



# **MARKETS & EXCHANGES MODULE**

<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>Definitions</b>

**Date Last  
Changed**

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<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-A Introduction</b>

## MAE-A.1 Purpose

### *Executive Summary*

- MAE-A.1.1 Module MAE sets out the Central Bank of Bahrain’s regulatory framework governing licensed exchanges and licensed market operators (other trading instruments platforms) operating in or from the Kingdom of Bahrain.
- MAE-A.1.2 The MAE Module seeks to introduce a consistent, effective and harmonised approach in regulation and supervision of licensed exchanges and licensed market operators in the Kingdom of Bahrain. It sets out the CBB requirements for their authorisation, the initial as well as ongoing compliance requirements.
- MAE-A.1.3 The key principles underlying the approach of the CBB in this Module aim:
- (a) To promote fair, orderly and transparent markets;
  - (b) To facilitate efficient markets for the allocation of capital and the transfer of risks;
  - (c) To reduce systemic risk;
  - (d) To detect and deter manipulation and other unfair trading practices; and
  - (e) To maintain integrity of trading through fair and equitable rules that strike an appropriate balance between the demands of different market participants.
- MAE-A.1.4 Persons or entities undertaking functions falling within the meaning of licensed exchanges and licensed market operators require prior CBB approval. MAE-B.2 provides the definitions for licensed exchanges and licensed market operators which are impacted by this Module. These include entities providing the services including those:
- (a) That provide a platform through which the exchange of securities takes place;
  - (b) Which provide listings of securities for trading;
  - (c) Which which provide trade matching services, as these services may result in a transaction between investors; and
  - (d) Which provide a service which leads an investor to the reasonable expectation that they may trade in securities.
- MAE-A.1.4A The MAE Module sets out the requirements that have to be met by crowdfunding platform operators.

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*Legal Basis*

- MAE-A.1.5 Article 4(4) and Part 2 of the CBB Law provides the power of the CBB to license and exercise regulatory control over financial institutions providing regulated services stated in Article 39, including markets and exchanges.
- MAE-A.1.6 As per Article 39(b) of the CBB Law, the CBB shall issue regulations specifying the regulated services. The operation of a licensed market operator or a licensed exchange is hereby specified as one of the regulated services which require licensing pursuant to Article 40 and Article 44 of the CBB Law.
- MAE-A.1.7 This Module contains the prior approval requirements for approved persons under Resolution No (23) of 2015.



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### **MAE-A.1 Purpose (continued)**

MAE-A.1.8 This Module contains Resolution No (1) of 2007 (issued under Article 180 of the CBB Law) amended by Resolution No (26) of 2010 and further amended by Resolution No (1) of 2016 with respect to determining fees categories due for licensees and services provided by the CBB.



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<b>CHAPTER</b>	<b>MAE-A Introduction</b>

## 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.



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## 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.

### *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



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### 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 3<sup>rd</sup> December 2003 and available on the CBB Website.
- MAE-A.3.9** Licensed exchanges, licensed market operators, market makers and issuers must in addition to complying with the market making provision under this Module refer to and comply with Module MIR (Market Intermediaries and Representatives) which sets forth the CBB requirements for market making.



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## MAE–A.4 Division of Responsibilities

MAE-A.4.1 A clear division of responsibilities between CBB as the regulator and the licensed exchanges or the licensed market operators as a self regulatory organisation (SRO) is required:

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

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

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

### MAE-A.4.3

The licensed exchange or the licensed market operator established as an SRO and the crowdfunding platform operator must comply with the requirements laid down under law as well as by the CBB Law, this Module and the other applicable laws and regulations.

MAE-A.4.4 As an SRO, the main objective of the exchange or the operator is to promote:

- (a) Fairness and investor protection;
- (b) Fair access to market facilities and information;
- (c) The provision of timely and accessible relevant market data; and
- (d) The efficient regulation of its members.

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<b>CHAPTER</b>	<b>MAE-B Purpose</b>

## MAE-B.1 Scope

**MAE-B.1.1** This Module shall apply to markets operated by a licensed exchange or licensed market operator in or from the Kingdom of Bahrain for the trading of securities, including commodities and/or futures contracts.

MAE-B.1.2 Article 186 of the CBB Law states that the Bahrain Bourse (previously referred to as the Bahrain Stock Exchange (BSE)) is to be regarded as a licensee of the CBB. Accordingly all rules and regulations applicable to markets and exchanges will be applicable to the Bahrain Bourse.

**MAE-B.1.3** Certain provisions of this Module shall apply to crowdfunding platform operators.

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<b>CHAPTER</b>	<b>MAE-1</b>	<b>Licensing</b>

## **MAE-B.2 Definitions**

[This Section was deleted and moved to the Glossary under Part B in July 2016.]



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-1 Licensing

## MAE-1.1 Requirement to be Licensed

**MAE-1.1.1** No person shall establish or operate a market, or hold himself out as operating a market in or from the Kingdom of Bahrain, unless the person is:

- (a) A licensed exchange;
- (b) A licensed market operator; or
- (c) An exempt exchange or market operator.

MAE-1.1.2 No person in the Kingdom of Bahrain shall hold himself out:  
(a) As a licensed exchange unless he is a licensed exchange; or  
(b) As a licensed market operator unless he is a licensed market operator.

MAE-1.1.3 Except with the written approval of the CBB, no person other than a licensed or exempt exchange shall take or use, or have attached to or exhibited at any place:  
(a) The title or description “securities exchange”, “stock exchange”, “futures exchange” or “derivatives exchange” in any language; or  
(b) Any title or description which resembles a title or description referred to in Subparagraph MAE-1.1.3 (a).

**MAE-1.1.4** No person may market any financial services in the Kingdom of Bahrain unless:

- (a) Allowed to do by the terms of a license issued by the CBB;
- (b) The activities come within the terms of an exemption granted by the CBB by way of a Directive; or
- (c) Has obtained the express written permission of the CBB to offer financial services.

MAE-1.1.5 In accordance with Resolution No.(16) for the year 2012 and for the purpose of Paragraph MAE-1.1.4, the word ‘market’ refers to any promotion, offering, announcement, advertising, broadcast or any other means of communication made for the purpose of inducing recipients to purchase or otherwise acquire financial services in return for monetary payment or some other form of valuable consideration.

MAE-1.1.6 Persons in breach of Paragraph MAE-1.1.4 are considered in breach of Resolution No.(16) for the year 2012 and are subject to penalties under Articles 129 and 161 of the CBB Law.



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<b>CHAPTER</b>	<b>MAE-1</b>	<b>Licensing</b>

## MAE-1.2 Application for License

MAE-1.2.1 A person may apply to the CBB to be:

- (a) Licensed as a licensed exchange;
- (b) Licensed as a licensed market operator; or
- (c) An exempt exchange or exempt market operator.

MAE-1.2.2 Unless otherwise approved by the CBB, the exchange shall be established as a joint stock company subject to the Commercial Company Law 2001.

MAE-1.2.3 Where the entity is not a joint stock company, the CBB may impose other structural and disclosure requirements.

### MAE-1.2.4

An application for approval as a licensed exchange or licensed market operator under Article 39 of the CBB Law shall be made in Form 1 (Application for Approval as a licensed exchange or licensed market operator) 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;
- (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 transacted;
- (g) Policies and procedures for all the exchange and market operations;
- (h) The proposed organisation structure and the powers and duties of the officials of the exchange or market operator;
- (i) The criteria for admission into the licensed exchange or the operator of various classes of members, the qualifications for membership, and the exclusion, suspension, expulsion and readmission of members therefrom or thereto;
- (j) A description of the proposed trading and settlement system;
- (k) Arrangements for risk management, compliance and internal controls;
- (l) Where activities would be outsourced, copies of contracts and arrangements for oversight of their activities; and



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## MAE-1.2 Application for License (continued)

- (m) Business rules covering membership including capital requirements, instruments to be admitted to trading and listing, trading and execution rules, conflicts of interest requirements, professional standards, clearing and depository rules, data transmission, market conduct including avoidance of market abuse, compliance arrangements, and such other rules as may be required by the CBB.

### MAE-1.2.5

The applications must include evidence that:

- (a) Any trading conducted will operate in an orderly, transparent and fair manner;
- (b) The licensed exchange or licensed market operator will be subject to regulation by the CBB;
- (c) The licensed exchange or licensed market operator has taken adequate measure to prudently manage any risks associated with its business and operations;
- (d) The licensed exchange or licensed market operator, in discharging its obligations, will not act contrary to the interests of the public, the investing public, or to the requirements of the CBB;
- (e) The licensed exchange or licensed market operator will enforce compliance by its members with its business rules and listing rules;
- (f) The business rules and listing rules of the licensed exchange or licensed market operator make satisfactory provisions for: an orderly, transparent and fair market trading through its facilities; and the proper rules and supervision of its members; and
- (g) The licensed exchange or licensed market operator has sufficient financial, human, and technical resources to establish and operate a fair and efficient system for market trading; meet contingencies or disasters criteria; and provide adequate trading instruments arrangements.

MAE-1.2.6 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.

MAE-1.2.7 The CBB may refuse to accept any application if:

- (a) It is not completed in accordance with this Module; or
- (b) It is not accompanied by the relevant fee.



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## **MAE-1.2 Application for License (continued)**

MAE-1.2.8 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 deems fit.

MAE-1.2.9 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.





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CHAPTER	MAE-1	Licensing

### MAE-1.3 Licensing of Exchanges and Market Operators

MAE-1.3.1 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.

MAE-1.3.2 The CBB may grant an ‘in principle’ confirmation that the applicant appears likely to meet the CBB’s licensing requirements, subject to the remaining information and documents being assessed as satisfactory. The ‘in principle’ confirmation will also list all outstanding documents required before an application can be considered complete and subject to formal consideration.

MAE-1.3.2A An ‘in principle’ confirmation does not constitute a license approval, nor does it commit the CBB to issuing a license. However, it provides sufficient assurance for an applicant to complete certain practical steps, such as securing suitable executive staff that satisfy CBB’s ‘fit and proper’ requirements. Once this has been done, the applicant may finalise its application, by submitting the remaining documents and, once assessed as complete by the CBB, a signed and dated final version of Form 1. However, a Bahraini company proposing to undertake financial services activities would not be eligible to obtain a Commercial Registration from the Ministry of Industry and Commerce unless it receives the final approval from the CBB.

MAE-1.3.3 The operations of the licensed exchange or licensed market operator may only commence after the CBB grants the license to the applicant.

MAE-1.3.4 The CBB may license a person as a licensed exchange or license an overseas exchange as a licensed market operator, subject to such conditions or restrictions as the CBB may deem fit to impose by notice in writing, including conditions or restrictions relating to:

- (a) The activities that the person may undertake;
- (b) The securities or futures contracts that may be traded on any market established or operated by the person; and
- (c) The nature of the investors or participants who may use, invest in or participate in the securities or futures contracts traded on any market established or operated by the person.

MAE-1.3.5 The CBB may, at any time, by notice in writing to the person, vary any condition or restriction or impose such further condition or restriction as it may deem fit.

**MAE-1.3.6** A licensed exchange or a licensed market operator shall, for the duration of the license, satisfy all conditions and restrictions that may be imposed on it.

**MAE-1.3.7** Where the CBB rejects an application, the decision and any appeal by the applicant shall be governed by Article 46 of the CBB Law.



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## MAE-1.4 Exemption of Exchanges and Market Operators

- MAE-1.4.1 The CBB may:
- Exempt any person operating any market from the requirement under MAE-1.1 to be a licensed exchange or a licensed market operator;
  - Declare that person to be an exempt market operator, by order published in the Gazette; and
  - Impose such conditions or restrictions relating to the exemption as the CBB may deem-fit, by notice in writing to that person.
- MAE-1.4.2 An application to be exempted from the requirement under MAE-1.2 to be a licensed exchange or a licensed market operator shall be made in Form 4.
- MAE-1.4.3 The CBB may exempt an applicant referred to in MAE-1.4.1 from the requirement under MAE-1.2 if, in the opinion of the CBB, the objectives specified in MAE-1.2.5 can be achieved without regulating the applicant as a licensed exchange or a licensed market operator.
- MAE-1.4.4 An application made under MAE-1.4.1 shall be accompanied by a non-refundable prescribed application fee of BD100, which shall be paid in the manner specified by the CBB.
- MAE-1.4.5 The CBB may require an applicant to furnish it with such information or document as the CBB considers necessary in relation to the application.
- MAE-1.4.6 The CBB may, by notice in writing, impose on a person exempted under MAE-1.4.3 such conditions or restrictions relating to the exemption as the CBB may deem fit, including conditions or restrictions relating to:
- The activities that the person may undertake;
  - The securities or futures contracts that may be traded on any market established or operated by the person; and
  - The nature of the investors or participants who may use, participate or invest in the securities or futures contracts traded on any market established or operated by the person.
- MAE-1.4.7 The CBB may, at any time, by notice in writing to a person exempted under MAE-1.4.3, vary any condition or restriction referred to in MAE-1.4.6 or impose such further condition or restriction relating to the exemption as the CBB may think fit.
- MAE-1.4.8 The CBB shall give notice in the Gazette of any person exempted under MAE-1.4.3, and such notice may include the conditions or restrictions imposed by the CBB on the person under MAE-1.4.6 in relation to the securities or futures contracts that may be traded on any market established or operated by the person.
- MAE-1.4.9 An exempt market operator shall comply with all conditions or restrictions imposed on it under MAE-1.4.6, 1.4.7, or 1.4.8, as the case may be.



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<b>CHAPTER</b>	<b>MAE-1 Licensing</b>

## MAE-1.5 Power of CBB to Revoke Exemption

- MAE-1.5.1 The CBB may revoke any exemption granted to a person under MAE-1.4.3 if:
- The person does not commence operating its market or, where it operates more than one market, all of its markets, within 6 months from the date on which it was granted the exemption;
  - The person ceases to operate its market or, where it operates more than one market, all of its markets;
  - The person contravenes:
    - Any condition or restriction relating to the exemption;
    - Any direction issued to it by the CBB; or
    - Any provision of the CBB Law or Regulations;
  - The CBB is of the opinion that the person has operated in a manner that is contrary to the interests of the public;
  - The person is in the course of being wound up or otherwise dissolved, whether in Bahrain or elsewhere;
  - A receiver, a receiver and manager or an equivalent person has been appointed, whether in Bahrain or elsewhere, in relation to, or in respect of, any property of the person;
  - The person has been convicted, whether in Bahrain or elsewhere, of an offence involving fraud or dishonesty or the conviction for which involved a finding that it had acted fraudulently or dishonestly;
  - The CBB is of the opinion that the person would be more appropriately regulated as a licensed exchange or a licensed market operator; or
  - Any information or document provided by the person to the CBB is false or misleading.
- MAE-1.5.2 Subject to MAE-1.5.3, the CBB shall not revoke under MAE-1.5.1 any exemption granted to a person without giving the person an opportunity to be heard.
- MAE-1.5.3 The CBB may revoke any exemption granted to a person on any of the following grounds without giving the person an opportunity to be heard:
- The person is in the course of being wound up or otherwise dissolved, whether in Bahrain or elsewhere;
  - A receiver, a receiver and manager or an equivalent person has been appointed, whether in Bahrain or elsewhere, in relation to, or in respect of any property of the person; or
  - The person has been convicted, whether in Bahrain or elsewhere, of an offence involving fraud and dishonesty or the conviction for which involved a finding that it had acted fraudulently or dishonestly.
- MAE-1.5.4 For the purposes of MAE-1.5.1(b), a person shall be deemed to have ceased to operate its market if:
- It has ceased to operate the market for more than 30 days, unless it has obtained the prior approval of the CBB to do so; or
  - It has ceased to operate the market under a direction issued by the CBB.



<b>MODULE</b>	<b>MAE:</b>	<b>Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-1</b>	<b>Licensing</b>

## **MAE-1.5 Power of CBB to Revoke Exemption (continued)**

- MAE-1.5.5 Any revocation under MAE-1.5.1 of an exemption granted to a person shall not operate so as to:
- (a) Avoid or affect any agreement, transaction or arrangement entered into on a market operated by the person, whether the agreement, transaction or arrangement was entered into before or after the revocation of the exemption; or
  - (b) Affect any right, obligation or liability arising under such agreement, transaction or arrangement.
- MAE-1.5.6 The CBB shall give notice in the Gazette of any revocation of an exemption referred to in MAE-1.5.1.



