



MARKET INTERMEDIARIES AND REPRESENTATIVES LICENSE MODULE



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MIR-A.2 Module History

Evolution of Module

- MIR-A.2.1 This Module was first issued in November 2009. Any material changes that are subsequently made to this Module are annotated with the calendar quarter date in which the change is made; Chapter UG-3 provides further details on Rulebook maintenance and version control.
- MIR-A.2.2 The Bahrain Stock Exchange's Internal Regulation, issued on 24th December 1988 (particularly Chapter 4 Articles 15 to 35), stipulates the membership requirements for the Exchange.
- MIR-A.2.3 Resolution No. (2) of 1990, in respect of Certain Conditions Relating to Securities Trading; Resolution No. (4) of 1999, on the Rules and Procedures of Automated Trading at the Bahrain Stock Exchange; and Resolution No. (6) of 2001, in respect of Provision of Remote Trading at the Bahrain Stock Exchange; provides detailed provisions and requirements regarding the rights and obligations of the BSE members in respect of securities trading through the automated trading system at the BSE.
- MIR-A.2.4 Resolution No. (3) for the Year 2000, issued by the Chairman of the Bahrain Stock Exchange's Board of Directors, with Respect to the Clearing, Settlement, Depository and Registry Rules provides for "the Participant" which means a BSE member who is accepted and permitted by the BSE to effect transfer of securities and other entries in relation to securities, by means of the CSDR System and provides detailed provision and requirements to be a participant in the CSDR System.
- MIR-A.2.5 A list of recent changes made to this Module is undertaken below:

Module Ref.	Change Date	Description of Changes
MIR-B.2.7, MIR-B.2.8A, MIR-B.2.17A, MIR-B.2.20A	04/2013	Amended and added definitions.
MIR-2.1.1	04/2013	Clarified licensing requirements.
MIR-2.1.2	04/2013	Clarified Subparagraph (d).
MIR-2.1.4A to MIR-2.1.4C	04/2013	References added to requirements under Resolution No.(16) for the year 2012.
MIR-2.1.5	04/2013	Removed reference to conventional bank as Islamic banks are also covered since reference is made to Volumes 1 and 2.
MIR-2.2.4	04/2013	Deleted dealers and exempt members from licensing categories.
MIR-2.2.4A	04/2013	Included external and proprietary membership conditions.
MIR-2.2.5	04/2013	Deleted reference to 'dealer' as discount brokers are not able to trade through dealers.



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MIR-A.2 Module History (continued)

Module Ref.	Change Date	Description of Changes
MIR-2.2.7	04/2013	Deleted licensing conditions of dealers.
MIR-2.2.8A and MIR-2.2.8B	04/2013	Included specific external membership requirements.
MIR-2.2.8C	04/2013	Included the proprietary membership requirements.
MIR-2.2.9	04/2013	Clarified general status of clearing member.
MIR-2.2.11	04/2013	Updated name change to Form 3.
MIR-2.2.11A and MIR-2.2.11B	04/2013	New criteria for external members. CBB to retain market conduct supervision powers.
MIR-2.2.12	04/2013	Included specific reference to licensing.
MIR-2.2.12A	04/2013	Included general requirements for licensing as requirements for authorisation by the exchange.
MIR-2.2.12B	04/2013	Included provision for licensing amendment.
MIR-2.3 and MIR-2.4	04/2013	These Sections were deleted as exempted member was deleted as a licensing category.
MIR-2.8.1 and MIR-2.8.1A	04/2013	Provided details of annual fees due to the CBB.
MIR-2.10.1	04/2013	Included specific Rules for place of business.
MIR-3.1.6 to MIR-3.1.8	04/2013	Moved reference from Section MIR-4.17 on compliance officer and added reporting from compliance officer to the CBB.
MIR-3.2.2	04/2013	Added new residency requirements.
MIR-3.4.2	04/2013	Added reference to Form 3: Application for Approved Person Status.
MIR-4.7.7	04/2013	Included market maker agreement content.
MIR-4.7.7A	04/2013	Included criteria to be a market maker.
MIR-4.9.3 and MIR-4.9.4	04/2013	Added reference to report institutional information (IIS) to the CBB.
MIR-4.12.4(i)	04/2013	Added regulatory disclosure as exception from maintaining confidentiality.
MIR-4.17	04/2013	This Section was deleted and requirements moved to Paragraphs MIR-3.1.6 and MIR-3.1.7.
MIR-2.8	04/2014	Clarified Rules and guidance on annual license fees.
MIR-2.5.4, MIR-2.5.5, MIR-3.1.3 and MIR-4.8.9	07/2014	Removed reference to exempted member as this category was deleted as a licensing category in April 2013.
MIR-3.1.3	07/2014	Corrected reference to non-existent Subparagraph.
MIR-4.8.2	07/2014	Correction made to align with the requirements of the CBB Law.
MIR-1.1.7	04/2016	Legal basis updated to reflect Resolution No (23) of 2015.
MIR-3.1, MIR-3.3 and MIR-3.4	04/2016	Amended to be in line with Resolution No (23) of 2015 on Prior Approval Requirements for Approved Persons.
MIR-3.1.3	04/2016	Clarified that controlled function (d) Head of function cannot be combined with other functions.
MIR-3.4.1 and MIR-3.4.2	04/2016	Paragraph MIR-3.4.1 was deleted and clarification was made to Paragraph MIR-3.4.2 that approval for controlled functions referred to under Paragraph MIR-3.1.2, must be made by submitting Form 3.
MIR-A.4.3(d)	07/2016	Included reference to classification of SRO members and membership requirements.
MIR-B.1.2	07/2016	Added reference to authorisation for external trading member and proprietary trading member in scope.
MIR-B.2	07/2016	Section deleted and contents moved to Glossary.
MIR-1.1.2	07/2016	Corrected reference to licensee.



