



Kuwait Clearing Company K.S.C.

Rules of Securities Lending and Borrowing

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Rules of Central Lending and Borrowing



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Introduction

- Securities Lending and Borrowing System plays an important role in global financial markets today, as it provides liquidity and improves market efficiency. This system indirectly reduces market volatility and supports securities investment strategies.
- Provisions and procedures of lending and borrowing operations supervised by Kuwait Clearing Company (KCC) under the control of Capital Markets Authority (CMA) are regulated by these rules. These rules are complementary to the provisions of Chapter Nine of KCC Rulebook, including all rules related to securities lending and borrowing to support market maker.



Chapter I
Definitions

Article	Definitions
1.1	Central Lending and Borrowing:
	It is a system through which KCC manages central lending pool in which securities are transferred by the lender to the lending pool and from the lending pool to the borrower. Accordingly, a direct contract is concluded between the lender and the borrower.
1.2	Securities Lending and Borrowing Contract:
	It is an agreement under which the ownership of securities is temporarily transferred from one party (the lender) to another (the borrower). The borrower is committed to return them at the request of the lender at any time during the agreed period or at the end of that period unless agreed otherwise.
1.3	Lender:
	It is a natural or legal person who offers his securities in the Central Lending Pool. This person is eligible according to the mechanism set forth in these Rules.
1.4	Borrower:
	It is a natural or legal person who borrows securities not owned by him from the Central Lending Account. This person is eligible according to the mechanism set forth in these Rules.
1.5	CMA
	The Capital Markets Authority (CMA) in the State of Kuwait.
1.6	BK:
	Boursa Kuwait.
1.7	Borrowing Broker:
	It is a brokerage company licensed by CMA, publicly quoted and approved by KCC to act as a broker for conducting and arranging transactions of borrowing securities from the Lending Pool to its eligible traders in accordance with the provisions of these Rules and clearing procedures.
1.8	Short Selling:
	It is the sale of a security registered in the name of the seller through these Rules.
1.9	Contract Period:
	It is the period specified in the contract to return the borrowed securities. The contract period may be indefinite and may not be less than three business days.
1.10	Lending Pool:
	It is the account managed by KCC, in which KCC collects securities available for borrowing and provided to borrowers for each security separately.
1.11	Collateral available balance:
	It is the collateral available -balance in the trading account identified by KCC.
1.12	Collateral:



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	It is the cash deposited by the borrower against the borrowed securities in accordance with the provisions of these Rules.
1.13	Collateral given balance:
	It is the cash balance in the trading account identified by KCC in which the balance is available for use only against borrowed securities in the case of borrowing applications guarantee.
1.14	Collateral utilized balance:
	It is the cash balance in the trading account identified by KCC in which the balance is used only as a collateral for existing borrowings
1.15	Qualified trader for lending and borrowing:
	It refers to Governmental institutions and authorities, companies owned by governmental authorities, institutions, foreign authorities and organizations or any natural or legal person approved by KCC in accordance with these Rules.
1.16	Borrowing Applications:
	It is an application filed by the borrower to originate a loan, then submitted by the borrowing broker to KCC on behalf of the borrower in accordance with these rules.
1.17	Loan Instructions:
	They are orders or instructions that may be included in the lender's or borrower's application in the form determined by KCC from time to time, as the case may be, for the following purposes: <ul style="list-style-type: none">- Registering a lender / borrower / borrowing broker.- Initiating a loan.- Return a loan.
1.18	Loan Initiation:
	It refers to creating a loan transaction, in which securities that are lent from the lender's deposit account are transferred to the borrower's deposit account through the lending pool at a date agreed upon between KCC and the borrower to deliver the securities to be lent.
1.19	Loan Recovery:
	It is a request by the lender to KCC for the borrower to return the borrowed securities before the loan expiry date.
1.20	Securities Lending and Borrowing Reporting System:
	It is KCC's system in which the borrowed loans and securities transferred from the lender to the borrower or vice versa are recorded.
1.21	Historic Data:
	It is the history of the trader's or borrowing broker's transactions in terms of trading and failures, if any.



