بورصـــة البحـــرين
BAHRAIN BOURSE

Market Rules:

A list of recent changes made to the Market Rules is undertaken below:

Ref.	Change Date	Description of Changes
4.2 Serving/Opening Clients Trading Account(s)	7/2019	Added the following : 4.2.1. / 4.2.2 / 4.2.3 /4.2.4 /4.2.5

Approved by:

Sh. Khalifa Al Khalifa
Chief Executive Officer

Version Control Paper

بورصـــة البحـــرين
BAHRAIN BOURSE

BAHRAIN BOURSE B.S.C. (c)

Market Rules

July 2019

MARKET RULES

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SECTION 1 – DEFINITIONS AND INTERPRETATION

1.1 Definitions

In implementing the provisions of the Market Rules, the following terms and expressions shall have the meanings assigned to them below unless the context requires otherwise:

"AML"	CBB Rulebook Volume 6 Anti-Money Laundering and Combating Financial Terrorism Module
"Appeals Committee"	The committee constituted and appointed by a Directive of the Governor of the Central Bank of Bahrain to exercise the power and function relating to the referrals against the decisions of the Disciplinary Board.
"Arbitration Committee"	The committee constituted and appointed by the Board of Directors of the BHB to receive petitions, coordinate, and assist in the administration of arbitrations in terms of Section 9 of the Market Rules.
"Approved Person"	An approved person is as stipulated in Article 3.10.
"BHB"	Bahrain Bourse.
"Board"	The Board of Directors of BHB.
"CBB"	The Central Bank of Bahrain.
"CEO"	Chief Executive Officer or person holding similar position
"CMSD"	The Capital Markets Supervision Directorate of the CBB.
"Clearing Participant"	An entity approved as a Clearing Participant in accordance with the rules of CSD.
"Client Complaint"	A client complaint includes: any complaint in relation to the provision of services by the Member in which the client alleges that he has suffered, or is likely to suffer financial prejudice as a result of the Member: (a) Contravening or failing to comply with any instruction given by the client, or any agreement or mandate entered into with the client; (b) Contravening or failing to comply with the Rules and the Directives of the BHB; (c) Acting dishonestly, negligently or recklessly; or (d) Treating the client unreasonably, or unfairly.

"Connected Persons"	In relation to an individual means: (a) The individual's spouse and his/her son, adopted son, stepson, daughter, adopted daughter, step-daughter, father, step-father, mother, step-mother, brother, step-brother, sister or step-sister, under his/her guardianship or control; or (b) A firm or corporation in which the individual or any of the persons mentioned in sub-paragraph (a) has control of not less than 10% of the voting power in the firm or corporation, whether such control is exercised individually or jointly; (c) Connected persons in relation to a firm or corporation means another firm or corporation in which the first-mentioned firm or corporation has control of not less than 10% of the voting power in that other firm or corporation.
"CBB Law"	The Central Bank of Bahrain and Financial Institutions Law issued by Decree No.64(2006)
"CSD"	The Central Securities Depository.
"CSD Rules"	Rules and Directives issued by a licensed Clearing Entity.
"Designated Market Maker"	A member registered with BHB to provide buy and sell quotes as a principal in a security on a regular and continuous basis at fair market value.
"DRA"	CBB Rulebook Volume 6 "Dispute Resolution, Arbitration and Disciplinary Proceedings Module".
"Directives"	Rules prescribing practices or requirements that BHB may enact from time to time and approved by the CBB to supplement the BHB Rulebook.
"Disciplinary Board"	The Committee appointed by the Board to exercise the powers in Section 9 of these Market Rules.
"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.
"Listing Rules"	The rules governing the admission of companies to the Official List and the continuing requirements for such companies to remain on the Official List.
"Listed Company"	A Public Joint Stock Company or a Closed Joint Stock Company listed on BHB.
"MAE"	The CBB Rule book Volume 6 "Markets and Exchanges Module".

"MAM"	The CBB Rulebook Volume 6 "Prohibition of Market Abuse and Manipulation Module".
"MIE"	The CBB Rulebook Volume 6 "Market Surveillance, Investigation and Enforcement Module".
"MIR"	The CBB Rulebook Volume 6 "Market Intermediaries and Representatives Module".
"Market Manipulation"	Includes any deliberate/reckless act or attempt, expression, omission or concealment or influence to interfere with the free and fair functioning of the market or to introduce misinformation or misleading appearance in the market, or to impede judgement of investors and market participants.
"Market"	A place at which, or a facility (whether electronic or otherwise) by means of which, offers or invitations to sell, purchase or exchange securities or futures contracts (including options, derivatives and Sharia'a Compliant Securities) regularly made on a centralized basis, being offers or invitations that are intended or may reasonably be expected to result, whether directly or indirectly, in the acceptance or making, respectively, of offers to sell, purchase or exchange securities or futures contracts (whether through that place or facility or otherwise).
"Minor Investor"	Individuals above the age of 18 and below the age of 21 years.
"Market orders (MKT)"	A market order is an order for a security as stipulated in Rule 6.7.3.
"Market Rules"	The BHB Rules governing membership, trading, supervision and arbitration on BHB's market. These Rules are applicable only to those institutions accepted as members or who are otherwise authorized to conduct transactions on BHB. Listed companies are not subject to these rules unless such company is also a member of BHB.
" Market Trades Information"	Information on value, volume and price of Securities traded on BHB.
"Member"	An entity that has been approved as a Member of BHB in accordance with these Market Rules i.e. brokers, market makers.
"Official List"	The official list of securities which have been admitted by the BHB for quotation and trading and subject to the BHB Listing Rules.
"Qualification"	The guarantee of a Clearing Participant to accept liability for all contracts executed on the BHB by a Member which it has qualified.

"Rulebook"	The BHB's rulebook comprising the Market Rules, Listing Rules, and CSD Rules
"Securities"	Shares or Bonds issued by shareholding companies, Government Debt Instruments and the following financial instruments: (a) Shares in companies and other securities equivalent to shares in companies or other entities, and Depositary Receipts in respect of shares; (b) Bonds or other forms of debt, including depositary receipts in respect of such securities; (c) Warrants; (d) Units, Rights or Interests (however described) of the participants in a collective investment scheme; (e) Options, Futures and any other Derivative Contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event); (f) Options, Futures and any other Derivative Contract relating to commodities that can be physically settled; (g) Units to Real Estate Investment Trusts (REITs); (h) Index tracking products including Islamic Indices and Exchange Traded Funds (ETF); (i) Any other financial instrument approved as a financial instrument by the CBB for the purpose of trading such instrument on an exchange; (j) Islamic securities, being those financial instruments that are Shari'a compliant (k) Mutual funds
"Stock Accounts"	A separate account used by the Market Maker to place Bids/Offers in the market and functioning the market making activities.
"Securities Account"	A securities account established by CSD for an account holder.
"Specified Securities"	Securities, Futures Contracts or classes of securities or Futures Contracts that BHB prescribes for trading by a Designated Market Maker;
"Substantial shareholder"	A person who alone or together with his associates: (a) Holds not less than 5% of the shares in the licensed Member ; or (b) Is in a position to control not less than 5% of the votes in the licensed Members.

"Trading System"	Bahrain Bourse Automated Trading System, the electronic trading system for the automatic matching of orders for securities that have been submitted by Members.
"Trading Representative"	An employee of a Member who acts as an account executive for clients and is registered with CBB and BHB.
"Trading Day"	A day in which BHB is open for trading in Securities.
"Undisclosed volume or Iceberg orders (UND)"	A portion of volume that is not displayed publicly. This may be necessary when a large volume order exists in the market. If the entire volume were displayed in the market, the large volume order may negatively affect the market price. By leaving a portion of this large volume undisclosed the order receives a price based on the prevailing Market conditions.

SECTION 2 – INTRODUCTION AND GENERAL RULES

2.1 LICENSED EXCHANGE

2.1.1 Operation of BHB

Bahrain Bourse is an exchange licensed by the CBB and operates the Market and provides other services in accordance with these Market Rules.

2.1.2 Legal Referrals

These Market Rules are prepared in accordance with Volume 6 of the CBB's Rulebook. Hence, all the requirements indicated in the CBB Rulebook apply in these Market Rules.

2.1.3 Services provided by BHB to Members

BHB provides or makes available to Members services and facilities, including, without limitation:

(1) To enter into Market Transactions;

(2) To provide other services connected with the entry into Market Transactions;

(3) Other services and facilities as specified from time to time in accordance with these Market Rules.

2.1.4 No limit on services or facilities to be provided

Subject to MAE, the description of purpose in Rule 2.1.1 and the description of services in Rule 2.1.3 is not to be taken to limit in any way the services or facilities that are or may be provided or made available by BHB, including any Sharia'a Compliant securities that may be introduced by BHB at any time.

2.2 POWERS OF BHB

2.2.1 General Powers

BHB may exercise all such powers and do all such acts and things as may be exercised by a licensed exchange pursuant to CBB Regulations.

2.2.2 Description of powers

BHB may exercise its powers in such manner and on such terms as it shall deem necessary or expedient and which powers shall include, without limitation, the following –

(1) to make new rules for the order and good governance of the Members and their affairs;

(2) to add to, vary, repeal, enforce or waive any of these Market Rules;

(3) to administer, manage, formulate policies and give directions to the Members and such persons to whom these Market Rules are directed;

(4) to issue directives, rulings or guidelines for the purpose of or in connection with any of these Market Rules, including any modification thereto;

(5) to admit or refuse to admit any person or corporation as a Member or Trading Representative;

(6) to interpret conclusively any provision in these Market Rules and any rulings, directives or guidelines and the validity of any act or thing done pursuant thereto in the event of any dispute or difference over such Rules and any rulings, directives or guidelines;

(7) to release information concerning any Member or Trading Representative to the CBB, CSD or any other relevant body or authority;

(8) to disclose market trade information and other business transacted by all or any or each of the Members in such manner and frequency as BHB decides to Members, the public or any other persons deemed fit by BHB provided always that such information shall be framed in such a way so as not to enable the identity of any client of the Member to whom the information relates to be ascertained;

(9) to grant, suspend or revoke the rights of or cancel the membership of any Member or Trading Representative;

(10) to enforce directions given by the CBB;

(11) to inspect the books and records of all Members and Trading Representatives from time to time and to require any Member and/or Trading Representative to appear before it or any Committee at any time and produce the Member's or Trading Representative's books and records and furnish such information as may be required by BHB including information relating to any client of such Member or Trading Representative and to answer any question regarding any violation of any Rules and any rulings, directives or guidelines;

(12) to order an investigation into the affairs of a Member or registered person, without giving any reason therefore, who it may suspect of having violated any of the provisions of these Market Rules or the CSD Rules and any rulings, directives or guidelines issued thereunder and for this purpose, to demand the production of all books, accounts, records or any other documents which may be deemed necessary for inspection and to engage any accountant, advocate and solicitor or any other qualified person or persons to assist in the investigation;

(13) to require Members to submit reports, information and/or documents to BHB;

(14) to exercise all other such powers as may be necessary for the purposes of monitoring compliance with and enforcement of these Market Rules;

(15) to exercise any powers and take any action for the purpose of maintaining an orderly and fair stock market;

(16) to prescribe Listing Rules governing the admission of securities to the official lists of BHB;

(17) BHB may suspend or restrict trading in any or all listed or quoted securities. It may do so for one or more markets during any part of a trading session;

(18) to impose sanctions prescribed in the Listing Rules on a listed company or any Director of such company in respect of any breach of the Listing Rules;

(19) to prescribe the terms and conditions under which the securities of companies not admitted to the official lists pursuant to the Listing Rules may be traded..

(20) to impose penalties and administrative fines on its Members according to section 9 and the list indicated in appendices.

2.2.3 Effect of powers

Subject to Rule 2.2.4 BHB's decision shall be final and binding on all Members and Trading Representatives.

2.2.4 Incidental powers of BHB

Where any provision of these Market Rules empowers, authorizes or enables BHB to do or enforce the doing of any act or thing, BHB shall have all such powers or rights as may be necessary or reasonably incidental to BHB doing or enforcing the doing of the act or thing.

2.3 POWER TO SUSPEND RULES

2.3.1 Suspension of Rules

Subject to the MAE, BHB may on or at any time after a declaration made under Rule 2.4.1, suspend any of the provisions of these Market Rules and, in place thereof, may proceed to make and impose new temporary rules ("Emergency Rules") to ensure the existence or continuance of an orderly stock market.

2.3.2 Binding Effect

Any Emergency Rules made and imposed by BHB shall, pursuant to such powers, be binding on all Members, Trading Representative(s) and employees for such period and in accordance with the terms and conditions as stipulated by BHB.

2.3.3 Breach of Emergency Rules

A breach of any Emergency Rules shall be treated as a violation of these Market Rules and shall be dealt with accordingly by BHB.

2.4 EMERGENCY

2.4.1 Declaration

Where BHB is satisfied that an emergency situation with regard to the stock market exists, BHB may, after consultation with the CBB, by a resolution make a declaration to that effect. An emergency situation with regard to the stock market includes –

(1) a situation that threatens, or may threaten, the integrity or liquidity of any security traded in the market or the market as a whole;

(2) a situation that threatens, or may threaten, the financial integrity of BHB or its Members;

(3) a manipulation or attempted manipulation of, or the creation of a corner situation in any securities;

(4) any internal or external factors which are likely to have a direct and adverse effect on BHB;

(5) a situation where the operations of BHB are severely and adversely affected by the occurrence of any major incidents such as fire, power failure or computer malfunction; or

(6) any other situation likely to have an adverse impact on the operation of a fair and orderly market.

2.5 EFFECT OF RULES

2.5.1 Binding Effect

These Market Rules are binding on BHB, Members and Trading Representatives in the manner set out in 2.5.2.

2.5.2 Covenants to observe Rules

These Market Rules shall have the effect of a contract under seal between BHB and Members under which:

(1) each Member covenants with BHB and each other Member to observe the Rules and to perform obligations which the Rules purport to impose on the Member, in the manner provided by the Rules; and

(2) BHB covenants with each Member to observe Rules and to perform the obligations which the Rules purport to impose on BHB, in the manner provided in the Rules.

2.6 DEFECTS, IRREGULARITIES AND DEFICIENCIES

2.6.1 Notices or Time

A decision, resolution, proceeding or act of BHB under these Market Rules is not invalidated by any:

(1) defect;

(2) irregularity; or

(3) deficiency,

of notice or time unless:

(1) a Member concerned by the defect, irregularity or deficiency requests BHB to resolve that the decision, resolution, proceeding or act is invalid;

(2) BHB reasonably believes that the defect, irregularity or deficiency has caused or may cause substantial injustice which cannot reasonably be avoided; and

(3) BHB accordingly resolves that the decision, resolution, proceeding or act is invalid.

2.6.2 Partial Invalidity of Rules

If any of the provisions of the Rules becomes at any time illegal, invalid or unenforceable in any respect under the law of any jurisdiction, the legality, validity or enforceability of the remaining provisions of the Rules, and the legality, validity or enforceability of the provision under the law of any other jurisdiction shall not be affected or impaired in any way.

2.7 Review of the rules

This rulebook shall be reviewed periodically and amended from time to time whenever necessary.

SECTION 3 –MEMBERS &TRADING REPRESENTATIVES

3.1 MEMBERSHIP CATEGORIES

3.1.1Registers Maintained by BHB:

BHB will maintain the following registers:—
(1) Register of Trading Members
(2) Register of Designated Market-Makers
(3) Register of Approved Persons
(4) Register of Trading Representative
(5) Any other registers as BHB determines.

3.1.2
An entry in a Register will be deleted by BHB when a person ceases membership or registration.

3.1.3 The below indicates the membership categories of BHB which are in accordance with the CBB Rulebook Volume 6 MIR Module.

