



## **Instructions of Margin Finance**

**Issued Pursuant to the Provisions of Articles (12/R) and (118/B) of the Securities Law No. (18) for the Year 2017 and Approved Pursuant to the Decision of the Board of Commissioners No. (277/2018) Dated (August 30.2018)**

### **Article (1)**

These Instructions shall be known as the (Instructions of Margin Finance for the Year 2018) and shall come into effect on August 30.2018.

### **Article (2)**

The words and phrases mentioned in these Instructions shall have the meanings ascribed 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 Center:** The Securities Depository Center.
- **The Market:** The Amman Stock Exchange or any Trading Market in Securities licensed by the Commission.
- **Financial Broker:** The legal person licensed to engage in the businesses of margin finance.
- **Margin Finance Account:** A special account for the client with the Financial Broker for the purposes of margin finance pursuant to an agreement between the two parties.



- **Initial Margin:** The deposit by the client with the Financial Broker in the Margin Finance Account of amounts or securities allowed for margin finance according to the prescribed percentage of the market capitalization of securities to be traded in margin prior to executing the purchase order.
- **Maintenance Margin:** The minimum limit of the contribution of the client to the market capitalization of securities in the Margin Finance Account at any time after the date of purchase.
- **Margin Finance Limit:** The maximum limit allowed for the total amounts of margin finance granted by the Financial Broker to all his clients.
- **Affiliate Company:** A company that controls another company or is controlled by the other company.
- **Subsidiary Company:** A company subject to the control of a Parent Company.
- **Control:** The ability to effectively influence, directly or indirectly, the actions and decisions of another person.
- **Parent Company:** A company that controls another company or companies financially and administratively via owning more than half of its capital and/or controls the formation of its Board of Directors, including the Holding Company.
- **Sister Company:** A company is considered a Sister Company of another company when these two companies are owned or are subsidiary to a Parent Company.



- **Relatives:** Husband, wife and underage children.
- **Linked Group:** Every group of clients subject to the actual control of the same natural persons or the same legal persons and/or having mutual interests and/or accounts including one or more of the following conditions:
  - Concerned clients provided that the accounts are managed, directly or indirectly, by one of them.
  - One client guarantee of the accounts of other clients.
  - One depository source for all the accounts of clients.
  - One client influential control, directly or indirectly on other accounts.

### **Article (3)**

Margin Finance means the financing by a Financial Broker of a percentage of the value of securities in the Margin Finance Account by guarantee of securities in such an Account.

### **Article (4)**

The license to engage in the businesses of margin finance shall be subject to the following:

- A.** An applicant for a license shall be licensed as a Financial Broker and has engaged in the business therein.
- B.** An applicant for a license paid up capital shall not be less than JD (1,000,000) million and the percentage of the net ownership rights to the paid up capital shall not be less than (75%).



- C. An applicant for a license shall provide a bank guarantee to the Commission's order in the amount of JD (250,000) thousand in accordance with the Instructions of Financial Services Licensing and Registration for the Year 2005 in force.
- D. An applicant for a license shall not have committed material violations to the Financial Adequacy Standards within the six months preceding the date of filing the License Application.
- E. An applicant for a license shall have the necessary technical and administrative capacities and potentials to engage in the businesses of margin finance and to manage the accounts for such transactions in accordance with the Board's satisfaction.

#### **Article (5)**

The Board may amend the licensing conditions and requirements and the margin finance working procedures and the Financial Broker shall either make the required adjustments accordingly or liquidate the Margin Finance Accounts within the period specified by the Board for this purpose.

#### **Article (6)**

The Margin Finance Limit shall not exceed (150%) of the net ownership rights of the Financial Broker.

#### **Article (7)**

The total finance of the Financial Broker for one security in his Margin Finance Accounts shall not exceed (20%) of the net ownership rights of that Financial Broker.



### **Article (8)**

The amounts of margin finance granted to one client shall not exceed (10%) of the net ownership rights with the Financial Broker or JD (1,000,000) million whichever is less. The amounts of margin finance granted to one client and to the Linked Group shall not exceed (30%) of the net ownership rights with the Financial Broker or (6,000,000) million whichever is less.

### **Article (9)**

The Initial Margin of any Margin Finance Account shall not be less than JD (5,000) thousand.

### **Article (10)**

The Board may request the Financial Broker to cease to grant any additional finance or to open Margin Finance Accounts for new clients in any of the following cases:

- A.** If the Financial Broker exceeds the limits specified in Articles (6, 7 and 8) of these Instructions.
- B.** If the Financial Broker commits material violations to the Financial Adequacy Standards issued by the Board.
- C.** If the Financial Broker violates any of the conditions and requirements imposed pursuant to Article (4) of these Instructions.