Chapter II
General Provisions

Article	General Provisions
1.2	
	<ul style="list-style-type: none">- Listed securities may not be lent or borrowed only in accordance with the provisions of these Rules or KCC's rules to the market maker.
2.2	
	<ul style="list-style-type: none">- KCC shall determine which securities are allowed to be lent or borrowed. Securities should have no legal or mutual restrictions on transfer of ownership or trading.
2.3	
	<ul style="list-style-type: none">- Securities may be borrowed through the central lending and borrowing service to settle normal trading transactions or to execute short selling trades.
2.4	
	<ul style="list-style-type: none">- A short selling may only be made in the case of borrowing securities, provided that the same shall be done in accordance with the borrowing period as follows:<ul style="list-style-type: none">▪ In case of borrowing securities before a short selling, the commissions stated in Chapter VIII shall be applied.▪ In all cases of short selling in which no securities are borrowed before the settlement day, the buy-in board shall be used and the trader shall be considered failed.
2.5	
	<ul style="list-style-type: none">- In all failure cases resulting from short selling trades or central lending and borrowing service, the procedures stated in the collateral document shall be applied.
2.6	
	<ul style="list-style-type: none">- The borrowing broker, and KCC in exceptional cases, shall be authorized to transfer between balances of the borrower trader.
2.7	
	<ul style="list-style-type: none">- KCC shall ensure that there are no existing borrowing contracts in place prior to suspension of any lending and borrowing transactions by the trader.
2.8	
	<ul style="list-style-type: none">- The Borrower shall return the securities at the request of KCC or upon expiration of the contract period. Throughout the contract period, KCC shall ensure that the borrower or the representative financial brokerage company (the borrowing broker) is able to meet the obligations related to the loan and guarantee the lender's right.
2.9	
	<ul style="list-style-type: none">- Existing borrowing contracts may not be transferred from one borrowing broker to another or between one trader and another.
2.10	



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	<ul style="list-style-type: none">- All limits stated in Chapter IX regarding risk management shall be applied to all borrowing applications on risk management.
2.11	
	<ul style="list-style-type: none">- If the lending or borrowing transaction results in obtaining ownership of more than 30% of the traded securities of a listed shareholding company, an application for exemption from submitting a mandatory acquisition proposal to CMA shall be submitted in accordance with the provisions of Book 9 (Merger and Acquisition) of Implementing Regulations of Law No. 7 of 2010 and their amendments.
2.12	
	<ul style="list-style-type: none">- Borrowing or lending qualification and registration applicant should meet all approval conditions on a continuous basis. KCC may revoke the approval if the applicant failed to fulfil any of the conditions specified in these Rules.
2.13	
	<ul style="list-style-type: none">- The lending or borrowing applicant must not have been subject to disciplinary sanctions for committing material violations of the provisions of Law No. 7 of 2010 and its executive regulations and amendments, resulting in suspension or restriction of trading in BK or imposition of a fine of not less than five thousand Kuwaiti Dinars, or for committing one of the crimes stipulated in Law No. 7 of 2010 and its amendments, during two years preceding the application approval date.
2.14	
	<ul style="list-style-type: none">- KCC is not considered as an intermediary in the lending and borrowing transactions.
2.15	
	<ul style="list-style-type: none">- KCC shall not be responsible for the consequences of lending and borrowing party's failure and the damage that may affect the other party.
2.16	
	<ul style="list-style-type: none">- The insider may not use the borrowing service.