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MIR-A.2 Module History (continued)

MIR-A.2.5 (continued)

Module Ref.	Change Date	Description of Changes
MIR-1.1.3	07/2016	Corrected wording
MIR-1.1.8, MIR-1.1.9 and MIR-1.1.10	07/2016	Legal basis updated to reflect Resolution No (59) of 2011, Resolution No (30) of 2015 and Resolution No (1) of 2016.
MIR-2.1.6	07/2016	Typographical error corrected.
MIR-2.1.7	07/2016	Amended to make reference to categories in MIR-2.2.4
MIR-2.2.4	07/2016	Included authorised external trading member and authorised proprietary trading member as separate categories.
MIR-2.2.4A	07/2016	Added cross reference.
MIR-2.2.8A	07/2016	Deleted reference to dealer. Revised from licensed to authorised.
MIR-2.2.8B and MIR-2.2.8C	07/2016	Revised from requirement to obtain license to authorisation.
MIR-2.2.10, MIR-2.2.11A, MIR-3.6.1(a)	07/2016	Typographical errors corrected.
MIR-2.8	07/2016	Amended to be in line with Resolution No. (1) of 2016 on annual licensing fees.
MIR-3.1 and MIR-3.3.1A(g)	07/2016	Amended to be in line Modules MAE and CSD.
MIR-3.4.8 and MIR-3.4.11	07/2016	Deleted Paragraph MIR-3.4.8 and included under Paragraph MIR-3.4.11.
MIR-4.1.1	07/2016	Introduced rules on invitation and attendance at AGM and EGM by CBB representative.
MIR-4.2.3	07/2016	Clarified deadline.
MIR-4.3.3	07/2016	Deleted reference to exempt member.
MIR-4.8.10	07/2016	Added due date for publication requirement.
MIR-4.8.11	07/2016	Clarified accounting standards to be used.
MIR-2.9.2	07/2017	Added Paragraph to clarify the cost of publication.
MIR-2.9.3	07/2017	Added Paragraph on means of publication.
MIR-4.7.23	01/2018	Amended Paragraph.
MIR-4.7.23A	01/2018	Added new guidance paragraph.
MIR-A.3.2	01/2019	Added a new Paragraph on market makers.
MIR-4.7.7(c)(iii) and MIR-4.7.7A	01/2019	Deleted client disclosure requirement and criteria to be a market maker.
MIR-4.19	01/2019	Added a new Section on market making for liquidity enhancement.
MIR-2.9.1	10/2019	Amended Paragraph and changed from Rule to Guidance.
MIR-4.1.1A	10/2020	Added a new Paragraph on Provision of Financial Services on a Non-discriminatory Basis.
MIR-A.3.2.1, MIR-2.2.8A and MIR-4.19	08/2024	Amended Paragraphs and changed Market Makers to Liquidity Providers, Liquidity Enhancement and Liquidity Provider-Issuer.

