



PROHIBITION OF MARKET ABUSE AND MANIPULATION MODULE



		Date Last Changed
MAM-A	Introduction	
	MAM-A.1 Purpose	4/2009
	MAM-A.2 Module History	4/2009
	MAM-A.3 Interaction with Other Modules	4/2009
	MAM-A.4 Division of Responsibilities	4/2009
MAM-B	Scope of Application	
	MAM-B.1 Scope	4/2009
	MAM-B.2 Definitions	4/2009
MAM-1	Accepted Market Practices	
	MAM-1.1 Accepted Market Practices	4/2009
	MAM-1.2 Criteria for Assessment of Market Practices	4/2009
	MAM-1.3 Market Abuse	4/2009
MAM-2	Prohibited Conduct in Possession of Inside Information	
	MAM-2.1 Prohibited Conduct in Possession of Inside Information	4/2009
	MAM-2.2 Prohibited Conduct by Permanent Insiders	4/2009
	MAM-2.3 Prohibited Conduct by Other Persons in Possession of Inside Information	4/2009
	MAM-2.4 Not necessary to Prove Intention to Use	4/2009
	MAM-2.5 Exemption for redemption of Units in a Collective Investment Scheme	4/2009
	MAM-2.6 Exception for Underwriters	4/2009
	MAM-2.7 Attribution of Knowledge within Companies	4/2009
	MAM-2.8 Attribution of Knowledge with Partnerships and Limited Liability Partnership	4/2009
	MAM-2.9 Exception for Knowledge of Person's Own Intentions or Activities	4/2009
	MAM-2.10 Exception for Companies and its Officers, etc.	4/2009
	MAM-2.11 Unsolicited Transactions by the Holder of a CBB License	4/2009
	MAM-2.12 Parity of Information	4/2009
	MAM-2.13 Defences	4/2009
	MAM-2.14 Restrictions on Insider's Trading	4/2009
	MAM-2.15 Obligations of Insiders, Listed Companies and Brokerage Firms	4/2009
MAM-3	Prohibited Market Conduct	
	MAM-3.1 Prohibited Market Conduct	4/2009
	MAM-3.2 False Trading and Market Rigging Transactions	4/2009
	MAM-3.3 Fraudulent Dealings	4/2009
	MAM-3.4 Dissemination of Information about Illegal Transactions	4/2009
	MAM-3.5 False and Misleading Statements	4/2009
	MAM-3.6 Price Manipulation	4/2009
	MAM-3.7 Continuous Disclosure	4/2009



MAM-3.8	Fraudulent and Manipulative Practices in Offering Or Issuing Securities	4/2009
MAM-3.9	Prohibited Conduct – Futures Contracts and Leveraged Foreign Exchange Trading	4/2009
MAM-3.10	Methods of Market Manipulation	4/2009
MAM-3.10.1	Methods of Market Manipulation	4/2009
MAM-3.10.2	Frontrunning	4/2009
MAM-3.10.3	Tailgating	4/2009
MAM-3.10.4	Spreading False Information to Purchase at Bargain Prices	4/2009
MAM-3.10.5	Concealing Ownership	4/2009
MAM-3.10.6	Touting	4/2009
MAM-3.10.7	Pump and Dump	4/2009
MAM-3.10.8	Trash and Cash	4/2009
MAM-3.10.9	Influencing Market Price Without Controlling the Available Supply	4/2009
MAM-3.10.10	Boiler Room Sales	4/2009
MAM-3.10.11	Cybersmear	4/2009
MAM-3.10.12	Scalping	4/2009
MAM-3.10.13	False Market	4/2009
MAM-3.10.14	Short and Distort (Bear Raid)	4/2009
MAM-3.10.15	Long and Distort	4/2009
MAM-3.10.16	Stock Basher	4/2009
MAM-3.10.17	Painting the Tape	4/2009
MAM-3.10.18	Wash Sales	4/2009
MAM-3.10.19	Improper Matched Orders	4/2009
MAM-3.10.20	Marking the Close	4/2009
MAM-3.10.21	Cornering the Market	4/2009
MAM-3.10.22	Abusive Squeeze	4/2009
MAM-3.10.23	Capping and Pegging	4/2009
MAM-3.10.24	Manipulative Naked Short Sales	4/2009
MAM-3.10.25	Pooling and Churning	4/2009
MAM-3.10.26	Interpositioning	4/2009
MAM-3.10.27	Late Trading	4/2009
MAM-3.10.28	Holding the Market	4/2009
MAM-3.10.29	Ghosting	4/2009
MAM-3.10.30	Freeriding	4/2009
MAM-3.10.31	Bucketing	4/2009
MAM-3.10.32	Portfolio Pumping	4/2009
MAM-3.10.33	Advancing the Bid	4/2009
MAM-3.10.34	Placing Orders without Intention to Execute	4/2009
MAM-3.10.35	Excessive Bid-ask Spreads	4/2009
MAM-3.10.36	Short and Extort	4/2009
MAM-3.10.37	Spoofing	4/2009
MAM-3.10.38	Overtrading	4/2009
MAM-3.11	Motives and Parties Involved in Market Manipulation	4/2009
MAM-3.12	Error Trades	4/2009
MAM-3.13	Defences	4/2009



MAM-4	Exemption for Price Stabilization	
	MAM-4.1 Exemption for Price Stabilization	4/2009
	MAM-4.2 Conditions for Exemption for Stabilizing Action	4/2009
MAM-5	Penalty for Contravention	



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-A: Introduction

MAM-A.1 Purpose

Executive Summary

- MAM-A.1.1 The CBB believes that in order to achieve the basic objectives of securities regulation of ensuring investor protection and fairness, efficiency and transparency of the market, it is essential to ensure that prices of securities are determined by the collective judgment of uninterrupted market forces of supply and demand.
- MAM-A.1.2 Market manipulation, misleading behaviour or conduct, insider trading and fraudulent or deceptive behaviour or conduct may distort the price discovery system and distort prices and thereby unfairly disadvantage the investors. While the CBB Law criminalizes the offence of market manipulation, the CBB seeks to maintain investor confidence on the integrity and fairness of the Kingdom's capital market by clearly laying down the various types of prohibited market behaviour or conduct to facilitate the understanding of the market participants in this regard.
- MAM-A.1.3 The CBB's approach is to provide a strong and facilitative regulatory framework along with an effective enforcement of regulatory requirements. While the CBB favours an open and pragmatic approach to supervision within the boundaries set by the law and the CBB's regulations, and avoids a legalistic and confrontational style of supervision, it ensures effective enforcement of regulatory requirements.
- MAM-A.1.4 The CBB seeks to clearly lay down the rules that will be applied transparently and consistently to ensure that the bona fide investors and market participants are not inconvenienced in their normal course of business, by enabling them to take all reasonable precautions and exercise due diligence to avoid their engagement in prohibited market behaviour or conduct. This is intended to drive the development and strategic positioning of the Kingdom's capital market and lay a strong foundation for further growth.

Legal Basis

- MAM-A.1.5 Article 3(4) of the Central Bank of Bahrain and Financial Institutions (CBB) Law requires the CBB to protect the interests of depositors and the customers of financial institutions, and enhance the Kingdom's credibility as an international financial centre. Article 4(10) mandates the CBB to safeguard the legitimate interests of licensees' customers against the risks associated with the financial services industry.
- MAM-A.1.6 Article (38) (a) mandates the Governor of the CBB to issue necessary directives to ensure the implementation of the CBB Law and regulations and the achievement of the objectives of the CBB. Article (38) (b) provides the CBB with the power to issue necessary directives to ensure the implementation of CBB Laws and regulations that aim to formulate the understanding and implementation of the CBB Law.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-A: Introduction

MAM-A.1.7 Chapter 1 of Part 5 of the CBB Law (Articles 97 to 105) defines insiders, inside information and market information, prohibits abuse of inside information, and provides defences. Particularly, Article 99 provides the CBB with the power to issue regulations concerning the necessary procedures and controls of publishing market information, and Article 105 states that a person shall not be guilty of inside dealing if he proves that the dealing was completed in accordance with CBB's price policies.

MAM-A.1.8 Chapter 2 of Part 5 of the CBB Law (Articles 106 and 107) deals with violation of market dealings:

Article 106 states that: "In the application of this law a person is guilty of market manipulation if he:

(1) Is engaged, or encourages others to engage, in any conduct that may give a false or misleading impression as to the supply of or demand for, or the price or value of any securities.

(2) Is engaged, or encourages others, to engage in any conduct that may give an unrealistic picture of the market regarding the volume and prices of any securities."

Article 107 states that: "A person shall not be guilty of market manipulation if he proves that his reasons for engaging in the alleged conduct were legitimate and that he had acted in conformity with the accepted market practices in the market concerned, or that he had acted in conformity with any price stabilization rules made by the Central Bank, or if he believed on reasonable grounds that his conduct did not violate Article 106 of this Law and that he had taken all reasonable precautions and exercised all due diligence to avoid behaving in any way against the said Article."

MAM-A.1.9 Part 11 of the CBB Law (Articles 160 – 172) provides for penalties for various contraventions and violations of the provisions of the CBB Law:

Article 167 specifically provides penalty for the offences of abuse of inside information and states that: "Without prejudice to any greater penalty prescribed in the Penal Code or under any law, a person who contravenes Article (100) of this Law, while he is fully aware, shall be liable to imprisonment for a term not exceeding six months and a fine not exceeding Bahraini Dinars (10,000), or either penalty".

Article 168 specifically provides penalty for the offence of market manipulation and states that: "Without prejudice to any greater penalty prescribed under the Penal Code or any other law, a person who contravenes Article (106) of this Law is guilty of an offence of market manipulation and shall be liable to imprisonment for a term not exceeding six months and a fine not exceeding Bahraini Dinars ten thousand (10,000), or either penalty".



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-A: Introduction

MAM-A.1.10

This Module contains the CBB's Directive relating to the prohibition of market abuse and market manipulation and is issued under the powers available to the CBB under Article 38 of the CBB Law, read with the abovementioned provisions of the CBB Law. The Directive under this Module is applicable to all market participants and relevant persons, including but not limited to issuers of securities or any person acting on their behalf, licensed exchanges, licensed market operators, licensed clearing houses, depositories, investment firms, business trusts, listed companies, any person acting for or on behalf of listed companies, shareholders of listed companies, share registrars, lead managers, underwriters, professional advisors, listing agents, auditors, financial analysts and any other person who engages or encourages others to engage in any acts of commission or omission covered by the scope of this Module, irrespective of whether such person is a market participant or not. These rules are issued by way of a legally-binding Directive.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-A: Introduction

MAM-A.2 Module History

Evolution of Module

- MAM-A.2.1 This Module was first issued in January 2009. Any material changes that are subsequently made to this Module are annotated with the calendar quarter date in which the change is made; Chapter UG-3 provides further details on Rulebook maintenance and version control.
- MAM-A.2.2 The CBB's Disclosure Standards issued vide Circular No. ODG/407/03 dated 3rd December 2003 and available at www.cbb.gov.bh, *inter-alia*, contain ongoing obligations of issuers, including immediate announcement of material information, rules governing transactions of directors and senior management and guidelines for trading by directors and senior management and their related parties. The principles contained in the CBB's Disclosure Standards will become part of Module DIS (Disclosure) on its issuance.
- MAM-A.2.3 The CBB's Guidelines on Insiders issued vide Circular No. ODG/282/04 dated 7th October 2004 and available at www.bahrainstock.com, contains rules for the prohibition of abuse of inside information and guidelines and procedures for monitoring, supervising and handling of insiders' issues, as well as insiders' duty to declare and restrict their dealings. Guidelines on Insiders will complement this Module, particularly with respect to procedures and the supervision of insider dealings, until such time as the respective licensed exchanges issue their Rulebook catering for the content of the CBB's Guidelines on Insiders.

Superseded Requirements

- MAM-A.2.4 This Module supersedes the following provisions contained in circulars or other regulatory instruments:

Circular/ other references	Provision	Subject



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-A: Introduction

MAM-A.3 Interaction with Other Modules

- MAM-A.3.1 All market participants must comply with all the other Modules in Volume 6 in addition to other applicable laws, rules and regulations.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-A: Introduction

MAM-A.4 Division of Responsibilities

MAM-A.4.1 While dealing with cases relating to market abuse and manipulation, a clear division of responsibilities between CBB as the securities regulator and the licensed exchanges or the licensed market operators or licensed clearing houses or depositories as a self regulatory organisation (SRO) is required:

- (a) To maximise the regulatory effectiveness;
- (b) To permit flexibility to the licensed exchanges or the licensed market operators in their functioning
- (c) To achieve greater efficiency and transparency in the enforcement of the laws, rules and regulations;
- (d) To minimise the regulatory cost; and
- (e) To maintain market integrity and investor confidence.