Chapter III

Registration and qualification for central lending or borrowing with KCC

Article	Registration and qualification for central lending or borrowing with KCC
3.1	<p>Registration of securities for central lending and borrowing service:</p> <ol style="list-style-type: none">1. All securities shall be listed in BK Premier Market at the time of launching the service, and the central lending and borrowing transactions shall be available only on these securities.2. The securities available in the central lending and borrowing service shall be periodically reviewed.3. KCC may from time to time impose restrictions or develop standards relating to acceptance of securities in lending and borrowing transactions, subject to CMA approval. This shall not apply to existing lending and borrowing transactions.4. Temporary holding of Securities from trading:<ul style="list-style-type: none">- Securities lending and borrowing activities will not be suspended in the event of a temporary holding (for less than one month) from trading.5. KCC shall take the following actions upon delisting:<ul style="list-style-type: none">- In case of failure to return the loan as the borrower does not own the securities, the collateral provided by the borrower shall be utilized to purchase the borrowed securities6. Mergers, acquisitions and Partial Purchase Offer: In the event of a merger, an acquisition offer or a partial purchase offer on the securities of the borrowing concerned company, the lender shall have the right to recall the lent securities before the expiry of the agreed period. A notice should be sent in that respect to the borrower, as the case may be, at least two settlement cycles so that the borrower can make the required loan recovery arrangements.
3.2	<p>Lender Registration:</p> <ol style="list-style-type: none">1. A shareholder or trader willing to enter into lending transactions shall register with KCC to be qualified for acting as a lender, provided that this registration shall be updated annually.2. During registration or updating, the shareholder or trader shall attend in person to fill in the registration application form and to accept the terms and conditions contained therein.3. KCC shall review qualification application, ensure that the required data is completed and provide the documents within five business days.4. KCC shall review the shareholder (trader) register with KCC and its historical data, if any, compare the same with know your customer data and make sure that there are no excesses or failures.5. KCC shall ensure that the shareholder (trader) have total assets of not less than one hundred thousand Kuwaiti Dinars upon submission.6. KCC shall ensure that the shareholder (trader) can perform the linkage required for lending transactions upon using the same.7. <u>Attachment of Loan Securities:</u> In case of levying attachment on the loan securities by the Ministry of Justice, the loan shall be canceled and the collateral shall be used to return the securities. If the collateral is insufficient, the collateral of the borrowing broker shall be used.



	<ol style="list-style-type: none">8. If the application is accepted, KCC shall notify the trader or investor of that acceptance.9. If the request is rejected, KCC shall notify the trader or investor of the rejection reason. Such trader or investor shall resubmit the application if the rejection is due to incomplete documents or data.
3.3	Borrower Registration: <ol style="list-style-type: none">1. A trader (investor) willing to enter into borrowing transactions shall register with KCC to be qualified for acting as a borrower, provided that this registration shall be updated annually.2. A trader (investor) wishing to register with KCC as a borrower shall fill in the borrower application form, accept the terms and conditions contained therein and submit the application through the borrowing broker (a brokerage company).3. KCC shall review qualification application, ensure that the required data is completed and provide the documents within three business days.4. KCC shall review the trader (investor) register with KCC and its historical data, compare the same with know your customer data and make sure that there are no excesses or failures.5. If the request is accepted, KCC shall send the trader's data to the respective borrowing broker.6. If the request is rejected, KCC shall notify the borrowing broker of the rejection reason. Such borrowing broker shall resubmit the application if the rejection is due to incomplete documents or data.7. The borrower shall deal with KCC through a borrowing broker.
3.4	Registration and Qualification of Borrowing Broker: <ol style="list-style-type: none">1. A financial brokerage company wishing to provide borrowing broker services shall apply to KCC in accordance with the form prepared for that purpose. The brokerage company shall provide also the information and documents supporting the application. The application shall include in particular the following:<ul style="list-style-type: none">• Availability of the technical and administrative capabilities necessary to act as a borrowing broker and to manage the accounts accordingly.• Availability of a document keeping system for securities lending and borrowing transactions, including names of customers, executed transactions, signed contracts, collaterals, notifications, commissions and fees collected.• A report that outlines risk management policies, operational procedures and adequate systems to meet regulatory obligations for entering into securities lending and borrowing transactions.2. A financial brokerage company shall provide KCC with a model of the agreement concluded between the borrowing broker and the customer (borrower), including the following minimum information:<ul style="list-style-type: none">• Statement of the concept of lending and borrowing securities and the potential



subsequent risks.

