



بورصة الكويت
BOÛRSA KUWAÏT

OTC TRADING RULES

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Chapter One
General Provisions

Article 1-1	Definitions
Authority	Capital Markets Authority.
Law	Law No. 7 of 2010 on the establishment of the Capital Markets Authority and Regulating Securities Activities and amendments thereof.
Regulations	The executive regulations of the Law and its amendments.
Exchange	Boursa Kuwait Securities Company.
Clearing Agency	Such body licensed by the Authority that carries out clearing and settlement operations of securities, central depository of securities and other related services.
Supervisory Bodies	A body, a Ministry, and the Central Bank for companies that are subject to any of them, and other competent bodies inside or outside of the State of Kuwait.
Security	Unlisted or delisted securities including Sukuk, bonds and other securities as defined under the Law.
Licensed Broker	A person licensed by the Authority to engage in the following activities: 1. A Securities Broker registered with the Exchange. 2. A Qualified Broker registered with the Exchange.
Registered Broker	A Licensed Broker by the Authority registered through the Exchange to deal through the OTC Trading Platform.

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General Provisions

Trader	A person engaged in the business of buying and selling securities for his own account.
Platform	OTC Trading Platform.
Issuer	A corporate entity person entitled to issue securities such as a joint stock company, collective investment scheme, special purpose vehicle “SPV” company or other Issuer of securities, which can be traded on the Platform.
Settlement Guarantee Platform	Settlement guarantee platform of trades and transactions carried out on OTC Trading Platform.
Direct Market Access	Service provided by Brokers (with direct access to the Platform) to their clients who are persons licensed by the Authority to act as an Investment Portfolio Managers or other persons registered with the Exchange, using trading Platforms which allow clients to trade directly on the Exchange through electronic communication channels.
Sponsored Access	The entry of Persons licensed for investment portfolio manager activities, or other Registered Persons in The Exchange, to Trading Platforms through linked technical channels under the trading code belonging to guarantor broker.
Trading Account	A client account designated for the management and maintenance of the client’s funds and assets that is used to execute all trades in Securities by debiting and/or crediting the account directly
Securities Registrar Account	An account that contains balances of securities held by a shareholder, which is subject to all decisions of the general assembly.
Ministry	Ministry of Commerce and Industry.
Exchange Rules	The rules governing the activities of Boursa Kuwait and its Members, which are approved by the Authority.

Chapter One
General Provisions

Article 1-2	Scope of Applicability and Interpretation of the Rules
	These Rules shall apply to transactions relating to unlisted or delisted securities whether due to mandatory delisting or voluntary delisting from the Exchange. Any dealing or trading in such securities or the transfer of their ownership shall be prohibited where these Rules are not followed.
Article 1-3	These Rules shall apply to Licensed Brokers, and their clients.
Article 1-4	The Exchange shall implement and interpret these Rules in respect of the parties that use the Platform.
Article 1-5	The Trader shall be responsible for verifying the data and information of the securities traded through the Platform, or the Issuer and its financial standing.
Article 1-6	The Exchange shall not be responsible for the publication of disclosures or information on securities traded through the Platform, or the Issuer and the outcome of the general assembly thereof.
Article 1-7	Traders in the Platform shall abide by the following provisions: Warrant to the Registered Broker the validity of their documents and ownership of the traded securities being free of any contractual and legal restrictions that may prevent the transfer of ownership, as well as the authenticity of their credentials.

Chapter Two

Registration Requirements

Article 2-1	<p>Each Issuer shall maintain the shareholder registrar for securities it issues with the Clearing Agency. The Clearing Agency shall notify the Exchange - within three working days of the signing of the contract to maintain the register – of all the securities records held thereby. Such notice shall include – in particular – all data and information available to the Clearing Agency about the Issuer, The International Securities Identification Number (ISIN), the Security it issued, including mortgage and legal or contractual restrictions and judicial orders for seizure or attachment over such securities. The Exchange may request any additional data in the framework of the implementation of the Exchange Rules.</p> <p>The Clearing Agency shall notify the Exchange – immediately – of any change in the data and information provided to the Exchange.</p> <p>The Clearing Agency shall adjust its conditions with the provisions of the preceding two clauses within one year of the entry into force of these Rules, as to the registrar of the securities deposited with them prior to the validity of these Rules.</p>
Article 2-2	<p>Securities shall be - automatically - registered in the Platform, upon receipt of the notice referred to in the preceding Article. The Issuer of the securities registered in the Platform shall not be considered a listed company.</p>
Article 2-3	<p>Bonds and <i>Sukuk</i> issued from a special purpose vehicle, whether incorporated inside or outside of the State of Kuwait may be registered and shall be secured by a Kuwaiti company.</p>

Chapter Three
Powers and Responsibilities of the Exchange

<p>Article 3-1</p>	<p>The Exchange shall establish, operate and manage a Platform for trading unlisted securities. This Platform can be automated or manual, and the Exchange has all the powers necessary to do so.</p> <p>The Brokers and the Clearing Agency shall implement the instructions issued to them by the Exchange upon the operation and management of the Platform.</p>
<p>Article 3-2</p>	<p>The Exchange may use the data and information relating to trading or transactions executed through the Platform, publish or dispose of the same in exchange for or without charge, provided that it shall not prejudice the necessary confidentiality of some information.</p>
<p>Article 3-3</p>	<p>The Exchange shall take all arrangements and measures that would maintain the efficiency and fairness of the Platform and shall have - in this context - all the powers stipulated in Chapter Three of the Exchange Rules.</p>
<p>Article 3-4</p>	<p>The Exchange shall have the right to receive specific fees and commissions for services provided by the Platform, according to Annex 1 of these Rules.</p>
<p>Article 3-5</p>	<p>The Exchange shall form a Committee or authorize a sector or department within its organizational structure to oversee the Platform.</p>
<p>Article 3-6</p>	<p>The Exchange and the Clearing Agency shall not be responsible for any damages or losses that may be inflicted to any person who benefits or trades through the Platform due to malfunctions or risks arising from the trading of securities registered in the Platform.</p>
<p>Article 3-7</p>	<p>Powers of the Exchange in Case of Emergency</p>
	<p>The Exchange may in the cases provided for in Article (3-8) of these Rules - after notification to the Authority and in coordination with the Clearing Agency - the following measures and arrangements:</p> <ol style="list-style-type: none"> 1. Suspend or restrict services and operations performed by the Platform. 2. Change the trading days or hours in the Platform. 3. Any other action considered by the Exchange to be suitable to manage emergency situations.