(a) Discount Broker:
- (i) The discount broker may only undertake collecting investors' or clients' orders which are required to be executed on BHB through a broker or broker-dealer.
- (ii) Capital Requirement: BD10,000

(b) Broker:
- (i) The broker may undertake:
  - (a) Trading in securities as agent;
  - (b) Arranging transactions in securities as an Agent.
- (ii) Capital Requirement: BD50,000

(c) Broker-Dealer:
- (i)The broker-dealers may undertake:
  - (a) Trading in securities as principal;
  - (b) Trading in securities as agent;
  - (c) Arranging transactions in securities as principal and arranging transactions for clients as agent;
  - (d) Managing securities' portfolios;
  - (e) Depositing of securities;
  - (f) Advising on securities businesses;
  - (g) Providing market research and analysis.
- (ii) Capital Requirement: BD250,000

(d) External Broker:
- (i)External brokers incorporated outside the Kingdom of Bahrain may undertake the following:
  - (a) Trading in securities as agent;
  - (b) Arranging transactions in securities as an agent.
- (ii) Capital Requirements: BD100,000

(e) External Broker-Dealer:
(i) External broker-dealer incorporated outside the Kingdom of Bahrain may undertake the following:
(a) Trading in securities as principal;
(b) Trading in securities as agent;
(c) Arranging transactions in securities as principal and arranging transactions for clients as agent;
(d) Managing securities' portfolios;
(e) Depositing of securities;
(f) Advising on securities businesses;
(g) Providing market research and analysis.
(ii) Capital Requirements: BD250,000

(f) Authorized Traders:
(i) Financial institutions or high net worth investors to be authorized by BHB and shall act as principal only.
(ii) Capital Requirements: BD500,000

3.1.4 An External Trading Member accepted for membership by BHB and authorized by the CBB may undertake only the activities of a licensed broker or broker-dealer outside the Kingdom of Bahrain. In order to be eligible, the External Trading Member must be a member of an exchange or otherwise licensed and supervised in its home market by a securities regulator that is a signatory to the IOSCO MMOU or acceptable bilateral agreement. An External Trading Member may not conduct any business within the Kingdom of Bahrain.

3.1.4A External Trading Members must comply with the provisions of these Market Rules in general and follow all the requirements applicable to locally incorporated members of BHB as specified in these Market Rules, unless otherwise stated, along with any applicable Directives issued by BHB.

3.1.4B All External Trading Members must:

(i) Observe regulatory standards comparable to extant CBB Law, rules and regulations, BHB Market Rules and any other Directives issued by the BHB;

(ii) Hold a license from the relevant regulator in the jurisdiction where it is undertaking regulated activities;

(iii) Meet the admission criteria and obligation of members and trade representatives as set out under Section 3 of these Market Rules. BHB retains the discretion to add or vary such requirements, to the extent it is satisfied with the suitability of the applicant;

(iv) As part of the application process, provide BHB with such regulatory requirements, in countries where it is carrying on regulated activities that are in conflict with laws, rules and regulations of the Kingdom of Bahrain as well as with these Market Rules and any Directives issued by the BHB.

(v) Adhere to operational requirements and trading practices set out under Section 4 and Section 5 respectively of these Market Rules.

(vi) Put in place proper technical and operational controls including risk management systems to the satisfaction BHB;

(vii) Comply with capital adequacy, financial requirements, appointment of auditor and financial reporting requirements as stipulated under Section 8 of these Market Rules. The BHB's discretion to vary capital requirement and financial reporting requirements shall apply to External Trading Members;

(viii) Adhere to regulatory requirements and fiduciary obligations including but not limited to;
   a. Investor protection;
   b. Segregation of clients' monies and assets from their own monies and assets in relation to BHB trades; and
   c. Issuance of contract notes and statement of accounts.

(ix) Maintain systems and controls that are, in the opinion of BHB, adequate to ensure compliance with the obligations in respect of Anti-Money Laundering and the Combating of Financial Crime;

(x) Notify BHB immediately if involved in any investigation by any other exchange or regulatory bodies;

(xi) Inform BHB immediately in writing of changes that have a bearing on fitness for membership.

3.1.4C The BHB shall regulate and supervise the activities of External Trading Members. The BHB shall have the right to undertake regulatory supervision including inspection, investigation, enforcement action and disciplinary measures. An External Trading Member is required to provide BHB with assistance through written correspondence, conference call or by any other means deemed appropriate by BHB.

3.1.4D Prior to accepting an applicant as External Trading Member, BHB shall, in addition to admission criteria prescribed, consider arrangements that exist for cooperation between the CBB and the capital market authority or regulator responsible for the supervision of the External Trading Member, in the country in which the head office or principal place of business is situated.

3.1.4E Upon revocation of license by the relevant regulatory authority (either by home market regulator and/or by other market regulator where regulated services is provided), BHB shall terminate membership of the External Trading Member.

3.1.4F External Trading Members shall be subject to investigations and disciplinary proceedings as outlined under Section 9 of these Market Rules. The Disciplinary Board of BHB shall adjudicate any case pertaining to alleged breach or circumvention of applicable rules and regulations of BHB.

3.1.4G External Trading Members shall be governed by and construed in accordance with the applicable laws, rules and regulations of the Kingdom of Bahrain and the courts of the Kingdom of Bahrain shall have exclusive jurisdiction to determine

any dispute arising from or in connection with the applicable law, rules and regulations.

3.1.5BHB may:

1. Exempt any person providing any activities from the requirement to be a member;
2. Impose such conditions or restrictions relating to the exemption as BHB may deem fit, by notice in writing as the case may be.
3. BHB may restrict its members from undertaking part of the above-mentioned activities under Rule 3.1
4. BHB may impose a fee upon each member in respect of any exemption provided that includes any benefit of the membership of BHB.

3.2 ADMISSION

3.2.1 Criteria

To be eligible for admission as a Member, an applicant must:

(1) be a Corporation conducting business in Bahrain with exception to External Trading Member;

(2) be qualified by a Clearing Member (unless it is admitted as a Clearing Member);

(3) meet the requirements of the CBB and in particular Volume 6,and where the applicant is a CBB licensee such other licenses or authorization issued by the CBB;

(4) satisfy BHB that it complies with, and will continue to comply with, the capital and financial requirements that BHB prescribes;

(5) satisfy BHB that it has facilities, procedures, personnel and financial resources which are adequate for the performance by the applicant of its obligations as a Member under these Market Rules and for expeditious and orderly dealings with BHB and other Members;

(6) comply at all times with the Rules, directives, decisions and requirements of BHB; and

(7) comply with such other requirements as may be prescribed by BHB from time to time.

3.2.2 Procedures

(1) An applicant to be a Member must submit an application in the form prescribed in Appendix A3.1;

(2) The applicant must inform BHB in writing of the Clearing Member who has agreed to provide clearing services to it (unless it is admitted as a Clearing Member). The document supporting the agreement must be submitted.

(3) External Trading Members must provide membership registration certificates from an exchange in its home country or any other jurisdiction.

3.2.3 Rejection of application for admission

(1) BHB may, in its absolute discretion, approve or reject an application to be a Member in coordination with the CBB.

(2) Without derogating from Rule 3.2.3(1) BHB may reject an application to be a Member if:

(a) the application does not provide information relating to the application as BHB requires;

(b) any information or document that is furnished to BHB is false or misleading;

(c) BHB is not satisfied with the financial standing of the applicant or its substantial shareholders;

(d) BHB is not satisfied with the manner in which the business of the applicant is to be conducted;

(e) in BHB's opinion, it would be contrary to the interests of the public to admit the applicant as a Member;

(3) Prior to rejecting an application BHB will:

(a) give notice to the applicant of the reasons why it proposes to reject the application;

(b) afford the applicant a period of 10 Business Days after giving the notice (or a longer period as the BHB considers reasonable, which shall not exceed 30 Business Days) in which to provide further information or otherwise take appropriate steps to address the reasons stated in the notice; and

(c) after the end of the period referred to in paragraph (b), consider whether any further information provided or steps taken by the applicant address the reasons in the notice.

(4) If, after following the procedure in Rule 3.2.3(3), the BHB is not satisfied that the applicant has complied with this Section 3 or that the applicant meets the Admission Requirements, BHB will give written notice to the applicant rejecting the application and giving reasons why the application is rejected.

3.2.4 If BHB rejects an application to be a Trading Member, the applicant may, within 14 days after it is notified of BHB's decision, appeal in writing to the Board whose decision will be final.

3.3 REGISTER OF MEMBERS

An applicant approved by BHB as a Member will have its name entered in the Register of Members. BHB will notify the market and all Members of the effective date of a Member's admission.

3.4 TRADING RIGHTS

A Member has access to markets established or operated by BHB or such markets as BHB specifies from time to time and approved by CBB.

3.5 OBLIGATIONS OF MEMBERS

3.5.1 Compliance

A Member must :

(1) comply with the Rules and any Directives BHB prescribes, providing promptly accurate information in that respect and in such manner as prescribed by BHB; and

(2) continue to satisfy the admission criteria.

3.5.2 Acting as Principal

A Trading Member contracts as principal as regards the other Trading Member when it trades on BHB.

3.5.3 Market Contracts

(1) A Member must enter into market contracts in accordance with these Market Rules and any Directives BHB prescribes.

(2) A Trading Member must honor all contracts:
(a) entered by or through it on the Trading System; and
(b) via Direct Business. (if applicable)

3.5.4 Good Business Practice

Members must adhere to the principles of good business practice in the conduct of its business.

3.5.5 Responsibility to BHB

A Trading Member is responsible to BHB for:

(1) any liability to BHB or its Directors, Officers, employees, agents and Trading Representatives; and

(2) the acts and omissions of its Trading Representatives, Directors, officers, Trading Representatives, employees and agents.

3.5.6 Establish Procedures and Systems

A Member must :

(1) establish and maintain procedures and systems to prevent any breach of the Rules and Directives by its Directors, Trading Representatives, employees, agents, officers or Trading Representatives;

(2) establish and maintain adequate risk management and internal control systems, including for reconciliation of physical scrip at least monthly; and

(3) ensure that its Directors, Trading Representatives, employees, agents or any other person carrying out or enforcing its procedures and systems reasonably discharges his or her duties and obligations.

3.5.7 Change in Control of ownership

(1) A Member must inform BHB in writing and request for prior written approval as soon as it becomes aware of:

(a) any transaction that will result in the legal or beneficial ownership of 10% or more of the Member's issued share capital, and any subsequent increase of 5% or more of the Member's issued share capital; or

(b) any change that may have the effect of altering control of the Member.

(2) If control of a Member changes, BHB may restrict or revoke the Member's rights on any grounds described in rules 3.2.3.

(4) If BHB revokes the Member's trading rights, the Member may, within 14 days after it is notified of BHB's decision, appeal in writing to the Board whose decision will be final.

3.5.8 Reporting

Members must inform BHB in writing immediately if it or any of its Directors, Trading Representatives, officers, employees, or agents:

(1) breaches CBB 's laws Rules and Regulations;

(2) breaches BHB Rules or Directives;

(3) breaches the rules of any other exchange;

(4) breaches any provision involving fraud or dishonesty, whether in or out of Bahrain;

(5) is the subject of a written complaint involving an allegation of fraud or dishonesty, whether in or out of the Kingdom of Bahrain;

(6) is the subject of an investigation involving an allegation of fraud or dishonesty, whether in or out of the Kingdom of Bahrain;

(7) is the subject of any disciplinary action taken by the Members and other exchanges, or capital market authorities involving suspension, termination, fines or any other significant limitation of activities;

(8) breaches the provisions of CBB Rulebook Volume 6 AML Module, or any other relevant law, rule or regulation in force in jurisdictions which it operates;

(9) is the subject of investigations involving an allegation of a breach of the CBB Rulebook Volume 6 AML Module provisions, or any other relevant law, rule or regulation in force in jurisdictions which it operates;

(10) engages in conduct that has the effect of circumventing the CBB's laws, rules, and regulations;

(11) engages in conduct which is inconsistent with the principles of good business practice;

(12) engages in conduct detrimental to the financial integrity, reputation or interests of BHB, or markets established or operated by BHB;

(13) is insolvent, or has been issued a bankruptcy or winding up proceeding;

(14) breaches any relevant law or regulation which governs that person's other business activities; or

(15) breaches Representatives'/Approved Person's duties.

3.5.9 Register of Securities

A Member must maintain a Register of securities held for its own account. Such Register must be available for inspection at BHB's request.

A Trading Member must permit BHB to take extracts of the register.

3.5.10 A Member must comply with and maintain a register of key persons in accordance with the BHB Key Persons Guidelines. A member must inform BHB in writing of a change in its Key Persons Register on terms of the Key Persons Requirements.

3.5.11 Fees

A Member must pay BHB all fees, commission and charges BHB prescribes. BHB may reduce or waive any fee, commission or charge.

3.5.12 Board of Directors, CEO, senior management and Trading Representatives

A Member must inform BHB in writing of a change in the composition of its Board of Directors, CEO, senior management or Trading Representatives or approved person within 7 days of the change.

3.5.13 Memorandum and Articles of Association

A Member must inform BHB in writing at least 7 Trading days before any change to its Memorandum and Articles of Association takes effect.

3.5.14 Business Name

A Member must inform BHB in writing at least 7 Trading days before it effects any change in its business name or contact details.

3.5.15 Voluntary Liquidation

A Member must not commence voluntary liquidation without the prior written approval of BHB and must fulfill its market/client obligations.

3.5.16 Temporary Cessation of Business

(1) Upon written request, BHB may allow a Member to cease carrying out business while retaining its membership for such period as BHB specifies. Upon expiry of such period, the Member must recommence conducting its business in Bahrain

(3) During the period of cessation of business, the Member must not hold itself out or engage in any act that may give the impression that it is an active Member.

3.5.17 Suspension

BHB may suspend Member's membership or its ability to carry out specific activities if it deems that the Member is not in compliance with its Rules, if the Member undertakes its activities in a manner that is in the opinion of BHB prejudicial to the interests of the public or detrimental to the integrity of the market, or upon a CBB order or resolution.

3.5.18 Termination

BHB may terminate a Member's membership if it deems that the Member is not in compliance with its Rules, or if the Member undertakes its activities in a manner that is in the opinion of BHB prejudicial to the interests of the public or detrimental to the integrity of the market.

3.5.19 In case of any change in the sphere of business in which any conflict of interest may arise, BHB must be notified immediately.

3.6 QUALIFICATION BY A CLEARING MEMBER

3.6.1 Qualification by a Clearing member

(1) A Member must not execute a contract on BHB unless it is qualified by a General Clearing Member, or is itself a Direct Clearing Member of the CSD.

At any time, a Trading Member must be qualified by no more than one clearing Member.

(2) A Member must immediately inform BHB in writing if:

(a) it is not qualified by a General Clearing Member; or

(b) its qualifying General Clearing Member is replaced by another General Clearing Participant. The Member must submit to BHB a copy of the written agreement between the new qualifying General Clearing Participant and itself.

3.7 RESIGNATION

3.7.1 Procedures

If a Member intends to de-register, it must:-

(1) give BHB at least 30 days' written notice, stating the proposed date of resignation. BHB may vary or waive the notice period. If the resignation is accepted, BHB will notify all Members of the effective date of resignation;

(2) not enter into any contract for 7 Trading Days from the date of notice except with the written approval of BHB;

(3) satisfy BHB that it has taken, or will take, steps for the orderly winding down of its business with BHB; and

(4) Satisfy BHB that it has fulfilled or is able to fulfill its obligations to the BHB and its obligations to its clients.

(5) For avoidance of doubt, a Trading Member must continue to comply with the Rules, and any Directives as may be imposed by BHB until resignation.

3.7.2 Acceptance of Resignation by BHB

BHB need not accept the resignation of a Member if it is:-

(1) conducting an investigation under the Rules, investigating a complaint, or has initiated disciplinary proceedings against the Member; or

(2) not satisfied that the Member has fulfilled or is able to fulfill its obligations to BHB or its obligations to its clients as BHB may specify.

3.7.3 Deletion from Register of Members

If BHB accepts a Member's resignation, the Member's name will be deleted from the Register of Members upon the effective date of resignation.

3.8 CESSATION OF MEMBER ACCESS

3.8.1 A Member's access to markets established or operated by BHB ceases if:-

(1) a resolution is passed by its shareholders, or a court order is made, to wind it up;

(2) an arrangement or composition is entered into with its creditors under any law relating to bankruptcy or insolvency;

(3) it is not qualified by a General Clearing member or its qualification by a clearing member has been separated;

(4) it is suspended;

(5) it has its membership surrendered by BHB;

(6) it ceases to carry on business pursuant to Rule 3.5.16;

(7) it is declared a defaulter pursuant to CSD Rules; or

(8) its Capital Markets Services license lapses or is revoked, or its exemption from holding a capital markets services license is withdrawn.

3.8.2 BHB will notify all Members and the market of the effective date of cessation of trading access.

3.8.3 A Member whose access to markets established or operated by BHB has ceased must continue to comply with the relevant Rules, Requirement and Directives.

3.9 OBLIGATIONS OF A FORMER MEMBER

3.9.1 A former Member remains liable to BHB and its clients for any liabilities incurred under the Rules during the period of its membership. The former Member also remains subject to disciplinary actions for any offence committed during the period of its membership.

3.10 APPROVED PERSONS

3.10.1 Categories

The categories of Approved Persons are as follows:

(1) Director;

(2) Chief Executive or General Manager;

(3) Trading Representative;

(4) Market making representative

(5) Function head;

(6) Compliance Officer;

(7) Money Laundering Officer;

(8) Market analyst.

Categories 1, 2, 3, and 6 cannot be combined. Categories 4, 5, 7 and 8 cannot be combined where such combination will lead to a conflict of interest. Combining the categories is subject to BHB approval.