- A detailed statement of the rights and obligations of both the customer and the borrowing broker.
 - Client's obligations to CMA, BK and KCC in accordance with the controls and procedures contained in Law No. 7 of 2010 and its Executive Regulations and amendments.
 - Assuring the ability of the borrowing broker's automated systems to perform the tasks required to act as a borrowing broker.
3. KCC shall review the financial brokerage company's application and ensure its technical readiness to provide the service and lack of any serious failures or breaches previously committed by the financial brokerage company.
 4. An applicant should meet all approval conditions on a continuous basis. KCC may revoke the approval in case of failure to fulfil any of the conditions specified in these Controls.
 5. The applicant must not have committed material violations of the provisions of Law No. 7 of 2010 and its executive regulations and amendments, resulting in suspension of trading in BK or imposition of a fine of not less than five thousand Kuwaiti Dinars, or for committing any of the crimes stipulated in Law No. 7 of 2010 and its amendments, during two years preceding the application approval date.
 6. The approval fee specified by KCC must be paid.
 7. If the application is accepted, the financial brokerage company shall be qualified and the relevant contract shall be signed. Then, BK and CMA shall be notified of such approval.
 8. If the application is rejected due to failure of the financial brokerage company's systems in the technical tests, the financial brokerage company can reapply for registration only after three months.



Chapter IV

Lending and Borrowing Applications

Article	Lending and Borrowing Applications
4.1	Securities Lending and Borrowing Contract: <ol style="list-style-type: none">1. To lend or borrow securities a contract shall be signed between the Lender and the Borrower in accordance with the form approved by Kuwait Clearing Company.2. The borrowing agent shall ensure that the terms of the contract concluded between the broker and his client (Borrower) do not conflict in any way with these rules.3. The Borrower shall have all the rights conferred upon the securities subject to the lending in accordance with the rules set by Kuwait Clearing Company under Chapter 7 hereto.
4.2	Applying for Lending: <ol style="list-style-type: none">1. The Lender shall submit lending application(s) to Kuwait Clearing Company as per the lending application form as per the schedules set by Kuwait Clearing Company.2. Kuwait Clearing Company reserves the right not to accept applications that are lacking or containing unclear information under a notification to the Applicant of the lacking items and any information that needs to be clarified.3. In case a lending application is accepted, Kuwait Clearing Company shall transfer the quantity of securities to be lent from the Lender's account to the lending pool, depending on the number specified in the application.
4.3	Applying for Borrowing: <ol style="list-style-type: none">1. A borrowing agent shall submit borrowing application(s) to Kuwait Clearing Company in accordance with the procedures and dates set by Kuwait Clearing Company.2. Kuwait Clearing Company reserves the right not to accept applications that are lacking or containing unclear information under a notification to the Applicant of the lacking items and any information that needs to be clarified.3. The borrowing broker can view the borrowing application(s) that have been approved through the Securities Lending and Borrowing System for review purposes.
4.4	Suspension of borrower and lender applications for new loan transactions: <ol style="list-style-type: none">1. Kuwait Clearing Company reserves the right to suspend the Lender or Borrower from performing lending or borrowing of securities transactions, in case of violation of the rules of lending and borrowing securities or due to a decision issued by the CMA to such effect.2. Suspending lending and borrowing applications shall be interpreted as non-approval of any new loan transactions by the Lender and/or Borrower.3. Applications will only be accepted to settle and close existing loan transactions.
4.5	Borrower's sale of securities that have been borrowed: <ol style="list-style-type: none">1. The Borrower may sell the securities he borrowed provided he ensures that the



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	<p>aforementioned securities are returned to the Lender's Deposit Account.</p> <p>2. The quantity of securities that have been lent may be used to conclude selling transactions, and may also be used to settle trading transactions.</p>
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Chapter V