Chapter Three
Powers and Responsibilities of the Exchange

Article 3-8	Emergency Situations
	<p>An emergency situation according to the previous Article is one of the following situations:</p> <ol style="list-style-type: none">1. Natural disasters, fire, power outages, and any other event that by its nature leads to the inability to operate the Platform.2. In case of errors, failures or faults in the IT or communications Platform.3. Other contingencies that directly affect the operation of the Platform and such those involved in providing the service.
Article 3-9	Notifications
	<p>The Exchange may send notifications to users of the Platform through modern means of communication such as fax, e-mail, or any approved communication Platform. Such notifications shall be valid for the person sent to as soon as a report is received that such notifications has departed the device they were sent from in the Exchange.</p>

Chapter Four

Registration of the Broker with OTC Trading Platform

Article 4-1	General Provisions
Article 4-1-1	The Licensed Broker may not benefit from the Platform, unless it is registered in accordance with these Rules.
Article 4-1-2	The Exchange shall maintain a register of all Registered Brokers in the Platform that includes their data, date of registration and such other data and information required under this Platform.
Article 4-1-3	<p>The Broker registered with the Platform shall abide by the following:</p> <ol style="list-style-type: none">1. Provide any information requested by the Authority, the Exchange or the Clearing Agency, provided that all such information is complete, correct and consistent with reality.2. Not to violate the rules and regulations issued by the Authority, the Exchange, and the Clearing Agency.3. Hold a valid license from the Authority. <p>The Broker registered with the Platform may not benefit from the Platform if its license is invalid for any reason or if its registration is canceled in accordance with these Rules.</p>
Article 4-2	Brokers Registration Mechanism and Conditions
Article 4-2-1	<p>Registration in the Platform shall be limited to persons licensed to the following activities:</p> <ol style="list-style-type: none">1. Securities Broker registered with the Exchange.2. A qualified securities Broker registered with the Exchange.
Article 4-2-2	The Broker or its representative shall submit an application for registration in accordance with the application developed for this purpose by the Exchange, provided that it encloses all necessary documents for registration. These shall include an undertaking to abide by the provisions of these Rules or any other rules or regulations to be established by the Exchange, or Authority or Clearing Agency, and provide technical requirements and systems that would enable it to perform its work.

Chapter Four

Registration of the Broker with OTC Trading Platform

Article 4-2-3	<p>The Exchange shall decide on the application for registration within ten working days from the date of its submission, provided it satisfies the required data and documents as referred to in Article 4.2.2 of these Rules.</p> <p>If the Exchange approves the registration application, the Licensed Broker shall comply and sign the Clearing Agency Agreement and an agreement with the Exchange that includes detailed obligations of the parties thereto. In particular, the Exchange Agreement shall include the following:</p> <ol style="list-style-type: none">1. Technical requirements and systems required to perform operations and trades performed through the Platform.2. Licensed Broker's compliance to these Rules and any amendments thereto.3. Penalties imposed on the Registered Broker in case of violation of the provisions of the Agreement. <p>The Licensed Broker shall be considered a Registered Broker after acceptance of the application for its registration and signing of the two agreements referred to in this clause.</p>
Article 4-2-4	<p>The Exchange may accept or reject the application for registration if it does not satisfy the conditions and documents provided for in this chapter, provided that the rejection decision is justified.</p>
Article 4-2-5	<p>In the case of rejection of the application for registration, the applicant may appeal to the Exchange within fifteen days from the date of notification of the decision of rejection, otherwise the decision will be final.</p>
Article 4-2-6	<p>The Registered Broker may not waive its registration in the Platform Register to any other person.</p>
Article 4-2-7	<p>A Registered Broker in the Platform shall enjoy all services provided by the Platform, and trading for himself or on behalf of its clients.</p>
Article 4-2-8	<p>The Registered Broker may enter into an agreement with a broker not registered with the Exchange for Direct Access Service to the Platform or Sponsored Access provided that both brokers negotiate a discount rate especially for trading commissions. The Exchange may impose fees or commission on this service.</p>

Chapter Four
Registration of the Broker with OTC Trading Platform

Article 4-2-9	Cancellation of the Registration of a Registered Broker at its Request
	<p>The Registered Broker may request cancellation of its registration in the Platform Register provided that the Exchange is informed of such cancellation at least 30 days prior to the proposed date of such cancellation and shall ensure payment of all dues with the Clearing Agency.</p>
Article 4-2-10	<p>Cancellation of the registration referred to in Article (4-2-9) of these Rules shall not affect the obligation of the Registered Broker to fulfill all of its material obligations arising out of its use of the Platform, or the trades executed by such Platform for himself or on behalf of its clients.</p>
Article 4-2-11	<p>The Exchange shall notify the applicant of the approval of the registration cancellation application and shall announce its decision on the Exchange’s website.</p>
Article 4-2-12	Cancellation or suspension of registration of the Registered Broker pursuant to the decision of the Exchange
	<p>The Exchange may - after notification to the Authority and Clearing Agency – suspend or cancel the registration of a Registered Broker on the Platform, and not allow it to use or access the Platform in the following cases, if:</p> <ol style="list-style-type: none"> 1. The Registered Broker violated these Rules. 2. The Registered Broker failed to put in place technical requirements or systems that enable it to perform its activities. 3. The Registered Broker suffers a major or minor event of default in accordance with the definitions referred to in the Executive Bylaws. 4. The Registered Broker violates the terms of the agreement signed with the Exchange and the Clearing Agency. 5. In other cases as may be deemed necessary by the Exchange, provided it notifies the Authority of its reasons. <p>The Exchange may suspend the Registered Broker - temporarily - if it breaches its obligations relating to the settlement and payment of financial obligations or securities for the transactions performed on behalf of its clients.</p>