3.10.2 Registration

Every Member shall ensure that such persons referred to in the preceding Rule who are employed, engaged or appointed by it are duly authorized by the CBB and registered by BHB in the manner provided in these Market Rules.

3.10.3 Compliance

Every Approved Person shall be bound by and comply with –

(1) these Market Rules;

(2) the CBB Law, rules and regulations; and

(3) all directives, rulings and guidelines issued by BHB from time to time.

3.10.4 Responsibility

A Member shall be responsible for all acts of its Approved Persons.

3.10.5 Registration Procedures

Every person to be registered as an Approved Person must complete the form and undertaking prescribed in Appendix A3.2 and Appendix A3.3 respectively.

3.10.6 Refusal to register

BHB may refuse to register a person as an Approved Person if –

(1) that person has not been approved by CBB where required;

(2) that person does not comply with the registration requirements or the information required therein was not submitted or adequate;

(3) the registration of that person is not in the interest of a fair and orderly market;

(4) BHB is satisfied that that person does not fulfill any of the qualifications prescribed in this Rule; or

(5) that person is involved in fraud or dishonest practices in or out of the Kingdom of Bahrain, is convicted of an offence related to fraud or dishonest practices, or is subject to investigation for fraud or dishonest practices.

3.11 DESIGNATED MARKET MAKERS

3.11.1 Registration by BHB

Subject to this Rule 3.11, the requirements for Market Makers, and the MIR Module, BHB may, upon receipt of an application in writing from a person in the form prescribed in Appendix A3.4, register the person as a Designated Market Maker for one or more Specified Security subject to MIR Module Rule 4.7.7A.

3.11.2 Registration criteria

The Market Maker is subject to BHB approval and terms &conditions. To be eligible for registration as a Designated Market Maker in respect of a Specified Security, a person must fulfill the following requirements:

(1) be a corporation licensed as a Broker Dealer by the CBB;

(2) be a Member of BHB;

(3) have in place sufficient financial resources facilities and personnel adequate for the expeditious and orderly carrying out of its business of market making; and

(4) have in place the necessary arrangements and resources including effective management, record and bookkeeping, and a system of internal controls and risk management to ensure the following:

(a) proper conduct of the business of market making;

(b) proper undertaking of risk management;

(c) proper management of conflict of interest;

(d) compliance with these Market Rules; and

(e) well designed and segregated front and back office functions.

3.11.3 Conditional registration

Upon the designation of listed issuer, BHB may register a person as a Designated Market Maker subject to any conditions it considers appropriate in the interests of maintaining a fair and orderly market.

3.11.4 Registration period

The registration of a Designated Market Maker is valid for such period as BHB prescribes.

3.11.5 Separation of Market Making activities

A Member must separate effectively its Market Making activities from its other activities and shall maintain a separate securities account with the CSD for its market making activities.

3.11.6 Rights and obligations of Designated Market Makers

(1) A Designated Market-Maker may make a market in specified listed securities for 1 or more of the following:

(a) its proprietary accounts;
(b) proprietary accounts of its related corporations or Associated Corporations; and
(c) its clients if it holds a capital markets services licence.

(2) An Associated Corporation means any corporate body formed in or out of the Kingdom of Bahrain in which the Designated Market Maker and its related corporations hold directly or indirectly a beneficial interest of not less than 20% of the issued share capital.

(3) All purchases and sales of securities or Futures Contracts by a Trading Member for its proprietary account must be made under a separate securities account of the Trading Member.

(5) A Designated Market-Maker must publish on the Trading System competitive bid and offer quotations:—
(a) on a continuous basis or in such manner as BHB prescribes to provide for an adequately liquid market (with suitable disclosure to investors);
(b) within the maximum spread; and
(c) for not less than the minimum quantity that BHB prescribes.

(6) In the event a Designated Market-Maker ceases to make bid and offer quotations (whether due to foreseen or unforeseen circumstances), it must immediately notify BHB of the cessation as well as the reasons for it; and make a public announcement through BHB's website of the cessation at the same time.

(7)Upon resumption, the Designated Market-Maker must similarly notify BHB and make a public announcement at the same time. At the appropriate time, the Designated Market-Maker must make a public announcement through BHB's website of the reasons for cessation of market-making.

(8) A Designated Market-Maker must establish and maintain adequate internal control systems to ensure smooth operation of its market-making activities.

(9) A Designated Market-Maker shall pre-notify BHB of any change to its internal control systems which may affect the carrying out of its obligations stipulated under Article 3.11.6.

(10)BHB reserves the right to review current or impose additional requirements if it is not satisfied with the internal control systems of the Designated Market-Maker.

3.11.7 Market Making Representative

A Designated Market Maker must appoint at least 1 person as its market making representative to receive and execute orders on its behalf. The person must be registered with BHB as a market making representative.

3.11.8 Suspension

BHB may suspend or restrict the activities of a Designated Market Maker for such period as BHB specifies if the Designated Market Maker:

(1) fails to continue to satisfy the registration criteria;
(2) fails to comply with BHB's relevant rules and regulations;
(3) fails to comply with the Rules or any Directives in its capacity as a Trading Member (if applicable);
(4) is suspended in its capacity as a Trading Member (if applicable);
(5) defaults on any trade in Specified Securities or any other securities or Futures Contracts;
(6) in BHB's opinion, is in financial or operating difficulty;
(7) is suspected of manipulating or distorting the market for a Specified Security or attempting to do so;
(8) is the subject of a written complaint involving an allegation of fraud or dishonesty, whether in or out of the Kingdom of Bahrain;
(9) is the subject of an investigation involving an allegation of fraud or dishonesty, whether in or out of the Kingdom of Bahrain; or

(10) engages in conduct detrimental to the financial integrity, reputation or interests of BHB, or markets established or operated by BHB.

3.11.9 Revocation

A Designated Market Maker's registration may be revoked:

(1) if a Designated Market Maker fails to comply with Rule 3.11.2;

(2) if it breaches any provision involving fraud or dishonesty, whether in or out of the Kingdom of Bahrain; or

(3) if it is expelled as a Trading Member as a result of disciplinary proceedings.

The Designated Market Maker and its market making representative shall still be subject to these Market Rules in respect of any events which occurred prior to and after the revocation.

3.12 Rejection of Application

If BHB rejects an application for registration, the applicant may, within 14 days after it is notified of BHB's decision, appeal in writing to the Board of Directors whose decision will be final.

SECTION 4 – OPERATIONAL REQUIREMENTS

4.1 RECORDS

4.1.1 A Member must, in addition to meeting the requirements of MIE Rule A.4.9 and other relevant provision of the CBB rulebook,

(1) maintain complete and accurate records and audit trails in accordance with the CBB Law, Rules and these Market Rules;

(2) not make, or cause to be made, a false or misleading entry, in hard copy, or electronic form, in any books, records, slips, documents, statements relating to the business, affairs, transactions, conditions, assets or accounts ("the Documents") of a Member;

(3) make all necessary entries in any of the Documents;

(4) not alter or destroy any of the Documents without a valid reason; and

(5) keep such Documents for a minimum period of 10 years.

4.1.2 A Member must ensure the integrity, security and confidentiality in the transmission and storage of all records.

4.2 Serving/Opening Client Trading Account(s)

4.2.1 Members are obliged to serve/open a trading account for prospective clients no later than 2 business days following the submission of all the required documents by the client.

4.2.2 If a Member rejects the opening of a trading account for any prospective client for any given reason, the Member must provide a formal written notice giving the rationale for rejection of the application. The written notice must be provided to the prospective client no later than the next business day from the date of rejection. The client shall have the right to appeal against the decision of the Member within 30 days by submitting a completed Client's Complaint Form to Bahrain Bourse, which will be forwarded to the Bourse Investigation Committee (BIC). Upon which, the Member must provide Bahrain Bourse and the prospective client the reason(s) for such rejection in writing no later than the next business day.

4.2.3 Unjustifiable reasons for rejection shall include but not limited to the following :

(1) Discrimination based on age, disability, gender, race, religion or national origin etc.
(2) Dispute between the Member and/or the Member's Trading Representative/employee with the prospective client(s) or their affiliates.
(3) The prospective client does not serve the Member's and/or the Member's Trading Representative's personal interests.
(4) Any other reason for rejection which BHB deems unjustifiable.

4.2.4 Subject to MIR Module Rule 4.1.1. (j), Members shall ensure that their clients receive fair treatment without any unjustifiable favor or discrimination for each class of clients.

4.2.5 The Disciplinary Board may impose the penalties stipulated under Rule 9.15.4 on a Member rejecting the opening of a trading account due to any unjustifiable reason under Rule 4.2.3.

4.3 CONFIDENTIALITY OF CLIENT'S INFORMATION

4.3.1 A Member and its Trading Representative must maintain confidentiality of a client's information, unless:-

(1) the prior consent of the client for the disclosure of the information is obtained;

(2) the disclosure is for the effective execution of the client's order;

(3) the disclosure is necessary for the operations and risk management of the Member if these functions have been outsourced by the Member; or

(4) the disclosure is required under the law or under the Rules.

4.3.2 A Member must ensure that a person to whom it discloses a client's information under Rules 4.2.1(2) and (3) maintains confidentiality of such information.

4.4 CLIENT ACCOUNTS

4.4.1 Individual Client Account

The Individual Client Account must be in compliance with the AML Law & AML Module. Before opening an individual client account, a Member must:-

(1) obtain particulars of the client (and any person authorized to trade for the client), including the full name, a copy of the passport, the Unique Identification Number, specimen signature, residential and mailing addresses, telephone numbers, occupation, and the name, address and telephone number of the client's employer, and investment objectives (if applicable); and

(2) take suitable steps to verify the client's identity and intention if the client does not open the account in person.

(3) take suitable steps to verify that the client is at least 21 years of age. Where the client is a minor, the member must insure that the steps required under Rule 4.3 are conducted on both the minor and his legal guardian.

4.4.2 Corporate Client Account

Before opening a corporate client account, a Member must:-

(1) obtain particulars of the client, including the full name, Unique Identification Number, registered and mailing addresses, names and signatures of persons authorized to trade, and investment objectives (if applicable) and where the applicant client does not have legal capacity to comply, the member must insure that the steps required under 4.3 are conducted on both the applicant and any third party making the application on his behalf;

(2) obtain a certified true copy of the Memorandum and Articles of Association and certificate of incorporation of the client; and

(3) obtain either:-

(a) a copy of the directors' resolution of the client approving the opening of a trading account with the Member and empowering specific directors and officers to:-

(i) trade in securities for the client's account; and

(ii) execute all documentation for trading and settlement in the account;

(b) a power of attorney certified by a notary public, authorizing identified persons to open a trading account and trade on behalf of the client; or

(c) a note from the applicant, in writing, of the basis upon which it believes the client may open the account and engage in transactions and that the persons acting for the client have been duly authorized to trade on the client's behalf.

4.4.3 A Trading Member may employ 1 or more of the following means to establish a client's identity:

(1) Accept account opening forms that are certified by:
(a) a Justice of Peace, a commissioner for oaths, a notary public, or an advocate and solicitor;
(b) members of any other Securities Exchanges which have established information sharing agreements with BHB; or
(c) branches of banks which operate in the Kingdom of Bahrain and with which the client holds a bank account.

A Trading Member may verify the certification through direct telephone contact with persons performing the certification;

(2) Establish telephone contact with the applicant on an independently verified home or business number;

(3) With the client's consent, contact the personnel department of the client's employer on a listed business number to confirm his employment; or

(4) Obtain from the client statements from a bank.

4.4.4 When a Minor Investor opens a securities trading account, the Member should undertake the following procedures, in addition to their own account opening procedures, and give appropriate emphasis to the following:

(a) Suitability assessment — Member should assess the suitability, taking into account the financial knowledge and risk capacity of the Minor Investors to trade. A specific suitability assessment should also be made before allowing a Minor Investor to trade in more complex instruments or products (such as a derivative contract or product with embedded derivatives). The decision to allow the Minor Investor to trade in such instruments or products should be approved by a senior executive of the Member.

(b) Risk disclosure — The risks and uncertainties associated with investing or trading in securities and other products to be sold by the Member should be properly explained to the Minor Investor. This is to ensure that he or she has an appropriate understanding of the key risks and commitments involved.

4.4.5 Agency Account

For an agency account, a Member must have on file:-

(1) the name of the principal; and

(2) written evidence of the client's authority to trade for the principal.

4.4.6 Joint Account

(1) A Member may allow clients to open a joint trading account if:-

(a) a joint securities account is opened with the CSD;

(b) each joint account holder is a least 21 years old; and

(c) no joint account holder is an un discharged bankrupt.

(2) A joint account may be operated by not more than 2 individuals however if it is an estate accounts it may be operated by any representatives.

(3) A Member must maintain the following information:-

(a) particulars of each joint account holder;

(b) the names of persons authorized to give trading orders and settlement instructions and receive scrip from the Trading Members;

(c) the names of persons to whom payments by the Member are to be made; and

(d) details of any accounts held in an individual capacity by a joint account holder.

(4) A Member must require each joint account holder to specify whether the joint account holder is jointly and severally liable for all debts incurred in a joint account.

4.4.7 Approval of Client Accounts

(1) At least 1 senior management staff independent of sales or dealing of a Member, or a senior management staff of a related corporation of that Member charged with the account approval function, must approve the opening of a client account.

(2) The approval must:-

(a) be given before the execution of the first trade for the client; and

(b) be in writing which includes secured electronic record; and

(c) form part of the permanent records of the Member.

4.4.8 Risk Acknowledgement Statement

A Member must obtain a written acknowledgement from a client that the client is aware of the risk associated with holding and trading of securities. This statement must be stipulated in the opening account agreement mentioned under 4.3.9.

4.4.9 Client Agreement and Account

(1) A Trading Member must maintain separate accounts for each person whose account is carried on the books of the Trading Member.
(2) A Trading Member must sign an agreement with its clients together with opening their accounts. BHB shall have the right to request a specimen copy of the client agreement

4.4.10 Client Account Designation

A client account must be identified and designated by the full name of the client and an account code.

4.4.11 Trading Authority

Before accepting any orders from a third party, a Member must obtain written authorization from the client empowering the third party to trade for the client's

account. Such authorization shall be stipulated in the account opening form and/or agreement.

4.5 DIRECT ACCESS AND TRADING

4.5.1 A Member may access the Trading System via:

(1) directly to the trading engine;

(2) a BHB-approved OMS developed by a Member or an independent software vendor.

"OMS" refers to an Order Management System through which orders are routed to the Trading System. BHB is to issue a directive related to OMS.

4.5.2 All orders entered into the Trading System on behalf of clients of a Member must be done so by a Trading Representative of the Member.

4.5.3 BHB may require a Trading Member to provide to BHB with a report by an independent reviewer on the Member's compliance with BHB Rules and Regulations.

4.6 TRADE NOTIFICATION AND TRADE CONFIRMATION NOTES

4.6.1 A member must notify its client by any means of communication acceptable by BHB as soon as the member executes any order on the same trading day.

4.6.2 A Trade confirmation note must include all details of the trade including the number of shares, price, time and date of execution.

4.6.3 A Member must send its client a trade confirmation note for the purchase or sale of securities by the same day.

4.6.4 The trade confirmation note must state that it is subject to the Rules of the BHB and must show separately:-

(1) brokerage charges;

(2) all clearing fees and charges applicable; and

(3) any other charges.

4.6.5 Before issuing trade confirmation notes in electronic form, a Member must obtain the client's prior revocable and informed consent. The Member must retain evidence of the client's consent.

4.6.6 To constitute informed consent under Rule 4.5.5, a client must be notified of the manner of delivery and retrieval of the electronic record and any costs that may be incurred.

4.6.7 If requested by BHB, a Member must produce the trade confirmation notes in substantially the same form and containing the same trading information as were given to clients.

4.7 STATEMENT OF ACCOUNT TO CLIENTS

4.7.1 A Member must send its clients a statement of account on a semi-annual basis by the first month of the following half unless there is no change from the last statement.

4.7.2 where there is no change on a semi-annual basis a member must send its client a statement of account on at least annual basis

4.7.3 Before issuing a statement of accounts in electronic form, a Member must obtain the client's prior revocable and informed consent. The Member must retain evidence of the client's consent.

4.7.4 To constitute informed consent under Rule 4.6.2, a client must be told of the manner of delivery and retrieval of the electronic record and any costs that may be incurred.

4.8 AMENDMENT OF TRADE CONFIRMATION NOTES

4.8.1 A Member may amend a trade confirmation note if there is a valid reason for the amendment.

4.8.2 At least 1 senior management staff independent of sales or dealing of a Member, or a senior management staff of a related corporation of that Trading Member charged with the contract amendment function, must approve the amendment of the trade confirmation note.

