



Jordan Securities Commission

**Instructions of Financial Services
Licensing and Registration
for the Year 2005**



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**Issued by virtue of Articles (12/Q) and (47) of
The Securities Law No. (76) for the year 2002**



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Article (1):

These Instructions shall be known as (Instructions of Financial Services Licensing and Registration for the Year 2005), and shall come into effect as of 4th of Oct. 2005.

Article (2):

A- The words stated in these Instructions shall have the meanings assigned thereto hereunder, unless the context indicates otherwise:

The Law	: The securities Law in force.
The Commission	: The Securities Commission.
The Board	: The Board of Commissioners of the Commission.
The Market	: The Amman Stock Exchange or any trading market in securities licensed by the Commission.
The Center	: Jordan Depository Center.
Financial Services	: Activities undertaken by the financial brokers, dealers, investment trustees, investment managers, financial advisors or issuance managers, issuance trustees, and also margin finance activities, or any other service specified by the Commission pursuant to the Law and the regulations, instructions and decisions issued pursuant thereto.
Custodian	: Any juristic person engaged in the business of providing safe custody of securities.

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The Company	: Any juristic person engaged in the business of performing one or more of the financial or custodial services.
Affiliate Company	: Any company which controls another company or is controlled by another company, or which together are controlled by another company.
Subsidiary Company	: A company subject to the control of a parent company
Registered Person	: Any natural person who is a member of the Board of directors or the board of executives, or who is a director, manager or employee of the Company, or any person occupying a similar position or performing similar duties at the Company, but shall not include any person whose performing only clerical duties, supporting services, or activities unrelated to securities.
Brokerage	: Activities undertaken by the financial broker or dealer.
Executive manager	: General manager of a company or the natural person who has the highest authority in a company in matters related to performing financial services.
Publicizing	: Any publication by the Company in daily newspapers or on the website.

B- The Words and phrases which are not defined in these Instructions shall have the meanings assigned thereto in the securities Law, unless the context indicates otherwise.



Licensing

Article (3):

A- A juristic person shall not practice any of the following activities without obtaining a license from the Board:

- 1- Brokerage:
 - A- Financial Broker
 - B- Dealer
- 2- Investment Trusteeship
- 3- Investment Management
- 4- Financial Advisory
- 5- Issuance Management
- 6- Margin Finance
- 7- Issuance Trusteeship
- 8- Safe Custody
- 9- Any other activities specified by the Board

B- The company may practice the activities listed in Paragraph (A) of this article only through natural persons registered by the Commission to practice such activities.

C- Any company licensed to more than one of the activities listed in Paragraph (A) above, shall avoid any clashes of interests that might arise due to providing any of these services to its clients, and shall set the necessary frameworks to achieve such.

Article (4):

The licenses to practice the activities listed in Article (3-A above) or renewals thereof, shall be subject to the following conditions:

- A- The license applicant shall be a bank, a public shareholding company, a private shareholding company, or a limited liability company whose main objectives must be restricted to financial services and custodial activities.
- B- A license applicant which is a bank must practice brokerage activities through a subsidiary, affiliate, or a wholly-owned company thereof.

- C- The minimum paid-in capital of the license applicant for each requested activity shall be as follows:
- 1- Brokerage.
 - A- Financial Broker: JD 750,000
 - B- Dealer: JD 500,000
 - 2- Investment Trusteeship: JD 50,000
 - 3- Investment Management: JD 1,000,000
 - 4- Financial Advisory: JD 30,000
 - 5- Issuance management:
 - A- In case of practicing coverage to achieve purpose: JD 5,000,000
 - B- In case practicing coverage to exert care: JD 500,000
 - 6- Margin Finance: JD 1,000,000
 - 7- Issuance trusteeship 50,000
 - 8- Custody: JD 1,000,000
- D- The minimum capital requirements for the license applicant to practice two or more of the activities listed in Paragraph (D) of this Article shall be no less than the sum total of the minimum capital requirement for each activity applied for.
- E- The license applicant management shall have the requisite experience, competence, knowledge, and good conduct to carry out its activities, those applicants shall be of good reputation and manners, and they shall provide evidence to prove such.
- F- The licensing fees and the annual licensing renewal fees must be paid in accordance with the regulations in force.
- G- The license applicant must submit an unconditional bank guarantee to the order of the Commission as specified by the Board, provided the amount of the guarantee for each activity shall not be less than the following:
- 1- Brokerage: JD 150,000
 - 2- Investment Trusteeship: JD 15,000
 - 3- Investment Management: JD 250,000
 - 4- Financial Advisory: JD 10,000
 - 5- Issuance management:
 - A- In case of practicing coverage to achieve purpose: JD 500,000
 - B- In case of practicing coverage to exert care: JD 100,000



- 6- Margin Finance: JD 250,000.
- 7- Issuance Trusteeship: JD 15,000
- 8- Custody: JD 250,000.

H- The guarantees shall constitute a security for the company's obligations towards its clients who deal in securities and for its compliance with the provisions of the Law and the regulations, instructions and decisions issued pursuant thereto. The Board may liquidate the guarantees and dispose thereof as it deems appropriate.

