



MARKETS & EXCHANGES MODULE

MODULE	MAE: Markets & Exchanges Module
CHAPTER	Table of Contents

MAE-A	Introduction	Date Last Changed
	MAE-A.1 Purpose	04/2022
	MAE-A.2 Module History	08/2024
	MAE-A.3 Interaction with other Modules	08/2024
	MAE-A.4 Division of Responsibilities	04/2022
MAE-B	Scope	
	MAE-B.1 Scope	04/2022
	MAE-B.2 Definitions [This Section was deleted and moved to Glossary under part B in July 2016]	07/2016
MAE-1	Licensing	
	MAE-1.1 Requirement to be Licensed	04/2013
	MAE-1.2 Application for License	04/2013
	MAE-1.3 Licensing of Exchanges and Market Operations	04/2008
	MAE-1.4 Exemption of Exchanges and Market Operators	04/2008
	MAE-1.5 Power of CBB to Revoke Exemption	04/2008
	MAE-1.6 Criteria for Granting Licenses	04/2008
	MAE-1.7 Surrender of License or Cessation of Business	04/2008
	MAE-1.8 Cancellation or Amendment of Licenses	07/2016
	MAE-1.9 Annual Fees Payable by Licensed Exchanges and Licensed Market Operators	07/2016
	MAE-1.10 Publication of the Decision to Grant, Cancel or Amend a License	10/2019
	MAE-1.11 Place of Business	04/2008
MAE-2	Obligation of Licensed Exchanges and Market Operators	
	MAE-2.1 General Obligations	10/2020
	MAE-2.2 Obligation to Maintain Proper Records	04/2008
	MAE-2.3 Final Accounts and Auditing	07/2016
	MAE-2.4 Obligation to Submit Periodic Reports	04/2013
	MAE-2.5 Obligation to Assist CBB	04/2008
	MAE-2.6 Obligation to Maintain Confidentiality	04/2008
	MAE-2.7 Exception to Obligation to Maintain Confidentiality	04/2008
	MAE-2.8 Provision of Information to Investors	04/2008
	MAE-2.9 Transmission and Storage of User Information	04/2008
	MAE-2.10 Business Continuity Plan	04/2008
	MAE-2.11 [This Section has been deleted in April 2022 and replaced with Module CFP requirements in Volume 5 Ancillary Service Providers]	04/2022
	MAE-2.12 [This Section has been deleted in April 2022 and replaced with Module CFP requirements in Volume 5 Ancillary Service Providers]	04/2022

MODULE	MAE: Markets & Exchanges Module	
CHAPTER	Table of Contents	
MAE-3	Rules of Licensed Exchanges	Date Last Changed
	MAE-3.1 General Obligations	04/2008
	MAE-3.2 Content of Rules of Licensed Exchanges	04/2008
	MAE-3.3 Amendment of Business Rules and Listing Rules	04/2008
	MAE-3.4 Business Rules of Licensed Exchanges and Licensee Market Operators Have Effect as Contract	04/2008
	MAE-3.5 Determination of Position and Trading Limits	04/2008
	MAE-3.6 Non-Compliance with Business Rules or Listing Rules not to Substantially Affect Rights of Person	04/2008
	MAE-3.7 Requirements to Register Trading Personnel	04/2008
	MAE-3.8 Compliance Officer	04/2008
	MAE-3.9 Outsourcing	04/2008
MAE-4	Instruments, Transactions and Contracts	
	MAE-4.1 Listing of Contracts and Instruments	6/4/2008
	MAE-4.2 Listing of Licensed Exchanges on Securities Market	6/4/2008
	MAE-4.3 Suspension of Securities	07/2016
	MAE-4.4 Emergency Powers of the CBB	04/2008
	MAE-4.5 Additional Powers of the CBB in Respect of Auditors	04/2008
	MAE-4.6 Registration of Market Maker Liquidity Enhancement Program	08/2024
MAE-5	Matters Requiring Approval of CBB	
	MAE-5.1 Control of Substantial Shareholding in Licensed Exchanges	04/2008
	MAE-5.2 Application and Criteria for Approval to Acquire Substantial Shareholding	04/2008
	MAE-5.3 Authorisation of Approved Persons	04/2018
	MAE-5.4 Business Transfer	07/2016
MAE-6	Control of Licensed Exchanges	
	MAE-6.1 Control of Licensed Exchanges	07/2016
MAE-7	Immunity from Criminal or Civil Liability	
	MAE-7.1 Immunity from Criminal or Civil Liability	04/2008
MAE-8	General Powers of the CBB	
	MAE-8.1 Power of the CBB to Remove Officers	04/2008
	MAE-8.2 Criteria to Determine Failure to Discharge Duties or Functions by Officers	04/2008



