established in the first section of this principle, then 1. If the reference price is closer to the lower of the two possible prices then the lower price becomes the auction price 2. If the reference price is closer to the higher of the two possible prices, or is equidistant from the two possible prices, then the higher price becomes the auction price. • Does not exist, for example, in the cases of an Initial Public Offering, new listing or the first Day of trading a Security on a reconstructed basis, the auction price becomes the lower of the two potential auction prices established in the first section of this principle.
If, in the example, the algorithm was being used to determine the auction price for XYZ, and the previous Day's closing price was 8.220 BD or lower, then the derived opening price for XYZ would be established at 8.220 BD. If the previous Day's closing price was 8.230 BD or higher, then the derived opening price for XYZ would be 8.230 BD.		

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A.2 – STANDARD MEMBER CLIENT AGREEMENT

A.2.1. "Part 1 – Member-Client Agreement"

This agreement is made on this _____ (date) between _____ (a Member of BHB, hereinafter called MEMBER and having its registered office at _____s_____ (address of MEMBER's registered office), and _____ (an individual/company/trust/firm or any other body duly formed and registered under the relevant law, hereinafter called the CLIENT, having its residence/registered office at _____ (address of CLIENT's registered office).

Whereas the CLIENT has satisfied itself of the capability of the MEMBER to deal in Securities and wishes to execute orders through the MEMBER.

Whereas the MEMBER has satisfied itself about the genuineness and financial soundness of the CLIENT and the investment objectives relevant to the services to be provided.

Whereas the MEMBER shall accept instructions from the CLIENT to execute trades.

Whereas the MEMBER and the CLIENT agree to be bound by all the rules, Regulations and directives of BHB and the rules, regulations and guidelines issued by the CBB and notifications of Government authorities as may be in force from time to time.

NOW, it is hereby agreed

3. The CLIENT agrees to immediately notify the MEMBER in writing if there is any change in the information in the 'client registration form' (available at BHB's website) provided by the client to the MEMBER at the time of opening of the account or at any time thereafter.
4. The CLIENT has opened a Securities account with the Clearing, Settlement & Depository (BHC) and agrees that all Securities deposited, and transactions effected shall be reflected in this Securities account.
5. The MEMBER declares that it has brought the contents of the risk disclosure document to the notice of the CLIENT and made him aware of the significance of the said document. The CLIENT agrees that:
    (a) He has read and understood the risks involved in trading on a stock exchange.
    (b) He shall be wholly responsible for all his investment decisions and trades.
    (c) The CLIENT shall be and shall continue to be responsible for all the risks and consequence for entering into trades in the Securities in which the client chose to trade.
    (d) He is liable to pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the MEMBER.

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(e) The CLIENT agrees to pay to the MEMBER brokerage and other charges as are prevailing from time to time and as they apply to the CLIENT's account, transactions and to the services that the MEMBERS renders to the CLIENT.

(f) The CLIENT agrees to abide by the exposure limits, if any, set by the MEMBER. Without prejudice to the MEMBER'S other rights (including the right to refer a matter to arbitration), the MEMBER shall be entitled to liquidate/close out all or any of the CLIENT'S positions for non-payment of margins or other amounts, outstanding debts, etc. and adjust the proceeds of such liquidation/close out, if any, against the CLIENT's liabilities/obligations. Any and all losses and financial charges on account of such liquidation/closing-out shall be charged to and borne by the CLIENT.

6. The MEMBER agrees that the money/Securities deposited by the client shall be kept in a separate account, distinct from its own account and shall not be used by the MEMBER for itself or for any other client or for any purpose other than the purposes mentioned in BHB's rules, regulations or directives.
7. The client agrees to immediately furnish information to the MEMBER in writing, if any insolvency petition has been filed or any insolvency order or decree or award is passed against him or if any litigation which may have material bearing on his capacity has been filed against him.
8. The MEMBER agrees to inform the CLIENT and keep him apprised about trading/settlement cycles, delivery/payment schedules, any changes therein from time to time.
9. In the event of death or insolvency of the CLIENT or his otherwise becoming incapable of receiving and paying for or delivering or transferring Securities which the CLIENT has ordered to be bought or sold, the MEMBER may close out the transaction of the client and claim losses, if any, against the estate of the client. The CLIENT or his successors, and heirs shall be entitled to any surplus which may result there from.
10. The CLIENT and MEMBER agree to refer any claims and/or disputes to arbitration as per the rules and Regulations of BHB.
11. The MEMBER and the CLIENT declare and agree that the transactions executed on BHB are subject to the rules, regulations and directives of BHB.
12. The instructions issued by an authorized representative, if any, of the CLIENT shall be binding on the client in accordance with the letter authorizing the said representative to deal on behalf of the CLIENT.
13. The CLIENT acknowledges that the MEMBER may record telephone conversations between the CLIENT and the MEMBER. If there is a dispute between the CLIENT and the MEMBER, the CLIENT has a right to listen to any recording of the conversations.
14. The CLIENT acknowledges that the MEMBER may at any time refuse to deal in, or may limit dealings in Securities; the MEMBER shall notify the CLIENT of any refusal or limitation as soon as possible.