Chapter Four
Registration of the Broker with OTC Trading Platform

Article 4-2-13	The Exchange shall suspend or cancel the registration of the Registered Broker and prevent him from using or accessing the Platform in the following cases: <ol style="list-style-type: none">1. If the activity of the Registered Broker has been suspended or its license issued by the Authority has been suspended.2. If any of the conditions of registration is lacking.
Article 4-2-14	The Exchange shall notify the Registered Broker of its decision to suspend or cancel the registration and announce the same on its website. Moreover, the Exchange shall notify the Authority and the Clearing Agency of this decision.
Article 4-2-15	The decision of suspension or cancellation of registration according to the provisions of Articles (4-2-13) and (4-2-14) of these Rules shall not affect the obligations of the Registered Broker arising out of its use of the Platform or trades executed by such Platform for itself or on behalf of its clients.

Chapter Five

OTC Trading Platform Services

Article 5-1	Types of Services
	<p>The Platform offers the following services:</p> <ol style="list-style-type: none">1. Placement of Buy and Sell orders.2. Execution of Special Trades.3. Viewing trading data.
Article 5-2	<p>Each registered Broker shall provide the Platform with all information and data required for trading, provided that such information and data are correct and in accordance with reality.</p>
Article 5-3	Securities that are traded through the Platform
	<p>Subject to paragraph 3 of Article 2.1 of these Rules, all unlisted securities of all types shall be traded through the Platform. Such securities shall not be dealt with outside the Platform. The same provision shall apply to securities that have been delisted, whether due to mandatory delisting or voluntary delisting. Any transaction on securities in violation of these Rules shall be annulled.</p>
Article 5-3-1	<p>If the company - at the time of registration – comprises fifty shareholders or more the Exchange may permit to trade its shares whether through continuous trading or through Special Trades, apart from companies that request trading its issued shares be limited to Special Trades. This exception shall not apply to public joint stock companies.</p> <p>If the number of shareholders is less than fifty shareholders or dropped to less than fifty shareholders at the time of the annual review conducted by the Exchange, the shares of the company shall be traded through Special Trades only.</p> <p>Trades shall be executed on the other securities that are not traded through continuous trading through Special Trades regardless of the number of shareholders or holders of the Security.</p>

Chapter Five
OTC Trading Platform Services

Article 5-4	Cases Exempted from Trading in the Platform
	<p>As an exemption to the prohibition of dealing outside the Platform in accordance with Article 5-3 of these Rules are the following cases:</p> <ol style="list-style-type: none"> 1. Transfer of ownership by way of inheritance or will. 2. Transfer of ownership between spouses and relatives to the second degree. 3. Cases of transfer of ownership at the request of the Public Authority for Minors Affairs and the merger of the shares of the trustee or guardian. 4. Transfer of ownership to and from companies licensed to manage the portfolios of others for the purpose of depositing in a portfolio or transferring from the portfolio if it is to the same customer. 5. Transfer of ownership by a court judgment or arbitration decisions enforceable in respect of any of the cases referred to in Item (1) to (4) of this Article. 6. Transfer of ownership pursuant to an amicable settlement between the creditor and the debtor or guarantor owning the Security. 7. Transfer of ownership in implementation of the repurchase agreements in accordance with the provisions of Article (8-11) of Eleventh Module (Dealing in Securities) of the Executive Bylaws. 8. Transfer of ownership of the necessary number of shares of the company to guarantee the membership for the Board of Directors in accordance with the concerned company's articles of association. 9. Transfer of ownership based on an enforceable court judgment or arbitration award, in cases other than such referred to in Items (1) to (5) of this Article. 10. Transfer of ownership at the request of governmental bodies (within the framework of the state's offering of the Securities it owns to the private sector). 11. Cases of transfer of ownership from partners to the company and vice versa, as well as transfer of ownership between subsidiaries and Affiliates. 12. Shares granted to the employees of the company in execution of the employee share option. 13. Transfer of ownership based on merger deal in respect of a registered company in the OTC Trading Platform.

Chapter Five
OTC Trading Platform Services

	<p>14. Transfer of ownership of securities as a result of the company or fund liquidation.</p> <p>15. Transfer of ownership of securities owned by a company in another company, in order to distributing the same as in-kind profits from the holding Company to its shareholders.</p> <p>16. Cases of ownership transfer emerging from a swap of unlisted securities or a company unlisted shares as a capital increase in a listed company.</p> <p>17. Any other cases approved by the Exchange after being approved by the Authority.</p> <p>In the cases referred to in this Article, ownership shall be transferred by the Clearing Agency, subject to the approval of the Exchange. The cases mentioned in paragraphs (1) to (5) of this Article shall be exempted from the requirement of obtaining the approval of the Exchange.</p>
<p>Article 5-5</p>	<p>The provisions of the preceding Article shall apply to cases of acquisitions that lead to ownership of 50% or more of a company's unlisted shares and subject that:</p> <ol style="list-style-type: none"> 1. The value of the acquisition shall not be less than of KD 1,000,000 (KD one million). 2. The acquisition is arranged by an investment consultant. 3. A report issued by an investment consultant on the fair value of the shares of the acquired company is submitted. <p>The approval of the Exchange in the cases described in this Article shall be required.</p>
<p>Article 5-6</p>	<p>The transfer of ownership in respect of the excluded cases referred to in Items from 6 to 17 of Article (5-4) and Article (5-5) of these Rules shall be according to the following procedures:</p> <ol style="list-style-type: none"> 1. The concerned parties shall apply for the Exchange's approval on transfer of ownership using the application form approved by the Exchange and attach the documents that prove the applicability of one of the exempted cases. 2. The Exchange shall issue its decision whether to approve, reject or require further explanations or documents, having verified the applicability of one of the exempted cases. 3. In case of approval by the Exchange, the parties to the transaction shall submit an application to the Clearing Agency for transfer of ownership. The Clearing Agency shall do so after verifying the identity of the parties to the transaction, their legal representation and the documents proving the ownership.