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-A Introduction

MAE-A.2 Module History

Evolution of Module

MAE-A.2.1 This Module was first issued in October 2008. 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.

MAE-A.2.2 A list of recent changes made to this Module is provided below:

Module Ref.	Change Date	Description of Changes
MAE-1.1.4 to MAE-1.1.6	04/2013	References added to requirements under Resolution No.(16) for the year 2012.
MAE-1.2.4	04/2013	Updated name change to Form 3.
MAE-1.9.1 and MAE-1.9.1A	04/2013	Provided details of annual fee due to the CBB.
MAE-2.4.3 and MAE-2.4.4	04/2013	Added reference to report institutional information (IIS) to the CBB.
MAE-5.3.12	04/2013	Added reference to Form 3: Application for Approved Person Status
MAE-5.3	04/2013	Expanded the scope of this Section to include all approved persons occupying controlled functions and the various related Rules and Guidance.
MAE-1.9	04/2014	Clarified Rules and guidance on annual license fees.
Module MAE	04/2016	Various minor corrections to clarify language and link defined terms to glossary.
MAE-A.1.7	04/2016	Legal basis updated to reflect Resolution No (23) of 2015.
MAE-2.1.1 and MAE-2.1.1A	04/2016	Added requirements dealing with shareholders' meetings.
MAE-5.3	04/2016	Amended to be in line with Resolution No (23) of 2015 on Prior Approval Requirements for Approved Persons.
MAE-5.3.2A	04/2016	New Paragraph added to ensure segregation of responsibilities in licensees' staffing arrangements.
MAE-B.2	07/2016	Section deleted and moved to Glossary.
MAE-1.8.4	07/2016	Corrected cross reference.
MAE-1.8.6, MAE-4.3.3, MAE-5.4.5, MAE-5.4.7, MAE-6.1.4, MAE-6.1.8,	07/2016	Changed from Rule to Guidance.
MAE-1.9.1	07/2016	Deleted legal reference as already included under MAE-A.1.8
MAE-2.1.1	07/2016	Corrected wording of Subparagraphs.
MAE-2.3.10	07/2016	Added due date for publication requirement.
MAE-2.3.11	07/2016	Clarified accounting standards to be used.
MAE-1.10.2	07/2017	Added Paragraph to clarify the cost of publication.
MAE-1.10.3	07/2017	Added Paragraph on means of publication.
MAE-A.1.4A	10/2017	Added a new Paragraph on Crowd funding platform operators.
MAE-A.4.3	10/2017	Amended Paragraph to include crowdfunding platform operator.
MAE-B.1.3	10/2017	Added a new Paragraph.
MAE-2-11	10/2017	Added a new Section to Introduce new rules for licensed equity crowdfunding platform operators.
MAE-2-12	10/2017	Added a new Section on new rules for licensed equity crowdfunding platform operators.
MAE-5.3.7B	04/2018	Amended Paragraph.
MAE-2.11.17	10/2018	Amended Paragraph to further clarify the scope of exemption.

MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-A Introduction

MAE-A.2 Module History (continued)

Evolution of Module

Module Ref.	Change Date	Description of Changes
MAE-A.3.9	01/2019	Added a new Paragraph on market making.
MAE-2.11.19	01/2019	Deleted Paragraph.
MAE-2.11.29A	01/2019	Added a new Paragraph on Cooling-off Period for the Crowd Funding.
MAE-2.12.3	01/2019	Amended Paragraph.
MAE-4.6	01/2019	Added a new Section on registration of market makers.
MAE-1.10.1	10/2019	Amended Paragraph and changed from Rule to Guidance.
MAE-2.1.1A	10/2020	Added a new Paragraph on Provision of Financial Services on a Non-discriminatory Basis.
MAE-A.1.4A	04/2022	Deleted Paragraph.
MAE-A.4.3	04/2022	Deleted Paragraph.
MAE-B.1.3	04/2022	Deleted Paragraph.
MAE-2.11 & MAE-2.12	04/2022	Deleted Sections and replaced with Module CFP requirements in Volume 5 Ancillary Service Providers.
MAE-A.2.9 MAE-4.6	08/2024	Amended Paragraphs and changed from Market Makers to Liquidity Enhancement.

Superseded Requirements

MAE-A.2.3 This Module supersedes the following provisions contained in Circulars, or any other regulatory instruments:

Circular/Other Ref.	Provisions	Subject
MOU between CBB and BSE	All	Supervision of BSE
BSE Internal Regulation	Article 5(4)	Registration of Brokers and Market Makers and Listing of Companies. Article 5(4) will be superseded only in so far as the board acts not “in accordance with a resolution to be issued by the Minister”, but rather “in accordance with the requirements of Module MAE”.
	Article 5(16)	Determination of Brokers’ Commission BSE may determine its own fees and commissions, but this will be done by The Board and not through the Minister, and shall be included in the rules of the BSE to be approved by the CBB in terms of this Module.
	Articles 46 & 49	Final accounts and auditing. The first sentence of Article 46 and the whole of Article 49 is superseded by MAE-2.3

MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-A Introduction

MAE-A.3 Interaction with Other Modules

- MAE-A.3.1 Persons wishing to act as a Clearing House or a Depository should refer to Module CSD (Clearing, Settlement and Central Depository) which sets forth the CBB requirements for the operating of and licensing requirements of a Clearing House and/or Depository, as well as Module MIR (Market Intermediaries and Representatives).
- MAE-A.3.2 Issuers wishing to seek approval to list securities on exchanges licensed under this Module should refer to Resolution No (17) of 2012 regarding the Listing and Trading of Securities and Financial Instruments in a Licensed Exchange issued pursuant to Article 86 of the CBB Law which sets forth the CBB requirements for the listing of securities on licensed exchanges.
- MAE-A.3.3 Persons wishing to list or trade in securities on exchanges licensed under this Module should refer to Resolution No. (1) of 2004 with Respect to Directives Relating to the Prevention and Prohibition of Money Laundering at the Bahrain Stock Exchange.
- MAE-A.3.4 Licensed exchanges must in addition to complying with the business standards in this Module refer to and comply with Module HC (High-level Controls) outlining corporate governance requirements.
- MAE-A.3.5 Licensed exchanges and licensed market operators must comply with the provisions of Module MIE (Market Surveillance, Investigation and Enforcement), Module MAM (Prohibition of Market Abuse and Manipulation), Module DRA (Dispute Resolution, Arbitration and Disciplinary Proceedings).and Module AML (Anti-Money Laundering & Combating Financial Crime).
- MAE-A.3.6 [This Paragraph was deleted in April 2016.]
- MAE-A.3.7 [This Paragraph was deleted in April 2016.]
- MAE-A.3.8 Licensed exchanges must in addition implement and comply with the Disclosure Standards issued on 3rd December 2003 and available on the CBB Website.
- MAE-A.3.9 Licensed exchanges, licensed market operators, ~~market makers~~ liquidity providers and issuers must in addition to complying with the ~~market making~~ liquidity enhancement provision under this Module refer to and comply with Module MIR (Market Intermediaries and Representatives) which sets forth the CBB requirements for ~~market making~~ liquidity enhancement.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE Instruments, Transactions and Contracts