Lending pool

Article	Lending pool
5.1	
	- Kuwait Clearing Company shall announce the working hours set for central lending and borrowing transactions.
5.2	
	- Kuwait Clearing Company shall create a lending pool for each security registered in the service. It shall reflect the total number of the securities in the shareholders' register under the name of Kuwait Clearing Company - Lending pool – provided that Kuwait Clearing Company retains the detailed statement of the Lenders.
5.3	
	- An eligible Lender shall submit a lending application to Kuwait Clearing Company in accordance with the agreed technical mechanism and during the announced working hours, indicate the security and quantity required and verify the availability of the balance free of any restrictions.
5.4	
	- Having electronically verified the application by validating the data and the availability of the balances to be lent, Kuwait Clearing Company shall transfer the concerned securities to the securities lending template on the same working day.
5.5	
	- A lending application submitted to Kuwait Clearing Company shall be rejected in the following cases: <ul style="list-style-type: none">▪ Failure to register the security among the securities available for service.▪ Unavailability of the required quantity on the shareholders' register. Failure to validate the application data with the basic registration data.
5.6	
	- In case the lending application is accepted, a notice will be sent to the trader or shareholder, and the securities are transferred to the lending template.
5.7	
	- Kuwait Clearing Company shall send a daily report to Boursa Kuwait stating all available quantities of the securities in the lending pool.
5.8	
	A Lender shall not be entitled to any commission for securities in the lending pool unless they are lent.
5.9	
	- A Lender has the right to attend General Assembly meetings and implement



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	their resolutions for the duration of the securities availability in the lending pool while not being lent.
5.10	
	- The quantities available in lending pool shall be used according to the priority of listing in the lending template.
5.11	
	- A Lender shall be entitled to a commission on securities that are used from the lending template as of the date these are transferred to the Borrowers.
5.12	
	- A Lender may apply to Kuwait Clearing Company to recall the lent securities in accordance with the provisions of Chapter Seven of these rules, and the commission due to the Lender shall be forfeit if the application to recall the securities is made within a period of less than five working days between the date of the borrowing and the date of the recall application.
5.13	
	- In the event that the lending period expires, Chapter Seven provisions on maturity shall apply.



Chapter VI

Guarantee and Procedures

Article	Collateral and Procedures
6.1	
	- Cash collateral shall be the only guarantee accepted by KCC for borrowing securities.
6.2	Collateral Provisions:
	- The cash guarantee should not be less than (100%) of the value of the borrowed securities.
6.3	
	- The borrowing trader should provide the amount of the cash collateral before any borrowing transaction by depositing the cash amount in his trading account with KCC.
6.4	
	- In his trading account, each trader shall have three types of balances divided into the collateral available balance, the collateral given balance, and the collateral utilized balance.
6.5	
	- The required cash collateral should be equal to the value of the securities to be borrowed at the time of execution of the transaction.
6.6	
	- The borrowing broker shall automatically send the collateral addition application to KCC after making sure that there is sufficient balance under the collateral available balance.
6.7	
	- If the collateral application is accepted, KCC will transfer from the collateral available balance to the collateral given balance.
6.8	
	- KCC shall automatically check the data as follows: <ul style="list-style-type: none">• Ensure that the Lender is eligible.• Ensure that the required amount of securities exist in the lending pool.• Existence of sufficient cash collateral from the borrower.
6.9	
	- In the event that the application is accepted, then the securities shall be registered in the name of the borrower. In addition, the application shall be considered a contract between the lender and the borrower. The amount of the collateral shall be transferred from the collateral given balance to the collateral utilized balance.
6.10	