Superseded Requirements

MIR-A.2.6 This Module supersedes the following provisions contained in Circulars, or any other regulatory instruments:

Circular/Other Ref.	Provisions	Subject
BSE Internal Regulation Article No. 17	Article 17	Brokers registered with the Ministry of Commerce shall apply to the BSE Management for a new license for undertaking brokerage in securities.
Resolution No. (2) of 1995 Issued by the Chairman of the BSE	All	In respect of services provided by brokerage companies at the Bahrain Stock Exchange.
Resolution No. (2) of 2002 Issued by the Chairman of the BSE	All	In respect of the provision of custodial services through the Central Depository System at the Bahrain Stock Exchange.



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MIR-A.3 Interaction with other Modules

MIR-A.3.1 All members and their employees and representatives must comply with all other Modules in Volume 6, in addition to other applicable laws, rules and regulations.

MIR-A.3.2 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 MAE (Markets and Exchanges) which sets forth the CBB requirements for registration of a liquidity provider market maker.



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CHAPTER	MIR-2 Licensing

MIR-2.2 Application for License

- MIR-2.2.1 Persons wishing to be licensed to undertake regulated activities within or from Bahrain must apply in writing to the CBB.
- MIR-2.2.2 Unless otherwise approved by the CBB, the person undertaking any regulated activities shall be established as a corporation subject to the Commercial Companies Law 2001.
- MIR-2.2.3 Any applicant must be independent of the SRO to which it wishes to become a member. For the purpose of this section, a person will not be considered independent if:
- He owns an interest of 30% or more of equity securities of the SRO or any other company owned by the SRO. In the case of other securities, if he owns a significant interest in the securities of the SRO, or any other affiliated entity; or
 - He has a business relationship with, or financial interest in, the SRO or any other entity in the SRO's group that would give the SRO a material interest in the outcome of the application; or
 - He provides any service, assurance, or guidance in any event to the SRO, or to another entity in the SRO's group; or
 - A director, partner or employee of the applicant or another entity in the applicant's group has a material interest in the SRO or any other entity in the SRO's group.
- MIR-2.2.4 Under this Module, a person may apply to the CBB to be:
- A licensed discount broker;
 - A licensed broker;
 - [Deleted in April 2013];
 - A licensed broker-dealer;
 - A licensed clearing member;
 - [Deleted in April 2013];
 - [Deleted in April 2013];
 - An authorised external trading member; or
 - An authorised proprietary trading member.
- MIR-2.2.4A In accordance with Subparagraphs MIR-2.2.4(8) and MIR-2.2.4(9), a person may apply to the licensed exchange and the CBB to be an external trading member (provided it meets the requirements of Paragraph MIR-2.2.8A) or a proprietary trading member (as defined in the Glossary and provided it meets the requirements of Paragraph MIR-2.2.8C).
- MIR-2.2.5 The licensed discount broker may undertake only collecting of the investors or clients order which is required to be executed on the licensed exchange through a licensed broker or broker-dealer.



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MIR-2.2 Application for License

MIR-2.2.6 The licensed brokers may undertake:

- (a) Trading in securities as agent;
- (b) Arranging transactions in securities as an agent.

MIR-2.2.7 [This Paragraph was deleted in April 2013]

MIR-2.2.8 The licensed broker-dealers may undertake:

- (a) Trading in securities as principal;
- (b) Trading in securities as agent;
- (c) Arranging transactions in securities as principal and agent;
- (d) Managing securities' portfolios;
- (e) Depositing of securities;
- (f) Advising on securities businesses;
- (g) Providing market research and analysis.

MIR-2.2.8A An external trading member accepted for membership by a licensed exchange and authorised by the CBB may undertake only the activities of a licensed broker or broker-dealer outside the Kingdom of Bahrain. In order to be eligible, the external member must: be a member of an exchange or otherwise licensed and supervised in its home market by a securities regulator that is a signatory to the IOSCO MMOU or acceptable bilateral agreement. An external trading member may not conduct any business within the Kingdom of Bahrain. Subject to approval of the CBB and the licensed exchange, an external trading member, may be permitted to undertake other trading activities as provided for in the business rules of the licensed exchange.

MIR-2.2.8B In order to be authorised by the CBB, an external trading member must meet the requirements of Paragraph MIR-2.2.11A and submit the application made for membership of the licensed exchange together with the approval of membership of such exchange. An external trading member's primary regulator and supervisor is the licensed exchange, of which it is a member and it is not required to comply with the provisions of this Module unless directed to do so by the CBB.