Chapter Five
OTC Trading Platform Services

Article 5-7	Securities subject to legal restrictions may only be traded in cases specified by Law. Securities subject to contractual restrictions may be traded subject to the consent of the person to whose favor the contractual restriction may be.
Article 5-8	The terms of mortgage and obligatory execution provided for in the Executive Bylaws shall apply to securities.
Article 5-9	Suspension or Deregistration of a Security from the Platform
	The Exchange may suspend trading on one or more Security or suspend the Platform, in emergency situations described in Article (3-8) of these Rules.
Article 5-10	<p>The Exchange shall suspend trading on securities – upon request of the Clearing Agency or the Issuer or regulatory authorities – in the following cases:</p> <ol style="list-style-type: none"> 1. Liquidation of the Issuer, or if the Issuer is declared bankrupt under a final court judgment. 2. The expiration of the Security for any reason. 3. Under a notification from the Authority. <p>The Security shall return to trading after the reasons for the suspension have been overcome under a decision of the party issuing the suspension decision.</p>
Article 5-11	Cancellation of Trades
	The effect of trades can be reversed by creating a new trade with an opposite effect, so as to reverse the sell and buy positions of Traders of securities in case the Clearing Agency has been notified officially by the Exchange during the settlement period. No transaction can be cancelled or reversed after the settlement.
Article 5-12	Trade Execution
	<p>The Registered Broker – and not any other party – shall have the right to place the sell or buy orders in the Platform. However, the Registered Broker may provide its clients and subscribers an electronic Trading Platform, either through direct access to the Platform (Direct Market Access) or Sponsored Access to the Platform (Sponsored Access). In all cases, the Registered Broker shall be responsible for the validity of such orders and the fulfillment of the obligations arising therefrom.</p> <p>The agreement signed with the Registered Broker shall indicate the rights and obligations relating to the application of the provision of this Article.</p>

Chapter Five
OTC Trading Platform Services

Article 5-13	<p>The execution of trades on the securities shall be based on the Security's price or their yield in respect of the Sukuks and bonds.</p> <p>The Exchange may set price limits on the decline or rise in the prices of a Security or a set of securities or all securities registered in the Platform.</p>
Article 5-14	Trading Hours and Sessions
	<p>Trading is executed during the continuous trading session in the Platform during the trading hours determined by the Exchange, except on holidays and public holidays as may be announced by the Exchange.</p>
Article 5-15	Client's Authorization to the Registered Broker
	<p>The Registered Broker before dealing on behalf of the client shall obtain its authorization that grants the Registered Broker all the powers to initiate the transfer of ownership procedures for securities subject to dealing with the Clearing Agency.</p>
Article 5-16	<p>The authorization from the client to the Registered Broker shall provide that, in the event of revocation of the authorization, such revocation shall not apply to securities that have been traded prior to such revocation.</p>
Article 5-17	Orders Entry
	<p>The Registered Broker shall place the orders at the request of its clients after confirming their ability to fulfill their obligations resulting from transactions. The order remains valid in the Platform and executable during the period determined by Trader, even if it exceeds one trading or more trading sessions, and up to a maximum of three months. The same provision applies even if the order is partially executed in respect of the unexecuted part of the order.</p>
Article 5-18	Information required upon orders placement in the Trading Platform
	<p>When orders are placed into the Platform, the following needs to be specified:</p> <ol style="list-style-type: none"> 1. Order feature (Public or Private order). 2. Type and number of securities offered for buy or sell. 3. The value specified for buy or sell. 4. Order Duration referred to in the Trading Platform. 5. Client data. 6. Any other input requested in the Platform.

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OTC Trading Platform Services

Article 5-19	<p>The Registered Broker after placing an order in the Platform before it is executed may attempt any of the following actions:</p> <ol style="list-style-type: none">1. Adjust the quantity, price, yield or discount on the yield.2. Cancel the entire order or the part thereof that is not executed.
Article 5-20	<p>When matching a sell order with buy order the trade is executed through the Platform and shall be binding upon the parties thereto who as a consequence, shall undertake to transfer ownership of the securities against the payment. As an exception of the provision of this Article, shall be the case referred to in Articles (5-4) and (5-5) of these Rules.</p>
Article 5-21	<p>The Exchange shall notify the Clearing Agency at the end of the trading session of the trades executed on the securities during that session. The Clearing Agency shall mark such securities in its records to indicate that they are under settlement.</p>
Article 5-22	<p>After the execution of the trades in the Platform, the Registered Broker who executed the trades on behalf of the buyer to pay the amounts due for this trade in accordance with these Rules.</p>
Article 5-23	<p>After the execution of the trade, any errors in the client's data may be amended within a maximum period of up to the end of a trading session, provided that the Exchange shall collect a fee of Ten Dinars from the client's Broker. This provision shall not apply to the trade's quantity, price and Security.</p>
Article 5- 24	<p>The Exchange shall develop a Market Model for the Platform that contains detailed provisions for trading operations. It – in particular – shall address the following issues:</p> <ol style="list-style-type: none">1. Types of securities traded in the Platform.2. A determination of trading times.3. trading sessions and their characteristics.4. Types and validities of orders.5. Tick Sizes and price limits, if any.