4.8.3 The approval must be given before the trade confirmation note is amended.

4.9 COMMUNICATION WITH THIRD PARTIES

4.9.1 A Member must communicate directly with its clients in respect of statements, trade confirmation notes, or all other information, whether in writing or electronically, unless the client has authorized otherwise in writing.

4.9.2 A Member must not allow any person other than the client to collect any cash, trade confirmation notes, cheques or statements, unless the client has authorized that person in writing.

4.10 PAYMENT TO CLIENTS

4.10.1 All cheques to clients must be crossed, unless the payee client requests otherwise in writing; and a senior management staff independent of sales or dealing of a Trading Member, or a senior management staff of a related corporation of that Trading Member charged with the payment function, authorizes the request in writing.

4.10.2 A Trading Member must deposit money received on account of clients in a separate operating account.

4.11 CLIENT'S MONEY

4.11.1 A Member must not commingle money received on account of its clients with its own funds.

4.11.2 A Member must maintain a bank account, designated as a Client Trust Account, into which all moneys from clients must be deposited.

4.11.3 A Member must not withdraw a client's money from a Client Trust Account except to:-

(1) pay the client;

(2) meet any amount due and payable by the client to the Member;

(3) making a payment to any other person or account in accordance with the written direction of the client;

(4) reimburse the Member money advanced to the trust account, and any interest and returns that the Member is entitled to, provided the withdrawal does not result in the trust account becoming under-funded; or

(d) make a payment or withdrawal that is authorized by law.

4.11.4 A Trading Member must not commingle the assets of a client with its own assets.

4.12 REPORTING OF DELINQUENT ACCOUNTS

4.12.1 A Member must inform BHB, or any third party to whom BHB has outsourced its operational functions such as clearing houses, consultancy firms, audit firms, law firms or any other parties appointed by BHB, of the particulars of any client account that it considers to be a delinquent account. BHB, or the third party, may disseminate such information to all other Members.

4.12.2 A 'delinquent account' is an account for which a client has failed to pay his/her obligations.

4.13 SEPARATION OF FRONT OFFICE AND BACK OFFICE FUNCTIONS

4.13.1 A Member must have processes in place to minimise and manage any conflicts of interest, including but not limited to separating its front office and back office functions to prevent any conflict of interests.

4.14 TRADING BY EMPLOYEES

4.14.1 A Member and its Approved Persons and employees must comply with the Key Persons Policy of BHB, CBB laws, rules and regulations, and the CBB Rulebook Volume 6 MAM Module when any Approved Person or employee of the member trades on BHB in their personal capacities.

4.14.2 A Member must require its Approved Persons and employees to trade through it. However, if this is impractical, the Member meets this Rule if it has procedures to monitor such trades and it documents the circumstances that give rise to the impracticality.

4.14.3 A Member must not knowingly buy or sell securities for an Approved Person or employee of another Member, except with the prior written approval of the other Member.

4.14.4 A Member must have in place procedures to monitor the trading activities of its Approved Persons and employees as per the CBB Law, Rules and Regulations and BHB Key Person Policy.

4.15 COMPLIANCE REVIEW

4.15.1 A Member must carry out verification periodically to ensure compliance with the regulatory requirements of CBB, the Rules, requirements and directives of BHB, and its internal policies and procedures. The checks must be carried out by the Compliance Officer.

4.16 USE OF PRESCRIBED FORMS

4.16.1 A Member must use forms that BHB prescribes.

SECTION 5– TRADING PRACTICES AND CONDUCT

5.1 ACTING AS PRINCIPAL

5.1.1 If a Member or its Trading Representative wants to trade as principal with a client who is an accredited, the client must be informed that the member or its Trading Representative is trading for its own account and must insure there is no conflict of interest.

5.1.2 Any contract note relating to the above transaction must show that the Member or its Trading Representative acted as principal.

5.1.3 This Rule does not apply to trades that are matched on the Trading System where the Member or Trading Representative is not aware that the client is the corresponding counter party to the matched trade.

5.2 ACTING AS AGENT

5.2.1 When acting as agent, a Member and its Trading Representative must:

(1) carry out the client's instructions;

(2) exercise skill, care and diligence;

(3) act in good faith;

(4) act in the best interest of clients;

(5) disclose all circumstances and risks that could reasonably be expected to affect a client's decision;

(6) if asked, inform the client of the current best bid and offer prices on the Trading System;

(7) disclose the commission and any benefit directly or indirectly receivable on the transaction;

(8) not enter into a transaction that may conflict with a duty owed to the client, unless the client is informed of the conflict and consents to the transaction; and

(9) not disclose a client's order unless:

(a) the prior written consent of the client for the disclosure of the information is obtained;

(b) the disclosure is necessary for the operations and risk management of the Member if these functions have been outsourced by the Member;

(c) the disclosure is required under the law or under the Rules; or

(d) the disclosure is for the effective execution of the client's order.

5.2.2 A Member must ensure that a person to whom it discloses a client's order under Rule 5.2.1 (9) maintains confidentiality of such information.

5.3 PROPRIETARY TRADING ACTIVITIES

5.3.1 A Member must have procedures to prevent any conflict of interest between its client trading activities and proprietary trading activities.

5.4 CLIENT ORDERS – PRECEDENCE

5.4.1 A Member or a Trading Representative must not deal in securities for his or her own account or for a Prescribed Person's account if the Trading Representative has an unexecuted order on the same terms from a client. This Rule does not apply if:

(1) the Member or the Trading Representative does not have access to client's order flow information while executing for his or her own account or the Prescribed Person's account; or

(2) the client has prescribed that the order be executed under specified conditions and the Member or Trading Representative is unable to execute the client's order by reason of those conditions.

5.4.2 In Rule 5.4.1, "Prescribed Person" means:

(1) the Trading Representative's Member;

(2) a Director of the Member;

(3) an employee or Trading Representative of the Member;

(4) a person, a group of persons, a Corporation or a group of Corporations, or family trusts, whom the Member, Director, employee or Trading Representative of the Member is associated with or connected to.

5.4.3 In Rule 5.4.1, "own account" means an account in which the Member or the Trading Representative has a beneficial interest.

5.5 ARRANGEMENTS WITH CLIENTS

5.5.1 A Member or its Trading Representative must not:

(1) have any arrangement with a third party to allocate profit or losses to a client's account; or

(3) lead a client to believe that the client will not suffer loss as a result of opening an account or trading in the market.

5.6 UNAUTHORIZED TRADING

5.6.1 A Trading Representative must not:

(1) execute his or her personal trades or connected person account in the account of a client; and

(2) use a client's account for third party trading.

5.7 OVER-TRADING

5.7.1 A Member or a Trading Representative must not encourage transactions to a client if the sole objective is generating commission.

5.8 MARKET MANIPULATION AND FALSE MARKET

5.8.1 A Member or Trading Representative must not, engage in, or knowingly act with any other person in any act or practice that will or is likely to:

(1) create a false or misleading appearance of active trading in any securities;

(2) lead to a false market in respect of any securities. For avoidance of doubt, a false market includes a market in which:

(a) information is false, exaggerated or tendentious;

(b) contrived factors are in evidence, such as buyers and sellers acting in collaboration to bring about artificial prices; or

(c) manipulative or fictitious orders, transactions or other devices have been employed.

5.8.2 The following factors are relevant when considering whether an act or practice may breach Rule 5.8.1:

(1) whether the proposed transaction will be inconsistent with the history of, or recent trading in, the security.

(2) whether the proposed transaction will or may cause or contribute to a material change in the market for or the price of the security, and whether the person involved or another person with whom the first person is collaborating may directly or indirectly benefit from alterations in the market or price;

(3) whether the proposed transaction involves the placing of multiple buy and sell orders at various prices higher or lower than the market price, or the placing of buy and sell orders which give the appearance of increased activities;

(4) whether the proposed transaction will coincide with or is likely to influence the calculation of securities prices, settlement prices and valuation;

(5) whether parties involved in the proposed transaction are connected;

(6) whether the buy and sell orders are to be entered at about the same time, for about the same price and quantity;

(7) whether the proposed transaction will or may cause the price of the security to increase or decrease, but following which the price is likely to immediately return to about its previous level;

(8) whether a proposed bid (or offer) is higher (or lower) than the previous bid (or offer) but is to be removed from the market before it is executed;

(9) whether the volume or size of the proposed transaction is excessive relative to reasonable expectations of the depth and liquidity of the market at the time;

(10) whether there appears to be a legitimate commercial reason for the proposed transaction; and

(11) whether the proposed buy (sell) order forms part of a series of orders that successively and consistently increase (decrease) the price of the security or Futures Contract.

5.8.3 A Member or Trading Representative must not directly or indirectly deal in securities which involve no change in beneficial ownership.

(A Trading Member or a Trading Representative must not directly or indirectly deal in securities which involve no change of beneficial ownership.

5.8.4 A Member or Trading Representative must not deal in securities in a manner that will or may affect or maintain the price of the securities with intent to induce other persons to buy or sell the securities. This Rule does not apply to stabilising action carried out in accordance with price stabilization.

5.8.5 A Member or Trading Representative must not disseminate information that is false or misleading if the Member or Trading Representative:

(1) knows or ought reasonably to know that the information was false or misleading; or

(2) is reckless about the truth of the information.

5.8.6 A Member or a Trading Representative must not participate in any prohibited market conduct in securities or in any insider trading, or knowingly assist a person in such conduct.

5.8.7 A Member or a Trading Representative must immediately inform BHB if it or he or she reasonably suspects, or knows of, any attempted market manipulation, creation of a false market or insider trading.

5.8.8 Trading Member must have in place processes to review orders and trades for the purpose of detecting suspicious trading behavior.

5.9 RECORD OF ORDERS

5.9.1 A Member or a Trading Representative must ensure that a daily record of orders received from clients is maintained. The record must show the identity of the Trading Representative, account identification of each client, the specific order, date and the time the order was received, transmitted, amended, and executed or cancelled. For avoidance of doubt, the record may be kept in the Order Management System.

5.9.2 A Trading Member must have a robust system to prevent tampering of the audit trail of orders entered into the Trading System.

5.10 RESPONSIBILILTY OF ORDERS

5.10.1 A Member is responsible for the accuracy of all orders entered in the Trading System by its Trading Representatives and any order entry persons authorized and approved by BHB.

A Trading Member is responsible for the accuracy of orders entered into the Trading System by or on behalf of the Trading Representative.

5.10.2 Orders must be entered in accordance with any procedure BHB prescribes.

A Trading Member must have in place controls to prevent unauthorized changes to order information entered into the Trading System, including Trading Member identification numbers.

5.11 IDENTIFICATION AND PASSWORD

5.11.1 A Trading Representative must have unique identification number and password to enter orders into the Trading System and must maintain confidentiality of the identification number and password.

A Trading Member must submit, upon admission, a list of Trading Representative identification numbers and names to BHB, and notify BHB of any amendments to the list on an ongoing basis.

5.11.2 Only persons authorized by BHB may enter trades remotely.

5.11.3
A Trading Member must ensure its Trading Representatives do not misuse clients' accounts for third party trading.

5.12 RESEARCH

5.12.1 General Requirements

(1) A Member may carry out research activities and must inform BHB in writing at least 14 days before it establishes a research department.

(2) A Member must supply BHB with any information that BHB requires regarding the proposed establishment.

(3) BHB may limit the scope of activity of the research department.

(4) BHB may require a Member to end any research activity if:
(a) the Member fails to comply with this Rule 5.12; or

(b) after consulting the CBB it is in BHB's opinion, the research activity is detrimental to the financial integrity, reputation or interests of the Member concerned, or markets established or operated by BHB.

(5) If BHB requires a Member to end its research activity, the Member may, within 14 days after it is notified of BHB's decision, appeal in writing to the Board whose decision will be final.

5.12.2 Organizational Requirements

A Member's research activities must be separate from its dealing, corporate finance and back office operations. Separation means at least having the following:

(1) separate reporting lines in place between the research activities and the other activities;

(2) adequate restriction of communication and information flow between the research activities and the other activities to avoid influencing research activities;

(3) adequate procedures to avoid any conflict of interest that may arise from the research activities and the other activities;

5.12.3 Supervision

(1) A Member must:

(1) supervise its research analysts;
(a) register its research analysts with BHB;

(b) implement written supervisory procedures to ensure that its research analysts comply with this Rule 5.12.

(2) A Member is responsible to BHB for the acts and omissions of its research analysts.

(3) the BHB may limit the scope of activity of a research analyst or direct a Member to replace a research analyst if the person:

(a) causes the Member to breach BHB's Rules or directives or the CBB Law, rules and regulations;

(b) engages in conduct detrimental to the financial integrity, reputation or interests of BHB, or markets established or operated by BHB;

(c) breaches any provision involving fraud or dishonesty, whether in or out of Bahrain; or

(d) is the subject of an investigation involving fraud or dishonesty, whether in or out of Bahrain.

(4) A Member may, within 14 days after it is directed by BHB to replace a research analyst, appeal in writing to the Board whose decision will be final.

5.12.4 Investment Recommendations

A Trading Member must:

(1) have an adequate basis, supported by research, for making an investment recommendation;

(2) maintain independence and objectivity in producing a research report or making an investment recommendation; and

(3) not issue a research report or make an investment recommendation that is not consistent with its research analyst's actual views regarding a subject company.

5.12.5 Restriction on Trading and Analyst

A Member must have policies and procedures in place to avoid potential conflicts of interest where analysts trade in the companies they cover, in particular:

(1) research analysts must not trade a security while they are preparing research on it or for a reasonable period after issuing research on it and effective Chinese walls should be in place to separate the trading conducted on such security and the analyst conducting research;

(2) the Member should not be allowed to trade in a manner inconsistent with their recommendations;

(3) the Member and its analysts must not use such activity or recommendations to maximize their profits or minimize their losses;

(4) the Member and its analysts must not knowingly buy or sell a security or Futures Contract if the Trading Member or research analyst has material information not generally available to the public in relation to the security or Futures Contract;

(5) except on instructions from a client, the Member and its analysts must not knowingly buy or sell a security or Futures Contract if the transaction may create a conflict of interest in relation to the Trading Member's duty to its clients;

(6) the Member and its analysts must not procure any person to buy or sell a security or Futures Contract if the Trading Member or research analyst is prohibited under Rules 5.12.5(4) and (5) from doing so; and

(7) the Member and its analysts must not buy or sell a security or Futures Contract contrary to the most recent research report published by the Trading Member unless 3 Market Days have passed since the report was issued. This trading restriction does not apply if:

(a) the Trading Member is acting on a client's express instructions;
(b) significant news is announced that would change the research report or investment recommendation; or
(c) the research analyst is in financial difficulty and must sell the security or Futures Contract.

(8) The Trading Member must ensure that the research analyst obtains prior written approval of a senior management staff independent of research, dealing or corporate finance for each trade. The Trading Member must also maintain documentation of the financial condition and the decision for 5 years.

5.12.6 Records

A Trading Member must maintain records of its research report or investment recommendation for 5 years.

5.12.7 Disclosure of Interests

A research report or investment recommendation should disclose, specifically and prominently:

(1) any interest at the date of the dissemination of the research report or investment recommendation in the subject of the report or recommendation. "Interest" includes direct or indirect ownership of securities or Futures Contracts (excluding the amount of securities or Futures Contracts owned), directorships, trustee positions, client of the Trading Member or any other relationship that may be regarded as creating a potential conflict of interest with the Trading Member's responsibility under Rule 5.12.4(2);

(2) any monetary compensation (excluding salary and bonuses) or other benefits receivable in respect of the research report or investment recommendation;

(2) any economic interest, direct or indirect, that the analyst or their immediate family may have and which may influence the research report or investment recommendation; and

(4) a list of definitions of the terms used in the research report, specifically recommendations and, if applicable, risk factors.

5.12.8 Statement of Policies and Procedures

(1) A Member should produce a written statement outlining its policies and procedures for managing potential conflict of interest that may influence the integrity of research and investment recommendations.

(2) These policies and procedures should be reviewed on a regular basis to ensure their continuing relevance.

(3) The statement of policies and procedures should be made freely available to investors on request.

5.12.9 Dissemination of Research

Research, and any significant changes to investment recommendations, should be disseminated to clients on a timely manner.

5.13 Margin Trading (or Funding) Facility

5.13.1 Every Trading Member who desires to provide Margin Trading facility to his client may be permitted by BHB to do so subject to such norms, guidelines, eligibility criteria as may be prescribed by CBB or BHB from time to time.

5.13.2 For the purpose of this Rule 'Margin Trading Facility' means and refers to the facility pursuant to which part of the transaction value due to BHB, at the time of purchase of securities, shall be paid by the Trading Member on behalf of the client on client's request, subject to norms, guidelines prescribed by CBB or BHB from time to time and on such terms as may be mutually agreed between the Trading Member and the client.