<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-1 Licensing</b>

## MAE-1.6 Criteria for Granting License

- MAE-1.6.1 The CBB may license a person as a licensed exchange or licensed market operator if:
- (a) The CBB is satisfied that the establishment of a market or exchange to be operated by a person will;
    - (i) Develop the financial sector and enhance confidence therein; and
    - (ii) Protect the interests of investors in the market and exchanges and enhance the Kingdom's credibility as an international financial centre; and
  - (b) The CBB is satisfied that the person, having applied to be a licensed exchange or licensed market operator under this Module, is able to comply with the obligations or requirements imposed on licensed exchanges or licensed market operators.
- MAE-1.6.2 The CBB may have regard to the following matters in determining whether a licensed exchange or licensed market operator has satisfied the criteria referred to in Subparagraphs MAE-1.6.1 (a) or (b):
- (a) The size and structure, or proposed size and structure, of the market to be operated by the applicant;
  - (b) The nature of the services provided, or to be provided, by the market to be operated by the applicant;
  - (c) The nature of the securities or futures contracts traded, or to be traded, on the market to be operated by the applicant;
  - (d) The nature of the investors or participants, or proposed investors or participants, who may use or have an interest in the market to be operated by the applicant;
  - (e) Whether the applicant is regulated by the CBB under this Module or any other law;
  - (f) That the rules and by-laws of an applicant are in conformity with such conditions as may be prescribed with a view to ensure fair dealing and to protect investors;
  - (g) That the applicant is willing to comply with any other conditions (including conditions as to the number of members) which the CBB, having regard to the nature of the securities dealt with by it, may impose;
  - (h) The proposed trading and settlement systems comply with up-to-date industry standards;
  - (i) The persons who may be affected in the event that the applicant, or the market to be operated by the applicant, runs into difficulties;
  - (j) Where the head office or principal place of business of the applicant is outside Bahrain, whether the applicant in the country or territory in which the head office or principal place of business of the applicant is situated, is subject to requirements and supervision comparable to those in the Kingdom of Bahrain;
  - (k) The interests of the public; and
  - (l) Any other circumstances that the CBB may consider relevant.



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## MAE-1.6 Criteria for Granting License (continued)

MAE-1.6.3 The applicant must additionally be able to demonstrate to the CBB and the CBB must be satisfied that it has:

- (a) The financial resources, and the management and human resources with appropriate experience, necessary for the operation of a market or exchange;
- (b) Made arrangements for the proper supervision of all transactions effected through the market or exchange so as to ensure compliance with its rules;
- (c) Taken sufficient steps to maintain security and back-up procedures to ensure the integrity of the records of transactions effected through the market or exchange;
- (d) Insurance, a guarantee or compensation fund or other warranty plans in place to enable it to provide compensation, subject to the business rules, to clients; and
- (e) Made provisions, to the satisfaction of the CBB, for the clearing and settlement of transactions effected through the market or exchange and for the management of trade and settlement risk.

MAE-1.6.4 In addition, the CBB may, for the purposes of licensing an overseas exchange as a licensed market operator, have regard in addition to any criteria prescribed under Paragraph MAE-1.6.1 whether adequate arrangements exist for cooperation between the CBB and the financial services regulator responsible for the supervision of the operator in the country or territory in which the head office or principal place of business of the operator is situated.

MAE-1.6.5 In considering whether it is satisfied that an overseas exchange has met the requirements mentioned in Paragraph MAE-1.6.1, the CBB may have regard to:

- (a) The relevant laws and practices of the country or territory in which the head office or principal place of business of the operator is situated; and
- (b) The rules and practices of the operator.



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## MAE-1.7 Surrender of License or Cessation of Business

### MAE-1.7.1

A licensed exchange or licensed market operator which intends to cease operating its market or, where it operates more than one market, all of its markets, must apply to the CBB to surrender its approval as a licensed exchange or licensed market operator, as the case may be.

### MAE-1.7.2

The CBB may, subject to MAE-1.8.1 cancel the license if it is satisfied that the licensed exchange or licensed market operator referred to in MAE-1.7.1 has ceased operating its market or all of its markets, as the case may be and that there are no pending obligations of the licensed exchange or licensed market operator or contracts traded.

### MAE-1.7.3

The licensed exchange or licensed market operator shall publish a notice of its intention to cease to operate its market in 2 daily newspapers, one in Arabic and the other in English, in Bahrain.

### MAE-1.7.4

Any objections received from any member, user or participant of the licensed exchange or licensed market operator shall be considered by the CBB prior to issuing its consent for the surrender of license or cessation of business of the exchange or the operator.

### MAE-1.7.5

The notice referred to in Paragraph MAE-1.7.3 shall be subject to the approval of the CBB and shall be published at least 30 days prior to the cessation taking effect.



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## MAE-1.8 Cancellation or Amendment of License

MAE-1.8.1 The CBB may cancel any license of a person as a licensed exchange or licensed market operator if:

- (a) There exists criteria under MAE-1.2 that the licensed exchange or licensed market operator does not meet and on which grounds the CBB would refuse an application;
- (b) The licensed exchange or licensed market operator does not commence operating its market or, where it operates more than one market, all of its markets within 6 months from the date on which it was granted the license.
- (c) The licensed exchange or licensed market operator ceases to operate its market or, where it operates more than one market, all of its markets.
- (d) The licensed exchange or licensed market operator contravenes:
  - (i) Any condition or restriction applicable in respect of its license;
  - (ii) Any direction issued to it by the CBB;
  - (iii) Any provision in this Module; or
  - (iv) Any other CBB law, rule or regulation;
- (e) The licensed exchange or licensed market operator operates in a manner that is in the opinion of the CBB, contrary to the interests of the public or user; and
- (f) Any information or document knowingly or willingly provided by the licensed exchange or licensed market operator to the CBB is false or misleading.

MAE-1.8.2 The CBB may not, subject to MAE-1.8.3, cancel any license that was granted to a licensed exchange or licensed market operator without giving the opportunity to be heard.

MAE-1.8.3 The CBB may cancel a license that was granted to a licensed exchange or licensed market operator on any of the following grounds without giving an opportunity to be heard:

- (a) The licensed exchange or licensed market operator is in the course of being wound up or otherwise dissolved, whether in Bahrain or elsewhere;
- (b) A receiver, a receiver and manager, or an equivalent person has been appointed, whether in Bahrain or elsewhere, in relation to or in respect of any property of the licensed exchange or licensed market operator; and
- (c) The licensed exchange or licensed market operator has been convicted, whether in Bahrain or elsewhere, of an offence involving fraud or dishonesty or the conviction for which involved a finding that it had acted fraudulently or dishonestly.

### MAE-1.8.4

For the purposes of Subparagraph MAE-1.8.1(c), a licensed exchange or licensed market operator shall be deemed to have ceased to operate its market if:

- (a) It has ceased to operate the market for more than 30 days, unless it has obtained the prior approval of the CBB to do so; or
- (b) It has ceased to operate the market under a direction issued by the CBB.





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## MAE-1.8 Cancellation or Amendment of License (continued)

MAE-1.8.5 Any cancellation of a license of a licensed exchange or licensed market operator referred to in Paragraph MAE-1.8.1 shall not operate so as to:

- (a) Avoid or affect any agreement, transaction or arrangement entered into a market operated by the corporation, whether the agreement, transaction or arrangement was entered into before or after the revocation of the license; or
- (b) Affect any right, obligation or liability arising under such agreement, transaction or arrangement.

MAE-1.8.6 Where the CBB cancels or amends a license of a licensed exchange or licensed market operator, notification to the licensed exchange and an appeal against such a decision shall be governed by Article 48 of the CBB Law.



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## MAE-1.9 Annual Fees Payable by Licensed Exchange and Licensed Market Operator

**MAE-1.9.1** Every licensed exchange and licensed market operator must pay to the CBB an annual fee on the 1<sup>st</sup> December of the preceding year for which the fee is due.

**MAE-1.9.1A** The following fee is currently prescribed for licensed exchanges and licensed market operators:

Managing and operating markets and systems for trading in securities and financial instruments ( <i>fixed</i> )	BD15,000
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**MAE-1.9.1B** For new licensees, their first annual license fee is payable when their license is issued by the CBB. The annual fee due in relation to the first year in which the license is granted, is prorated for the year using the date of the official licensing letter from the CBB, as the base for the prorated period. The prorated fee will result in fees charged only for the number of complete months left in the current calendar year.

MAE-1.9.2 Where a license is cancelled (whether at the initiative of the firm or the CBB), no refund is paid for any months remaining in the calendar year in question, should a fee have been paid for that year.

MAE-1.9.3 A licensed exchange or licensed market operator failing to comply with Paragraph MAE-1.9.1 may be subject to financial penalties as prescribed by the CBB.



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**MAE-1.10 Publication of the Decision to Grant, Cancel or Amend a License**

**MAE-1.10.1** The CBB shall publish its decision to grant, cancel or amend a license in the Official Gazette as well as in 2 local newspapers, one published in Arabic and the other in English in Bahrain.

**MAE-1.10.2** For the purpose of Paragraph MAE-1.10.1, the cost of publication of this notice must be borne by the Licensee.

MAE-1.10.3 The CBB may also publish its decision on such cancellation or amendment using any other means it considers appropriate, including electronic means.



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## MAE-1.11 Place of Business

**MAE-1.11.1** No licensed exchange or licensed market operator must, without a prior written approval of the CBB:

- (a) Open a new place of business in the Kingdom;
- (b) Close or change an existing place of business in the Kingdom;
- (c) Open a new place of business abroad if the licensed exchange or licensed market operator is not an overseas exchange; and
- (d) The CBB may restrict its approval stipulated in MAE-1.6.1, subject to any other conditions, as it may deem necessary.

<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-2 Obligation of Licensed Exchanges, Market Operators and Crowdfunding Platform Operators</b>

## MAE-2.1 General Obligations

### *Licensing Requirements*

#### MAE-2.1.1

A licensed exchange or licensed market operator shall, in respect of every market it operates:

- (a) As far as is reasonably practicable, ensure that the market is fair, orderly and transparent;
- (b) Manage any risks associated with its business and operations prudently;
- (c) Not act contrary to the interests of the public, having particular regard to the interests of the investing public;
- (d) Ensure that access for participation in its facilities is subject to criteria that are fair and objective, and that are designed to ensure the orderly functioning of the market and to protect the interests of the investing public;
- (e) Maintain business rules and, where appropriate, listing rules that make satisfactory provision for:
  - (i) A fair, orderly and transparent market in securities and futures contracts that are traded through its facilities; and
  - (ii) The proper regulation and supervision of its members;
- (f) Enforce compliance with its business rules and, where appropriate, its listing rules;
- (g) Have sufficient financial, human and system resources:
  - (i) To operate a fair, orderly and transparent market;
  - (ii) To meet contingencies or disasters; and
  - (iii) To provide adequate security arrangements;
- (h) Ensure that it appoints or employs fit and proper persons as its chairman, chief executive officer, directors and key management officers;
- (i) Have a well-designed Disaster Recovery Plan in place and the same shall be submitted to the CBB in accordance with Section MAE-2.10;
- (j) Have the capacity, authority, expertise and resources to enforce compliance by its members, shareholders, users and participants with laws, regulations and rules;
- (k) Ensure that the rules and regulations of the stock exchange are clearly expressed, understandable and readily available to anyone who needs to use them;

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## MAE-2.1 General Obligations (continued)

### MAE-2.1.1 (cont'd)

- (l) Ensure that the rules are applied equally to all participants without favour or discrimination;
- (m) Ensure that there is a system in place to record all trades and capture order entry data for surveillance purposes;
- (n) Ensure that it has a complaints and whistleblowing procedure;
- (o) Have an operating manual, including the structure of the licensed exchange or licensed market operator;
- (p) Provide to the CBB, for its review and comment, at least 5 business days prior to publishing in the press, the draft agenda for any shareholders meetings referred to in Subparagraph MAE-2.1.1(r);
- (q) Ensure that any agenda items to be discussed or presented during the course of meetings which require the CBB's prior approval, have received the necessary approval, prior to the meeting taking place;
- (r) Invite a representative of the CBB to attend any shareholders' meeting (i.e. ordinary and extraordinary general assembly) taking place. The invitation must be provided to the CBB at least 5 business days prior to the meeting taking place; and
- (s) Within a maximum of 15 calendar days of any shareholders' meetings referred to in Subparagraph MAE-2.1.1(r), provide to the CBB a copy of the minutes of the meeting.

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## MAE-2.1 General Obligations (continued)

### *Notification Requirements*

#### MAE-2.1.2

A licensed exchange or licensed market operator shall, as soon as practicable after the occurrence of any of the following circumstances, notify the CBB of the circumstance:

- (a) Any material change to the information provided by the licensed exchange or licensed market operator in its application under MAE-1.2;
- (b) The carrying on of any business by the licensed exchange or licensed market operator other than:
  - (i) The business of operating a market;
  - (ii) A business incidental to operating a market; or
  - (iii) Such business or class of businesses as the CBB may prescribe;
- (c) The acquisition by the licensed exchange or licensed market operator of a substantial shareholding in a corporation which does not carry on:
  - (i) The business of operating a market;
  - (ii) A business incidental to operating a market; or
  - (iii) Such business or class of businesses as the CBB may prescribe;
- (d) The licensed exchange or licensed market operator becoming aware of a financial irregularity or other matter which in its opinion:
  - (i) May affect its ability to discharge its financial obligations; or
  - (ii) May affect the ability of a member of the licensed exchange or licensed market operator to meet its financial obligations to the licensed exchange or licensed market operator;

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## MAE-2.1 General Obligations (continued)

- (e) The licensed exchange or licensed market operator reprimanding, fining, suspending, expelling or otherwise taking disciplinary action against a member of the licensed exchange or licensed market operator;
- (f) The licensed exchange or licensed market operator reprimands, suspends, dismisses or otherwise takes disciplinary action against any of its directors, or key management officers or if any director or key management officer is subject to an order or petition of bankruptcy or criminal prosecution;
- (g) Any civil or criminal legal proceeding instituted against the licensed exchange or licensed market operator, whether in Bahrain or elsewhere;
- (h) Any disciplinary action taken against the licensed exchange or licensed market operator by any regulatory body, whether in Bahrain or elsewhere, other than the CBB;
- (i) Any significant change to the regulatory requirements imposed on the licensed exchange or licensed market operator by any regulatory body, whether in Bahrain or elsewhere, other than the CBB;
- (j) A failure by the licensed exchange or licensed market operator to adhere to the trading days, hours or sessions of the licensed exchange or licensed market operator;
- (k) Any disruption of, delay in, suspension of, or termination in any trading procedure or trading practice of the licensed exchange or licensed market operator including those resulting from any system failure;
- (l) Any other matter that the CBB may specify by notice in writing to the licensed exchange or licensed market operator.

MAE-2.1.3. The CBB may, at any time after receiving a notification referred to in Paragraph MAE-2.1.2 and after providing the licensed exchange and licensed market operator an opportunity to be heard, issue directions to the licensed exchange or licensed market operator:

- (a) Where the notification relates to a matter referred to in Subparagraph MAE-2.1.1 (b):
  - (i) To cease carrying on the first-mentioned business referred to in Subparagraph MAE-2.1.1 (b); or
  - (ii) To carry on the first-mentioned business referred to in Subparagraph MAE-2.1.1 (b) subject to such conditions or restrictions as the CBB may impose; or





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## MAE-2.1 General Obligations (continued)

- (b) Where the notification relates to a matter referred to in Subparagraph MAE-2.1.1 (c):
- (i) To dispose of the shareholding referred to in Subparagraph MAE-2.1.1 (c); or
  - (ii) To exercise its rights relating to such shareholding subject to such conditions or restrictions as the CBB may impose, and the licensed exchange or licensed market operator shall comply with such directions.

### MAE-2.1.4

Where a circumstance referred to in MAE-2.1.2 has occurred, the licensed exchange or licensed market operator shall, in addition to the notification required under Paragraph MAE-2.1.2, within 14 days of the occurrence of the circumstance or such longer period as the CBB may permit, submit a report to the CBB of the circumstances relating to the occurrence, the remedial actions taken at the time of the occurrence, and the subsequent follow-up actions that the licensed exchange or licensed market operator has taken or intends to take.

- MAE-2.1.5 An exchange may levy on its members, participants and users such fees as it may deem necessary in the form of:
- (a) Membership fees; and/or
  - (b) Listing fees.
- MAE-2.1.6 The fees shall be paid quarterly, semi-annually or annually at the discretion of the exchange.
- MAE-2.1.7 A licensed exchange or licensed market operator shall, within a reasonable period of time prior to entering into negotiations to establish a trading linkage, clearing arrangement or cooperative arrangement with the person establishing or operating an overseas market or clearing facility, notify the CBB of such intent to enter into negotiations.
- MAE-2.1.8 In Paragraph MAE-2.1.7, “cooperative arrangement” shall not include:
- (a) Any joint development of products and services;
  - (b) Any joint marketing efforts between the licensed exchange and the person operating an overseas market or clearing facility in promoting the services of either entity; or
  - (c) Any memoranda of understanding for the exchange of information.



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## MAE-2.2 Obligation to Maintain Proper Records

### MAE-2.2.1

Every licensed exchange or licensed market operator shall ensure that all relevant books and other information, as may be required by the CBB for the purposes of this Module, be kept for a minimum of 10 years.

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### MAE-2.3 Final Accounts and Auditing

**MAE-2.3.1** Every licensed exchange or licensed market operator shall appoint one or more a qualified and experienced external auditors for its accounts for every financial year. A prior written approval by the CBB will be required before appointing an auditor.

MAE-2.3.2 If a licensed exchange or licensed market operator fails to appoint an auditor within 4 months from the beginning of the financial year, the CBB shall appoint such auditor.

