



# **Glossary of Defined Terms**



## Glossary History

Version Date	Description of Changes
April 2007	Initial Launch
July 2007	Amendment of Definition of “Administrator(s)”
July 2011	Inclusion of Capital Markets Rulebook Definitions
January 2012	Clarified definition of independent director; amended definition of chief executive; added definition of listed company.
April 2012	Definitions with references to Module CIU deleted as these are now covered under Volume 7.
April 2013	Amended definition for discount broker. Added definitions for external trading member, financial services, licensee, market maker and proprietary trading member.
January 2014	New glossary terms added to incorporate terms for Module OFS.
October 2014	Added definition for relevant authorities.
July 2016	Amended definition of politically exposed person (PEP). Added and amended terms and definitions used in Modules AML, CSD, MAE and MIR.
October 2017	Amended definition of Beneficial Owner.
October 2017	New glossary terms added to incorporate terms for crowdfunding.core.



**A**

### **Accredited investor(s)**

Accredited investors are:

- (a) Individuals who have a minimum net worth (or joint net worth with their spouse) of USD 1,000,000, excluding that person's principal place of residence;
- (b) Companies, partnerships, trusts or other commercial undertakings, which have financial assets available for investment of not less than USD 1,000,000; or
- (c) Governments, supranational organisations, central banks or other national monetary authorities and state organisations whose main activity is to invest in financial instruments (such as state pension funds).

### **Acquisition of equity securities/voting rights**

Acquisition of voting rights includes the exercise of control or direction over voting rights other than by way of a revocable proxy given for no or nominal consideration for the purpose of one meeting of shareholders only.

### **Acting in concert**

Persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate to obtain or consolidate "control" (as defined below) of a company through the acquisition by any of them of voting rights of the company. Without prejudice to the general application of this definition, persons falling within each of the following classes will be presumed to be acting in concert with others in the same class unless the contrary is established:

- (a) A company, its parent, its subsidiaries, its fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies;
- (b) A company with directors (together with their connected persons, related trusts and companies controlled by any of the directors, their connected persons or related trusts) of it or of its parent, subsidiaries or fellow subsidiaries;
- (c) A company with any of its pension funds, provident funds and employee stock option plans;
- (d) A fund manager (including an exempt fund manager) with any investment company, mutual fund, unit trust or other person, whose investments such fund manager manages on a discretionary basis, in respect of the relevant investment accounts. For the purpose of Module TMA, investments mean the holding collectively or individually of 30% or more of the securities of an offeror who intends acquiring 30% or more of the securities of an offeree;
- (e) A financial or other professional adviser (including a stockbroker) with its client in respect of the shareholdings of the adviser and persons controlling, controlled by, or under the same control as the adviser (except in the capacity of an exempt principal trader);
- (f) Directors of a company (together with their connected persons, related trusts and companies controlled by such directors, their connected persons and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) Partners;



- (h) An individual (including any person who is accustomed to act in accordance with the instructions of the individual) with his connected persons, related trusts and companies controlled by him, his connected persons or related trusts; and
- (i) A person, other than an authorised financial institution within the meaning of the CBB Law lending money in the ordinary course of business, providing finance or financial assistance (directly or indirectly) to any person (or a person acting in concert with such a person) in connection with an acquisition of voting rights (including any direct or indirect refinancing of the funding of the acquisition).

### **Administrators**

Administrators are persons who undertake the administration of financial instruments and other assets, for a third party. Administration may include the following activities:

- (a) Legal and fund management accounting services;
- (b) Client enquiries;
- (c) Valuation and pricing (including tax returns);
- (d) Regulatory compliance monitoring;
- (e) Maintenance of unit-holder register;
- (f) Distribution of income;
- (g) Issuance and redemption of holdings in a CIU;
- (h) Contract settlements (including certificate dispatch); and
- (i) Record-keeping.

### **Allotment**

“Allotment” means an amount of securities assigned to each of the participants, subscribers, or allottees. The financial responsibilities of the subscribers are set forth in an allotment notice, which is prepared by the issuer or lead manager.

### **Annual report**

Annual report means the annual audited financial statements, plus all accompanying notes, auditors’ reports, commentaries and disclosures required by IFRS, including the required non-financial, employment and corporate governance disclosures.

### **Approved person(s)**

Approved Persons are individuals holding certain specified positions in CBB licensees; they must be approved by the CBB prior to taking on those positions and must demonstrate that they are fit and proper. This list of positions subject to the CBB’s Approved Persons regime vary according to the CBB license category, but generally cover directors and senior management, as well as certain other positions. Approved Persons requirements are specified in the relevant Rulebook Volume for the license category in question.

### **Arbitration cell**

Means a division or employee(s) of an SRO designated and authorised to receive petitions, coordinate and assist in the administration of arbitrations in terms of Chapter 3 of Module DRA.



## **Associate**

For the purpose of Module TMA, the term associate will cover all persons acting in concert with an offeror. It is also intended to apply to a wider range of persons (who may not be acting in concert) and will cover all persons who directly or indirectly own or deal in the relevant securities of an offeror or the offeree company in an offer and who have (in addition to their normal interests as shareholders) an interest or potential interest, whether commercial, financial or personal, in the outcome of the offer. Without prejudice to the generality of the foregoing, the term “Associate” normally includes the following:

- (a) An offeror’s or the offeree company’s parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies;
- (b) Any bank and financial and other professional adviser (including a stockbroker) to an offeror, the offeree company or any company in (a), including persons controlling, controlled by, or under the same control as such banks, financial and other professional advisers;
- (c) The directors (together with their connected persons, related trusts and companies controlled by any of the directors, their connected persons or related trusts) of an offeror, the offeree company or any company in (a);
- (d) The pension funds, provident funds and employee share schemes of an offeror, the offeree company or any company in (a);
- (e) Any investment company, unit trust or other person whose investments an associate manages on a discretionary basis, in respect of the relevant investment accounts;
- (f) A person who owns or controls 10% or more of any class of relevant securities issued by an offeror or the offeree company, including a person who as a result of any transaction owns or controls 10% or more. When two or more persons act pursuant to an agreement or understanding (formal or informal) to acquire or control such securities, they will be deemed to be a single person for the purpose of the Module TMA. Such securities managed on a discretionary basis by an investment management group will, unless otherwise agreed by the CBB, also be deemed to be those of a single person; and
- (g) A company having a material trading arrangement with an offeror or the offeree company.

## **Associated company**

A company shall be deemed to be an associated company of another company if one of them owns or controls 20% or more of the voting rights of the other, or if both are associated companies of the same company.

## **A person associated with another person**

For the purposes of Module MAM, a person associated with another person means:

- (1) (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.
- (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.



## B

### **Bahrain domiciled CIU(s)**

[This definition has been moved to Volume 7 in April 2012].

### **Bahrain domiciled exempt CIU(s)**

[This definition has been moved to Volume 7 in April 2012].

### **Bahrain domiciled expert CIU(s)**

[This definition has been moved to Volume 7 in April 2012].

### **Bahrain domiciled retail CIU(s)**

[This definition has been moved to Volume 7 in April 2012].