SECTION 6 – MARKET STRUCTURE

6.1 GENERAL

6.1.1 Application of these Market Rules

Securities listed on BHB shall be traded on the following markets:-

(1) Regular Market: all equity securities and other securities as decided by BHB from time to time (with the exception of those eligible for Initial Listing Market)

(2) Special Order Market: all securities eligible for trading on the Regular Market

(3) Initial Listing Market: equity securities of newly listed companies, for a period of six months from listing

(4) Debt Securities Market: Bonds, Sukuk and other debt securities

(5) Mutual Fund Market: Mutual Funds

Paragraphs 6.2 to 6.10 are applicable to the Regular Market. Unless provided for in paragraphs 6.11, 6.12, 6.13 or 6.14, all rules applicable to the Regular Market are also applicable to the Special Order Market, Initial Listing Market, Debt Securities Market and Mutual Fund Market. Paragraphs 6.15 and 6.16 apply generally. Or any other Market BHB may find necessary for trading.

6.2 TRADING HOURS

6.2.1 Unless otherwise determined by the Board, trading is conducted every weekday (Sunday to Thursday) between 9:30 am to 1:00pm or at such other times as determined by BHB.

6.2.2 In addition to the hours specified in Rule 6.2.1, a pre-opening period will be conducted for securities traded on the Regular Market starting at 9:15 am. No pre-opening period will be conducted for Special Order Market, Debt Securities Market and Mutual Fund Market. The following table summarizes the timings and phases applicable to each market:-

Market	**Timings and phases**
Regular Market	9:15am – 9:30am:- Pre-opening 9:30am:- Opening auction 9:30am –1:00pm:- Continuous trading
Special Order Market	9:30am – 1:00pm:- Continuous trading
Initial Listing Market	9:15am – 9:30am:- Pre-opening 9:30am:- Opening auction 9:30am – 1:00pm:- Continuous trading
Debt Securities Market	9:30am – 1:00pm:- Continuous trading
Mutual Fund Market	9:30am – 1:00pm:- Continuous trading

6.3 PRE-OPENING PERIOD

6.3.1 The pre-opening period is an order accumulation period during which orders may be entered by Members into the Trading System. No matching of orders will take place.

6.3.2 Members may modify or cancel any orders entered during this period.

6.3.3 The Trading System will calculate the derived opening price ('DOP') based on an algorithm that expresses the following priorities:-

An opening price is calculated to determine the first trading price, in the current trading session, for each symbol market. An opening price is calculated as a method of re-establishing the current market value for a symbol (as the market value of a symbol may have changed, since the previous session, due to news releases, changing economic forecasts or because of a trading halt).

OPC1: Each symbol has only one opening price per move from pre-open to open market state.

OPC2: The opening price calculation is based on the orders in the regular term book only.

OPC3: Each time orders are entered in the pre-open period the opening price is recalculated. A final opening price is calculated at the end of the pre-open state.

OPC4: Orders that match and are able to trade are queued in the market and traded at the opening price (some of them might be traded partially).

OPC5: The following criteria are used to calculate the opening price in consecutive order:

- Maximize share trade volume
- Minimize imbalance in share volume
- Better price for the market side in high demand
- Minimize Net change from the previous day's closing price
- Maximize Share price

OPC6: The price level that allows the maximum amount of shares to trade is the opening price.
At each price level (i.e., prices of queued orders) the total share volume available in the market is calculated. The total share volume available is determined separately for both the buy and sell side of the market.

OPC7: If more than one price level allows the maximum amount of shares to trade, the price level with the minimum imbalance in share volume becomes the opening price.
Imbalance in share volume is the amount of round lots of shares remaining after all trades occur at a particular price level (e.g., if the total volume available is 25,000 shares and the trade volume is 20,000 shares, the imbalance is 5,000 shares.)

OPC8: If more than one price level allows the maximum amount of shares to trade with equal minimum imbalances in share volumes and both of the imbalances are

on the same side of the market, the price to be selected is the price that is better for the side of the market with no remaining volume (the side that is opposite to the side of the market with an imbalance).

OPC9: If more than one price level allows the maximum amount of shares to trade with equal minimum imbalance in share volumes and both of the imbalances are on different sides of the market, the price level with the least net change from the previous trading session closing price becomes the opening price.

OPC10: If more than one price level allows the maximum amount of shares to trade, have an equal minimum imbalance in share volume, and have an equal least net change from the previous trading session closing price that is not on the same side of the market, the highest price level becomes the opening price.

OPC11: Market orders may be entered in pre-open and are included in the opening price calculation _ (MR).

OPC12: The volume of market orders is taken into account at each price level when the opening calculation is determined (MR).

OPC13: Market order(s) do not have price protection at the open. Market orders will trade at the calculated opening price (MR).

OPC14: Special term orders may be entered in pre-open but are not included in the opening price calculation (ST).

6.3.4 The DOP shall be continuously updated and disseminated to Members and any other parties as determined by BHB.

6.3.5 Only Regular Orders may be entered during the pre-opening period.

6.4 AT THE OPEN (OPENING AUCTION)

6.4.1 At The Open (opening auction) is a transitional phase between pre-opening and continuous trading periods. Orders entered into the Trading System during the pre-opening period are matched (i.e. identified for execution) during the opening auction. During this phase no new orders can be entered and existing orders cannot be modified or cancelled. All unmatched orders will be carried over to the next phase.
Note:- "Match" defined as identified for execution

6.4.2 The opening price is the last DOP calculated at the pre-opening phase.

6.4.3 Where there is no overlap between bid and ask prices such that the DOP cannot be calculated, the opening price shall be the price of the first executed trade after trading begins.

6.5 CONTINUOUS TRADING PERIOD

6.5.1 During this period, Members may enter orders as well as modify or cancel orders entered.

6.5.2 All orders entered or maintained in the Trading System during this period shall be matched on a continuous basis in accordance with the principles for matching of orders as set out in Rule 6.8. For the purpose of this Rule, '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 set out in Rule 6.8.

6.5.3 All orders that are not matched immediately upon the entry of the orders into the Trading System shall be maintained in the Trading System for possible matching in accordance with the principles for matching orders as set out in Rule 6.8.

6.6 SUSPENSION OF TRADING

6.6.1 BHB may suspend or restrict trading in any or all listed or quoted securities. It may do so for one or more markets during any part of a trading session. It may do so in any of the following circumstances:-

(1) in BHB's opinion, the market is not orderly, informed or fair or circumstances are about to occur that may result in there not being an orderly, informed or fair market;

(2) BHB releases an announcement in relation to an Issuer which, in BHB's opinion, is market sensitive;

(3) an Issuer requests, and BHB agrees to the suspension;

(4) access to the Trading System is generally restricted;

(5) any of the circumstances in the Listing Rules relating to suspensions apply;

(6) functions of BHB are, or are threatened to be, severely and adversely affected by a physical emergency such as fire, terrorist activities, power failures, communication or transportation breakdowns, or computer malfunctions; or

(7) in BHB's opinion, it is in the public interest.

6.6.2 Securities which have been suspended from trading are ceased from being traded on the Trading System. Except with BHB's approval, a Member must not execute any transactions in suspended securities.

6.6.3 No orders may be entered for suspended securities. Outstanding orders for securities which have been suspended may only be cancelled and not modified.

6.6.4 A Temporary suspension may be lifted by BHB at any time.

6.6.5 Securities which have suspensions lifted will be subject first to a pre-opening period of 15 minutes, or such time as prescribed by BHB from time to time, and an opening auction immediately thereafter before trading recommences.

6.6.6 Rule 6.6.5 does not apply to the following securities:-

(1) securities traded on the Special Order Market, Debt Securities Market or Mutual Fund Market; and

(2) securities traded on the Regular Market or Initial Listing Market which are suspended and which have their suspensions subsequently lifted in the same trading period

These securities will enter into continuous trading immediately and not be subject to a pre-opening period and opening auction thereafter.

6.6.7 Without prejudice to Rule 6.6.4, no suspensions of securities will be lifted with less than 30 minutes from the close of trading unless the suspension was made earlier in the same trading session, in which case such suspension may not be lifted with less than 15 minutes from the close of trading.

6.6.8 BHB may extend a trading session (generally, or for a particular security) if trading recommences after a suspension.

6.7 ORDERS

6.7.1 Order Particulars

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

6.7.2 Tick Size

The price of orders entered into the Trading System must be based on the Tick Sizes or multiples of the Tick Sizes indicated in the following schedules:-

Category	Price Category (BD)		Tick Size (BD)
	From	To	
1	0.001	0.200	0.001
2	0.202	0.500	0.002
3	0.505	1.000	0.005
4	1.010 and above		0.010

Category	Price Category US($)		Tick Size US ($)
	From	To	
1	0.005	1.000	0.005
2	1.010	2.500	0.010
3	2.520	4.500	0.020
4	4.550	10.000	0.050
5	10.10 and above		0.100

6.7.3 Types of orders

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

Regular Orders:

(1) market orders;

(2) limit orders;

(3) stop limit orders;

(4) stop loss orders;

Non-regular Orders:

(5) orders with undisclosed quantities;

(6) minimum fill orders; and

(7) all-or-none orders

(8) whole-or-none orders

Order types (1), (2), (3) and (4) shall be termed "Regular Orders". Order types (5), (6), (7) and (8) shall be termed "Non-Regular Orders". All order types except for type (8) – whole-or-none orders – may be entered in the Regular Market. Only orders (7) and (8) may be entered in the Special Order Market. Only Regular Orders and order (7) may be entered in the Debt Securities Market and Mutual Fund Market. Only Regular Orders may be entered in the Initial Listing Market.

Market	**Order types permitted**
Regular Market	Regular Orders Orders with Undisclosed Quantities Minimum-fill Orders All-or-none Orders
Special Order Market	All-or-none Orders Whole-or-none Orders
Initial Listing Market	Regular Orders
Debt Securities Market	Regular Orders All-or-none Orders
Mutual Fund Market	Regular Orders All-or-none Orders

6.7.4 Market Orders

(1) Market orders that are matched partially shall be converted to limit orders for the quantity not matched, with the limit set at the price of the last trade executed against the order.

(2) Members may enter market orders during pre-opening and continuous trading periods.

6.7.5 Limit Orders

(1) A limit order is an order that stipulates a maximum buy price or minimum sell price ("the Stipulated Price"). Limit orders shall be matched at the Stipulated Price or at a price better than the Stipulated Price.

(2) Members may enter limit orders during pre-opening and continuous trading periods.

(3) Members may enter time limit orders as maybe set at by BHB from time to time

(4) Any limit order entered into the market with certain percentage set by BHB different to the market price will trigger a market difference alert to the member.

6.7.6 Stop limit orders

(1) A Stop limit order is an order that converts into a new instruction being a new limit order to sell (buy) securities at the specified trigger price.

(2) Members may enter Stop limit orders during pre-opening and continuous trading periods.

6.7.7 Stop loss orders

(1) A stop loss order is an order that converts into a market order to sell (or buy) securities once the market price for the securities falls (or rises) below (or above) the specified trigger price.

(2) Members may enter Stop loss orders only during continues trading periods.

6.7.8 Orders with undisclosed quantities

(1) The minimum size of Orders with undisclosed quantities is 500,000 shares or such other quantity as specified by BHB from time to time.

(2) An Order with undisclosed quantity entered into the Trading System shall specify a fixed lesser quantity to be disclosed to the market (the 'Roll-in Quantity'). The 'Disclosed Quantity' shall refer to the balance of the Roll-in Quantity available for execution. The 'Undisclosed Quantity' shall refer to the balance of the total order that is hidden from the market.

(3) The 'Roll-in Quantity' must not be higher than 50% of the Total Order quantity entered.

(4) The 'Undisclosed Quantity' will be hidden from the market but there will be an indicator that an 'Undisclosed Quantity' is present.

(5) If, at the point of entry, an Order with undisclosed quantity can be partially matched, the matched quantity shall be deducted from the Disclosed Quantity and the remaining quantity shall be the Order with undisclosed quantity with the original "Undisclosed Quantity" remaining intact.

(6) Orders executed against an Order with undisclosed quantity will reduce the balance in the "Disclosed Quantity". When the "Disclosed Quantity" is completely matched, the "Disclosed Quantity" is renewed automatically by the Roll-in Quantity and the order is positioned behind orders of the same limit. If a renewal of the Disclosed Quantity results in the remaining Undisclosed Quantity being less than 50% of the total remaining order, the entire remaining Undisclosed Quantity will be rolled-in instead of the Roll-in Quantity.

(7) Partial fill of an Order with undisclosed quantity diminishes the Disclosed Quantity without replenishment from the Undisclosed Quantity, unless there are no further orders behind at the current price level. Where no orders exist behind the traded order, the Disclosed Quantity will be automatically rounded-up to the full specified Roll-in Quantity. When there are orders queued after the Disclosed Quantity, the total Disclosed Quantity must be traded before a new Roll-in Quantity is brought in. Once the total Disclosed Quantity is traded, another amount equal to the specified Roll-in Quantity will be rolled-in with a new effective time stamp.

(8) Modifications to the order

Any of the following changes may be made to an Order with undisclosed quantity:-

(a) Increase or decrease in the Roll-in Quantity, provided Rule 6.7.8(3) holds.

(i) Increases in the "Roll-in Quantity" shall only take effect after the balance Disclosed Quantity has been completely matched. The Disclosed Quantity will thereafter be replenished with the new Roll-in Quantity, and be positioned behind orders of the same limit

(ii) Decreases in the Roll-in Quantity shall take effect after the balance Disclosed Quantity has been completely matched, unless the new specified Roll-in Quantity is less than the outstanding Disclosed Quantity. If the new specified Roll-in Quantity is less than the outstanding Disclosed Quantity, the volume in excess of the new Roll-in Quantity shall be moved to the Undisclosed Quantity, leaving a balance Disclosed Quantity that is equal to the new Roll-in Quantity

(b) Add to or subtract from the Undisclosed Quantity, provided Rule 6.7.8(3) holds. Additions or subtractions from the Undisclosed Quantity will not affect the priority of the order.

(9) Members may enter Orders with undisclosed quantities only during continuous trading periods.

6.7.9 Minimum fill orders

(1) A minimum fill order begins to trade only if its first fill has the stipulated minimum number of shares.

(2) Members may enter minimum fill orders only during continuous trading periods.

6.7.10 All-or-none orders

(1) An all-or-none order is executed only either completely or not all.

(2) Members may enter all-or-none orders only during continuous trading periods.

6.7.11 Whole-or-none-orders

(1) The value of a whole-or-none order shall not be less than BD500,000 or its equivalent in other currencies

(2) The whole-or-non-order shall be in favor of one account only

(3) Members may enter whole-or-none orders only during continuous trading periods

(4) A whole-or-none order is only either matched in totality or not at all.

(5) Adjustments to a whole-or-none order may be made if the following conditions are met:-

(a) The adjustment improves the order, i.e., increases the price of a bid order or decreases the price of an ask order; and

(b) Either

(i) There is at least one other order for the security on the Special Order Market, regardless of bid or ask, on the market; or

(ii) Where there is no other order for the security on the Special Order Market, at least 10 minutes has lapsed from point of entry of the Initial Order.

(iii) Initial Order shall refer to the first whole-or-none order entered for a security on the Special Order Market, where no orders for such security were outstanding on the Special Order Market previously.

6.7.12 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, market or the order type (buy or sell) needs to be changed, the order must be cancelled and re-entered.

(3) If any of the following changes are effected, a new effective time stamp will be given to the order:

(a) change in price;

(b) increase in Roll-in Quantity;

(c) a change in the underlying client

(4) If any of the following changes are effected, the order will keep its original effective time stamp:

(a) decrease in Roll-in Quantity

(b) changes in Undisclosed Quantity

6.8 MATCHING PRIORITY

6.8.1 All orders shall be matched in priority of price and then time.

6.8.2 Regular Orders shall have priority over Non-Regular Orders and market orders shall have priority over limit orders only during the pre-open session.

6.8.3 Price/Time priority:

(1) best price: A buy order at the highest price and a sell order at the lowest price has priority over other orders entered for the same securities; and

(2) earliest time-stamp: Each order receives a time stamp upon entry into the Trading System. In the event that there are competing orders, or identical prices entered for the orders, the orders are matched in the order of time in which the orders are entered into the Trading System. The time stamp given to an order entered into the Trading System shall be changed in any of the following circumstances:-

(a) where the quantity of the order is increased; or

(b) where a change is made to the price of the order.

6.9 PRICE FLUCTUATION

6.9.1 Price variations (up or down) for each security shall be limited to a maximum of 10% of the previous closing price for the security, subject to specific circumstances highlighted below. Other limits or variations to existing limits for each security may be specified from time to time by BHB.