MAM-A.4.2 As a regulator, the CBB's role is as follows:

- (a) Regulatory supervision, including the licensing, supervision, inspection, investigation and enforcement and regulatory oversight on the licensed exchanges, licensed market operators, licensed clearing houses and depositories and other SROs.
- (b) Maintaining and promoting fairness, efficiency and transparency within the capital market;
- (c) Acting as an enforcement agency with powers to investigate and take administrative, civil or criminal actions as it may deem appropriate;
- (d) Approving the rules, by-laws and internal regulations of the licensed exchanges or the licensed market operators, licensed clearing houses or depositories, whereby any change in the rules, by-laws and regulations of the SROs would need prior approval of the CBB.

MAM-A.4.3 **The licensed exchange or the licensed market operator or clearing house or depository established as an SRO must comply with the requirements laid down under the CBB Law, rules and regulations, this Module and the other applicable laws and regulations.**

MAM-A.4.4 As an SRO, the main objective of the exchange or the operator or the clearing house or depository should include steps to:

- (a) Promote fairness and investor protection;
- (b) Promote fair access to market facilities and information;
- (c) Promote the provision of timely and accessible relevant market data;
- (d) Promote the efficient regulation of its members;
- (e) Develop rules that are designed to set standards of behaviour for its members and to promote investor protection;
- (f) Take disciplinary actions for contraventions by markets and listed companies through an SRO's Disciplinary Action Committee(s);
- (g) Identify unlawful transactions and take preventative actions;
- (h) Maintain fairness of price discovery mechanism and ensure prices are determined by the genuine forces of demand and supply;
- (i) Monitor the trading and market on a continuous basis;
- (j) Report any suspected transactions or suspected market behaviour or suspected cases of market abuse or market manipulation.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-A: Introduction

Role of Other CBB Licensees

MAM-A.4.5

All capital market service providers and listed companies in general, and members of the SROs in particular, must have the necessary infrastructure and systems to identify and report any irregular transactions or suspected cases of market abuse or market manipulation which they come across in the normal course of business to the CBB in the format given in paragraph MAM-A.4.6

Market Abuse Reporting Format

MAM-A.4.6 Persons subject to the obligations to report irregular transactions to the CMSD shall report in the following standard format:

Description of the transaction(s) <i>Details of the securities, including the code of the security (ISIN Number); the market(s) concerned; the original order's entry date/ time, price and size; the times and sizes of the transaction(s); the type and characteristics of the order, etc.</i>
Reasons for Suspicion <i>Reasons for suspecting that the transaction(s) might constitute insider dealing/ market abuse/ market manipulation</i>
Identities of persons carrying out transaction(s) <i>Names, addresses, telephone number, location, account number, client Identification code used by the firm, etc.</i>
Identities of any other persons known to be involved in the transaction(s) <i>Names, addresses, telephone number, location, relation to person carrying out the transaction, position held, role played, etc.</i>
Capacity in which the person performing the transaction(s) acts <i>e.g. broker, underwriter, agent, investment/ fund manager, auditor, insider.</i>
Any information which may be of significance (along with a list of any accompanying documents/evidence)
Details of the person making notification <i>Name of person, name of firm, position held within firm, contact details, etc.</i>
Signed <i>(person making report)</i> Dated <i>(date of report)</i>



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-A: Introduction

MAM-A.4.8 Where the information specified to be reported is not available at the time of reporting, the report shall include at least the reasons why the reporting persons suspect that the transactions might constitute insider dealing or market manipulation. All remaining information shall be provided to the CMSD as soon as it becomes available.

Persons making suspicious transactions reports therefore, do not need to have all the required information before contacting the CMSD. If the case is one which (the persons subject to the reporting obligation consider) needs to be brought to the attention of the CMSD urgently, then the person(s) concerned shall make the first contact quickly. This can be done by telephone if appropriate, giving the basic details and reasons for suspicion, followed by written confirmation. The other information can be supplied subsequently.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-B.1 Scope of Application

MAM-B.1 Scope

MAM-B.1.1

This Module shall apply to:

- (a) Any behaviour or conduct occurring within Bahrain; or any transaction or expected transaction done by or on behalf of any person(s) within Bahrain in relation to securities offered, issued or listed in Bahrain or elsewhere;
- (b) Any behaviour or conduct occurring outside Bahrain or any transaction or expected transaction done by or on behalf of any person(s) outside Bahrain in relation to securities offered, listed or issued in Bahrain;
- (c) Any behaviour or conduct occurring within Bahrain; or any transaction or expected transaction done by or on behalf of any person(s) within Bahrain in relation to:
 - (i) futures contracts, whether traded on a futures market in Bahrain or elsewhere; or
 - (ii) leveraged foreign exchange trading contracts, whether in Bahrain or elsewhere; and
- (d) Any behaviour or conduct occurring outside Bahrain; or any transaction or expected transaction done by or on behalf of any person(s) outside Bahrain in relation to:
 - (i) Futures contracts traded on a futures market in Bahrain;
 - (ii) Leveraged foreign exchange trading contracts in Bahrain; or
 - (iii) Leveraged foreign exchange trading contracts that are accessible from Bahrain.

MAM-B.1.2

This Module is applicable to all market participants and relevant persons, including but not limited to issuers of securities or any person acting on their behalf, licensed exchanges, licensed market operators, licensed clearing houses, depositories, investment firms, business trusts, collective investment undertakings, listed companies, any person acting for or on behalf of listed companies, shareholders of listed companies, share registrars, lead managers, underwriters, professional advisors, listing agents, auditors, financial analysts and any other person who engages or encourages others to engage in any acts of commission or omission covered by the scope of this Module, irrespective of whether such person is a market participant or not.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-B: Scope of Application

MAM-B.2 Definitions

For the purpose of this Module, the following definitions shall apply:

MAM-B.2.1 “A Person Associated with another Person”:

- (1) Any reference in this Module to a person associated with another person shall be construed as a reference to:
 - (a) Where the other person is a company:
 - (i) A director or secretary of the company;
 - (ii) A related company; or
 - (iii) A director or secretary of such related company;
 - (b) Where the matter to which the reference relates is the extent of a power to exercise, or to control the exercise of, the voting power attached to voting shares in a company, a person with whom the other person has, or proposes to enter into, an agreement, arrangement, understanding or undertaking, whether formal or informal, or express or implied:
 - (i) By reason of which either of those persons may exercise, directly or indirectly, control the exercise of, or substantially influence the exercise of, any voting power attached to a share in the company;
 - (ii) With a view to controlling or influencing the composition of the board of directors, or the conduct of affairs, of the company; or
 - (iii) Under which either of those persons may acquire from the other of them shares in the company or may be required to dispose of such shares in accordance with the directions of the other of them;except that in relation to a matter relating to shares in a company, a person may be an associate of the company and the company may be an associate of a person;
 - (c) A person with whom the other person is acting, or proposes to act, in concert in relation to the matter to which the reference relates;
 - (d) Where the matter to which the reference relates is a matter, other than the extent of a power to exercise, or to control the exercise of, the voting power attached to voting shares in a company:
 - (i) Subject to paragraph (2) a person who is a director of a company of which the other person is a director; or
 - (ii) A trustee of a trust in relation to which the other person benefits or is capable of benefiting otherwise than by reason of transactions entered into in the ordinary course of business in connection with the lending of money;
 - (e) A person with whom the other person is, according to any subsidiary legislation made under this Module, to be regarded as associated in respect of the matter to which the reference relates;
 - (f) A person with whom the other person is, or proposes to become, associated, whether formally or informally, in any other way in respect of the matter to which the reference relates; or
 - (g) Where the other person has entered into, or proposed to enter into a transaction or has done, or proposes to do so, any other act or thing, with a view to becoming associated with a person as referred to in sub-paragraph (a), (b), (c), (d), (e) or (f), that last-mentioned person.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-B: Scope of Application

- (2) Where, in any proceedings under this Module, it is alleged that a person referred to in paragraph (1) (d) (i) was associated with another person at a particular time, the first-mentioned person shall not be considered to be so associated in relation to a matter to which the proceedings relate unless the person alleging the association proves that the first-mentioned person at that time knew or ought reasonably to have known the material particulars of that matter.
- (3) A person shall not be considered to be associated with another person by virtue of paragraph (1) (b), (c), (e) or (f) by reason only of one or more of the following:
- (a) That one of those persons furnishes advice to, or acts on behalf of, the other person in the proper performance of the functions attaching to his professional capacity or to his business relationship with the other person;
 - (b) That one of those persons, a customer, gives specific instructions to the other, whose ordinary business includes dealing in securities, trading in futures contracts or leveraged foreign exchange trading, to acquire shares on the customer's behalf in the ordinary course of that business;
 - (c) That one of those persons has sent, or proposes to send, to the other a take-over offer, or has made or proposes to make, offers under a take-over announcement, within the meaning of the Take-overs, Mergers, Acquisitions and Share Repurchases (TMA) Module in relation to shares held by the other;
 - (d) That one of those persons has appointed the other, otherwise than for valuable consideration given by the other or by an associate of the other, to vote as a proxy or representative at a meeting of members, or of a class of members of a company.

MAM-B.2.2 “Beneficial Owner” the term “beneficial owner” of securities for the purposes of this Module refers to any person who, even if not the recorded owner of the securities, has or shares the underlying benefits of ownership. These benefits include the power to direct the voting or the disposition of the securities, or to receive the economic benefit of ownership of the securities. A person is also considered to be the “beneficial owner” of securities if that person has the right to acquire such securities within a certain period of time, either by option or other agreement. Beneficial owners include persons who hold their securities through one or more trustees, brokers, agents, legal representatives or other intermediaries, or through issuers in which they have a “controlling interest”, which means the direct or indirect power to direct the management and policies of the issuer, or any other entity in question.

MAM-B.2.3 “Capital Market Service provider” means any person licensed or authorised or involved in providing any activity specified under Article 80 of the CBB Law.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-B: Scope of Application

- MAM-B.2.4 “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 company 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 company, whether such control is exercised individually or jointly;
- Connected persons in relation to a firm or company means another firm or company in which the first-mentioned firm or company has control of not less than 10% of the voting power in that other firm or company.
- MAM-B.2.5 “CMSD” means the Capital Markets Supervision Directorate of the Central Bank of Bahrain.
- MAM-B.2.6 “Dealing in Securities” includes (whether as principal or agent) making or offering to make with any person, or inducing or attempting to induce any person to enter into or to offer to enter into an any agreement for or with a view to acquiring, disposing of, subscribing for, or underwriting securities.
- MAM-B.2.7 “Director and Senior Management” includes any member of senior management, regardless of title, including:
- (a) The issuer’s directors;
 - (b) Senior management, including the General Manager, Chief Executive Officers, Presidents, Heads of Finance, Heads of Business Departments;
 - (c) Partners with unlimited liability, in the case of a limited partnership with share capital;
 - (d) Nominees to serve in any of the aforementioned positions; and
 - (e) Founders, if the issuer has been established for fewer than two years.
- MAM-B.2.8 “Fraud” includes:
- a) “Fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include:
 - i. A knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
 - ii. A suggestion as to a fact which is not true by one who does not believe it to be true;
 - iii. An active concealment of a fact by a person having knowledge or belief of the fact;
 - iv. A promise made without any intention of performing it;
 - v. A representation made in a reckless and careless manner whether it be true or false;
 - vi. Any such act or omission as any other law specifically declares to be fraudulent;



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-B: Scope of Application

- vii. Deceptive behaviour by a person depriving another of informed consent or full participation;
 - viii. A false statement made without reasonable ground for believing it to be true;
 - ix. The act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price;
- and “fraudulent” shall be construed accordingly.

Nothing contained in this paragraph shall apply to any general comments made in good faith in regard to:

- a) The economic policy of the government;
- b) The economic situation of the country;
- c) Trends in the securities market; or
- d) Any other matter of a like nature.

MAM-B.2.9 “Insider” means any person who has obtained inside information;

- (a) By virtue of his employment or profession;
- (b) Being an officer or shareholder of the issuer of the securities; or
- (c) Through illegal means.

A person may be an insider if he is already aware that such information is classified as inside information even though none of the above applies to him.