Article (5):

The net equity of the license applicant shall not become less than (75%) of the paid capital.

Article (6):

The company shall continue to comply with all the licensing requirements specified in these Instructions, the Board may revoke the license if the company fails to sustain any of the requirements.

Article (7):

The license application to practice any financial service or custodial services shall be submitted to the Commission in writing on the form prescribed thereby, along with a statement, signed by the applicant, affirming the accuracy of the information stated therein. the application shall include or have attached therewith the following:

- A- The name and address of the applicant and the locations of its branches, if any.
- B- The company type and the number and date of its registration with the Companies' Controller, in addition to the registration certificate which includes the names of the members of the board of directors or the board of executives, and the names of those authorized to sign on behalf of the company along with their signature specimens.
- C- The memorandum and articles of association.
- D- The nature of the applicant's activity and the period of its practice.

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- E- The names and addresses of the senior executive managers and a resume of their professional background in the securities field, in addition to the residential and work addresses of the employees, their professional capacities, job title, and a photocopy of their identity cards.
- F- The members of the board of directors and senior executive managers shall provide a certificate of no conviction of a felony or misdemeanor against honor or public ethics, in addition to a certificate of no verdict of previous bankruptcy.
- G- The names of the owners of the company and their individual shares if the applicant is a limited liability company, or the name of anyone owning (5%) or more of the capital, in case the applicant is a shareholding company.
- H- The required financial statements as it is on a date not exceeding three months prior to the application submission date, in addition to the last audited report of the auditor, if any.
- I- The name and the address of the company's auditor.
- J- The organizational structure, the initial feasibility study of the company, and the work plan thereof, including the expected financial data for 12 months as of the date of commencing its activities.
- K- The proposed business procedures in writing.
- L- A list of the services to be offered.
- M- The basis of calculating the commissions or the fees of the services charged to the clients.
- N- An attestation indicating that the applicant has deposited the required capital in the company's bank account.
- O- The form of the agreement by which the clients deal with securities, the form of opening an account, the forms of client's periodic account statements, and the organizational statements necessary for the work progress. The applicant may provide the Commission with the forms and statements upon receiving the license.
- P- A compliance manual indicating the company's forthcoming procedures to ensure an effective monitoring on the activities to be licensed.
- Q- Any agreement concluded between the applicant and any third party required to performing work necessities.
- R- Any other data deemed necessary or appropriate by the Commission for the licensing application.



Article (8):

In addition to what is stated in Article (7) of these Instructions, the applicant for a license shall provide the Commission with the data related to the experiences and the available capabilities for practicing his activities, including available computer and electronic communication systems, equipment, and other requirements necessary for efficient practice.

Article (9):

- A- The Commission, as it deems necessary for verifying the applicant's professional standing, may request the applicant to provide any additional information or data, including information related to his curriculum vitae, professional record, or relationship with other companies. It may also ask for confirmation of any information or data provided thereto by an acknowledgement, written documents, or otherwise.
- B- The Commission may take the necessary actions to verify the accuracy of the information stated in the application.
- C- The Board shall issue a decision granting or rejecting the license within sixty days from the date of submission of an application which fulfills all the requirements and prerequisites.
- D- The licensing application shall be considered void if the applicant fails to provide the Commission with the required data within six months as of the date of submitting the application.

Article (10):

- A- The license granted in accordance with these Instructions shall expire on the 31st day of December of each year.
- B- The Board may issue a new license for the succeeding year after a written application is submitted for this purpose and upon the payment of the prescribed fees.
- C- The Commission may ask for any additional information upon submission of the application for the license renewal.

- D- Applications for renewal shall be submitted within thirty days prior to the beginning of the new year, otherwise they shall be considered as new applications.

Article (11):

- A- The company may practice the financial services licensed thereto through branches inside the Kingdom upon obtaining the approval of the Commission and paying the fees as per the regulations and the instructions in force.
- B- The company may practice the financial services licensed thereto through branches and subsidiaries outside the Kingdom upon obtaining the approval of the Commission.
- C- The company willing to practice the financial services licensed thereto through branches inside the kingdom or branches and subsidiaries outside the Kingdom shall submit an application to the Commission indicating the following:
- 1- The address of the branch or the subsidiary.
 - 2- The nature of the activities to be practiced through the branch or the subsidiary.
 - 3- The name of branch or subsidiary manager, a resume of his professional background in the securities field and providing evidence to prove such.
 - 4- The names and the residential addresses of the employees of the branches or the subsidiaries indicating their professional capacities and job titles of each.
 - 5- Initial feasibility study for the branch or the subsidiary.
 - 6- The procedures carried out by the company in order to supervise the activities of the branch or the subsidiary.
 - 7- Any additional information or data specified by the Commission related to the application of opening the branch or the subsidiary.



Brokerage

Article (12):

The Broker's activities shall include:

- 1- Financial Broker: any person engaged in the business of buying and selling securities against a commission for the account of others.
- 2- Dealer: any person engaged in the business of buying and selling securities directly for his own account through the market.