MAE-4.6 **Registration of Market Maker Liquidity Enhancement Program**

Eligibility

MAE-4.6.1

A licensed exchange or licensed market operator must ensure that a licensee meets the following requirements prior to being registered as a market maker liquidity provider:

- The licensee is incorporated in the Kingdom of Bahrain;
- The licensee must be licensed by the CBB as a Bank or as an Investment Firm (Category 1 or Category 2) or as a Broker-Dealer under CBB Rulebook Volume 6; and
- The licensee is a member of the licensed exchange or licensed market operator.

MAE-4.6.2

A licensed exchange or licensed market operator must formulate its own objective eligibility criteria for registration of market maker liquidity provider. The criteria, at the minimum, must include;

- Capital requirement;
- Infrastructure requirements;
- Trading and market making liquidity enhancement experience;
- Business continuity arrangements;
- Risk management policy including settlement guarantee mechanism;
- Rights and obligations of the market maker liquidity provider including quoting obligations, inventory size, order type and minimum order size; and
- Terms and conditions under which market making liquidity enhancement activity may be terminated;

MAE-4.6.3

A licensed exchange or licensed market operator may have regard to the following matters in determining whether an applicant has satisfied the eligibility criteria:

- Adequate financial capital and qualified technical and administrative staff to practice market making liquidity enhancement activity;
- Separation between market making liquidity enhancement activity and any other activities that the member is licensed to practice in terms of organisational, technical, financial and administrative arrangements. Evidence thereof may be submitted by the member through the following:
 - The adopted mechanism to separate the market making liquidity enhancement activity from other licensed activities;
 - The staff assigned to perform market making liquidity enhancement activities;
 - Experience and qualification of technical and administrative staff assigned to perform market making liquidity enhancement activities;
- Details of risk management systems and internal control procedures.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE Instruments, Transactions and Contracts

MAE-4.6 ~~Registration of Market Maker~~ Liquidity Enhancement Program (continued)

Registration of Liquidity Providers

MAE-4.6.4 A licensee, as specified in Paragraph MAE-4.6.1, desirous of undertaking market making liquidity enhancement activity must apply to the licensed exchange or licensed market operator for registration as a market maker liquidity provider.

MAE-4.6.5 A licensee must demonstrate to the satisfaction of the licensed exchange or licensed market operator that it is suitably qualified to undertake market making liquidity enhancement activity.

MAE-4.6.6 A licensed exchange or licensed market operator, prior to issuing its consent for registration of a member as a market maker liquidity provider, may conduct on-site inspection of the member to ensure the availability of requisite systems, processes and infrastructure for undertaking market making liquidity enhancement activity.

MAE-4.6.7 If the licensed exchange or licensed market operator is satisfied that the member is eligible to carry out market making liquidity enhancement activities, the licensed exchange or licensed market operator may appoint the member as a market maker liquidity provider and enter into a market maker agreement liquidity enhancement agreement with the member specifying the date of commencement of its term as market maker liquidity provider.

MAE-4.6.8 The market maker agreement liquidity enhancement agreement referred to in Paragraph MAE-4.6.7 may at the minimum, include the following terms and conditions:

- (a) Rights and obligations of the market maker liquidity provider;
- (b) Duration of the market maker agreement liquidity enhancement agreement;
- (c) Conditions under which market maker agreement liquidity enhancement agreement may be terminated;
- (d) Time window during trading hours that the market maker liquidity provider should be obliged to ensure presence on the order book;
- (e) The maximum spread between the bid and offer price that market maker liquidity provider should maintain; and
- (f) Minimum, maximum and normal order size with agreed specifications.