All persons who have access or come into possession of material inside information before its public release are considered insiders. Such persons include controlling shareholders, “directors and senior management”, officers and employees, and frequently should also include any officials of the CBB and the Exchange who have access to such information, outside attorneys, accountants, auditors, underwriters, investment bankers, public relations advisers, advertising agencies, consultants and other independent contractors. The husbands, wives, immediate families and those under the control of insiders may also be regarded as insiders. Where acquisition or other negotiations are concerned, the above relationships apply to other parties to the negotiations as well. Further, for purposes of this Module, insiders include “tippees” who come into possession of material inside information.

MAM-B.2.10 “Inside Information” means information that;

- (a) Is precise in nature relating directly or indirectly to one or more of the securities or the issuer thereof;
- (b) Has not been made public;
- (c) If made public, is likely to have a significant impact on the price of those securities or their derivatives;
- (d) Is, directly or indirectly, related to derivatives of commodities which the traders expect to be disclosed according to the market regulations.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-B: Scope of Application

- MAM-B.2.11 “Insider Trading” refers not only to the purchase or sale of an issuer’s equity and debt securities, but also to the purchase or sale of puts, calls or other options with respect to such securities. Such trading is deemed to be done by an insider whenever he has any beneficial interest, direct or indirect, in such securities or options, regardless of whether they are actually held in his name. Included in the concept of “insider trading” is “tipping”, or revealing inside information to outside individuals, to enable such individuals to trade in the issuer’s securities on the basis of undisclosed information.
- MAM-B.2.12 “Information” includes:
- (a) Matters of supposition and other matters that are insufficiently definite to warrant being made known to the public;
 - (b) Matters relating to the intentions, or the likely intentions, of a person;
 - (c) Matters relating to negotiations or proposals with respect to:
 - i. Commercial dealings;
 - ii. Dealing in securities; or
 - iii. Trading in futures contracts;
 - (d) Information relating to the financial performance of a company or an issuer, or otherwise;
 - (e) Information that a person proposes to enter into, or had previously entered into one or more transactions or agreements in relation to securities or has prepared or proposes to issue a statement relating to such securities; and
 - (f) Matters relating to the future.
- MAM-B.2.13 “Information Disclosed Widely Enough” for the purposes of this Module, information is disclosed widely enough if:
- (a) It consists of readily observable matter;
 - (b) Without limiting the generality of paragraph (a):
 - i. It has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in securities of a kind whose price or value might be affected by the information; and
 - ii. Since it was so made known, a reasonable period for it to be disseminated among such persons has elapsed; or
 - (c) It consists of deductions, conclusions or inferences made or drawn from either or both of the following:
 - i. Information referred to in paragraph (a);
 - ii. Information made known as referred to in paragraph (b) (i);
 - (d) It is disclosed in the manner and within the timeframe stipulated by the CBB rules and regulations.
- MAM-B.2.14 “Market Information” means any published information about trading or non-trading in certain types of securities, their number, prices, range of price for trading or the identity of those involved or who may be involved, in any capacity, such as trading.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-B: Scope of Application

MAM-B.2.15 “Materiality” information is material if its omission or mis-statement could influence the economic decisions of the users taken on the basis of the financial statements. For the purpose of this Module, a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

MAM-B.2.16 “Manipulation” includes any deliberate/reckless act or attempt or act, 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.

MAM-B.2.17 “Permanent Insider” means a person if:

- (a) He is an officer of that company or of a related company;
- (b) He or any of his connected persons has control of not less than 10% of the voting power in that company or in a related company, whether such control is exercised individually or jointly;
- (c) He occupies a position that may reasonably be expected to give him access to information of a kind to which this section applies by virtue of:
 - i. Any professional or business relationship existing between himself (or his employer or a company of which he is an officer) and that company or a related company; or
 - ii. Being an officer of a person or persons holding control as referred to in (b) above.

“Officer” in relation to a company includes:

- (a) A director, secretary or employee of the company;
- (b) A receiver, or receiver and manager, of property of the company;
- (c) A judicial manager of the company;
- (d) A liquidator of the company; and
- (e) A trustee or other person administering a compromise or arrangement made between the company and another person.

Permanent insiders include but not limited to:

1. Statutory Insiders:

- (a) The members of the Board of Directors or the supervisory board of a company, or similar positions, and the company’s internal and external auditor and the employees of the auditing firms having the main responsibility for the audit of the listed company, and connected persons of the abovementioned insiders.
- (b) An issuer, when it deals in its own securities is also to be considered as statutory insiders.
- (c) Where an individual is represented on the Board of a listed company as a nominee of a company/institution, in such a case the nominee as well as the company/institution shall be deemed to be an insider.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-B: Scope of Application

2. Insiders by Definition:

The listed company shall determine as insiders by definition persons who, by virtue of the exercise of their duties, regularly receive information on the company, which is likely to have a material effect on the value of its securities.

The determination of a person as an insider by definition requires the Committee (appointed by the Board of Directors for monitoring and supervising the insiders' dealing) to notify such a person. It is often justified to include as insiders the member of the company's internal executive group, the persons in charge of the most important fields and persons who are responsible for the financing, legal issues, research and development, as well as communications of the company. It is often justified to also include as insiders the secretaries of the top management of the company. The group of insiders by definition should however, not be made unnecessarily large by definition.

- MAM-B.2.18 "Profit" includes the avoidance of any loss.
- MAM-B.2.19 "Purchase" in relation to securities, includes, in the case of an option contract under which a party acquires an option or right from another party, acquiring the option or right under the contract, or taking an assignment of the option or right, whether or not on another's behalf.
- MAM-B.2.20 "Related Company" means where a company:
- (a) Is the holding company of another company;
 - (b) Is a subsidiary of another company; or
 - (c) Is a subsidiary of the holding company of another company,
- that first-mentioned company and that other company shall for the purposes of this Module be deemed to be related to each other.
- MAM-B.2.21 "Rumour" includes an unverified statement or account or explanation of events, circulating from person to person, whose veracity or authenticity or trueness is not immediately verifiable.
- MAM-B.2.22 "Securities" means 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);



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-B: Scope of Application

- (f) Options, futures and any other derivative contract relating to commodities that can be physically settled;
- (g) Units to Real Estate Investment Trusts (REIT's);
- (h) Index tracking products including Islamic indices;
- (i) Any other financial instrument approved as a financial instrument by the CBB for the purpose of trading such instrument on an exchange; and
- (j) Islamic securities, being those financial instruments that are Shari'a compliant.

MAM-B.2.23 "Sell" in relation to securities, includes, in the case of an option contract under which a party acquires an option or right from another party:

- (a) Grant or assign the option or right; or
- (b) Take, or cause to be taken, such action as releases the option or right, whether or not on another's behalf.

MAM-B.2.24 "Trading and Procuring Trading in Securities" for the purposes of this Module, trading in securities that is ordinarily permitted on the securities market or future market shall be taken to be permitted on that securities market or futures market, even though trading in any such securities on that securities market or futures market is suspended.

For the purposes of this Module, but without limiting the meaning that the expression "procure" has apart from this paragraph, if a person incites, induces, or encourages an act or omission by another person, the first-mentioned person is taken to procure the act or omission by the other person.

MAM-B.2.25 "Temporary Insider" means any person who is an insider, but not a permanent insider.

MAM-B.2.26 "Person" means unless the context requires otherwise, a natural or legal person.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-1: Accepted Market Practices

MAM-1.1 Accepted Market Practices

MAM-1.1.1

Accepted market practices are those practices that are reasonably expected on one or more financial markets and are accepted by the CBB.

MAM-1.1.2

Accepted market practices in no way constitute safe harbours similar to those provided by section MAM-4.1 (which deals with price stabilization).



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-1: Accepted Market Practices

MAM-1.2 Criteria for Assessment of a Market Practice

MAM-1.2.1 When assessing whether a market practice is acceptable, the CBB will take at least the following criteria into account:

- (a) The level of transparency of the relevant market practice to the whole market;
- (b) The disclosure requirement of the relevant market practice by the market participants;
- (c) The need to safeguard the operation of market forces and the interplay of supply and demand, or safeguard the interest of the securities holders;
- (d) The degree to which the relevant market practice has an impact on market liquidity and efficiency;
- (e) The degree to which the relevant practice takes into account the trading mechanism of the relevant market and enables market participants to react properly and in a timely manner to the new market situation created by that practice;
- (f) The risk inherent in the relevant practice for the integrity of directly or indirectly, related markets, whether regulated or not, in the relevant securities within Bahrain;
- (g) The outcome of any inspection or investigation of the relevant market practice by the CBB, by any other authority or market operator with which the CBB cooperates, by any other authority or market undertaking acting on behalf or on the authority of the CBB, or by the courts acting on a referral from the CBB, in particular whether the relevant market practice breached rules or regulations designed to prevent market abuse, or codes of conduct, be it on the market in question or on directly or indirectly related markets within Bahrain;
- (h) The structural characteristics of the relevant market including whether it is regulated or not, the types of financial instruments traded and the type of market participants, including the extent of non-professional investor participation in the relevant market

Having regard to (c) above, the CBB takes account in its assessment of how the relevant practice will affect market conditions, with particular reference to daily weighted average prices or daily closing prices.

MAM-1.2.2. The CBB periodically reviews accepted market practices, in particular taking into account significant changes to the relevant market environment, such as changes to trading rules or to market infrastructure.

MAM-1.2.3 Where an organization representing companies making public offers of securities, investment service providers, investors or market operators seeks the CBB's acceptance of a market practice, the CBB shall consult the other organizations concerned before deciding whether to accept or reject such practice.

MAM-1.2.4 The CBB will also consult other competent authorities in respect of existing practices, notably on markets that are comparable in terms of structures, volumes or types of transaction.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-1: Accepted Market Practices

- MAM-1.2.5 Where inspections or investigations of specific cases have already started, the consultation procedure referred to above may be delayed until the end of such inspections or investigations and possible related sanctions.
- MAM-1.2.6 A market practice that was accepted following the consultation procedure shall not cease to be accepted without using the same procedure. Where appropriate, a CBB instruction shall specify the arrangements for implementing the market practice accepting procedure.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-1: Accepted Market Practices

MAM-1.3 Market Abuse

MAM-1.3.1

For the purposes of this Module, market abuse is behaviour or conduct (whether by one person alone or by two or more persons jointly or in concert):

- (a) Which occurs in relation to securities traded on a market to which this Module applies;
- (b) Which satisfies any one or more of the conditions set out in paragraph MAM-1.3.2; and
- (c) Which is likely to be regarded by a regular user of that market who is aware of the behaviour or conduct as a failure on the part of the person or persons concerned to observe the standard of behaviour or conduct reasonably expected of a person in his or their position in relation to the market.

MAM-1.3.2 The conditions referred to in paragraph MAM-1.3.1 (b) are that:

- (a) The behaviour or conduct is based on information which is not generally available to those using the market but which, if available to a regular user of the market, would or would be likely to be regarded by him as relevant when deciding the terms on which dealings or transactions in securities of the kind in question should be effected;
- (b) The behaviour or conduct is likely to give a regular user of the market a false or misleading impression as to the supply of, or demand for, or as to the price or value of, securities of the kind in question;
- (c) A regular user of the market would, or would be likely to, regard the behaviour or conduct as behaviour or conduct which would, or would be likely to, distort the market in securities of the kind in question.

MAM-1.3.3 For the purposes of this Module, the behaviour or conduct which is to be regarded as occurring in relation to securities, includes behaviour or conduct which:

- (a) Occurs in relation to anything which is the subject matter, or whose price or value is expressed by reference to the price or value of those securities; or
- (b) Occurs in relation to securities whose subject matter is those securities.

MAM-1.3.4 Information which can be obtained by research or analysis conducted by, or on behalf of users of a market, is to be regarded for the purposes of this Module as being generally available to them.

MAM-1.3.5 Behaviour or conduct does not amount to market abuse if it conforms with a rule which includes a provision to the effect that behaviour or conduct conforming with the rule does not amount to market abuse.

MAM-1.3.6 Any reference in this Module to a person engaged in market abuse is a reference to a person engaged in market abuse whether alone or with one or more other persons.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-1: Accepted Market Practices

MAM-1.3.7 In this Module; “behaviour or conduct” includes action or inaction; “regular user” in relation to a particular market means a reasonable person who regularly deals on that market in securities of the kind in question.

