



Kuwait Clearing Company Rule Book



Kuwait Clearing Company
Stock Exchange Building
6th Floor
Ahmad Al Jaber Street
Safat, 13081
Kuwait

Telephone + 965 1841111
Fax +965 22469457
www.kuwaitclearing.com



Contents

1	Interpretation	5
1.1	Definitions.....	5
1.2	Rules Endorsement	17
2	General Rules.....	19
2.1	Scope of Rules	19
2.2	KCC Powers to Make Rules	20
2.3	Repeal or Changes to Rules.....	20
2.4	KCC to Interpret Rules.....	20
2.5	KCC Discretionary Powers	21
2.6	Compliance with the Law and Bylaws.....	21
2.7	Roles of KCC	21
2.8	New and Additional Services	22
2.9	Suspension of Services.....	22
2.10	Rectification of Errors and Omissions	22
2.11	KCC Service Level Agreement (SLA).....	23
2.12	Fees, Charges and Penalties.....	23
2.13	Indemnity	23
2.14	Third Party Rights and Interest.....	24
2.15	Operating Procedures	24
2.16	KCC Decisions.....	24
2.17	Force Majeure	24
2.18	KCC Disclaimer.....	25
2.19	Continuing Obligations of Dealers	26
2.20	Further Assurances.....	26
2.21	KCC Records, Statements and Reports	26
2.22	Disclosure of Information.....	27
2.23	Complaint	27
3	KCC Members	29



3.1	KCC Members Categories	29
3.2	Admission.....	29
3.3	Rights of KCC Members.....	31
3.4	Obligations of KCC Members	32
3.5	Restrictions for KCC Members	33
3.6	KCC Services to KCC Members.....	33
3.7	Non-Compliance of KCC Members	33
3.8	Termination of KCC Members	33
3.9	Surviving Obligations	34
3.10	Members to Act as Principals.....	35
4	Investors.....	36
4.1	Individual Investor	36
4.2	Non-Individual Investors (legal persons).....	36
4.3	Investors in omnibus accounts.....	37
5	Accounts	38
5.1	Segregation of Securities Accounts	38
5.2	Account purposes.....	38
5.4	Account Opening	40
5.5	Account Status.....	43
5.6	Account Activity.....	44
5.7	Account Suspension.....	44
5.8	Account Reactivation	45
6	Clearing and Settlement.....	46
6.1	General.....	46
6.2	Clearing.....	46
6.3	Settlement.....	49
7	Default.....	55
7.1	Broker/Custodian Funds Collateral	55
7.2	Collateral Requirement.....	56
7.3	Collateral Maintenance	56
7.4	Fees, charges and penalties	57
7.5	Notifications to Authority.....	57



7.6	KCC Collateral	58
7.7	Faluire of Securities delivery	58
8	Central Securities Depository	60
8.1	General.....	60
8.2	Record of Final Legal Title	60
8.3	Form and Contents of Title Deed.....	60
8.4	Register.....	61
8.5	Application by Issuers.....	62
8.6	Approval and Rejection.....	62
8.7	Issuer Obligations.....	62
8.8	KCC Services.....	64
8.9	Fees, Charges and Penalties.....	65
8.10	Market Trades.....	65
8.11	OTC Transfers.....	65
8.12	Eligible OTC Transfers	66
8.13	Exchange Approved for OTC Transfers.....	66
8.14	Free of Payment Transactions (FoP)	66
8.15	Corporate Actions.....	67
8.16	Securities Pledge, Attachments and Block.....	69
8.17	Stock Swap Transaction.....	72
8.18	Tender Offer	73
9	Securities Lending and Borrowing	75
9.1	General.....	75
9.2	Purpose Of Securities Borrowing	75
9.3	Role of KCC	75
9.4	Securities Eligible for SLB.....	76
9.5	Eligible Transactions for SLB	76
9.6	Fees and Charges	76
10	Appendices	77
10.1	Fees, Charges and Penalties.....	77



1 Interpretation

1.1 Definitions

1.1.1 For the purposes of this Rule Book, the following expressions shall, unless the context otherwise provides, bear the following meanings:

Term	Definition
" <u>SLA</u> "	means the standard Service Level Agreement between <u>KCC</u> and each <u>Dealer</u> ;
" <u>SLB Agreement</u> "	means a contract between the <u>Lender</u> and <u>Borrower</u> ;
" <u>Default Proceedings</u> "	means any proceedings or other action taken by <u>KCC</u> under Default Section 7;
" <u>Operating Procedures</u> "	means <u>KCC</u> policies and procedures in relation to any of the services or facilities of <u>KCC</u> issued;
" <u>Cum Date</u> "	means the last day where a buyer is still entitled to partake in Corporate Actions and distributions as the transaction can be settled in time before the Record Date. The Cum date is the day prior to the Ex-Date.;
" <u>Dues</u> "	means an <u>Investor's</u> overdue <u>Securities</u> and / or Funds obligations resulting from <u>Transactions</u> failing to settle on the <u>Intended Settlement Date</u> which are immediately repayable by the <u>Investor</u> or the related executing <u>Broker</u> ;
" <u>Acquisition Offer</u> "	means an offer to acquire or a solicitation to procure the acquisition of <u>Shares</u> which would contribute to achieving Effective Control of a Company Listed on an <u>Exchange</u> , or of an <u>Unlisted Company</u> in the event of Reverse Acquisition, to which the provisions and <u>Rules</u> of Module Nine (Mergers and Acquisitions) of the



	<u>Bylaws</u> apply;
" <u>Treasury Shares</u> "	means a company's <u>Shares</u> which the issuing company repurchases or buys back or otherwise makes use of;
" <u>Preferred Shares</u> "	means the <u>Shares</u> that are granted certain privileges in voting, profits, liquidation proceeds or any other rights provided that <u>Shares</u> of the same type are equal in rights and privileges;
" <u>Shares</u> "	means <u>Shares</u> issued or to be issued in a company's share capital;
" <u>Investor's Assets</u> "	means, all <u>Securities</u> and / or Funds held or received by <u>KCC</u> for or on behalf of an <u>Investor</u> in the course of any <u>Securities</u> Activity;
" <u>Bylaws</u> "	means the Executive <u>Bylaws</u> to the <u>Law</u> ;
" <u>Kuwait Clearing Company</u> " or " <u>KCC</u> "	means any entity that conducts settlement and clearing operations of Securities, and one which provides the central custody of Securities, and one which provides other related services in accordance with Chapter 4 (<u>Clearing Agency</u>) of the <u>Law</u> ;
" <u>Authority</u> " or " <u>CMA</u> "	means the Capital Markets <u>Authority</u> in the State of Kuwait;
" <u>Ministry</u> " or " <u>MOCI</u> "	means Kuwait <u>Ministry</u> of Commerce and Industry;
" <u>Custodian</u> "	means a <u>KCC Member</u> licensed by the Authority to hold in custody Clients' Funds and Clients' Assets including those constituting a Collective Investment Scheme in accordance with the provisions of the <u>Law</u> and <u>Executive Bylaws</u> .;
" <u>EX-Date</u> "	means the first trading of a security where such security is not carrying any rights or benefits deriving from a Corporate Action;



"BoD"	means Beginning of <u>Day</u> according to the published timetable;
"Settlement Bank"	means a Bank appointed by <u>KCC</u> to process Funds payments and to issue and receive payment orders and instructions, on behalf of <u>Dealers</u> related to <u>Transactions</u> ;
"Central Bank" or "CBK"	means the <u>Central Bank</u> of Kuwait;
"Bank"	means any local Kuwaiti Bank, or a branch of a foreign Bank, licensed by the <u>Central Bank</u> of Kuwait;
"Exchange"	means Boursa Kuwait;
"Short Selling"	means the sale of a <u>Security</u> that is not owned by the seller, or that the seller has borrowed;
"Actual Settlement Date"	means the date at which a <u>Transaction</u> create final irrevocable <u>Settlement</u> ;
"Block"	means freezing of the whole or part of the balance of an <u>Account</u> at a certain date disabling an <u>Account</u> Holder's rights to dispose of the frozen balance;
"Registration of Securities"	means recording the <u>Investor's</u> name or omnibus account name, <u>Securities</u> holdings, date, time of the <u>Transactions</u> and related information as per Section 8.2 in the <u>Records</u> of the <u>Registered Issuer</u> held at <u>KCC</u> ;
"Funds Settlement"	means the <u>Settlement</u> of Funds obligations on the <u>Actual Settlement Date</u> ;
"Settlement"	means the final, unconditional, enforceable and irrevocable completion or processing of a <u>Transaction</u> ;



<p>“<u>Clearing</u>”</p>	<p>means the verification of the validity and sufficiency of <u>Investor’s</u> or omnibus account’s balances to settle a <u>Transaction</u> in accordance with these <u>Rules</u>;</p>
<p>“<u>Central Securities Depository</u>” or “<u>CSD</u>”</p>	<p>means an entity that provides <u>Accounts</u>, central safekeeping services, and asset services, which may include the administration of <u>Corporate Actions</u> and plays an important role in helping to ensure the integrity of <u>Securities</u> issues (that is, ensuring that <u>Securities</u> are not accidentally or fraudulently created or destroyed or their details changed).</p>
<p>“<u>Regulatory Body</u>”</p>	<p>means the <u>Authority</u>, <u>Ministry</u> or <u>Central Bank</u> with regards to companies subject to any of them, and other competent authorities inside or outside of the State of Kuwait;</p>
<p>“<u>Secondary Default Event</u>”</p>	<p>a secondary default event occurs on the financial and administrative failure of a third party to which Clients’ Funds controlled by the <u>Licensed Person</u> have been transferred, including inability to meet its obligations on maturity, the appointment of a liquidator, receiver, or administrator or the <u>Attachment</u> of its assets.</p>
<p>“<u>Primary Default Event</u>”</p>	<p>a primary default event occurs for a Licensed Person in the following events:</p> <ol style="list-style-type: none"> 1. on the administrative and financial failure of a Licensed Person, including the inability to meet its obligations on maturity, the appointment of a liquidator, receiver, administrator or attachment over its assets; 2. when the Authority imposes a limitation on



	the Licensed Person prohibiting it from holding Clients' funds.
" <u>Bondholder</u> "	means any <u>Person</u> whose name is <u>Registered</u> in the <u>Bondholder's Register</u> ;
" <u>Sukukholder</u> "	means any <u>Person</u> whose name is registered in the <u>Sukukholders' Register</u> at KCC;
" <u>Securities Holder</u> "	means any <u>Person</u> whose name is registered in the <u>Securities Register</u> at <u>KCC</u> ;
" <u>Attachment</u> "	means stopping any kind of utilizations of a whole balance of an <u>Account</u> at a certain date response to a regulatory or the legal jurisdiction Order disabling an <u>Account Holder's</u> rights to dispose of the blocked balance;
" <u>Collateral Account</u> "	means a <u>Broker's</u> / <u>Custodian's</u> / <u>KCC's</u> Bank Account, credit with <u>Collateral</u> and operated by <u>KCC</u> ;
" <u>Omnibus Account</u> "	An account containing collective assets and funds belonging to more than one investor, and not containing the funds and assets of the Omnibus Account Operator ;
" <u>Person Account</u> "	An account containing assets and funds belonging to only one investor (natural or legal).
" <u>Omnibus account Operator</u> "	A person who opens and registers the Omnibus Account in his name at the Clearing Agency, managing and monitoring the account operations on behalf of investors before any other party. The Omnibus Account Operator is not the beneficial owner of the funds and assets within the Omnibus Account. The Omnibus Account Operator represents all



	investors in the Omnibus Account in dealing with the Clearing Agency or third parties.
"Investor in Omnibus Account"	The beneficial owner of assets and funds in the Omnibus Account
"Funds Account"	means an <u>Investor Account</u> opened at <u>KCC</u> to record the amounts (debit/credit) in Kuwaiti Dinars;
"Active Account"	means an <u>Account</u> with no restrictions;
"Account"	means a <u>Securities</u> and / or <u>Funds Account</u> opened and held at <u>KCC</u> ;
"Pre-emptive Rights"	means a right that grants a <u>Security</u> owner priority to subscribe in an <u>Issuer's</u> share capital increase pro rata to the number of <u>Securities</u> he owns in the <u>Issuer's</u> share capital;
"Off-Exchange"	means <u>Listed Companies Securities Transactions</u> which excluded from Trading;
"E-Transfer Service"	means the request from the <u>Investor</u> to link his <u>Account</u> at <u>KCC</u> to his Bank <u>Account</u> ;
"Fees"	means <u>KCC Fees</u> and Charges defined in these <u>Rules</u> ;
"Pledge"	means a notation of <u>Securities</u> in the <u>Register</u> at <u>KCC</u> , to secure the performance of an obligation by the pledgor to the <u>Pledgee</u> , which will create a <u>Security</u> interest in favour of the <u>Pledgee</u> as prescribed in Section 8.16.3;
"Register"	means the complete record of <u>Securities Holders</u> of a <u>Security</u> ;
"Records"	means the <u>KCC</u> books of <u>Account</u> that provides definitive evidence of an <u>Investor's</u> final legal title of <u>Securities</u> and Funds holdings as defined in these <u>Rules</u> ;