Chapter Six

Special Trades

Article 6-1	General Provisions (Transfer of Ownership Mechanism)
	Trading in OTC Trading Platform may be conducted through special trades, in accordance with the provisions of this Chapter, and in the absence of a special provision contained in this Chapter, the provisions set forth in Chapter 5 of these Rules shall apply.
Article 6-2	Special Trades
Article 6-2-1	Special trades are transactions that require, due to their inherent nature, that an agreement of the parties (the seller and the buyer) shall be precedent to the execution of a transaction on a Security in the Platform to a predetermined price and quantity, through a Registered Broker.
Article 6-2-2	Special trades are executed through the Trading Platform without being announced. The deal may be announced following approval of the parties thereto.
Article 6-3	Regulatory Requirements
Article 6-3-1	In the event that a listed company executes a special trade on a Security registered in the Platform, which entails disclosing material information, it shall make such disclosure in the Exchange as referred to in Chapter IV of Book Ten (Disclosure and Transparency) of the Executive Bylaws.
Article 6-3-2	The provisions of Article 1-19 "Effective Control" of Module five (Securities Activities and Registered Persons) of the Executive Bylaws shall be observed when obtaining the Authority's approval prior to the execution of a Special Trade resulting in an Effective Control over a Licensed Person.

Chapter Seven
Violations and Discipline

Article 7-1	Should the Registered Broker violate the provisions set forth in these Rules, it shall be held liable to compensate any person that would suffer damages inflicted as a result of such violation.
Article 7-2	The provisions of Article (7-1) of these Rules are without prejudice to right of the Exchange to refer the Exchange Members to the Exchange Violations Committee to consider the violations in the Exchange in accordance with the provisions of the Law, the Executive Bylaws and the Exchange Rules.

Chapter Eight
Other Provisions

Article 8-1	A person in whose name is registered a Security in the Clearing Agency records shall be entitled to all the rights prescribed for such Security and shall assume the obligations ascribed thereto.
Article 8-2	The Exchange may, on its own initiative, publish information, data or news about the Issuer or the securities.
Article 8-3	The Registered Broker shall enter into an agreement with the Client that includes all of the terms and conditions and shall exert due diligence to verify the Client's data and the validity of legal representation in the case of acting on behalf of third parties or any corporate entity.
Article 8-4	Mortgaged Securities and Obligatory Execution
Article 8-4-1	The terms of mortgage and obligatory execution provided for in the Executive Bylaws shall apply to securities.

Chapter Nine
Clearing Agency

	Clearing Agency
Article 9-1	Clearing Agency Powers
	<p>1. The Clearing Agency shall establish, operate and manage the OTC Post Trading Platform. This Platform may be automated or manual and the Clearing Agency shall have the necessary powers to do so. The Issuer and the Registered Broker shall comply with the instructions issued thereto by the Clearing Agency upon the operation and management of the Clearing Agency Platform.</p> <p>2. The Clearing Agency may use of data and information transacted through the Clearing Agency Platform, publish or otherwise dispose of the same in exchange for or without charge, provided that it shall not prejudice the confidentiality of some information.</p> <p>3. The Clearing Agency shall take all measures and arrangements that maintain the efficiency of the Clearing Agency Platform.</p> <p>4. The Clearing Agency shall have the right to charge commissions and fees for the services it provides.</p> <p>5. The Clearing Agency shall delegate a committee, sector, department or more within its organizational structure to supervise the Clearing Agency Platform.</p> <p>6. The Clearing Agency shall not be liable for any damages or losses incurred by any person who may benefit or deal through the Clearing Agency Platform, due to errors or malfunctions, or risks arising from its operations.</p>
Article 9-2	Registration Requirements with the Clearing Agency
	<p>1. Each Issuer shall place the securities it issued in the registrar of the Clearing Agency as well as the data of the Security it issued, legal or contractual restrictions, including mortgage, judicial seizure or attachments to which such securities are subject. The Clearing Agency may request any additional data in the context of implementing these Rules.</p> <p>2. The Issuer shall notify the Clearing Agency - immediately – of any change to the data and information it supplied to the Clearing Agency.</p> <p>3. Securities shall be – automatically – recorded with the Clearing Agency Platform once the record of the Security is received from the Issuer being completed with all data as prescribed under Item (1) of this Article.</p>

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	<p>The Clearing Agency shall create The International Securities Identification Number (ISIN) and notify the Exchange – within three working days of the signing of a contract to maintain the record – of all the securities records held thereby. Such notice shall include – in particular – all data and information available to the Clearing Agency about the Issuer.</p>
<p>Article 9-3</p>	<p>Procedures and Conditions for Registering Brokers</p>
	<p>1. The Registered Broker may not benefit from the Clearing Agency Platform, unless it is registered in accordance with these Rules.</p> <p>2. The Clearing Agency shall maintain a record for all Registered Brokers in the clearing Platform including their data, the date of registration and other data and information the Clearing Agency Platform may require.</p> <p>3. The Broker registered with the Platform shall abide by the following:</p> <ul style="list-style-type: none"> a) Provide any information requested by the Authority, the Exchange or the Clearing Agency provided that all such information is complete, correct and consistent with reality. b) Not to violate the rules and regulations issued by the Authority, the Exchange, and the Clearing Agency. c) Hold a valid license from the Authority. <p>The Broker registered with the Clearing Agency Platform may not benefit from this Platform if its license is invalid for any reason or if its registration in the Platform is canceled in accordance with these Rules.</p>
<p>Article 9-4</p>	<p>Mechanism and Conditions for Registration of Brokers</p>
	<p>1. Registration in the Platform shall be limited to persons licensed to the following activities:</p> <ul style="list-style-type: none"> • Securities Broker registered with the Exchange. • A qualified securities Broker registered with the Exchange. <p>The Broker or its representative shall submit an application for registration in accordance with the form developed for this purpose by the Clearing Agency, provided that it encloses all necessary documents for registration. These shall include an undertaking to abide by the provisions of these Rules or any other rules or regulations to be established by the Authority, the Exchange or Clearing Agency, and provide technical requirements and Platforms that would enable it to perform its work.</p>