An external trading member is required to conclude the necessary agreements for the clearing and settlement of its transactions conducted on a licensed exchange. External trading members are not eligible to be members of a licensed clearing house or central securities depository.



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MIR-2.2 Application for License

MIR-2.2.8C In order to be authorised by the CBB, a proprietary trading member must submit the application made for membership of the licensed exchange together with the approval of membership of such exchange. A proprietary trading member's primary regulator and supervisor is the licensed exchange, of which it is a member and it is not required to comply with the provisions of this Module unless directed to do so by the CBB.

MIR-2.2.9 The licensed clearing member (general) may undertake any regulated activities stipulated under Module CSD in general, and in particular:

- (a) Facilitating the deposit of securities;
- (b) Clearing and settlement of securities transactions as principal;
- (c) Clearing and settlement of securities transactions as agent;
- (d) Facilitating registration of dealings in deposited securities;
- (e) Provide custody services to deposited securities;
- (f) Facilitating netting of transactions in deposited securities;
- (g) Facilitating securities lending, including repurchase agreements and other economically equivalent transactions;
- (h) Finality of settlement;
- (i) Facilitating margin trading; or
- (j) Ensure achievement of Delivery versus Payment.

The licensed clearing house may restrict its members from undertaking part of the abovementioned regulated activities.

MIR-2.2.10 The licensed member may combine two or more regulated activities, provided these fall within the regulated activities list for their member category, and such combinations are not restricted by the CBB or SRO.



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MIR-2.2 Application for License

MIR-2.2.11

With the exception of external trading members and proprietary trading members, an application for a license as a member to undertake any regulated activity under Paragraph MIR-1.1.2 shall be made in Form 1 (Application for Approval as a Licensed Member) and shall be lodged with the CBB together with:

- (a) Form 2 (Information on Shareholders and Subsidiaries) and Form 3 (Application for Approved Person Status);
- (b) Any relevant annex and information specified in those forms;
- (c) A non-refundable prescribed application fee of BD100 (One Hundred Bahraini Dinars);
- (d) A business plan setting forth the internal controlling procedures of the enterprise;
- (e) A business plan containing a budgeted accounting plan for the first three business years;
- (f) Memorandum and Articles of Association of the corporation, copies of the by-laws, its constitution and powers of management and the manner in which its business is proposed to be undertaken;
- (g) Policies and procedures for regulated activities undertaken;
- (h) The proposed organisation structure and the powers and duties of the persons performing controlled functions of the licensed member;
- (i) A copy of the application submitted to the licensed exchange or licensed clearing house, as the case may be and the qualification for membership;
- (j) A description of the proposed trading, clearing and settlement arrangements;
- (k) Arrangements for risk management, compliance and internal controls;
- (l) Where regulated activities would be outsourced, copies of contracts and arrangements for oversight of their activities; and
- (m) Arrangements for complying with business rules of the licensed exchange and/or licensed clearing house.



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MIR-2.2 Application for License

MIR-2.2.11A Any licensed exchange, that accepts an external trading member, must together with the Final Membership and Commencement of Operation Checklist, provide the CBB with:

- (a) A copy of the application made to the licensed exchange for membership as an external trading member;
- (b) A description of the clearing and settlement arrangements including a copy of the signed contract with a licensed clearing member (general);
- (c) A copy of the external trading member's membership registration certificates with an exchange in its home and any other jurisdiction;
- (d) A copy of the external trading member's licensing or registration with its home market securities regulator (where required to be licensed or registered), which regulator must be a member of IOSCO and a signatory to the IOSCO MMOU or acceptable bilateral agreement; and
- (e) A letter of confirmation that the CBB Law and this Module are not in conflict with its market rules and legislation and where a conflict is determined, details must be provided for consideration and approval by the CBB.

MIR-2.2.11B The acceptance as a member of an external trading member or proprietary trading member by a licensed exchange does not in any way remove the authority of the CBB to supervise and regulate external trading members or proprietary trading members in respect of market conduct or to require the provision of any information or records and the CBB reserves its right to compel an external trading member or proprietary trading member to comply with CBB rules and regulations at any stage should it deem it necessary.