<p>“<u>Bonds</u>”</p>	<p>means a financial instrument that represents an indebtedness due from the <u>Issuer</u> to a <u>Bondholder</u>, pursuant to which a <u>Bondholder</u> receives periodic distributions during the <u>Bond’s</u> Term or one payment or more of the redemption or both which when matured leads to the expiry of the <u>Bond</u>;</p>
<p>“<u>Over the Counter</u>” or “<u>OTC</u>”</p>	<p>means all <u>Transactions</u> for unlisted <u>Securities</u> according <u>Exchange</u> procedures;</p>
<p>“<u>Licensed Person</u>”</p>	<p>means a natural or corporate entity that has a license from the <u>Authority</u> to practice one or more of the <u>Securities</u> Activities provided for in Article (1-2) of Module Five (<u>Securities</u> Activities and <u>Registered Persons</u>) of the <u>Bylaws</u>;</p>
<p>“<u>Person</u>”</p>	<p>means a natural <u>Person</u> or a corporate entity;</p>
<p>“<u>Unlisted Company</u>”</p>	<p>means:</p> <ul style="list-style-type: none"> a. a shareholding company, the <u>Shares</u> of which are <u>Unlisted</u> on an <u>Exchange</u>, b. a <u>Registered Issuer</u> or <u>Borrower</u> that <u>Unlisted</u> on an <u>Exchange Bonds</u> and <u>Sukuk</u> it has issued or is the <u>Borrower</u> thereof, and c. a <u>Fund</u>, the units of which are <u>Unlisted</u> on an <u>Exchange</u>;
<p>“<u>Listed Company</u>”</p>	<p>means:</p> <ul style="list-style-type: none"> a. a shareholding company, the <u>Shares</u> of which are listed on an <u>Exchange</u>, b. a <u>Registered Issuer</u> or <u>Borrower</u> that lists on an <u>Exchange Bonds</u> and <u>Sukuk</u> it has issued or is the <u>Borrower</u> thereof, and c. a <u>Fund</u>, the units of which are listed on an <u>Exchange</u>;
<p>“<u>Market Maker</u>”</p>	<p>means a <u>Person</u> who ensures the availability of supply and demand for one or more <u>Securities</u></p>



	according to such controls as may be laid down by the <u>Authority</u> ;
" <u>KCC Webpage</u> "	means http://www.maqasa.com/
" <u>SLB Transaction</u> "	means <u>Securities Lending and Borrowing Transaction</u> ;
" <u>Transaction</u> "	means any instruction submitted to <u>KCC</u> for processing;
" <u>Sukuk</u> "	means instruments each of equal value representing a common share in the ownership of real estate plots, utilities or services or the assets of a specific project or investment activity;
" <u>Fund</u> "	means a collective investment scheme formed to collect money from <u>Investors</u> for the purpose of investing it on their behalf in different fields in accordance with professional management principles of collective investment and to be managed by a <u>Fund</u> manager for a specific fee;
" <u>Collateral</u> "	means all or any of the Funds and/or assets deposited with, or otherwise provided to <u>KCC</u> by <u>Broker/Custodian</u> as margin, credit support and/or <u>Security</u> as may be required under these <u>Rules</u> or as otherwise directed by <u>KCC</u> ;
" <u>KCC Member</u> " or " <u>Member</u> "	means one of the persons as described in article (3.1.1) of these rules ;
"KCC Client"	KCC member or any person that KCC offers a direct service to from the licenced services. Investors in omnibus accounts are not KCC clients
" <u>Free of Payment</u> " or " <u>FoP</u> "	means ownership transfer of <u>Securities</u> without a corresponding transfer of Funds;



"Fines"	means a disciplinary action taken by <u>KCC</u> towards a <u>Dealer</u> ;
"Default Period"	means the period of time between the expiry date of the <u>Settlement Period</u> and the <u>Actual Settlement Date</u> , during which the <u>Investor</u> and the <u>Broker</u> shall pay <u>Fines</u> for Dues;
"Settlement Period"	means the period of time between the time of entering into a sale of a <u>Security</u> on the <u>Exchange</u> and the time of registration of this <u>Security</u> on behalf of the buyer in the <u>Register</u> by <u>KCC</u> ;
"Companies Law"	Means <u>Companies Law</u> of Kuwait;
"Law"	means <u>Law</u> No. 7 of 2010 Regarding the Establishment of the Capital Markets <u>Authority</u> and Regulating <u>Securities</u> Activities, and its Amendments;
"Corporate Actions"	means any distribution of Funds dividend or bonus <u>Shares</u> or any other <u>Shares</u> entitlements.
"Exchange Rules"	means <u>rules</u> issued by the <u>Exchange</u> and approved by <u>CMA</u> ;
"Rules"	means the <u>Rules</u> of <u>KCC</u> as set out herein and as may be amended, either by withdrawal, replacement or change, where the context so permits, after obtaining the <u>Authority's</u> approval;
"Trader"	means a <u>Person</u> that trades in the purchase and sale of <u>Securities</u> for his own <u>Account</u> ;
"Dealer"	means any <u>Person</u> that deals with <u>KCC</u> and bound by these <u>Rules</u> such as <u>Investors</u> , <u>Omnibus account operator</u> or any <u>KCC Members</u> ;
"Investment Portfolio"	means cash, <u>Securities</u> or other assets owned by an <u>Investor</u> , the ownership of which is recorded



	in an <u>Account</u> opened in favour of the <u>Investor</u> by a company licensed to manage <u>Investment Portfolios</u> , in accordance with the requirements set out by the <u>Authority</u> . The <u>Investment Portfolio</u> shall either be a custody portfolio or be managed by a Portfolio Manager or by the <u>Investor</u> ;
" <u>Defaulter</u> "	means a <u>Person</u> who is the subject of any <u>Default Proceedings</u> ;
" <u>Acquisition Manager</u> "	means a <u>Person</u> licensed by the <u>Authority</u> to carry out the activity of <u>Investment Portfolio Management</u> who is engaged for the purpose of accumulating the <u>Shares</u> of those wishing to participate in an Acquisition;
" <u>Investment Portfolio Manager</u> "	means a <u>KCC Member</u> who manages discretionary or non-discretionary <u>Investment Portfolios</u> on behalf of <u>Investors</u> or who manages the assets of the Company by whom he is employed;
" <u>Investor</u> "	means a <u>Person</u> to whom <u>KCC</u> provides <u>Clearing, Settlement</u> and <u>CSD</u> services;
" <u>Foreign Issuer</u> "	means a corporate entity established abroad that has issued or intends to issue <u>Securities</u> and has deposited with <u>KCC</u> ;
" <u>Registered Issuer</u> "	means the collective term for <u>Issuer</u> and <u>Foreign Issuer</u> ;
" <u>Issuer</u> "	means a corporate entity entitled to issue <u>Securities</u> and has <u>Registered</u> such <u>Securities</u> with <u>KCC</u> ;
" <u>Accepted</u> "	means an action in <u>KCC System</u> that facilitates the acceptance of a Trade;
" <u>Borrower</u> "	means a <u>Person</u> who is permitted to borrow



	<u>Securities</u> ;
" <u>Lender</u> "	means a <u>Person</u> who is permitted to lend <u>Securities</u> ;
" <u>Trading System</u> "	means the <u>Exchange Trading System</u> ;
" <u>KCC System</u> "	means an automated system where KCC clears and settles trading Transaction and central depository;
" <u>EoD</u> "	means End of <u>Day</u> according to the published timetable;
" <u>Security</u> "	<p>means any instrument – in any legal form - that evidences ownership of a share in a financial <u>Transaction</u> and that is negotiable pursuant to a license from the <u>Authority</u>, such as:</p> <ul style="list-style-type: none">a. <u>Shares</u> issued or proposed to be issued in the capital of a company;b. any instrument that creates or acknowledges a debt issued or to be issued by a company;c. loans, <u>Bonds</u>, <u>Sukuks</u> and other instruments that can be converted <u>Shares</u> in a the capital of a company;d. all public Debt Instruments that are tradable and issued by the various government entities or public institutions or authorities;e. any right, option or derivatives relating to <u>Securities</u>;f. Units in a Collective Investment Scheme;g. any paper or instrument considered by the <u>Authority</u> as a <u>Security</u> for the purposes of implementing this <u>Law</u> and the <u>Bylaws</u>. <p>Not to be considered as <u>Securities</u> are commercial papers such as cheques, promissory notes, bills of lading, letters of credit, Funds transfers and instruments negotiated by Banks</p>



	exclusively between each other, insurance policies and rights arising from retirement Funds established for the benefit of the beneficiaries therefrom;
" <u>Broker</u> "	means a corporate entity who purchases and sells <u>Securities</u> for the <u>Account</u> of a third party for a commission and / or for their own <u>Account</u>
" <u>Record Date</u> "	means the date not exceeded couple <u>Days</u> of <u>Ex-Date</u> specified by an <u>Issuer</u> for the purpose of determining the eligibility Shareholders to benefit from <u>Corporate Actions</u> ;
" <u>Payment Date</u> "	means the date on which a declared stock or Funds dividend is scheduled to be paid;
" <u>Business Day</u> "	means an official <u>Business Day</u> at the <u>Authority</u> ;
" <u>Day</u> "	means calendar <u>Day</u> ;
" <u>ISIN</u> "	means the International <u>Securities</u> Identification Number;
" <u>SLB</u> "	means the <u>Securities</u> Lending and Borrowing;
" <u>T</u> "	means the <u>Business Day</u> on which a <u>Security</u> is purchased, sold, lend or borrowed;
" Stock SWAP transaction"	means transactions that have a pre agreement between two parties on exchanging a listed security with another;



- 1.1.2 As used herein, the masculine gender shall include both the feminine and the neuter and the singular number shall include the plural, and vice versa;
- 1.1.3 References herein to times and Days are to the State of Kuwait's times and Days, unless otherwise stated;
- 1.1.4 Headings are provided for ease of reference only and shall not affect the interpretation or construction of the provisions of the Rules;
- 1.1.5 These Rules are drafted and approved by the Authority in the Arabic version. In case of any discrepancies in the meanings held between the approved Arabic version and any translated version of these Rules, the Arabic version shall prevail;
- 1.1.6 The Appendices to these Rules found in Section 10 are considered an integral part of this Rule Book. In the event of conflict between the main body of the Rules and its Appendices, then the provisions of the main body of the Rules shall take precedence;
- 1.1.7 The KCC Operating Procedures shall constitute an integral part of these Rules and contain detailed instructions for using the Services, and provide operational and technical information that assist in the implementation of the Rules;
- 1.1.8 In the event of any conflict between:
- 1.1.8.1 KCC Member SLA and these Rules, these Rules shall take precedence and govern;
- 1.1.8.2 Issuer SLA and these Rules, these Rules shall take precedence and govern;
- 1.1.8.3 These Rules shall take precedence over the KCC Operating Procedures.

1.2 Rules Endorsement

- 1.2.1 KCC shall apply Rules stated in this Rule Book subsequent to its approval by the Authority.

1.2.2

1.3 CMA Disclaimer



- 1.3.1 The Capital Markets Authority expressly disclaims all legal responsibility howsoever towards the Kuwait clearing company or any other person resulting from the provisions of these Rules hereby contained in this rulebook.



2 General Rules

2.1 Scope of Rules

- 2.1.1 These Rules aim to regulate the organisation and functioning of Clearing, Settlement, CSD and Registration of Securities services through KCC, and to that regard:
- 2.1.1.1 In the Clearing process: establishing financial and Securities gross obligations and ensuring that Securities, Funds, or both, are available to secure the exposures arising from those obligations;
- 2.1.1.2 In the Settlement process: Registration of Securities and Funds movements for Transactions in Accounts;
- 2.1.1.3 Maintaining the safe custody of Securities in CSD;
- 2.1.1.4 These Rules govern the relationships between KCC with Dealers and other parties. Whereas, KCC's Operating Procedures govern the operational aspects of KCC's services and are considered an integral part of these Rules;
- 2.1.1.5 Each Dealer has agreed to be bound by these Rules, pursuant to the KCC Member SLA and Issuer SLA; and
- 2.1.1.6 KCC shall implement and oversee the services and activities contained herein according to non-discriminatory methods and based on generally defined Operating Procedures.
- 2.1.2 These Rules include provisions relating to:
- 2.1.2.1 Legal relationships between KCC and Dealers;
- 2.1.2.2 Obligations and rights of Dealers arising from the use of the KCC Services, including any indemnity;
- 2.1.2.3 Risk control mechanisms including any Clearing and Settlement limitations, Pledge requirements and Collateral obligations;
- 2.1.2.4 The process for adopting and amending the Rules, and for prescribing and amending the Procedures and Operating Procedures; and



2.1.2.5 The legal obligations and rights of KCC and Members relating to confidentiality and use of information.

2.2 KCC Powers to Make Rules

2.2.1 As provided under Article 53 of the Law and Article (2-5-1) Module Four (Securities Exchanges and Clearing Agencies) of the Bylaw, the Authority requires KCC to prepare these Rules and Regulations related to the operations of Clearing, Settlement and Registration of Securities and other activities that relate to KCC's business;

2.2.2 All Dealers shall comply with these Rules once they are approved by the Authority and have come into effect;

2.2.3 In case of non-compliance by any Dealer with the Clearing Rules, KCC may bind that Dealer to pay the Fines resulting from his non-compliance as set out in Appendix **10.1**, of which has been approved by the Authority;

2.2.4 KCC shall notify the Authority immediately upon the imposition of any Fines under this Section, including a description of the non-compliance incident related to it.

2.3 Repeal or Changes to Rules

2.3.1 As provided under Article 54 of the Law and Article (2-5-2) of Module 4 (Securities Exchanges and Clearing Agencies) of the Bylaws, any Rule may be amended whenever necessary, either by withdrawal, replacement or change, subject to the approval of the Authority. The effective date of any repeal or change will be included on the notice effecting the repeal or change. Any repeal or amendment to these Rules shall be binding upon all contracts concerning Dealers at the date of effect.