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	<ul style="list-style-type: none">- KCC shall evaluate the collateral used on a daily basis.
6.11	<ul style="list-style-type: none">- In the event that the collateral valuation becomes less than the value of the lent securities, then KCC shall:<ul style="list-style-type: none">• Ensure that there is a balance in the collateral given balance and that the same is transferred to the collateral utilized balance.• If there is no balance in the collateral given balance, additional collateral shall be required from the borrower through the respective brokerage company (the borrowing broker). Such collateral shall be made within one business day from the application date either by transferring from the collateral available balance or by depositing a new cash amount.• In the event that the additional amount of the collateral is not deposited, then the borrowing contract shall be compulsorily terminated.- In the event of higher valuation, then the surplus amount of the collateral utilized shall be transferred to the given collateral balance.
6.12	<ul style="list-style-type: none">• The borrowing trader shall be entitled to attend and vote in general assemblies.
6.13	<p>Cases in which KCC being entitled to cancel the Lending and Borrowing Contract and to redeem the financial collateral or return the securities to the Lender Account:</p> <ol style="list-style-type: none">1. In the case of delisting of the security or being moved from of the First Market.2. Suspending the borrowing broker from trading.3. Disruption of the financial situation of the borrower (bankruptcy).4. Cancellation or suspension of the license of the borrowing broker.5. Lack of available quantities of lent securities in the borrower's account and in the lending pool when they are requested to be redeemed.6. Non-compliance of the cash collateral requirements by the borrowing broker.7. Any other cases considered by KCC after the approval of CMA.



Chapter VII

Termination of the Contract

Article	Termination of the Contract
7.1	The Lending and Borrowing Contract shall be terminated based on one of the following items, and in all cases, fees and commissions set out in Chapter VIII shall be applicable:
7.2	Early request by the lender to recover the loan:
	<ul style="list-style-type: none"> - The Lender shall be entitled to submit the security redemption application related to the loan after three business days from the date on which lending transaction is made. Accordingly, KCC will return the securities available from the lending pool to the lender's account within one working day from the date of the application. - In the event that the required quantity is not available in the lending pool, KCC shall send an early redemption application to the borrower (or borrowers) through the borrowing agent in accordance with the entry priority in the lending pool. - The borrowing agent who received the early redemption application shall provide the required quantities of the borrower within three business days from the application receipt date by purchasing the quantity from the borrower's account. - After providing the quantity, the Cash collateral provided by the borrower shall be transferred from the utilize collateral balance to the available collateral balance. - KCC shall decide on the loan recovery application based on the securities available in the borrower's account. If the borrower has less than the quantity of borrowed securities in his account, then KCC will return the available amounts of borrowed securities. - If the quantity is not recovered within three business days, then KCC shall use the cash collateral available in the collateral balance used to purchase the quantity required from the buy-in board. In the event of insufficient collateral, then the cash collateral of the respective borrowing agent shall be used. - KCC shall be entitled to make an early application in the event that the Lender Contract is terminated and financial securities in the lending being insufficient or in cases exempted under the approval of CMA. - Through the respective borrowing agent, the borrower shall be entitled to request the termination of the Contract before the expiry of the period. In this case, the quantity shall be recovered from the borrowing trader balance to the lending pool.
7.3	Failure to reply to the additional guarantee application
	<ul style="list-style-type: none"> - There must be a reply to the additional collateral application within one



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	<p>working day from the application receipt date.</p> <ul style="list-style-type: none">- In the event of failure to reply to the additional collateral application, the borrowing contract shall be compulsorily terminated and the quantity of lent securities, if any, shall be transferred to the lending pool.- If there is no borrowed quantity in the borrower balance, then KCC shall use the cash collateral utilize to purchase the quantity required from the official market or the buy-in board. In the event of insufficient collateral, then the financial collateral of the respective borrowing agent shall be used.
7.4	Expiry of the Contract term:
	<ul style="list-style-type: none">- When the Contract term expires as to the lender, the quantities available in the lending pool shall be used and transferred, if any.- In the event that the quantities available in the lending pool are not sufficient, then actions stated in the security redemption application shall be taken.- At the end of the contract term, KCC shall send a notification to the respective borrowing agent that the Contract is terminated. The borrowing agent shall provide the quantity within three business days. If the quantity is not available during such period, then KCC shall use the cash collateral utilize to purchase the quantity required from the official market or the buy-in board. In the event of insufficient guarantee, then the cash collateral of the respective borrowing agents shall be used.
7.5	Cancellation of the transaction of lending and borrowing securities
	<ol style="list-style-type: none">1. KCC shall be entitled to refrain from executing or cancel any lending or borrowing of securities, or to recover borrowed securities and to obligate the borrower to return such securities in the following cases:<ul style="list-style-type: none">• In case of violation of these regulations or any procedures in force.• In the event of fraud, deception, or manipulation or pursuant to an enforceable judgment or orders from CMA.2. Loans can be canceled without returning securities to KCC under certain specific conditions and subject to the approval of KCC, based on the following standards:<ul style="list-style-type: none">• Furnishing a proof evidencing bankruptcy or insolvency of the borrower. In this case, KCC shall confiscate the financial guarantee with a value equal to the value in which the securities are purchased, and the Contract shall be canceled.• Proving that the borrower is unable to return the securities or that returning the same is not accepted due to legal restrictions.