6.9.2 "Illiquid security" shall mean a security in which no trade has been executed for a period of six months (the "illiquid period").

6.9.3 "Price fluctuation limits" shall, for each security, refer collectively to the Maximum price limit and Minimum price limit for the security during a certain trading session, where:-.

(1) the "Maximum price limit" for a security refers to the maximum price that may be accepted by the Trading System for any order in that security; and

(2) the "Minimum price limit" for a security refers to the minimum price that may be accepted by the Trading System for any order in that security.

Price fluctuation limits are defined in terms of percentages of a securities closing price (unless otherwise stated) of a security. For example, a Maximum price limit of 10% for a security with reference price of 100 fils means that no orders will be accepted for prices above 110 fils. Conversely, a Minimum price limit of 10% for a security with reference price of 100 fils means that no orders will be accepted for prices below 90 fils

6.9.4 "Qualifying orders" shall mean the following:-

(1) A "Qualifying bid order" is a Regular 'bid' order at the Maximum price limit, entered into the Trading System during a continuous trading session, of value determined by BHB from time to time or more and which remained in the order book for a period of 30 minutes or more.

(2) A "Qualifying ask order" is a Regular 'ask' order at the Minimum price limit, entered into the Trading System during a continuous trading session, of value BD5,000 or more and which remained in the order book for a period of 30 minutes or more.

6.9.5 Adjustments to price fluctuation limits applicable to non-cross-listed securities

(1) Subject to Rule 6.9.3 (2), the existing Minimum price limit of the security will be decreased by an additional 5% if:-

(a) a Qualifying ask order is made in the security; and

(b) during the previous trading day, (i) no trades were executed in the security, and (ii) at least one Qualifying ask order was made in the security.

(c) If no trades take place during the trading session, provided at least one qualifying order exists in the market, the minimum price limit of the security will be decreased by an additional 5% until the execution of a trade. This mechanism will continue until a regular trade is executed.

(2) Subject to Rule 6.9.5 (3), the existing Maximum price limit of the security will be increased by an additional 5% if:-

(a) a Qualifying bid order is made in the security; and

(b) during the previous trading day, (i) no trades were executed in the security, and (ii) at least one Qualifying bid order was made in the security.

(c) If no trades take place during the trading session, provided at least one qualifying order exists in the market, the maximum price limit of the security will be increased by an additional 5% until the execution of a trade. This mechanism will continue until a regular trade is executed.

(3) Adjustments to the price fluctuation limits specified in Rule 6.9.5 (1) and (2) will not be made within 30 minutes of the end of each trading session.

(4) The price fluctuation limits shall revert to 10% once a new last closing price has been established in the security.

6.9.6 Adjustments to price fluctuation limits applicable to cross-listed securities

(1) Subject to Rule 6.9.6 (3), the existing Minimum price limit of a cross-listed security will be decreased by an additional 5% following the presence of a Qualifying ask order in the security.

(2) Subject to Rule 6.9.6 (3), the existing Maximum price limit of a cross-listed security will be increased by an additional 5% following the presence of a Qualifying bid order in the security.

(3) Adjustments to the price fluctuation limits specified in Rule 6.9.6 (1) and (2) will not be made within 30 minutes of the end of each trading session.

(4) If the last closing price of the cross-listed security in the market in which it is most actively traded is above the last closing price the cross-listed security on Bahrain Bourse by more than 5%, and no trades were executed on Bahrain Bourse in that cross-listed security for the market day, then the existing Maximum price limit shall be increased by such percentage as to reflect the Maximum price limit allowed for the cross-listed security in market in which the cross-listed security was most actively traded. In the case in which the last closing price in the market in which it is most actively traded is below the last closing price of the cross-listed security on Bahrain Bourse by more than 5%, and no trades were executed on Bahrain Bourse in that cross-listed security for the market day, then the existing Minimum price limit shall be decreased by such percentage as to reflect the Minimum price limit allowed for the cross-listed security in market in which the cross-listed security was most actively traded.

(5) Adjustments to the price fluctuation limits specified in Rule 6.9.6 (4) shall take effect from the start of the first trading session after the events described in those paragraphs.

(6) The price fluctuation limits shall revert to 10% once a new last closing price has been established in a cross-listed security on Bahrain Bourse.

6.9.7 Adjustments to price fluctuation limits applicable to Illiquid securities

(1) The existing price fluctuation limits of illiquid securities shall be increased or decreased to 50% of the last closing price in the security. No changes will be made to either the existing Maximum price limit or the existing Minimum price limit if either limit is 50% or more of the last closing price of the security.

(2) Adjustments to the price fluctuation limits in this Rule 6.9.7 shall take effect from the start of the first trading session after a security is deemed an Illiquid security.

(3) The price fluctuation limits shall revert to 10% once a new last closing price has been established in the security.

6.9.8 Substantial Shareholding

All persons whose ownership alone or whose ownership together with that of their minor children, or the accounts standing under their disposal amounts to 5% or more of any listed security in BHB must conclude all transactions on such security on BHB.

6.10 CLOSING OF TRADING

6.10.1 Closing of trading and calculation of closing price statistics shall be according to procedures specified by BHB from time to time.

6.11 SPECIAL ORDER MARKET

6.11.1 Only all-or-none or whole-or-none orders are available on the Special Order Market. These orders may only be entered during the continuous trading period of the Regular Market.

6.11.2 No new orders may be entered in the Special Order Market 20 minutes before the close of the trading period.

6.11.3 Initial orders entered in the Special Order Market for a security must specify a price that is not more than 5% from the last executed price or last closing price, whichever occurring later, of that security in the Regular Market. This limit does not apply if the Initial order is either (i) a bid order specifying a higher price or (ii) an ask order specifying a lower price that the last done price or last closing price, whichever occurring later.

6.11.4 Orders entered in the Special Order Market will be executed at least 10 minutes after the time of entry of an Initial order.

6.11.5 The value of each order entered (either bid or ask) must not be less than BD 500,000 or its equivalent in other currencies. BHB may change the value of the Special Order Market from time to time through directives.

6.11.6 Each order entered must be pursuant to instructions from a single account and cannot be a combination of instructions from multiple persons.

6.11.7 If an order has been exposed to the market for 15 minutes and has not been matched, the Trading Member may, after notifying BHB, execute the trade with itself.

6.11.8 Orders submitted may not be removed from the market unless the order has not been matched after 30 minutes from the time of submission, and the Member who submitted the order notifies BHB prior to removing the order.

6.11.9 Transactions in the Special Order Market will not be reflected in the calculation of the high, low, and closing prices of the regular market.

6.12 INITIAL LISTING MARKET

6.12.1 Upon initial listing, shares of a company will be traded on the Initial Listing Market for six months before being traded on the Regular Market.

6.12.2 Only Regular Orders are allowed on the Initial Listing Market.

6.12.3 The provisions of Rule 6.9.1 relating to price fluctuation limits do not apply to the first day of trading of securities on the Initial Listing Market.

6.12.4 Trading data of companies trading on the Initial Listing Market will not be included in the calculation of BHB indices.

6.13 DEBT SECURITIES MARKET

6.13.1 Rule 6.3, 6.4, 6.9 and Rule 6.6.5 do not apply to the Debt Securities Market.

6.13.2 Only Regular Orders and all-or-none orders may be entered on the Debt Securities Market.

6.13.3 Unless otherwise provided in the Debt Securities prospectus, Debt securities shall be traded and settled in BHB with regard to their maturity and settlement terms, in the manner applicable to other securities.

6.13.4 The settlement amount shall include the value of the transaction and accumulated interest up to the settlement date, in accordance with to the International Securities Market Association (ISMA) Regulations.

6.13.5 Accumulated interest shall be calculated up to the settlement date, in accordance with the mechanism and procedures issued by ISMA.

6.14 MUTUAL FUND MARKET

6.14.1 Rule 6.3, 6.4, 6.9 and Rule 6.6.5 do not apply to the Mutual Fund Market.

6.14.2 Only Regular Orders and all-or-none orders may be entered in the Mutual Fund Market.

6.15 ORDINARY TRADING AND EXEMPTED CASES

6.15.1 Trading in listed securities, or securities admitted for trading on BHB, shall be carried out on the Trading System through one of the brokers registered on BHB.

6.15.2 The Following transactions shall be exempted from trading on the Trading System:

1. Dealing in securities at the initial subscription stage, including public offering for increasing the capital of joint stock companies.
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 which takes place without consideration.
4. Transfer of securities in case of inheritance or will.

6.15.3 All exempted cases that constitute monetary value shall be carried out on the Trading System through BHB.

6.15.4 The CBB and/or BHB has the right to execute any other case of transfer of securities as exempted transfer from main market, after granting an approval from concerned constitutions if applicable.

6.16

Any trade in securities that is contrary to Rule 6.15 in particular shall be deemed null or void.

SECTION 7 – SETTLEMENT

7.1 MODE OF SETTLEMENT

7.1.1 Book entry

Unless otherwise specified by BHB, delivery and settlement for trades in securities affected on the Trading System must be made by book entries in CSD.

Subject to Article (96) of the CBB Law, any computer data, electronic files, recorded telephone calls, telex and facsimile correspondence may be used as evidence in disputes relating to securities.

7.1.2 Account with CSD

All persons who trade in securities via the Trading System must maintain a securities account with CSD as per the Clearing Entity's rules and regulations.

7.1.3 Currency

All trades are settled in Bahraini Dinar and/or any other currency prescribed by BHB.

7.1.4 Market Contracts

All trades concluded on BHB shall be settled as market contracts as per the terms and conditions specified by the CBB Law.

7.2 RELATIONSHIP BETWEEN CLIENT AND MEMBER

7.2.1 Sale proceeds

(a) A selling client must only look to the Trading Member who executes the trade in relation to all obligations in connection with that trade, including payment of sale proceeds.

(b) A buying client must look only to the Trading Member, who executes the trade, in relation to all obligations in connection with that trade, including delivery of securities or in the case of a deliverable Futures Contract, the relevant underlying. A buying client must pay the Trading Member who executes the trade.

7.2.2 If a buying client does not affect payment to the executing Member by T+2, the Member has the right subject to the client agreement signed by it and its client to close off the trade at the time specified there in and any resulting loss will be for the account of the buying client in accordance with such agreement.

7.2.3 Delivery of securities

(a) If a selling client fails to deliver, buying-in will be instituted against the selling client according to CSD Rules.

(b) A buying client must only look to the Member who executes the trade for delivery of securities.

7.3 RELATIONSHIP BETWEEN MEMBER AND GENERAL CLEARING PARTICIPANT

7.3.1 Sale proceeds

A selling Trading Member must look only to the General Clearing Member who qualifies it in relation to all obligations in connection with its trades, including payment of sale proceeds.

7.3.2 Delivery of securities

A buying Trading Member must look only to the Clearing Member who qualifies it in relation to all obligations in connection with its trades, including for delivery of securities or in the case of a deliverable Futures Contract, the relevant underlying.

7.4 SETTLEMENT DAYS & PROCEDURES

7.4.1 Settlement day

Unless otherwise determined by BHB, the settlement day for all trades executed on the Trading System for a particular trading day shall be the second Trading Day following the trade day (T+2).

7.4.2 Settlement Procedures

Settlement of trades shall be made in full and in accordance with the procedures and regulations of the CSD.

7.5 DELIVERY VERSUS PAYMENT (DVP) SETTLEMENT

7.5.1 DVP settlement as defined by the DVP Rules issued by the Clearing Entity. (Refer to CSD Rules).

SECTION 8 – CAPITAL ADEQUACY AND FINANCIAL REQUIREMENTS

8.1

The minimum paid-up capitals of members are as follows;

(1) BD 10,000 if it is a Discount Broker .

(2) BD 50,000 if it is a Broker.

(3) BD 250,000 if it is a Broker Dealer.

(4) BD 100,000 if it is a External Broker.

(5) BD 250,000 if it is a External Broker Dealer.

(6) BD 500,000 if it is a Authorized Trader

Clearing Membership shall be at least:

(1) BD 200,000 if it is a Direct Clearing.

(2) BD 1,000,000 if it is a General Clearing

8.2 Net Worth

8.2.1 The Net worth shall be computed in the following manner based on the books of accounts maintained by the member in accordance with these Rules:

Computation of Net worth:

1 Capital + Free Reserves

2 Less Non-allowable assets:

a. Land and buildings
b. Value of Pledged Securities
c. Doubtful Debts and Advances
d. Loans and advances to associates
e Prepaid expenses, losses
f. Intangible Assets

3 Net worth (1-2)

8.3 Capital Adequacy Requirement:

8.3.1 The total net worth of each member shall be as minimum of 120% of its paid-up capital at all times.

8.3.2 BHB may review such minimum requirement from time to time.

8.3.3 BHB may waive under circumstances the above-mentioned capital adequacy requirement.

*Explanations:

1. Capital means paid up value of equity shares/ordinary shares and irredeemable preference shares (net of treasury shares).

2. Free reserves includes Share premium reserve, Federal reserve's including 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. Doubtful debts include debts/advances overdue for more than three months.

4. Loans/advances given to associates mean loans and advances to holding companies subsidiary companies, other subsidiary companies of the holding companies.

5. Intangible assets include Goodwill and Current year's cumulative net losses which have been reviewed or audited as per the International Standards on Auditing by external auditors.

8.3.4 If the member falls below 20% but above 15% of the financial requirement as per the BHB rulebook, BHB may allow the broker for financial maintenance until next financial result.

8.3.5 If the member falls below 15%, BHB has the right to take regulatory action, or restrict the activities of the member related to market transactions.

8.3.6 the member must immediately notify BHB if its net worth falls the percentages referred to in Rules 8.3.3 and 8.3.5.

8.4 LARGE SINGLE EXPOSURE

A Member shall not allow any single probable contingency, financial commitment or exposure to a single client or a single security to exceed 30% of its regulatory capital.

8.5 POWER TO IMPOSE OTHER REQUIREMENTS

BHB may prescribe for one or more Members, capital, financial and other requirements in excess of the minimum prescribed under Section 8 herein on the basis of volume, risk exposure of positions carried, risk concentration, margin policies, nature of business conducted or to be conducted and such other criteria as deemed necessary by BHB.

8.6 FINANCIAL AUDIT

8.6.1 A Member's auditor should be a duly licensed entity licensed by the respective authority in its jurisdiction.

8.6.2 A Member shall, within 3 months after the close of the financial year and 45 days after the end of each financial quarter, furnish to BHB the accounts of the Member and its subsidiaries and a report duly signed by the auditor, signed by the auditors, stating, at a minimum:-

(a) whether, in the opinion of the auditor, the Member has complied with the financial requirements as set out in the BHB Rules and CBB Rules, and

(b) whether, in the opinion of the auditor, the Member's books of accounts and records are those usual in a business of that nature and appear to have been kept in a proper manner in accordance with the provisions of the BHB Rules and the CBB Rules, and

(c) whether, in the opinion of the auditor, the financial position of the Member is such as to enable it to conduct its business on sound lines, having regard to the nature and volume of the business transacted during its past financial year as shown by its books of accounts and records, and

(d) whether the auditor has obtained all the necessary information and explanations for the proper conduct of the audit as to enable the auditor to furnish the report .

The full-year accounts furnished in accordance with this Rule must be audited by a suitable auditor.

8.6.3 Where, in the performance of his duties, the Member's auditor becomes aware:-

(a) of any matter which in his opinion adversely affects or may adversely affect the financial position of the Member to a material extent,

(b) of any matter which in his opinion constitute or may constitute a contravention or breach of the BHB Rules of CBB Rules or an offence involving fraud or dishonesty,

(c) of any irregularity that has or may have a material effect upon the accounts, including irregularities that jeopardize the moneys or other assets of any client of the Member, or

(d) that the accounting system, internal control and procedures for safeguarding moneys or other assets are inadequate and the inadequacies have a material effect on the accounts,

The auditor shall immediately report the matter to BHB.

8.6.4 Where a Member fails to submit the documents pursuant to Rule 8.6.2 within the specified time, there may be imposed upon that Member a late fee charges of BD10 for each day for a "maximum of BD 2000", unless an extension of time has been granted by BHB.

Requests for extension of time shall be submitted to BHB at least 3 Trading Days prior to the due date.

8.7 ANNUAL ACCOUNTS & CERTIFICATION BY AUDITOR

8.7.1 Every Member shall comply with the following requirements in relation to audit, certification and submission of the financial accounts in addition to the requirements stipulated by the regulator where applicable.

8.7.2 Every Member shall furnish, to BHB:

i. within 3 months from the end of its financial year or fifteen days prior to its general meeting, whichever is earlier, the accounts made up to the last day of that financial year duly audited by its Auditor together with an auditor's report and a net worth certificate as specified by BHB.

ii. within 45 days after the end of each of the first three quarters of its financial year a profit and loss account, Balance Sheet, cash flow statement, change in shareholders equity and a net worth certificate as specified by BHB.