2.4 KCC to Interpret Rules

2.4.1 To the extent permitted by the applicable Law of the State of Kuwait and unless expressly provided to the contrary, all issues relating to the interpretation or application of these Rules, including Operating Procedures, directives, orders, directions or practice notes issued by KCC, shall be determined by KCC.



2.5 KCC Discretionary Powers

- 2.5.1 Upon direction of the Authority, KCC may, at any time, waive or modify compliance with a Rule or part of a Rule found herein. In such circumstances, the waiver or modification concerned must be complied with, including any condition attached by the KCC;
- 2.5.2 Any decision of KCC to implement the discretionary powers outlined in these Rules shall be communicated in writing or published on KCC Webpage.
- 2.5.3 Any decision of KCC pursuant to these Rules is final and definitive. Non-compliance within the relevant time-frame set out in the decision may be subject to KCC taking enforcement action and/ or the imposition of penalties as laid out in Appendix 10.1 of these Rules.

2.6 Compliance with the Law and Bylaws

- 2.6.1 CMA Law, Bylaw, decisions and instructions issued shall be final and binding on all Dealers.
- 2.6.2 KCC, its officers, employees and agents shall at all times comply and act in accordance with the Law, Bylaws, decisions and instructions issued by the Authority.

2.7 Roles of KCC

- 2.7.1 KCC shall provide services that include Clearing, Settlement, CSD, Securities safekeeping operations and other related services. As a part of these services, KCC shall establish and operate one or more Accounts at Settlement Banks for the exclusive purpose of receiving and disbursing payments to or from KCC, which arise from the operations of KCC and which are denominated in KWD or other currency which KCC has determined to be eligible for Settlement.
- 2.7.2 KCC may also establish and operate one or more Accounts at the Settlement Bank for the purpose of holding payments made to KCC by Members, which are held by KCC as Collateral Accounts containing the required Funds.



2.8 New and Additional Services

2.8.1 KCC may elect to offer to and be utilised by Dealers new or additional services, subject to the compliance with any Rules or Operating Procedures pertaining thereto and such other requirements and conditions, that KCC may specify or impose on Dealers as appropriate.

2.9 Suspension of Services

2.9.1 If any KCC operations, services or facilities provided to Dealers is or is likely to be impeded by any event or circumstances of breaching the Rules or according to section 2.17, KCC reserves the right to suspend whole or part of such operations, services or facilities, as the case may be and for the duration it considers necessary;

2.9.2 Without prejudice to the rights of Suspension found in Section 2.9.1 above, KCC has the right to take such other actions, as it deems necessary or appropriate in the circumstances;

2.9.3 KCC shall notify in writing CMA upon undertaking a decision to suspend any operation, service or facility and, likewise; provide the necessary information as to any other action it proposes to take;

2.9.4 KCC shall announce on KCC Webpage and notify the Exchange to announce on the Exchange Webpage for all Dealers.

2.10 Rectification of Errors and Omissions

2.10.1 KCC reserves the right to rectify any error made in the provision of its services, facilities or operations including, but not limited, to the following:

2.10.1.1 *Any erroneous Securities or Funds instruction to debit or credit an Account;*

2.10.1.2 *Any erroneous instruction to a Settlement Bank to effect payment;*
or

2.10.1.3 *Any erroneous statement or report issued by KCC.*

2.10.2 If, as a result of, any rectification to errors made by KCC pursuant to this Rule, there are insufficient or no Securities or Funds in the



Account to enable the erroneous credit to be rectified, KCC may require the relevant Dealer to replace the relevant amount or Securities as required.

2.10.3 If KCC has issued an erroneous instruction to credit Funds to a Dealer Bank Account, KCC shall require the Dealer to refund the erroneous credited Funds immediately or by such other period as may be specified by KCC.

2.10.4 KCC shall have no liability if a Dealer incurs any loss due to any erroneous instruction, statement or report issued by KCC as a result of any third party erroneous instruction, statement or report.

2.11 KCC Service Level Agreement (SLA)

2.11.1 KCC Members and Issuers shall sign a SLA in prescribed form with KCC, which aims to regulate the terms and conditions of KCC Services.

2.12 Fees, Charges and Penalties

2.12.1 KCC shall set the rate and charge Fees, as approved by CMA. KCC shall notify all Dealers of any occurring changes to the rate of such Fees;

2.12.2 Dealers shall pay such Fees and charges in respect of the operations, services and facilities made available by KCC as stipulated in Appendix 10.1 of these Rules;

2.12.3 Unless otherwise specified in these Rules, Operating Procedures or the SLA entered into with KCC, no refund of any Fees or charges paid will be allowed.

2.13 Indemnity

2.13.1 Each Dealer shall indemnify the KCC against all liabilities, costs, expenses, damages and losses (including any direct, indirect or consequential loss, loss of profit, loss of reputation and all legal and professional costs and expenses) incurred by the KCC in connection with Dealer failure to comply with the following:



- 2.13.1.1 *The provisions of these Rules, Operating Procedures and SLA (including without limitation the representations and warranties contained therein);*
- 2.13.1.2 *Any conditions imposed on the Dealer;*
- 2.13.1.3 *Any directives or Rules of KCC; or*
- 2.13.1.4 The indemnity in this Section 2.13.1 shall not cover KCC to the extent that a claim results from KCC's negligence or wilful misconduct.

2.14 Third Party Rights and Interest

- 2.14.1 Unless expressly stated otherwise in these Rules, KCC does not confer or intend to confer any rights and/or interests on any third party other than Dealers in relation to any of its services or facilities and in its dealings any parties. As such, the KCC shall not be liable for any damages that may be incurred to third parties when enforcing the provision of these Rules.

2.15 Operating Procedures

- 2.15.1 Without prejudice to the Law and Bylaws and pursuant to these Rules, KCC shall prescribe procedures and Rules to follow with respect to any of its services or facilities, known as Operating Procedures. Such Operating Procedures and any amendments shall bind each Dealer thereto.

2.16 KCC Decisions

- 2.16.1 With the exception of KCC Member applications, any decision of KCC is final and binding. However, a Dealer may issue a complaint against the KCC as described in Section 2.23 of these Rules.

2.17 Force Majeure

- 2.17.1 KCC shall not be liable to Dealers or other party affected for the following:
 - 2.17.1.1 *Any action taken or for any failure, hindrance or delay in the provision of services or for any failure to give effect to or delay in*



giving effect to any instructions from Dealers with respect to its services and facilities or the performance in whole or in part of its obligations under these Rules if such failure, hindrance or delay arises out of causes beyond KCC's control; and

- 2.17.1.2 *Military Authority, embargoes, fire, flood, explosion, accidents, labour disputes, mechanical breakdowns, computer or system failure, defects in computer or system software, interruptions of power supply or other utilities or service, any Law, decree, regulations or orders of government or courts, and any other causes beyond the control of KCC, including without limitation to the foregoing, any similar causes affecting KCC.*

2.18 KCC Disclaimer

- 2.18.1 Except as otherwise expressly provided in these Rules, KCC and its agents shall have no liability for the following:
- 2.18.1.1 A failure of a Dealer to comply with or observe these Rules and Operating Procedures;
- 2.18.1.2 Any deficiency of Securities or Funds on Accounts, which arises from a Dealer using the KCC Service;
- 2.18.1.3 Any loss whatsoever held by a Dealer when using KCC Services. A loss in this instance includes but is not limited to any direct or indirect loss, damage, cost, expense, liability or claim, loss of opportunity, profit, market, goodwill or interest, or any other indirect or consequential loss, damage, cost, expense, liability or claim suffered or incurred by a Dealer, except to the extent that such loss was caused or contributed to by any act or omission of KCC or of any director, officer, employee of KCC while acting in the course of office, employment or service;
- 2.18.1.4 Any loss arising from any instruction, statement or report issued by KCC in accordance with incorrect data or erroneous statement provided by the Dealer or any other party;
- 2.18.1.5 Delay of financial transfers due to circumstances beyond KCC's control;
- 2.18.1.6 The insolvency or the acts or omission of KCC;



- 2.18.1.7 The insolvency or the acts or omission of any third party connected to KCC including but not limited to the Exchange, Settlement Bank(s), the Authority;
- 2.18.1.8 The extent to which the Investor's information and instructions entered in the KCC System through KCC Member or Issuer is correct;
- 2.18.1.9 Suspension of a Dealer according to the conditions stated in this Rule Book.
- 2.18.1.10 The exercise or intended exercise of any power or performance of any duty or function conferred or imposed on KCC in relation to the SLB Transactions.
- 2.18.1.11 The disclaimer in this Section 2.18.1 shall not cover KCC to the extent that a claim results from KCC's negligence or wilful misconduct.

2.19 Continuing Obligations of Dealers

- 2.19.1 Unless otherwise waived by KCC, Dealers must continue to comply with any conditions of admission imposed by KCC and any further conditions imposed by CMA.

2.20 Further Assurances

- 2.20.1 KCC shall be entitled, after CMA approval, to require a KCC Member or Issuer to provide further assurances in such form, extent and manner as determined by KCC to be appropriate by reference to, inter alia, the level of exposure of such KCC Member or Issuer to KCC and/or such other matter as KCC shall consider appropriate.

2.21 KCC Records, Statements and Reports

- 2.21.1 KCC shall provide Dealers statements and reports at the times and manner prescribed by KCC.
- 2.21.2 It shall be the responsibility of Dealers to promptly check and reconcile with its own Records details of such statement and report and to notify the KCC within one Business Day of receipt of the said report in writing of any errors or erroneous omissions. In any



event, KCC reserves the right to rectify the error or omission at any time once it has been brought to light.

2.21.3 Any statement or report made available by KCC to Dealers shall in the absence of any error, be conclusive as to its subject matter.

2.21.4 Except as otherwise provided, the failure of Dealer to notify KCC of any error or omission with respect of any statements or report within one Business Day of the availability thereof shall, subject to these Rules, constitute a waiver in favour of KCC by such Dealer of any rights, claims or damages or losses or of any right to require rectification.

2.22 Disclosure of Information

2.22.1 As provided in Article (2-4-2) of Module Four (Securities Exchanges and Clearing Agencies) of the Bylaw, KCC shall not disclose information of a confidential nature received in the course of carrying out its services except to:

2.22.1.1 The Account holder in respect of his Account or any Person authorized with a power of attorney from the Account holder to review such Account.

2.22.1.2 The Authority or by an order from the Authority.

2.22.1.3 Judicial authorities of the State of Kuwait or to any Person based upon a judicial order.

2.22.1.4 Governmental authorities and departments concerned in enforcing the Laws and systems of anti-money laundering and combating terrorism financing or anti-corruption.

2.22.1.5 An Exchange or another clearing agency in order to fulfil its obligations pursuant to agreements concluded with such an Exchange or clearing agency, subject to the Authority's approval.

2.22.1.6 If the disclosure of this information is necessary to comply with the applicable Laws and regulation.

2.23 Complaint

2.23.1 KCC publish on KCC Webpage a complaint form, which includes the necessary information and supporting documents required in



submitting a complaint. The complaint form confirms that any interested Person may elect to submit to the KCC a complaint.

2.23.2 KCC will investigate the complaint and shall inform the complainant of the investigation results and the steps taken in response, if any, within a maximum period of thirty Days as of receipt of the complaint.

2.23.3 KCC shall send a bi-annual report to the Authority concerning complaints.

2.23.4 KCC shall maintain a record of each complaint for five years from the complaint submission.



3 KCC Members

3.1 **KCC Members Categories**

- 3.1.1 There shall be the following categories of KCC Members:
- 3.1.1.1 Broker;
- 3.1.1.2 Investment Portfolio Manager;
- 3.1.1.3 Custodian and;
- 3.1.1.4 Market Makers;
- 3.1.1.5 Issuers or Investment funds in which the respective registrar is with KCC.
- 3.1.2 Each category of KCC Members shall have such rights and obligations as are provided in these Rules and/or as expanded upon in the SLA.

3.2 **Admission**

- 3.2.1 A Licensed Person or issuer or investment fund may apply to be admitted as a KCC Member in accordance with the procedures of application and any other conditions as prescribed for this purpose by the KCC and approved by the Authority.
- 3.2.2 An applicant for admission as a KCC Member must demonstrate to the satisfaction of KCC that it is of good financial standing, has the operational capability to satisfy at all times the requirements of KCC, which would include each of the requirements set out in these Rules.
- 3.2.3 Each applicant must provide KCC with such certifications, declarations, representations, undertakings, documents and further information as KCC may require for the review of the application.
- 3.2.4 **Requirements:**
Unless otherwise stated by KCC, where an applicant is approved and admitted as a KCC Member under any category with respect to which the application was prepared, such KCC Member shall not be



permitted to utilize the services or facilities of KCC to be made available to the KCC Member, until KCC Member:

- 3.2.4.1 Sign a SLA relevant to such category of KCC Members, wherever applicable;
- 3.2.4.2 Pays to KCC all the application Fees, admission Fees and other charges imposed by KCC and applicable to such category of KCC Members; and
- 3.2.4.3 Comply with such other conditions that KCC in its discretion may have imposed when approving the application.

3.2.5 **Additional Information:**

- 3.2.5.1 At any time after receiving an application and before finally deciding upon it, KCC may require the applicant to provide additional information, whether directly relating to the applicant or not and which may, in the opinion of KCC, be material to its consideration of the application.
- 3.2.5.2 KCC may take into Account any other information it considers appropriate in relation to the applicant, which may come into its possession or knowledge.
- 3.2.5.3 Upon issuance of its decision on the application, KCC may impose additional requirements or conditions on the applicant considered, as it deems necessary.

3.2.6 **Timeframes for Approval of KCC Members:**

- 3.2.6.1 KCC shall issue a decision regarding the Membership application for the KCC Member that has submitted a complete application and fulfilled all the requirements within a period of not exceeding fifteen (15) Business Days.