MAM-1.3.8 The types of behaviour or conduct that amount to market abuse include:

- (a) Abuse of information:
 - (i) insider dealing;
 - (ii) improper disclosure;
 - (iii) misuse of information.
- (b) Market manipulation:
 - (iv) manipulating transactions;
 - (v) manipulating devices;
 - (vi) dissemination;
 - (vii) misleading behaviour and distortion.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.1 Prohibited Conduct with respect to Possession of Inside Information

MAM-2.1.1

Pursuant to Article 100 of the CBB Law a person who is in possession of inside information, as an insider shall not use such information to:

- 1) Deal in any securities to which that information relates;
- 2) Encourage any person to deal in any securities to which that information relates;
- 3) Disclose inside information to any other person, otherwise than in the proper performance of the functions of his employment, office or profession;
- 4) Violate the rules governing the publishing of market information.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.2 Prohibited Conduct of Permanent Insiders

MAM-2.2.1

Without prejudice to rule MAM-2.1, where:

- a) A person who is a Permanent Insider to a company possesses information concerning that company that is not disclosed widely enough; and
- b) The Permanent Insider knows or ought reasonably to know that:
 - i. The information is not disclosed widely enough; and
 - ii. If it were disclosed widely enough, it might have a material effect on the price or value of those securities of that company;

rules MAM-2.2.2, MAM-2.2.3 AND MAM-2.2.4 shall apply.

MAM-2.2.2

The Permanent Insider must not (whether as principal or agent):

- a) Subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any such securities referred to in rule MAM-2.2.1; or
- b) Procure another person to subscribe for, purchase or sell, or to enter into an agreement to subscribe for, purchase or sell, any such securities referred to in rule MAM-2.2.1.

MAM-2.2.3

Where trading in the securities referred to in rule MAM-2.2.1 is permitted on the securities market of a licensed exchange, the Permanent Insider must not, directly or indirectly, communicate the information, or cause the information to be communicated to another person if the Permanent Insider knows, or ought reasonably to know, that the other person would or would be likely to:

- a) Subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any such securities; or
- b) Procure a third person to subscribe for, purchase or sell, or to enter into an agreement to subscribe for, purchase or sell, any such securities.

MAM-2.2.4

In any proceedings for a contravention of rules MAM-2.2.2 and MAM-2.2.3 against a Permanent Insider to a company referred to in rules MAM-2.2.1, MAM-2.2.2 and MAM-2.2.3, where the prosecution or plaintiff proves that the Permanent Insider was at the material time:

- a) In possession of information concerning the company to which he was connected; and
- b) The information was not disclosed widely enough;



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

it shall be presumed, until the contrary is proved that the permanent insider knew at the material time that:

- i. The information was not disclosed widely enough; and
- ii. If the information were disclosed widely enough, it might have a material effect on the price or value of securities of that company.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.3 Prohibited Conduct by Other Persons in Possession of Inside Information

MAM-2.3.1

Without prejudice to section MAM-2.1, where:

- a) A person who is not a Permanent Insider (referred to in this section as the insider) possesses information that is not disclosed widely enough; and
 - b) The insider knows that:
 - i. The information is not disclosed widely enough; and
 - ii. If it were disclosed widely enough, it might have a material effect on the price or value of those securities;
- rules MAM-2.3.2 and MAM-2.3.3 shall apply.

MAM-2.3.2

The insider must not (whether as principal or agent):

- a) Subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell any such securities; or
- b) Procure another person to subscribe for, purchase or sell, or to enter into an agreement to subscribe for, purchase or sell, any such securities.

MAM-2.3.3

Where trading in the securities referred to in rule MAM-2.3.1 is permitted on the securities market of a licensed exchange, the insider must not, directly or indirectly, communicate the information or cause the information to be communicated to another person if the insider knows, or ought reasonably to know, that the other person would or would be likely to:

- a) Subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell any such securities; or
- b) Procure a third person to subscribe for, purchase or sell, or to enter into an agreement to subscribe for, purchase or sell, any such securities.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.4 Not Necessary to Prove Intention to Use

MAM-2.4.1

Without prejudice to the criminal law proceedings, for the avoidance of doubt, in any proceedings against a person for a contravention of sections MAM-2.1, MAM-2.2 or MAM-2.3 it is not necessary for the prosecution or plaintiff to prove that the accused person or defendant intended to use the information referred to in rules MAM-2.2.1 (a) or MAM-2.3.1 (a) in contravention of sections MAM-2.1, MAM-2.2 or MAM-2.3 as the case may be.

MAM-2.4.2

Without prejudice to the criminal law proceedings, in any proceedings against a person for a contravention of sections MAM-2.1, MAM-2.2 or MAM-2.3, it is not necessary for the prosecution or plaintiff to prove the absence of facts or circumstances which if they existed would, by virtue of rules MAM-2.5 to MAM-2.15 or any other CBB regulations, preclude the act from constituting a contravention of sections MAM-2.1, MAM-2.2 or MAM-2.3 as the case may be.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.5 Exception for Redemption of Units in a Collective Investment Scheme

MAM-2.5.1

Sections MAM-2.2 or MAM-2.3 shall not apply in respect of the redemption of units in a collective investment scheme by a trustee or manager under a trust deed relating to that collective investment scheme in accordance with a buy-back covenant contained or deemed to be contained in the trust deed at a price that is required by the trust deed to be calculated, so far as is reasonably practicable, by reference to the underlying value of the assets less:

- a) Any liabilities of that collective investment scheme to which the units relates; and
- b) Any reasonable charge for purchasing the units.

MAM-2.5.2

The exception provided under rule MAM-2.5.1 will not be applicable to fund managers or trustees who are identified as insiders for the selling of underlying securities of a collective investment scheme for the purpose of redemption of units.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.6 Exception for Underwriters

MAM-2.6.1

Sections MAM-2.2 and MAM-2.3 shall not apply in respect of:

- a) Subscribing for, or purchasing securities under an underwriting agreement or a sub-underwriting agreement;
- b) Entering into an agreement referred to in paragraph (a); or
- c) Selling securities subscribed for or purchased under an agreement referred to in paragraph (a).

MAM-2.6.2

Sections MAM-2.2 and MAM-2.3 shall not apply in respect of the communication of information in relation to securities:

- a) To a person solely for the purpose of procuring the person to enter into an underwriting agreement in relation to any such securities; or
- b) By a person who may be required under an underwriting agreement to subscribe for, or purchase any such securities if the communication is made to another person solely for the purpose of procuring the other person to do either or both of the following:
 - i. Enter into a sub-underwriting agreement in relation to any such securities;
 - ii. Subscribe for, or purchase any such securities.

MAM-2.6.3

Exception for underwriters specified under rules MAM-2.6.1 and MAM-2.6.2 will not be applicable to underwriters or their representatives who are identified as insiders for the dealings in the secondary market.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.7 Attribution of Knowledge within Companies

MAM-2.7.1

For the purposes of this Module:

- a) A company is taken to possess any information which an officer of the company possesses and which came into his possession in the course of the performance of duties as such an officer; and
- b) If an officer of a company knows or ought reasonably to know any matter or thing because he is an officer of the company, it is to be presumed, until the contrary is proved, that the company knows or ought reasonably to know that matter or thing.

MAM-2.7.2

A company does not contravene sections MAM-2.2 or MAM-2.3 by entering into a transaction or agreement at any time merely because of information in the possession of an officer of the company if:

- a) The decision to enter into the transaction or agreement was taken on its behalf by a person other than that officer;
- b) It had in operation at that time arrangements that could reasonably be expected to ensure that the information was not communicated to the person who made the decision and that no advice with respect to the transaction or agreement was given to that person by a person in possession of the information; and
- c) The information was not communicated and no such advice was given.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.8 Attribution of Knowledge with Partnerships and Limited Liability Partnership

MAM-2.8.1

For the purposes of this Module:

- a) A partner of a partnership or a limited liability partnership (as the case may be) is taken to possess any information:
 - i. Which another partner of the partnership or limited liability partnership (as the case may be) possesses and which came into such other partner's possession in his capacity as a partner of the partnership or limited liability partnership (as the case may be); or
 - ii. Which an employee of the partnership or a manager of a limited liability partnership (as the case may be) possesses and which came into the possession of such an employee or manager in the course of the performance of his duties as such an employee or manager; and
- b) If a partner or employee of a partnership or a partner, manager or employee of a limited liability partnership (as the case may be) knows or ought reasonably to know any matter or thing in his capacity as such a partner, manager, or employee, it is to be presumed that every partner of the partnership or limited liability partnership (as the case may be) knows or ought reasonably to know that matter or thing.

MAM-2.8.2

The partners of a partnership or limited liability partnership (as the case may be) do not contravene sections MAM-2.2 or MAM-2.3 by entering into a transaction or agreement at any time merely because one or more (but not all) of the partners, or a manager or managers, or an employee or employees, of the partnership or limited liability partnership (as the case may be) are in actual possession of information if:

- a) The decision to enter into the transaction or agreement was taken on behalf of the partnership or limited liability partnership by any one or more of the following persons:
 - i. A partner who is taken to have possessed the information merely because another partner, or a manager or employee of the partnership or limited liability partnership, was in possession of the information;
 - ii. An employee of the partnership or limited liability partnership or a manager of the limited liability partnership who was not in possession of the information;



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

- b) The partnership or limited liability partnership had in operation at that time arrangements that could reasonably be expected to ensure that the information was not communicated to the person or persons who made the decision and that no advice with respect to the transaction or agreement was given to that person or any of those persons by a person in possession of the information; and
- c) The information was not so communicated and no such advice was so given.

MAM-2.8.3

A partner of a partnership or limited liability partnership (as the case may be) does not contravene sections MAM-2.2 or MAM-2.3 by entering into a transaction or agreement otherwise than on behalf of the partnership or limited liability partnership merely because he is taken to possess information that is in the possession of another partner, a manager, or an employee of the partnership.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.9 Exception for Knowledge of Person's Own Intentions Or Activities

MAM-2.9.1

An individual does not contravene sections MAM-2.2 or MAM-2.3 by entering into a transaction or agreement in relation to securities merely because he is aware that he proposes to enter into, or has previously entered into, one or more transactions or agreements in relation to those securities.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.10 Exception for Companies and its Officers, etc.

MAM-2.10.1

A company does not contravene sections MAM-2.2 or MAM-2.3 by entering into a transaction or agreement in relation to securities merely because it is aware that it proposes to enter into or has previously entered into, one or more transactions or agreements in relation to those securities.

MAM-2.10.2

Subject to rule MAM-2.10.3, a company does not contravene section MAM-2.3 by entering into a transaction or agreement in relation to securities merely because an officer of the company is aware that the company proposes to enter into, or has previously entered into, one or more transactions or agreements in relation to those securities.

MAM-2.10.3

Rule MAM-2.10.2 shall not apply unless the officer of the company mentioned in that rule became aware of the matters referred to in that rule in the course of the performance of duties as such an officer.

MAM-2.10.4

Subject to rule MAM-2.10.5, a person does not contravene sections MAM-2.2 or MAM-2.3 by entering into a transaction or agreement on behalf of a company in relation to securities merely because he is aware that the company proposes to enter into, or has previously entered into, one or more transactions or agreements in relation to those securities.

MAM-2.10.5

Rule MAM-2.10.4 shall not apply unless the person became aware of the matters referred to in that rule in the course of the performance of duties as an officer of the company or in the course of acting as an agent of the company.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.11 Unsolicited Transactions by the Holder of a CBB License

MAM-2.11.1

The holder of a CBB license who acts as a broker to deal in securities or trade in futures contracts, or a representative of such a holder does not contravene sections MAM-2.2 or MAM-2.3 by subscribing for, purchasing or selling, or entering into an agreement to subscribe for, purchase or sell, securities that are traded on the stock market or futures market if:

- a) The licensed person entered into the transaction or agreement concerned on behalf of another person (referred to in this section as the principal) under a specific instruction by the principal to enter into that transaction or agreement which was not solicited by the licensed person;
- b) The licensed person has not given an advice to the principal in relation to the transaction or agreement or otherwise sought to procure the principal's instructions to enter into the transaction or agreement; and
- c) The principal is not an associate of the licensed person.

MAM-2.11.2

Nothing in this section shall affect the application of sections MAM-2.2 or MAM-2.3 in relation to the principal.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.12 Parity of Information

MAM-2.12.1

In any proceedings against a person for a contravention of sections MAM-2.2 or MAM-2.3 because the person entered into, or procured another person to enter into, a transaction or agreement at a time when certain information was in the first-mentioned person's possession, it is a defence if the court is satisfied that:

- a) The information came into the first-mentioned person's possession solely as a result of the information having been disclosed widely enough; or
- b) The other party to the transaction or agreement knew, or ought reasonably to have known of the information before entering into the transaction or agreement.