MIR-2.2.12 The applications to be a licensed member must include evidence that:

- (a) Any trading conducted will be provided in an orderly, transparent and fair manner;
- (b) The licensed member will be subject to regulation by the CBB and the business rules of the SRO;
- (c) The licensed member has taken adequate measures to prudently manage any risks associated with its business and operations;



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MIR-2.2 Application for License

- (d) The licensed member, in discharging its obligations, will not act contrary to the interests of the investing public, or to the requirements of the CBB;
- (e) The licensed member will enforce compliance by its employees or representatives with the business rules of the SRO, as the case may be;
- (f) The licensed member makes satisfactory provisions for an orderly, transparent and fair conduct of its business, the adherence to rules and the supervision of its employees or representatives; and
- (g) The licensed member has sufficient financial, human, and technical resources to undertake regulated activities in a fair, orderly, transparent manner and meet contingencies or disaster criteria.

MIR-2.2.12A External trading members and proprietary trading members must provide the details in Paragraph MIR-2.2.12 to the licensed exchange as part of its membership application.

MIR-2.2.12B A licensed member may apply to amend its licensing category by application to the CBB's Licensing and Policy Directorate by providing only the amended or additional information relevant to the change in regulated activities it intends to undertake.

MIR-2.2.13 The CBB will review the application and duly advise the applicant in writing when it has:

- (a) Granted the application without conditions;
- (b) Granted the application subject to conditions specified by the CBB; or
- (c) Refused the application, stating the grounds in which the application has been refused and the process for appealing against that decision, unless the licensed exchange and/or licensed clearing house refuses to grant its approval as the case may be.

MIR-2.2.14 The CBB may, within 30 days from the date of submission, require an applicant to furnish it with amendments or such additional information or documents as the CBB considers necessary in relation to the application.



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MIR-2.2 Application for License (continued)

MIR-2.2.15 The CBB may refuse to accept any application if:

- (a) It is not completed in accordance with this Module;
- (b) It is not accompanied by the relevant fee;
- (c) The licensed exchange and/or licensed clearing house refuse to grant the applicant membership as the case may be.

MIR-2.2.16 Where strict compliance with any form is not possible, the CBB may in its sole discretion, and upon request from the applicant to this effect, allow for the necessary modifications to be made to that form, or for the requirements of that form to be complied with in such other manner as the CBB thinks fit.

MIR-2.2.17 The applicant may, at any time before a decision has been made about the application, withdraw his application or make amendments to any errors therein or in the supporting documents.

Licensing of Members

MIR-2.2.18 The CBB shall decide on the application within 60 days from the date of receiving the application, complete with all the required information and documents.

MIR-2.2.19 The CBB may grant an in principle confirmation which does not amount to a license nor commit the CBB to issuing a license within 30 days from the date of the application, following which the applicant may take steps for employment of personnel to the company at his own risk.

MIR-2.2.20 The member shall not undertake any regulated activities before the CBB grants the license to the applicant.

MIR-2.2.21 The CBB may license a person as a licensed member, subject to such conditions or restrictions as the CBB may think fit to impose by notice in writing, including conditions or restrictions relating to:

- (a) The regulated activities that the person may undertake;
- (b) The securities or futures contracts or any other products or instruments that a member may undertake; and
- (c) The class or group of investors and location.

MIR-2.2.22 The CBB may, at any time, in consultation with the licensed exchange and/or licensed clearing house by notice in writing to the person, vary any condition or restriction or impose such further condition or restriction as it may think fit.



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CHAPTER	MIR-4 Business Standards and Ongoing Obligations

MIR-4.19 ~~Market Making Practice for~~ Liquidity Enhancement Program

MIR-4.19.1 This section (MIR-4.19) sets out the requirements and obligations applicable to members registered as market makers liquidity providers and issuers interested to enter into an agreement with market makers liquidity providers for the purpose of enhancing liquidity in the listed securities of the issuer.

Liquidity Enhancement Practice

MIR-4.19.2 Issuers, whose securities are already listed on a licensed exchange or licensed market operator and where the securities based on the criteria established by the licensed exchange or licensed market operator are eligible for market making liquidity enhancement, may enter into a market making liquidity provider-issuer agreement with a market maker with an objective to enhance liquidity for a specific period of time thereby encouraging regular trading activity and avoiding price fluctuations which are not in line with the market trend.

MIR-4.19.3 The market making liquidity provider-issuer agreement referred to in Paragraph MIR-4.19.2 must define the conditions in which the market maker liquidity provider will trade on behalf of the issuer by buying and selling the issuer's securities with the sole purpose of enhancing liquidity and regularity of trading in the securities.

MIR-4.19.4 An issuer concurrently must not enter into market making liquidity provider-issuer agreement with more than one market maker liquidity provider for a listed security.