3.2.7 **Approval and Rejection**

- 3.2.7.1 KCC has absolute discretion to approve, conditionally approve or reject the application as it sees fit.
- 3.2.7.2 If the application is not granted by KCC, the applicant shall be so informed in writing.
- 3.2.7.3 Without derogating from Section 3.2.7.1, KCC may reject an application for Membership if:



- a. The applicant does not provide KCC with all the required information and documents relating to the application as KCC requires;
- b. Any information or document that is furnished by the applicant to KCC is false or misleading; or
- c. The applicant is in the course of Primary Default Event or Secondary Default Event.

3.3 Rights of KCC Members

3.3.1 KCC may vary the rights and obligations attached to each category and establish new categories of KCC Members with such rights and obligations as it may prescribe, provided KCC Members are notified and the Authority's approval is obtained.

3.3.2 Provision of Information

3.3.2.1 A Member shall promptly submit to KCC and/or such party as directed by KCC such information, electronic Records or documents as and when required by KCC,

3.3.2.2 Provided that any information, electronic Records or documents shall be deemed not to have been duly submitted if it contains materially untrue statements or omits material statements or is otherwise misleading.

3.3.2.3 the Member shall promptly resubmit the information, electronic Records or documents upon notice from KCC.

3.3.2.4 KCC may impose such Fine on KCC Members as prescribed in Rules for late submission of any information, electronic Records, documents that are required by KCC pursuant to Section 3.3.2

3.3.3 Business Continuity Requirements

3.3.3.1 A Member must assess its business and operational risks and maintain adequate business continuity arrangements.

3.3.3.2 A Member must document its business continuity arrangements in a business continuity plan.

3.3.3.3 A Member's executive management shall be responsible for the Member's business continuity plan. Sufficient awareness of the



risks, mitigating measures and state of readiness must be demonstrated by way of an attestation to the Member's board of directors.

3.3.3.4 A Member must review and test business continuity plan regularly.

3.3.3.5 A Member must appoint emergency contact Persons, and furnish the contact information of such Persons to KCC. The Member's emergency contact Persons must be contactable at all times, and must immediately notify KCC in the event of emergencies.

3.4 Obligations of KCC Members

3.4.1 Each KCC Member undertakes to KCC that:

3.4.1.1 It shall Comply with the Laws, bylaws, decrees, any orders from any competent Authority or court orders applicable to it or to its Membership in any of the services or facilities of KCC as is prevailing in the State of Kuwait;

3.4.1.2 It shall Comply with the Rules, Operating Procedures, directives, directions, orders or practice notes issued by KCC in respect of any of the services and facilities of KCC, whether of a permanent or temporary nature;

3.4.1.3 It shall Notify KCC immediately of any changes in the details supplied to KCC at the time of making an application for admission as a KCC Member or any time thereafter;

3.4.1.4 It shall Notify KCC forthwith upon becoming aware of any restriction, imposed by a Regulatory Body to which it is subject or by courts, which may affect its Membership in any of services, facilities or operations provided by the KCC;

3.4.1.5 Notify KCC forthwith upon becoming aware of any Primary Default Event or Secondary Default Event;

3.4.1.6 It shall maintain books and Records in sufficient detail of all Transactions and other matters relating to any of its activities and/or related to such activities in any of the services or facilities made available to Members by KCC.



3.5 Restrictions for KCC Members

3.5.1 In event or circumstances of breaching these Rules or any condition of provided service, KCC may impose any restriction or condition in relation to this service provided to KCC Members.

3.6 KCC Services to KCC Members

3.6.1 Upon its own discretion, the KCC may establish and provide Members a service that comprises online terminals and facilities to allow the input of instructions and communications to KCC and access to statements and reports issued by KCC in relation to any services made available to KCC Members.

3.6.2 The scope of and the manner in which such facilities are to be provided will be notified to KCC Members. KCC may impose such restriction with respect to the use of such facilities according to different categories of KCC Members.

3.7 Non-Compliance of KCC Members

3.7.1 KCC may when impose against any KCC Member:

- 3.7.1.1 (a) Notify the Exchange to suspend KCC Member, or
- (b) Limit KCC Member's activities or access to KCC services and facilities, and/or

3.7.1.2 impose Fines against KCC Member or any other penalty.

3.7.2 KCC shall immediately notify CMA and KCC Member in writing of any Suspension and/or any limitation that has been imposed, the duration of the Suspension and/or the limitation imposed, if any, and/or any penalty or Fine (and the amount thereof) imposed, on KCC Member.

3.8 Termination of KCC Members

3.8.1 Termination of Member

3.8.1.1 Subject as otherwise provided in these Rules or SLA, and In event of breaching these Rules or any condition of provided service KCC may, at any time by giving a period of not less than thirty (30) Days' notice in writing, terminate the Membership of a KCC Member



in any one or more or all of the services and/or facilities made available by KCC to KCC Member;

- 3.8.1.2 Notwithstanding what is otherwise provided in these Rules and in SLA, any KCC Member will be given a period of not less than thirty (30) Days' notice in writing to KCC terminate its Membership in all or any one or more of the services and/or facilities made available to it by KCC and the termination takes effect at either:
- a. The expiration of that notice period; or
 - b. When KCC Member has no further obligation or liability owed by the KCC Member to KCC in respect of the relevant services or facilities whichever is later.

3.8.2 **Immediate Termination**

Without prejudice to any rights that it may have under these Rules or SLA, wherever applicable, and notwithstanding anything to the contrary in these Rules or SLA, wherever applicable, KCC may forthwith terminate by notice in writing a KCC Member's Membership in any one or more or all of its services and facilities, if:

- 3.8.2.1 *KCC considers, in its absolute discretion, that any delay in the termination of the KCC Member's Membership will be materially prejudicial or detrimental to the interests of KCC or other Dealers or will adversely affect any of its operations or services or facilities; or*
- 3.8.2.2 A. KCC Member ceasing its business or a material part thereof in the determination of KCC;
- B. KCC Member being subject to a suspension by any Regulatory Body to which it is subject; or
- C. Any Primary Default Event, Secondary Default Event or if KCC in its absolute discretion considers that the occurrence of such an event is imminent or likely.

3.9 Surviving Obligations

- 3.9.1 A KCC Member may not assign, transfer or otherwise any of its rights or obligations under any Transaction confirmed in its name



except for omnibus accounts without prior consent of KCC or as otherwise expressly provided in these Rules.

3.10 Members to Act as Principals

3.10.1 Each Member that acts as a principal shall be responsible and liable to KCC in respect of Clearing and Settlement Transactions and in respect of its obligations to KCC under these Rules.



4 Investors

4.1 Individual Investor

- 4.1.1 In the case of an applicant wishing to become an (individual) Investor, the applicant must satisfy the following conditions:
- 4.1.1.1 Hold a valid identity;
- 4.1.1.2 Hold a Bank Account in the State of Kuwait;
- 4.1.1.3 Not be an undischarged bankrupt or be subject to any legal incapacity under any applicable Law;
- 4.1.1.4 Undertake to comply with and be bound by these Rules; and
- 4.1.1.5 Each applicant must complete an application in the prescribed form and must undertake to comply with all applicable requirements specified by KCC and such other conditions and requirements as may be specified in writing from KCC or published on KCC Webpage or Exchange webpage.

4.2 Non-Individual Investors (legal persons)

- 4.2.1 The legal person must either be:
- 4.2.1.1 A legal person incorporated as per Laws of the State of Kuwait, or
- 4.2.1.2 Incorporated or otherwise established outside the State of Kuwait according to applicable Laws of the state of origin;
- 4.2.2 In the case of an applicant wishing to become a (legal person) Investor, the applicant must satisfy the following conditions:
- 4.2.2.1 Must be validly existing and of good standing;
- 4.2.2.2 Hold a Bank Account in the State of Kuwait;
- 4.2.2.3 Must have all necessary capacity and Authority in its articles of association for the entity to be able to conduct Securities Transactions;
- 4.2.2.4 Authorize KCC to act on the instructions of any of its authorized signatory unless otherwise expressly notified to KCC in writing; and
- 4.2.2.5 Undertakes to comply with and be bound by these Rules.



4.2.3 Each applicant must complete an application in the prescribed form and must undertake to comply with all applicable requirements specified by KCC and such other conditions and requirements as may be specified in writing from KCC.

4.2.4 KCC may waive such conditions and requirements applicable to an applicant as it sees fit and may require an applicant to comply with additional conditions and requirements as appropriate.

4.3 Investors in omnibus accounts

4.3.1 Investor in omnibus account is not KCC client.

4.3.1.1 The Omnibus Account Operator represents all investors in the Omnibus Account in dealing with the Clearing Agency or third parties

4.3.1.2 The Omnibus Account Operator will provide the list of underlying investors and related identification upon request by CMA or KCC.

4.3.2 The Omnibus Account Operator will notify CMA and KCC in the event where a Kuwaiti investor (natural or legal person) has become an investor in the omnibus account.

4.3.3 The Omnibus Account Operator assures that the omnibus account does not contain any of its own funds or assets.



5 Accounts

5.1 Segregation of Securities Accounts

5.1.1 A Licensed Person or omnibus account operator must at all times ensure the segregation between Principal Account and other Accounts belonging to Investors of such Person by maintaining separate Accounts with the person where the Investor's Assets are held.

5.2 Account purposes

5.2.1 Account opened for trading: An account designated for those willing to trade in Shares.

5.2.2 Account opened for register:

Each shareholder within Register has an Account, according to the following:

5.2.2.1 When an Issuer provide KCC with its Register, KCC will assign a Register Account for each shareholder;

5.2.2.2 This Account shall be assign within KCC System;

5.2.2.3 Brokers have access rights to transfer Shares between Register Account and Trading Account;

5.2.2.4 Brokers have no rights to inquiries for the amount of Shares in this Account.

5.2.2.5

5.3 Account types

5.3.1 Person Account (direct): KCC offers the service of opening a person account according to the following:

5.3.1.1 The direct Investor should submit the Account opening application, alongside with all required documents, and pay KCC Account opening Fees either directly to KCC or via Broker;



- 5.3.1.2 This Account shall be opened at KCC System. The Exchange shall be notified to activate the Account in the Trading System; and
- 5.3.1.3 For the Investor selected Broker to have the right to access the Account.
- 5.3.1.4 In case the account is for registrar only, then article 5.2.2 will be applied.
- 5.3.2 Person Account (custodian client): KCC offers the service of opening a Person Account (custodian client) Account for KCC Members licensed to provide Custodian Services, which are willing to open trading Account for their clients, according to the following:
 - 5.3.2.1 KCC Member should submit the Account opening application, along with all required documents, and pay KCC Account opening Fees;
 - 5.3.2.2 This Account shall be opened in KCC System. The Exchange shall be notified to activate the Account in the Trading System;
 - 5.3.2.3 This type of Accounts shall be encumbered by Account components custody and maintenance Fees at a specific ratio of the total value to be calculated on daily basis; and
 - 5.3.2.4 Custodian client's selected Broker has the right to access the Account in addition to the custodian.
- 5.3.3 Omnibus Account (investment portfolios): KCC offers the service of opening an Omnibus account (investment portfolios) according to the following:
 - 5.3.3.1 KCC Member should submit the Account opening application, along with all required documents, and pay KCC Account opening Fees;
 - 5.3.3.2 This Account shall be opened in KCC System. The Exchange shall be notified to activate the Account in the Trading System;
 - 5.3.3.3 This type of Accounts shall be encumbered by Account components custody and maintenance Fees at a specific ratio of the total value to be calculated on daily basis; and
 - 5.3.3.4 Broker (KCC member) has the right to access the Account.
- 5.3.4 Omnibus Account (custodian client): KCC offers the service of opening an Omnibus Account (custodian client) for KCC Members, according to the following:



- 5.3.4.1 KCC Member should submit the Account opening application, along with all required documents, and pay KCC Account opening Fees;
- 5.3.4.2 In case the Omnibus Account Operator is not licenced by the CMA , the following conditions should be met:
- 5.3.4.2.1 The Omnibus Account Operator should be licensed by a regulatory body that is a member in the IOSCO.
- 5.3.4.2.2 The Omnibus Account Operator should be operating in a country that is applying the FATF recommendations.
- 5.3.4.2.3 Any additional requirements that might be set by KCC.
- 5.3.4.3 This Account shall be opened in KCC System. The Exchange shall be notified to activate the Account in the Trading System;
- 5.3.4.4 This type of Accounts shall be encumbered by Account components custody and maintenance Fees at a specific ratio of the total value to be calculated on daily basis; and
- 5.3.4.5 Custodian client's selected Broker has the right to access the Account in addition to the custodian and the Omnibus Account Operator.
- 5.3.4.6 Omnibus Account Operator should ensure the segregation of his own assets from his investors.

5.4 Account Opening

5.4.1 Conditions

- 5.4.1.1 The following categories shall not be permitted to open an Account:
- Person with unidentified nationality;
 - Companies and investment Funds whose objectives do not include investment of Shares or trading in Securities, (with the exception of the Companies for purchase of Treasury Shares);
 - Individual's establishment;
 - Joint's Account;
 - Heirs Account (an Heirs Account may be opened provided that a Bank Account already exists in the name of the heirs);



f. Person who has no Bank Account in the State of Kuwait;

5.4.1.2 A temporary Account may be open for categories mentioned above for the purpose of selling Shares they own. The Account shall be suspended after transferring the sales proceeds to the beneficiary.

5.4.1.3 KCC Members and Investors must comply and continue to comply with any condition of admission imposed by KCC and such further conditions as may be imposed by KCC from time to time.