### **Bai Bithaman Ajil contracts**

Refers to the sale of goods on a deferred payment basis. Goods or equipment requested by the purchaser are paid for by the financial institution which subsequently sells the goods back to the purchaser at an agreed price which includes the financial institution's fee.

### **Beneficial owner**

The term 'beneficial owner' of securities refers to any person who, if not the recorded owner of the securities, has or participates in 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. **This definition should also apply to "Ultimate beneficial ownership".**

### **Best-efforts underwriting**

Where the underwriter acts as an agent to the issuer and agrees to do its best to sell the issue to the investors, but does not guarantee subscription and does not buy the securities in case of under-subscription.

### **Book building**

Book building means a process whereby demand for the securities proposed to be issued by an issuer are elicited and built-up, in order to assess the price for such securities.





## **Bonds**

An instrument creating or acknowledging a present or future indebtedness (i.e. debentures, debenture stock, loan stock, bonds, certificates of deposit and any other instruments creating or acknowledging a present or future indebtedness), but excluding:

- (a) An instrument creating or acknowledging indebtedness for, or for money borrowed to defray, the consideration payable under a contract for the supply of goods and services;
- (b) A cheque or other bill of exchange, a bankers draft or a letter of credit (but not a bill of exchange accepted by a banker);
- (c) A banknote, a statement showing a balance on a bank account, or a lease or other disposition of property; and
- (d) A contract of insurance.

## **Broker**

Means a person who acts as an intermediary between the buyer and seller, usually charging a commission. A broker who specializes in stocks, debt securities, commodities or options acts as agent and must be licensed by the CBB and registered with the licensed exchange as a member.

## **Broker-dealer**

Means a person licensed by the CBB to operate as an agent on behalf of its clients (as broker) and as a principal for its own account (as dealer), in securities transactions. A broker-dealer must also be registered with the licensed exchange as a member.

## **Business rules**

Are those rules issued by a licensed exchange, licensed market operator, or licensed clearing house or licensed central depository in its capacity as a self-regulatory organisation (SRO) to regulate the functions of such institutions and the admission, regulation and supervision of its members or participants.



**C**

**Capital market service provider/Capital market advisory services provider (CMSP)**

Means any person licensed or authorised or involved in providing by itself or as agent, any activity specified under Article 80 of the CBB Law and includes SROs, their members and companies listed on licensed exchanges.

**Capitalisation issue**

An allotment of further securities to existing securities holders, credited as fully paid-up out of the issuer's reserves or profits, in proportion to their existing holdings, or otherwise not involving any monetary payments.

**Cash purchases**

For the purpose of Module TMA, cash purchases include contracts or arrangements where the consideration consists of a debt instrument capable of being paid off in less than 3 years.

**CBB licensee(s)**

CBB licensees are persons holding a license from the CBB to undertake a regulated service. Different license categories apply, depending on the types of regulated services undertaken. Each license category is subject to its own Rulebook Volume (e.g. Volumes 1 and 2 for conventional bank licensees and Islamic bank licensees, and Volume 4 for investment firm licensees).

**Central depository**

Means a central securities depository being any person who is eligible and licensed by the CBB to provide custody services, maintain a central securities register and accounts of central depository participants and evidence and transfer of ownership.

**Chief executive/Chief executive Officer (CEO) or General Manager**

Means a person who is responsible for the conduct of the licensee (regardless of actual title). The Chief Executive or General Manager must be resident in Bahrain. This person is responsible, alone or jointly, for the conduct of the whole of the firm.

**(CIU) Manager(s)**

[This definition has been moved to Volume 7 in April 2012].

**(CIU) Participant(s)**

[This definition has been moved to Volume 7 in April 2012].

**Class(es)**

Class means securities that have similar features. Stocks and bonds are the two main classes; they are subdivided into various classes – for example, mortgage bonds and debentures, issues with different rates of interest, common or preferred stock, or Class A and Class B common. The different classes in a company's capitalisation are itemised on its balance sheet.



### **Clearing member**

Means a person who is a member of a licensed clearing house who clear and settle transactions in a licensed clearing house.

### **Clearing house**

Means any person who is eligible and licensed by the CBB and acts as the central counterparty in making payments or deliveries or both in connection with transactions in securities, or who provides facilities for comparison of data in respect of the settlement of securities transactions, to reduce the number of settlements of securities transactions, or for allocation of securities settlement responsibilities.



### Client(s)

Means a person with or for whom a licensed member conducts or intends to conduct regulated activities.

### Client complaints

For the purposes of this Module, a client complaint includes: “any complaint in relation to the provision of services by a CMSP in which the client alleges that he has suffered, or is likely to suffer financial prejudice as a result of the member or CMSP:

- (a) Contravening or failing to comply with any instruction given by the client, or any agreement or mandate entered into with the client;
- (b) Contravening or failing to comply with the rules and the directives;
- (c) Acting dishonestly, negligently or recklessly; or
- (d) Treating the client unreasonably, or unfairly.”

### Client information

Means transaction information relating to:

- (a) A named client of a licensed member; or
- (b) A group of clients, from which the name of a client can be directly inferred from a licensed member.

### CMSD

Means the Capital Markets Supervision Directorate of the Central Bank of Bahrain.

### Close-ended Fund(s)

Close-ended funds are CIUs with a limited number of holdings. Where the fund vehicle is a company, holdings can take the form of shares. New holdings are rarely issued after the fund is launched and are not normally redeemable until the fund liquidates. Typically an investor can acquire or dispose of holdings in a closed-ended fund by buying or selling them on a secondary market, from a market intermediary or other investor, rather than by dealing with the CIU itself.

### Collective investment undertaking(s) (‘CIUs’)

Collective investment undertakings (‘CIUs’) are undertakings:

- (a) The sole object of which is the collective investment of capital raised from the public in financial instruments or other assets and which operates on the basis of risk-spreading; and
- (b) The holdings of which are re-purchased or redeemed, directly or indirectly, out of those undertakings’ assets.

[This definition has been amended as CIUs have been moved to Volume 7 in April 2012].

### Connected fund manager and connected principal trader

For the purpose of Module TMA, a fund manager or principal trader will be connected with an offeror or the offeree company, as the case may be, if the fund manager or principal trader controls, is controlled by, or is under the same control as:

- (a) An offeror;
- (b) The offeree company;
- (c) Any bank or financial or other professional adviser (including a stockbroker) to an offeror or the offeree company; or
- (d) An investor in a consortium formed for the purpose of making an offer.



### **Connected party transactions**

Means a transaction between the CMSP and a 'connected person'.

### **Connected persons**

In relation to an individual means:

- (a) The individual's spouse and his/her son, adopted son, stepson, daughter, adopted daughter, step-daughter, father, step-father, mother, step-mother, brother, step-brother, sister or step-sister, under his/her guardianship or control; or
- (b) A firm or corporation in which the individual or any of the persons mentioned in subparagraph (a) has control of not less than 10% of the voting power in the firm or corporation, whether such control is exercised individually or jointly;
- (c) Connected persons in relation to a firm or corporation means another firm or corporation in which the first-mentioned firm or corporation has control of not less than 10% of the voting power in that other firm or corporation.