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15. The MEMBER reserves the right to terminate this agreement should any reason determined by any of the MEMBER's regulators arise.

16. The MEMBER and the CLIENT shall be entitled to terminate this agreement , after giving notice in writing to the other party. Notwithstanding any such termination, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to the termination of the agreement shall continue to subsist and vest in /be binding on the respective parties or its/his heirs, executors, administrators, legal representatives or successors, as the case may be.

17. In addition to the specific rights set out in the agreement, the MEMBER and the CLIENT shall be entitled to exercise any other rights which the MEMBER or the CLIENT may have under the Rules, Regulations and directives of BHB and circulars issued thereunder.

18. The provisions of the agreement shall always be subject to Government notifications, any rules, regulations, guidelines and circulars issued by CBB and rules, regulations and directives of BHB that may be in force from time to time.

19. The MEMBER hereby undertakes to maintain the details of the client as mentioned in the client registration form or any other information pertaining to the client in confidence and that it shall not disclose the same to any person except as required under any law/regulatory requirements; provided however that the MEMBER may so disclose information about the CLIENT to any person or authority with the express permission of the CLIENT.

20. This agreement can be altered, amended and/or modified by the parties mutually in writing without derogating from the contents of this agreement. Provided however, if the rights and obligations of the parties hereto are altered by virtue of change in the rules and regulations of CBB or the rules and regulations of BHB, such changes shall be deemed to have been incorporated herein in modification of the rights and obligations of the parties mentioned in this agreement.

Signed by:

CLIENT :

Securities Account Number :

Signature :

MEMBER Authorized Signature :

Encl.

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A.2.2. ”Part 2 – Risk Disclosure Document”

To be completed by CLIENT

In the light of the risks involved, you should undertake transactions only if you understand the nature of the contractual relationship into which you are entering and the extent of your exposure to risk.

You must know and appreciate that investment and trading in Securities, which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/limited investment and/or trading experience and low risk tolerance. You should therefore carefully consider whether such trading is suitable for you in the light of your financial condition. In case you trade in Securities on the BHB and suffer adverse consequences or loss, you shall be solely responsible for the same and BHB and the MEMBER shall not be responsible, in any manner whatsoever, for the same and it shall not be open for you to take a plea that no adequate disclosure regarding the risks involved was made or that you were not explained the full risk involved by the MEMBER. You shall be solely responsible for the consequences and no contract can be rescinded on that account. You acknowledge and accept that there can be no guarantee of profits or no exception from losses while executing orders for purchase and/or sale of a Security being traded on BHB.

I hereby acknowledge that I have received and understood this risk disclosure statement.

CLIENT NAME :

CLIENT SIGNATURE :

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A.3 NET WORTH COMPUTATION

A.3.1 Net Worth Formula

Net Worth shall be computed in accordance with the following formula, based on the books of accounts maintained by the Member:

Net Worth = (Capital + Free Reserves) – (Non-allowable Assets)

A3.2 Definitions

1. *Capital* means paid-up value of equity shares/ordinary shares and irredeemable preference shares (net of treasury shares).
2. *Free Reserves* include share premium reserve, statutory reserves (excluding revaluation reserves), un-appropriated retained earnings brought forward, audited current year's earnings net of declared dividends and tax expenses, current year appropriations (including statutory reserves, general reserves, and other appropriations), and minority interest in joint ventures.

3. Non-allowable Assets include:
   - Land and buildings
   - Value of pledged Securities
   - Doubtful debts and advances (i.e., debts/advances overdue for more than three months)
   - Loans and advances to associates (including holding companies, subsidiary companies, and fellow subsidiaries)
   - Prepaid expenses and accumulated losses
   - Intangible assets, including goodwill and cumulative current-year net losses reviewed or audited in accordance with international auditing standards

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