5.4.2 **Obligations**

Each Investor undertakes to KCC that:

5.4.2.1 It shall Comply with the Laws, bylaws, decrees, any orders from any competent Authority or court orders applicable to it or to its Account in any of the services or facilities of KCC as is prevailing in the State of Kuwait;

5.4.2.2 It shall Comply with the Rules, Operating Procedures, directives, directions, orders or practice notes issued by KCC in respect of any of the services and facilities of KCC, whether of a permanent or temporary nature;

5.4.2.3 It shall immediately notify KCC of any changes in the details supplied to KCC at the time of making an application for admission as an Investor or any time thereafter;

5.4.2.4 KCC client or investor must notify KCC in writing within a period of one month of any amendments occurring to the information given in the Account opening application form;

5.4.2.5 Investor Authorize KCC to refer to the Public Authority for Civil information in order to inquire about information pertaining to resident Investors in the State of Kuwait.

5.4.2.6 In case the Investor was an " legal person" (other than individuals), the legal representative of the Investor who signs the Account opening application form shall acknowledge that the Investor has been formally established in accordance with the Laws of the State of Kuwait wherein the Investor has been incorporated, and that he is authorized to sign on its behalf and meet whatever obligations



arising therefrom. Moreover, he shall acknowledge that he is authorized signatory on the Investor's behalf.

5.4.2.7 Investor and KCC client shall monitor his Account at all times and shall instantly inform KCC in case of any discrepancies.

5.4.2.8 The Power of Attorney deed shall remain valid and effective unless the principal or its representative informs KCC in writing about the expiry of the Power of Attorney's deed, its cancellation or death of the principal. KCC shall not bear any liability towards the principal, his attorney, or his heirs in case the attorney makes any Transactions on the Account after the expiry or cancellation of the Power of Attorney's deed.

5.4.2.9 In case the Investor was not an individual, the Investor then must appoint an authorised signatory to sign on his behalf and complete all Transactions regarding Securities trading pursuant to the Law and the Investor's incorporation's deed documents. In case of cancellation of the authorization or appointing other Persons, the Investor shall inform KCC in writing of such changes immediately as they occur. KCC shall not be encumbered by any liability or losses that may be sustained by the Investor as a result of not informing it therewith.

5.4.2.10 For person account (direct or custodian client), the Investor must be the sole owner and the only beneficiary of the Account's components, unless it informs to KCC in writing otherwise.

5.4.2.11 The Investor must commit that all the Funds deposited into his Account are dedicated for Securities trading purpose.

5.4.2.12 The Investor must comply with updating the information and documents submitted in relation to the Account opening application form on the occurrence of any reasons or variables that call for the same, pursuant to the provisions of Anti-Money Laundering, and upon the request of KCC.

5.4.2.13 Investor shall subscribe in the E-Transfer Service for trading proceeds.

5.4.3 **Account Details**



Every Account, upon approval by KCC, shall bear:

- 5.4.3.1 The name;
- 5.4.3.2 Identity card number;
- 5.4.3.3 Nationality;
- 5.4.3.4 Address;
- 5.4.3.5 Telephone Number;
- 5.4.3.6 Bank Account number;
- 5.4.3.7 Shall state whether it:

a. Account Status as per Section 5.5

5.4.4 **Processing Period**

- 5.4.4.1 An application to open a Securities Account shall be processed by KCC within two to five Business Days from the date of submission of the complete application form along with the relevant supporting documents.

5.4.5 **Approval and Rejection**

- 5.4.5.1 Approval of an Investor for opening an Account is entirely at the discretion of KCC. The approval of an Investor may be subject to such conditions as KCC sees fit.
- 5.4.5.2 If an Investor application is not granted by KCC, the applicant shall be so informed in writing.

5.4.6 **Fees and Charges**

- 5.4.6.1 KCC shall charge fee as determined in Appendix 10.1 and SLA.

5.5 Account Status

#	<u>Account Status</u>	<u>Descriptions</u>
1	Active	<u>Accounts</u> are opened in Active status
2	Inactive	<u>KCC</u> may deactivate <u>Account</u> in case of any breach to these <u>Rules</u>
3	<u>Block</u>	<u>KCC</u> may freeze <u>Account</u> if <u>KCC</u> has instructed by regulatory or the legal jurisdiction
4	Suspension	<u>KCC</u> may Suspend <u>Account</u> if <u>KCC</u> :



		I. instructed by the <u>Investor</u> or KCC client to Close the <u>Account</u> . II. suspend an <u>Account</u> as per mentioned in Section 5.7
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5.6 Account Activity

#	<u>Account Activity</u>	<u>Descriptions</u>
1	Market Trades	Subject to the provisions of Section 8.11
2	Transfers	Subject to the provisions of Section 8.11
3	Lending and Borrowing	Subject to the provisions of Section 8.11
4	<u>Pledge</u>	Subject to the provisions of Section 8.11
5	<u>Attachment of Securities</u>	Subject to the provisions of Section 8.11
6	others	<u>KCC</u> may from time to time define new or additional Activities.

5.7 Account Suspension

5.7.1 In event or circumstances of breaching these Rules KCC shall have the right to imposed Suspension or Fine against any Investor for any breach of the Rules;

5.7.2 KCC may when impose such Fines or Suspension against any Investor:

5.7.2.1 (a) Issue instruction to the Exchange to suspend Investor Account, or

(b) Limit or Inactivate Investor's Account, and/or

5.7.2.2 Fine Investor or impose on Investor any other penalty.

5.7.3 KCC shall notify CMA, Exchange and Investor's Broker in writing of any Suspension and/or any limitation that has been imposed, the duration of the Suspension and/or the limitation imposed, if any,



and/or any penalty or Fine (and the amount thereof) imposed, on Investor.

5.8 Account Reactivation

5.8.1 Each Investor who intends to reactivate an Account shall submit to KCC the duly completed prescribed form together with the relevant supporting documents as may be determined by KCC.

5.8.2 An application to reactivate an Account shall be processed by KCC within two (2) Business Days from the date of submission of the completed application form along with the relevant supporting documents.



6 Clearing and Settlement

6.1 **General**

- 6.1.1 KCC shall provide services which include the Clearing and Settlement of Transactions in Securities effected on, or subject to Exchange Rules and these Rules, wherever applicable;
- 6.1.2 In consideration of the role and obligations of KCC under Section 6.1.1 KCC shall charge Clearing Fees at the rate, which may be determined by KCC and approved by the Authority. KCC shall inform all Dealers of changes to the rate of the Clearing Fees by at least fourteen (14) Days' notice or by publishing through KCC webpage;
- 6.1.3 Exchange will transmit matched trades directly into KCC System in real time through the Trading System;
- 6.1.4 The submission of trades to KCC System is irrevocable and can only be reversed in accordance with Section 6.3.8;
- 6.1.5 All trade Transactions Accepted by KCC will be allocated a fixed Settlement date of T+3 unless KCC instruct otherwise;

6.2 **Clearing**

- 6.2.1 All Trades must be cleared through KCC in accordance with these Rules;
- 6.2.2 Delivery of Transactions shall be affected pursuant to these Rules;
- 6.2.3 Securities Transactions received will be validated and Accepted for Clearing after they have passed the validation checks and ready for Clearing;
- 6.2.4 **Trade Capture**
- 6.2.4.1 Trade information is submitted from Exchange's System to KCC System in the form of messages. The messaging protocol has a sequencing methodology that ensures all messages are received.
- 6.2.5 **Trade Verification**



KCC verify certain basic information for all Transaction received by KCC from Exchange as per KCC Operating Procedures; KCC System will validate trade information for the following:

6.2.5.1 Format: This validation checks that the data is correct which includes the check of data type and the length of the fields;

6.2.5.2 Business: This validation checks that the trade details is correct which include the check of Broker ID or Trader ID. On successful validation, the trades will be Accepted and stored in the KCC System as “Accepted” status; and On failure of validation, the trade will be rejected and the appropriate reason will be captured.

6.2.6 **Trade Amendment and Reversal**

6.2.6.1 Amendment of a trade can be only carried out to trades with an “Accepted” status in KCC System.

6.2.6.2 The instruction for amendment of a trade has to be sent by CMA or Exchange to KCC and can only be made if it is within the Authorization given by CMA.

6.2.6.3 Amendment of a trade is only available between trade date and the close of business on T+2.

6.2.7 **Custodian Rejection**

6.2.7.1 In respect to the Custodian underlying Investors, Custodians are permitted to reject trades for Settlement by the announced cut-off time on T+2, as published by KCC, the trades that are not rejected by Custodians at the cut-off time on T+2 get auto confirmed and become the responsibility of the Custodians for Settlement.

6.2.7.2 For omnibus accounts (custodian clients). Custodians are permitted to reject trades for Settlement either fully or partially by the announced cut-off time on T+2, as published by KCC, the trades (or part of the trades) that are not rejected by Custodians at the cut-off time on T+2 get auto confirmed and become the responsibility of the Custodians for Settlement

6.2.7.3 KCC shall publish the following deadlines:



- a. Refusal to comply.
- b. A request for re-commitment.
- c. Broker's response to the request for re-commitment.

KCC shall notify all Custodians, Brokers and the Exchange seven Working Days prior to any change.

6.2.7.4 Custodians are allowed to ask for late confirmation for an already rejected trade or part of the trade (Selling or buying) within the cut off time announced by KCC in (T+2). This request is consider to be done only if the respected Broker approves it, During the prescribed period, else the request is considered declined.

6.2.8 **Broker Obligations for Custodian Rejection**

6.2.8.1 Trades rejected (or part of the trade that get rejected) for Settlement by the Custodians will be assigned to a specific Trader ID of the executing Broker. For sell/buy trades or quantities rejected, the responsibility to deliver Securities/Funds will fall on the executing Broker.

6.2.8.2 Transfer of Shares resulted from settled trade (or part of the trade) which was rejected earlier can be requested to KCC after the agreement between the executing Broker and Custodian client. This request can be submitted on T+3 or T+4.

6.2.8.3 The request is accepted only for buy trades from the Custodians client side and the request will not be accepted if the trade was not settled in full on T+3 by the executing Broker.

6.2.8.4 KCC will specify timings and mechanisms for request submissions. Once the request is accepted, KCC will transfer the Shares from the executing Broker Account to the Custodian client Account. cash payments are between the executing Broker and the client directly without the interference of KCC.

6.2.8.5 All requests are subject to Fees mentioned in table **Error!**
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6.2.8.6 Executing Broker is responsible for delivering any dividends or bonuses gained on the quantity of Shares to the client.

6.3 Settlement

6.3.1 KCC conducts Funds Settlement directly with Traders as clients of Brokers, Funds Settlement conducted through internal memorandum Accounts and cheques.

6.3.2 KCC holds the Clearing and Settlement process of the Listed Companies Securities trading contracts at Exchange and deposited with it based on the transfer of Securities ownership from the seller against buyer Dues, where arise rights and obligations between each seller and buyer of Securities as of the date of trade in Exchange.

6.3.3 KCC is undertaking Clearing and Settlement operations for trading contracts with the aim of defining the rights and obligations of the direct Investors and indirect Investors through the local Custodian, and to complete the Settlement arising from those contracts and the transfer of ownership of securities in the spot market and financial position.

6.3.4 All Transactions concluded at the Exchange through the electronic Trading System shall be transferred automatically to the KCC System, to complete the Clearing operations and payment of the purchased Securities value through the Settlement Bank before 09:30 AM on (T+3), and transfer the ownership of the Securities simultaneously with payment of obliged Funds balances.

6.3.5 **Daily Settlement Schedule**

The schedule of the Clearing and Settlement processes are provided in the table below:

Time	Description	Process
<u>EoD</u> on trade day	<u>KCC</u> calculates the net <u>Funds</u> and gross obligations for each <u>Trader</u> as clients of the <u>Brokers</u> and <u>Custodians</u>	<u>Clearing</u>
<u>EoD</u> on Trade day	<u>KCC</u> recalculates the net <u>Funds</u> and gross	<u>Clearing</u>



+ 1	obligations for each <u>Trader</u> as clients of the <u>Brokers</u> and <u>Custodians</u> as a result of trade amendment, trade reversal or <u>Custodian</u> rejections	
<u>EoD</u> on Trade day + 2	<u>KCC</u> recalculates the net Funds and gross obligations for each <u>Trader</u> as clients of the <u>Brokers</u> and <u>Custodians</u> as a result of trade amendment, trade reversal or <u>Custodian</u> rejections	<u>Clearing</u>
<u>Settlement Date</u>	<u>KCC</u> re-computes the <u>Settlement</u> obligations of each <u>Trader</u> as clients of <u>Brokers</u> , <u>Custodians</u> based on the available <u>Securities</u> /Funds. The Funds and <u>Securities</u> obligations for <u>Settlements</u> will be re-computed for <u>Settlement</u> taking into consideration Normal trades for <u>Settlement</u>	<u>Settlement</u>
<u>Settlement Date</u>	<u>Securities</u> transferred from selling <u>Trader</u> depository <u>Account</u> to the buying <u>Trader</u> depository <u>Account</u> .	<u>Settlement</u>

6.3.6 **Settlement Date and Time:**

6.3.6.1 The Settlement of trades during the BoD on T+3 (the Settlement date) are debit the Securities in the selling Traders depository Account and credit the Securities in to the buying Traders depository Account.

6.3.6.2 Settlement of Transactions executed on the Exchange shall be carried out within the following three working Days trading (T+3) up to 9:30 at (T+3).