Article (13):

Brokers shall trade in securities of a Public Issuer only through the Market, unless the security is exempted from this condition by the Board.

Article (14):

The broker shall not sell securities before ensuring its title, and that they are not subject to any attachment, pledge, or restrictions on the transfer.

Article (15):

A separate account shall be opened by the Financial Broker for each of his clients for the purpose of trading in securities.

Article (16):

The Financial Broker shall not accept authorizations for any transactions for selling or buying securities except from his clients who are duly documented according to the instructions in force.

Article (17):

The broker shall notify the client of the following:

- A- Any transactions executed in favor of the client promptly upon performing such.
- B- Any transaction that has not been executed in favor of the client promptly upon the expiry of the authorization given to the broker.
- C- If the broker or any person attached thereto was a part or has an interest in the transaction executed in favor of the client, the broker shall carry out the necessary procedures in order to protect the client's interest in case there is a clash of interest between the broker and the client.

Article (18):

The Financial Broker shall not pay or credit any of his client's account for the price of securities prior to completing the sale thereof on behalf of the client.

Article (19):

The Broker shall comply with the financial solvency standards approved by the Commission.

Article (20):

- A- The Broker shall, promptly upon their coming into effect, provide the Commission with any agreement concluded with any bank or any undertaking or guarantee the broker provide to any third party.
- B- The Broker shall notify the Commission of any agreement, undertaking, or guarantee provided by the subsidiaries, any of the managers, member of the board of directors or member of the board of executives, or partners thereof which give rise to a financial obligation or which affect its financial position, within seven working days as of the end of that month.



Article (21):

Any limited liability company practicing brokerage activities as well as the partners, the members of the board of executives thereof shall provide the Commission with the name of any of its subsidiaries, its objective, memorandum, and article of association and any change thereto.

Investment Trusteeship

Article (22):

For the purposes of dealing within the market, the Brokers and the clients thereof shall be correlated through one of the following schemes pursuant to opening an account agreement in accordance with the instructions issued for each scheme:

- A- Dealing on a cash basis: by virtue of such the financial broker opens a cash account in favor of the client, and the values of the purchased and sold securities shall be cleared through this account.
- B- Dealing on a margin finance basis: by virtue of such a margin finance account is opened, whereas the broker funds part of the purchased securities values.

Investment Trusteeship

Article (23):

The activities of the Investment Trustee shall include the follow-up and monitoring of the management of the clients' investments to ensure their conformity with the investment principles and objectives of the client as specified in the investment agreement concluded between the client and the Investment Manager in accordance with the provisions of the Law and the regulations, instructions and decisions issued pursuant thereto. These activities shall include also the practice of investment trusteeship for the Investment Mutual Fund.

Article (24):

The Investment Trustee shall notify the Commission, the client and the client's auditor, if any, of any violation committed by the Investment Manager upon learning of such. This includes the breach of the investment agreement referred to in Articles (23) above, and the failure of the Investment Manager to provide the Trustee with the required reports for practicing his activity. The Investment Trustee shall also request the Investment Manager to rectify the violation immediately, the Investment Manager shall be liable for the consequences if he fails to comply with the request.

Article (25):

The Investment trustee shall revise the reports prepared by the Investment Manager according to Article (29) of these instructions, the Investment Trustee shall also provide his clients with his opinion of such reports at least once every three months.

Investment Management

Article (26):

The Investment Manager's activities shall include securities portfolios management for others pertaining to the investment management agreement concluded with the client, which specifies the client's investment policy and the Investment Manager's authorities and duties. These activities shall also include Mutual Investment Funds Management.

Article (27):

The Investment Manager shall manage the client's securities portfolio in accordance with the agreement concluded therewith, or in accordance with the prospectus in the case of mutual funds, and shall exert the necessary conscientious professional's care thereof.



Article (28):

The Investment Manager shall undertake the following:

- A- Segregate the client's securities from other securities which he or any other client owns.
- B- Keep separate accounts for each client or managed portfolio, provided that each client's account shall include the investments, interest and profits in addition to the client's portfolio management expenses - if any - and the details of such.
- C- Exclude the values of the managed securities portfolios from his assets or receivables, in addition to excluding returns of such securities and any capital gains or losses resulting from trading in the Investment Manager final accounts.
- D- Indicate the market value of the clients' portfolios as a note within the financial statements.
- E- Not acquire any facilities against his clients' portfolios, or use such portfolios as a collateral for his obligations.

Article (29):

- A- The Investment Manager shall provide his client with a monthly report, unless the agreement concluded between them stipulates a shorter duration, provided the report shall include the following:
 - 1- Details of the client's portfolio, including the securities, quantity, cost, prices and market values thereof, this shall include prices of any securities which has not been settled, in addition to the cash balance as on the date of the report.
 - 2- The selling and buying transactions, including dates and details thereof.
 - 3- The interests, profits and dividends received during the period.
 - 4- The expenses of the client's portfolio management.
 - 5- Any material event that may affect the risks anticipated by the Investment Manager relating to the client's securities.
- B- The Investment Manager shall provide the client on demand with the documents and other information relating to the portfolio management.