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	<p>2. The Clearing Agency may request additional information, documents or guarantees from the Broker.</p> <p>3. The Clearing Agency shall decide on the application for registration within ten working days from the date of its submission, provided it satisfies the required data and documents as referred to in Items (1) and (2) of this Article.</p> <p>4. If the Clearing Agency approves the registration application, the Broker shall sign an Agreement with the Clearing Agency that includes detailed obligations of the parties thereto. In particular, this Agreement shall include the following:</p> <ul style="list-style-type: none">• Technical requirements and systems required to perform operations and trades performed through the Clearing Agency Platform.• Services provided by the clearing agency and fees for these services.• Mechanism for payment and settlement of financial liabilities and securities.• Guarantees that the Registered Broker undertakes to provide shall ensure that its financial obligations are settled in accordance with the financial guarantee document. <p>5. The Clearing Agency may accept or reject the application for registration if it does not satisfy the conditions and documents provided that the rejection decision is justified.</p> <p>6. In the case of rejection of the application for registration, the applicant may appeal to the Clearing Agency against this decision within five days from the date of notification of the decision of rejection, otherwise the decision will be final.</p> <p>7. The Registered Broker may not waive its registration in the Clearing Agency Platform Register to any other person.</p> <p>8. A Registered Broker in the Clearing Agency Platform shall have access to all services provided by the Platform as defined in the agreement provided for in Item (4) of this Article.</p>
Article 9-5	Cancellation of Registration of The Broker at its Request
	<p>1. The Registered Broker may request that its registration be canceled provided that the Clearing Agency is notified of such cancellation at least thirty days before the proposed date of such cancellation and upon payment of all the dues to the Clearing Agency.</p> <p>2. The cancellation of the registration as referred to in Item (1) of this Article shall not affect the obligation of the Registered Broker to fulfill all of its material obligations arising out of its use of the Clearing Agency Platform or of the transactions concluded through such Platform for himself or on behalf of its clients.</p>

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	<p>3. The Clearing Agency shall notify the applicant of its approval of the application for cancellation of the registration and notify the Authority and the Exchange accordingly.</p>
Article 9-6	<p>Cancellation or Suspension of Registration of the Registered Broker pursuant to the decision of the Clearing Agency</p> <p>1. The Clearing Agency may – after notification to the Authority and the Exchange – suspend or cancel the registration of a Registered Broker in the Clearing Agency Platform, and disallow him from using or accessing the Platform in the following cases, if:</p> <ul style="list-style-type: none">• The Registered Broker commits a violation to these Rules.• The Registered Broker failed to put in place technical requirements or systems that enable it to perform its activities.• The Registered Broker suffers a major or minor event of default in accordance with the definitions referred to in the Executive Bylaws.• The Registered Broker violates the terms of the agreement signed with the Clearing Agency.• In other cases, as may be deemed necessary by the Clearing Agency, provided it notifies the Authority to such effect. <p>2. The Clearing Agency may suspend the Registered Broker - temporarily - if it breaches its obligations relating to the guarantee, settlement and payment of financial obligations or securities for the transactions performed on behalf of its clients following notification to the Exchange and the Authority.</p> <p>3. The Clearing Agency shall suspend or cancel the registration of the Registered Broker and prevent it from using or accessing the Clearing Agency Platform in the following cases:</p> <ol style="list-style-type: none">a. If the activity of the Registered Broker is suspended or its license issued by the Authority is suspended.b. If any of the registration requirements are missing. <p>4. The suspension or cancellation of the registration referred to in Items (1), (2) and (3) of this Article shall not affect the obligation of the Registered Broker to fulfill all its material obligations arising out of its use of the Clearing Agency Platform or of transactions it concluded through this Platform for itself or on behalf of its clients.</p> <p>5. The Clearing Agency shall notify the Registered Broker, of its decision to suspend or cancel the registration, after notifying the Authority and the Exchange of such decision.</p>

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Article 9-7	Dealing with Securities through the Platform
	<ol style="list-style-type: none">1. The Clearing Agency shall perform clearing and settlement operations for all securities transactions traded through OTC Trading Platform.2. The provisions of mortgage and involuntary execution provided for under the Executive Bylaws are applicable.3. The Clearing Agency may abstain from effecting any registration in the securities records if there were any violations to the laws or rules in force therewith or with the Exchange.
Article 9-8	Depository, Clearing and Settlement Platform Services
Article 9-8-1	Depository of Securities
	<ol style="list-style-type: none">1. Each Issuer shall have a special record to be maintained with the Clearing Agency, in which the securities holders' names of this Issuer, nationalities, domiciles, number and type of securities held by each, and the value paid thereon shall be recorded.2. The Issuers of the securities shall hand over to the Clearing Agency a copy of their shareholders' registers containing the names of the owners of these securities and information available in respect to their identities, nationalities and addresses as soon as such securities are issued.3. If the securities are registered with the Clearing Agency in the name of a bank or a company that manages the third party's portfolios, such record shall be linked to indicate that the ownership is for the account of the company, the bank or for the account of others.4. The Clearing Agency shall issue to the holders of securities, in consideration for the certificates deposited therein, receipts in their names and the number of shares held thereby.5. Depository receipts issued by the Clearing Agency shall be considered as proof of ownership by the holders of the securities indicated therein as long as they correspond to the records of securities deposited with the Clearing Agency.6. The Clearing Agency shall provide to the Issuers of the securities deposited therewith the reports they request in accordance with these Rules.