### **Consideration issue**

An issue of securities as consideration, other than cash, in a transaction or in connection with a takeover or merger or the division of an issuer.

### **Control**

Unless the context otherwise requires, control shall be deemed to mean a holding, or aggregate holdings, of 30% or more of the voting rights of a company, irrespective of whether that holding or holdings gives de facto control.

### **Controlled functions**

Means a function carried on by an approved person in relation to a CMSP that requires prior CBB approval, as per the relevant licensing Module.

### **Controlling shareholder**

Means any shareholder who holds 10% or more of the share capital or is able to exercise (or control the exercise of) 10% or more of the voting power in the company.

### **Conventional bank licensee(s)**

A bank licensed by the CBB under Volume 1 of the CBB Rulebook, and generally operating according to conventional finance principles (as opposed to operating in accordance with Islamic finance principles).

### **Convertible securities**

Unless the context otherwise requires, convertible securities means securities convertible or exchangeable into other types of securities, or into another class of the same securities. The conversion can also take place within the same securities issuer's company and/or group, or in relation to another company or group.

### **Crowdfunding Platform**

Means the online platform operated by a crowdfunding platform operator.



### **Crowdfunding Platform Operator**

Means a person licensed by the CBB under the CBB Rulebook Volume 5 in respect of operating a crowdfunding platform.

### **Custodian(s)**

Means a person who is licensed to undertake depository participant or clearing member services as a member of a licensed clearing house or licensed central depository, and is mandated to hold and safeguard the financial instruments and other assets of a person, such as a collective investment undertaking (CIU).



## D

### Days

Unless specifically referred to as business days, means calendar days.

### Dealing

For the purpose of Module CSD and in relation to any deposited security, means the deposit, purchase or sale of securities, including the charging of pledging of the deposited security by a securities holder and the evidence of ownership.

### 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 any agreement for, or with a view to acquiring, disposing of, subscribing for, or underwriting securities.

### Dealer

Means a person acting as a principal in a securities transaction. Principals trade for their own account and risk. When buying from a broker acting as a dealer, the customer receives securities from the member's inventory; the confirmation must disclose this when dealers trade for their own account as part of their responsibility for maintaining an orderly market. Since most brokerage firms operate as both brokers and principals (dealers) the term "broker-dealer" is commonly used.

### Debt security(ies)

Debenture, loan stock, bonds, sukuk, subordinated debt, notes and other securities or instruments acknowledging, evidencing or creating indebtedness, whether secured or unsecured, conventional or Islamic, and options, warrants or similar rights to subscribe or purchase any of the foregoing and convertible debt securities.

### Default proceedings

Means proceedings or other action taken by a licensed clearing house or a central depository under its default rules.

### Default rules

In relation to a licensed clearing house or central depository, means the business rules of the licensed clearing house or central depository which provide for the taking of proceedings or other action if a clearing member or participant has failed, or appears to be unable or to be likely to become unable, to meet his obligations for all unsettled or open derivatives market contracts to which he is a party.

### Defaulter

Means a clearing member or participant who is the subject of any default proceedings.

### Delivery

Means the final transfer of a security by the seller to the buyer.



### **Dematerialisation**

Means a process by which evidence of ownership of securities is issued in electronic form or book entries, either at the time of original issue of securities or by subsequent conversion of evidence of ownership in the form of physical certificates into electronic form.

### **Depository participant**

Means a member of a licensed central depository who intermediates between the licensed central depository and the beneficial owner of securities as an agent of the depository.





### **Derivative**

Derivative includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities, whether or not it includes the possibility of delivery of such underlying security or securities.

### **Directive**

Directive includes any directive, waiver, consent, decision, confirmation or other determination in writing under the Modules by the CBB.

### **Director**

Is any person who occupies the position of a Director, as defined in Article 173 of the Commercial Companies Law (Legislative Decree No. 21 of 2001).

### **Director and senior management**

Includes any member of senior management, regardless of title, including:

- (a) The issuer's directors;
- (b) 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.

### **Disciplinary action cell**

Means a division or employee of an SRO designated and authorised to receive notification of a breach of rules of an SRO and to coordinate and assist in the administration of disciplinary proceedings.

### **Disclosure standards**

The Disclosure Standards issued under Circular ODG/407/03 and as updated from time-to-time.

### **Discount broker**

Means a person who arranges orders to buy and sell securities and who supplies these orders to a licensed broker for execution.

### **Document**

Unless the context otherwise requires, for the purpose of Module TMA, document includes any announcement, advertisement or document issued or published by any party to an offer or possible offer in connection with such offer or possible offer. For this purpose, parties to an offer or possible offer include all offerors, the offeree company, shareholders of an offeror or the offeree company and any persons acting in concert with any of them. Document also includes any announcement, advertisement or document issued or published by any person in connection with a transaction:

- (a) Where a directive is sought that no offer obligation arises;
- (b) Which is stated to be conditional on no such offer obligation arising; or
- (c) Which is stated to be conditional on a directive being given that no such offer obligation arises.



## E

### **Employee share benefit plan or Employee stock option plan**

Offering of securities which is made by the issuer on the exercise of options granted to or for the benefit of management and/or employees, after obtaining the approval of securities holders and the CBB.

### **Employee share repurchase**

Employee share repurchase means a share repurchase made by an offeror from one or more of its current or former employees, or the current or former employees of a subsidiary of the offeror, in accordance with an employee share option scheme which has been approved by shareholders of the offeror in a general meeting.

### **Enforcement decision committee (EDC)**

Means the committee constituted by the CBB for the purpose of taking enforcement decisions of material significance, on behalf of the CBB. The EDC exercises enforcement powers on behalf of the CBB and acts independently from the CBB's executive management structure.

### **Enforcement order**

Means an order issued by the CBB for imposing penalty or other enforcement actions pursuant to a decision made by the EDC after considering the alleged contraventions and the representations, if any, made by the recipient of a warning notice.

### **Equity Crowdfunding**

Equity crowdfunding is raising of capital through a crowdfunding platform by issuance of ordinary shares by closed, private, family companies, start-up and small and medium size companies, entities engaged in real estate development projects and real estate income properties.

### **Equity Crowdfunding Issuer**

Means a person making an equity crowdfunding offer.

### **Equity Crowdfunding Offer**

An offering of ordinary shares by means of equity crowdfunding by an equity crowdfunding issuer through a crowdfunding platform operated by a crowdfunding platform operator.

### **Equity Crowdfunding Offering Statement**

For the purpose of Module MAE, equity crowdfunding offering statement includes a disclosure statement or such other information or documentation or part thereof issued by an equity crowdfunding issuer to investors in connection with an equity crowdfunding offer.



### **Equity security(ies)**

Securities representing the capital of a company and which provide the holders thereof the right of participation in that company most commonly in the attendance and vote at the general meeting and the receipt of dividends when issued.

### **Exchange/Substitution of securities**

Securities issued through an exchange or a substitution of securities or a conversion of securities into other classes of securities.