Article (30):

The Investment Manager shall keep records that includes the documents of each investment transaction, and the details thereto.

Article (31):

The Investment Manager shall duly deal with the complaints lodged by his client, keep a complaints record and details of solving such and shall provide the Investment Trustee with a copy thereof.

Article (32):

A company shall not undertake both the Investment Trustee activities for the account of any client and the Investment Manager activities for the same account.

Financial Advice

Article (33):

The Financial Advisor activities shall include the providing of continuous advice to the client and others, against fees or commission, either directly or through publications or writings pertaining the investment and dealing in securities.

Article (34):

The Financial Advisor shall indicate in advance to the client or to others that his duty is constrained to providing advice without guaranteeing results.



Article (35):

The Financial Advisor shall not imply any untrue or misleading information or statements about services rendered to the clients and others.

Article (36):

Any company licensed to practicing the Brokerage activities, Investment Trusteeship, Investment Management, or Issuance Management may practice the Financial Advisory activities without obtaining a separate license.

Issuance Management

Article (37):

The Issuance Manager activities shall include managing the issuance and marketing of securities on behalf of the Issuer, this includes preparing the prospectuses and carrying-out all the studies and actions necessary for the issuance, registration and coverage of securities.

Article (38):

The Issuance Manager shall practice issue coverage on behalf of the Issuer pursuant to the coverage agreement concluded with the latter, for marketing and publicizing the issue in the media, through undertaking the following:

- A- Exertion of care: To exert utmost effort to attract buyers to the issue without giving any confirmation or commitment to sell a specific amount of the securities to be issued.
- B- Achieving purpose: To exert utmost effort to attract buyers to the issue accompanied with assurance to buy part or all of the securities to be issued, at the agreed price, according to the coverage agreement concluded with the Issuer.

Article (39):

- A- The Issuance Manager shall, as part of his duties in preparing the prospectus, receive the necessary assurances that all the information received from the Issuer is true, accurate and complete.
- B- The Issuer shall provide the Issuance Manager with any material facts or any material amendments to the prospectus during the subscription period, and the Issuance Manager shall be responsible for displaying all the information received from the Issuer in the prospectus.

Issuance Trusteeship

Article (40):

The activities of Issuance Trustee shall include the following:

- 1- Representing bonds owners assembly before the courts as plaintiff or defendant, as well as representing the assembly before any other party.
- 2- Performing the necessary activities in order to protect the bonds owners, defend their rights, and carry out the necessary measures in cooperation with the bonds owners assembly.
- 3- Carrying out the activity of trusteeship for the meetings of the bonds owners assembly.
- 4- Notifying the companies' controller, the issuing company, and any market the bonds listed therein of the decisions taken by the bonds owners assembly.
- 5- Following up the issuing company in relation to distributing the interests, and redeeming the bonds in the dates specified in the prospectus.
- 6- Attending the meetings of the bonds issuing company general assembly, giving notes, and providing the bonds owners with reports about these meetings, if necessary.
- 7- Monitoring the activities that infringes the conditions of the bonds issuance and notifying the bonds owners assembly of such.
- 8- Inviting the bonds owners assembly whenever it deems necessary.
- 9- Any other tasks assigned thereto by the bonds owners assembly.



Safe Custody

Article (41):

A- The Custodian activities shall include the following:

- 1- Custody of the client's securities.
- 2- Organize and maintain accurate records of the clients thereof.
- 3- Deliver securities on behalf of his clients to the selling Financial Broker, and receive securities from the purchasing Financial Broker.
- 4- Send periodic reports to clients about their securities portfolios and their cash accounts.
- 5- Notify clients of any actions taken by securities Issuers whether related to the interests, profits or rights arising of such securities.
- 6- Receive on behalf of the Clients the interests, profits and rights pertaining to the clients' securities.
- 7- Vote by proxy for clients at the Issuer ordinary and extraordinary general assemblies, according to the agreement concluded with each client.
- 8- Any other activities approved by the Board as a Custodial activity.

B- The Custodian's activities shall be governed by agreement concluded with the client.

Article (42):

The Custodian shall undertake the following:

- A- Segregate activities related to the custodial practice from other activities .
- B- Provide the options and measures necessary for safe keeping the securities and for their protection against theft, fire and any other risks.

Article (43):

- A- The custodian shall open securities accounts for the clients according to the procedures in force at the Securities Depository Center.
- B- The Custodian shall not dispose of the securities in his custody except according to the provisions of the Law, and the regulations, instructions and decisions issued pursuant thereto, and according to the custody agreement concluded with the client.