Market Making Liquidity Provider-Issuer Agreement

MIR-4.19.5 The market making liquidity provider-issuer agreement must specify the conditions within which the market maker liquidity provider will trade on behalf of the issuer by buying and selling the issuer's securities.

MIR-4.19.6 The sole purpose of the market making liquidity provider-issuer agreement must be to enhance liquidity and improve regularity of trading.

MIR-4.19.7 The liquidity provider-issuer market making agreement must establish the initial balances and the minimum balances to be maintained in the securities account and the bank account to ensure continuity of market making liquidity enhancement activity and the measures to be adopted when the balances in the two accounts are insufficient to enable trades under the liquidity provider-issuer market making agreement.



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MIR-4.19 ~~Market Making Practice for~~ Liquidity Enhancement (continued)

MIR-4.19.8 The ~~market-making~~ liquidity provider-issuer agreement must establish the ~~market-maker~~ liquidity provider's independence ~~as a provider of liquidity~~ in undertaking the activity.

MIR-4.19.9 The ~~market-making~~ liquidity provider-issuer agreement must establish the conditions for the remuneration payable by the issuer to the ~~market-maker~~ liquidity provider.

MIR-4.19.10 The duration of the ~~market-making~~ liquidity provider-issuer agreement must not exceed a period of 12 months. Upon completion of the initial 12 months period and subject to mutual agreement of the issuer and ~~the market-maker~~ liquidity provider, the ~~market-making~~ liquidity provider-issuer agreement may be extended for an additional period of 12 months provided the licensed exchange or licensed market operator grants its approval for such an extension.

Independence of the ~~Market-Maker~~ Liquidity Provider

MIR-4.19.11 The ~~market-maker~~ liquidity provider must carry out the transactions under the ~~market-making~~ liquidity provider-issuer agreement with total independence from the issuer, and neither the ~~market-maker~~ liquidity provider nor the issuer may request or give any type of instructions or guidance. In particular, the issuer must not instruct, guide or intervene in the trading activity and the ~~market-maker~~ liquidity provider must have sole discretion as to the timing of transactions in the issuer's securities.

MIR-4.19.12 The ~~market-maker~~ liquidity provider must have an internal organisational structure such that trading decisions concerning the ~~market-making~~ liquidity enhancement activities are independent from the activities related to investment services, proprietary account, client account or any other services provided by the ~~market-maker~~ liquidity provider.

MIR-4.19.13 Without prejudice to being reimbursed for the expense incurred towards ~~market-making~~ liquidity enhancement, the remuneration method of the ~~market-maker~~ liquidity provider must be consistent with the purpose of the activity and must not impair the ~~market-maker's~~ liquidity provider's independence.



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MIR-4.19.14 An issuer must ensure that the remuneration method does not encourage the ~~market-maker~~ liquidity provider to influence the security price and/or trading volume through trades in the security. To that end, fees must be set within reasonable and justifiable levels with a maximum cap.

MIR-4.19.15 A ~~market-maker~~ liquidity provider must not use its own funds to engage in trades under the ~~market-making~~ liquidity provider-issuer agreement.

Securities account and bank account associated with the ~~market-making~~ liquidity provider-issuer agreement.

MIR-4.19.16 Trades performed under the ~~market-making~~ liquidity provider-issuer agreement must be recorded through entries made by the ~~market-maker~~ liquidity provider in two accounts, (i) a securities account and (ii) a bank account, both opened in the name of the issuer and used solely for ~~market-making~~ liquidity enhancement transactions.

MIR-4.19.17 When the ~~market-making~~ liquidity provider-issuer agreement is terminated, regardless of the reason, the securities account and the bank account referred to in Paragraph-MIR-4.19.16 must be cancelled in accordance with the following procedure:

- Bank account: The ~~market-maker~~ liquidity provider will transfer the balance to another account designated by the issuer.
- Securities Account: The ~~market-maker~~ liquidity provider must sell the securities in the securities account. Such sales must be performed in the issuer's best interests but without interfering with or hampering normal market operations and without misleading other market participants.

MIR-4.19.18 Provisions of Paragraph MIR-4.19.17 should not apply where:

- The securities are transferred to another ~~market-maker~~ liquidity provider entrusted with another ~~market-making~~ liquidity provider-issuer agreement by the same issuer.
- The issuer, upon termination of ~~market-making~~ liquidity provider-issuer agreement, may recover a number of securities, in which case that number may not exceed the number of securities initially deposited by the issuer.