MAM-2.12.2

In any action against a person for a contravention of sections MAM-2.2 or MAM-2.3 because the person communicated information, or caused information to be communicated, to another person, it is a defence if the court is satisfied that:

- a) The information came into the first-mentioned person's possession solely as a result of the information having been disclosed widely enough; or
- b) The other person knew, or ought reasonably to have known, of the information before the information was communicated.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.13 Defences

MAM-2.13.1

In line with Article 101 of the CBB Law: “The mere trading by any person with inside information in securities, or encouraging others to trade therein, shall not be considered as a violation to this chapter if,

- 1) He did not, at the time, expect that he will make a profit due to the inside information;
- 2) He reasonably believed at the time of dealing that the information had been disclosed widely enough that none of those taking part in the dealing would be prejudiced by not being aware of the said information;
- 3) He would have acted as he did even if such information was not available to him.”

This defence will be available only in cases where the person has reasonable or sufficient grounds to believe that the information had been “Information disclosed widely enough” as referred to in this Module.

MAM-2.13.2

In line with Article 102 of the CBB Law: “A person with inside information shall not be violating this chapter if he proves that he did not expect, at the time of disclosure, any person to trade in such securities based on such information, or that he did expect such trading but never thought that such person would make profits because the disclosed information was an inside information.”

This defence will be available only for cases where the disclosure of information is made in the proper performance of the functions, office or profession.

MAM-2.13.3

In line with Article 103 of the CBB Law: “A person shall not be violating this chapter by virtue of dealing in securities or encouraging another person to deal, if he proves that he had acted in good faith in the course of his business as a licensed mediator or his employment with a mediator.”

This defence will be available only in cases where the person has acted in his capacity as an investment firm licensee or an underwriter and the transactions are covered by the exceptions provided under sections MAM-2.6 or MAM-2.11.

MAM-2.13.4

In line with Article 104 of the CBB Law: “An individual is not guilty of inside dealing by virtue of dealing in securities or encouraging another person to deal if he proves that:



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

- 1) The information, which he had as an insider, was market information;
- 2) It was reasonable that any person in their position would have acted similarly despite having such information as an insider at the time. In determining the appropriateness of such action, a special consideration shall be given to the content of the information, the circumstances in which it was first acquired and in what capacity did he act at the time of dealing.”

This defence will be available only if the individual proves that there was parity of information available as per section MAM-2.12.

MAM-2.13.5

In line with Article 105 of the CBB Law: “A person shall not be guilty of inside dealing by virtue of dealing in securities or encouraging another person to deal if he proves that:

- 1) The securities were, at the time of dealing, under consideration or negotiation, or that the dealing took place during the course of a series of such negotiations;
- 2) The dealing was intended to facilitate the negotiation of securities or execute a series of negotiations of such securities;
- 3) The dealing was completed in accordance with the Central Bank’s price policies.”

The first two defences mentioned in this rule will be available only for exceptions specified in section MAM-2.9 or MAM-2.10. The third defence mentioned in this rule will be available only for price stabilization transactions undertaken by a market maker who should also be a Category 1 Investment Firm Licensee.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.14 Restrictions on Insider's Trading

Restriction on Trading (Close Period)

- MAM-2.14.1 The Permanent Insiders shall schedule their trading of securities issued by the company, so that their trading will not undermine confidence in the securities market.

Uniformity of the Close Period for all Insiders

- MAM-2.14.2 To ensure the maintenance of the 'close period' and maintain equal treatment among all listed companies and Insiders, the close period for all listed companies shall start 15 days before the end of each financial year and each related quarter, until the company publishes its annual financial statements, or its interim quarterly financial statements respectively.

Following the publication of the financial statements, Insiders shall refrain from trading and wait until the commencement of the following day's trading session, or after 24 hours, whichever is less, after the publication of the financial statements released in the local newspapers.

Scope of the Restriction on Trading

- MAM-2.14.3 The restrictions on trading shall be applied to the listed company's Insiders as well as to persons under their guardianship and control, and companies in which they exercise control or influence the decision-making of the company. An Insider shall also be responsible for compliance with the restriction on trading when the management of the securities of the Insider has been assigned to another party.
- MAM-2.14.4 The restriction on trading shall not be applied in cases where:
- Buying securities by subscribing or obtaining them directly from the company or its group in a public issue;
 - Receiving securities in consideration of redemption, merger, demerger, or as compensation in accordance with a public tender offer, or in another comparable manner;
 - Receiving shares as dividends (bonus shares), or another form of payout from retained earnings;
 - Receiving securities as compensation for work or other performance or service;
 - Receiving securities as inheritance under a will, as a present, or as a result of partition of an estate, or by means of similar acquisition.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

MAM-2.15 Obligations of Insiders, Listed Companies and Brokerage Firms

Obligations of Insiders

- MAM-2.15.1 Insiders shall provide to the person in charge of the Insiders' Register of the listed company their basic personal data and information on people under their guardianship or control, as well as on companies controlled by them, and companies in which they exercise influence.

Changes in Declared Information

- MAM-2.15.2 Any changes in personal data and information on controlled companies and companies in which the Insider exercises influence and any change in Insider's beneficial ownership shall be notified to the listed company by the end of the next business day following the date the change took place.

Obligations of Listed Companies

- MAM-2.15.3 Listed companies shall organize regular supervision of the Permanent Insiders to verify the information declared to the company at least once yearly, and in addition, the company should verify at least once a year the trading of the Permanent Insiders.
- MAM-2.15.4 Listed companies shall, where necessary, case-by-case, verify the trading of securities of the Insiders more diligently, for example if a Permanent Insider deals with a large volume of securities or the Insider is trading frequently.
- MAM-2.15.5 Any violations of this Module and the Modules on Disclosure Standards and the Guidelines for Insiders shall be reported immediately to the CBB.

Maintenance of Insiders' Register

- MAM-2.15.6 A listed company shall create a separate register called the "Insiders' Register", which shall be maintained at its headquarters in Bahrain. The Insiders' Register shall be made available for investigation and inspection to the CBB at all times.

The Insiders' Register shall be maintained and kept by the listed company for a minimum period of 5 years.

Annual Verification

- MAM-2.15.7 Insiders' Register data shall be verified at least once a year before the Annual General Meeting by the internal auditor of the company. The result of such verification shall be forwarded to the CBB at least 15 days before the date of the company's AGM.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

Written Guidelines and Instructions

- MAM-2.15.8 All listed companies must have their own written guidelines on insiders using this Module and the guidelines on insiders issued by the licensed exchanges as minimum instructions. The company may define other instructions or restrictions, as it deems fit according to its situation.
- MAM-2.15.9 The listed company's written guidelines on insiders should be submitted to the the licensed exchange for approval before being officially implemented. The company shall make its approved guidelines on insiders available to its Insiders, and to ordinary shareholders or any other interested parties.
- MAM-2.15.10 Each listed company shall form a Committee to manage Insiders' holdings and tradings. The Committee is to be formed from the Board of Directors members, or from the Board of Directors and senior management of the company. Alternatively, the listed company may allocate the Committee's responsibilities to the Audit Committee of the company. The number of members in the Committee should not be less than three.
- MAM-2.15.11 The Committee shall appoint a person-in-charge for the Insiders' Register issues for managing the day-to-day business of the Committee, who might be a non-member of the Committee. Such person should be treated as an Insider. The names, titles and contact details of the Committee members and the person-in-charge should be forwarded to the licensed exchange and the CBB on the appointment and when changes occur.

Responsibilities of the Committee

- MAM-2.15.12 The Committee shall ensure compliance with this Module and the guidelines on insiders, and the disclosure requirements concerning Insiders. However, the day-to-day monitoring of the above shall be the responsibility of the person-in-charge and he shall report to the Committee any violation of such requirement.

Obligations of Brokerage and Intermediary Firms' Duties

- MAM-2.15.13 The brokerage and other capital market service providers firms shall lay down internal guidelines on insiders, prevention of abuse of Inside Information, and compliance with this Module, the Guidelines on Insiders and Disclosure Standards requirements for their staff, directors, proprietors and partners dealing in securities of any company listed or to be listed.
- MAM-2.15.14 The brokerage firms are totally prohibited from entering any order by any Permanent Insider, if there is any suspicion that Guidelines on Insiders or Disclosure Standards requirements may be violated.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-2: Prohibited Conduct in Possession of Inside Information

Obligations of Licensed Exchanges

- MAM-2.15.15 The licensed exchanges shall have appropriate systems and procedures to prevent the abuse of inside information and to ensure prompt disclosure by listed companies of price sensitive information, in order to limit the possibility of abuse of inside information.
- MAM-2.15.16 Licensed exchanges shall have appropriate functions and systems to monitor trading and the market on a continuous basis and detect the possible cases of contravention of this Module, including abuse of inside information.
- MAM-2.15.17 Licensed exchanges shall report the detected suspected transactions, or suspected market behaviour or conduct, or suspected cases of market abuse to the CBB's Capital Markets Supervision (CMS) Directorate for further investigation.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.1 Prohibited Market Conduct

MAM-3.1.1 Article 106 of the CBB Law states that a person is guilty of market manipulation if he engages or encourages to engage in any conduct that may give a false or misleading impression as to the supply of or demand for, or the price or value of any securities or that may give an unrealistic picture of the market regarding the volume and/or prices of any securities. In application of this Article 106 of the CBB Law, the CBB will consider that a person is guilty of market manipulation if he engages or encourages to engage in any act of commission or omission of the prohibited market behaviour or conduct listed in rule MAM-3.1.2.

- MAM-3.1.2** No person shall directly or indirectly:
- (a) Engage or encourage others to engage in any behaviour or conduct that may give a false or misleading impression as to the supply of or demand for, or the price or value of any securities.
 - (b) Engage or encourage others to engage in any behaviour or conduct that may give an unrealistic picture of the market regarding the volume and/or prices of any securities.
 - (c) Create or do anything that is intended or likely to create a false or misleading appearance:
 - (i) Of active trading in any securities on a securities market;
 - (ii) With respect to the market for, or the price of, such securities; or
 - (iii) By engaging or encouraging others to engage in any act of conducting or attempting to conduct a manoeuvre with the intention to impede normal functioning of a market.
 - (d) Maintain, inflate, depress, stabilize, or cause fluctuations in the market price of any securities, or the trading volume of any securities by means of a purchase or sale of any securities that do not involve a change in the beneficial ownership of those securities, or by any fictitious transaction or device.
 - (e) Engage or encourage others to engage in any fraudulent or misleading or manipulative practice, such as to:
 - (i) Employ any device, scheme or artifice to defraud;
 - (ii) buy, sell, intermediate or otherwise deal in securities in a fraudulent manner;
 - (iii) Obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

- (iv) Engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser; or
- (v) Induce, fraudulently, other persons to deal in securities, or trade in futures contracts.
- (f) Use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a licensed exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the CBB Law or the rules and regulations made thereunder, including the rules and regulations of licensed exchanges.
- (g) Manipulate or publish or cause to publish or report or cause to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities.
- (h) Indulge in price manipulation or any act or omission amounting to manipulation of the price or volume of a security.
- (i) Make a statement, promise, forecast or any other action, or disseminate information that is false or misleading and has or is likely to have an impact on the price or volume of securities.
- (j) Employ manipulative or deceptive devices or practices.
- (k) Disseminate information about illegal transactions.
- (l) Fail, intentionally or recklessly, to notify the licensed exchange or the CBB of such information as is required to be disclosed as per the CBB Law, rules and regulations, Modules on listing requirements, Disclosure Standards and AML/CFT of CBB's Rulebook Volume 6.
- (m) Indulge in manipulative or fraudulent or unfair trade practices in securities.
- (n) Advance or agree to advance any money to any person thereby inducing any other person to offer to buy any security in any issue only with the intention of manipulating or securing the minimum subscription to such issue.
- (o) Enter into a transaction in securities without the intention of performing it, or without the intention of change of ownership of such security.
- (p) Sell, deal or pledge stolen or counterfeit securities, whether in physical or dematerialized form.
- (q) Provide clients with such information relating to a security that cannot be verified by the clients before their dealing in such security.
- (r) Encourage clients to deal in securities solely with the object of enhancing his brokerage or commission.
- (s) Indulge in buying or selling securities in advance of a substantial client order, or whereby a futures or option position is taken about an impending transaction in the same or related futures or options contract.
- (t) Plant false or misleading news or rumours, or deceitful information which may induce sale or purchase of securities.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.2 False Trading and Market Rigging Transactions

MAM-3.2.1 Without prejudice to the provisions of the rule MAM-3.1.2 above, a person who:

- a) Effects, takes part in, is concerned in or carries out directly or indirectly, any transaction of purchase or sale of any securities, being a transaction that does not involve any change in the beneficial ownership of the securities;
- b) Makes or causes to be made an offer to sell any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number of securities at a price that is substantially the same as the first-mentioned price; or
- c) Makes or causes to be made an offer to purchase any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price,

shall be deemed to have created a false or misleading appearance of active trading in securities on a securities market.