Registration

Article (44):

- A- The Commission shall register natural persons who work for the company in accordance with the provisions of the Law and the regulations, instructions and decisions issued pursuant thereto.
- B- The registration includes:
 - 1- Administrative Registration: the registration granted to a natural person to practice administrative activities, which includes the members of the company's board of directors, board of executives, director, manager or any employee thereof whose duties are related to securities.
 - 2- Technical Registration: the registration granted to practice any of the following activities:
 - 1- Brokerage
 - 2- Investment Trusteeship
 - 3- Investment Management
 - 4- Financial Advisory
 - 5- Issuance Management
 - 6- Issuance Trusteeship
 - 7- Safe Custody
 - 8- Any other activities determined by the Board
- C- A natural person shall practice any of the activities mentioned in paragraph (B.2) of this Article only after being registered by the Commission.



D- A Registered Person shall practice any of the activities mentioned in paragraph (B.2) of this Article only through one company.

Article (45):

- A- To practice Administrative Registration activities, a natural person shall fulfill the following conditions:
 - 1- Be competent and of good reputation and manners.
 - 2- Satisfy any other conditions set by the Commission.
- B- To practice Technical Registration activities, a natural person shall fulfill the following conditions:
 - 1- Be competent and of good reputation and manners.
 - 2- Hold a bachelors degree.
 - 3- Pass the examinations set by the Commission successfully.
 - 4- Has participated in the courses approved by the Commission for acquiring the required registration.
 - 5- Pay the registration fees and the fees of the annual renewal thereof.
 - 6- Satisfy any other conditions the Commission sets.
- C- A person of high academic qualifications or sufficient practical experience approved by the Board, may be excluded from the requirements of items (3and 4) stated in paragraph (B) above.
- D- The natural person who holds a technical registration shall be considered an administrative registered person.

Article (46):

The Registered Person shall continue to comply with all the registration conditions specified by these Instructions or any other instructions or decisions issued by the Board, subject otherwise to the revocation of registration.

Article (47):

- A- The registration application shall be provided to the Commission in writing according to the form set for that purpose, signed by the applicant and accompanied with an affirmation of the accuracy of the information stated therein.
- B- The applicant shall provide any data deemed necessary or appropriate by the Commission in order to consider the registration application.

Article (48):

- A- The Commission may require the applicant to provide any additional information including those related to the applicant's resume, record, and his relations with other companies, as it may deem necessary to establish the good business repute of the applicant.
- B- The Commission may take the necessary measures to verify the information stated in the application.
- C- The board shall issue the decision of granting or denying the license or registration within sixty days as of the date of submitting an application which satisfies all the terms and conditions.
- D- The registration application shall be considered void if the applicant fails to provide the Commission with the required statements within three months as of the date of submitting the application.

Article (49):

- A- The Registration granted pursuant to these Instructions shall expire on the 31st of December of every year.
- B- The Board may issue a new registration for the next year upon submitting a written renewal application and after payment of the prescribed fees.
- C- The Board may ask for additional information upon submitting the Registration renewal application.
- D- The renewal application shall be submitted within thirty days prior to the beginning of the new year, otherwise it shall be considered as a new application.



Article (50):

The registration shall be considered suspended upon the termination of the Registered Person employment by the company, or upon the suspension or revocation of the company's license

Article (51):

The Registered Person must notify the Commission in writing within one week from the occurrence of the following:

- A- Change of his personal address, residential address, or business address.
- B- His employment or termination thereof by the company, with statement of the reasons for termination .
- C- If any judicial proceedings has been carried against him, or has been interrogated by local or foreign authorities
- D- The shortfall of any of the registration conditions.

Article (52):

- A- A Registered Person shall not defame another Registered Person or detract from his professional status.
- B- A Registered Person shall abide by the principles of honor, integrity, fairness, honesty and standards of professional conduct and to strive constantly for the interest of the clients and the protection of their rights.

Obligations of Companies

Article (53):

- A- The Company shall formulate written work procedures for dealing with clients that shall conform with careful work methods to serve the clients properly. The company shall also take the necessary measures to monitor such procedures appropriately, provided they shall conform with the Regulations, Instructions and decisions issued in this respect.
- B- The procedures mentioned in Paragraph (A) of this Article must specify the person authorized by the company to be responsible for approving the opening and closing of clients' accounts and for supervising their dealing in securities.
- C- The company shall ensure the following:
 - 1- The client's identity, financial solvency, contractual capacity and reputation.
 - 2- The suitability of the purchasing or selling transactions being conducted for the client's account with his investment objectives.

Article (54):

- A- The relationship between the client and the company shall be governed by a written agreement for each financial service provided for the clients, those agreements shall conform with the provisions of the Law and the regulations, instructions and decisions issued pursuant thereto.
- B- The company or its Registered Persons, when dealing in securities in favor of their clients, shall certify the validity of clients' signatures upon verifying their identities and contractual capacities, provided the company shall bear the responsibility of the validity of those signatures.

Article (55):

- A- The Company shall specify in advance and prior to contracting with its client all the services, the commissions and expenses the client will incur by dealing therewith.



- B- The Financial Advisor and the Investment Manager may determine the commission on basis of the value of the client's portfolio or on the volume or value of the transactions carried out for the client or as a percentage of the realized profits or by any other method, subject however to the client's written approval.