### **Executive director**

Means a director who is an officer or employee, or is otherwise involved in the day-to-day management of either:

- (a) The company;
- (b) Another company which is a controlling shareholder of the company;
- (c) Another company of which the company is a controlling shareholder; or
- (d) Another company which is controlled by a controlling shareholder.

In this definition, the word “company”, which is a controller of the CMSP, excludes sovereigns such as government-owned entities and government ministries.

### **Exempt CIU(s)**

[This definition has been moved to Volume 7 in April 2012].

### **Exempt exchange**

An exempt exchange means an exchange who has been exempted from the requirement of licensing by the CBB.

### **Exempt fund manager**

An exempt fund manager is a person who manages investment accounts on a discretionary basis and is recognised by the CBB as an exempt fund manager.

### **Exempt market operator**

An exempt market operator means a market operator who has been exempted from the requirement of licensing by the CBB.

### **Exempt principal trader**

An exempt principal trader is a person who trades as a principal in securities, particularly the relevant securities assented to by the CBB, and is recognised by the CBB as an exempt principal trader.



### Exempt share repurchase

Exempt share repurchase means a share repurchase that falls into one of the following categories:

- (a) An approved employee share repurchase;
- (b) A share repurchase made in accordance with the terms and conditions attached to the shares being repurchased which either permit or require such share repurchase without the prior agreement of the owners of the shares;
- (c) A share repurchase made by a company at the request of the owners of the shares repurchased, in accordance with the terms and conditions attached to the shares, which provide the owners of the shares a right to require the company to effect such share repurchase; and
- (d) A share repurchase that is required by the law of the jurisdiction in which the offeror is incorporated or otherwise established.

### Expert CIU(s)

[This definition has been moved to Volume 7 in April 2012].

### Expert investor(s)

[This definition has been moved to Volume 7 in April 2012].

### Expert Investors

Are (a) Individuals who have a minimum net worth (or joint net worth with their spouse) of USD 100,000, excluding that person's principal place of residence; (b) Companies, partnerships, trusts or other commercial undertakings, which have financial assets available for investment of not less than USD 100,000; or (c) Governments, supranational organisations, central banks or other national monetary authorities, local authorities and state organisations.

### External trading member

Means an eligible foreign institution (remote member) who is a member of a licensed exchange and authorised by the CBB but who conducts their regulated activity (including trading on behalf of their clients) exclusively outside the jurisdiction of the Kingdom of Bahrain.



**F**

### **Financial instruments**

Any of the following instruments, as further defined in Volume 4, Section AU-1.5, of the CBB Rulebook:

- (a) Transferable securities;
- (b) Islamic financial instruments;
- (c) Money market instruments;
- (d) Holdings in collective investment undertakings;
- (e) Derivative contracts other than commodity derivatives;
- (f) Derivative contracts relating to commodities settled in cash;
- (g) Derivative contracts relating to commodities;
- (h) Credit derivatives;
- (i) Financial contracts for differences;
- (j) Other derivative contracts;
- (k) Interests in real estate property;
- (l) Certificates representing certain securities; and
- (m) Rights or Interests in Financial Instruments.

### **Financial services**

Financial services means:

- (a) Any dealings in any instrument defined as a financial instrument in any Volume of the CBB Rulebook;
- (b) Any arrangement where money, goods or services are made available to a person in exchange for his promise to pay at a later date and that arrangement is of a type habitually provided by another person for commercial gain;
- (c) Any arrangement in which money is solicited from the public in return for a promise of financial gain on, or safekeeping of, that money; or
- (d) Any product or other financial services in the area of regulated services (regulated by the CBB) marketed in the Kingdom of Bahrain.

### **Firm commitment underwriting**

Firm Commitment Underwriting means a securities underwriting arrangement whereby underwriters make outright purchases from the issuer through providing a guarantee to the issuer and the market that any unsubscribed securities will be taken up.



### **Foreign or overseas authority**

Foreign or overseas authority means:

- (a) The authority involved in the regulation of the financial service markets in another country; or
- (b) Any foreign central bank or body with the authority of issuing money or responsible for supervising payment systems, clearances, or cheques and financial papers settlement.

### **Founders**

For the purpose of Module OFS, founders means the subscribers who signed the incorporation application and paid their contribution in the paid-up capital before the public offer.

### **“Fraud”**

Includes:

- (a) 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;
  - (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
- (b) Any other matter of a like nature.



### **Free float**

That portion of a company's securities that are available for public trading on a licensed exchange.

### **Futures contracts**

An agreement to buy or sell a specific amount of a commodity or financial instrument at a particular price on a stipulated future date. A futures contract obligates the buyer to purchase the underlying commodity and the seller to sell it, unless the contract is sold to another before settlement date, which may happen if a trader waits to take a profit or avoid a loss. This contrasts with options trading, in which the option buyer may choose whether or not to exercise the option on the exercise date.



**G**

**GCC**

Gulf Cooperation council ([www.gcc-sg.org](http://www.gcc-sg.org)). The member countries of the GCC are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.





## H

### **Head of function**

Means a person who exercises major managerial responsibilities, is responsible for a significant business or operating unit, or has senior managerial responsibility for maintaining accounts or other records of the licensee.

### **Holding(s)**

Holdings mean the unit of measurement of the beneficial interest of participants in a CIU, by whatever name it is called (including 'units' and, in the case of investment trusts or companies, shares). Each holding (which may be in fractions of a holding) represents a right to the assets of the CIU.



### **Ijara sukuk**

Islamic contract issued on stand alone assets identified on the balance sheet. For this purpose, the assets identified can be land which is to be leased, or equipment (e.g. aircraft, ships) to be leased. The rental rates of returns on these Sukuk can be both fixed and floating, depending on the particular originator.

### **Immobilization**

Means a process by which physical securities are held in a licensed central depository for the account of the beneficial owners of such securities and such immobilized securities can either be transferred by electronic or book entries on the records of a licensed central depository.

### **Independent director**

Means a director whom the board has specifically determined has no material relationship which could affect his independence of judgement, taking into account all known facts. The board should consider that, although a particular director meets the formal requirements, he may not be independent owing to specific circumstances of the person or the company, ownership structure of the company, or for any other reason. The board's determination should be a good faith finding after diligent review and full discussion.

Formal Requirements – “Independent Director” means a non-executive director of the company who, or whose family shareholders either separately or together with him or each other, does not have any material pecuniary relationships or transactions with the company (not counting director's remuneration for this purpose), and in particular who, during the one year preceding the time in question met all the following conditions:

- (a) Was not an employee of the company;
- (b) Did not:
  - (i) Make to, or receive from, the company payments of more than BD 31,000 or equivalent (not counting director's remuneration);
  - (ii) Own more than 5% share or other ownership interest, directly or indirectly, in an entity that made to or received from the company payments of more than such amount;
  - (iii) Act as a general partner, manager, director, or officer of a partnership or company that made to or received from the company payments of more than such amount;
  - (iv) Have any significant contractual or business relationship with the company which could be seen to materially interfere with the person's capacity to act in an independent manner.
- (c) Did not own directly or indirectly (including for this purpose ownership by any family member or related person) 5% or more of the shares of any type or class of the company;
- (d) Was not engaged directly or indirectly as an auditor or professional adviser for the company; and
- (e) Was not an associate of a director or a member of senior management of the company.