MAM-3.2.2

In any proceedings against a person for a contravention of rule MAM-3.1.2 (c) and (d) because of an act referred to in rule MAM-3.2.1, it is a defence if the defendant establishes that the purpose or purposes for which he did the act was not, or did not include, the purpose of creating a false or misleading appearance of active trading in securities on a securities market.

MAM-3.2.3

For the purposes of rule MAM-3.1.2 (c) and (d) and rule MAM-3.2.1, a purchase or sale of securities does not involve a change in the beneficial ownership if a person who had an interest in the securities before the purchase or sale, or a person associated with the first-mentioned person in relation to those securities, has an interest in the securities after the purchase or sale.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.2.4

In any proceedings against a person for a contravention of rule MAM-3.2.1 in relation to a purchase or sale of securities that did not involve a change in the beneficial ownership of those securities, it is a defence if the defendant establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, securities.

MAM-3.2.5

The reference in rule MAM-3.2.1 to a transaction of purchase or sale of securities includes:

- (a) A reference to the making of an offer to purchase or sell securities; and
- (b) A reference to the making of an invitation, however expressed, that expressly or impliedly invites a person to offer to purchase or sell securities.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.3 Fraudulent Dealings

Fraudulently Inducing Persons to Deal in Securities

MAM-3.3.1

Without prejudice to the provisions of rule MAM-3.1.2 (e), no person shall:

- a) By making or publishing, by any means, any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive;
- b) By any dishonest concealment of material facts;
- c) By the reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or
- d) By recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular;

induce or attempt to induce another person to deal in securities.

MAM-3.3.2

In any proceeding against a person for a contravention of rule MAM-3.3.1 constituted by recording or storing information as mentioned in rule MAM-3.3.1 (d), it is a defence if it is established that, at the time when the defendant so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to another person.

MAM-3.3.3

In any proceedings against a person for a contravention of rule MAM-3.3.1, the opinion of any registered or public accountant as to the financial position of any company at any time or during any period in respect of which he has made an audit or examination of the affairs of the company according to recognised audit practice shall be admissible, for any party to the proceedings, as evidence of the financial position of the company at any time or during that period, notwithstanding that the opinion is based in whole or in part on book-entries, documents or vouchers or on written or verbal statements by other persons.

Employment of Manipulative and Deceptive Devices or Practices

MAM-3.3.4

Without prejudice to the provisions of rule MAM-3.1.2 (e), no person shall, directly or indirectly, in connection with the subscription, purchase or sale of any securities:

- a) Employ any device, practice, scheme or artifice to defraud;
- b) Engage in any act or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person;
- c) Make any statement he knows to be false in a material particular; or



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

- d) Omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.4 Dissemination of Information about Illegal Transactions

MAM-3.4.1

Without prejudice to the provisions of section MAM-3.1, no person shall circulate or disseminate, or authorise or be concerned in the circulation or dissemination of, any statement or information to the effect that the price of any securities will, or is likely, to rise or fall or be maintained by reason of a transaction entered into, or to be entered into, or other act or thing done or to be done in relation to such securities which to his knowledge, was entered into or done in contravention of section MAM-3.1, or if entered into or done would be in contravention of section MAM-3.1, if:

- a) The person, or a person associated with the person, has entered into or purports to enter into any such transaction or has done or purports to do any such act or thing; or
- b) The person, or a person associated with the person, has received, or expects to receive, directly or indirectly, any consideration or benefit for circulating or disseminating, or authorising or being concerned in the circulation or dissemination, the statement or information.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.5 False or Misleading Statements

MAM-3.5.1

Without prejudice to the provisions of rule MAM-3.1.2 (e) and (f), no person shall make a statement, or disseminate information, that is false or misleading in a material particular and is likely:

- a) To induce other persons to subscribe for securities;
- b) To induce the sale or purchase of securities by other persons; or
- c) To have the effect of raising, lowering, maintaining or fixing the market price of securities;

if, when he makes the statement or disseminates the information:

- a) He does not care whether the statement or information is true or false; or
- b) He knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.6 Price Manipulation

MAM-3.6.1

Without prejudice to the provisions of rule MAM-3.1.2, no person shall effect, take part in, be concerned in or carry out, directly or indirectly, two or more transactions in securities, being transactions that have, or are likely to have, the effect of raising, lowering, maintaining or fixing the price of securities on a securities market, with intent to induce other persons to subscribe for, purchase or sell securities of the company or of a related company.

MAM-3.6.2

A reference to rule MAM-3.6.1 (a) or (b) to transactions in securities includes:

- a) A reference to the making of an offer to purchase or sell such securities; and
- b) A reference to the making of an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such securities.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.7 Continuous Disclosure

MAM-3.7.1

This rule shall apply to:

- a) An entity the securities of which are listed for quotation on a licensed exchange;
- b) A trustee of a business trust, where the securities of the business trust are listed for quotation on a securities exchange; or
- c) A responsible person of a Collective Investment undertaking or business trust, where the units of the Collective Investment scheme are listed for quotation on a securities exchange.

if the entity, trustee or responsible person is required by the licensed exchange under the listing rules or any other requirement of the licensed exchange to notify the licensed exchange of information on specified events or matters as they occur or arise for the purpose of the licensed exchange making that information available to a securities market operated by the licensed exchange.

MAM-3.7.2

The persons specified in rule MAM-3.7.1 shall not intentionally, recklessly or negligently fail to notify the licensed exchange of such information, as is required to be disclosed by the licensed exchange under the listing rules or any other requirement of the licensed exchange.

MAM-3.7.3

A contravention of rule MAM-3.7.2 shall not be an offence unless the failure to notify is intentional or reckless.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.8 Fraudulent and Manipulative Practices in Offering Or Issuing Securities

MAM-3.8.1

Without prejudice to section MAM-3.1, no person shall either directly or indirectly:

- a) Obtain or participate in a subscription for any offering or issue of securities or use the proceeds thereof, in a fraudulent or manipulative manner, or in contravention of the CBB Law, the Offering Module or other applicable laws, rules and regulations; or
- b) Induce or compel any person to surrender any rights attached to a security, including voting rights or the ability to appoint a proxy, either as a pre-condition for subscription of such security or otherwise;
- c) Manipulate or fraudulently secure a minimum subscription of any offering or issue of securities, either by accepting a subscription in contravention of the Anti-Money Laundering (AML) and Combating Financial Crime (CFC) Laws and regulations, or by accepting incomplete subscription forms or otherwise.
- d) Make a reference to the CBB's or any other authority's approval for the purpose of marketing of or obtaining subscription for any offering or issue of securities, or give a misleading appearance that such an approval or no-objection relates to financial soundness of any project or merits of any offering or issue of securities.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.9 Prohibited Conduct – Futures Contract and Leveraged Foreign Exchange Trading

False Trading – Futures Contracts and Leveraged Foreign Exchange Trading

MAM-3.9.1

Without prejudice to section MAM-3.1, no person shall create, or do anything that is intended or likely to create, a false or misleading appearance of active trading in any futures contract on a futures market or in connection with leveraged foreign exchange trading, or a false or misleading appearance with respect to the market for, or the prices of futures contracts on a futures market or foreign exchange, in connection with leveraged foreign exchange trading.

Bucketing

MAM-3.9.2

Without prejudice to section MAM-3.1 no person shall:

- a) Knowingly execute, or hold himself out as having executed, an order for the purchase or sale of a futures contract on a futures market, without having effected a bona fide purchase or sale of the futures contract in accordance with the business rules, practices and procedures of the licensed exchange;
- b) Knowingly execute, or hold himself out as having executed, an order to make a purchase or sale of foreign exchange in connection with leveraged foreign exchange trading, without having effected a bona fide purchase or sale in accordance with the order.

Manipulation of Price of Futures Contract and Cornering

MAM-3.9.3

Without prejudice to section MAM-3.1 no person shall, directly or indirectly:

- a) Manipulate or attempt to manipulate the price of a futures contract that may be dealt in on a futures market, or of any commodity which is the subject of such futures contract; or
- b) Corner, or attempt to corner, any commodity which is the subject of a futures contract.

Fraudulently Inducing Persons to Trade in Futures Contracts

MAM-3.9.4

Without prejudice to section MAM-3.1 no person shall:

- a) By making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be false, misleading or deceptive;
- b) By any dishonest concealment of material facts;



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

- c) By the reckless making or publishing of any statement, promise or forecast that is false, misleading or deceptive; or
- d) By recording or storing in, or by means of hard copy or any mechanical, electronic or other device information that he knows to be false or misleading in a material particular; induce or attempt to induce another person to trade in a futures contract or engage in leveraged foreign exchange trading.

MAM-3.9.5

In any proceedings against a person for a contravention of rule MAM-3.9.4, constituted by recording or storing information as mentioned in rule MAM-3.9.4 (d), it is a defence if it is established that, at the time when the defendant so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to another person.

Employment of Fraudulent or Deceptive Devices and Practices

MAM-3.9.6

Without prejudice to section MAM-3.1 no person shall directly or indirectly, in connection with any transaction involving trading in a futures contract or leveraged foreign exchange trading:

- a) Employ any device, scheme or artifice to defraud;
- b) engage in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person;
- c) Make any false statement of a material fact; or
- d) Omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Dissemination of Information about Illegal Transactions

MAM-3.9.7

Without prejudice to section MAM-3.1 no person shall circulate, disseminate, or authorise or be concerned in the circulation of dissemination of, any statement or information to the effect that the price of a class of futures contracts or foreign exchange in connection with leveraged foreign exchange trading will, or is likely to, rise or fall or be maintained because of the market operations of one or more persons which, to his knowledge, are conducted in contravention of section MAM-3.1 if:

- a) The person, or a person associated with the person, has conducted such market operations; or
- b) The person, or a person associated with the person, has received, or expects to receive, directly or indirectly, any consideration or benefit for circulating or disseminating or authorising or being concerned in the circulation or dissemination, the statement or information.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.10 Methods of Market Abuse and Manipulation

MAM-3.10.1

A person who engages or encourages others to engage in market manipulation by his acts of commission or omission will be liable for penalties under the CBB Law, irrespective of the methods used for market manipulation. Methods of market abuse and market manipulation may include but not be limited to the methods mentioned in rules MAM-3.8.2 to MAM-3.8.38.

(a) Abuse of information:

Insider Dealing

MAM-3.10.2 **Frontrunning:** Frontrunning (or trading ahead) occurs when a broker times the purchase or sale of shares of a security for his own account so as to benefit from the price movement that follows execution of large customer orders. Frontrunning involves a trader taking a position in a security to profit from advance non-public knowledge of an imminent order that may affect the market price of that security.

MAM-3.10.3 **Tailgating:** When a broker or adviser buys or sells a security for an informed client(s) and then immediately makes the same transaction in his or her own account.

MAM-3.10.4 **Spreading False Information to Purchase at Bargain Prices:** An unlawful practice occurring mainly on the internet. A small group of informed people attempt to push down a stock by spreading false information and rumours. If they are successful, they can purchase the stock at bargain prices.

Improper Disclosure

MAM-3.10.5 **Concealing Ownership:** This is a transaction or a series of transactions which is designed to conceal the ownership of a security via the breach of disclosure requirements through the holding of the instrument in the name of a colluding party (or parties). The disclosures are misleading in respect of the true underlying holding of the instrument. (This practice does not cover cases where there are legitimate reasons for securities to be held in the name of a party other than the beneficial owner; e.g. nominee holdings. Nor do all failures to make a required disclosure necessarily constitute market manipulation.)