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	<p>7. Any interested party may request the Clearing Agency provide data from the Security registrar’s records.</p> <p>8. The Clearing Agency shall make a note in the Securities Register of any changes in the data recorded therein in accordance with the data that the Clearing Agency receives.</p> <p>9. The Securities Register maintained with the Clearing Agency shall be marked to reflect any mortgage or attachment of the securities deposited therewith, cancellation of the mortgage or the removal of the attachment, as well as transfer of ownership and other dispositions.</p> <p>10. The Clearing Agency may refrain from making any insertions in these records if there were any violations to the laws or rules in force therewith or with the Exchange.</p>
Article 9-8-2	Trading Account
	<p>1. Each Trader shall open an account with a Registered Broker, under which a trading number in the Clearing Agency Platform shall be assigned to deposit securities and record the trading operations yield.</p> <p>2. The Trader in the OTC Trading Platform can use the Trading Account number used in the official market and vice versa</p> <p>3. The Trader may transfer securities between the registrar and the Trading Account. All securities deposited in a Trading Account shall be subject to deposit and custody fees.</p> <p>4. The Registered Broker shall perform due diligence of the Trader and provide the Clearing Agency a copy (Paper or Electronic) of the due diligence and Know Your Client “KYC” documents upon opening the account, when making any update thereto, and upon the Clearing Agency request.</p> <p>5. The Trader may request to transfer its transactions from a Registered Broker to another Registered Broker.</p> <p>6. The Trader’s request to transfer from a Registered Broker to another Registered Broker shall be entertained following both parties’ agreement.</p> <p>Without prejudice to the previous provisions contained in this Article, a Registered Broker may authorize to receive clients’ orders to a licensed person to act as an unregistered Securities Broker in the Exchange according to the following conditions:</p>

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	<ul style="list-style-type: none"> • Orders are issued from the Trading Accounts of the Registered Broker’s clients. • The Registered Broker must conclude an electronic trading agreement in the OTC Trading Platform with the Exchange. • The Exchange and the Clearing Agency must be provided with a copy of the agreement concluded between the Registered Broker and the unregistered broker. • The Registered Broker remains responsible against the Exchange and the Clearing Agency for implementing the provisions of these rules and the provisions of the agreements concluded with them.
Article 9-8-3	Clearing
	<ol style="list-style-type: none"> 1. The Exchange shall notify the Clearing Agency at the end of the trading session of the trades which were carried on the securities during that session, and the Clearing Agency shall mark opposite to these securities in records maintained therewith to indicate that these are under the settlement. 2. The Clearing Agency shall settle transactions which take place on the securities registered with the Exchange Platform, determine the parties’ positions in such transactions. The Clearing Agency shall set off their rights against obligations towards each other and undertake all measures required by clearing and settlement operations. 3. The Clearing Agency shall record transactions which take place on securities registered in the OTC Trading Platform, transfer their ownership and pay of the amounts due thereupon and receive them through Registered Brokers who made these transactions. 4. The Registered Broker who concluded the transaction on behalf of the buyer is committed to pay the amounts due for this transaction in accordance with these Rules. 5. The Registered Broker shall guarantee the integrity of the transactions which are done through him, fulfill all obligations arising therefrom and be responsible towards the Clearing Agency and Traders for the soundness of such transactions and all papers, documents and data related thereto. 6. The Registered Broker shall act on behalf of its clients in so conducting transactions and signing with the Clearing Agency, initiating the procedures to transfer ownership, payment and receiving securities resulting from transactions carried out on the same.

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	<p>7. Cash amounts deposits and payments in respect of the transactions which take place on registered securities in the Platform will be at dates and through means to be determined by the Clearing Agency through the payment of cash dues in one of the Clearing Agency accounts with the banks and the Clearing Agency will issue checks to the beneficiaries.</p> <p>8. The Registered Broker shall settle to the Clearing Agency any amounts, commissions or fees that may result from the clearing procedures, during the settlement period.</p> <p>9. The Clearing Agency shall create entitlements on the securities for the purpose of confirming the existence of securities available for delivery.</p> <p>10. Traders may reuse securities and amounts due to them in other deals to conclude new deals for their own account during the settlement period.</p> <p>11. In case a Trader buys securities without having the necessary funds available or upon the availability of unsettled funds, the Trader shall retain these securities until the purchase price is fully paid by making a new deposit of the concerned amounts.</p> <p>12. If the Trader fails to pay the due amounts, Settlement Guarantees shall be activated in accordance with Chapter Ten of these Rules and the Clearing Agency shall create entitlements over such amounts to confirm the availability of funds for payment.</p>
<p>Article 9-8-4</p>	<p>Settlement</p>
	<p>1. All trading transactions accepted by the Clearing Agency shall be subject to settlement during the trading day and in accordance with settlement model one basis recognized by the Bank for International Settlements “BIS” (Gross – Gross Settlement).</p> <p>2. The Clearing Agency shall settle the amounts in a direct manner with the Traders.</p> <p>3. Traders may transfer the amounts from their bank accounts in advance to the Clearing Agency bank account dedicated for trading operations.</p> <p>4. The Trader may buy securities using the resulting amounts from sell deals available in the Trading Account.</p> <p>5. The Clearing Agency shall issue cash payments to the Traders on all working days.</p>