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Non-withdrawal of Securities

MIR-4.19.19 Unless the ~~market making~~ liquidity provider-issuer agreement is terminated, securities allocated by the issuer for the purpose of ~~market making~~ liquidity enhancement or securities acquired during the course of ~~market making~~ liquidity enhancement activity cannot be withdrawn from the securities account except as a result of transactions carried out under the ~~market making~~ liquidity provider-issuer agreement.

Conditions for trading

MIR-4.19.20 The transactions carried out under a ~~market making~~ liquidity provider-issuer agreement must not impair the orderly functioning of the market.

MIR-4.19.21 Trades executed within the framework of liquidity provider-issuer ~~market making~~ agreement must not create artificial change in the securities price with respect to the market trend, or hamper the market's normal operations, or mislead other market participants.

MIR-4.19.22 In the course of discharging its obligation to provide liquidity, the ~~market maker~~ liquidity provider must trade in the official secondary market of the licensed exchange or licensed market operator and in accordance with the trading rules.

MIR-4.19.23 Where a licensed exchange or licensed market operator allows for participation of a ~~market maker~~ liquidity provider during pre-opening period, a ~~market maker~~ liquidity provider must ensure that its order during the pre-opening period does not have a material influence on the securities price.

MIR-4.19.24 The ~~market maker~~ liquidity provider and the issuer must at all times comply with the CBB law, rules and regulations on insider trading.

MIR-4.19.25 Securities purchased or made available to the ~~market maker~~ liquidity provider by the issuer cannot be allocated for other purposes before the completion of the ~~market making~~ liquidity enhancement activity set forth in the ~~market making~~ liquidity provider-issuer agreement.

MIR-4.19.26 The issuer must not engage, directly or indirectly, in any other trades in its own security while the ~~market making~~ liquidity provider-issuer agreement is in force except for such transactions where the issuer has obtained necessary approvals from the CBB.



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MIR-4.19.27 For the purposes of MIR-4.19.26, ~~market making~~ **liquidity enhancement** activity must remain suspended in the following cases:

- (a) From the date of the announcement of a takeover bid for the issuer's shares, up until the end of offer period; and
- (b) During share repurchase programmes.

MIR-4.19.28 The issuer and/or the ~~market maker~~ **liquidity provider** must comply with all other modules in Volume 6.

MIR-4.19.29 ~~Market makers~~ **Liquidity providers** failing to comply with the requirements of Section MIR-4.19 are subject to enforcement measures as outlined in Module MIE (Market Surveillance, Investigation and Enforcement)

Reporting Requirements

MIR-4.19.30 In addition to the reporting obligations and disclosure requirements with regards to securities to which issuers are subject to, an issuer that enters into a ~~market making~~ **liquidity provider-issuer agreement** must disclose the following by means of a public announcement as well as post it on its website:

- (a) Before the ~~market making~~ **liquidity provider-issuer agreement** comes into force, the identity of the ~~market maker~~ **liquidity provider** with which it has been arranged, the class of security and the licensed exchange or licensed market operator where the trades are to be made, the duration of the agreement, and the number of securities and the amount allocated to the securities account and bank account, respectively.
- (b) Each month and when the ~~market making~~ **liquidity provider-issuer agreement** is terminated, the issuer must disclose the transactions in own securities made under the ~~market making~~ **liquidity provider-issuer agreement**, detailing the total number of own securities that were purchased and the total number of own securities sold, the total amount of money paid and the total amount of money received, and the balance of the securities account and cash accounts at the end of the reporting period. The public announcement must be made within 10 days from the end of the reporting period.
- (c) In the event of termination of the ~~market making~~ **liquidity provider-issuer agreement**, in addition to complying with the requirements of MIR-4.19.30(b), the issuer must disclose the termination immediately.



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MIR-4.19.31 An issuer must submit, to the CBB, a copy of the signed market making liquidity provider-issuer agreement as well as all other public announcements referred to in Paragraph MIR-4.19.30.

MIR-4.19.32 An issuer must file the market making liquidity provider-issuer agreement and obtain written approval from the licensed exchange or licensed market operator. The approval must be obtained prior to commencement of market making liquidity enhancement activity.

Termination of market making Liquidity Provider-Issuer Agreement

MIR-4.19.33 Where an issuer or a market maker liquidity provider, regardless of the reason, intends to terminate the market making liquidity enhancement activity with respect to the issuer's security, the market maker liquidity provider must submit a written request and seek prior approval from the licensed exchange or licensed market operator.