MAM-3.10.6 **Touting:** The practice refers to any person who is paid directly or indirectly, to recommend the sale of any security, without disclosing this fact and the amount of compensation to be received. Once someone is paid to recommend a security, this information should be provided to the market. Touting is also an unlawful practice in the securities market, since it does not follow the principle of full disclosure to the market and gives an unfair advantage to some investors over others.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

Misuse of Information

- MAM-3.10.7 **Pump and Dump:** This practice involves taking a long position in a security and then undertaking further buying activity and/or disseminating misleading positive information about the security with a view to increasing the price of the security. Other market participants are misled by the resulting effect on price and are attracted into purchasing the security. The manipulator then sells out at the inflated price. Pump and dump is a scheme that attempts to boost the price of a stock through brokers recommendations, internet forums, or cold calling based on false, misleading or greatly exaggerated statements, and the perpetrators of this scheme, who already have an established position in the company's stock, sell their positions after the hype has led to a higher share price.
- MAM-3.10.8 **Trash and Cash:** Trash and cash (or “slur and slurp”) is the opposite of pump and dump. A party will take a short position in a security; undertake further selling activity and/or spread misleading negative information about the security with the purpose of driving down its price. The manipulator then closes their position after the price has fallen.
- MAM-3.10.9 **Influencing Market Price without Controlling the Available Supply or Demand:** An individual may not control the supply of a security or the asset underlying a derivative contract, but may use various other means to manipulate the price, such as disseminating false information about the relevant company or taking advantage of a congested market. False information about the company or the derivative or cash market, which influences the price of the company's shares or of the asset underlying a derivative contract may be disseminated in publicly filed financial statements, press releases, or through some other medium.
- MAM-3.10.10 **Boiler Room Sales:** Boiler rooms use banks of telephones to make cold calls to as many potential investors as possible using high-pressure selling techniques to persuade investors to purchase “house stocks”- stocks that the firm buys or sells as a market maker or has in its inventory. Boiler room operators typically sell worthless shares or thinly traded stocks of “microcap” or “small cap” companies.
- MAM-3.10.11 **Cybersmear:** Cybersmear is a practice in which individuals post malicious messages about businesses in online forums, to manipulate the stock or to hurt a company they have a grievance against.
- MAM-3.10.12 **Scalping:** Scalping is the fraudulent trading practice that occurs when a person buys shares of thinly-traded, small-cap companies, recommending the companies to the general public, and then selling the majority of his shares when the increased demand generated by his favourable recommendations drove up the stock price.
- MAM-3.10.13 **False Market::** A market where prices are manipulated and impacted by erroneous information, preventing the efficient negotiation of prices. These types of markets will often be marred by volatile swings because the true value of the market is clouded by the misinformation.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

- MAM-3.10.14 **Short and Distort (Bear Raid):** An unlawful practice employed by unethical investors who short-sell a stock and then spread unsubstantiated rumours and other kinds of unverified bad news in an attempt to drive down the equity's price and realize a profit.
- MAM-3.10.15 **Long and Distort:** An unlawful practice employed by unethical investors who buy a stock and then spread unsubstantiated rumours and other kinds of unverified good news in an attempt to drive up the equity's price and realize a profit.
- MAM-3.10.16 **Stock Basher:** An individual, either acting alone or on behalf of someone else, who attempts to devalue a stock by spreading false or exaggerated claims against a public company. After the stock's price has dropped, the basher, or the basher's employer, will then purchase the stock at a lower price than that he or she believes it is intrinsically worth.

(b) Market Manipulation:

Manipulating Transactions

- MAM-3.10.17 **Painting the Tape:** This practice involves engaging in a transaction or series of transactions which are shown on a public display facility to give the impression of activity or price movement in a security. This may include an unlawful practice in which traders buy and sell a specific security among themselves, creating the illusion of high trading volume and significant investor interest, which can attract unsuspecting investors who might then buy the stock and enable the traders to profit. Or, an unlawful action by a group of market manipulators buying and/or selling a security among themselves to create artificial trading activity, which, when reported on the ticker tape, lures in unsuspecting investors as they perceive an unusual volume.
- MAM-3.10.18 **Wash Sales:** This is the practice of entering into arrangements for the sale or purchase of a security where there is no change in beneficial interests or market risk, or where the transfer of beneficial interest or market risk is only between parties who are acting in concert or collusion. (Repo transactions and stock lending/borrowing or other transactions involving transfer of securities as collateral do not constitute wash trades.) Wash sales include an unlawful transaction a trader makes by simultaneously buying and selling a security through two different brokers, thereby creating the illusion of activity. The trader sometimes would use a relative to conclude such manipulative transactions.
- MAM-3.10.19 **Improper Matched Orders:** Transactions where both buy and sell orders are usually entered at the same time, with the exact same price and quantity by different but colluding parties.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.10.20 **Marking the Close:** Marking the close (or ramping) involves deliberately buying or selling securities or derivatives contracts at the close of the market in an effort to alter the closing price of the security or derivatives contract. This practice may take place on any individual trading day but is particularly associated with dates such as future/option expiry dates or quarterly/annual portfolio or index reference/valuation points.

MAM-3.10.21 **Cornering the Market:** Securing such control of the bid or demand-side of both the derivative and the underlying asset that leads to a dominant position. This position can be exploited to manipulate the price of the derivative and/or the asset. With regards to derivatives, in a corner, a market participant or group of participants accumulates a controlling position in an asset in the cash, derivative and other markets. The market participant or group of participants then requires those holding short positions to settle their obligations under the terms of their contracts, either by making delivery or by purchasing the asset from the manipulator or by offsetting in the derivatives market opposite the manipulator at prices distorted by the manipulators.

In the context of a futures contract and leveraged foreign trading corners or attempts to corner, any commodity which is the subject of a futures contract.

MAM-3.10.22 **Abusive Squeeze:** This involves a party or parties with a significant influence over the supply of, or demand for, or delivery mechanisms for a security and/or the underlying product of a derivative contract exploiting a dominant position in order materially to distort the price at which others have to deliver, take delivery or defer delivery of the security/product in order to satisfy their obligations.

MAM-3.10.23 **Capping and Pegging:** This practice involves activity on both the stock market and the derivatives market. A trader writes an option, which obliges the trader to sell to (in the case of a call option) or buy from (in the case of a put option) the option holder a specified number of shares covered by the option in order to affect the share price in a direction that will make the option unprofitable to exercise.

MAM-3.10.24 **Manipulative Naked Short Sales:** A short sale is generally the sale of a stock the seller does not own. In a “naked” short sale, the seller does not borrow or arrange to borrow the securities in time to make delivery to the buyer within the standard settlement period. As a result, the seller fails to deliver securities to the buyer when delivery is due. Selling stock short and failing to deliver shares at the time of settlement with the purpose of driving down the security’s price is a manipulative activity.

MAM-3.10.25 **Pooling and Churning:** “Pooling and Churning” can involve wash sales or pre-arranged trades executed in order to give an impression of active trading, and therefore investor interest in the stock.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

- MAM-3.10.26 **Interpositioning:** Interpositioning involves a 2-step process that allows the brokerage firm to generate a profit for the brokerage firm from the spread between two opposite trades. Interpositioning can take various forms. In one form, the broker purchases stock for the brokerage firm's proprietary account from the customer sell order; and then fills the customer buy order by selling from the brokerage firm's proprietary account at a higher price – thus locking in a riskless profit for the brokerage firm's proprietary account. A second form of interpositioning involves the broker selling stock into the customer buy order, and then filling the customer sell order by buying for the brokerage firm's proprietary account at a lower price – again, locking in a riskless profit for the brokerage firm's proprietary account. In both forms of interpositioning, the broker participates on both sides of the trade, thereby capturing the spread between the purchase and sale prices, disadvantaging at least one of the parties to the transaction.
- MAM-3.10.27 **Late Trading:** This involves purchasing mutual fund shares at the closing price after the market closes. This is an investment technique involving short-term “in and out” trading of mutual fund shares, which has a detrimental effect on the long-term shareholders. The technique is designed to exploit market inefficiencies when the “net asset value” of the mutual fund shares; which is set at the market close, does not reflect the current market value of the stocks held by the mutual fund. When a “market timer” buys mutual fund shares at the stale NAV, it realizes a profit when it sells those shares the next trading day or thereafter. That profit dilutes the value of shares held by long term investors. Late Trading (or market timing) includes: (a) frequent buying and selling of shares of the same mutual fund; or (b) buying or selling mutual fund shares in order to exploit inefficiencies in mutual fund pricing. Market timing, while not illegal per se, can harm other mutual fund shareholders because it can dilute the value of their shares, if the market timer is exploiting pricing inefficiencies, or disrupt the management of the mutual funds' investment portfolio and can cause the targeted mutual fund to incur costs borne by other shareholders to accommodate frequent buying and selling of shares by the market timer.
- MAM-3.10.28 **Holding the Market:** The practice of placing active or pending orders for a security into a market where the price is dropping rapidly in an attempt to “hold” the price of the security steady, or create a floor in the security. This practice is unlawful except when a broker or other party is mandated to keep the price of a security steady as part of Price Stabilization or a buy-back programme. This is only done in rare cases where there is not enough market depth to hold the price.
- MAM-3.10.29 **Ghosting:** An unlawful practice whereby two or more market makers or brokers collectively attempt to influence and change the price of a stock. Ghosting is used to affect stock prices so the manipulators can profit from the price movement.
- MAM-3.10.30 **Freeriding:** An unlawful practice in which an underwriting syndicate member withholds part of a new securities issue and later sells it at a higher price. This practice involves the unlawful activity of buying a stock and selling it before paying for the purchase.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

- MAM-3.10.31 **Bucketing:** A brokerage that makes trades on a client's behalf and promises a certain price and/or confirms execution of an order to a client without actually executing it. The brokerage however, waits until a different price arises and then makes the trade, keeping the difference as profit in an attempt to make a short-term profit.
- MAM-3.10.32 **Portfolio Pumping.** The unlawful act of bidding up the value of a fund's holdings right before the end of a quarter, when the fund's performance is measured. This is done by placing a large number of orders on existing holdings, which drives up the value of the securities within the Portfolio.

Manipulating Devices

- MAM-3.10.33 **Advancing the Bid:** Increasing the bid for a security to increase its price artificially, creating the impression of strength or the illusion that stock activity was causing the increase.
- MAM-3.10.34 **Placing Orders without Intention to Execute:** This involves the entering of orders, especially into electronic trading systems, which are higher/lower than the previous bid/offer. The intention is not to execute the order but to give a misleading impression that there is demand for or supply of the security at that price. The orders are then withdrawn from the market before they are executed. (A variant on this type of market manipulation is to place a small order to move the bid/offer price of the security and being prepared for that order to be executed if it cannot be withdrawn in time.) These manipulative orders are entered in the pre-open sessions and also during the normal trading sessions.
- MAM-3.10.35 **Excessive Bid-ask Spreads:** This conduct is carried out by intermediaries which have market power, such as specialists or market makers acting in cooperation, in such a way intentionally to move the bid-ask spread to and/or to maintain it at artificial levels and far from fair values, by abusing their market power, i.e. the absence of other competitors.

Misleading Behaviour and Distortion

- MAM-3.10.36 **Short and Extort:** This practice occurs when short sellers state, for example posting messages on message boards, they would stop shorting the stock if they were given money or free shares.
- MAM-3.10.37 **Spoofing:** Spoofing (or small lot bailing) is a fraudulent trading practice that occurs when a person uses a displayed limit order to manipulate prices, entering quotes followed by virtually simultaneous cancellations, obtaining an improper trading advantage. The order is placed with the intention of briefly triggering a market movement from which the participant or others may benefit by trading the opposite side of the original manipulative order.
- MAM-3.10.38 **Overtrading:** An unethical practice employed by some brokers to increase their commissions by excessively trading in a client's account. It is also referred to as "churn and burn", "twisting" and "churning".



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.11 Motives and Parties Involved in Market Manipulation

MAM-3.11.1 Any manipulative behaviour or conduct prohibited under this Module will attract a penalty specified in Article 106 of the CBB Law and other enforcement actions by the CBB, irrespective of the objective of such manipulative market behaviour or conduct.

However, the CBB would investigate into the intentions behind the market behaviour or conduct and the objectives of the market behaviour or conduct of the various parties while dealing with suspected market behaviour or conduct cases.