6. The Clearing Agency shall hand over the checks issued to the Registered Broker who executed the deal for the Trader on the next working day which follows the issue date.
 7. The Trader may request the Clearing Agency to rollover the account to prevent making any payments to the Trader until it so requires.
 8. Amounts shall be settled through regular internal accounts and checks.
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Article 9-8-5	Cancellation of executed trades
	<p>It shall be impermissible to cancel or reverse any transaction that has been settled. Only if the Clearing Agency is officially notified by the Authority and/or the Exchange on the same trading day the transaction may be modified or reversed.</p>
Article 9-8-6	Reports and Records
	<ol style="list-style-type: none">1. The Clearing Agency shall furnish data and reports to the Registered Brokers at times and method it so specifies.2. The Traders shall assume the responsibility to verify immediately the details of their records, statements or reports and notify the Clearing Agency within one day from date the receipt of the said report in writing of any omissions or error. In all cases, the Clearing Agency reserves the right to correct omissions or the error at any time as soon as it becomes aware of.3. Any statement or report furnished by the Clearing Agency for Traders, if free of errors, shall be considered conclusive with respect to its subject.
Article 9-8-7	Direct Connectivity
	<ol style="list-style-type: none">1. The Clearing Agency shall provide direct connectivity service via the Internet that allows the Registered Brokers to perform operations or inquiries through the electronic Platform.2. Through this service, the Registered Brokers may instantly view immediate balances (shares/amounts) of its clients.3. All Platform users shall maintain the secrecy of clients' information.

Chapter Ten
Settlement Guarantee for OTC Trading Platform Transactions

Article 10-1	Financial Guarantee
	<p>1. The Registered Broker shall guarantee the obligations of its clients resulting from the deals which he conducts on their behalf whether they relate to obligations to delivery of the securities which have been sold or settle the amounts resulting from purchase deals.</p> <p>2. The Clearing Agency shall notify the Registered Broker, the Exchange and the Authority of the due Traders by the end of the settlement period.</p> <p>3. Delay penalties shall be calculated on owing Traders and the Registered Broker in accordance with the provisions of the financial guarantee prescribed by the Authority.</p>
Article 10-2	Additional Settlement Guarantee
	<p>1. The Clearing Agency shall calculate the Settlement Guarantee amount for the OTC Trading Platform and notify the Registered Broker of the value of such guarantee. The Registered Broker shall deposit the amount in the additional Settlement Guarantee amount in the financial guarantee account.</p> <p>2. Guarantee amounts shall be calculated based on two main elements of risk criteria namely the market risk and counter party risks of the Registered Broker, while the latter includes operational risks. The Clearing Agency may request the Registered Brokers to increase their deposits based on the trading activity and re-deposit any amounts used from account at a minimum of KD 150,000.</p> <p>3. The Clearing Agency shall review the calculation of the guarantee amount of each Registered Broker on a periodic basis.</p> <p>4. Registered Broker shall comply with the provisions of the financial guarantee system issued by the Clearing Agency and approved by the Authority. Moreover, the Registered Broker shall comply with the provisions of the Additional Settlement Guarantee of the OTC Trading Platform.</p>
Article 10-3	Defaults
	<p>1. If the Trader defaults for an amount less than or equal to the value of the financial guarantee deposited by the Registered Broker, the following shall be done:</p> <ul style="list-style-type: none"> • The Clearing Agency shall deduct the default amount from the Registered Broker's financial guarantee account. • The Clearing Agency shall cease the Trading Account of the defaulting Trader in the OTC Trading Platform.

Chapter Ten

Guarantee Settlement of Transactions of the OTC Trading Platform

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- The Clearing Agency shall temporarily suspend the concerned Registered Broker until the amount required is covered by it in its guarantee account.
 - When the Trader settles the amount of default, the concerned Registered Broker shall notify the Clearing Agency, and the Clearing Agency shall issue a check for the deducted amount and lift the suspension of the concerned Registered Broker and Trader after calculating the fines resulting from such default.
2. If the Trader defaults for an amount that exceeds the financial guarantee amount deposited by the concerned Registered Broker, the following steps shall be followed:
- The Clearing Agency shall cancel the deal after the end of the settlement period (T+0) and reverse all effects resulting from the deal.
 - The Clearing Agency shall cease the Trading Account of the defaulting Trader.
 - The Clearing Agency shall suspend the Registered Broker temporarily for a maximum period of 30 working days and notify the Authority accordingly.
 - A fine shall be calculated on both the Trader along with the concerned Registered Broker.
 - If the default is reattempted by the Registered Broker, the Clearing Agency shall suspend the Registered Broker for any duration as the Clearing Agency deem fit or cancel the Registered Broker registration.
3. In the case of equity delivering defaults, the Clearing Agency shall act as provided in Item (2) of this Article.
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Attachment (1)

Trading Fees on OTC Trading Platform

Type and Value of Transaction	Commission Rate	Minimum Value of Commission
Equity Trading Commission	0.50%	KD 3
Bond and <i>Sukuk</i> Trading Commission	0.01%	KD 10
Special Trades (Trade Value):		KD 3
Less than KD 50,000	0.50%	
Between KD 50,000 and 249,999	0.40%	
Between KD 250,000 and 999,999	0.30%	
Between KD 1,000,000 and 4,999,999	0.10%	
KD 5,000,000 or more	0.05%	
OTC Trading Platform Fees Breakdown		
Broker	50%	
The Exchange	48%	
Clearing Agency	2%	
Clearing Agency Commissions and Charges		
Commission / Fees	Commission Value	
Settlement Fees	(500) Fils for each Deal	
Transfer of shares between the depository accounts and Registry	KD 1 for each process	
Transfer of Ownership fees with the approval of the Exchange		
Commission / Fees	Commission Value	
Fees	0.05 % Calculated on the basis of the share's nominal value or the last trading price through the Platform, whichever is less.	

- All commissions shall be applied to each transaction separately.