Article (56):

- A- The Company shall maintain accounting books and records and other records necessary for conducting its activities in an organized and proper manner in accordance with International Accounting Standards, prepare the statements adequately to reflect the reality of the Company's financial status, and comply with any special requirements determined by the Commission in this respect.
- B- The books and records mentioned in Paragraph (A) of this Article may be maintained electronically provided the following:
 - 1- Adequate, appropriate and preventive precautions are taken against the risk of falsification of information and to ensure the safety thereof.
 - 2- The information and data shall be available accurately and clearly within a reasonable time to any person entitled to examine the records or have access thereto.

Article (57):

- A- The Company shall not dispose of the clients' funds except in accordance with the written agreement concluded therewith and pursuant to the provisions of the Law and the regulations, instructions and decisions issued pursuant thereto.
- B- The Company shall segregate its own funds and securities from the client's fund and securities, which are considered a civil deposit therewith, in accordance with the conditions determined by the Board which shall be included in the agreements concluded with the clients.

Article (58):

- A- Any person who intend to own (5%) or more of the company's capital shall submit to the Commission a written request stating therein the objectives behind the acquisition and any relevant facts that would enable the Commission to determine whether such acquisition lead to:
 - 1- A probable conflict of interests.
 - 2- The possible violation of the licensing conditions applicable thereto.
 - 3- The possibility to affect the level of investment protection.
- B- The Commission shall issue a decision regarding the request within two weeks from the date of submitting a complete application.
- C- The company shall comply with the conditions imposed by the Commission in case of approval.

Article (59):

The company shall imply in any publication, by which it recommends the purchase, sale or retention of a certain security, a detailed and clear statement of any direct or indirect interest in that security for itself or for any partner, director or any insider therein, including the following:

- A- The ownership of any of the aforementioned in this security or in any securities issued by the same Issuer.
- B- The commission or remuneration received by any of the aforementioned, or expected to be received by anyone involved in any trading in this security.
- C- Any financial engagements or arrangements that any of the aforementioned might have with the Issuance Manager or anyone else in respect of this security.



Article (60):

When the company recommends the purchase, sale or exchange of a security, in any circular, publication, advertisement, letter or other publications issued or published by it, the Company shall mention clearly whether that Company or any member of its board of directors, board of executives, partners or its manager has assumed during the past twelve months the responsibility of an Underwriter for that security or has received any fees or commission from the Issuer of that security, or expects to receive any payment or commissions as a result of the recommended action.

Article (61):

- A- The Company shall send a monthly account statement to every client at least every three months indicating his balance of securities and the details of the dealing transactions.
- B- The Company shall provide its clients, upon request, with its annual and semi-annual financial statements, and shall notify clients of any change of the membership of its board of directors, board of executives, or any change in its major shareholders, owners, or the members of its executive management.

Article (62):

The company apart from the Custodian, the Investment Trustee, and the Issuance Trustee, shall formulate the criteria for fairness in allocating investment opportunities to the clients, and shall provide all clients with a copy of the criteria after providing the Commission of such.

Article (63):

The company apart from the Custodian, the Investment Trustee and the Issuance Trustee shall disclose to its client if it retains any direct interest in any security prior to selling or purchasing of such in favor of the client.

Article (64):

- A- No one other than the Licensed Persons and the Registered Persons shall appear before others, directly or indirectly, as a Licensed or Registered Person, or announce himself as a Licensed or Registered Person through any means of media.
- B- No one shall present written or oral statements alleging thereby that the Commission approves or attests to the validity of any acts, conduct or soundness of the financial situation of the Licensed or Registered Person's activities or the merits of any security or Issuer.

Article (65):

- A- A Company shall not defame another company or detract from its professional status.
- B- Professional relationship between companies shall be based on fair competition and cooperation to develop the profession.
- C- The company and its employees shall abide by the principles of honor, integrity, fairness, honesty and standards of professional conduct and shall work to constantly promote and protect the clients' interests.

Article (66):

The board of directors or the board of executives, as the case maybe, shall be responsible for setting the general policies of the company and the monitoring thereof, and shall also undertake the following tasks:

- A- Set the internal regulations for the company which define the duties and authorities of departments thereof which ensures administrative and financial supervision on its activities.
- B- Carrying out procedures which ensures the compliance with the provisions of the Law or any other regulations relevant to it's activities.
- C- Carrying out the necessary measures to ensure the accuracy of the information to be provided to the Commission by virtue of the Law, and the regulations, instructions, and decisions issued pursuant thereto.



D- Approving the company's compliance manual and following up the appliance thereof.

Article (67):

The executive manager of the company shall undertake the following:

- A- Carrying out the necessary measures to ensure the internal supervision on the work performance within the company and its compliance with the Law, and the regulations, instructions, and decisions issued pursuant thereto.
- B- Providing the Commission with the required information and data according to the provisions of this Law, and the regulations, instructions, and decisions issued pursuant thereto.
- C- Supervising the employees and registered persons including the compliance officer, and ensuring that the aforementioned perform their activities in accordance to the Law, and the regulations, instructions, and decisions issued pursuant thereto.