MIR-4.19.34 A market maker liquidity provider, in the manner prescribed by the rules and regulations of the licensed exchange or licensed market operator, must by way of a public announcement inform the market regarding the date of cessation of market making liquidity enhancement activity in the issuer's security.

MIR-4.19.35 The public announcement referred to in Paragraph MIR-4.19.34 must be made at least 30 days prior to the effective date of cessation of market making liquidity enhancement activity. The market maker liquidity provider and the issuer must perform their respective obligations as specified in the market making liquidity provider-issuer agreement during this 30 days period. In particular, the market making liquidity provider activity must continue during the aforesaid period.

Record Keeping

MIR-4.19.36 An issuer and the market maker liquidity provider must maintain separate records of all the information pertaining to transactions under the market making liquidity provider-issuer agreement for a minimum period of 10 years.



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MIR-4.19 ~~Market Making Practice for~~ Liquidity Enhancement (continued)

Disclosure to clients

MIR-4.19.37 Where a member is registered as ~~market maker~~ a liquidity provider, such member must disclose to its client the existence of the ~~market maker liquidity enhancement~~ agreement entered into between the licensed member and the licensed exchange and written consent must be obtained from the client stating his awareness of the ~~market maker liquidity enhancement~~ arrangement between the member and the licensed exchange and that he has fully understood the potential risk and conflict of interest associated with such activities.

Additional ~~Market Making~~ Liquidity Enhancement Rules for Equity Securities

Shareholders' Approval and Share Repurchase

MIR-4.19.38 In addition to the aforementioned rules specified under Section MIR-4.19, an issuer of equity security must seek prior approval of shareholders at a general meeting before entering into a ~~market making liquidity enhancement~~ agreement.

MIR-4.19.39 An issuer may repurchase its own shares for the purpose of ~~market making liquidity enhancement~~ after obtaining shareholders' approval.

MIR-4.19.40 The maximum number of shares that an issuer can repurchase for the purpose of ~~market making liquidity enhancement~~ must not exceed 3% of the total issued shares.

MIR-4.19.41 The repurchase limit of 3% referred to in Paragraph MAE-4.19.40 must be included as part of the overall repurchase limit of 10% set out under TMA-4.1.8.

MIR-4.19.42 Where an issuer undertakes share repurchase for the purpose of ~~market making liquidity enhancement~~, the issuer must ensure that the share repurchase plan complies with the requirements of Module TMA (see Section TMA -4.1).



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MIR-4.19 ~~Market Making Practice for~~ Liquidity Enhancement (continued)

Material Rights of Shares Deposited in the Securities Account

MIR-4.19.43 Apart from the right to allocation of new shares free of charge, all other material rights of the shares deposited in the securities account must remain suspended.

MIR-4.19.44 The issuer and the market maker liquidity provider must ensure that the suspension of material rights referred to in Paragraph-4.19.43 is complied with, particularly with regards to dividend payments.

Prior acquisition of shares to deposit in securities account

MIR-4.19.45 Where the issuer does not deposit shares in the securities account or deposits a number of shares that is insufficient to enable market making operation liquidity enhancement activity to commence under the agreement, there should be an initial period during which the market maker liquidity provider may only buy shares of the issuer until it attains the volume that is predetermined in the market making liquidity provider-issuer agreement. Such acquisition should be for the sole purpose of enabling the market maker liquidity provider to commence operations under the market making liquidity provider-issuer agreement and they should be performed in the issuer's best interest but without interfering or hampering normal market operations and without misleading other market participants.

MIR-4.19.46 The shares acquired in the initial period should be deposited in the securities account referred to in Paragraph MIR-4.19.16.

MIR-4.19.47 The market maker liquidity provider should not sell any of the issuer's shares deposited in the securities account until the initial period concludes or until it attains the limits established in terms of number of shares or value of shares for the purpose of undertaking market making liquidity enhancement activity.

MIR-4.19.48 Where the initial period concludes and the minimum initial balance of shares in the securities account referred to in Paragraph MIR-4.19.16 has not been attained, the issuer and the market maker liquidity provider may:

- a) Extend the initial period by a length of time not greater than the initially established period.
- a) Terminate the agreement.
- b) Establish a lower number of shares

MIR-4.19.49 Where a licensed exchange, with an objective to increase liquidity, implements any alternative framework such as but not limited to market making by a member without engaging with a concerned issuer of the security, a member, subject to meeting the relevant criteria as per the licensed exchange's business rules, may also be eligible to take part.