For the purpose of the definition of “independent director”:

- (a) Where the term “family” or “family member or related persons” is used reference is made to: spouse, father, mother, son(s) or daughter(s); and



- (b) Where the term “associate” is used reference is made to:
  - (i) Spouse, father, mother, son(s) or daughter(s); or
- (ii) A person who is an employee or partner of the Director or of the firm represented or owned by the Director.

### **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) Dealings in securities; or
  - (iii) Trading in futures contracts;
- (d) Information relating to the financial performance of a company or business trust, 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.



### Information disclosed widely enough

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 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 was referred to in paragraph (b) (i);
- (d) Such information is disclosed in the manner and within the timeframe stipulated by the CBB rules and regulations.

### Initial listing(s) for publicly traded companies

For non-Bahraini issuers whose securities are issued in other markets, or listed on another regulated exchange and who wish to list on a licensed exchange in Bahrain.

### Initial offer for sale

An offer for sale to the public by or on behalf of existing companies or unlisted issuers or its securities holders or part of its securities holders, whose securities are already in issue or subscribed.

### Initial public offering

An offer for subscription to the public by or on behalf of a newly-established company, or an unlisted issuer of its own securities.

### 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. Insiders include “tippees” who come into possession of material inside information.



### **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.

Inside information includes but not limited to:

- (a) All information that requires prompt announcement, as per the CBB's Disclosure Standards and Listing Rules;
- (b) A merger or demerger of the company, or other significant corporate actions;
- (c) Issuance of a security, a purchase or redemption offer, or another change relating to the paid-up capital of the listed company;
- (d) The contents of quarterly, semi-annual and annual financial statements.

### **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 or 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.

### **Inspection**

Means an inspection undertaken by official(s) of the CMSD to inspect SRO's, CMSP's, listed companies and members of SRO's, as per Article 114 of the CBB Law.

### **Insurance licensee(s)**

A person licensed under Volume 3 of the CBB Rulebook to undertake regulated insurance services.

### **Intifaa contract**

Islamic contract which involves "right of use". Buying the Sukuk allows the user the right of use of the asset at predetermined times.

### **Investigation**

Means a formal investigation or preliminary investigation undertaken by any official(s) of the CMSD or any professional firm appointed by the CBB, as per Article 121 of the CBB Law.

### **Investigator**

Means any official(s) of the CMSD or any professional firm appointed by the CBB under Article 121 of the CBB Law to conduct an investigation.



**Investment firm licensee(s)**

A person licensed under Volume 4 of the CBB Rulebook to undertake regulated investment business services.

**IOSCO MMoU**

IOSCO MMoU means the International Organisation of Securities Commissions Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

**Islamic bank licensee(s)**

A person licensed under Volume 2 of the CBB Rulebook to undertake regulated Islamic banking services.

**Islamic securities**

Securities which are held out to be Shari'a compliant.

**Issuer**

Means any person making an issue of securities.

**Istisna'a contract(s)**

Islamic contract used primarily in project finance. Such contracts are not tradable securities since the underlying asset does not yet exist. The proceeds of such an issue would typically be used to construct the base infrastructure through multiple Istisna'a agreements.



**J**

**Joint stock company(ies)**

A form of business organisation whose securities are eligible to be issued to and held by the public.







## Laws and regulations

For the purpose of Module ICO, laws and regulations means the provisions of the laws of the jurisdictions of the overseas authorities, the regulations promulgated thereunder, and the other regulatory requirements that fall within the competence of the overseas authorities, concerning the following:

- (a) Insider dealing, market manipulation, misrepresentation of material information and other fraudulent or manipulative practices relating to securities and derivatives, including solicitation practices, handling of investor funds and customer orders;
- (b) The registration, issuance, offer, or sale of securities and derivatives, and reporting requirements related thereto;
- (c) Market intermediaries, including investment and trading advisers who are required to be licensed or registered, collective investment undertakings, brokers, dealers, and transfer agents; and
- (d) Markets, exchanges, and clearing and settlement entities.

## Licensed central depository

Means a central depository licensed by the CBB under the Clearing, Settlement and Depository Module (CSD) of Rulebook Volume 6.

## Licensed clearing house

Means a clearing house licensed by the CBB under the Clearing, Settlement and Depository Module (CSD) of Rulebook Volume 6.

## Licensed exchange

Means an exchange licensed by the CBB under the Markets and Exchange Module (MAE) of Rulebook Volume 6 in respect of the operation of its market in and from the Kingdom of Bahrain.

## Licensed market operator

Means an overseas exchange that is licensed by the CBB under the Markets and Exchanges Module (MAE) of Rulebook Volume 6 to operate a market in the Kingdom of Bahrain.

## Licensed member(s)

For the purpose of Module MIR in Volume 6 of the CBB Rulebook, means a member licensed by the CBB under this Module.

## Licensee

Any person licensed by the CBB under any of the Volumes of the CBB Rulebook.

## Listed company

Means a company who should have been admitted for trading of the official list of a licensed exchange in Bahrain.



### **Listing of closed or private companies**

Closed, private, family companies, or such other non-public companies that offer their securities to the public and list.

### **Listing rules**

In relation to a licensed exchange or a licensed market operator that establishes or operates or proposes to establish or operate a licensed market means rules governing or relating to:

- (a) The admission to the official list of the licensed exchange or licensed market operator of the securities of corporations, governments, bodies unincorporated or other persons for the purpose of the quotation on the securities market of the licensed exchange of securities issued, or made available by such corporations, governments, bodies unincorporated or other persons, or the removal from that official list and for other purposes; or
- (b) The activities or conduct of corporations, governments, bodies unincorporated and other persons who are admitted to that list.



## M

### Manager(s)

[This definition has been moved to Volume 7 in April 2012].

### Mandatory offer

An offer for the remaining outstanding shares of an offeree company made by a shareholder, whether individually or along with persons acting in concert on the acquisition of control of such offeree company or such other threshold stipulated in the Module TMA.

### 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.

### Market

Means a place at which, or a facility (whether electronic or otherwise) by means of which, offers or invitations to sell, purchase or exchange securities or futures contracts (including options and derivatives) regularly made on a centralised basis, being offers or invitations that are intended or may reasonably be expected to result, whether directly or indirectly, in the acceptance or making, respectively, of offers to sell, purchase or exchange securities or futures contracts (whether through that place or facility or otherwise).

### Market analysis

Means research aimed at predicting or anticipating the direction of stock, debt securities, or commodity markets based on technical data about the movement of market prices, or on fundamental data such as corporate earnings prospects, or supply and demand.

### Market charge

Means a security interest, whether fixed or floating, granted in favour of a licensed clearing house or central depository:

- (a) Over property held by or deposited with the licensed clearing house or central depository; and
- (b) To secure liabilities arising directly in connection with the licensed clearing house or central depository, ensuring the performance of a market contract.