6.3.6.3 From 9:30 up to 10:30 on (T+3) KCC will determine the Defaulters.

6.3.6.4 From 11:00 up to 13:00 KCC will use the Collateral.

6.3.7 **Securities Settlement and final legal title:**



- 6.3.7.1 Securities will be traded on-Exchange or Off-Exchange and reported to KCC.
- 6.3.7.2 The Investor should open an Account with KCC for deposit Securities.
- 6.3.7.3 The Investor can transfer Securities between CSD and Register Accounts.
- 6.3.7.4 Securities Transactions received will be validated and Accepted for Clearing after they have passed the validation checks and ready for Clearing.
- 6.3.7.5 As soon as the Transaction is performed in the Trading System, through connecting the sale and purchase orders, which are processed through Brokers, the Transaction shall be electronically submitted to the KCC System.
- 6.3.7.6 The registration of obligations resulting to the Transaction's both parties shall take place, and their Settlement is made at (T+3) by the KCC System. Moreover, the credit or debit balances shall be updated in KCC System.
- 6.3.7.7 At the BoD (T+3), along with Settlement, commissions and Fees relating to Transaction are computed as per these Rules.
- 6.3.8 **Trade Cancellation and Amendment (General):**
- 6.3.8.1 Transaction is deemed Accepted for the purpose of Settlement unless CMA and/or Exchange ask to cancel, as per Section 6.3.9, or amend as per Section 6.3.10.
- 6.3.8.2 KCC should be notified maximum by (T+2) to cancel or amend a Transaction. In case KCC was not notified at (T+2), Transaction is deemed Accepted for the purpose of Settlement and will not be able to cancel or amend.
- 6.3.8.3 KCC shall not cancel or amend any settled Transaction.
- 6.3.9 **Cancellation of Trade Transaction:**
- 6.3.9.1 KCC shall cancel the trade based on notification by CMA precautions taken in circumstances mentioned in Article (44) of the Law.



- 6.3.9.2 CMA can cancel Transactions for a specific period or Transactions on certain Shares.
- 6.3.9.3 KCC shall cancel the trade based on Exchange notification in circumstances mentioned in Exchange Rules approved by CMA.
- 6.3.9.4 KCC shall cancel a trade according to these Rules.
- 6.3.10 **Amendment of Trade Transaction:**
- 6.3.10.1 KCC shall amend the Transaction based on an notification only from the Exchange as follows:
- a. KCC can amend only the buyer/seller trading number
 - b. The Transaction Settlement cycle will remain the same even if the buyer/seller trading number was amended.
- 6.3.11 **Funds Settlement**
- 6.3.11.1 The Investor can purchase Securities with settled Funds in the Account.
- 6.3.11.2 KCC conducts Funds Settlement directly with Traders.
- 6.3.11.3 Traders can deposit Funds in advance at KCC's Bank account.
- 6.3.11.4 KCC shall issue payments to the Investor on all Business Days.
- 6.3.11.5 KCC shall directly transfer the payments to Investor's Bank Accounts who subscribe in the E-Transfer Service on the following Business Day, which is subsequent to the issue date.
- 6.3.11.6 KCC shall deliver the issued cheques to the Broker who carried out the Investor's Transaction on the working Day, which is subsequent to the issue date.
- 6.3.11.7 The Investor may request KCC to roll-out the Account so that no payments shall be issued to the Investor until requested
- 6.3.11.8 Funds Settlement is conducted through internal memorandum Accounts and cheques.
- 6.3.11.9 On T+3, Settlement of Funds trades take place, sellers deliver Securities to the KCC in Exchange for Funds payments, and the KCC delivers Securities to the buyers in Exchange for Funds payments. CSD moves Securities via book-entry electronic system. Should a seller have insufficient Shares for delivery as on T+3, KCC will create Securities Dues to fulfil the seller's delivery obligation.

**6.3.12 Securities Settlement Failure - Securities Dues**

6.3.12.1 Securities due will be created to ensure that there are Securities available for delivery;

6.3.12.2 If the Investor purchases Securities with insufficient Funds or unsettled Funds, the Investor must hold that Securities until the purchase is fully paid for, with a new Funds deposit.

6.3.13 Funds Settlement Failure – Collateral

6.3.13.1 Brokers will be required to provide Collateral to support their trading activities. The Collateral shall be kept in a designated Bank Account and will be used by KCC to cover any shortfall during Settlement.

6.3.13.2 KCC allows Brokers Member through KCC` s Brokerage system to do the deposit and issues processes of transferred Shares within shareholder registrar , inquire, spot access to their client balances (Shares/ amounts) with commitment to using the highest standards of confidentiality of information Security.

6.3.13.3 KCC is monitoring Defaulter Default Period that leads Collateral Account to cover these Dues. KCC will provide CMA, Exchange and Brokers with Investor details within maximum two Business Days once Investor defaulted.

6.3.13.4 KCC is responsible to manage Collateral Account, and calculating Fine on behalf of Brokers.

6.3.13.5 Broker will sell Shares to cover the due amounts, or buy back Shares to cover short in Shares positions and that in the absence of the Investor in response to the payment of Dues.

6.3.13.6 KCC must monitor the Collateral amount, and ensure that it does not fall less than 90%, by Issuing instructions to Brokers to top-up the Collateral Account with the required amounts.

6.3.14 Funds Settlement Failure - Funds Dues

6.3.14.1 Funds Dues will be created to ensure that there are Funds available for delivery;



- 6.3.14.2 Penalty/Fine shall be applied to the Investor during Default Period; Penalty/Fine shall be applied to the executing Broker / Custodian as well;
- 6.3.14.3 KCC shall daily notify the Broker, Exchange, and CMA on defaulting Investors.
- 6.3.14.4 The Broker shall bear the responsibility to buy/ Sell Shares, in case Investor defaults on settling their Dues , depending on the situation arise.



7 Default

An Investor shall be in Default and a KCC Member shall be liable whenever an Investor did not Pay/deliver Dues during Default Period according to Section 6.3.

7.1 Broker/Custodian Funds Collateral

7.1.1 Each Broker/Custodian will be required to provide Collateral to support their clients trading activities to cover any Defaults during Settlement,

7.1.2 The form of this Collateral is always Funds allocated in a designated Bank Account number under the name of the respective Broker/Custodian under the management of KCC;

7.1.3 KCC is the only entity entitled to make debit instructions to these Accounts and will be authorised under the Rules to make instant debits to make good any default.

7.1.4 Amounts of the Funds Collateral are calculated based on two main criteria elements, market risk and Broker/Custodian counterparty risk. The latter includes operational risk. Brokers/Custodians will be required to increase their Collateral deposits based on trading activity and replenish any amounts used. Minimum of 200,000KD per Broker and 100,000 KD per Custodian will be applied as per Operating Procedures.

7.1.5 **Price difference penalties Account:**

All price differences amounts resulted from selling the Shares of the defaulted Trader will be kept in a special Bank Account number. This will be used in the case of insufficient Funds available in the first layer and only if available amounts exist within.

7.1.6 KCC may, at any time and in its absolute discretion, cease to require all or any of Broker/Custodian to provide Collateral as per Operating Procedures approved by CMA.



7.1.7 Broker/Custodian's Collateral is additional to and independent of any other amount payable to KCC by each Member and for the avoidance of any doubt, may be utilised by KCC in such manner as may be specified under Section 7.1.

7.1.8 Where any obligation under these Rules, or as may otherwise be owing to KCC remains outstanding on the part of a Broker/Custodian, such Broker/Custodian shall have no right to withdraw any Collateral or request for the repayment of any credit balance held with or subject to the control of KCC without KCC's prior consent.

7.2 Collateral Requirement

7.2.1 Based on pre-approved formula by CMA, KCC will determine the value to be attributed to the Collateral provided to KCC.

7.2.2 KCC may determine Collateral amount using a pre-approved formula by CMA.

7.2.3 Broker/Custodian must provide to KCC the Collateral in the agreed manner and conditions as may be prescribed by KCC from time to time.

7.3 Collateral Maintenance

7.3.1 KCC shall have direct access to the Broker/Custodian Collateral Account to manage any default;

7.3.2 KCC may manage and use such Collateral in such manner, as mentioned in Section 7.3.1 and Operating Procedures approved by CMA.

7.3.3 KCC has no obligation or responsibility to preserve, protect, collect or realise a Broker/Custodian's Collateral, and under no circumstance will KCC be liable for any loss or depreciation in or in connection with the Collateral maintained pursuant to these Rules.

7.3.4 KCC may at any time require additional Collateral to be satisfied by Broker/Custodian within a specified time, if in the opinion of KCC, the additional Collateral is necessary or desirable as additional



Security against the non-performance of obligations by such Broker/Custodian under Section 7.1.

7.3.5 Broker/Custodian must deposit the amount of Funds required for Collateral in the designated Bank Account within the time specified in the memorandum of deposit according to the terms prescribed by KCC.

7.4 Fees, charges and penalties

7.4.1 Broker/Custodian must pay to KCC such administrative and operational Fees and charges as may be prescribed by KCC in Appendix 10.1 and SLA.

7.4.2 KCC may deduct the administrative and operational Fees and charges from the interest on the Collateral payable by KCC to the Broker/Custodian pursuant to these Rules.

7.4.3 Broker/Custodian must comply with the terms of the memorandum of deposit and any breach of such memorandum of deposit will constitute a breach of this Section, KCC may bind that Broker/Custodian to pay the charges resulting from his non-compliance as determined in Appendix 10.1.

7.5 Notifications to Authority

7.5.1 KCC shall inform the Authority at the earliest of the following:

7.5.1.1 If it is found that any of its counterparties became unable to abide by any of the Rules applicable to operations of Clearing, Settlement and depository;

7.5.1.2 If it is deemed that the financial position of any counterparty and its ability to fulfil its obligations has already become unstable or showing signs of instability.

7.5.2 Notification shall include a statement of the case setting out, where relevant, the name of the counterparty, Trading number, civil identification number, a statement of the net amount of money or that there is no due balance, a statement of the name and number



of the purchased or sold Securities as well as the procedure held in that concern.

7.5.3 Both the Exchange and the Broker/Custodian shall be provided with a copy of that notification.

7.6 KCC Collateral

7.6.1 KCC Shall Keep a Settlement Collateral to cover Dues exceeded the Broker/Custodian Collateral;

7.6.2 KCC Settlement Collateral shall be amount of two million six hundred thousand K.D.

7.7 Faluire of Securities delivery

7.7.1 A trading platform called the buy-in session is available to brokers after the official market closes in accordance with the Exchange Rules to request the quantities of Securities from their failed clients at a price higher than the official market. Transactions executed on this platform are settled in accordance with the T+1 settlement cycle before formal market Transactions are settled. The right to request Securities through the buy-in board during the period from T to T+2 to the Broker and then the KCC has the right to ask the distressed quantity on behalf of the Broker for the days T+3 and T+4.

7.7.2 After the Settlement process in T+3, and if the seller has insufficient balance of the required Securities, the final Settlement of the transaction will be carried over to the next day in T+4. Partial Settlement will conduct for available balance and a cash Settlement will be in place where the default is continue to T+5; the failed Transaction will be canceled and the required amount will be replaced by a monetary compensation paid by the seller to the final buyer where the buyer redeeming its basic purchase value. Investors will be excluded in the Transaction sequence and the final buyer of the distressed amount will remain.

7.7.3 The cash close out Settlement is made after the normal Settlement processes for day T+5 according to the following equation and after



the addition of any fines or compensation for the dividends of the general assembly dividends: The liquidation amount is calculated as follows:

$$P = (\text{Cancellation Price of Securities} - \text{Price purchased})$$

$$\text{Liquidation amount} = \max(0, P) \times \text{Quantity of affected securities}$$

Cancellation Price is calculated as the higher of:

the highest trade price between the trade day and the day prior to the Cancellation Date; or

the closing price of the securities one day prior to the Cancellation Date plus a fixed premium percentage of 10% (which is configurable by KCC).



8 Central Securities Depository

8.1 **General**

8.1.1 KCC shall facilitate the entry of data pertaining to ownership and Securities movement, as well as organise the process of keeping and management of Registers pertaining to shareholders' ownership of Securities. Further, offering Register services to both Listed and Unlisted Companies Securities.

8.2 **Record of Final Legal Title**

8.2.1 As provided in Article (2-9-5) Module Four. (Securities Exchanges and Clearing Agencies) of the Bylaw, a Statement issued by KCC is a prima facie evidence of title at the time of issuance of the Securities Holder's shareholding if it conforms to the Registers in KCC.

8.2.2 Securities shall be deposited at CSD; the statement of holding of Securities issued by KCC is prima facie evidence of title of the Securities and any rights arising therefrom.

8.3 **Form and Contents of Title Deed**

The statement of holding of Securities shall include the following details:

8.3.1 Name, commercial register number and headquarters address of the Issuer and Obligor.

8.3.2 Capital of the Issuer and Obligor.

8.3.3 Name of the Security's holder.

8.3.4 Par value and number of Security.

8.3.5 Return eligible for Security, if any, and the specific dates for paying the same.

8.3.6 Annual dividend of the Security from the company's profits, if any.

8.3.7 Statement of Collaterals of Securities, if any.

8.3.8 Redemption conditions for Bonds and Sukuk.



8.3.9 In the event that the Securities comprise Bonds and Sukuk convertible into Shares, the receipt shall state the dates whereon the Bondholders and Sukukholder may exercise the right of conversion, and the conditions of conversion.

8.4 Register

8.4.1 Each Issuer shall have a special Register kept with KCC. This Register shall contain the names, nationality, domicile, and number of Securities owned by each holder, the type and the capital paid in for each Securities.

8.4.2 If the Securities are registered in KCC under the name of a bank or a company that manages portfolios of a third party or a qualified Securities Broker registered with an Exchange or omnibus account , then that registration must state that the title belongs to the company or to the bank or to third party's account.