- a) Some examples of such motives include:
- (i) Influencing the price or value of a security or a derivative contract, so that the manipulator can:
 - Buy at a lower price;
 - Sell at a higher price;
 - Influence takeover bids, or other large transactions; or
 - combat competitive transactions;
 - (ii) Influencing the price of a derivative contract or the underlying asset;
 - (iii) Influencing the subscription price in public or non-public offerings;
 - (iv) Influencing the price/conversion ratio in connection with the merger of companies;
 - (v) Influencing the price of a security in connection with take-over offers;
 - (vi) Influencing someone to subscribe for, purchase, or sell assets or rights to assets, or to abstain from doing so;
 - (vii) Influencing the accounts/balance sheet of institutional investors;
 - (viii) Influencing the limit for triggering forced sale by creditors; and
 - (ix) Influencing the impression of financial advice or placements.
- b) Any person who violates, or aides or abets any violation of the provisions of this Module will be liable for penalty and other enforcement actions under the CBB Law, irrespective of the status or position of the person involved. Those in a position to effect a manipulation include:
- (i) Issuers of securities;
 - (ii) Participants in the securities market, derivatives market or underlying cash market, including investors and institutions;
 - (iii) Market intermediaries;
 - (iv) Financial analysts;
 - (v) Any other person;
 - (vi) Any combination of the above acting in cooperation with one another; and
 - (vii) Any person aiding or abetting the person(s) involved in prohibited behaviour or conduct.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.12 Error Trades

MAM-3.12.1

Every licensed exchange and market operator should have policies and systems for error trades which should be transparent and applied consistently and fairly, so that the brokerage firms and their representatives are made accountable for providing correct information with regards to the investor's and transaction details at the time of entering the orders into the trading systems of the licensed exchanges or market operators.

MAM-3.12.2 All transaction information after execution in the Automated Trading System of licensed exchanges must not be changed except when there is a misallocation of the Investor Account. Such change can only be made subject to the prior approval of the licensed exchange and any change after the settlement period can be made only after obtaining the CBB's Capital Markets Supervision Directorate's written approval.

MAM-3.12.3 A repeated pattern of error trades could be indicative of possible manipulation or other abuse market activity and the licensed exchanges should have adequate systems in place to detect such activities and report to the CBB.

MAM-3.12.4 If there is an error trade which is caused by mistake or lapse on the part of a brokerage firm, the cost for correcting such error trade shall be borne by the respective brokerage firm.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-3: Prohibited Market Conduct

MAM-3.13 Defences

MAM-3.13.1

A person shall not be guilty of violation of section MAM-3.1 if he proves that his reasons for engaging in the alleged behaviour or conduct were legitimate and that he had acted in conformity with the accepted market practices in the market concerned, or that he had acted in conformity with any price stabilization rules or market making rules made/approved by the Central Bank, or if he believed on reasonable grounds that his behaviour or conduct did not violate Article 106 of the CBB Law, and that he had taken all reasonable precautions and exercised all due diligence to avoid behaving in any way against the said Article.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-4: Exemption for Price Stabilization

MAM-4.1 Exemption for Price Stabilization

MAM-4.1.1

Price stabilization action taken by a designated market maker who is also a Category 1 Investment Firm Licensee acting as or on behalf of the Price Stabilization Manager in Bahrain in respect of an initial public offering, shall not be considered as market manipulation or abuse of inside information, if and only if, the conditions mentioned in section MAM-4.2 are satisfied.

MAM-4.1.2 For the purposes of sections MAM-4.1 and MAM-4.2, unless the context otherwise requires:

- (a) “Closing Date” in relation to an offer, means the date specified in the offer document as the last date for the submission of applications for subscription or purchase of the securities being offered.
- (b) “Dealer” means a Category 1 Investment Firm Licensee acting on behalf of a Price Stabilization Manager.
- (c) “Issuer” in relation to an offer, means the person who issues the securities being offered or, where the securities have been issued, the person making the offer.
- (d) “Offer” means an offer to the public for subscription or purchase of securities in conjunction with the listing of such securities on a licensed exchange, or on both a securities exchange and an overseas securities exchange, as the case may be, where the securities are not previously listed on any licensed exchange or overseas securities exchange.
- (e) “Offer Price” in relation to an offer, means the price of the securities being offered, or where the securities are offered in more than one tranche at different prices, the highest price offered, after deducting any concession, commission, brokerage, transaction fee or levy.
- (f) “Over-Allotment” in relation to an offer, means the allotment or sale of a number of the relevant securities in excess of the number of the securities available for subscription or purchase under the offer.
- (g) “Relevant Securities” in relation to an offer, means the securities which are, or when issued will be, uniform in all respects with the securities being offered under the offer and includes the securities being offered under the offer.
- (h) “Stabilizing Action” in relation to an offer, means the action taken in Bahrain or elsewhere by a stabilizing manager, or by a Category 1 Licensee on behalf of the stabilizing manager:
 - i. Where the securities being offered under the offer are debentures, to buy or to offer or agree to buy, any relevant securities; or
 - ii. In any other case, to buy or offer or agree to buy any relevant securities on the securities market;

In order to stabilize or maintain the market price of such securities in Bahrain or elsewhere.

- (i) “Stabilizing Manager” in relation to an offer, means a person:
 - i. Who is appointed in writing by the issuer of an offer to take stabilizing action in respect of the offer; and
 - ii. Whose appointment under paragraph (i) is notified to the licensed exchange on which the relevant securities are or are intended to be listed before the closing date of the offer.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-4: Exemption for Price Stabilization

MAM-4.2 Conditions for Exemption for Stabilizing Action

MAM-4.2.1

In order to be eligible for exemption under rule MAM-4.1.1, the stabilizing action taken must be in respect of an offer of securities where:

- a) The relevant securities are or are intended to be listed on a licensed exchange or on both a licensed exchange and an overseas securities exchange, as the case may be;
- b) The price stabilization scheme, the total value of securities and the maximum number of securities that the price stabilization manager can buy or sell are approved by the CBB at the time of permitting the issue or listing of relevant securities;
- c) The offer document states:
 - i. That stabilizing action may be taken in respect of the relevant securities;
 - ii. The maximum period during which stabilizing action may be taken;
 - iii. The total nominal value or number, as the case may be, of the securities which are the subject of an over-allotment option, if applicable; and
 - iv. The total nominal value or number, as the case may be, of the relevant securities that the stabilizing manager may buy to undertake stabilizing action, which shall not exceed the value or number approved by the CBB, as the case may be;
- d) A public announcement has been made, through the licensed exchange on which the relevant securities are or are intended to be listed, on the business day of that licensed exchange immediately following the closing date of the offer, stating:
 - i. That such securities may be subject to stabilizing action;
 - ii. The maximum period during which stabilizing action may be taken;
 - iii. The total nominal value or number, as the case may be, of the securities which are the subject of an over-allotment option, if applicable; and
 - iv. The total nominal value or number, as the case may be, of the relevant securities that the stabilizing manager may buy to undertake stabilizing action, which shall not exceed the value or number approved by the CBB, as the case may be; and
- e) The offer is on cash terms and is to be, is or has been, made at a specified price payable in any currency acceptable to the CBB.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-4: Exemption for Price Stabilization

MAM-4.2.2

The stabilizing manager shall:

- a) Take stabilizing action only after he is reasonably satisfied that the price of the relevant securities is not false or misleading; and
- b) Shall continue with the stabilizing action only after he is reasonably satisfied that the price of the relevant securities has not become false or misleading other than by reason of any stabilizing action.

MAM-4.2.3

No stabilizing action shall be taken before the following date:

- a) Where the relevant securities are debt securities, the date on which the earliest public announcement of the offer which states the offer price is made through the licensed exchange on which the relevant securities are or are intended to be listed;
- b) In any other case;
 - i. The date of commencement of trading in the securities being offered on the licensed exchange or the overseas securities exchange, as the case may be; or
 - ii. Where the relevant securities are offered on both the licensed exchange and the overseas exchange, the earlier of the dates of commencement of trading in the securities on these exchanges.

MAM-4.2.4

No stabilizing action shall be taken:

- a) Where the relevant securities are debt securities, after the earlier of the following dates:
 - i. The date of expiry of the period of 30 calendar days from the date of commencement of trading in the securities being offered on the licensed exchange or the overseas securities exchange, or the date of expiry of the period of 60 calendar days from the date on which the earliest public announcement of the offer which states the offer price is made through the licensed exchange on which the relevant securities are or are intended to be listed, whichever is the earlier;
 - ii. The date on which the stabilizing manager has bought, whether on the securities exchange, the overseas securities exchange or both, the total nominal value or number, as the case may be, of the relevant securities that the stabilizing manager may buy to undertake stabilizing action as stated in the offer document under rule MAM-4.2.1 (c).
- b) In any other case, after the earlier of the following dates:
 - i. The date of expiry of the period of 30 calendar days from the date of commencement of trading in the securities being offered on the securities exchange or the overseas securities exchange;



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-4: Exemption for Price Stabilization

- ii. The date that the stabilizing manager has bought, whether on the securities exchange, the overseas securities exchange or both, the total nominal value or number, as the case may be, of the relevant securities that the stabilizing manager may buy to undertake stabilizing action as stated in the offer document under rule MAM-4.2.1 (c).

MAM-4.2.5

No stabilizing action may be taken in respect of an offer of securities (other than debt securities) at a price higher than the offer price, or the price determined on the basis indicated in the offering document at the time of obtaining the CBB's permission for the issue or listing.

MAM-4.2.6

Subject to rule MAM-4.2.7 the stabilizing manager shall not effect or cause to be effected, directly or indirectly, any sell order of the relevant securities prior to the date of commencement of each stabilizing action or during the period in which stabilizing action is permitted under this Module.

MAM-4.2.7

Nothing in rule MAM-4.2.6 shall prohibit:

- a) The stabilizing manager; or
 - b) An associate of the stabilizing manager, in the associate's capacity as a dealer;
- from executing any sell order of the relevant securities for a person who is not an associate of the issuer of the offer of securities.

MAM-4.2.8

The stabilizing manager shall:

- a) Keep a register in such form as the securities exchange on which the relevant securities are listed may require; and
- b) Record in the register the particulars of each transaction to buy the relevant securities entered into in connection with the stabilizing action, including the price, quantity and name of the dealer, before the end of the day on which the transaction is entered into.

MAM-4.2.9

Where the register referred to in rule MAM-4.2.8 is kept in Bahrain, it shall be made available by the stabilizing manager for inspection by the CBB, or the licensed exchange on which the relevant securities are listed, within such time as may be stipulated by the CBB or that licensed exchange, as the case may be.

MAM-4.2.10

Where the register referred to in rule MAM-4.2.8 is kept outside Bahrain:

- a) It shall be capable of being brought into Bahrain and made available by the stabilizing manager for inspection by the CBB, or the licensed exchange on which the relevant securities are listed, within such time as may be stipulated by the CBB or that licensed exchange, as the case may be;



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-4: Exemption for Price Stabilization

- b) If it is not capable of being brought into Bahrain, a copy of the register certified to be a true copy by the stabilizing manager shall be brought into Bahrain and made available by the stabilizing manager for inspection by the CBB or the licensed exchange on which the relevant securities are listed, within such time as may be stipulated by the CBB or that licensed exchange, as the case may be.

MAM-4.2.11

The stabilizing manager shall:

- a) Before the closing date of the offer of securities, inform the licensed exchange on which the relevant securities are or are intended to be listed of the name of any dealer, whether in Bahrain or elsewhere, appointed by the stabilizing manager to take the stabilizing action; and
- b) Inform that licensed exchange of any subsequent change of dealer immediately upon such change.

MAM-4.2.12

Where, pursuant to any stabilizing action, a transaction to buy any relevant securities (other than debt securities) has been effected, the stabilizing manager shall make a public announcement through the licensed exchange on which the relevant securities are listed of the number of the securities bought by the stabilizing manager and the price range, no later than 12 noon on the first full trading day of that licensed exchange immediately following the day on which the transaction was effected, whether in Bahrain or elsewhere.

MAM-4.2.13

The stabilizing manager shall make a public announcement through the licensed exchange on which the relevant securities are listed of the cessation of any stabilizing action, whether in Bahrain or elsewhere, no later than the start of the trading day of that licensed exchange immediately following the day of cessation of the stabilizing action.

MAM-4.2.14

No stabilizing action in respect of an offer shall be taken after the public announcement of the cessation referred to in rule MAM-4.2.13.



MODULE	MAM: Prohibition of Market Abuse and Manipulation
CHAPTER	MAM-5: Penalty for Contravention

MAM-5.1 Penalty for Contravention

MAM-5.1.1

Without prejudice to any greater penalty prescribed under the Penal Code or any other law, any person who contravenes any of the provisions of this Module shall be liable for penalties and enforcement actions stipulated under various provisions of the CBB Law including, but not limited to, criminal sanctions, fines, imprisonment, suspension of license, public censure, freezing of accounts, cease and desist order and specific directives.

MAM-5.1.2

The CBB's investigation and enforcement proceedings and procedures, as set out in the Market Surveillance, Investigation and Enforcement (MIE) Module will be applicable for contraventions of this Module.