Control Measures for Liquidity Enhancement ~~Market Making Scheme~~

MAE-4.6.9 A licensed exchange or licensed market operator must ensure that:

- (a) The market making scheme liquidity enhancement program is objective, transparent, non-discretionary and non-discriminatory and must not give rise to disorderly market conditions or market abuse;
- (b) The transactions carried out under the market making scheme liquidity enhancement program are solely for the purpose of enhancing liquidity and regularity of trading in illiquid securities;

MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE Instruments, Transactions and Contracts

MAE-4.6 ~~Registration of Market Maker~~ **Liquidity Enhancement Program** (continued)

- (c) The scheme does not compromise on market integrity and risk management;
- (d) All necessary systems and processes are in place to monitor market abuse and manipulation including collusion between members indulging in trades with an objective to enhance liquidity artificially;
- (e) The activities of a ~~market-maker~~ liquidity provider is continuously monitored for effective compliance with applicable law, rules and regulations;
- (f) Orderly trading conditions are maintained and the minimum set of requirements to be met by the ~~market-maker~~ liquidity provider in terms of presence, size and spread under normal trading conditions are adhered to;
- (g) The number of ~~market-makers~~ liquidity providers in a ~~market making~~ liquidity enhancement program scheme is not restricted; and
- (h) The CBB is informed of any violations of the provisions of applicable law, rules and regulations.

MAE-4.6.10

A licensed exchange or licensed market operator must put in place the internal procedures and controls to regulate the activity of ~~market making~~ liquidity enhancement. Such procedures and controls, at the minimum, must include:

- (a) The technical requirements;
- (b) The trading and settlement mechanism relating to the orders of a ~~market-maker~~ liquidity provider;
- (c) The type and amount of settlement guarantees required for practising the activity of ~~market making~~ liquidity enhancement;
- (d) The obligations of a ~~market-maker~~ liquidity provider in connection with providing liquidity;
- (e) Determine the list of securities eligible for ~~market making~~ liquidity enhancement;
- (f) Mechanism to identify the ~~market-maker's~~ liquidity provider's orders/trades in order to ensure separation between brokerage and ~~market making~~ liquidity enhancement activities performed by the member;
- (g) Reporting requirements by ~~market-maker~~ liquidity provider and issuers; and
- (h) Disclosure requirements by ~~market-maker~~ liquidity provider and issuers.

MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE Instruments, Transactions and Contracts

MAE-4.6 ~~Registration of Market Maker~~ Liquidity Enhancement Program (continued)

MAE-4.6.11 A licensed exchange or licensed market operator must review and approve the market making agreement liquidity provider-issuer agreement entered between an issuer of listed security and a market maker liquidity provider. While assessing the market making agreement liquidity provider-issuer agreement, the licensed exchange or licensed market operator must take into account the requirements contained in Section MIR-4.19.

MAE-4.6.12 A licensed exchange or licensed market operator must at all times ensure that a market maker liquidity provider maintains a level of financial resources, risk management, compliance and internal control requirements that are commensurate with the scale and complexity of their business activities.

MAE-4.6.13 A licensed exchange or licensed market operator may lay down additional criteria for market makers liquidity providers as risk containment measure.

Temporary Suspension of Market Making Liquidity Enhancement Activity

MAE-4.6.14 A licensed exchange or licensed market operator must specify the exceptional circumstances wherein a market maker's liquidity provider's obligation to provide liquidity on a regular and predictable basis does not apply.

MAE-4.6.15 A licensed exchange or licensed market operator may have regards to the following situations in determining exceptional circumstances referred to under Paragraph MAE-4.6.14:

- (a) A situation of extreme volatility;
- (b) Disorderly trading conditions where the maintenance of fair, orderly and transparent execution of trades is compromised, and evidence of any of the following is provided;
 - (i) the performance of the licensed exchange or licensed market operator system being significantly affected by delays and interruptions;
 - (ii) force majeure or cyber sabotage.
- (c) Where the market maker's liquidity provider's ability to maintain prudent risk management practices is prevented by any one of the following;
 - (i) technological issues, including problems with the data feed or other systems to carry out market making liquidity enhancement activity; and
 - (ii) risk management issues in relation to capital requirement, margining and access to clearing.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE Instruments, Transactions and Contracts

MAE-4.6 ~~Registration of Market Maker~~ Liquidity Enhancement Program (continued)

MAE-4.6.16 A licensed exchange or licensed market operator must set out clear procedures for resumption of normal trading after the exceptional circumstance have ceased to exist and must make those procedures publicly available.