**MAE-2.3.3** The licensed exchange or licensed market operator shall pay the fees of the auditor regardless of the manner in which such auditor is appointed.

**MAE-2.3.4** An auditor shall not be the chairman or a director in the licensed exchange or licensed market operator's board or a managing director, agent, representative or taking up any administrative work therein, or supervising its accounts, or a next of kin to someone who is responsible for the administration or accounts of a licensed exchange or licensed market operator, or having an extraordinary interest in a licensed exchange or licensed market operator as the CBB may determine.

MAE-2.3.5 If any of the circumstances referred to in Paragraph MAE-2.3.4 occurs after the appointment of the auditor, the licensed exchange or licensed market operator must appoint another auditor.

**MAE-2.3.6** The licensed exchange or licensed market operator shall provide the external auditor with all information and assistance necessary for carrying out his duties.

MAE-2.3.7 The duties of the auditor shall include the preparation of a report on the final accounts. The report shall contain a statement on whether the licensed exchange or licensed market operator's accounts are correct and reflect the actual state of affairs of the licensed exchange or licensed market operator according to the auditing standards prescribed by the CBB and whether the licensed exchange or licensed market operator has provided the auditor with any required information and clarifications.

MAE-2.3.8 The final audited accounts shall be presented to the general meeting of the licensed exchange or licensed market operator together with the auditor's report. A copy of these documents shall be sent to the CBB at least 15 days before the date of the general meeting.



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### MAE-2.3 Final Accounts and Auditing (continued)

MAE-2.3.9 If the licensed exchange or licensed market operator is a foreign company, a copy of its final audited accounts together with the auditor's report shall be sent to its main office abroad.

**MAE-2.3.10** Every licensed exchange or licensed market operator must, within 3 months following every financial year, send to the CBB and make public its final audited accounts, for all the transactions carried out until year end as well as any other financial statements required by the CBB. Extracts of the final audited accounts shall be published in 2 local daily newspapers, one in Arabic and the other in English, within 60 calendar days from the end of the financial year.

**MAE-2.3.11** Audited financial statements must comply with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS). For Islamic institutions, audited financial statements must comply with AAOIFI standards or where AAOIFI standards do not cover a subject, IFRS must be followed.

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## MAE-2.4 Obligation to Submit Periodic Reports

### MAE-2.4.1

A licensed exchange or licensed market operator shall submit to the CBB:

- (a) Within 3 months after the end of its financial year or such longer period as the CBB may permit, a copy of its:
  - (i) Annual report and directors' report; and
  - (ii) Auditor's report;
- (b) Within 45 days after the end of each of the first 3 quarters of its financial year or such longer period as the CBB may permit, or the preceding quarter, in such form as may be approved by the CBB, a copy of its:
  - (i) Profit and loss accounts; and
  - (ii) Balance sheet;
- (c) Within 3 months after the end of its financial year or such longer period as the CBB may permit, a report on how the licensed exchange or licensed market operator has discharged its responsibilities under the CBB Law and these Rules during that financial year;
- (d) Within 3 months after the end of its financial year or such longer period as the CBB may permit, a copy of the balance sheet of any fidelity fund of the licensed exchange prepared in such form as may be approved by the CBB;
- (e) The following reports relating to the business of the licensed exchange or licensed market operator:
  - (i) Prescribed monthly statistics in Form 5 within 10 business days from the end of the month;
  - (ii) Prescribed quarterly statistics in Form 6 within 10 business days from the end of each quarter; and
  - (iii) Where the licensed exchange is operating a futures market, Form 7 within 10 business days from the end of each month;
- (f) Such other report as the CBB may require for the proper administration of this Module, at such time or on such periodic basis as may be required by the CBB.

MAE-2.4.2 The auditor's report referred to in Paragraph MAE-2.4.1 (a)1 shall unless otherwise provided to the CBB by way of a management letter, include the findings and recommendations of the auditors, if any, on the internal controls of the licensed exchange or licensed market operator; and

- (a) Any provision of this Module;
- (b) Any direction issued by the CBB under this Module; or
- (c) Any other relevant laws or regulations.

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## MAE-2.4 Obligation to Submit Periodic Reports (continued)

### *IIS Reporting Requirements*

#### MAE-2.4.3

A licensed exchange or licensed market operator is required to complete online non-financial information related to its institution by accessing the CBB's institutional information system (IIS). Licensees must update the required information at least on a quarterly basis or when a significant change occurs in the non-financial information included in the IIS. If no information has changed during the quarter, the licensee must still access the IIS quarterly and confirm the information contained in the IIS. Licensees must ensure that they access the IIS within 20 calendar days from the end of the related quarter and either confirm or update the information contained in the IIS.

MAE-2.4.4 Licensees failing to comply with the requirements of Paragraph MAE-2.4.3 or reporting inaccurate information are subject to financial penalties or other enforcement actions.

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## **MAE-2.5 Obligation to Assist CBB**

MAE-2.5.1 A licensed exchange and licensed market operator shall provide such assistance to the CBB as the CBB may require for the performance of the functions and duties of the CBB, including the furnishing of such returns and the provisions of:

- (a) Such books and information:
  - (i) Relating to the business of the licensed exchange or licensed market operator; or
  - (ii) In respect of such dealings in securities or trading in futures contracts; and
- (b) Such other information, as the CBB may require for the proper administration of this Module.

MAE-2.5.2 The CBB may at its discretion:

- (a) Call for the provision of additional information about the affairs of the exchange or the operator;
- (b) Carry out inspections of the office of the exchanges and inspect the books of accounts and other relevant books of the exchange or the operator; and
- (c) Appoint one or more person to inquire into the affairs of the exchange or operator.



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## MAE-2.6 Obligation to Maintain Confidentiality

### MAE-2.6.1

Subject to Paragraph MAE-2.6.2, a licensed exchange and licensed market operator and its officers and employees must maintain, and aid in maintaining the confidentiality of all user information that:

- (a) Comes to the knowledge of the licensed exchange or licensed market operator, or any of its officers or employees; and
- (b) Is in possession of the licensed exchange or licensed market operator, or any of its officers or employees.

### MAE-2.6.2

Paragraph MAE-2.6.1 does not apply to:

- (a) The disclosure of user information for such purposes, or in such circumstances as the CBB may prescribe;
- (b) Any disclosure of user information which is authorised by the CBB to be disclosed or furnished; or
- (c) The disclosure of user information pursuant to any requirement imposed under any law or order of court in the Kingdom of Bahrain.

### MAE-2.6.3

For the avoidance of doubt, nothing in this Section shall be construed as preventing a licensed exchange or licensed market operator from entering into a written agreement with a user which obliges the licensed exchange or licensed market operator to maintain a higher degree of confidentiality than that specified in this Section.





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## MAE-2.7 Exceptions to Obligation to Maintain Confidentiality

- MAE-2.7.1 The obligation to maintain confidentiality shall not apply to the disclosure of user information by a licensed exchange or licensed market operator, or its officers or employees for the following purposes or in the following circumstances:
- (a) The disclosure of user information is necessary for the making of a complaint or report under any law for an offence alleged or suspected to have been committed under such law;
  - (b) The disclosure of user information is permitted for such purpose specified in writing by the user or, where the user is deceased, by his appointed personal representative;
  - (c) The disclosure of user information is necessary for the execution by the licensed exchange or licensed market operator of a transaction in any securities or futures contracts or clearing or settlement of a transaction and such disclosure is made only to another user which is:
    - (i) A party to the transaction; or
    - (ii) A member of a licensed exchange or licensed market operator, or a designated clearing house through which that transaction is executed, cleared or settled;
  - (d) The disclosure of user information is necessary:
    - (i) .In any disciplinary proceedings of the licensed exchange or licensed market operator, provided that reasonable steps are taken to ensure that user information disclosed to any third person is used strictly for the purpose for which the user information is disclosed; or
    - (ii) For the publication, in any form or manner, of the disciplinary proceedings and the outcome thereof;
  - (e) The user information disclosed is already in the public domain;
  - (f) The disclosure of user information is made in connection with:
    - (i) The outsourcing or proposed outsourcing of any function of the licensed exchange or licensed market operator to a third party;
    - (ii) The engagement or potential engagement of a third party by the licensed exchange or licensed market operator to create, install or maintain systems of the licensed exchange or licensed market operator; or
    - (iii) The appointment or engagement of an auditor, a lawyer, a consultant or other professional by the licensed exchange or licensed market operator under a contract for service;
  - (g) The disclosure of user information is necessary in:
    - (i) An application for a grant of probate or letters of administration or the resealing thereof in relation to the estate of a deceased user; or
    - (ii) The administration of the estate of a deceased user, including such disclosure as may be required for this purpose by the relevant authority; or
  - (h) The disclosure of user information is made in connection with:
    - (i) In the case where the user is an individual, the bankruptcy of a user; or
    - (ii) In the case where the user is a body corporate, the winding up or receivership of a user.

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## MAE-2.7 Exceptions to Obligation to Maintain Confidentiality (continued)

**MAE-2.7.2** Where user information is disclosed under MAE-2.7.1 (f), the licensed exchange or licensed market operator shall:

- (a) Maintain a record of the circumstances relating to the disclosure of user information referred to in MAE-2.7.1 (f); and the particulars of:
  - (i) In the case of the disclosure of information under MAE-2.7.1 (f), the outsourcing of the function of the licensed exchange;
  - (ii) In the case of the disclosure of information under MAE-2.7.1 (f), the engagement of the third party; and
  - (iii) In the case of the disclosure of information under MAE-2.7.1 (f), the appointment or engagement of the auditor, lawyer, consultant or other professional and make that record available for inspection by the CBB;
- (b) Disclose the user information only insofar as this is necessary for the relevant purpose; and
- (c) Take reasonable steps to ensure that the user information disclosed is used by the person to whom the disclosure is made strictly for the relevant purpose, and that the user information is not disclosed by that person to any other person except with the consent of the licensed exchange or licensed market operator.

MAE-2.7.3 Where disclosure of user information is permitted to be made for any purpose or in any circumstance under Paragraph MAE-2.7.1 to a body corporate, the user information may be disclosed only to those officers of the body corporate to whom the disclosure is necessary for the relevant purpose.

MAE-2.7.4 In Paragraphs MAE-2.7.2 and MAE-2.7.3, “relevant purpose” means:

- (a) In the case of the disclosure of information under Paragraph MAE-2.7.1 (f), facilitating the outsourcing of the function of the licensed exchange or licensed market operator;
- (b) In the case of the disclosure of information under Paragraph MAE-2.7.1 (f), facilitating the engagement of the third party; and
- (c) In the case of the disclosure of information under Paragraph MAE-2.7.1 (f), facilitating the appointment or engagement of the auditor, lawyer, consultant or other professional.

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## MAE-2.8 Provision of Information to Investors

### MAE-2.8.1

A licensed exchange or licensed market operator shall:

- (a) Make available upon request by; or
- (b) Publish in a manner that is accessible to, any investor who accesses or potential investor who may access, any market that the licensed exchange or licensed market operator operates information on:
  - (i) All services of the licensed exchange or licensed market operator;
  - (ii) All products available on the market operated by the licensed exchange or licensed market operator;
  - (iii) Applicable fees and charges;
  - (iv) Applicable margin requirements; and
  - (v) Any arrangement that may be in place to compensate an investor who suffers pecuniary loss as a result of these activities or insolvency of a participant of the licensed exchange or licensed market operator.

### MAE-2.8.2

In Paragraph MAE-2.8.1 “investor” means:

- (a) In the case where the licensed exchange is incorporated in Bahrain, any investor, whether in Bahrain or elsewhere; and
- (b) In the case of licensed market operators, any investor in Bahrain.

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## MAE-2.9 Transmission and Storage of User Information

**MAE-2.9.1** A licensed exchange or licensed market operator shall take all reasonable measures to maintain the integrity and security of the transmission and storage of user information.



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## MAE-2.10 Business Continuity Plan

**MAE-2.10.1** A licensed exchange or licensed market operator shall maintain at all times a plan of action (referred to in this regulation as a business continuity plan) setting out the procedures and establishing the systems necessary to restore fair, orderly and transparent operations of any market it operates, in the event of any disruption to the operations of the market.

MAE-2.10.2 A licensed exchange or licensed market operator shall review the procedures and systems referred to in MAE-2.10.1 on such regular basis as may be specified in the business continuity plan.

MAE-2.10.3 A licensed exchange or licensed market operator shall immediately notify the CBB of any activation of its business continuity plan and of any action taken or intended to be taken to restore fair, orderly and transparent operations of any market it operates.

MAE-2.10.4 A licensed exchange or licensed market operator shall, within 14 days or such longer period as the CBB may permit, inform the CBB of any material change to the business continuity plan, and shall submit at the request of the CBB, a copy of the new plan to the CBB.

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## MAE-2.11 Obligations of Crowdfunding Platform Operators

**MAE-2.11.1** The content of MAE-2.11 and MAE-2.12 of this Module applies to crowdfunding platform operators licensed under CBB Rulebook Volume 5 (Ancillary Service Providers) undertaking equity crowdfunding activities.

**MAE-2.11.2** A crowdfunding platform operator must, in respect of market it operates:

- (a) Carry out a due diligence exercise on prospective equity crowdfunding issuers planning to use its platform;
- (b) Monitor and ensure compliance of its rules;
- (c) Carry out investor education programmes;
- (d) Ensure the equity crowdfunding offering statement lodged with the crowdfunding platform operator is verified for accuracy and made accessible to investors through the platform;
- (e) Upon approval granted to an equity crowdfunding issuer to make an equity crowdfunding offer, immediately notify the CBB and file a copy of the following documents with the Capital Market Supervision Directorate:
  - (i) A letter of approval from the crowdfunding platform operator clearly mentioning that the equity crowdfunding issuer's application has been verified and approved, and that the crowdfunding offer adheres to the CBB Law, rules and regulations and any other applicable law, rules and regulations;
  - (ii) A copy of the equity crowdfunding offering statement filed by the equity crowdfunding issuer; and
  - (iii) Any amendments to the equity crowdfunding offering statement filed by the equity crowdfunding issuer.
- (f) Inform investors of any material adverse change to the crowdfunding issuer's proposal as set out under Paragraph MAE-2.11.4;
- (g) Ensure that the fundraising limit imposed on an equity crowdfunding issuer is not breached;
- (h) Enter into a signed written agreement with an equity crowdfunding issuer with all applicable terms and conditions. The crowdfunding platform operator and the equity crowdfunding issuer must fulfil all obligations in their respective capacities in accordance with the signed written agreement.
- (i) Ensure that adequate policy for identifying and managing the risk of fraud by equity crowdfunding issuer that, at the minimum:

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### MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

- (i) checks, against information that is readily accessible and information that is otherwise available to the public, the identity of the issuer and information provided by the issuer relating to the identity and satisfy the “fit and proper” requirements of its directors and senior managers; and
- (ii) excludes an equity crowdfunding issuer from using the crowdfunding platform if :
  - A. It is not satisfied as to the identity of the equity crowdfunding issuer or of the equity crowdfunding issuer directors and senior managers; or
  - B. Has reason to believe that any of the equity crowdfunding issuer’s directors or managers do not meet the “fit and proper” requirements. In assessing a person’s fitness and propriety, a crowdfunding platform operator must consider previous professional and personal conduct including whether directors or managers has been convicted of offence involving fraud, dishonesty, or has been disqualified by a court, regulator or other competent body as a director or as a manager of a corporation, or has been subject of any disciplinary proceedings, investigation or fines by any government authority, regulatory agency or professional body or association; or
  - C. Has reason to believe that the equity crowdfunding issuer is not likely to comply with the obligations imposed on it under the equity crowdfunding platform services.
- (j) Appoint a Money Laundering Reporting Officer (MLRO) and comply with the requirements of Module FC of the CBB Rulebook Volume 5 in respect of Anti-Money Laundering and Combating Financial Crime requirements;
- (k) Establish effective systematic internal procedures for establishing and verifying the identity of investors and the source of their funds and must undertake investors due diligence (KYC) including FATCA report. Such procedures must be set out in writing and strictly adhered to.
- (l) Establish a framework which sets out policies and procedures to effectively and efficiently manage conflicts of interest and the need to have fair, orderly, and transparent systems and procedures to carry out its functions. Such conflicts must be managed in a timely manner.