Article (68):

- A- The company shall appoint a compliance officer provided that the latter holds a technical registration.
- B- The compliance officer shall apply certain measures to ensure the extent of compliance of the company, registered persons, employees with the Law, and the regulations, instructions, and decisions issued pursuant thereto.
- C- The compliance officer shall mainly perform the following tasks:
 - 1- Ensure that the company, the registered persons, and the employees thereof have a clear understanding in relation to the financial services provided by the licensed company.
 - 2- Preparing a special compliance manual which shall be constantly updated, such manual shall include specific procedures to ensure the extent of compliance of the company and registered person thereof with the Law, and the regulations, instructions, decisions issued pursuant thereto, and shall be in line with the internal monitoring procedures.

- 3- Enhancing and carrying out training courses in order to enlighten the registered persons of the company in relation to the Law, and the regulations, instructions, and the internal monitoring procedures of the company.
 - 4- Providing the advice for the registered persons of the company in relation to understanding and implementation of the Law, and the regulations, instructions and decisions issued pursuant thereto.
 - 5- Documenting the procedures related to supervising the registered person as specified in the compliance manual.
 - 6- Carrying out investigation promptly in case of occurrence of a possible violation by any registered person or any client of the company, and documenting the results of such investigation or any procedure that has been carried out by the company in that relation.
- D- The tasks listed in paragraph (C) above shall not clash with any other task assigned to the compliance officer, and the executive manager of the company shall ensure that there are no clashes of interests in relation to the tasks assigned to the compliance officer.
- E- The company is obliged to the following:
- 1- Allowing the compliance officer to accomplish the tasks listed in paragraph (C) above.
 - 2- Promptly notifying the Commission in case of replacing or dismissing the compliance officer accompanied with specification of the reasons thereof.

Article (69):

The company shall take all the necessary measures to prevent from executing any dealing related, or might be related, to any money laundering transaction or any banned action, and shall notify the Commission thereupon.

Article (70):

The issuing company shall prepare its financial statements according to the disclosure instructions in force.



Disclosure by Companies and Registered Persons

Article (71):

The non-issuing company shall prepare and publicize an annual report within three months from the end of its fiscal year, and shall provide the Commission therewith. The annual report shall include the following:

A- The report of the company's board of directors or board of executives as the case may be, such report shall include the following:

- 1- The Company's legal status and a description of its major activities.
- 2- The company's competitive position and its share of the market for the preceding five years or from the date of its establishment, whichever is less.
- 3- The company's capital and equity development and equity for the preceding five years or from the date of its establishment, whichever is less.
- 4- An analysis of the company's financial status and the results of its activities during the fiscal year.
- 5- Names of the Board of Directors, Board of Executives members or the partners in the Company, as the case may be, and the company's employees and their qualifications, experience and job titles.
- 6- The organizational structure of the company, the number of its employees, and their qualification, in addition to the preparation and training programs assigned thereto.
- 7- Description of the risks the company faces..
- 8- The company's accomplishments supported by quantatives indicators and a description of the major events that the company passed through during its fiscal year.
- 9- The financial impact of the extraordinary transactions that occurred during the fiscal year.
- 10- Chronological sequence of the realized profits or losses, distributed divided, and net equity over the preceding five years or from the date of its establishment, whichever is less.

- 11- Major future developments including any expansions, new projects, the company's future plans for at least one coming year, and speculations for the outcomes of the company's business.
- 12- The auditing fees for the company and subsidiaries and any fees paid, or to be paid, to the auditor.
- B- The Company's annual audited financial statements benchmarked with the previous year, this shall include:
 - 1- The balance sheet
 - 2- The profit and loss account
 - 3- The cash flow statement
 - 4- Explanatory notes to the financial statements
- C- The auditors' report on the company's annual financial statements, which includes an affirmation that the audit procedures are consistent with the International Auditing Standards.
- D-
 - 1- An acknowledgment from the board of directors, or board of executives, as the case maybe, that there are no substantial matters disaffecting the company's continuity during the next fiscal year.
 - 2- An acknowledgment of the board of directors or board of executives, as the case may be, of its responsibility for the preperation of the financial statments and providing an efficient monitoring system in the company.
 - 3- An acknowlegment signed by the chairman of the board of directors, general manager, and the financial manager of the company indicating thereby the correctness, accuracy, and completeness of the information stated in the report.

Article (72):

The non-issuing Company shall prepare and publicize an audited semi-annual report within one month from the date of the end of that period, and it shall provide the Commission with copies thereof, provided such report shall include the following financial statements:

- 1- The balance sheet.
- 2- The profit and loss account.



- 3- The cash flow statement.
- 4- The important explanatory notes to the financial statements.

Article (73):

The Board of Directors members, the Board of Executives members, or the partners, as the case may be, the registered persons and the employees in any of the Financial Brokerage Companies or their subsidiaries, shall provide the Commission with monthly reports about any dealing in securities including sale or purchase thereof, by any of the aforementioned or their relatives within seven working days as from the end of the month in which the dealing took place.