8.4.3 KCC shall provide the Issuers of the Securities that are deposited in KCC with the mutually agreed reports in accordance with these Rules.

8.4.4 The owners of Securities, whose holdings are Registered at KCC, may request KCC to issue a statement of holding, showing their names and number of owned shares. Also, investment funds managers and omnibus account operator may request KCC to issue a statement of holding, showing their names and number of owned shares.

8.4.5 The Register shall be updated by any changes required to be Registered and which are defined by KCC.

8.4.6 Any party with a relevant interest may request the Issuer or KCC to provide them with such related information from the Register.

8.4.7 Securities that have been permanently reversed from trading shall be excluded from central depository system, regardless of the reason for reversal.



8.5 Application by Issuers

Unless otherwise agreed by KCC, where an applicant is admitted as a Issuer, such Issuer shall not be permitted to utilize the services or facilities of KCC to be made available to the Issuer, until:

- 8.5.1 Submit the application required by KCC;
- 8.5.2 Sign a Register SLA with KCC;
- 8.5.3 Pays to KCC application Fees, admission Fees and other charges imposed by KCC applicable to Issuer; and
- 8.5.4 Comply with Operating Procedures and other conditions that KCC in its discretion may have imposed when approving the application.

8.6 Approval and Rejection

- 8.6.1 Approval of an Issuer for admission is entirely at the discretion of KCC.
- 8.6.2 If an Issuer application is not granted by KCC, the applicant shall be so informed in writing.

8.7 Issuer Obligations

Each Issuer undertakes to KCC that:

- 8.7.1 Issuers of Securities shall submit to KCC a copy of their shareholders Register, that includes the names of the holders of those Securities, information about their identities, nationality and addresses, as soon as the Securities are issued;
- 8.7.2 Issuer shall be committed to providing Funds distributions sums Payment Date and depositing the same in a Bank Account earmarked especially for such purpose;
- 8.7.3 Inform KCC in writing prior to the meeting date of the ordinary or the extra-ordinary General Assembly immediately upon obtaining the approval of authorities;
- 8.7.4 Notice KCC in writing immediately after decisions of the General Assembly with the following:
 - a. Cum-Date;



- b. Ex-Date;
- c. Record Date;
- d. Payment Date;

Any adjustments to the schedule must be notified to KCC

- 8.7.5 Inform KCC immediately upon imposing any Attachment or restrictions on the Issuer's Bank Accounts earmarked for Funds distributions. The Issuer shall be held legally responsible before KCC and third party in case the KCC employee sign dividend cheques that are not backed by an existing and receivable balance. Moreover, KCC may recourse to the Issuer in case the latter fails to notify KCC about any obligations or financial consequences due upon the Issuer as a result thereof;
- 8.7.6 Comply with the Laws, bylaws, decrees, any orders from any competent Authority or court orders applicable to it or to its Membership in any of the services or facilities of KCC as is prevailing in the State of Kuwait;
- 8.7.7 Comply with the Rules, Operating Procedures, directives, directions, orders or practice notes issued by KCC in respect of any of the services and facilities of KCC, whether of a permanent or temporary nature;
- 8.7.8 Notify KCC of any changes in the details supplied to KCC at the time of making an application for admission as an Issuer or any time thereafter;
- 8.7.9 Notify KCC forthwith upon becoming aware of any restriction, imposed by a Regulatory Body to which it is subject or by courts, which may affect in any of services, facilities or operations provided by the KCC;
- 8.7.10 Notify KCC forthwith upon it becoming aware of any Primary Default Even; or
- 8.7.11 The Securities' Register shall be subject to the supervision and control of the Authority. KCC may refuse to record any event in its Registers if there was a violation of Laws or regulations that are applicable to KCC or to the Exchange.



8.8 KCC Services

KCC will maintain Register according to KCC Operating Procedures and Fees in Appendix 10.1 and the agreement, KCC Services includes the following:

- 8.8.1 Recording Securities in KCC Register;
- 8.8.2 Issuing Securities balance statement for Investors upon request;
- 8.8.3 Instantly updating the Register by legible Transactions and authorise Issuer a remote access for the Register (information will be updated on weekly basis, Issuer may request a daily basis updates with extra charge);
- 8.8.4 Allocating an International Securities Identification Number (ISIN);
- 8.8.5 Recording Preferred Shares in KCC Register and Investor's rights;
- 8.8.6 Recording foreign Securities in a sub-Register for Foreign Issuers;
- 8.8.7 Maintain Transactions between the sub-Register and main Register of the Foreign Issuer by Exchanges according to the ratios issued by the concerned parties;
- 8.8.8 Issue a statement for the Acquisition Manager indicating the status of Shares owned by Investors who are willing to participate in the Acquisition Offer and whatever legal restrains imposed thereupon;
- 8.8.9 Recording Assignment of Profit Shares;
- 8.8.10 Recording Assignment of Pre-emptive Rights;
- 8.8.11 Recording Investors who are willing to sell their Shares to the Issuer, in case of capital decreasing;
- 8.8.12 Recording the Repurchase agreements notation in the Securities Register;
- 8.8.13 Maintenance of Register of Pledges;
- 8.8.14 Maintain Register Details;
- 8.8.15 Maintain Investor Details;
- 8.8.16 Transactions - see section 8.11;
- 8.8.17 Corporate Actions - see section 8.15;



- 8.8.18 Issuer Services (e.g. voting management, meeting management, mailings, Printing and distribute the invitations for assembly meetings, voting cards and proxy; etc.);
- 8.8.19 Recording voting rights; and
- 8.8.20 Ad hoc Services.

8.9 Fees, Charges and Penalties

- 8.9.1 Issuers must pay to KCC such administrative Fees and charges as may be prescribed by KCC in Appendix 10.1 and the agreement.
- 8.9.2 Issuers must pay other Fees for services provides by KCC and determined in Appendix 10.1 and the agreement.

8.10 Market Trades

- 8.10.1 Listed Securities shall be Registered and settled through KCC. It is not permissible to deal on those Securities or to obtain any consequential rights except through registration in the Registers of KCC.
- 8.10.2 The rights and obligations of each Person trade in listed Securities buy or sell in Trading System. The obligations shall be carried out in accordance with the applicable Rules of set-off as per Section **Error! Reference source not found.** and Section 8.15.
- 8.10.3 The title of Securities that are listed in Exchange transfers are enforceable by virtue of the entries in the designated Registers at KCC, unless such transfers are in violation of the Law or Rules on which such securities were issued.

8.11 OTC Transfers

- 8.11.1 Investor may request to transfer any Securities deposited in Register Account to another Register Account in KCC.
- 8.11.2 KCC may issue directions to allow any KCC Members to request for a transfer of Securities between Securities Accounts.
- 8.11.3 Any action related to Securities not deposited with KCC, or not recorded in KCC Registers in accordance with the Operating



Procedures applicable by KCC in this regard, shall not be taken into consideration.

8.12 Eligible OTC Transfers

8.12.1 A notation of such action shall transfer Unlisted Companies Securities on the Security's Register maintained by KCC without Exchange approval, only if the Unlisted Companies Securities transfer is a selling Contract, transfer should be done upon Exchange approval;

8.12.2 Founders may only dispose of their Shares at least two financial years after the date on which the company is entered into the Commercial Register. Disposal of Shares by one of the founders or a founder's heir to a Relative of the second degree or to another founder, or by a receiver, the state or a public Authority or department to a third party shall be excluded from this provision. Disposal of such Shares otherwise shall be deemed invalid. Any party with a relevant interest may invoke the nullity of such action, which shall be automatically upheld by court.

8.12.3 Shareholders may only dispose of their Shares after the company's issue of its first balance sheet of at least twelve months. Disposal of Shares by one of the shareholders or a shareholder's heir to a Relative of the second degree or to another shareholder, or by a receiver, the state or a public Authority or department to a third party shall be excluded from this provision. Disposal of such Shares otherwise shall be deemed invalid. Any party with a relevant interest may invoke the nullity of such action, which shall be automatically upheld by court.

8.13 Exchange Approved for OTC Transfers

8.13.1 Securities are eligible to OTC transfer as per Exchange Rules and upon Exchange approvals.

8.14 Free of Payment Transactions (FoP)

8.14.1 All OTC Transactions are FoP as per Operating Procedures.

**8.15 Corporate Actions****8.15.1 General**

8.15.1.1 This Section applies to all Securities deposited with KCC and upon request of the Issuer; KCC has to execute a Corporate Actions.

8.15.1.2 Every Issuer requesting KCC to execute a Corporate Actions have to provide the information as per Section **Error! Reference source not found.** and any other information requested by KCC as per Operating Procedures;

8.15.1.3 Issuer shall deposit the whole amount of Funds dividends at KCC designated Bank Account Two Business Days before the Payment Date.

8.15.2 Bonus Issue

8.15.2.1 Kuwaiti listed Companies Securities Issuers shall comply with distributing free bonus Shares to shareholders within the time schedule approved and announced by the Issuer with regard to the Record Date and Payment Date.

8.15.2.2 Non-Kuwaiti listed Companies Securities are exempt from the provision of this Section and to be subject to the applicable regulations of the Exchange in which these companies are listed and its place of incorporation.

8.15.2.3 An Issuer must submit to KCC any corporate action taken regarding any Bonus Issues distributed within the time frame prescribed by Operating Procedures.

8.15.2.4 An Issuer must inform KCC by the source of these Bonus Shares whether will be a Treasury Shares or Capital Increase which requires the Issuer to increase Capital before the distributions - see section 8.15.4.

8.15.3 Funds

8.15.3.1 Kuwaiti listed Companies Securities Issuer shall commit to distributing Funds dividends to shareholders within the time schedule approved and announced by the Issuer with regard to the Record Date and Payment Date.



8.15.3.2 Non-Kuwaiti listed Companies Securities are exempt from the provision of this Section and to be subject to the applicable regulations of the Exchange in which these companies are listed and its place of incorporation.

8.15.3.3 In case of funds distribution, an Issuer must report to KCC the Corporate Action taken regarding the distribution within the time frame prescribed by Operating Procedures.

8.15.4 **Capital Increase and Decrease**

8.15.4.1 In case of Capital Change the Issuer must report to KCC the Corporate Action taken regarding the change within the time frame prescribed by Operating Procedures.

8.15.5 **Acquisitions**

8.15.5.1 An Issuer must submit to KCC any Corporate Action taken regarding any Acquisition performed within the period prescribed by Operating Procedures.

8.15.5.2 An Issuer shall inform KCC prior to obtaining the percentage referred to, without any control, whether directly or indirectly, over the board of directors and without practicing the voting rights arising out of such percentage; provided that it shall be recorded in the shareholders' Register of the Issuer. This exemption will not be granted if an owner of such percentage practices its voting rights or if he controls the board of directors directly or indirectly. And KCC shall notify the Authority in the event that voting rights on such percentage are exercised.

8.15.5.3 An Issuer shall inform KCC prior to obtaining the percentage referred to governmental bodies to secure the public interest and the interests of shareholder; provided that the voting rights of the percentage exceeding 30% of the traded Securities shall not be exercised and that this be recorded in the shareholders' Register of the Issuer. This exemption shall not be granted if the governmental bodies exercise voting rights of a percentage exceeding 30% of the traded Securities. And KCC shall notify the Authority in the event that such voting rights are exercised.



8.15.6 **Merge**

8.15.6.1 An Issuer must submit to KCC any Corporate Action taken regarding any merge performed within the period prescribed by Operating Procedures.

8.16 Securities Pledge, Attachments and Block

8.16.1 Any Pledge, Attachment, redeeming a Pledge, cancellation of Attachment, transfer of title or any other action concerning Securities shall be recorded in KCC's Registers concerning those Securities.

8.16.2 In the event of Pledge or Attachment of Securities, the creditor Pledgee and Attachment creditor shall be given a receipt of Securities with annotation of Pledge or Attachment.

8.16.3 **Securities Pledge**

8.16.3.1 Securities may be Pledged in accordance with a contract signed by the creditor Pledgee, debtor and In-Kind Guarantor, if any, even if their value is not paid in full.

8.16.3.2 There shall be a notation of the Pledge of registered Securities on KCC's Register made in the presence of the debtor, creditor Pledgee and In-Kind Guarantor, if any, or their legal representatives, after providing KCC with a true original copy of the Pledge agreement signed off.

8.16.3.3 In the event that the Pledged Securities are eligible for Corporate Action benefits, the Pledge provisions stated in the Pledge agreement and Bylaws shall be applicable on such Corporate Action benefits, unless the Pledge agreement states otherwise, KCC shall mark the Securities distributed as bonus Shares by the same notation of Pledge on the Pledged Securities. KCC will rate the Pledge according to the Pledge agreement as follows:

- a. **First degree:** Pledge of original Shares and their resulting dividends, whether being bonus Shares or funds distributions.
- b. **Second degree:** Pledge of original Shares and their resulting bonus Shares without the funds distributions.



- c. **Third degree:** Pledge of original Shares and their resulting funds distributions without bonus Shares.
- d. **Fourth degree:** Pledge of original Shares only. Pledge shall not extend to the resulting bonus Shares, or funds distributions.

8.16.3.4 KCC shall notify the Exchange of any Pledge on Listed Companies Securities in order to allow the Exchange to take necessary steps to prevent trading of Securities through the Trading System in use.

8.16.3.5 KCC shall provide the creditor Pledgee, pledgor and Pledge notary, upon their request, with an extract of the Securities Statement of holding with a notation of the Pledge.

8.16.3.6 Upon making a notation of the Pledge in the Securities' Register or on the portfolio Pledge agreement, KCC shall clarify in such notation whether the creditor Pledgee has the right to exercise voting rights on the Pledged Securities or not and whether there are default events wherein the debt shall be considered due before its date of maturity stated in the agreement or not.