7.6	Dealing with the General Assemblies resolutions
	<ul style="list-style-type: none">- The rights resulting from the General Assemblies resolutions and the Securities entitlements shall be as follows:<ul style="list-style-type: none">• On the due date, the Borrower or the holder of the security shall be entitled to attend the general assemblies of the companies issuing the borrowed securities and voting on their resolutions throughout the contract term.• If the General Assembly issues a resolution to distribute bonus for borrowed securities, then distributions in kind shall be added to the quantity of borrowed securities owed to the borrower in the Contract.• If the General Assembly issues a resolution for cash dividends to the holders of the borrowed securities, then they shall be issued in favor of the lender if the borrower is the holder of the securities on the due date. If the borrower disposes of securities, the cash distribution amount shall be directly deducted from the borrower's trading account and transferred to the lender.• If the General Assembly issues a resolution for other distributions or any benefits, they shall be owed by the Borrower to the Lender.



Chapter VIII

Commissions and Fees

Article	Commissions and Fees
8.1	
	- KCC shall be entitled to borrowing application fees of KWD 2 for each transaction.
8.2	
	- The borrower shall be charged a commission of 3% (on annual basis) of the amount lent securities to be paid after expiry of the contract for any of reasons set out in Chapter VI. KCC shall be entitled to 33% of such commission, and the remainder shall be paid to the lender (unless respective conditions are violated).
8.3	
	- KCC shall be entitled to security lending eligibility application fee of KWD 20, payable by the lender every two years.
8.4	
	- KCC shall be entitled to borrowing eligibility application fee of KWD 20, payable by the borrower every two years.
8.5	
	- After the short selling, the trader shall carry out the borrowing on the same day according to the rules of BK and KCC. After the short selling, borrowing may be carried out according to the following fees: <ul style="list-style-type: none">o KWD 50 fee if the borrowing is carried out after one day (T+1) from the short selling date.o KWD 100 fee if the borrowing is carried out after two days (T+2) from the short selling date.o In the case of failure to carry out the borrowing during the settlement period and on the third day (T + 3), the trader will be considered as default. The buy-in board shall be used and share failure procedures shall be taken according to KCC rules.
8.6	
	- KCC shall be entitled to early recall fees of KWD 20 from the lender for each transaction if the Contract is a fixed-term contract.



Chapter IX

General Limits on Risk Management

Article	General Limits on Risk Management
	Prior to executing any borrowing application, KCC shall ensure the following limits:
9.1	
	- The borrowing application shall not be accepted if the borrower exceeds the limits allowed and prescribed by KCC, and which are applied to all traders as to the total values of the borrowed securities or the number of outstanding contracts.
9.2	
	- The borrowing application shall not be accepted if the quantity of securities stated in the application exceeds the maximum limit permitted and prescribed by KCC.
9.3	
	- The borrowing application shall not be accepted if the financial brokerage company (the borrowing broker) exceeds the maximum limits permitted and prescribed by KCC as to the total values of the borrowed securities or the number of outstanding contracts.
9.4	
	- KCC shall re-examine the maximum limits permitted according to previous items once every three months.