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### MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

- (m) Ensure that its business activities is restricted to arranging deals by bringing together equity crowdfunding issuers and investors. It must not provide any investment advice to investors.
- (n) The board members, shareholders, management and their close family members:
  - (i) Must not holds any shares or invest in whatever form, in any of the equity crowdfunding issuers hosted on its platform;
  - (ii) Must not pay any referrer or introducer, or receive payment in whatever form, including payment in the form of shares, in connection with an equity crowdfunding issuer hosted on its platform; and
  - (iii) Must not provide any financial assistance to investors to invest in shares of an equity crowdfunding issuer hosted on its platform.
- (o) Must not invest in an equity crowdfunding offer to the extent that it operates a crowdfunding platform. In order to undertake investment in crowdfunding issues, a crowdfunding platform operator must obtain a separate license from the CBB for investment activities and also disclose conflicts of interests that may arise between its interest and those of its clients.
- (p) Have an adequate policy (a fair dealing policy) for excluding an equity crowdfunding issuer from using the crowdfunding platform if the provider has information that gives it reason to believe that the equity crowdfunding issuer, in relation to any dealing in shares has:
  - (i) engaged in conduct that is misleading or deceptive or likely to mislead or deceive; or
  - (ii) made a false or misleading representation; or
  - (iii) made an unsubstantiated representation
- (q) Ensure cyber-security at all times including the conduct of IT security penetration testing semi-annually by an independent consultant.
- (r) Maintain relevant systems in place for mitigating and managing operational and other risks.



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### MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

- (s) Subsequent to an equity crowdfunding offer, the crowdfunding platform operator must submit to the CBB the results of the crowdfunding offer, including an allotment report, within 7 calendar days from the closing date of the offer period.
- (t) Ensure that entities engaged in real estate projects comply with applicable real estate laws;
- (u) Provide frequent updates on its platform regarding the progress of an equity crowdfunding offer meeting the offer size.
- (v) Notify the CBB on the progress of an equity crowdfunding offer towards meeting the offer size within 2 calendar days after reaching 50% and 80% of the offer size.
- (w) Must be a member of the Bahrain Credit Reference Bureau.

**MAE-2.11.3** The scope of the due diligence exercise by a crowdfunding platform operator, referred to in Paragraph MAE- 2.11.2(a), must include taking reasonable steps including but not limited to:

- (a) Conduct background checks on the equity crowdfunding issuer to ensure “fit and proper” requirements are met by the issuer, its board of directors, senior management and controlling owner; and
- (b) Verify that the equity crowdfunding offering statement, lodged by the equity crowdfunding issuer, does not contain information that is false or misleading, in its opinion does not prejudice the interests of present or future investors and does not omit any material information.

MAE-2.11.4 For the purpose of Paragraph MAE-2.11.2(f), a material adverse change concerning the equity crowdfunding issuer, may include any of the following matters:

- (a) The discovery of a false or misleading statement in the equity crowdfunding offering statement in relation to the equity crowdfunding offer; or
- (b) The discovery of a material omission of information required to be included in the equity crowdfunding offering statement; or
- (c) There is a material change or development in the circumstances relating to the equity crowdfunding offer or the equity crowdfunding issuer.



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## MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

### *Appointment of Shari'a Advisor*

**MAE-2.11.5** For the purposes of Islamic equity crowdfunding offers, crowdfunding platform operators must appoint an independent Shari'a advisor. The appointed Shari'a advisor must be a person or a corporation.

**MAE-2.11.6** The appointed Shari'a advisor must advise the equity crowdfunding issuer on all aspects of the Islamic equity crowdfunding offer, including documentation, structuring, investment, as well as other administrative and operational matters in relation to the Islamic equity crowdfunding offer, and ensure compliance with applicable Shari'a principles.

**MAE-2.11.7** The crowdfunding platform operator must disclose the name of the Shari'a advisor appointed to advise on the Islamic equity crowdfunding offer and information relating to the structure of the Islamic equity crowdfunding offer.

**MAE-2.11.8** The Shari'a advisor must produce and sign a Shari'a pronouncement report or declaration that the equity crowdfunding offer is in compliance with the principles of Shari'a and include the report in the equity crowdfunding offering statement which is submitted to the crowdfunding platform operator.

**MAE-2.11.9** The equity crowdfunding issuer is responsible for the compliance of the issue with Shari'a principles. The Shari'a advisor's role does not release equity crowdfunding issuer's management from their responsibility in ensuring such compliance.

### *Type of Securities Eligible for Hosting*

**MAE-2.11.10** Ordinary shares fully paid and free from all encumbrances of closed, private, family companies, start-up, small and medium size companies and real estate projects are eligible for hosting on a crowdfunding platform.

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## MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

**MAE-2.11.11** In order to approve a real estate equity crowdfunding offer, a crowdfunding platform operator must ensure that real estate projects comply with the following additional requirements;

(a) The real estate project must be duly incorporated and registered with relevant authority in respective jurisdiction.; and

(b) The real estate project must be an income producing (rental income, leasing etc.) project or property and the intended uses may be for commercial and/or dwelling purpose.

### *Permitted Equity Crowdfunding Issuers*

**MAE-2.11.12** An equity crowdfunding issuer must be a duly incorporated entity under the law of the Kingdom of Bahrain, or in case of overseas equity crowdfunding issuer, under the law of its place of incorporation.

**MAE-2.11.13** The following entities are prohibited from raising funds through a crowdfunding platform operator:

- (i) Commercially or financially complex structures (i.e. investment fund companies or financial institutions);
- (ii) Public-listed companies and their subsidiaries;
- (iii) Companies with no specific business plan or its business plan is to merge or acquire an unidentified entity (i.e. blind pool);
- (iv) Companies with paid-up share capital exceeding BD250,000 or equivalent amount in other currency; and
- (v) Any other type of entity that is specified by the CBB.

**MAE-2.11.14** An equity crowdfunding issuer must not be allowed to be hosted concurrently on multiple crowdfunding platforms.

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## MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

### *Overseas Equity Crowdfunding Issuers*

**MAE-2.11.15** The equity crowdfunding requirements for locally incorporated equity crowdfunding issuers shall apply equally to overseas equity crowdfunding issuers.

**MAE-2.11.16** An overseas equity crowdfunding issuer must provide the following additional information, documents along with the equity crowdfunding offering statement;

- (a) A copy of the home market's relevant laws, rules and regulations that show no restrictions are imposed for making an equity crowdfunding offer;
- (b) A copy of necessary approval from the home regulator;
- (c) Confirmation that it shall adhere to the general requirements as well as with the additional requirements, as stipulated in this Module;
- (d) The applicable governing law and specify the various risk factors associated with cross border transactions; and
- (e) The necessary share registrar arrangements with the crowdfunding platform operator.

### *Limits to Funds Raised*

**MAE-2.11.17** The following limits shall apply to an equity crowdfunding issuer being hosted on a crowdfunding platform, except where, subject to the CBB's prior written approval, the funding raised is to be used for a Government of Bahrain-led initiative/project:

- (a) Equity crowdfunding issuer, excluding entities engaged in real estate projects, can raise up to BD 250,000 or equivalent amount in other currency within a 12-month period, irrespective of the number of projects an equity crowdfunding issuer may seek funding for during the 12-month period; and
- (b) Equity crowdfunding issuer who qualify as entity engaged in real estate projects can raise up to BD 500,000 or equivalent amount in other currency within a 12-month period, irrespective of the number of projects an equity crowdfunding issuer may seek funding for during the 12-month period;

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## MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

### *Eligible Investors and Investment Limits*

**MAE-2.11.18** Only accredited investors and expert investors are eligible to register with a crowdfunding platform operator and participate in an equity crowdfunding offer.

**MAE-2.11.19** [This Paragraph was deleted in January 2019].

**MAE-2.11.20** A crowdfunding platform operator must ensure that registered expert investors comply with the applicable investment limits and on identification of any breach of applicable investment limit, report such breach to the CBB.

**MAE-2.11.21** Expert investors must submit to crowdfunding platform operator a “self- declaration form” confirming that their investment is within the applicable investment limit.

### *Disclosure Requirements*

**MAE-2.11.22** A crowdfunding platform operator must disclose and display prominently on its platform, any relevant information relating to equity crowdfunding including:

- (a) Information relating to equity crowdfunding issuer as specified under Section MAE-2.12;
- (b) Investor education materials and appropriate risk disclosure;
- (c) Information on how to facilitates the investor’s investment including providing communication channels to permit discussions about equity crowdfunding issuers hosted on its platform;
- (d) General risk warning in participating in equity crowdfunding;
- (e) Information on rights of investor relating to participation in equity crowdfunding;

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## MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

### MAE-2.11.22 Continued

- (f) Information about complaints handling or dispute resolution and its procedures;
- (g) Fees, charges and other expenses that it may charge to, impose on an equity crowdfunding issuer or investor; and
- (h) Information on processes and contingency arrangement in the event the crowdfunding platform operator is unable to carry out its operations or cessation of business.

MAE-2.11.23 A crowdfunding platform operator must immediately notify to the CBB of any non-compliance with CBB Law, rules and regulations and other applicable law, rules and regulations, money laundering, fraud or other dishonest conduct involving the crowdfunding platform operator, investor or equity crowdfunding issuer.

#### *Warning Statement*

MAE-2.11.24 A crowdfunding platform operator must ensure that a warning statement is prominently displayed on the home page of its website. The warning statement must be in the following form;

“Warning statement about equity crowdfunding

Equity crowd funding is risky.

Equity crowdfunding issuers using this equity crowdfunding platform includes closed, private, family companies, start-up and small and medium size companies incorporated in the Kingdom of Bahrain or elsewhere and entities engaged in real estate projects in the Kingdom of Bahrain or elsewhere.

Investment in these types of businesses is very speculative and carries high risks. You may lose your entire investment, and must be in a position to bear this risk without undue hardship.

The CBB Law, Rules and Regulations normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision.



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## MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

**MAE-2.11.24** continued

The usual rules do not apply to crowdfunding offer by equity crowdfunding issuers using this equity crowdfunding platform. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

Ask questions, read all information given carefully, and seek independent financial advice before committing yourself.”

**MAE-2.11.25** A crowdfunding platform operator:

- (a) Must obtain from each investor, a confirmation to the following effect:
- (i) “I confirm that I have seen the warning statement about equity crowd funding and—
  - (ii) I understand that equity crowd funding is risky and I may lose my entire investment; and
  - (iii) I confirm that I could bear that loss without suffering undue hardship;
  - (iv) I understand that the usual legal protections do not apply to this investment; and
  - (v) I understand that I may not be given the same information as is usually required by the CBB Law, Rules and Regulations for investments.”
- (b) Must obtain the “warning statement confirmation” referred to in Paragraph MAE-2.11.25(a) in writing in a separate document or, if it is obtained by electronic means, through a process by which it is obtained separately from the investor agreement to use the service.
- (c) Must obtain the warning statement confirmation before the investor is authorised to use the service.

### *Investor Agreement*

**MAE-2.11.26** A crowdfunding platform operator must enter into a written agreement (investor agreement) with each investor before the investor is authorized to use the service.



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## MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

**MAE-2.11.27** The investor agreement referred to in Paragraph MAE-2.11.26 must include:

- (a) How investors and equity crowdfunding issuers apply for, and obtain, access to the facility and the eligibility criteria that apply in each case;
- (b) How shares are issued and allotted;
- (c) How investor money is received and dealt with;
- (d) The nature, extent, and frequency of monitoring the performance of the equity crowdfunding issuer by the crowdfunding platform operator;
- (e) The charges that may be payable to the crowdfunding platform operator by an investor and when the investor must pay the charges; and
- (f) The warning statement referred to in Paragraph MAE-2.11.24.

### *Investor Money*

**MAE-2.11.28** A crowdfunding platform operator must:

- (a) Establish systems and controls for maintaining accurate and up-to-date records of investors' monies held;
- (b) Ensure that investors' monies are properly safeguarded from inappropriate use;
- (c) Subscription monies received in respect of an equity crowdfunding offer must be held in a separate bank account with a licensed retail bank based in Kingdom of Bahrain;
- (d) Designate a separate bank account for each issue of equity crowdfunding offer. The name of the designated bank must be provided to investors as part of information relating to equity crowdfunding issuer specified under Paragraph MAE-2.11.22(a).
- (e) Hold subscription monies received in respect of crowdfunding offer in the designated separate bank account held with a licensed retail bank, until the final allotment of shares has been approved by the crowdfunding platform operator.





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## MAE-2.11 Obligations of Crowdfunding Platform Operator (continued)

**MAE-2.11.28** Release the fund to the equity crowdfunding issuer after the following conditions are met:

- (i) The equity crowdfunding offer confirms to minimum subscription requirement and conditions regarding unsubscribed portion of an equity crowdfunding offer stipulated under Paragraphs MAE-2.12.7 and MAE-2.12.8; There is no material adverse change relating to the equity crowdfunding offer during the offer period; and
- (ii) In the event of non-receipt of minimum subscription, all investors monies received must be refunded to the investors forthwith, but no later than 7 calendar days from the closing date of the equity crowdfunding offer.

MAE-2.11.29 The crowdfunding platform operator, subject to the approval of the CBB, may impose any other additional conditions before releasing the fund specified in Paragraph MAE-2.11.28, provided that they serve the investors' interest.

### *Cooling-off Period*

**MAE-2.11.29A** Crowdfunding platform operators must allow persons (whether natural or legal) who commit to invest through a crowdfunding platform, a minimum of 48 hours from the time the commitment is made, to withdraw the commitment. No fee or penalty must be charged to such persons if a commitment is withdrawn.

### *Segregation of Client Assets*

**MAE-2.11.30** A crowdfunding platform operator must maintain sufficient systems and procedures in respect of the handling of clients' money and assets, including but not limited to the requirement of maintaining books and records, segregation of the clients' money and assets and the risk management and internal controls systems to address this requirement.

**MAE-2.11.31** A crowdfunding platform operator must hold client assets separate from its own at all times. The crowdfunding platform operator must, in connection with any clients' assets and funds received in the course of their business, establish and maintain separate client accounts, segregated from those used for their own accounts.

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## MAE-2.11 Obligations of Crowdfunding Platform Operator (continued)

### *Client Money*

**MAE-2.11.32** A crowdfunding platform operator must hold client money in a separate client bank account. Client bank accounts may only be opened with banks licensed to do business in the Kingdom of Bahrain.

### *Record-keeping*

**MAE-2.11.33** A crowdfunding platform operator must ensure that proper records, sufficient to show and explain the crowdfunding platform operator's transactions and commitments in respect of its client assets are kept. These records must be retained for a period of a minimum of 10 years after they were made, unless otherwise required by law.

### *Compliance*

**MAE-2.11.34** A crowdfunding platform operator that hold or control client assets must arrange for their external auditor to report on the crowdfunding platform operator's compliance with the requirements related to the holding and segregation of the client's assets requirements.

**MAE-2.11.35** The report referred to under Paragraph MAE-2.11.34 must be in line with the Agreed Upon Procedure provided by the CBB, and must be submitted to the CBB immediately whenever such report contains serious deficiencies and on a regular basis within 60 calendar days of the crowdfunding operator's financial year end.

### *Share Register*

**MAE-2.11.36** A crowdfunding platform operator must:

- (a) Establish a framework which sets out policies and procedures to perform the function of creation, maintenance and update of the share register;



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## MAE-2.11 Obligations of Crowdfunding Platform Operator (continued)

**MAE-2.11.36** Continued.

- (b) Must provide the CBB on request as well as on a quarterly basis, a summary of the list of investors they maintain in the form required by the CBB; and
- (c) Be responsible for any loss or damage to the investor due to any inaccurate information or entries made in the share register.

MAE-2.11.37 The CBB may, by notice in writing, issue a direction to the crowdfunding platform operator, the board, chief executive, controller or any other person regarding—

- (a) Compliance with the requirements of the CBB Law, Rules and Regulations;
- (b) The conduct of business or operations of the equity crowdfunding market;
- (c) The appointment or removal of the approved persons;
- (d) Fees payable;
- (e) Restrictions on the types of investors or participants who may have access to an equity crowdfunding market;
- (f) The capital market products or Islamic capital market products that may be hosted on equity crowdfunding market;
- (g) The services that may be offered;
- (h) The requirement to notify the CBB of any changes to the equity crowdfunding platform operator's business;
- (i) The requirement to submit periodic reports to the CBB;
- (j) The requirement to maintain relevant records;
- (k) The requirement to submit to the CBB for its approval, any proposed rules or any proposed amendment to existing rules of the equity crowdfunding market; and
- (l) Any other matter as the CBB considers necessary for the protection of investor or the proper functioning of an equity crowdfunding market.

MAE-2.11.38 The CBB may, at any time, by notice in writing to a crowdfunding platform operator, vary any condition or restriction or impose such further condition or restriction as it may deem fit.

**MAE-2.11.39** A crowdfunding platform operator must ensure that an equity crowdfunding issuer adheres to the requirements of equity crowdfunding offer as stipulated under Section MAE-2.12.

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## MAE-2.12 Equity Crowdfunding Offer

**MAE-2.12.1** An equity crowdfunding issuer making an equity crowdfunding offer must comply with the rules stated under Section MAE-2.12 and is exempted from such requirements under Module OFS whereby requisite permission for public offering of equity securities is made to and approved by the CBB.

**MAE-2.12.2** Equity crowdfunding offer must be exclusively made through a crowdfunding platform. An application for equity crowdfunding offer must only be made to and approved by a crowdfunding platform operator.