## **Article (11)**

The Margin Finance Agreement shall include the following:

- A.** A definition of Margin Finance and the risks the client might face as a result of dealing thereof including:
- 1.** The client may lose part or all of the moneys deposited in the Margin Finance Account.
  - 2.** The right of the Financial Broker to sell part of the margin financed securities, in the event the Maintenance Margin percentage decreases below the allowed limit and the client fails to cover the deficit in the Maintenance Margin.
  - 3.** The right of the Financial Broker to choose any of the margin financed securities that shall be sold to cover the Maintenance Margin to protect the interest of the client.
- B.** The securities in the Margin Finance Account shall be considered a guarantee for the margin finance.
- C.** The right of the client to receive dividends and interests upon their accrual and his right to vote in the meetings of the General Assemblies of the companies in which he owns shares.
- D.** The amount of interests and commissions the Financial Broker shall charge the client.
- E.** The measures that shall be adopted by the Financial Broker in the event the Maintenance Margin percentage decreases below the allowed limit, including the method of notifying the client of such decrease.



- F.** The client knowledge of the Instructions of Margin Finance.
- G.** The right of the client to obtain his relevant documents and statements in the Margin Finance Account upon his request from the Financial Broker.

**Article (12)**

The Financial Broker shall open a special account for his client known as the Margin Finance Account pursuant to the Margin Finance Agreement concluded between the Financial Broker and the client, in accordance with the provisions of the Securities Law and the regulations, instructions in force and decisions issued pursuant thereto.

**Article (13)**

The Financial Broker shall open a Margin Finance Account with the Center for each client dealing thereof in margin finance and the Financial Broker shall comply with the instructions of the Center in this regard.

**Article (14)**

The percentage of the Maintenance Margin shall be calculated by deducting the total value of the granted amounts to the client in addition to any interests or commissions provided for in the Margin Finance Agreement with the client in the Margin Finance Account of the total market capitalization of the securities in the Margin Finance Account divided by the total market capitalization.



### **Article (15)**

The Financial Broker shall comply with the following:

1. Ensure that the client has deposited the Initial Margin in his client's account, either in cash or in securities allowed to be margin financed prior to purchasing any securities, in accordance with the percentages specified by the Board from time to time.
2. The percentage of the Maintenance Margin in any Margin Finance Account shall not, in all the times, be less than the minimum limit specified by the Board.

### **Article (16)**

The Financial Broker shall calculate the Maintenance Margin for each account at the end of each business day and shall notify the client on the same day if the Maintenance Margin is less than the allowed minimum limit and the client shall be required to cover the deficit within a period not exceeding two business days starting from the next day of the date of decrease in the percentage, either by cash deposit or by other securities, provided that such securities are among the allowed to be margin financed.

### **Article (17)**

- A. If the client fails to cover the deficit mentioned in Article (16) of these Instructions, the Financial Broker shall sell a percentage of the securities in the Margin Finance Account to restore the Maintenance Margin to its allowed minimum limit.





- B.** If sufficient securities are unavailable in the Margin Finance Account to restore the Maintenance Margin to the allowed minimum limit due to sequestration of securities or to some of them on margin finance, or due to ceasing a security or some of the margin financed securities from trading, the Board may grant the Broker a time limit to rectify the Maintenance Margin.
- C.** Margin financed securities shall not be hypothecated other than for the interest of the Financial Broker granting the finance.

**Article (18)**

The client may withdraw any moneys from the Margin Finance Account that exceeds the percentage of the Initial Margin of the market capitalization of securities in that account, provided that such withdrawal does not exceed the Margin Finance Limit granted to the client specified in the Agreement.

**Article (19)**

The Commission shall have access to all the Facilities Agreements concluded between the Financial Broker and the banks, in addition to access the accounts and balances of the Financial Broker with banks. The Financial Broker shall authorize the Commission in writing to obtain any data or information it deems necessary directly from banks and other contracting parties.



#### **Article (20)**

It shall be prohibited for the Financial Broker to deal for the interest of his clients in the Margin Finance Account of issued securities thereof or issued by Subsidiary or Affiliate or Parent or Sister Companies thereof.

#### **Article (21)**

The Margin Finance Account shall be used to deal with securities traded on the Market and shall not be used to subscribe in new issuances of securities.

#### **Article (22)**

The Financial Broker may accept guarantees in the Margin Finance Account other than the securities deposited in that Account, provided that the Commission approves this, and such guarantees shall not be included in the calculation of any of the relevant financial ratios and shall not be recognized in the company's accounting records.

#### **Article (23)**

The Board shall specify from time to time and in accordance with the standards established thereof, the securities allowed to be margin financed and the percentages of the minimum limit of the Initial Margin and the Maintenance Margin.

#### **Article (24)**

It shall be prohibited for the Financial Broker to open Margin Finance Accounts for underage children.



### **Article (25)**

The Financial Broker shall comply to provide the Commission on the first business day of each week and/or upon the request thereof with the following:

1. The value of amounts available to deal in margin.
2. The total outstanding amounts on margin finance clients.
3. The total market capitalization of clients' margin finance portfolios.
4. The percentage of the total outstanding amounts on margin finance clients to the total market capitalization of guarantees provided by them.
5. A list of the names of the margin financed securities, the names of margin financed clients and the amount of finance of each margin financed security.

### **Article (26)**

The Instructions of Margin Finance Issued Pursuant to the Provisions of Articles (12/Q) and (47) of the Securities Law No. (76) for the Year 2002 and Amended Pursuant to the Decisions of the Board of Commissioners No. (485) Dated November 25.2013 and No. (88/2016) Dated March 22.2016 shall be repealed.