Notwithstanding the above, the Member may apply to BHB requesting for an extension of time, and the decision of BHB shall be final.

8.7.3 The auditor's report shall contain a statement certifying that;

i) the Member's books of accounts and records conform to the industry practice and are kept in a proper manner in accordance with these Rules and, where applicable, the Act, and

ii) all assets and liabilities, income and expenditure and profits and losses have been prepared and stated in accordance with the International Financial Reporting standards, and

iii) the books of accounts and records reflect a true and fair view of the state of affairs of the business of the Member, and

iv) the Member has all times complied with the applicable minimum capital adequacy requirements prescribed by BHB, and

v) the auditor has obtained all the necessary information and explanations for the proper conduct of the audit and to enable it to furnish the certificate, and

vi) the financial position of the Member is such as to enable it to conduct its business on sound grounds, having regard to the nature and volume of the business transacted during the financial year as shown by its accounts and records, and

vii) the internal controls and risk management measures are in accordance with the Rules prescribed by BHB and is adequate for the size and level of operations of the member, and

viii) the member has complied with BHB requirements on segregation of client funds and securities.

8.8 REPORTING OBLIGATIONS ON AUDIT FINDINGS

Every Member shall, and shall procure that its Auditor shall, immediately report to BHB:

i) any adverse remark or report of its Auditor on any matter which adversely affects or may adversely affect the financial position of the Member to a material extent;

ii) any comment from its Auditor which in the Auditor's opinion constitutes or may constitute a contravention of the these Rules, or an offence involving fraud or dishonesty; and

iii) any irregularity that has or may have material effect upon the accounts, including any irregularity that may affect or jeopardize the monies or other assets of any Client of the Member.

SECTION 9 – COMPLAINTS, ARBITRATION, INVESTIGATION, DISCIPLINARY PROCEEDINGS AND INSPECTIONS

9.1 APPLICATION

9.1.1 This section contains the rules of BHB regarding complaints handling, arbitration and, disciplinary proceedings.

9.1.2. All Members and Listed Companies must have appropriate internal dispute resolution procedures and systems for effective handling of complaints made by clients and investors.

9.2 HANDLING OF COMPLAINTS AND DISPUTE RESOLUTION

9.2.1. All Members and Listed Companies must have effective system and internal complaint procedures for handling of complaints made by their clients and shareholders respectively, as per CBB Rulebook Volume 6 Dispute Resolution, Arbitration and Disciplinary Proceedings Module.

9.2.2. A complaint includes any complaint in relation to the provision of services by a Member or a Listed Company in which the client alleges that he has suffered, or is likely to suffer financial prejudice as a result of the Member or the Listed Company:

(1) Contravening or failing to comply with any instruction given by the client, or any agreement or mandate entered into with the client;
(2) Contravening or failing to comply with the rules and the Regulations of BHB;
(3) Acting dishonestly, negligently or recklessly; or
(4) Treating the client unreasonably or unfairly.

9.3.UNRESOLVED COMPLAINTS

9.3.1. If a client's complaint is deemed to be unresolved by a Member or a listed company or if the complainant is not satisfied with the resolution of the complaint proposed by the member or the listed company, the complainant may lodge the unresolved complaint, in writing, with BHB giving full particulars of the matter concerned.

9.3.2. In order for an unresolved complaint to be considered by BHB, the complaint must be lodged within 6 months of the receipt by the complainant of the response from the Member or listed company and within 12 months of the conduct by the member or listed company giving rise to the complaint.

9.3.3 An unresolved complaint which is lodged subsequent to the period referred to in rule 9.3.2 will be considered, provided that failure to lodge the complaint within the relevant period was through no fault of the client.

9.3.4. BHB may request the member or listed company and the complainant to provide copies of all relevant correspondence and documentation that is required to review the complaint. BHB shall also send a copy of the complaint to the CMSD of CBB for information and also send a report on the final resolution of the complaint.

9.3.5. BHB must maintain a record of all clients' complaints that must include:

(a) The identity of the complainant;
(b) The substance of the complaint;
(c) The status of the complaint, including whether resolved or not, and whether redress was provided and
(d) All correspondence in relation to the complaint.
Such records must be retained by BHB for a period of 10 years from the date of receipt of the complaint.

9.3.6. BHB shall endeavor to facilitate a resolution of the complaint between the member or listed company and the complainant.

9.4. ELIGIBLE DISPUTES

9.4.1. All types of disputes with a member or a listed company may be brought before and dealt with by BHB (known as "eligible disputes") subject to the following conditions:
(1) The member or listed company involved in the dispute must be one which is subject to the jurisdiction of BHB by reason of it being a member of BHB, or an issuer whose securities are listed on BHB.
(2) The activity to which the complaint relates must be subject to the jurisdiction of BHB.
(3) The member or listed company has failed to resolve the complaint to the satisfaction of the complainant within a period of 4 weeks of receiving it.

9.4.2. All disputes which have not first been raised by a complainant with the Member or listed company, so as to provide the Member or the listed company with an opportunity to resolve the dispute, will be deemed a complaint and if lodged or attempted to be lodged with BHB shall be referred back to the Member or the listed company for its due consideration.

9.4.3. The following complaints and disputes cannot be brought before BHB:
(1) Commercial decisions not related to market transactions;
(2) Pricing policies and other policies such as interest rates and fees;
(3) Cases under investigation by any law enforcement agency, including cases where allegations of fraud or criminal activity have been made, and where the matter has been referred to the police for investigation;
(4) Complaints that are more than 6 months old after the Member's or listed company's final reply;
(5) Complaints that have been settled privately or otherwise between the complainant and the member or listed company; and
(6) Cases which have been subject to a court hearing and for which a court judgment and/or order has been passed.

9.5 THE BOURSE INVESTIGATION COMMITTEE ("BIC")

9.5.1The BIC shall receive applications and complaints which contain the
alleged facts involving members, listed companies and unlisted companies whose securities are admitted for trading on BHB, and which constitute a violation to BHB's Law, Internal Regulation and resolutions which regulate BHB, and which affect the proper conduct of business therein, or the principles and standards of practicing the brokerage profession.

9.5.2 Applications or complaints shall, upon receipt, be recorded in a special register with serial numbers, commencing on the first day of the Gregorian year and ending on the last day thereof.

9.5.3 The BIC shall submit applications and complaints to the CEO of BHB. These applications and complaints shall either be decided upon by the CEO, or returned to the BIC to begin the investigation process required for making the decision on the alleged facts contained in the application or complaint.

9.5.4 The BIC shall, upon referral of any matter to it by the CEO, serve summons on the parties and their witnesses to hear their statements on the matter and write any statements in a record prepared for this purpose.

9.5.5 The BIC shall, upon completion of an investigation, submit to the CEO its written opinion on the result of the investigation, and whether the issue constitutes a violation warranting referral to disciplinary proceedings or not.

9.5.6 The CEO shall refer the violation record to the disciplinary board if an investigation has been carried out, or he shall, where the application has been referred by the Board of Directors for investigation, submit the matter to the Board to decide thereon, or refer the matter to the disciplinary board.

9.5.7 Violations referred to disciplinary proceedings shall be raised in the form of a statement, which shall contain the name and place of residence of the defendant, date of the violation, and a summarized description of the violation and the available evidence. The disciplinary board shall not consider any violation unless it is submitted in accordance with this method.

9.5.8 All matters involving a dispute shall be referred to the EIC upon a decision by the CEO if it is in the opinion of the CEO that the case may involve a violation of BHB rules and CBB applicable rules.

9.6 DISPUTE SUBMISSION TO BHB

9.6.1. To initiate an investigation of a dispute and to require BHB to resolve the dispute, a complainant must complete and submit the dispute to BHB, along with the facts of the case and evidence in support of the claims made by the complainant.

9.6.2. A final reply is a letter or other written document issued by the member or listed company to the complainant, which expressly states that it is the member's or listed company's final reply and which expressly informs the complainant that if he/she disagrees with the member, he/she can contact BHB for assistance within 6 months from the date of the said letter or other written document.

9.7 INVESTIGATION OF DISPUTES

9.7.1. BHB shall be entitled to request all relevant data and materials relevant to the dispute from the parties of dispute, and the parties shall provide to BHB all such information and materials as are relevant to the dispute or proof from the complaint that the matter has not been solved .

9.7.2. The member or the listed company shall respond to the request referred to in the preceding paragraph and provide a report compiled by the member or the listed company upon conclusion of its investigation into the dispute first raised to it by the complainant in full, the grounds of its decision and any other relevant information and documents relevant to the dispute.

9.7.3. BHB shall conduct any interviews - either via the telephone or in person- and inspections, if deemed necessary, in the sole discretion of BHB.

9.7.4. While BHB is conducting an investigation of a dispute, BHB may nevertheless seek to promote a resolution of the dispute by agreement between the complainant and the member or the listed company. At all times, while the dispute is being investigated by BHB, the parties may seek an amicable resolution for the dispute.

9.8 DISMISSING DISPUTE WITHOUT MEDIATION

9.8.1. BHB may, subject to the approval of BHB's CEO, dismiss a dispute where:

(1) The dispute is in the opinion of BHB frivolous or vexatious
(2) The matter has previously been settled or for which an award has been made.
(3) There are other compelling reasons why it is inappropriate for the dispute to be dealt with by BHB; or
(4) The complainant is not cooperating.

9.8.2. All decisions made by BHB under this rule shall be final and conclusive and cannot be challenged by the parties of the dispute.

9.9 COOPERATION FROM PARTIES

9.9.1. BHB:

(1) Shall receive the full cooperation and assistance of the Member or the listed company in the investigation of the dispute;
(2) May require from the Member or the listed company all information relating to the subject matter of the dispute in its possession or control, or agreed to by parties in writing to be disclosed or which parties are compelled by law to disclose; and
(3) Shall have the power to request the Member or the listed company as it deems necessary to attend interviews or to provide written statements.

9.9.2. The Member or the listed company shall provide BHB with all relevant data, information and materials as are relevant to the dispute to enable BHB to comprehensively resolve or mediate the dispute, and shall attend all such interviews as BHB has requested. The Member or the listed company and its authorized officers, representatives and/or agents shall at all times comply with all instructions and determinations made by BHB.

9.9.3. BHB shall endeavor to complete the deliberation within a reasonable time, taking into account the complexity of the dispute.

9.10 DISCIPLINARY ACTION AT THE BHB PURSUANT TO COMPLAINTS

9.10.1. In addition to facilitating the resolution of complaints, BHB shall analyze complaints received in order to detect potential cases of contraventions of the CBB Law and regulations, BHB's Market Rules and other applicable laws, rules and regulations by any person.

9.10.2. If the analysis of facts and evidence indicates contraventions of the CBB Law and regulations, BHB's Rules and other applicable laws, rules and regulations, BHB shall undertake disciplinary proceedings and simultaneously report the matter to the CMSD of the CBB.

9.10.3. BHB shall conduct its own investigations and initiate disciplinary proceedings without prejudice to any enforcement measures by the CBB or criminal prosecution.

9.10.4. Where the dispute is resolved by mediation, BHB shall record in writing the terms of the resolution reached by both parties. Where the dispute is not resolved by mediation, Member or listed company or the complainant can opt to have the dispute proceed to Arbitration in the manner set out under Rule 9.11 and 9.12 of this Section and the CBB Rulebook Volume 6 DRA Module.

9.10.5. Where a dispute is not resolved by BHB through mediation, the Member or the listed company will be informed and afforded a final opportunity to resolve the dispute. If the Member or the listed company does not resolve the dispute, BHB shall refer the matter to the Arbitration Committee and initiate Arbitration proceedings in the manner set out hereunder; Rule 9.10 and 9.11 of this Section and the CBB Rulebook Volume 6 DRA Module.

9.11 ARBITRATION

9.11.1. The Arbitration Committee of BHB "Arbitration Committee" shall be responsible for settling all disputes between Members and, between listed companies and Members or listed companies and their Clients, relating to transactions executed through BHB or any securities on BHB.

9.11.2 The Arbitration committee of BHB shall be constituted by a resolution of the BHB Board of Directors subject to CBB approval.

9.11.3Upon formation of arbitration committee, the committee shall establish its own procedures and terms of reference in accordance with the applicable provisions of the CBB Rulebook Volume 6 DRA Module and BHB Rulebook.

9.11.4. The awards passed by the arbitration Committee shall be binding upon both parties to the dispute.

9.11.5. The Dispute Resolution Committee established in the CBB shall have authority for settling disputes between BHB and the CBB licensees

9.11.6. During the course of arbitration, neither party may pursue any suit, action or proceedings against the other in respect of the dispute referred to arbitration under these rules.

9.11.7.Trading on or transacting on BHB shall be deemed as an acceptance of arbitration of the BHB Arbitration Committee.

9.12 REFERRALS TO ARBITRATION

9.12.1. The EIC of BHB shall receive the arbitration petition submitted to the Arbitration Committee by one of the parties to the dispute after payment of the arbitration administrative fee prescribed by BHB.

9.12.2. The arbitration petition shall contain the name, profession, domicile, place of residence, name of principals if the parties are employed by other persons, the relief claimed, and items of evidence establishing the claim. A copy of all supporting documents must be attached and accompanied by a memorandum explaining the dispute.

9.12.3. The EIC of BHB shall submit the arbitration petition, upon receipt, to the Chairman of the Arbitration Committee, in order to fix a date for hearing the dispute. The EIC shall notify all parties of the date of the hearing, along with a copy of the arbitration petition.

9.12.4. All documents relating to the arbitration and notices affected by the EIC of BHB shall be sent by registered mail.

9.12.5 The Arbitration Committee shall conduct the arbitration in accordance with its Terms of Reference subject to the rules of the CBB Rulebook Volume 6 DRA Module.

9.13 INVESTIGATIONS PROCEEDING AND REFERRAL TO THE DISIPLINARY BOARD

9.13.1 The EIC of BHB shall assume the functions of the Disciplinary Cell and Arbitration Cell as per CBB Rulebook Volume 6 DRA Module rules.

9.13.2 BHB may conduct an investigation if:

(a) The investigation involves a possible breach of rules and regulations of BHB and CBB rules related to BHB's operations;

(b) BHB receives a written complaint involving a Member and or listed company/issuer of securities, their officers, employees or agents concerning transactions executed through BHB or any securities listed on BHB;

(c) There is a dispute between the Members on a trading matter; or all disputes between Members and, between listed companies and Members or listed companies and their Clients, relating to transactions executed through BHB or any securities listed on BHB.

(d) If the circumstances warrant as shall be decided by the CEO.

9.13.3 BHB shall be responsible for the conduct of investigations arising, and for the enforcement of any penalties imposed on the parties, by BHB or its Disciplinary Board, following such investigations.

Any breach of BHB rules or CBB applicable rules by a client shall be referred to the CBB for further action.

9.13.4 Assistance during investigation

BHB may require a Member or listed company, any of its directors, employees or agents to:

(a) render all assistance as BHB requires, at BHB's premises or elsewhere; and

(b) provide BHB with information, books and records which, in BHB's opinion, may be relevant to the investigation.

9.13.5 A Member or listed company, its directors, officers, employees or agents must not willfully make, furnish or permit the making or furnishing of any false or misleading information, statement or report to BHB.

9.13.6 BHB shall ensure compliance by the Members of BHB and Listed Companies with BHB rules and CBB applicable rules.

9.13.7 BHB shall seek to detect rule breaches quickly, to take action to minimize the impact of the rule breach, and where possible to alert investors and other market participants of the breach. Potential rule breaches shall be uncovered through a range of activities, including BHB surveillance and investigation functions, and research and data analysis, and from many sources including tip-offs and complaints received from the public and media commentary.

9.13.8The Disciplinary Board of BHB shall be responsible for adjudicating on any alleged violation of the rules and regulations of BHB determine penalties to be imposed against the Members and Listed Companies

9.13.9 Violations shall be referred to the Disciplinary Board by the EIC in the form of a statement, which shall contain the name and place of residence of the defendant, date of the violation and a summarized description of the violation and the available evidence. The Disciplinary Board shall not consider any violation unless it is submitted in accordance with this method.

9.14 DISCIPLINARY BOARD

9.14.1 The Disciplinary Board shall be established and constituted by the BHB Board of Directors. The Board of Directors shall lay the procedures of the Disciplinary Board and determine its term of reference.

9.14.2 BHB shall constitute a Disciplinary Board which shall be responsible for adjudicating on any alleged violation of the rules and regulations of BHB and determine penalties to be imposed against the Members and Listed Companies/issuers of Securities. The Disciplinary Board shall also be responsible to adjudicate on violations of CBB applicable rules, provided that BHB notifies CBB of such violation.