### Market collateral

Means property held by, or deposited with, a licensed clearing house or central depository for the purpose of securing liabilities arising directly in connection with the licensed clearing house or central depository, ensuring the performance of market contracts.



### **Market contract or contracts**

Means:

- (a) A contract subject to the business rules of a licensed clearing house or central depository that is entered into between the licensed clearing house and a member pursuant to a novation (however described), whether before or after default proceedings have commenced, which is in accordance with those business rules and for the purposes of the clearing or settlement of transactions using the clearing facility of the licensed clearing house; or
- (b) A transaction which is being cleared or settled using the clearing facility of a licensed clearing house and in accordance with the business rules of the licensed clearing house, whether or not a novation referred to in paragraph (a) is to take place.

### **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.

### **Market intermediary and representative**

Means a person falling within a category referred to in Module MIR-2.2.4 which undertakes regulated activities.

### **Market maker**

Means a licensed member authorised by a licensed exchange to provide buy and sell quotes as a principal in a security on a regular and continuous basis at fair market value.

### **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. 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.

### **Member**

In relation to an SRO means a person who holds membership of any class or description in the SRO, whether or not he holds any shares in the share capital of the SRO, as the case may be, and who has been approved by a licensed exchange to effect transactions on the trading system of the licensed exchange and/or approved by a licensed clearing house to effect the clearing, settlement or depositing of securities thereof.

### **Merger**

Means the combination of two or more companies through the acquisition of an equity stake.



### **Mixed Ijara contract(s)**

Islamic contract where the underlying assets can comprise of Istisna'a or Murabaha receivables in addition to Ijara.

### **Mixed Ijara Sukuk**

Islamic contract that allows for a greater variety of funds to be used since previously inaccessible Murabaha and Istisna'a assets can be used in the portfolio.

### **Modarabah contract(s)**

Islamic contract used to finance a project or business venture whereby the investor (Rabb Al Maal) provides capital and a manager (Mudarib) manages the project or the business. A financial institution may act as the Mudarib for funds it mobilizes for investments in Shari'a compliant products. If the venture is profitable, the profit will be distributed based on a pre-agreed ratio and losses if any are to be borne solely by the provider of the capital (Rabb Al Maal).

### **Money laundering**

As defined in Decree Law No. 4 of 2001 and Decree Law 54 of 2006 with Respect to the Prohibition of the Laundering of Money.

### **Murabaha contract(s)**

Islamic contract that covers the sale and purchase transaction for the financing of an asset whereby the cost and profit margin (mark-up) are made known and agreed by all parties involved. The settlement for the purchase can be a deferred lump sum payment or an instalment basis of payments.



**N**

**Non-executive director**

Means any director who is not an Executive Director.



## OECD

Organisation for Economic Cooperation and Development ([www.oecd.org](http://www.oecd.org)).

## Offer

For the purpose of Module TMA, offer includes takeover and merger transactions, however effected, including schemes of arrangement which have similar commercial effect to takeovers and mergers, partial offers, and offers by a parent company for shares in its subsidiary and (where appropriate) share repurchases by mandatory offer.

## Offer document

For the purposes of takeovers, mergers, acquisitions and share repurchases, includes both Appendix C and Appendix D and any other information required to be included in the terms of Module TMA.

## Offer period

Offer period for the purpose of Module TMA shall mean the period starting from the date when an announcement is made of a proposed or possible offer, with or without terms, until whichever is the latest of:

- (a) The date when the offer closes for acceptance;
- (b) The date when the offer lapses;
- (c) The time when an offeror announces that the possible offer will not proceed;
- (d) The date when an announcement is made of the withdrawal of a proposed offer;
- (e) Where the offer contains a possibility to elect for alternative forms of consideration, the latest date for making such election; or

Where there are two or more offers or possible offers outstanding, the closure of an offer period in respect of one offer or possible offer does not affect the termination of any other offer or possible offer.

## Offeree

Means a listed company to whom an offer has been submitted under Module TMA.

## Offering document(s)

For the purpose of Module OFS, offering document includes a prospectus or such other information or documentation or part thereof required by the CBB or another authority for the offer and/or issue of securities.

## Offering period

For the purpose of Module OFS, the time in which securities are offered for subscription which shall be for a period not less than 10 calendar days and not more than 6 months.

## Offering price

The price per security at which a new or secondary distribution of securities is being offered for sale.



### **Offeror**

For the purpose of Module TMA, offeror includes companies wherever incorporated and individuals wherever resident, governments, not-for-profit organisations, individuals or any other juridical person. In relation to share repurchases, offeror means a company engaged in, or considering engaging in, a share repurchase in respect of its own shares.

### **Open-ended fund(s)**

An open-ended fund is a CIU which can issue and redeem holdings at any time. An investor can purchase holdings in such funds directly from the operator, or through a broker. An open-ended fund is equitably divided into holdings (shares or units) which vary in price in direct proportion to the variation in value of the CIU's net asset value. Each time money is invested new holdings are created to match the addition to net assets; similarly, each time holdings are redeemed by participants they are cancelled to reflect the reduction in net assets. In this way, the price of holdings remains a reflection of the underlying assets of the CIU.

### **Operator(s)**

[This definition has been moved to Volume 7 in April 2012].

### **Options**

Unless the context otherwise requires, options means options to subscribe or purchase new shares or existing shares in a company.

### **Overseas capital market service providers**

Means a CMSP that is incorporated and operates in an overseas jurisdiction and operates via branch presence, or such other equivalent license, in the Kingdom of Bahrain.

### **Overseas domiciled CIU(s)**

[This definition has been moved to Volume 7 in April 2012].

### **Overseas domiciled exempt CIU(s)**

[This definition has been moved to Volume 7 in April 2012].

### **Overseas domiciled expert CIU(s)**

[This definition has been moved to Volume 7 in April 2012].

### **Overseas domiciled retail CIU(s)**

[This definition has been moved to Volume 7 in April 2012].

### **Overseas exchange**

Means an exchange licensed or recognised by a financial services authority in a jurisdiction outside the Kingdom of Bahrain to operate a licensed market in that jurisdiction.

### **Overseas issuer(s)**

An issuer not incorporated in the Kingdom of Bahrain.





**P**

**Partial offer**

For the purpose of Module TMA, a partial offer is an offer with the consent of the CBB to all shareholders to acquire a portion of the remaining outstanding shares of the offeree company.

**Partial underwriting**

Partial underwriting means the underwriter provides the issuer with a commitment to guarantee a sale of a certain portion of the total issue and in the case of under-subscription, by purchasing the balance of the securities.

**Participant**

For purposes of Module MAE in Volume 6 of the CBB Rulebook, means a person who may participate in one or more of the services provided by a licensed exchange or a licensed market operator in its capacity as a licensed exchange or licensed market operator respectively.

**Paying agent**

An agent that receives funds from an issuer of securities and in turn pays principal and interest to debt securities holders and dividends to shareholders.

**Payment**

Means the final transfer of funds from the buyer to the seller.