Article (74):

The Company shall publicize at the beginning of the year the names of its registered persons and the type of their registration, including the determination of those authorized to receive purchase and sale orders, and shall, as well, publicize the occurrence of the beginning or termination of the relationship with any of its Registered Persons.

Article (75):

The company and its registered persons shall notify the Commission in writing of its membership in the Boards of Directors of public shareholding companies, and of any changes thereof within seven days from such occurrence.

Article (76):

The Company and the Registered Person shall notify the Commission in writing without delay of any changes in the information related thereto which is provided to the Commission.

Article (77):

The Company shall notify the Commission promptly when it faces any financial troubles or is likely to be exposed to such troubles in the future.

Article (78):

The Company shall comply with the Commission's orders and shall provide the Commission with the following:

- A- A statement of the Company's financial status, the liquidity amount, solvency, profits and administrative status, including the remunerations of the members of the Board of Directors and Executive Management.
- B- Statements of the Company's subsidiaries final accounts and reports about their financial status.

Article (79):

The Company, except private shareholding whose shares are listed in the Market and public shareholding, shall notify the Commission in writing of any changes in its ownership along with the official documents.

Article (80):

The Company shall notify the Commission of occurrence of the following:

- A- Changes of the company's name and address inside the Kingdom or of any of its branches.
- B- Changes of the Company's objectives and articles of association.
- C- The change of the chairman or the Board of Directors or Senior Executive management members, with statement of reasons in case of resignation, termination of service, discontinuation of work or any change in their positions.
- D- Appointment or termination of Registered Person service, with statement of reasons in event of service termination.



- E- Closure of the Company's branch in the Kingdom or abroad.
- F- The change of any of the Company's branch manager or his address.
- G- Any change in Company's capital .
- H- The change of the Company's auditor.
- I- Any attachment or pledge of the Company's assets.
- J- Any sudden material losses that have affected the Company's financial status, with statement of reasons.
- K- The Board of Directors or the Board of Executives decisions related to the commencement of merger or voluntary liquidation.
- L- The actions brought by or against the Company, or any of its registered persons, and which have a material impact on the Company's financial status or an expected impact on the Company's profitability.

Article (81):

The company which practices financial services activities through branches or subsidiaries outside the kingdom shall provide the Commission with the following:

- 1- Annual and semi-annual financial statements of the branch or the subsidiary,
- 2- Notifying the Commission promptly upon the occurrence of any change of the information submitted to the Commission which is listed in paragraph (11/C) of these instructions.

General Provisions

Article (82):

If the Commission finds that the Company is facing a risk or any of its activities that threatens the stability of the Capital Market or the company's shareholders' interests or those dealing therewith, or if a shortfall in any of the licensing conditions stated in Article (4) of these Instructions has occurred, the Commission may promptly suspend the given license or registration for the period it deems appropriate and may carry out any or all of the following measures:

- 1- Restriction, suspension or cessation of the license or registration for the period it deems appropriate.
- 2- Appointment of an observing member on the company's Board of Directors or Board of Executives, as the case may be, for the period deemed appropriate by the Commission. Such member shall have the right to participate in the Board's deliberations without voting, and may record in the minutes of the meeting his points of view in relation to the decisions taken therein.
- 3- To require the Company to increase the guarantees it provided in the amounts deemed appropriate by the Commission.
- 4- To liquidate the provided guarantees.
- 5- Any other measures the Commission is entitled to, by virtue of the provisions of the Law.

Article (83):

The Commission may appoint an auditor other than the auditor appointed by the Company, if it finds this necessary, to conduct specific auditing operations within a specific period at the Company's expense.



Article (84):

All the information and data submitted to the Commission by the Company and the Registered Person must be by written letters duly signed by them.

Article (85):

The Company's relationship with others, including the clients, shall be pursuant to written agreements concluded with the relevant parties.

Article (86):

The client may seek compensation from the company for any resulting damages if the Company defaults on any of its obligations towards the client, or takes any actions against his interest, or commits an evident error or offence.

Article (87):

The Company shall deal with the client's complaints and shall document and keep the taken procedures and results of such complaints in a special record.

Article (88):

The Company, or the Registered Person or any officer, director, or employee thereof, shall respond to the Commission's request for hearing his statements on matters specified by the Commission and during the period determined thereby.

Article (89):

The Company's auditor shall not be a debtor nor a creditor to the Company or to any of its subsidiaries nor shall he be a guarantor of any of its debtors.

Article (90):

The Commission may issue the necessary forms for the purposes of obtaining the required information pursuant to these instructions.

Article (91):

All Companies shall rectify their position according to the requirements of these Instructions within six months from the effective date of these Instructions.

Article (92):

Instructions on Licensing of Activities of Financial Services Companies and Certified Financial Professionals No.1 for the year 1999. And the Custodian Licensing Instructions No. (3) for the year 2003 shall be revoked.