**MAE-2.12.3** In order for the CBB to regard an offer as an equity crowdfunding offer, the equity crowdfunding issuer must meet the following conditions:

- (a) It must be a closed, private, family companies, entities engaged in real estate projects, start-up and small and medium size companies, incorporated either in Kingdom of Bahrain or elsewhere;
- (b) Ordinary shares fully paid and free from all encumbrances are issued as part of the offer;
- (c) The total amount raised from such offers within a 12 month period must not exceed BD 250,000, or equivalent amount in other currency, irrespective of the number of projects an equity crowdfunding issuer may seek funding for during the 12-month period. This limit is not applicable for entities engaged in real estate projects;
- (d) Entities engaged in real estate projects can raise up to BD 500,000, or equivalent amount in other currency, within a 12-month period, irrespective of the number of projects an equity crowdfunding issuer may seek funding for during the 12-month period;
- (e) Such offer is made only to accredited investors and/or expert investors; and
- (f) The use of the proceeds from equity crowdfunding offer must be for undertaking proposed business activities disclosed in the equity crowdfunding offering statement.

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## MAE-2.12 Equity Crowdfunding Offer (continued)

### *Equity Crowdfunding Offering Statement Disclosure*

#### MAE-2.12.4

An equity crowdfunding issuer proposing to make an equity crowdfunding offer must submit an equity crowdfunding offering statement with all relevant information to the crowdfunding platform operator including the following:

- (a) The first page of the equity crowdfunding offering statement must contain the following particulars:
  - (i) Full name and registration number of the equity crowdfunding issuer;
  - (ii) Number and amount of ordinary shares to be offered:  
Face or par value of the ordinary shares;
  - (iii) Offer Price
  - (iv) Minimum Subscription limit; and
  - (v) Standard disclaimer statement, written in capital letters and box framed, as follows:

THIS OFFER DOES NOT CONSTITUTE AN OFFER OF SECURITIES IN THE KINGDOM OF BAHRAIN IN TERMS OF ARTICLE (81) OF THE CENTRAL BANK AND FINANCIAL INSTITUTION LAW 2006 (DECREE LAW NO. 64 OF 2006). THIS OFFER IS MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION OFS-1.4.1(e) OF MODULE OFS, CBB RULEBOOK VOLUME-6. THIS EQUITY CROWDFUNDING OFFERING STATEMENT AND RELATED OFFERING DOCUMENTS HAVE NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE CENTRAL BANK OF BAHRAIN (CBB). THE CBB HAS NOT REVIEWED, APPROVED OR REGISTERED THE EQUITY CROWDFUNDING OFFERING STATEMENT OR RELATED OFFERING DOCUMENTS AND IT HAS NOT IN ANY WAY CONSIDERED THE MERITS OF THE SECURITIES TO BE OFFERD FOR INVESTMENT, WHETHER IN OR OUTSIDE THE KINGDOM OF BAHRAIN.

THE CENTRAL BANK OF BAHRAIN ASSUME NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE EQUITY CROWDFUNDING OFFERING STATEMENT AND INFORMATION CONTAINED IN THIS DOCUMENT AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS DOCUMENT

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## MAE-2.12 Equity Crowdfunding Offer (continued)

- (vi) Standard risk disclosure statement, written in capital letter and box framed, as follows:

COMPANIES HOSTED ON EQUITY CROWDFUNDING PLATFORMS MAY CARRY HIGHER RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED COMPANIES LISTED ON LICENSED EXCHANGES. IN PARTICULAR, COMPANIES MAY HOST ON EQUITY CROWDFUNDING PLATFORMS WITHOUT A TRACK RECORD OF PROFITABILITY AND THERE IS NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN EQUITY SECURITIES HOSTED ON EQUITY CROWDFUNDING PLATFORMS. YOU SHOULD BE AWARE OF THE RISK OF INVESTING IN SUCH COMPANIES, INCLUDING THE RISK OF LOSING ALL OF YOUR INVESTMENT, AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND, IF APPROPRIATE, CONSULTATION WITH YOUR PROFESSIONAL ADVISER(S)

- (vii) If not disclosed on the front cover, the document should include on the inside cover the following declaration by those responsible for it (usually the Directors of the equity crowdfunding issuer):

THE DIRECTORS OF THE COMPANY, WHOSE NAMES APPEAR HEREIN, ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THE DOCUMENT.

- (b) Information that explains the nature of business, key characteristics of the company and relevant risk factors;
- (c) Information that explains the purpose of the fund raising, the offer size and the closing date;
- (d) The price to the investors and the method for determining the price;
- (e) Information relating to the business plan of the company;
- (f) Information about management, directors and owners of 5 percent or more of the issue;

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## MAE-2.12 Equity Crowdfunding Offer (continued)

- (g) Related-party transactions;
- (h) The basis of allotment must be clearly stated and all investors must be treated equally in all aspect and in accordance with allotment basis;
- (i) Financial information relating to the company:
  - (i) Audited financial statements of the company where the equity crowdfunding issuer has been established for at least 12 months; and
  - (ii) Certified financial statements or information by the issuer's management where the equity crowdfunding issuer is newly established (less than 12 months period);
- (j) A roadmap that includes the proposed exit channels for investors and number of year to planned exit;
- (k) Disclose the fees that the crowdfunding platform operator is charging for its services and other expenses related to the equity crowdfunding offer; and
- (l) Where the equity crowdfunding issuer makes an Islamic crowdfunding offer, a copy of Shari'a Pronouncement report that the transaction is in compliance with the principles of Shari'a;
- (m) Information regarding the option to be availed in event of the equity crowdfunding offer is not fully subscribed but meets the minimum subscription requirement of 80%:
  - (i) All monies shall be refunded to investors; or
  - (ii) Provide details of the means by which the shortfall in subscription money shall be funded
- (n) Applicable governing law;
- (o) In case of overseas equity crowdfunding issuers, various risk factors associated with cross border transactions;
- (p) The equity crowdfunding offering statement must be submitted in Arabic and/or English language.

- MAE-2.12.5** An equity crowdfunding issuer proposing to be hosted on a crowdfunding platform:
- (a) Must ensure that all information submitted or disclosed to the crowdfunding platform operator is true and accurate and shall not contain any information or statement which is false or misleading or from which there is a material omission;

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## MAE-2.12 Equity Crowdfunding Offer (continued)

- (b) Amend its equity crowdfunding offering statement to disclose changes, addition or update to information already furnished. An amendment is required for changes, addition or updates that are material;
- (c) Enter into a share subscription agreement with the investors. A share subscription agreement is an agreement between the investors and the equity crowdfunding issuer, under which each investor agrees to purchase ordinary shares fully paid and free from all encumbrances from the equity crowdfunding issuer pursuant to terms specified therein and the equity crowdfunding offering statement.

### *Offer Period*

**MAE-2.12.6** The offer period for an equity crowdfunding offer must not be less than 10 calendar days after the day of commencement of the offer and must not exceed a maximum period of 3 months.

### *Minimum Subscription*

**MAE-2.12.7** The minimum subscription to be received in an equity crowdfunding offer must not be less than 80% of the equity crowdfunding offer size. In the event of non-receipt of minimum subscription, all subscription monies received shall be refunded to the investors forthwith, but no later than 7 calendar days of the closing date of the equity crowdfunding offer.

**MAE-2.12.8** Where the equity crowdfunding offer is not fully subscribed but meets the minimum subscription requirement specified under Paragraph MAE-2.12.7, the equity crowdfunding issuer may either;

- (i) Seek transfer and utilization of funds collected, provided adequate disclosures regarding the means by which the shortfall in subscription money shall be funded, is made in the equity crowdfunding offering statement; or
- (ii) Refund all monies paid by investors in respect of the equity crowdfunding offer. The crowdfunding platform operator must refund the subscription money to investors no later than 7 calendar days from the closing date of the equity crowdfunding offer.



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## MAE-2.12 Equity Crowdfunding Offer (continued)

### *Investment Commitment*

**MAE-2.12.9** An investor that has signed the share subscription agreement with the equity crowdfunding issuer must contribute their committed

Investment into the designated separate bank account held with a licensed retail bank no later than the closing date of subscription period.

**MAE-2.12.10** An investor may cancel or amend an investment commitment until the end of the closing date of subscription period.

**MAE-2.12.11** If there is any material adverse change, an equity crowdfunding issuer must notify of such change to potential investors and seek a reconfirmation of investment commitment.

### *Oversubscription*

**MAE-2.12.12** If an equity crowdfunding offer is over-subscribed after the closing of the offering period, the equity crowdfunding issuer must make allotment in accordance with the pre-determined basis which must be described in the equity crowdfunding offering statement. No allotment shall be made by the equity crowdfunding issuer in excess of the offer size stated in the equity crowdfunding offering statement.

### *Allotment, Dispatch and Refund*

**MAE-2.12.13** An equity crowdfunding issuer must allot or allocate, in accordance with the allotment basis stipulated in the equity crowdfunding offering statement, ordinary shares within 4 calendar days from closing date.

**MAE-2.12.14** The equity crowdfunding issuer must refund the excess subscription money and dispatch ordinary shares within a maximum of 7 calendar days from the closing date.

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## MAE-2.12 Equity Crowdfunding Offer (continued)

### *Reporting Requirements*

**MAE-2.12.15** An equity crowdfunding issuer must provide on a semi-annual basis, to its investors, the crowdfunding platform operator on which it is hosted and the CBB a performance progress report. The semi-annual report is to be provided as of 30th June and 31st December and must be provided to the investors, the crowdfunding platform operator and the CBB within three months of the reporting period.

**MAE-2.12.16** Equity crowdfunding issuers, other than entities engaged in real estate projects, must provide the following information in the report required under Paragraph MAE-2.12.15:

- (i) Update of development at company:
  - (a) Report on any strategic or organizational changes since last report.
  - (b) Business review and future plans.
- (ii) Disclosure of financial result: Reviewed quarterly or audited annual financial statements.
- (iii) Information about the board members and members of senior management.
- (iv) Litigation or disputes: Disclosure of any claims brought against the equity crowdfunding issuer or any complaint brought by investors or any investigation by regulatory bodies against the concerned equity crowdfunding issuer, their directors and management.
- (v) Board Resolution: Briefing on resolutions passed by the board.
- (vi) Pledging or sale of assets of, or acquisition of additional debt by the equity crowdfunding issuer:
  - (a) Details of any charges or pledges created over the assets of the equity crowdfunding issuer, or sales of assets and whether such sales or pledges are consistent with the disclosure made in the original disclosure statement.
  - (b) Details of any additional debt facilities undertaken by the equity crowdfunding issuer and the amount drawn down.

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## MAE-2.12 Equity Crowdfunding Offer (continued)

**MAE-2.12.17** Equity crowdfunding issuers engaged in real estate projects, must provide the following information in the report required under Paragraph MAE-2.12.15:

- (i) Update of onsite development of projects:
  - A. Original development plan and its deliverables and milestones and any amendments thereon.
  - B. Report on physical progress made since last report.
  - C. Report on any official planning or other permission obtained or outstanding.
  - D. Next step and anticipated completion date.
- (ii) Utilisation of Proceeds: Report of amount spent during the preceding 6 months period and on a cumulative basis, and identification of the recipients of material amounts (10% or above) of such amount spent. This would include payments made to any related party of the equity crowdfunding issuer.
- (iii) Disclosure of financial result: Reviewed quarterly or audited annual financial statements.
- (iv) Information about the board members and members of senior management.
- (v) Litigation or disputes: Disclosure of any claims brought against the equity crowdfunding issuer or any complaint brought by investors or any investigation by regulatory bodies against the concerned equity crowdfunding issuer, their directors and management.
- (vi) Board Resolution: Briefing on resolutions passed by the board
- (vii) Pledging or sale of assets of, or acquisition of additional debt by the equity crowdfunding issuer:
  - A. Details of any charges or pledges created over the assets of the equity crowdfunding issuer, or sales of assets and whether such sales or pledges are consistent with the disclosure made in the original equity crowdfunding offering statement.
  - B. Details of any additional debt facilities undertaken by the equity crowdfunding issuer and the amount drawn down.

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<b>CHAPTER</b>	<b>MAE-2</b>	<b>Obligation of Licensed Exchanges, Market Operators and Crowdfunding Platform Operators</b>

## MAE-2.12 Equity Crowdfunding Offer (continued)

### *Limits on Advertising*

**MAE-2.12.18** An equity crowdfunding issuer must not advertise the terms of an equity crowdfunding offer except in a notice that directs investors to the crowdfunding platform and includes no more than the following information:

- (i) A statement that the equity crowdfunding issuer is conducting an equity crowdfunding offer pursuant to Section MAE-2.12 of Module MAE, CBB Rulebook Volume 6, the name of the crowdfunding platform operator through which the equity crowdfunding offer is being conducted, and a link directing the potential investor to the crowdfunding platform;
- (ii) The terms of the equity crowdfunding offer, which means the amount of ordinary shares offered, the nature of the ordinary shares, the price of the ordinary shares, and the closing date of the offering period; and
- (iii) Factual information about the legal identity and business location of the equity crowdfunding issuer, limited to the name of the equity crowdfunding issuer, the address, phone number, and website of the equity crowdfunding issuer, the e-mail address of a representative of the equity crowdfunding issuer, and a brief description of the business.

MAE-2.12.19 Advertising the terms of the equity crowdfunding offer off the crowdfunding platform is limited to a brief notice. However, an equity crowdfunding issuer may communicate with investors and potential investors about the terms of the equity crowdfunding offer through communication channels provided on the crowdfunding platform. An equity crowdfunding issuer must identify itself as the issuer and persons acting on behalf of the equity crowdfunding issuer must identify their affiliation with the equity crowdfunding issuer in all communications on the crowdfunding platform.

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## MAE-2.12 Equity Crowdfunding Offer (continued)

**MAE-2.12.20** The following statement, in bold, must be included in all advertisements specified under Paragraph MAE-2.12.19.

**“THIS EQUITY CROWDFUNDING OFFER IS MADE ONLY TO ACCREDITED INVESTORS AND/OR EXPERT INVESTORS. THE CBB HAS NOT ASSESSED, REVIEWED OR APPROVED THIS EQUITY CROWDFUNDING OFFER.”**



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-3 Rules of Licensed Exchanges

## MAE-3.1 General Obligations

MAE-3.1.1 The CBB may prescribe the matters that a licensed exchange or licensed market operator shall make provision for in the business rules or listing rules of the licensed exchange or licensed market operator and the licensed exchange or licensed market operator shall make provision for those matters in its business rules or listing rules, as the case may be.

**MAE-3.1.2** A licensed exchange or licensed market operator shall provide the business rules and listing rules in conformity with law and relevant CBB regulations or directives.

MAE-3.1.3 Any reference to an amendment to a business rule or listing rule shall be construed as a reference to a change to the scope of or to any requirement, obligation or restriction under the business rule or listing rule, as the case may be, whether the change is made by an alteration to the text of the rule or by any other notice issued by or on behalf of the licensed exchange or licensed market operator.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-3 Rules of Licensed Exchanges

## MAE-3.2 Content of Rules of Licensed Exchanges

### MAE-3.2.1

For the purposes of MAE-3.1.2, a licensed exchange or licensed market operator shall in its business rules or in its listing rules as the case may be, make provision to the satisfaction of the CBB for:

- (a) The criteria that it would use to determine the admission, or denial of admission, of persons to or from membership;
- (b) Continuing requirements for each member, including requirements:
  - (i) That prohibit or prevent the member from engaging in improper conduct when dealing as an agent for the customers of the member on any market operated by the licensed exchange or licensed market operator;
  - (ii) That prohibit or prevent the member from engaging in improper conduct when participating in any market operated by the licensed exchange or licensed market operator;
  - (iii) On the financial condition of the member such as to provide reasonable assurance that all obligations arising out of the activities of the member in any market operated by the licensed exchange or licensed market operator will be met;
  - (iv) That facilitate the monitoring by the licensed exchange or licensed market operator of the compliance of the member with the business rules of the licensed exchange or licensed market operator; and
  - (v) That provide for the expulsion, suspension or disciplining of members for conduct inconsistent with just and equitable principles in the transaction of business, or for a contravention of the business rules of the licensed exchange or licensed market operator;
- (c) The class or classes of securities or futures contracts that may be traded on any market operated by the licensed exchange or licensed market operator;
- (d) The terms and conditions under which securities may be listed for quotation by the licensed exchange;
- (e) The terms and conditions relating to the calculation of the final settlement price, the daily price limits and the accumulation of positions of futures contracts traded on any market operated by the licensed exchange or licensed market operator;

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<b>CHAPTER</b>	<b>MAE-3 Rules of Licensed Exchanges</b>

### MAE-3.2 Content of Rules of Licensed Exchanges (continued)

- (f) The manner in which trades in securities or futures contracts are effected on any market operated by the licensed exchange or licensed market operator;
- (g) Where the licensed exchange or licensed market operator operates a trading floor, fair and properly supervised floor trading practices;
- (h) The measures to prevent and deal with manipulation, market rigging and artificial market conditions in any market operated by the licensed exchange or licensed market operator;
- (i) The arrangements for the safe and efficient clearing and settlement of trades concluded on any market operated by the licensed exchange or licensed market operator;
- (j) The establishment of any compensation arrangement, or any other scheme or system accepted by the CBB, which would compensate any customer who suffers pecuniary loss through the defalcation of a member, or any of its directors, officers, employees or representatives, in respect of any money or other property:
  - (i) That was entrusted to or received by a member, or any of its directors, officers, employees, or representatives, for or on behalf of the customer; or
  - (ii) In respect of which the member was a trustee;
- (k) The dissemination of announcements by companies listed on any market operated by the licensed exchange or licensed market operator through a single and central facility; and
- (l) The carrying on of business of the licensed exchange or licensed market operator with due regard to the interests and protection of the investing public.





MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-3 Rules of Licensed Exchanges

### MAE-3.3 Amendment of Business Rules and Listing Rules

#### MAE-3.3.1

A licensed exchange or licensed market operator which intends to amend its business rules or listing rules shall, prior to making the amendment, notify the CBB of:

- (a) The proposed amendment;
- (b) The purpose of the proposed amendment; and
- (c) The date on which the proposed amendment is intended to come into force.

MAE-3.3.2 The licensed exchange shall, prior to notifying the CBB under MAE-3.3.1, consult its users and participants on the proposed amendment, unless the proposed amendment would have limited impact on its users and participants.

MAE-3.3.3 Provided however that on receipt of the notification, if CBB is of the opinion that the users and the participants would be impacted by the amendments, it may require the licensed exchange to consult its users and participants.

MAE-3.3.4 Subject to Paragraphs MAE-3.3.5 and MAE-3.3.7, an amendment shall not come into force unless the notification referred to in Paragraph MAE-3.3.1 is submitted at least 21 days before the date on which the amendment is proposed to come into force.

MAE-3.3.5 The CBB may, on its own initiative or on the application of the licensed exchange or licensed market operator, by notice in writing to the licensed exchange or licensed market operator, make or allow an amendment to come into force before the expiry of the period of 21 days referred to in Paragraph MAE-3.3.2.

MAE-3.3.6 The CBB may, subject to Paragraph MAE-3.3.7, within 21 days after the receipt of the notification referred to in Paragraph MAE-3.3.1, by notice in writing to the licensed exchange, disallow, alter or supplement the whole or any part of the proposed amendment and, thereupon such whole or part of the proposed amendment as the case may be:

- (a) Where it is disallowed, shall not come into force; or
- (b) Where it is altered or supplemented, shall come into force as altered or supplemented accordingly.

MAE-3.3.7 The CBB, may on its own initiative, by notice in writing to the licensed exchange or licensed market operator, vary the period specified in Paragraph MAE-3.3.6, and where the period in that paragraph is extended, the amendment shall not come into force before the expiry of the extended period.



<b>MODULE</b>	<b>MAE:</b>	<b>Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-3</b>	<b>Rules of Licensed Exchanges</b>

#### **MAE-3.4 Business Rules of Licensed Exchanges and Licensed Market Operators have Effect as Contract**

MAE-3.4.1 The business rules of a licensed exchange or licensed market operator shall be deemed to be, and shall operate as, a binding contract:

- (a) Between the licensed exchange or licensed market operator and each member; and
- (b) Between each member and every other member.

MAE-3.4.2 The licensed exchange or licensed market operator and each member shall be deemed to have agreed to observe and perform the provisions of the business rules that are in force for the time being, so far as those provisions are applicable to the licensed exchange or licensed market operator, or that member, as the case may be



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-3 Rules of Licensed Exchanges

## MAE-3.5 Determination of Position and Trading Limits

### MAE-3.5.1

The position and trading limits in respect of any security or contract including futures and options contracts traded by, through or with a member of a licensed exchange or licensed market operator which holds an appropriate license to trade such contracts, shall be determined from time-to-time by the licensed exchange or licensed market operator using such criteria or methodology as may be established by the licensed exchange or licensed market operator with the approval of the CBB.

MAE-3.5.2 The position and trading limits under Paragraph MAE-3.5.1 may include limits on a person holding or controlling positions, separately or in combination, net long or net short, for the purchase or sale of any securities or contracts, including futures or options contracts.

MAE-3.5.3 The licensed exchange or licensed market operator:

- (a) Shall require a person or any person acting for him pursuant to an express or implied agreement or understanding, who holds or controls net long or net short positions in any contract in excess of the position limits determined under Paragraph MAE-3.5.1, to trade under such conditions and restrictions as the licensed exchange or licensed market operator considers necessary to ensure compliance with the position limits determined under that Paragraph; and
- (b) May require the person referred to in MAE-3.5.3 (a) to do one or more of the following actions:
  - (i) Cease any further increase in his position;
  - (ii) Liquidate his position to comply with the position limits determined under Paragraph MAE-3.5.1 within such time as may be determined by the licensed exchange or licensed market operator; and
  - (iii) Be subject to higher margin requirements in respect of his position.



<b>MODULE</b>	<b>MAE:</b>	<b>Markets &amp; Exchanges Module</b>
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### **MAE-3.6 Non-Compliance with Business Rules or Listing Rules not to Substantially Affect Rights of Person**

MAE-3.6.1 Any failure by a licensed exchange or licensed market operator to comply with:

- (a) This Module;
- (b) Its business rules; or
- (c) Where applicable, its listing rules;

in relation to a matter shall not prevent the matter from being treated, for the purposes of this Module as done in accordance with the business rules or listing rules, so long as the failure does not substantially affect the rights of the person entitled to require compliance with the business rules or listing rules.



<b>MODULE</b>	<b>MAE:</b>	<b>Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-3</b>	<b>Rules of Licensed Exchanges</b>

## **MAE-3.7 Requirements to Register Trading Personnel**

MAE-3.7.1 The exchange shall make provision for the registration with the CBB of personnel having access to trading facilities or trading terminals and restricting access only to such registered personnel of the members.



<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-3 Rules of Licensed Exchanges</b>

## MAE-3.8 Compliance Officer

**MAE-3.8.1** Every licensed exchange or licensed market operator must appoint a Compliance Officer. The Compliance Officer is responsible for discharging the obligations of the licensed exchange or the licensed market operator.

MAE-3.8.2 In accordance with MAE-3.8.1:

- (a) The Compliance Officer ~~should~~ must be competent and knowledgeable regarding the CBB Laws, rules and regulations of the securities market and the various applicable modules;
- (b) The Compliance Officer shall:
  - (i) Monitor the transactions undertaken by their members or participants;
  - (ii) Identify disorderly trading conditions or conduct that may involve market abuse;
  - (iii) Identify and monitor transactions undertaken by insiders;
  - (iv) Identify any breach of CBB Law, rules and regulations;
- (c) The licensed exchange or the licensed market operator shall on the identification of any breach referred to in MAE-3.8.2 (b) report such breach to the CBB without delay for the investigation and prosecution of market abuse and shall provide full assistance to the latter in investigating and prosecuting market abuse occurring on or through the systems of the licensed exchange or licensed market operator.



<b>MODULE</b>	<b>MAE:</b>	<b>Markets &amp; Exchanges Module</b>
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## MAE-3.9 Outsourcing

MAE-3.9.1 The licensed exchange or the licensed market operator seeking to outsource functions or activities should have the following in place:

- (a) Comprehensive policy to guide the assessment of whether and how these functions or activities can be appropriately outsourced;
- (b) The Board shall have the responsibility for the outsourcing policy and related overall responsibility for activities undertaken under that policy;
- (c) The licensed exchange or the licensed market operator retains the ultimate responsibility for the functions or activities that are outsourced;
- (d) The licensed exchange or the licensed market operator must notify the CBB and seek its approval before committing to an outsourcing arrangement;
- (e) The licensed exchange or the licensed market operator must maintain and regularly review contingency plans to enable them to set-up alternative arrangements should the outsourcing provider fail;
- (f) The exchange must nominate a member of senior management with day-to-day responsibility for handling the relationship with the outsourcing provider and ensuring that relevant risks are addressed;
- (g) All the outsourcing contract must be legally enforceable;
- (h) A notice period of at least three months shall be required from the outsourcing party to terminate the contract; and
- (i) On termination all data pertaining to the licensed exchange or the licensed market operator shall be returned by the outsource provider to the licensed exchange or the licensed market operator.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-4 Instruments, Transactions and Contracts

## MAE-4.1 Listing of Contracts and Instruments

### MAE-4.1.1

No licensed exchange or licensed market operator shall without the approval of the CBB, list, delist, or permit the trading of:

- (a) Any securities, contracts, instruments or transactions;
- (b) Any right, option or derivative in respect of any debentures, stocks or shares;
- (c) Any right under a contract for differences or under any other contract the purpose or purported purpose of which is to secure a profit or avoid a loss by reference to fluctuations in:
  - (i) The value or price of any debentures, stocks or shares;
  - (ii) The value or price of any group of debentures, stocks or shares; or
  - (iii) An index of any debentures, stocks, or shares.

MAE-4.1.2 The CBB may grant approval for a licensed exchange or licensed market operator to list, delist or permit the trading of any contract or instrument, or any class of contracts or instruments referred to in Paragraph MAE-4.1.1, subject to such conditions or restrictions as the CBB may deem fit to impose by notice in writing to the licensed exchange or licensed market operator.





<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-4 Instruments, Transactions and Contracts</b>

## MAE-4.2 Listing of Licensed Exchanges on Securities Market

MAE-4.2.1 The securities of a licensed exchange shall not be listed for quotation on a securities market that is operated by the licensed exchange or any of its related companies unless the licensed exchange and the operator of the securities market have entered into such arrangements as the CBB may require:

- (a) For dealing with possible conflicts of interest that may arise from such listing; and
- (b) For the purpose of ensuring the integrity of the trading of the securities of the licensed exchange on the securities market.

MAE-4.2.2 Where the securities of a licensed exchange are listed for quotation on a securities market operated by the licensed exchange or any of its related companies, the listing rules of the securities market shall be deemed to allow the CBB to act in place of the operator of the securities market in making decisions and taking action, or to require the operator of the securities market to make decisions and to take action on behalf of the CBB on:

- (a) The admission or removal of the licensed exchange to or from the official list of the securities market; and
- (b) Granting approval for the securities of the licensed exchange to be or stopping or suspending the securities of the licensed exchange from being listed for quotation or quoted on the securities market.

MAE-4.2.3 The CBB may, by notice in writing to the operator of the securities market:

- (a) Modify the listing rules of the securities market for the purpose of their application to the listing for quotation or trading of the securities of the licensed exchange; or
- (b) Waive the application of any listing rule of the securities market to the licensed exchange.



<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-4 Instruments, Transactions and Contracts</b>

### MAE-4.3 Suspension of Securities

- MAE-4.3.1 Where the CBB is of the opinion that it is necessary to prohibit trading in particular securities or contracts listed or traded on a licensed exchange or licensed market operator, as the case may be;
- (a) In order to protect persons buying or selling the securities or contracts; or
  - (b) In the interests of the public;
- the CBB may give notice in writing to the licensed exchange or licensed market operator stating that it is of that opinion and setting out the reasons for its opinion.
- MAE-4.3.2 If after the receipt of the notice given under Paragraph MAE-4.3.1, the licensed exchange or licensed market operator fails to take any action in relation to those securities or contracts on that market and the CBB continues to be of the opinion that it is necessary to prohibit trading in those securities or contracts on that market, the CBB may by notice in writing to the licensed exchange or licensed market operator, prohibit trading in those securities or contracts on that market for such period, as is specified in the notice.
- MAE-4.3.3 Where the CBB gives a notice to a licensed exchange or licensed market operator under Paragraph MAE-4.3.2, the CBB shall:
- (a) At the same time send a copy of the notice to the issuer of such security or participant, as the case may be; and
  - (b) As soon as practicable, furnish to the licensed exchange or licensed market operator a written report setting out the reasons for giving the notice.



<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-4 Instruments, Transactions and Contracts</b>

## MAE-4.4 Emergency Powers of the CBB

MAE-4.4.1 Where the CBB has reason to believe that an emergency exists, or thinks that it is necessary or expedient in the interests of the public or a section of the public or for the protection of investors, the CBB may direct by notice in writing a licensed exchange or licensed market operator to take such action as it considers necessary to maintain or restore orderly trading in securities or futures contracts or any class of securities or futures contracts.

MAE-4.4.2 Without prejudice to MAE-4.4.1, these activities which the CBB may direct a licensed exchange or licensed market operator to take shall include:

- (a) Terminating or suspending trading on the licensed exchange or licensed market operator;
- (b) Confining trading to liquidation of securities or futures contracts positions;
- (c) Ordering the liquidation of all positions or any part thereof or the reduction in such positions;
- (d) Limiting trading to a specific price range;
- (e) Modifying trading days or hours;
- (f) Altering conditions of delivery;
- (g) Fixing the settlement price at which positions are to be liquidated;
- (h) Requiring any person to act in a specified manner in relation to trading in securities or futures contracts or any class of securities or futures contracts;
- (i) Requiring margins or additional margins for any securities or futures contracts; and
- (j) Modifying or suspending any of the business rules of the licensed exchange or licensed market operator.

MAE-4.4.3 Where the licensed exchange or licensed market operator fails to comply with any direction of the CBB under Paragraph MAE-4.4.1 within such time as is specified by the CBB, the CBB may:

- (a) Set margin levels in any securities or futures contract or class of securities or futures contracts to cater for the emergency;
- (b) Set limits that may apply to market positions acquired in good faith prior to the date of the notice issued by the CBB; or
- (c) Take such action as the CBB may deem fit to maintain or restore orderly trading in any securities or futures contracts or class of securities or futures contracts, or liquidation of any position in respect of any securities or futures contract or class of securities or futures contracts.

MAE-4.4.4 In this section “emergency” means any threatened or actual market manipulation or cornering, and includes:

- (a) Any act of any government affecting a commodity or securities;
- (b) Any major market disturbance which prevents the market from accurately reflecting the forces of supply and demand for such commodity or securities;
- or
- (c) Any undesirable situation or practice which in the opinion of the CBB, constitutes an emergency.



<b>MODULE</b>	<b>MAE:</b>	<b>Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-4</b>	<b>Instruments, Transactions and Contracts</b>

#### **MAE-4.4 Emergency Powers of the CBB (continued)**

MAE-4.4.5 The CBB may modify any action taken by a licensed exchange under Paragraph MAE-4.4.1, including the setting aside of that action.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-4 Instruments, Transactions and Contracts

## MAE-4.5 Additional Powers of the CBB in Respect of Auditors

MAE-4.5.1 If an auditor of a licensed exchange or licensed market operator in the course of the performance of his duties becomes aware of:

- Any matter which in his opinion, adversely affects or may adversely affect the financial position of the licensed exchange or licensed market operator to a material extent;
- Any matter which in his opinion, constitutes or may constitute a breach of the CBB Law and regulations or an offence involving fraud or dishonesty; or
- Any irregularity that has or may have a material effect upon the accounts of the licensed exchange or licensed market operator, including any irregularity that affects or jeopardises or may affect or jeopardise, the funds or property of investors in securities or futures contracts,

the auditor shall immediately send to the CBB a written report of the matter or the irregularity.

**MAE-4.5.2** An auditor of a licensed exchange or licensed market operator shall not be, in the absence of malice on his part, liable to any action for defamation at the suit of any person in respect of any statement made in his report under Paragraph MAE-4.5.1.

**MAE-4.5.3** Paragraph MAE-4.5.2 shall not restrict or affect any right, privilege or immunity that the auditor of a licensed exchange or licensed market operator may have as a defendant in an action for defamation.

MAE-4.5.4 The CBB may impose all or any of the following duties on an auditor of a licensed exchange or licensed market operator:

- A duty to submit such additional information and reports in relation to his audit as the CBB considers necessary;
- A duty to enlarge, extend or alter the scope of his audit of the business and affairs of the licensed exchange or licensed market operator;
- A duty to carry out any other examination or establish any procedure in any particular case;
- A duty to submit a report on any matter arising out of his audit, examination or establishment of procedure referred to in Paragraph MAE-4.5.4 (b) or (c), and the auditor shall carry out such duties.

MAE-4.5.5 The licensed exchange or licensed market operator shall remunerate the auditor in respect of the discharge by him of all or any of the duties referred to in Paragraph MAE-4.5.4.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-4 Instruments, Transactions and Contracts

## MAE-4.6 Registration of Market Maker

### *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:

- (a) The licensee is incorporated in the Kingdom of Bahrain;
- (b) 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
- (c) 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. The criteria, at the minimum, must include;

- (a) Capital requirement;
- (b) Infrastructure requirements;
- (c) Trading and market making experience;
- (d) Business continuity arrangements;
- (e) Risk management policy including settlement guarantee mechanism;
- (f) Rights and obligations of the market maker including quoting obligations, inventory size, order type and minimum order size; and
- (g) Terms and conditions under which market making 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:

- (a) Adequate financial capital and qualified technical and administrative staff to practice market making;
- (b) Separation between market making 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;
  - (i) The adopted mechanism to separate the market making from other licensed activities;
  - (ii) The staff assigned to perform market making activities;
  - (iii) Experience and qualification of technical and administrative staff assigned to perform market making activities;
- (c) Details of risk management systems and internal control procedures.