MAE-4.6.17 A licensed exchange or licensed market operator must make public the occurrence of the exceptional circumstances referred to under Paragraph-4.6.14 and, as soon as technically possible, the resumption of their normal trading after the exceptional circumstances have ceased to exist.

Deregistration of ~~Market Maker~~ Liquidity Provider

MAE-4.6.18 A licensed exchange or licensed market operator must set out the requirements for deregistration of a ~~market maker~~ liquidity provider.

MAE-4.6.19 A ~~market maker~~ liquidity provider intending to surrender its registration, must submit a written request and seek prior written approval from the licensed exchange or licensed market operator in the manner prescribed by the rules and regulations of the licensed exchange or licensed market operator.

Suspension and Cancellation of Registration

MAE-4.6.20 A licensed exchange or licensed market operator must restrict or suspend activities of ~~market maker~~ a liquidity provider or cancel its registration where the ~~market maker~~ liquidity provider;

- (a) Is found involved in activities that are not commensurate with the responsibilities assigned to the ~~market maker~~ liquidity provider or are detrimental to the interest of markets and investors;
- (b) Fails to perform its duties in accordance with the applicable rules and regulations of the licensed exchange or licensed market operator; and
- (c) Fails to comply with any of the eligibility criteria and/or the conditions set out at the time of registration;

MAE-4.6.21 Where the CBB is satisfied that a ~~market maker~~ liquidity provider has contravened the CBB Law, rules and regulations, the CBB may if it thinks it is necessary in the interest of the markets or for the protection of investors, by notice in writing direct the licensed exchange or licensed market operator to restrict, suspend or cancel the registration of the ~~market maker~~ liquidity provider.

MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE Instruments, Transactions and Contracts

MAE-4.6 ~~Registration of Market Maker~~ Liquidity Enhancement Program (continued)

MAE-4.6.22 A licensed exchange or licensed market operator must disseminate to the markets as soon as possible the information relating to imposition of restriction, suspension or cancellation of registration on a market-maker liquidity provider.

Disclosure, Notification and Reporting

MAE-4.6.23 A licensed exchange or licensed market operator must publish on its website the market-making liquidity enhancement rules, the name of the members that have been registered as market-makers liquidity providers, name of the issuer and market-maker liquidity provider who have entered into market-making liquidity provider-issuer agreement and the security in which the market-maker liquidity provider undertakes market-making liquidity enhancement activity.

MAE-4.6.24 A licensed exchange or licensed market operator must notify the CBB immediately in the following events:

- (a) Whenever a market-maker agreement liquidity enhancement agreement is entered into between a member and the licensed exchange or licensed market operator along with a copy of the agreement and details of the trading account number which the member uses for the purpose of market-making liquidity enhancement;
- (b) Where a member has surrendered its registration as market-maker liquidity provider; and
- (c) The licensed exchange or licensed market operator takes disciplinary action, suspends activities or revokes the registration of a market-maker liquidity provider.

MAE-4.6.25 A licensed exchange or licensed market operator must submit a monthly report, within 10 business days from the end of the month, summarizing the market-making liquidity enhancement activities undertaken by market-makers liquidity providers, in the format specified by the CBB.

MAE-4.6.26 Where a licensed exchange, with an objective to increase liquidity, intends to implement any alternative framework such as but not limited to market making by a member without engaging with a concerned issuer of the security, the licensed exchange must discuss such alternative framework with the CBB and seek its prior approval.