8.16.3.7 If the right to attend and vote in the general assembly meetings and meetings of Bondholders meeting and Sukukholders meeting is assigned to the creditor Pledgee, KCC shall enable the creditor Pledgee to attend and vote in the general assembly meetings and shall note the transfer of such right to attend and vote in Person or by proxy.

8.16.3.8 KCC shall provide the creditor Pledgee with periodic reports on Pledged Securities upon requested and pay Fees of KCC reporting.

8.16.3.9 A Pledge shall be cancelled by virtue of a letter to be sent to KCC and signed by the creditor Pledgee, if the creditor Pledgee or its agent is a Bank or by virtue of the presence of the creditor Pledgee before KCC and signing the form of Pledge cancellation. The Pledge shall be cancelled pursuant to an enforceable court judgment or arbitration award.

8.16.4 **Attachment of Securities**



- 8.16.4.1 Securities owned by a debtor and its profits may be attached, which shall be noted in Securities' Register held by KCC.
- 8.16.4.2 Securities shall be sold or redeemed, as the case may be, even if the Attachment creditor does not submit the original receipt of the Securities deposit. KCC shall make the necessary amendments in the Register of the Securities' holders in accordance with the outcome of the sale procedures.
- 8.16.4.3 The Attachment of Securities includes Attachment of their profits, whether they are Funds profits or bonus Securities or any amount due until the date of sale.
- 8.16.4.4 Securities Registered in the name of the debtor shall be attached as garnishment and a notation of such Attachment shall be made in the Securities Register held by KCC where KCC maintains the Register.
- 8.16.4.5 An Attachment shall not be executed on securities registered in the name of omnibus account in relation to a credit obligation or a court order or any writ of execution against the omnibus account operator.
- 8.16.4.6 Securities, profits, returns and rights due by KCC shall be sold through a Broker or Investment Portfolio Manager assigned by the Authority, which shall state in its decision whether they shall be sold through the Trading System, through auction or otherwise as specified by the Authority.
- 8.16.4.7 Sale of Securities shall be declared by an announcement on the notice board on the Exchange, even if such Company is Unlisted or suspended from trading on the Exchange.
- 8.16.4.8 The Exchange shall notify KCC to open a temporary Account to execute the sale under the name (Ministry of Justice – General Department of Execution – indebtedness (name of debtor) as per Operating Procedures).
- 8.16.4.9 Price shall be determine according to (Appendix 10 Execution Rules of Securities of Module 11 dealing in Securities) in the Bylaw.



- 8.16.4.10 The auction session for selling Securities according to (Appendix 10 Execution Rules of Securities of Module 11 dealing in Securities) in the Bylaw.
- 8.16.4.11 Selling Securities subject to execution in an auction sale shall only be taken into consideration after obtaining the judge's approval of the sale reports, and shall notify the Exchange, KCC, and the entity conducting the sale of the same.
- 8.16.4.12 KCC shall carry out the Settlement and Clearing procedures, make the necessary amendments to the Securities' holders Register, and deposit the sale proceeds in the treasury of the General Department of Execution after deducting the execution costs of the sale transaction. The General Department of Execution may distribute the sale proceeds pursuant to the provisions of the law.
- 8.16.5 **Securities Block**
- 8.16.5.1 KCC shall Block Securities, based on instructions from CMA, concerning authority, or concerned parties, upon the Block released by the concerning Party.

8.17 Stock Swap Transaction

- 8.17.1 **Swap terms**
- 8.17.1.1 Stock SWAP application should be received after approval by the Exchange.
- 8.17.1.2 SWAP request should be between two orders per one Transaction.
- 8.17.1.3 Total value of the Transaction shall not be less than 1,000,000 Kuwaiti Dinars.
- 8.17.1.4 Securities shall be wholly owned by the parties to the Transaction and shall be free of any legal restrictions.
- 8.17.1.5 Transactions must be limited to only two parties.
- 8.17.1.6 Transaction will only be accepted on listed Securities and it will not be accepted on suspended stocks.
- 8.17.2 **Stock Swap settlement**
- 8.17.2.1 KCC will ensure all quantities are available in Trading Accounts of both parties.



- 8.17.2.2 Application will be rejected if quantities are not available in Trading Accounts.
- 8.17.2.3 Stock swap is executed on the principle of delivery versus delivery DvD, during the settlement period T + 0.
- 8.17.2.4 Commissions are fully applied on swap transactions, and calculated based on the execution price.
- 8.17.2.5 Normal trades will have the priority in the settlement.

8.18 Tender Offer

8.18.1 Tender offer terms

- 8.18.1.1 Any person may make a tender offer of not less than 5% and not more than 30% of the Shares of any listed company, in accordance with the rules of the Exchange.
- 8.18.1.2 Tender offer period will start after ten days for the announcement and will last for 10 days.
- 8.18.1.3 KCC will open a special Account in which seller's Shares will be transferred to.
- 8.18.1.4 Sellers intending to participate in the tender offer can participate in the tender offer either through an authorized Broker or directly from their registry Account.
- 8.18.1.5 Sellers cannot act on their Shares as long it is registered under the tender offer Account. Sellers may ask to recall their request during the tender offer period by submitting a request to KCC. The recall can be accepted up till one business day before the period ends.
- 8.18.1.6 Securities should be fully owned by the sellers and are free of any legal restrictions.
- 8.18.1.7 KCC will provide daily reports to all related parties
- 8.18.1.8 Bidder is obliged to deposit a cash amount with the KCC in full or offer a Bank guarantee in equivalent. Bidder will not be entitled to cancel the tender offer procedures after announcing it on the Exchange. Exception are as in the Exchange rules.
- 8.18.1.9 Issuer under the tender offer is entitled to receive reports on the status of the exercise.



- 8.18.1.10 KCC shall notify the Exchange and the bidder of the quantities collected and the respective proportions on the next business day after the end of the collection period.
- 8.18.1.11 After receiving the final approval from the Exchange on the tender offer trade, KCC will transfer the quantities from the special tender account to the buyer according to delivery versus payment model. Fees and commissions will be deducted as per the Fees table.
- 8.18.1.12 Allocation of the Shares for the sellers in case over participation will be done through the pro rata concept.
- 8.18.1.13 The Exchange can delay the tender offer period if the issuer announces before that any corporate actions event.
- 8.18.1.14 In case the issuer under the offer announces a corporate action event after the tender offer starts, then record date will be after the final allocation of the tender offer trade.
- 8.18.1.15 Competitor bidder is obliged to deposit a cash amount with the KCC in full or offer a bank guarantee in equivalent.



9 Securities Lending and Borrowing

9.1 **General**

- 9.1.1 Market making will be accommodated through an SLB facility;
- 9.1.2 KCC shall provide SLB service for Market Maker Members limited to eligible Securities authorise to Market Maker by CMA;
- 9.1.3 Market Makers that have a SLB Agreement will be able to borrow Securities to cover their short positions arising from their market making activities through the SLB facility;
- 9.1.4 Market Maker shall cover any Short Selling with borrowed Securities within the Settlement date as per Section 6.3.6;
- 9.1.5 KCC reserves the right to unwind a SLB Transaction if directed by CMA or in accordance with the law.
- 9.1.6 Market Maker must ensure that all borrowed Securities are held in and where relevant, transferred to, the designated Account as prescribed by KCC as per Operating Procedures.

9.2 **Purpose Of Securities Borrowing**

Market Maker may borrow Securities only to facilitate the Settlement of a Short Selling position in Securities executed in accordance with the Exchange Rules, subject to such requirements as may be prescribed by KCC.

9.3 **Role of KCC**

The role of KCC will be to facilitate the recording of SLB Transactions. The role of KCC will include:

- 9.3.1 Transfer Securities from Lenders to Borrowers on the instructions of both the Lenders and the Borrowers, as per Operating Procedures;
- 9.3.2 Transfer Securities from Borrowers to Lenders on the instructions of both the Lenders and the Borrowers, as per Operating Procedures.



9.4 Securities Eligible for SLB

9.4.1 The Securities approved and defined by CMA as eligible for SLB shall be the only Securities eligible for lending and borrowing.

9.5 Eligible Transactions for SLB

9.5.1 A Lender shall ensure sufficient quantity of the related Securities in its Account to transfer Securities to Market Maker.

9.5.2 Market Maker shall ensure that sufficient quantity of the related Securities in its Account to transfer Securities to the Lender.

9.6 Fees and Charges

9.6.1 The Borrower or Lender must pay to KCC the relevant Fees and charges prescribed by KCC in Appendix 10.1 and the SLB Agreement.



10 Appendices

10.1 Fees, Charges and Penalties

Fee / Commission	Value
Custody of Control <u>Accounts</u> ; Custody of Position <u>Accounts</u> and Investment Companies Clients <u>Accounts</u> ; Custody of Option <u>Shares</u> Computed on annual basis (365 <u>Days</u>) at closing prices. Carried out on daily basis.	(0.0625%)
Custody of <u>Bonds</u> and <u>Sukuks</u> of the total value. Computed on daily basis.	(0.03%)
The relevant fees Incase of late late confirmation at T+3 paid for KCC.	20 KWD
The relevant fees Incase of late late confirmation at T+4 paid for KCC.	50 KWD
Trading Commission, deducted from the client: (Applies on all <u>Investors</u> Distributed as the following: 70% <u>Brokers</u> , 29% KSE, 1% <u>KCC</u>)	As Per each Transaction in each market <u>segment</u> <u>classified by Exchange</u> .
Commission on <u>Transactions</u> with value over (KD 50/-) To be deducted from seller and buyer in favour of <u>KCC</u> .	(500) Fils per <u>Transaction</u>).
Commission on <u>Transactions</u> of local custody centres' clients	KD 5/- per <u>Transaction</u>
Fax Commission (Trio Agreement)	KD 8/-
Trading Commission (Trio Agreement)	(0.4%)
Amounts <u>Settlement Fine</u>	KD (5/-)



<u>Shares Settlement Fine</u>	KD (10/-)
Default on <u>Settlement Fine</u>	(12.5%) computed on annual basis (365 <u>Days</u>) of the owed value.
<u>Settlement Price differentials (Shares/ Amounts)</u>	<u>Transaction's Net Profit</u>
<u>Broker's presentation of Settlement Note</u> containing incorrect data Against the value of each <u>Transaction</u> .	KD (10/-)
transfer of <u>Securities</u> between Depository and <u>Register Accounts</u> Applies on all <u>Investors</u>	KWD (1/ -)
Equity <u>Settlement Fees</u> Applies on all <u>Investors</u>	KWD 0.500/- per <u>Transaction</u>
Change of <u>Custodian</u>	KWD 25/--
Opening <u>Custodian Client Account</u> Applies on <u>Custodians</u>	KWD 50/-
Custody Fee Applies on Clients <u>Accounts</u> , Funds and <u>Custodians</u>	6.25 Basis points per annum
<u>Custodian Service Fees</u> Applies on <u>Custodians</u>	KWD 5/- per <u>Transaction</u>
Transferring Fee (Transfer to foreign stock <u>Exchange</u>) Applies on all <u>Investors</u>	KWD 5/- per transfer
Connectivity Applies on <u>Custodians</u>	KWD 50/- per month
Overdue Penalties	
<u>Securities</u>	(Buying Price X Quantity of <u>Shares</u> X (%12.5/360) X Delay <u>Days</u>) Minimum KWD 20/-



<u>Collateral Account Fees:</u>	
<u>Collateral Account Management Fees</u> per each <u>Broker/Custodian</u>	KWD5000 annually
Late Covering of <u>Broker Collateral Account Fees</u> by either increasing the <u>Collateral Account</u> or by Submitting additional amount to cover the minimum <u>Collateral</u> . Calculated based on this formula (Due Amount*12.5%)/360*number of delayed <u>Days</u>	12.5% of amount
Late Covering of <u>Custodian Collateral Account Fees</u> by either increasing the <u>Collateral Account</u> or by Submitting additional amount to cover the minimum <u>Collateral</u> . Calculated based on this formula (Due Amount*20%)/360*number of delayed <u>Days</u>	15% of amount
Late fee accrued due to <u>Investor</u> not settling the due amount, deducted from <u>Broker Collateral Account</u> . (due amount*15%)/360*number of delayed <u>Days</u>	15% annually or KWD20 whichever is higher
Late fee accrued due to <u>Custodian</u> (client) <u>Investor</u> not settling the due amount, deducted from <u>Broker Collateral Account</u> . (due amount*12.5%)/360*number of delayed <u>Days</u>	12.5% annually or KWD20 whichever is higher
To whom it may concern certificate for due amount. Deducted from <u>Broker/Custodian</u> or <u>Investor</u> (Depends on the requesting party)	KWD 10
Reactivation of <u>Account Fees</u> . Deducted from <u>Investor Account</u>	KWD 15
Using of <u>KCC Collateral Account</u> deducted from	15% annually or KWD100



Broker/Custodian. (due amount*15%)/360*number of delayed Days	whichever is higher
Tender offer commission (40% Brokers, 30 % Exchange , 30 % KCC) in case applying through a broker	As Per each Transaction in each market <u>segment</u> <u>classified by Exchange.</u>
Tender offer commission (50 % Exchange , 50 % KCC) in case applying directly from the registry	As Per each Transaction in each market <u>segment</u> <u>classified by Exchange.</u>
Tender offer recall fee	KWD 1000 for the Exchange KWD 1000 for KCC
Stock SWAP commission	0.20 % from the transaction value
Stock SWAP <u>Transaction Fee</u>	KWD 50 – From seller KWD 50 – From buyer