**Permanent insider**

Means members of the Board of Directors of a company, its senior management, the Issuer itself, and such other persons as decided by the Issuer's Board to have access to inside information relating to the Issuer from time-to-time.

**Person(s)**

Means a natural or legal person, corporation, limited liability company, joint stock company, partnership, association, trust, fund or any organized group of persons whether incorporated or not.

**Placing**

Placing means to market new securities. The term applies to both public and private sales but is more often used with reference to direct sales to institutional investors, as in private placement. The terms float and distribute are preferred in the case of a public offering.



### **Politically exposed person (PEP)**

Means individuals who are, or have been, entrusted with prominent public functions in Bahrain or a foreign country, such as Heads of State of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations or important political party officials or persons who are or have been entrusted with a prominent function by an international organisation. Business relationships with immediate family members (i.e. spouse and children, including step-children or adopted children) or close associates of PEPs involve reputational risks similar to PEPs themselves. The definition is not intended to cover middle-ranking or more junior officials in the foregoing categories. Bahraini PEPs would include all Ministers, all MPs, and all Ministry officials with the rank of Undersecretary or above.

### **Position**

In relation to a securities or futures contract, means a securities or futures contract which is outstanding and which has not been liquidated:

- (a) By an off-setting transaction;
- (b) By delivery of the securities or the commodity (or any other asset class) underlying the futures contract;
- (c) Through settlement of the securities or futures contract in accordance with the business rules or practices of a securities or futures market, as the case may be; or
- (d) By substituting the futures contract for a cash commodity.

### **Preliminary/red herring prospectus**

The first document released by an issuer or underwriter of a new issue to prospective investors. The document offers financial details about the issue but does not contain all the information that will appear in the final or statutory prospectus, and parts of the document may be changed before the final prospectus is issued.

### **Private offer**

An offer of securities for a specific group of persons.

### **Private placement**

An offer to accredited investors, selected or accepted by the issuer or the appointed lead manager for obtaining subscriptions for securities of an issue, or for obtaining subscription for sale of securities by an underwriter or lead manager.

### **Professional adviser**

Means an independent financial institution or other entity specialising in corporate finance who meets the eligibility requirements and is authorised to act as a professional adviser by the CBB.



### **Profit**

Includes the avoidance of any loss.

### **Property**

In relation to a market charge or market collateral, means:

- (a) Money, letters of credit, banker's drafts, certified cheques, guarantees or other similar instruments;
- (b) Securities listed and deposited with the central depository;
- (c) Futures contracts and any similar financial contract; or
- (d) Other assets of value acceptable to a licensed clearing house or central depository.

### **Proprietary trading member(s)**

Means a locally incorporated entity or an eligible foreign institution accepted as a member by a licensed exchange and authorised by the CBB, and who conducts trading only for its own account or funds and who does not trade or accept instructions on behalf of clients or other third parties.

### **Prospectus**

An offering document that sets forth the plan for a proposed business enterprise or the facts concerning an existing one that an investor needs to make an informed decision. The prospectus contains financial information and a description of an issuer's business history, officers, operations, pending litigation (if any) and plans (including the use of the proceeds from the issue).

### **Public offer**

An offer of securities to the general public.

### **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.



**Q**

**Quote**

In relation to securities and a securities market of a licensed exchange or of a licensed market operator, means to display or provide, on the securities market of the licensed exchange or licensed market operator, information concerning the particular prices or particular consideration at which offers or invitations to sell, purchase, or exchange issued or prescribed securities are made on that securities market, being offers or invitations that are intended or may reasonably be expected to result, directly or indirectly, in the making or acceptance of offers to sell, purchase or exchange issued or prescribed securities.



## R

### **Real Estate Project**

For the purpose of equity crowdfunding offer, real estate project means real estate development projects as well as real estate income properties duly incorporated and registered with relevant authorities.

### **Receiving bank (as used in Module OFS)**

The bank appointed by the issuer to collect subscription money from subscribers of the securities.

### **Receiving bank (as used in Module TMA)**

Means Settlement Bank used to settle the transaction taking place on the licensed exchange, or any other bank designated for this purpose with the consent of the CBB.

### **Recognised Jurisdiction(s)**

[This definition has been moved to Volume 7 in April 2012].

### **Record**

Includes the records maintained in the form of books or stored in a computer or in such other form as may be determined and approved by the CBB.

### **Registered owner**

Means a person who is listed in the issuer's register as the owner of securities.

### **Registered person(s)**

Registered persons are those persons required to be registered by the CBB (as opposed to being authorised or licensed).

### **Registered representative**

Means an employee of a broker-dealer who acts as an account executive for clients. As such, the registered representative gives advice on which securities to buy and sell and he collects a percentage of the commission income he generates as compensation. To qualify as a registered representative, a person must acquire a background in the securities business and pass a series of tests and other qualifications imposed by the CBB and/or licensed exchange. "Registered" means licensed or authorised by the CBB and the licensed exchange.

### **Regulated activities**

For the purpose of this Module means any activity stipulated under the CBB Law Article (80).

### **REIT(s) or real estate investment trust(s)**

Real Estate Investment Trust(s). REITs are investment vehicles that invest in real estate, and typically enjoy tax benefits in return for an obligation to distribute a high percentage of their income. REIT structures were originally designed to provide a similar structure for investment in real estate, as mutual funds provided for investment in financial instruments.



### **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.

### **Relevant authority(ies)**

Means for the purpose of Module AML, the authorities listed in Section AML-4.4.

### **Relevant person(s)**

For the purpose of Module TMA, means the offeror and offeree companies, their shareholders, directors and any other principal officers of offeror and offeree as well as persons acting in concert with them in relation to an offer covered with them in relation to an offer covered by Module TMA.

### **Relevant office holder**

Means:

- (a) A person acting in relation to a company as its liquidator, its provisional liquidator, its receiver, its receiver and manager, its judicial manager, or an equivalent person; or
- (b) A person acting in relation to an individual as his trustee in bankruptcy, the interim receiver of his property or an equivalent person.

### **Remuneration**

Means all types of compensation including but not limited to salary, fee and non-cash benefits such as grants of stocks, stock options or pension benefits.

### **Retail CIU(s)**

[This definition has been moved to Volume 7 in April 2012].

### **Rights issue(s) or Rights offering**

A new issue of securities by an issuer by way of exercising the pre-emptive rights by existing holders of securities which enables those holders to subscribe to those securities in proportion to their existing holdings, or otherwise on the basis of allotment approved by those holders.

### **Rights over shares**

Includes any rights acquired by a person under an agreement to purchase, or an option to acquire shares, options, warrants, convertible securities or voting rights (or control of any of them), or any irrevocable commitment to accept an offer.

### **Roadshow**

The marketing of an investment product, including an offer of securities that are to be formally offered and issued outside the Kingdom of Bahrain.



## **RTGS**

Means Real Time Gross Settlement System introduced, operated and maintained by the CBB for facilitating on-line real-time settlement of payments in the Kingdom of Bahrain between members admitted to the RTGS system, either on gross basis, or through the Multilateral Net Settlement Batches (MNSB) received from the members and for matters connected therewith, or incidental thereto.

