

BAHRAIN BOURSE B.S.C (C)

Guidelines on the trading of Debt Instruments in Bahrain Bourse

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Guidelines on the trading of Debt Instruments in Bahrain Bourse

1. General

1.1 Application of these Guidelines.

These Guidelines on trading of Debt Instruments in Bahrain Bourse (BHB) are issued in implementation of the related provisions under BHB Market Rules and apply to:

- Debt Instruments Primary Market (where applicable).
- Debt Instruments Secondary Market.

1.2 Debts Instruments listed or quoted on BHB shall be traded on the Debts Secondary Market.

1.3 These Guidelines cover all types of Debt Instruments including but not limited to Bonds and Sukuks.

2. Trading Hours

Trading is conducted on weekdays (from Sunday to Thursday) between 9:30 a.m. to 1:00 p.m. or at such other Trading Hours as determined by BHB.

3. Continues Trading Period

3.1 During the Trading Period, Members may enter Orders, modify, or cancel Orders entered.

3.2 For the purpose of these guidelines, 'continuous basis' means that Orders shall be immediately considered for matching upon entry in the Trading System, in accordance with the principles for matching of Orders as per the "Matching Priority" Rule, set out in BHB Market Rule Section 6.8 where applicable.

3.3 Orders that are not matched immediately upon the entry in the Trading System shall be maintained in the Trading System for possible matching in accordance with "Matching Priority" Rule.

4. Orders

4.1 Order Particulars

An Order in the Trading System shall contain such particulars or information as may be prescribed by BHB from time to time.

4.2 Board Lots

The Board lots represent the step size for an Order quantity; therefore the quantity should be 1 (one) lot or its multiples.

Category	Price Category	Board Lot
1	0.001 & above	1 Debt

4.3 Tick Size

The price is expressed as percentage and the tick size of each Order will be 0.001%. Example: 99.999% is at discount price, and 100.001% is a premium price.

Category	Price Category	Tick Size
1	0.001 & above	0.001

4.4 Minimum accepted Order

The minimum accepted Order shall be equal to BD 400 (four hundred Dinars) or its equivalent in the debt instrument currency; and the size of the Order shall be measured in lots as each lot equal to 1 (one) Debt.

4.5 Types of Orders

The following types of Orders may be entered by Members into the Trading System:

- Regular Orders (Reg),
- All or None (AON) and,
- Minimum Fill (Min Fill).

4.6 Modification and Cancellation of Orders

1. Any Order entered into the Trading System may be modified or cancelled by the Member prior to the matching of the Order.
2. If the security (symbol), Account Number or the Order type (buy or sell) need to be changed, the Order must be cancelled and then re-entered.

5. Matching Priority

Orders shall be matched in priority subject to the following:

1. All Orders shall be matched in priority of price and then time.
2. Regular Orders shall have priority over Non-Regular Orders (Special Term Order).
3. Price/Time priority shall be subject to Section 6.8 of the BHB Market Rules.

6. Pricing Mechanism

6.1 The price is expressed as percentage to the Par Value of the debts (on Par if the price is 100, at a Discount if the price is lower than 100 or at a Premium if the price is higher than 100).

6.2 The quantity is expressed as Lots, each one lot is equal to 1 (one) debt. Each Debt instrument listed on BHB shall have its own Par Value subject to the following pricing formula:

$$\text{Principal Value} = \left[\left(\frac{\text{Price}}{100} \right) \times \text{Par Value} \right] \times \text{Number of Debts}$$

Example:

Price = 98%

Par Value= BHD 1(one)

Number of Debts instruments purchased or sold = 100

Therefore, the Principal value of the trade will be: BD 98 (Ninety Eight)

7. Suspension of Debts Instrument Trading

BHB may suspend or restrict trading in any or all listed or quoted Debt Instruments during any part of the trading session in accordance with BHB Market Rule.

8. Coupons

The interest rate or the expected profit margin (also referred to as “Coupon Rate”) shall be stated on the Debt Instrument upon issuance and may be paid annually, semiannually or quarterly (as shall be set by the Issuer).

For example, 1,000 (one thousand) Debts with Par value of BD 1 (one) and annual coupon of 7% will pay BD 70 (seventy) a year.

9. Yield

The yield is a measure for the investor that shows the total return the investor will receive if the purchased Debt Instrument is held until maturity.

The current yield is the annual percentage return that an investor will receive in relation to the price paid:

$$\text{Current Yield (\%)} = \frac{\text{Annual Interest Received}}{\text{Price Paid}} \times 100$$

10. Settlement Value

10.1 The Settlement Value is the actual amount of money an investor will receive or pay after the execution of a trade.

10.2 The basic principle applied for the settlement in BHB is the Dirty Price (Clean Price + Accrued Interest) which equals the Principal Value and any Accrued Interest.

(Settlement Value= Principal Value + Accrued Interest).

10.3 The Accrued Interest is calculated automatically by the BHB Trading System based on the following formula:

$$\text{Accrued Interest} = \left(\frac{T}{P}\right) \times (\text{Par Value} \times \text{Number of Debts}) \times \left(\frac{\text{Annual Coupon Rate(\%)}}{N}\right)$$

Where:

“**T**” represents the number of days from the last Coupon date to the settlement date.

“**P**” represents the number of days from the last Coupon date to the next coupon date.

“**N**” represents the frequency of the Coupon payment.