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## MAE-4.6 Registration of Market Maker (continued)

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

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 activity.

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

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

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

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

### *Market Making Scheme*

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

- The market making scheme is objective, transparent, non-discretionary and non-discriminatory and must not give rise to disorderly market conditions or market abuse;
- The transactions carried out under the market making scheme are solely for the purpose of enhancing liquidity and regularity of trading in illiquid securities;
- The scheme does not compromise on market integrity and risk management;



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#### MAE-4.6 Registration of Market Maker (continued)

- (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 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 in terms of presence, size and spread under normal trading conditions are adhered to;
- (g) The number of market makers in a market making 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. 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;
- (c) The type and amount of settlement guarantees required for practising the activity of market making;
- (d) The obligations of a market maker in connection with providing liquidity;
- (e) Determine the list of securities eligible for market making;
- (f) Mechanism to identify the market maker's orders/trades in order to ensure separation between brokerage and market making activities performed by the member;
- (g) Reporting requirements by market makers and issuers; and
- (h) Disclosure requirements by market makers and issuers.

##### MAE-4.6.11

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





MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-4 Instruments, Transactions and Contracts

## MAE-4.6 Registration of Market Maker (continued)

### MAE-4. 6.12

A licensed exchange or licensed market operator must at all times ensure that a market maker 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 as risk containment measure.

### *Temporary Suspension of Market Making Activity*

### MAE-4.6.14

A licensed exchange or licensed market operator must specify the exceptional circumstances wherein a market maker'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 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; and
  - (ii) risk management issues in relation to capital requirement, margining and access to clearing.

### 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.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-4 Instruments, Transactions and Contracts

## MAE-4.6 Registration of Market Maker (continued)

### *Deregistration of Market Maker*

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

MAE-4.6.19 A market maker 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 or cancel its registration where the market maker;

- (a) Is found involved in activities that are not commensurate with the responsibilities assigned to the market maker 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 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.

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.

### *Disclosure, Notification and Reporting*

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



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-4 Instruments, Transactions and Contracts

## MAE-4.6 Registration of Market Maker (continued)

### 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 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;

- (b) Where a member has surrendered its registration as a market maker; and

- (c) The licensed exchange or licensed market operator takes disciplinary action, suspend activities or revokes the registration of a market maker.

### 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 activities undertaken by market makers, in the format specified by the CBB.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-5 Matters Requiring Approval of CBB

## MAE-5.1 Control of Substantial Shareholding in Licensed Exchanges

**MAE-5.1.1** No person shall enter into any agreement to acquire shares in a licensed exchange by virtue of which he would, if the agreement had been carried out, become a substantial shareholder of the licensed exchange without first obtaining the approval of the CBB to enter into the agreement.

MAE-5.1.2 In Paragraph MAE-5.1.1 “substantial shareholder” means a person who alone or together with his associates:

- (a) Holds not less than 5% of the shares in the licensed exchange; or
- (b) Is in a position to control not less than 5% of the votes in the licensed exchange.

**MAE-5.1.3** In this Section:

- (a) A person holds a share if:
  - (i) He is deemed to have an interest in that share in terms of the Commercial Companies Law (CCL); or
  - (ii) He otherwise has a legal or a beneficial interest in that share, except such interest as is to be disregarded in the terms of the CCL;
- (b) A reference to the control of a percentage of the votes in a licensed exchange shall be construed as a reference to the control, whether direct or indirect, of that percentage of the total number of votes that might be cast in a general meeting of the licensed exchange; and
- (c) An associate of another person means in respect of individuals, a direct family member and in the case of a company, means the company is bound to follow the directives of the substantial shareholder, or the company in which the substantial shareholder has 20% of the votes of that company.

MAE-5.1.4 The CBB may grant its approval referred to in Paragraphs MAE-5.1.1 or MAE-5.1.2 subject to such conditions or restrictions as the CBB may deem fit.



<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-5 Matters Requiring Approval of CBB</b>

## MAE-5.2 Application and Criteria for Approval to Acquire Substantial Shareholding

MAE-5.2.1 Any person applying for approval under MAE-5.1.1 shall submit to the CBB a written application that sets out:

- (a) The name of the applicant;
- (b) In the case where the applicant is a company:
  - (i) Its place of incorporation;
  - (ii) Its substantial shareholders;
  - (iii) Its directors and chief executive officer; and
  - (iv) Its principal business.
- (c) In the case where the applicant is a natural person:
  - (i) His nationality;
  - (ii) His principal occupation; and
  - (iii) His directorships;
- (d) All the companies in which the applicant has a substantial shareholding;
- (e) The percentage of shareholding and voting power that the applicant has in the licensed exchange;
- (f) The percentage of shareholding and voting power the applicant is seeking to have in the licensed exchange;
- (g) The reasons for making the application;
- (h) The mode and structure, as appropriate, under which the increase in shareholding would be carried out;
- (i) Whether the applicant will seek representation on the board of directors of the licensed exchange; and
- (j) Any other information that may facilitate the determination of the CBB as to whether the applicant is a fit and proper person for the purposes of Paragraph MAE-5.2.3 (a).

MAE-5.2.2 The CBB may require the applicant to furnish it with such information or documents as the CBB considers necessary in relation to the application and the applicant shall furnish such additional information or documents as required by the CBB.

MAE-5.2.3 The CBB may approve an application made under Paragraph MAE-5.2.1 of this Module if the CBB is satisfied that:

- (a) The applicant is a fit and proper person to be a substantial shareholder;
- (b) Having regard to the applicant's likely influence, the licensed exchange will or will continue to conduct its business prudently and in compliance with the provisions of this Module; and
- (c) It would not be contrary to the interests of the public to do so.

MAE-5.2.4 The CBB may, for the purposes of securing compliance with Paragraphs MAE-5.1.1 or MAE-5.2.2, or any condition or restriction imposed under Paragraph MAE-5.2.5, by notice in writing direct the transfer or disposal of all or any of the shares of a licensed exchange in which a substantial shareholder of the licensed exchange has an interest.



<b>MODULE</b>	<b>MAE:</b>	<b>Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-5</b>	<b>Matters Requiring Approval of CBB</b>

## MAE-5.2 Application and Criteria for Approval to Acquire Substantial Shareholding (continued)

**MAE-5.2.5** Until a person to whom a direction has been issued under Paragraph MAE-5.2.4 transfers or disposes of the shares which are subject to the direction and notwithstanding anything to the contrary, the Memorandum or Articles of Association or other constituent document or documents of the licensed exchange:

- (a) No voting rights shall be exercisable in respect of the shares which are the subject of the direction;
- (b) The licensed exchange shall not offer or issue any shares (whether by way of rights, bonus, share dividend or otherwise) in respect of the shares which are the subject of the direction; and
- (c) Except in liquidation of the licensed exchange, the licensed exchange shall not make any payment (whether by way of cash dividend, dividend in kind or otherwise) in respect of the shares which are the subject of the direction.

MAE-5.2.6 Any issue of shares by a licensed exchange in contravention of Paragraph MAE-5.2.5 (b) shall be deemed to be null and void, and a person to whom a direction has been issued under Paragraph MAE-5.2.4 shall immediately return those shares to the licensed exchange, upon which the licensed exchange shall return to the person any payment received from him in respect of those shares.

MAE-5.2.7 Any payment made by a licensed exchange in contravention of Paragraph MAE-5.2.5 (c) shall be deemed to be null and void, and a person to whom a direction has been issued under Paragraph MAE-5.2.4 shall immediately return the payment he has received to the licensed exchange.

MAE-5.2.8 The CBB may exempt:

- (a) Any person or class of persons; or
- (b) Any class or description of shares or interests in shares;

from the requirement under paragraph MAE-5.2.1 or MAE-5.2.2, subject to such conditions or restrictions as may be imposed by the CBB.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-5 Authorisation

### MAE-5.3 Authorisation of Approved Persons

#### *Prior Approval Requirements and Process*

**MAE-5.3.1** Licensees must obtain the CBB's prior written approval for any person wishing to undertake a controlled function in a licensee. The approval from the CBB must be obtained prior to their appointment.

**MAE-5.3.2** Controlled functions are those functions occupied by board members and persons in executive positions and include:

- (a) Board members;
- (b) Chief Executive or General Manager;
- (c) Head of function;
- (d) Compliance Officer; and
- (e) Money Laundering Reporting Officer (MLRO).

**MAE-5.3.2A** For the purpose of this Module, the following positions are considered as head of function:

- (a) Head of listing;
- (b) Head of trading;
- (c) Head of market control;
- (d) Head of member affairs;
- (e) Head of risk management; and
- (g) Head of other functions.

MAE-5.3.2B Whether a person is head of function will depend on the nature, scale and complexity of the function and is not determined by the presence or absence of the word in their job title.

**MAE-5.3.2C** Licensees must maintain adequate segregation of responsibilities in their staffing arrangements, to protect against the misuse of systems or errors. The segregation of responsibilities must ensure avoidance of any conflict of interest and maintain a Chinese Wall such critical controlled functions.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-5 Authorisation

### MAE-5.3 Authorisation of Approved Persons (continued)

**MAE-5.3.3** The Chief Executive Officer or General Manager, Compliance Officer and Money Laundering Reporting Officer must be resident in Bahrain.

**MAE-5.3.4** All persons wishing to undertake any of the controlled functions shall be subject to the fit and proper requirements in this Section.

**MAE-5.3.5** In accordance with Subparagraph MAE-5.3.2(d), every licensed exchange must appoint a compliance officer. The compliance officer is responsible for discharging the obligations of the licensee.

MAE-5.3.6 In accordance with Paragraph MAE-5.3.5:

- (a) The Compliance Officer should be competent and knowledgeable regarding the CBB Law, rules and regulations, as well as the various applicable Volume 6 Modules;
- (b) The Compliance Officer shall:
  - (i) Monitor the transactions undertaken by the member, its representatives, or participants;
  - (ii) Identify disorderly transactions or conduct that may involve market abuse or disruption;
  - (iii) Identify and monitor transactions undertaken by insiders dealing through or with the member;
  - (iv) Identify any breach of CBB Law, rules and regulations; and
  - (v) Identify any breach of the rules of the SRO.

**MAE-5.3.7** The Compliance Officer shall on the identification of any breach referred to in Paragraph MAE-5.3.6(b), report such breach to the CBB without delay for the investigation and prosecution of market abuse and shall provide full assistance to the latter in investigating and prosecuting market abuse occurring on or through the licensed exchange.

**MAE-5.3.7A** The request for CBB approval must be made by submitting to the CBB a duly completed Form 3 (Application for Approved Person status) and Curriculum Vitae after verifying that all the information contained in the Form 3, including previous experience, is accurate. Form 3 is available under Volume 6 Part B Authorisation Forms MAE Forms of the CBB Rulebook.





MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-5 Authorisation

### MAE-5.3 Authorisation of Approved Persons (continued)

**MAE-5.3.7B** When the request for approved person status forms part of a license application, the Form 3 must be marked for the attention of the Director, Licensing Directorate. When the submission to undertake a controlled function is in relation to an existing licensee, the Form 3 must be marked for the attention of the Director, Capital Markets Supervision. In the case of the MLRO, Form 3 should be marked for the attention of the Director, Compliance Directorate.

**MAE-5.3.7C** When submitting Form 3, licensees must ensure that the Form 3 is:

- (a) Submitted to the CBB with a covering letter signed by an authorised representative of the licensee, seeking approval for the proposed controlled function;
- (b) Submitted in original form;
- (c) Submitted with a certified copy of the applicant's passport, original or certified copies of educational and professional qualification certificates (and translation if not in Arabic or English) and the Curriculum Vitae; and
- (d) Signed by an authorised representative of the licensee and all pages stamped on with the licensee's seal.

MAE-5.3.7D For existing licensees applying for the appointment of a Board Director or the Chief Executive/General Manager, the authorised representative should be the Chairman of the Board or a Director signing on behalf of the Board. For all other controlled functions, the authorised representative should be the Chief Executive/General Manager.

#### *Fit and Proper Requirements*

**MAE-5.3.8** Licensees seeking an approved person authorisation for an individual, must satisfy the CBB that the individual concerned is 'fit and proper' to undertake the controlled function in question.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-5 Authorisation

### MAE-5.3 Authorisation of Approved Persons (continued)

**MAE-5.3.8A** Each applicant applying for approved person status and those individuals occupying approved person positions must comply with the following conditions:

- (a) Has not previously been convicted of any felony or crime that relates to his/her honesty and/or integrity unless he/she has subsequently been restored to good standing;
- (b) Has not been the subject of any adverse finding in a civil action by any court or competent jurisdiction, relating to fraud;
- (c) Has not been adjudged bankrupt by a court unless a period of 10 years has passed, during which the person has been able to meet all his/her obligations and has achieved economic accomplishments;
- (d) Has not been disqualified by a court, regulator or other competent body, as a director or as a manager of a corporation;
- (e) Has not failed to satisfy a judgement debt under a court order resulting from a business relationship;
- (f) Must have personal integrity, good conduct and reputation;
- (g) Has appropriate professional and other qualifications for the controlled function in question, including qualifications such as the Securities Market Regulation Certification Programme (Series 7), the General Securities Representative Qualification (Series 79), and/or any other relevant examinations and qualifications recognised by the CBB that are appropriate to capital market functions, as the case may be. However the CBB reserves the right to impose a higher level of qualifications as it deems necessary; and
- (h) Has sufficient experience to perform the duties of the controlled function.

MAE-5.3.8B In assessing the conditions prescribed in Rule MAE-5.3.8A, the CBB will take into account the criteria contained in Paragraph MAE-5.3.8C. The CBB reviews each application on a case-by-case basis, taking into account all relevant circumstances. A person may be considered 'fit and proper' to undertake one type of controlled function but not another, depending on the function's job size and required levels of experience and expertise. Similarly, a person approved to undertake a controlled function in one licensee may not be considered to have sufficient expertise and experience to undertake nominally the same controlled function but in a much bigger licensee.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-5 Authorisation

### MAE-5.3 Authorisation of Approved Persons (continued)

MAE-5.3.8C In assessing a person's fitness and propriety, the CBB will also consider previous professional and personal conduct (in Bahrain or elsewhere) including, but not limited to, the following:

- (a) The propriety of a person's conduct, whether or not such conduct resulted in a criminal offence being committed, the contravention of a law or regulation, or the institution of legal or disciplinary proceedings;
- (b) A conviction or finding of guilt in respect of any offence, other than a minor traffic offence, by any court or competent jurisdiction;
- (c) Any adverse finding in a civil action by any court or competent jurisdiction, relating to misfeasance or other misconduct in connection with the formation or management of a corporation or partnership;
- (d) Whether the person, or any body corporate, partnership or unincorporated institution to which the applicant has, or has been associated with as a director, controller, manager or company secretary been the subject of any disciplinary proceeding, investigation or fines by any government authority, regulatory agency or professional body or association;
- (e) The contravention of any financial services legislation;
- (f) Whether the person has ever been refused a license, authorisation, registration or other authority;
- (g) Dismissal or a request to resign from any office or employment;
- (h) Whether the person has been a Director, partner or manager of a corporation or partnership which has gone into liquidation or administration or where one or more partners have been declared bankrupt whilst the person was connected with that partnership;
- (i) The extent to which the person has been truthful and open with supervisors; and
- (j) Whether the person has ever entered into any arrangement with creditors in relation to the inability to pay due debts.

MAE-5.3.8D With respect to Paragraph MAE-5.3.8C, the CBB will take into account the length of time since any such event occurred, as well as the seriousness of the matter in question.

#### MAE-5.3.9

**Approved persons undertaking a controlled function must act prudently, and with honesty, integrity, care, skill and due diligence in the performance of their duties. They must avoid any conflict of interest arising whilst undertaking a controlled function and shall be subject, among all accepted market conducts, to the insider trading rules.**



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-5 Authorisation

### MAE-5.3 Authorisation of Approved Persons (continued)

MAE-5.3.10 In determining where there may be a conflict of interest arising, factors that may be considered will include whether:

- (a) A person has breached any fiduciary obligations to the licensed exchange or terms of employment;
- (b) A person has undertaken actions that would be difficult to defend, when looked at objectively, as being in the interest of the licensed exchange; and
- (c) A person has failed to declare a personal interest that has a material impact in terms of the person's relationship with the licensed exchange in general, and interest in holding any listed securities or futures contracts in particular.

MAE-5.3.11 [This Paragraph was deleted in April 2016.]

MAE-5.3.12 [This Paragraph was deleted in April 2016.]

MAE-5.3.13 [This Paragraph was moved to Paragraph MAE-5.3.7B in April 2016.]

#### *Assessment of Application*

MAE-5.3.14 The CBB shall review and assess the application for approved person status to ensure that it satisfies all the conditions required in Paragraph MAE-5.3.8A and the criteria outlined in Paragraph MAE-5.3.8C.

MAE-5.3.14A For purposes of Paragraph MAE-5.3.14, licensees should give the CBB a reasonable amount of notice in order for an application to be reviewed. The CBB shall respond within 15 business days from the date of meeting all required conditions and regulatory requirements, including but not limited to, receiving the application complete with all the required information and documents, as well as verifying references.