## **Rumour**

Includes an unverified statement or account or explanation of events, circulated from person to person, whose veracity or authenticity or truthfulness is not immediately verifiable.



## S

### Salam contracts

Islamic contracts issued when payment is made in cash at the point of contract, but the delivery of the asset purchased is deferred to a pre-determined date.

### 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);
- (f) Options, futures and any other derivative contract relating to commodities that can be physically settled;
- (g) Units to Real Estate Investment Trusts (REITs);
- (h) Index tracking products including Islamic indices;
- (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.

### Securities account

Means an account maintained by the licensed central depository on behalf of the participants and their clients for use in one or more of its services.

### Securities Exchange Offer

Means an offer in which the consideration includes securities of the offeror or any other company.

### Self-regulatory organisations (SROs)

Means a self-regulatory organisation, being a Licensed Exchange, Licensed Market Operator or a Licensed Clearing House under Module MAE and/or Module CSD respectively.

### 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.





(c)

### **Senior manager/senior management**

Refers to individuals occupying the position of CEO or head of function.

### **Settlement**

For the purposes of Module CSD, settlement in relation to a market contract includes partial settlement:

- (a) Where a charge is granted partly for the purpose specified in the definition of ‘market charge’ and partly for any other purpose or purposes, the charge shall be treated as a market charge under this Module insofar as it has effect for that specified purpose;
- (b) Where collateral is granted partly for the purpose specified in the definition of ‘market collateral’ and partly for any other purpose or purposes, the collateral shall be treated as market collateral under this Module insofar as it has been provided for that specified purpose; and
- (c) References in this Part to settlement in relation to a market contract, are references to the discharge of the rights and liabilities of the parties to the market contract, whether by performance, compromise or otherwise.

### **Settlement bank**

Means an RTGS member entity licensed by the CBB and appointed by a licensed clearing house (including the clearing house itself) to settle payment obligations arising from the transactions of the participants of the licensed clearing house that are cleared or settled by the licensed clearing house.

### **Settlement guarantee fund**

Means a fund maintained by a licensed clearing house through contributions from its members for providing a cushion against any residual risk to enable the licensed clearing house to eliminate counterparty risk and guarantee timely settlement of transactions.

### **Share**

A unit of equity ownership in a corporation. The number of shares a corporation is authorised to issue is detailed in its Memorandum and Articles of Association.

### **Share repurchase**

Means a purchase of shares, or an offer to purchase, redeem or otherwise acquire shares of an offeror made by an offeror, including a scheme of arrangement or other form of reorganisation that consists in whole or in part of such an offer.

### **Share repurchase by mandatory offer**

Share repurchase by mandatory offer means a share repurchase effected by way of an offer made by an offeror to all holders of shares of a class of shares of the offeror.



### Shareholder(s)

An owner of one or more shares in a corporation. A common shareholder is normally entitled to four basic rights of ownership:

- (a) Claim on a share of the company's undivided assets in proportion to the number of shares held;
- (b) Proportionate voting power in the election of directors and other business conducted at shareholders meetings or by proxy;
- (c) Dividends when earned and declared by the board of directors; and
- (d) Pre-emptive right to subscribe to additional share offerings before they are available to the general public, except when overruled by the Memorandum and Articles of Association, or in special circumstances or resolutions, such as where shares are issued to effect a merger.

### Simplified prospectus

[This definition has been moved to Volume 7 in April 2012].

### Specialised Licensee(s)

A person licensed under Volume 5 of the CBB Rulebook.

### Standstill Agreement

An Agreement between a company, or the directors of a company, and a shareholder which restrict the shareholder or the directors from either offering for, or accepting an offer for, the shares of the company or from increasing or reducing shareholdings, may be relevant for the purpose of this definition.

### Structured warrants

Warrants issued by financial institutions over a listed security or index that do not confer subscribing rights of new securities but rather the right to receive the difference between the strike price and exercise price.

### Subsequent public offer

An offer for subscription to the public by or on behalf of a listed issuer of its own securities other than by a rights issue, after obtaining the approval on waiving of the pre-emptive rights of the existing securities holders.

### Subsidiary

Means a company or other enterprise controlled by another company or enterprise (the parent or the holding company).



### **Suspicious or extraordinary transactions**

Means any transactions which have direct or indirect relevance to the acts provided for under Article (2.1) of the Prevention and Prohibition of the Laundering of Money (Law 4 of 2001), or which by its nature contradicts with the commercial or personal activities of the Persons involved in the transactions, and which the CBB may consider suspicious or extraordinary as determined from its extraordinary size, its recurrence, its nature, the surrounding circumstances and conditions, its extraordinary type which does not carry any clear economic or legal objective, or if the activity of the Persons involved in the transaction or transactions is not consistent with their normal course of business, or if the domicile of such Persons is located in countries which do not apply sufficient measurements for the Prevention and Prohibition of Money Laundering.



### **Take-over**

Means an acquisition of control in a company.

### **Terrorism acts**

Is as defined in Decree Law No. 58 of 2006 with respect to the Protection of Society from Terrorism Activities.

### **Trading member**

Means a person who is a member of a licensed exchange and who can execute transactions on a licensed exchange or licensed market operator.

### **Transaction information**

Means information relating to:

- (a) Offers or invitations to purchase, sell, or exchange securities or futures contracts;
- (b) Executed transactions in securities or futures contracts; and
- (c) Transactions cleared or settled by a designated clearing house.

### **Trustee(s)**

The person to whom the ownership of the Trust Property is transferred in order to exercise the duties and powers specified in the Trust Instrument with a view to achieving the purpose of the trust or satisfying the interests of the beneficiary.



# U

## Underwriter

A financial institution, who singly or as a member of an underwriting group or syndicate, agrees to a firm commitment underwriting arrangement.

## User

User in relation to a licensed exchange or a designated clearing house, means a person who is:

- (a) A member of a licensed exchange or designated clearing house; or
- (b) A customer of a member of a licensed exchange or designated clearing house.

## User information

Means transaction information that is referable to:

- (a) A named user of a licensed exchange or designated clearing house; or
- (b) A group of users, from which the name of a user can be directly inferred of a licensed exchange or designated clearing house.



### **Voluntary Offer**

An offer in the event that a person, or persons acting in concert, does not incur an obligation to make a mandatory offer as under TMA-3.1, but has made a takeover offer for the voting shares of the offeree company.

### **Voting Rights**

Voting rights means all the voting rights currently exercisable at a general meeting of a company.



**W**

**Warning notice**

Means a notice issued by the CBB pursuant to the EDC's decision and contains the contraventions committed by the recipient with respect to the CBB Law, rules and regulations and other applicable laws, rules and regulations and accompanied by the evidence that convinced the EDC that such contravention had occurred.

**Warrants**

Securities that confer an entitlement to subscribe for equity, debt, Islamic securities, or government securities. The rights conferred must be rights to 'subscribe' for the relevant securities. This means that they are rights to acquire the securities directly from the issuer of the securities and by way of the issue of new securities.