9.14.3 The Disciplinary Board may adjourn and reconvene its proceedings and guidelines as it deems fit.

9.14.4 Remuneration payable to members of the Disciplinary Board shall be determined by the BHB Board of Directors.

9.15 POWERS OF THE DISCIPLINARY BOARD

9.15.1 The Disciplinary Board shall exercise

(1) All the powers and functions on all disciplinary matters relating to the Members and issuers of securities.

Without prejudice to the generality of the foregoing:

(a) To convene and conduct hearings of charges against Member(s) or an issuer(s) of a security and to decide whether those charges are proven or not;
(b) To impose such penalty as the Disciplinary Board may think fit on a Member(s) of BHB or an issuer(s) of a security, against whom charges are so proven, provided that such penalty shall be within the range of penalties set out in the "Disciplinary Procedures" approved by the BHB Board of Directors;
(c) To summon the parties and their employees to attend and make representations before the Disciplinary Board;
(d) To review the operation of the "Disciplinary Procedures" approved by the Board of Directors from time-to-time on a regular basis and to report with recommendations to the board of BHB on any proposals for the improvement of those procedures which the Disciplinary Board considers necessary; and
(e) To request the parties or their employees to produce their books and records for inspection by the Disciplinary Board;
(f) To liaise with the CMSD as necessary in relation to its powers and duties, or as the CMSD may require;
(g) To conform to any written and/or oral advice (which shall include any direction) that may from time-to-time be prescribed by the Board of BHB or CMSD.

The Disciplinary Board shall exercise its functions independently and separately from the BHB's executive management structure.

9.15.2. The Disciplinary Board shall submit written and/or oral reports to the Board of BHB regarding its activities and proceedings and shall liaise with the CMSD as necessary in relation to its powers and duties, or as the CMSD may require.

9.15.3. The Disciplinary Board shall review the provisions of the rules of BHB relating to the disciplinary matters of Members and listed companies from time-to-time and to consider and advise on any amendments to those provisions and to recommend such amendments as it sees fit for the approval of the Board of BHB and the CBB;

9.15.4 The Disciplinary Board may impose the following penalties:

(1) Reminder;
(2) Warning;
(3) Confiscation of all or part of the Member's guarantee;
(4) Suspension of trading by violating companies for a period not exceeding four months;
(5) Striking off the security;
(6) Suspension of a Member's membership for a period not exceeding four months;
(7) Cancellation of membership of a Member;
(8) Imposing a fine not exceeding BD5,000 on an Approved Person, or a fine not exceeding BD10,000 on a Member or a listed company; "moved from power of committee to penalties";
(9) Any other penalty in line with the CBB Rulebook Volume 6 DRA Module
(10) Imposing restrictions or conditions on the activities of Brokers or Broker Representatives; or
(11) Requesting brokers and broker representatives to pay a consolidation amount up to and not exceeding 5000 Bahraini Dinars.

9.15.5 The Disciplinary board may impose the following directions:

(1) Demanding the payment of fines in installments during a maximum of 12 months.

(2) Putting all penalties on hold while waiting for an appeal.

The Disciplinary Board has the right to authorize more than one penalty at the same time as it deems fit.

9.15.6 Deliberations of the Disciplinary Board shall be confidential. Resolutions shall be adopted by majority vote and the concerned parties shall be notified by registered mail, accompanied by an acknowledgment.

9.15.7 The Disciplinary Board has the right to authorize more than one penalty at the same time as the Board may see fits.

9.15.8 The decisions passed by the Disciplinary Board may be appealed to the Disciplinary Appeals Committee if such decisions impose any of the penalties.

9.16 APPEALS COMMITTEE

9.16.1 The Appeals Committee shall be established and constituted by a Directive of the Governor of the Central Bank of Bahrain (CBB). The Governor of the Central Bank shall set the powers, functions and limitations thereon.

9.16.2 The Appeals Committee shall exercise the powers and functions relating to the referrals against the decisions of the Disciplinary Board as shall be determined by the Directive of the Governor of the Central Bank.

9.16.3. The Enforcement Decisions Committee set by the governor & the CBB shall assume the functions in relation to the enforcement of final decision.

9.17 INSPECTIONS

9.17.1 BHB may conduct an inspection on a Member at any time, and may appoint any person or persons to conduct the inspection (the "BHB Inspector").

9.17.2 A Member, director, officer, employee or agent must give the BHB Inspector access to all information, books and records as requested.

9.17.3 BHB will give a copy of the inspection report to the Member concerned.

9.17.4 The member must table the report to the Board and take the required corrective actions.

9.17.5 The member must notify BHB of the course of action and the implementation time frame.

SECTION 10– FEES

10.1 FEES

10.1.1 Membership fees

The following membership fees apply to all Members:-

Registration fee	**Amount**	**Payment due**
Discount Broker	BD 1000	Together with application for admission
Broker	BD 1000	Together with application for admission
Broker- Dealer	BD 5000	Together with application for admission
External Broker	BD 5000	Together with application for admission
External Broker-Dealer	BD 5000	Together with application for admission
Authorized Trader	BD 5000	Together with application for admission

Annual subscription fee[1]	**Amount**	**Payment due**
Discount Broker – Broker	BD 500	Within 1 month from the date of each invoice
Broker- Dealer - External Broker - External Broker-Dealer -	BD 1000	Within 1 month from the date of each invoice

Fee type	Amount	Payment due
Monthly trading floor service fee	BD50	Within 1 month from the date of each invoice[2]

Notes:-

1 The annual subscription fee is charged on a pro rata basis from the month of admission as Member

2 If applicable, monthly trading floor service fees will be billed in advance per quarter, that is, each payment made will be in respect of three months

10.1.2 Remote trading services fees

Members must pay the following fees for the use of Bahrain Bourse-provided remote trading work stations:-

Fee type	Amount	Payment due
Monthly remote trading work station service fee	BD 150	Within 1 month from the date of each invoice

Monthly remote trading work station service fees will be billed in advance per quarter, that is, each payment made will be in respect of three months

10.1.3 Online trading fees

Members that offer online trading via a BHB-approved OMS must pay the following fees:-

Fee type	Amount	Payment due
Monthly Online trading fee	BD 100	Within 1 month from the date of each invoice[1]

Online trading fees will be billed in advance per quarter, that is, each payment made will be in respect of three months

10.1.4 Brokerage commission

Brokerage commission is calculated as a percentage of the total value of the trade. The commission includes BHB's Levy and the Commission criteria are subject to BHB chairman resolution.

SECTION 11- TRANSITIONAL REQUIREMENTS

11.1 EXISTING MEMBERSHIP

11.1.1 All existing Members of BHB ("Existing Members") will be admitted in accordance to the classification of BHB upon effect of these Market Rules.

11.1.2 Existing Members that are not Corporations or do not satisfy Rule 3.2.1(1) will be allowed a period of 6 months from the date of their admission as Members of BHB to comply with Rule 3.2.1(1).

11.1.3 Existing Members will be allowed a period of 6 months from the date of their admission as Members of BHB to comply with the capital requirements of Section 8.

11.1.4 Existing Members that do not wish to be admitted as either Direct Clearing Participant or General Clearing Participant of the CSD must be qualified by a Clearing Participant.

Appendices

APPENDIX A3.1 – MEMBERSHIP APPLICATION

Cross-referenced from Rule 3.1.2(1)

Date: _____

_____ (Name of Applicant)

hereby applies to be a MEMBER.

We have also submitted an application to be a DEPOSITORY/DIRECT CLEARING/GENERAL CLEARING PARTICIPANT[1] of the Clearing, Settlement & Depository (CSD).

We declare that all the information given in this Form and the documents attached hereto, are true, accurate and complete at the date of application.

_____

Director

_____

Company Secretary

_____

[1]delete where not applicable

Appendix A3.1

Part 1 – General Information

Country of Incorporation	:
Date of Incorporation	:
Registered Office Address	:
Address in Bahrain (if different from above)	:
Authorized Capital	:
Issued and Paid Up Capital	:
Financial year end	:
Names and addresses of the principal bankers	:
Name and address of the Auditors	:

Appendix A3.1

Part 2 – Attachments

This Form is accompanied by the following documents:

1 A copy of the Memorandum & Articles of Association marked as Attachment 'A'.

2 A copy of the Board's Resolution authorizing the application for Membership, marked as Attachment 'B'.

3 A complete list of shareholders and their respective shareholdings in the company marked as Attachment 'C'.

4 A document marked as Attachment 'D' which set out the following:

(a) a brief history of the applicant and the main line of business;

(b) the names of other exchanges and clearing institutions of which the applicant and/or it parent, related or associated companies are Members

(c) a statement whether the applicant has ever been denied membership of any exchange or clearing institution, or whether such membership has ever been suspended or revoked. If so, to provide details

(d) a business plan on its proposed business model in Bahrain.

5 A list of the Directors and key officers, showing the names, CPR/Passport numbers, occupations, residential addresses, spouses, nationality, records of any offences committed, shareholdings in the company and interests in other companies, and other directorships. This will be marked as Attachment 'E'

6 The organization chart of the application, marked as Attachment 'F'.

7 The audited accounts for the last three years and the latest monthly unaudited accounts. This will be marked as Attachment 'G'.

Part 3 – Undertaking by Applicant

The Company undertakes to Bahrain Bourse that upon and after admission as a Member of Bahrain Bourse, the Company will:

(a) Abide by the Bahrain Bourse Rules, Regulations and Directives and in accordance with such Rules, Regulations and Directives, accept as final and conclusive any decision made by Bahrain Bourse, the Board of Directors of Bahrain Bourse or persons authorized by the Board.

(b) Maintain facilities and staff adequate for the expeditious and orderly transaction of its trading business on the Bahrain Bourse.

(c) Maintain adequate internal control measures and risk management systems to monitor and manage its risk exposure to its trades.

_____

Director

_____

Director / Company Secretary

APPENDIX A3.2 – REGISTRATION OF APPROVED PERSONS

Cross-referenced from Rule 3.9.5

Name of Member :

Registered office address :

Date :

To: Bahrain Bourse ("BHB")

Appointment and registration of an Approved Person

We are desirous of appointing and registering the following person as an Approved Person upon the terms and subject in all respects to the Rules of BHB which are now in force, as may be amended from time to time and all directives, ruling and guidelines issued by BHB.

Name :

CPR/Passport Number :

Address :

Male / Female :

Date of birth :

Position[1] :

Academic Qualification :

We enclose herewith:

(1) a copy of the letter from CBB authorizing the appointment of the above named;

[1]Director, Chief Executive or General Manager, Trading Representative, Function Head, Compliance Officer, Money Laundering Officer, Market Analyst, Market Making Representative

(2) an undertaking by the above named in the prescribed form;

(3) the non-refundable fee of BD[ ].

_____

Authorized Signature

APPENDIX A3.3 - UNDERTAKING BY APPROVED PERSON

Cross-referenced from Rule 3.9.5

To: **BAHRAIN BOURSE** ("BHB")

In consideration of BHB approving the application for my registration with BHB as an [Approved Person*] in accordance with the Rules of Bahrain Bourse ("the Rules"), I hereby irrevocably and unconditionally undertake and agree as follows:-

(a) to be bound in all respects by and to comply with the Rules which now are or may hereafter be in force and all directives rulings and guidelines issued by BHB in so far as they apply directly or indirectly to an [Approved Person*];

(b) to indemnify and keep BHB fully indemnified from and against all losses, damages, costs, expenses, actions and claims or otherwise which BHB may incur arising out of any act or omission on my part or failure by me to comply with any provisions in the Rules and/or any directives and guidelines issued by BHB; and

(c) notwithstanding my cessation to be registered as an [Approved Person*] with BHB for any reason whatsoever, I further undertake to continue to be bound by the Rules which now are or may hereafter be in force and all directives rulings and guidelines issued by BHB in so far as they may relate to any act or omission that I may, in the opinion of BHB, have committed or omitted to do during the period of my registration with BHB.

I hereby acknowledge that the approval of the application for my registration as an [Approved Person[1]] with BHB hereunder, or any indulgence or delay in making any demand or instituting any action by BHB shall not constitute or be deemed to operate as a waiver by BHB of any of its/their rights hereunder or under the Rules.

Name of Applicant :

Signature :

[1]*Director, Chief Executive or General Manager, Trading Representative, Function Head, Compliance Officer, Money Laundering Officer, Market Analyst, Market Making Representative.

APPENDIX A3.4 – REGISTRATION OF MARKET MAKERS

Cross-referenced from Rule 3.10.1

1 Applicant's Category (Please tick relevant category)

_ Member

_ A licensed bank or licensed investment bank

_ Related Company of the Member, licensed bank or investment bank

_ Foreign Broker

_ Others (please specify) _____

2 Specified Security: _____

3 Particulars of the Applicant

(a) Name:

(b) Date of incorporation:

(c) Place of incorporation:

(d) Principal business:

4 Address and contact details

(a) Registered address:

(b) Business address:

(c) Telephone number:

(d) Facsimile number:

(e) Website/Email

5 Schedule showing the names of shareholders of the Applicant and their respective shareholdings.

6 Audited financial statements for the last three years.

7 Schedule showing the names, identification/passport numbers and addresses of Directors.

8 Market Making Representative:

(a) Name:

(b) Designation:

(c) Telephone number:

(d) Email:

9 Declaration

We:

(a) declare that all information given herein and the attached documents are true and correct;

(b) agree and undertake to at all times abide by the Rules of Bahrain Bourse and all directives issued by BHB upon being duly registered as a Market Maker by BHB.

_____

Director of applicant authorized to sign.

_____

Company Secretary

_____

Dated

APPENDIX A4.1 – STANDARD MEMBER CLIENT AGREEMENT

Cross-referenced from Rule 4.3.8

Part 1 – Member-Client Agreement

This agreement is made in Bahrain on this _____ (date) between _____ (a Member of Bahrain Bourse ("BHB"), hereinafter called MEMBER and having its registered office at _____ (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 is desirous of investing/trading in those securities listed/quoted on BHB.

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 will 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

1 The CLIENT agrees to immediately notify the MEMBER in writing if there is any change in the information in the 'client registration form' (Part 3 of this Appendix) provided by the client to the MEMBER at the time of opening of the account or at any time thereafter.

2 The CLIENT has opened a securities account with the Clearing, Settlement & Depository (CSD) and agrees that all securities deposited and transactions effected will be reflected in this securities account.

3 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 failure of the CLIENT to understand the risk involved shall not render a contract as void or voidable and 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 or BHB or as may be directed by CBB from time to time.

(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 or by BHB or CBB from time to time.

4 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.

5 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.

6 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.

7 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, and it shall be the responsibility of the client to comply with such schedules/procedures of BHB.

8 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.

9 The CLIENT and MEMBER agree to refer any claims and/or disputes to arbitration as per the Rules and Regulations of BHB.

10 Information about default in payment/delivery and related aspects by a client shall be brought to the notice 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 will notify the CLIENT of any refusal or limitation as soon as possible.

15 This agreement shall terminate forthwith if the MEMBER for any reason ceases to be a member of BHB.

16 The MEMBER and the CLIENT shall be entitled to terminate this agreement without giving any reasons to the other party, after giving notice in writing of not less than one month 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 Words and expressions which are used in this Agreement, but which are not defined herein shall, unless the context otherwise requires, have the same meaning as assigned thereto in the Rules, Regulations and Directives of BHB.

19 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.

20 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.

21 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.

Appendix A4.1

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 Bahrain Bourse and suffer adverse consequences or loss, you shall be solely responsible for the same and Bahrain Bourse and the MEMBER shall not be responsible, in any manner whatsoever, for the same and it will 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 Bahrain Bourse.

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

CLIENT NAME :

CLIENT SIGNATURE :

Appendix A4.1

Part 3 (A) – Client Registration Form (Individuals)

To be completed by CLIENT (Individuals only). Please use Part 3 (B) of this Appendix for registration of Institutions

Name	:	
Address	:	
Telephone numbers		
Residence	:	
Office	:	
Mobile	:	
Date of Birth	:	
Sex : Male/Female	:	
Occupation	:	
Nationality	:	
Identification Number	:	
Particulars of Bank Account		
Name of Bank	:	
Branch (Address & Telephone number)	:	
Bank Account Number	:	
Latest Annual Income	:	
Accounts with other Brokers		
Name of Broker	:	

Appendix A4.1

Part 3 (B) – Client Registration Form (Institutions)

To be completed by CLIENT (Institutions only). Please use Part 3 (A) of this Appendix for registration of Individuals

Name	:	
Registered office address	:	
Contact number of representative		
Office	:	
Mobile	:	
Identification Number	:	
Particulars of Bank Account		
Name of Bank	:	
Branch (Address & Telephone number)	:	
Bank Account Number	:	
Accounts with other Brokers		
Name of Broker	:	
Depository securities account number	:	

Encl.

1 Memorandum and Articles of Association and other constituent documents