MAE-5.3.15 The CBB reserves the right to refuse an application for approved person status if it does not satisfy the conditions provided for in Paragraph MAE-5.3.8A and the criteria outlined in Paragraph MAE-5.3.8C. A notice of such refusal is issued by registered mail to the licensee concerned, setting out the basis for the decision.

#### *Appeal Process*

MAE-5.3.16 Licensees or the nominated approved persons may, within 30 calendar days of the notification, appeal against the CBB's decision to refuse the application for approved person status. The CBB shall decide on the appeal and notify the licensee of its decision within 30 calendar days from submitting the appeal.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-5 Authorisation

### MAE-5.3 Authorisation of Approved Persons (continued)

MAE-5.3.17 Where notification of the CBB's decision to grant a person approved person status is not issued within 15 business days from the date of meeting all required conditions and regulatory requirements, including but not limited to, receiving the application complete with all the required information and documents, licensees or the nominated approved persons may appeal to the Executive Director, Financial Institutions Supervision of the CBB provided that the appeal is justified with supporting documents. The CBB shall decide on the appeal and notify the licensee of its decision within 30 calendar days from the date of submitting the appeal.

#### *Notification Requirements and Process*

MAE-5.3.18 A licensed exchange must immediately notify the CBB when an approved person ceases to hold a controlled function together with an explanation as to the reasons why. In such cases, their approved person status is automatically withdrawn by the CBB.

MAE-5.3.18A Licensees must immediately notify the CBB in case of any material change to the information provided in a Form 3 submitted for an approved person.

MAE-5.3.19 The licensed exchange shall provide for the composition and duties of the board of directors or any committee of a licensed exchange after obtaining CBB approval.

MAE-5.3.20 In this section "committee" includes any committee of directors, disciplinary committee, appeals committee or any body responsible for disciplinary action against a member of a licensed exchange.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-5 Authorisation

### MAE-5.3 Authorisation of Approved Person (continued)

#### *Amendment of Authorisation*

MAE-5.3.21 A licensed exchange must seek prior CBB approval before an approved person may move from one controlled function to another within the same licensee.

MAE-5.3.22 In such instances, a new application should be completed and submitted to the CBB. Note that a person may be considered 'fit and proper' for one controlled function, but not for another, if for instance the new role requires a different set of skills and experience. Where an approved person is moving to a controlled function in another licensed exchange, the first licensee should notify the CBB of that person's departure, and the new licensee should submit a request for approval under this Section.

#### *Cancellation of Authorisation and Power of CBB to Remove Approved Person*

MAE-5.3.23 Where the CBB is satisfied that an approved person:

- (a) Has wilfully contravened or wilfully caused that licensed exchange to contravene the CBB Law, rules and regulations;
- (b) Has without reasonable excuse, failed to ensure compliance by the licensed exchange, or a person associated with that licensee with the CBB Law rules and regulations;
- (c) Has failed to discharge the duties or functions of his office or employment;
- (d) Is an undischarged bankrupt, whether in Bahrain or elsewhere;
- (e) Has been convicted whether in Bahrain or elsewhere, of an offence involving fraud or dishonesty or the conviction for which involved a finding that he had acted fraudulently or dishonestly;

the CBB may if it thinks it is necessary in the interests of or for the protection of investors, by notice in writing direct that a licensee remove the approved person from his office or employment, and that licensee shall comply with such notice.

MAE-5.3.24 Without prejudice to any other matter that the CBB may consider relevant, the CBB may in determining whether an approved person has failed to discharge the duties or functions of his office or employment for the purposes of paragraph MAE-5.3.23 (c), have regard to such criteria as the CBB may prescribe or specify in directions issued by notice in writing, after consultation with the licensed exchange and/or licensed clearing house, as the case may be.

MAE-5.3.25 Subject to Paragraph MAE-5.3.26, the CBB shall not direct a licensee to remove an approved person from his office or employment without giving the approved person an opportunity to be heard.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-5 Authorisation

### MAE-5.3 Authorisation of Approved Person (continued)

MAE-5.3.26 The CBB may direct a licensee to remove an approved person from his office or employment under Paragraph MAE-5.3.23 on any of the following grounds, without giving the approved person an opportunity to be heard:

- (a) The approved person is an undischarged bankrupt whether in Bahrain or elsewhere;
- (b) The approved person has been convicted whether in Bahrain or elsewhere, of an offence:
  - (i) Involving fraud or dishonesty, or the conviction for which involved a finding that he had acted fraudulently or dishonestly; and
  - (ii) Punishable with imprisonment for a term of 3 months or more.

#### *Criteria to Determine Failure to Discharge Duties or Functions by Approved Persons*

MAE-5.3.27 The CBB may, in determining whether approved persons have taken reasonable steps to discharge their duties, have regard to whether or not the approved person:

- (a) Ensured the proper functioning of the licensed exchange;
- (b) Ensured the compliance of the licensed exchange with any relevant laws or regulations of any jurisdiction in which it is incorporated, or in which it provides its regulated activities;
- (c) Set out and ensured compliance with written policies on all operational areas of the licensed exchange, including its financial policies, accounting and internal controls, internal auditing and compliance with all laws and rules governing the operations of the licensed exchange in general;
- (d) Identified, monitored and addressed the risks associated with the business of the licensed exchange;
- (e) Ensured that the regulated activities of the licensed exchange were subject to adequate internal audit;
- (f) Oversaw the financial undertakings or exposure of the licensed exchange to risks of any nature by setting out proper delegation limits and risk management controls; and
- (g) Ensured:
  - (i) That the licensed exchange maintained written records of the steps taken by it to monitor compliance with its policies, the limits on discretionary powers and its accounting and provided relevant procedures; and
  - (ii) That every report, return or statement submitted by the licensed exchange to the CBB was complete and accurate.



<b>MODULE</b>	<b>MAE:</b>	<b>Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-5</b>	<b>Matters Requiring Approval of CBB</b>

## MAE-5.4 Business Transfer

**MAE-5.4.1** A licensed exchange or licensed market operator shall not transfer all or any part of its business to others without the prior written approval from the CBB.

MAE-5.4.2 A licensed exchange or licensed market operator who desires to transfer all or any part of its business referred to in Paragraph MAE-5.4.1 shall make an application to the CBB in Form 8.

MAE-5.4.3 A Transfer of Business application shall be published by the CBB in the Official Gazette and also in 2 daily newspapers, one in Arabic and one in English in Bahrain. The publication should include a call to the concerned parties to submit any objections to the CBB within 3 months from the date of publication.

MAE-5.4.4 The CBB shall consider the objections referred to in the preceding Paragraph before taking any action on the application for transfer.

MAE-5.4.5 The CBB shall determine the procedure of processing applications for business transfer.

MAE-5.4.6 The following shall apply in order to approve a business transfer:

- The business, subject of transfer, shall not be prohibited by the CBB;
- The Transfer of Business shall not cause damages to the interests of the licensed exchange or licensed market operator's users;
- The transferee must be licensed to carry out the business in the place to which it is to be transferred;
- The transferee company should fulfil all the eligibility criteria laid down in this module to operate as a licensed exchange; and
- The CBB must be satisfied that the Transfer of Business is appropriate under relevant regulations issued in this respect.

MAE-5.4.7 The CBB shall give its approval to a Transfer of Business if the application satisfies the requirements set in Paragraph MAE-5.4.6. Such approval may be given subject to any conditions deemed appropriate by the CBB.

MAE-5.4.8 The decision of the CBB on a Transfer of Business shall be published in the Official Gazette as well as in 2 daily newspapers, one in Arabic and one in English in Bahrain. The decision shall be effective from the date set therein.

MAE-5.4.9 An applicant whose application has been turned down or who faces restrictions regarding the transfer of his business may appeal to a competent court within 30 days from the date of publishing of such decision on the Official Gazette.





MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-6 Control of Licensed Exchanges

## MAE-6.1 Control of Licensed Exchanges

### MAE-6.1.1

The CBB must be notified in any of the following cases:

- (a) If effective control over a licensed exchange or licensed market operator takes place indirectly whether by way of inheritance or otherwise;
  - (b) Gaining control directly as a result of any action leading to it;
  - (c) The intention to take any of the actions that would lead to control;
- The controller or the person intending to take control over the licensed exchange or licensed market operator, as the case may be and by the licensed exchange or licensed market operator itself if it is aware of such case.

### MAE-6.1.2

For the purposes of Paragraph MAE-6.1.1, “control” means the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

### MAE-6.1.3

Notice of control shall contain a request for the CBB’s approval for taking control over a licensed exchange or licensed market operator or taking any action that may lead to control by submitting Form 6 and shall also contain such particulars and information and be accompanied by such documents as the CBB may specify. In the cases referred to in items (a) and (b) of Paragraph MAE-6.1.1, the notice shall be made within 15 days from the date of control. In the case referred to in item (c) of Paragraph MAE-6.1.1, the notice shall be made before taking any of the actions that would lead to control.

### MAE-6.1.4

The CBB must, within 3 months from the date of receipt of the notice referred to above, notify the controller or the person intending to take control over a licensed exchange or licensed market operator, as the case may be, of its approval of control, any of the actions which would lead to a control, or the refusal thereof as the CBB may determine at its own discretion.

### MAE-6.1.5

The CBB may impose any restrictions that it considers necessary to be observed in case of its approval of a control or any of the actions that would lead to a control.

### MAE-6.1.6

If the period specified in Paragraph MAE-6.1.4 lapses without a decision being taken on the application seeking approval of a control or any intended actions that would lead to a control, the application shall be considered as accepted.



<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-6 Control of Licensed Exchanges</b>

## MAE-6.1 Control of Licensed Exchanges (continued)

MAE-6.1.7 The controller or the person intending to take control over a licensed exchange or licensed market operator, may within 30 days of the notification, lodge a grievance against the CBB's decision to refuse the control or any conditions imposed in respect of such control.

MAE-6.1.8 The CBB shall decide on the grievance and notify the person intending to take control over the licensed exchange or licensed market operator of its decision within 30 days from the date of submitting the grievance.

MAE-6.1.9 An appeal against a decision on control may be submitted within 30 days from the date when the concerned person was aware of such decision.

MAE-6.1.10 The CBB may refuse to give approval to a control if it will affect the legitimate interests of the users, or if it is detrimental to the relevant sector, or if the CBB decides, according to its own discretion that it would be inappropriate to control a licensed exchange or licensed market operator according to the criteria set by the CBB.

MAE-6.1.11 Any person who acquires control or shares in breach of the provisions of this Module shall carry out any instructions issued to him by the CBB to transfer such control or shares or refrain from exercising control or voting rights according to the procedures prescribed in such instructions.

MAE-6.1.12 The CBB may seek a court order to take appropriate precautionary measures or sell such shares if the licensed exchange or licensed market operator fails to carry out the order referred to above. The value of the shares sold shall be paid to the party who has rights therein after the deduction of expenses.

**MAE-6.1.13** A licensed exchange or licensed market operator incorporated in the Kingdom shall not perform any of the following without a prior written approval of the CBB:

- (a) Merge, amalgamate or enter into a partnership with any person outside the Kingdom, except in the ordinary course of business;
- (b) Transfer all or a major part of its assets or liabilities inside or outside the Kingdom, without prejudice to the provisions of Chapter 6 of the CBB Law;
- (c) Make any modification to its issued or paid-up share capital;
- (d) Modify its Memorandum and Articles of Association; or
- (e) Engage in major acquisition or investment operations as determined by the CBB.

MAE-6.1.14 The CBB, in granting any approval under the preceding Paragraph, may impose such conditions as it considers appropriate.



<b>MODULE</b>	<b>MAE:</b>	<b>Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-7</b>	<b>Immunity from Criminal or Civil Liability</b>

## MAE-7.1 Immunity from Criminal or Civil Liability

MAE-7.1.1 No criminal or civil liability shall be incurred by:

- (a) A licensed exchange;
  - (b) Any person acting on behalf of a licensed exchange; including:
    - (i) Any director of the licensed exchange; or
    - (ii) Any member of any committee established in the licensed exchange;
- for anything done (including any statement made) or omitted to be done with reasonable care and in good faith in the course of or in connection with the discharge or purported discharge of its obligations under this Module, or the business rules or where appropriate, listing rules of the licensed exchange or licensed market operator.



<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-8 General Powers of the CBB</b>

## MAE-8.1 Power of CBB to Remove Officers

MAE-8.1.1 Where the CBB is satisfied that an officer of a licensed exchange or licensed market operator:

- (a) Has wilfully contravened or wilfully caused that licensed exchange or licensed market operator to contravene:
  - (i) The CBB Law or Module MAE;
  - (ii) Where applicable, its business rules; or
  - (iii) Where applicable, its listing rules;
- (b) Has without reasonable excuse, failed to ensure compliance by that licensed exchange or licensed market operator, a member of that licensed exchange or licensed market operator, or a person associated with that member with:
  - (i) The CBB Law or Module MAE;
  - (ii) Where applicable the business rules of that licensed exchange or licensed market operator; or
  - (iii) Where applicable, the listing rules of that licensed exchange or licensed market operator;
- (c) Has failed to discharge the duties or functions of his office or employment;
- (d) Is an undischarged bankrupt, whether in Bahrain or elsewhere;
- (e) Has had execution against him in respect of a judgement debt returned unsatisfied in whole or in part;
- (f) Has whether in Bahrain or elsewhere, made a compromise or scheme of arrangement with his creditors, being a compromise or scheme of arrangement that is still in operation; or
- (g) Has been convicted whether in Bahrain or elsewhere, of an offence involving fraud or dishonesty or the conviction for which involved a finding that he had acted fraudulently or dishonestly;

the CBB may if it thinks it is necessary in the interests of the public or a section of the public, or for the protection of investors, by notice in writing direct that a licensed exchange or licensed market operator remove the officer from his office or employment, and that licensed exchange or licensed market operator shall comply with such notice.

MAE-8.1.2 Without prejudice to any other matter that the CBB may consider relevant, the CBB may in determining whether an officer of a licensed exchange or licensed market operator has failed to discharge the duties or functions of his office or employment for the purposes of Paragraph MAE-8.1.1 (c), have regard to such criteria as the CBB may prescribe or specify in directions issued by notice in writing.

MAE-8.1.3 Subject to Paragraph MAE-8.1.4, the CBB shall not direct a licensed exchange or licensed market operator to remove an officer from his office or employment without giving the licensed exchange or licensed market operator an opportunity to be heard.

<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-8 General Powers of the CBB</b>

## **MAE-8.1 Power of CBB to Remove Officers (continued)**

MAE-8.1.4 The CBB may direct a licensed exchange or licensed market operator to remove an officer from his office or employment under Paragraph MAE-8.1.1 on any of the following grounds without giving the licensed exchange or licensed market operator an opportunity to be heard:

- (a) The officer is an undischarged bankrupt whether in Bahrain or elsewhere; or
- (b) The officer has been convicted whether in Bahrain or elsewhere, of an offence:
  - (i) Involving fraud or dishonesty or the conviction for which involved a finding that he had acted fraudulently or dishonestly; and
  - (ii) Punishable with imprisonment for a term of 3 months or more.

MAE-8.1.5 Where the CBB directs a licensed exchange or licensed market operator to remove an officer from his office or employment under Paragraph MAE-8.1.4, the CBB need not give that officer an opportunity to be heard.



<b>MODULE</b>	<b>MAE: Markets &amp; Exchanges Module</b>
<b>CHAPTER</b>	<b>MAE-8 General Powers of the CBB</b>

## MAE-8.2 Criteria to Determine Failure to Discharge Duties or Functions by Officers

MAE-8.2.1 The CBB may, in determining whether the Chief Executive Officer, directors and officers of a licensed exchange or licensed market operator, as the case may be, has taken reasonable steps to discharge their duties, have regard to the following:

- (a) Ensure the proper functioning of the licensed exchange or licensed market operator, as the case may be;
- (b) Ensure the compliance of the licensed exchange or licensed market operator, as the case may be, with any relevant laws or regulations of any jurisdiction in which it is incorporated or in which it operates;
- (c) Set out and ensure compliance with written policies on all operational areas of the licensed exchange or licensed market operator, as the case may be, including its financial policies, accounting and internal controls, internal auditing and compliance with all laws and rules governing the operations of the licensed exchange or licensed market operator;
- (d) Identify, monitor and address the risks associated with the business activities of the licensed exchange or licensed market operator, as the case may be;
- (e) Ensure that the business activities of the licensed exchange or licensed market operator, as the case may be, are subject to adequate internal audit;
- (f) Oversee the financial undertakings or exposure of the licensed exchange or licensed market operator, as the case may be, to risks of any nature by setting out proper delegation limits and risk management controls; and
- (g) Ensure:
  - (i) That the licensed exchange or licensed market operator, as the case may be, maintains written records of the steps taken by it to monitor compliance with its policies, the limits on discretionary powers and its accounting and operating procedures; and
  - (ii) That every report, return or statement submitted by the licensed exchange or the licensed market operator as the case may be, to the CBB is complete and accurate.