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Resolution No. (84) of 2024

Regarding

Amendments to some Provisions of the Margin Trading Service

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Having Perused:

- Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its Executive Bylaws, and their amendments; and

- CMA Board of Commissioners Resolution passed in its meeting No. (20) of 2024 held on 26/06/2024.

The Following Was Resolved

Article (1)

Module Eleven (Dealing in Securities) of the Executive Bylaws of Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments is hereby amended pursuant to Annex (1) attached to this Resolution.

Article (2)

The concerned bodies shall execute this Resolution, each within its jurisdiction. This Resolution shall come into force from the date of its issuance, and it shall be published in the Official Gazette.

Othman I. Al-Issa

Acting Managing Director

Issued on: 27/06/2024.

Annex No. (1)

#	Module	Chapter	Article Number	Amendment Type	Text before Amendment	Text After Amendment
1	Eleven	Eight	8-12	Amending Article	**Requirements of Providing Margin Trading Service** The following are the requirements of providing the Margin Trading Service: 1. The service provider shall be a Licensed Person authorized by the Authority to practice the activity of an Investment Portfolio Manager. 2. He shall be registered at the Clearing Agency, provided that the Clearing Agency shall notify the Authority of the registrants list. 3. The Margin Trading Service Provider shall have administrative and technical expertise as well as experience in systems, policies, and operational procedures sufficient to practice the Margin Trading service. 4. The Margin Trading Service Provider shall have the necessary financial resources to provide the service and shall consider the capital adequacy regulations stipulated in Module Seventeen of the Executive Bylaws. 5. Any requirements, conditions, or controls deemed by the Authority.	**Requirements of Providing Margin Trading Service**
2	Eleven	Eight	8-12-1	New Article	-	The Licensed Persons may not offer finance to trade on Securities unless it was through the Margin Trading service.
3	Eleven	Eight	8-12-2	New Article	-	The following are the requirements of providing the Margin Trading service: 1. The service provider shall be a Licensed Person authorized by the Authority to practice the activity

#	Eleven	Eight	8-14-2	Amending Article		

Top continuation (right column):

of an Investment Portfolio Manager or the activity of a Qualified Securities Broker registered with an Exchange.

2. He shall be registered at the Clearing Agency, provided that the Clearing Agency shall notify the Authority of the registrants list.

3. The Margin Trading Service Provider shall have administrative and technical expertise as well as experience in systems, policies, and operational procedures sufficient to practice the Margin Trading service.

4. The Margin Trading Service Provider shall have the necessary financial resources to provide the service and shall consider the capital adequacy regulations stipulated in Module Seventeen of the Executive Bylaws.

5. Any requirements, conditions, or controls deemed by the Authority.

| 4 | Eleven | Eight | 8-14-2 | Amending Article | Subject to the provisions of Article (1-4) of Module Eight (Conduct of Business) and Article (5-1-9) of Module Seven (Clients' Funds and Clients' Assets), the Margin Trading Agreement shall include the following as a minimum:
1. An introductory statement about the Margin Trading service and the risks that the Client may be exposed to, including the following:
• The possibility of the Client's loss of part or all the funds and assets deposited in the Margin Trading Account.
• It is permitted for the Margin Trading Service Provider to sell part or all of the Securities deposited in the Margin Trading Account, in the event that the percentage of the Maintenance Margin falls below the limit specified in the | Subject to the provisions of Article (1-4) of Module Eight (Conduct of Business) and Article (5-1-9) of Module Seven (Clients' Funds and Clients' Assets), the Margin Trading Agreement shall include the following as a minimum:
1. An introductory statement about the Margin Trading service and the risks that the Client may be exposed to, including the following:
• The possibility of the Client's loss of part or all the funds and assets deposited in the Margin Trading Account.
• The Margin Trading Service Provider shall sell part or all of the Securities deposited in the Margin Trading Account, in the event that the percentage of the Maintenance Margin falls below the limit specified in the agreement and if the Client does |

					agreement and if the <u>Client</u> does not cover the shortfall to the Ma<u>intenance Margin</u> during the specified period. • It is permitted for the <u>Margin Trading Service Provider</u> to select a specific <u>Security</u> or more deposited in the <u>Margin Trading Account</u>, in order to be sold if the <u>Maintenance Margin</u> was not covered. • It is permitted for the <u>Margin Trading Service Provider</u> to use part or all of the cash funds deposited in the <u>Margin Trading Account</u> for the repayment of the value financed, if the <u>Maintenance Margin</u> was not covered. 2. The rules regulating <u>Shares</u> entitlement regarding <u>Securities</u> deposited in the <u>Margin Trading Account</u>, without prejudice to the provisions mentioned in this Chapter. 3. The amounts, commissions, and fees that the <u>Margin Trading Service Provider</u> will receive from his <u>Client</u>, provided that the interest or profit of the funding submitted by the <u>Client</u> is as determined by The Central Bank of Kuwait. 4. A detailed statement of the rights and obligations of both the <u>Client</u> and the <u>Margin Trading Service Provider</u>. 5. Determine the percentages of the <u>Initial Margin</u> and the <u>Maintenance Margin</u>, provided that these percentages shall not be less than the limits set in this Chapter. It is also permitted to determine a maximum limit for the financing amount granted from the <u>Margin Trading Service Provider</u> to the <u>Client</u>.	not cover the shortfall to the Ma<u>intenance Margin</u> during the specified period. • The <u>Margin Trading Service Provider</u> shall select a specific <u>Security</u> or more deposited in the <u>Margin Trading Account</u>, in order to be sold if the <u>Maintenance Margin</u> was not covered. • The <u>Margin Trading Service Provider</u> shall use part or all of the cash funds deposited in the <u>Margin Trading Account</u> for the repayment of the value financed, if the <u>Maintenance Margin</u> was not covered. 2. The rules regulating <u>Shares</u> entitlement regarding <u>Securities</u> deposited in the <u>Margin Trading Account</u>, without prejudice to the provisions mentioned in this Chapter. 3. The amounts, commissions, and fees that the <u>Margin Trading Service Provider</u> will receive from his <u>Client</u>, provided that the interest or profit of the funding submitted by the <u>Client</u> is as determined by The Central Bank of Kuwait. 4. A detailed statement of the rights and obligations of both the <u>Client</u> and the <u>Margin Trading Service Provider</u>. 5. Determine the percentages of the <u>Initial Margin</u> and the <u>Maintenance Margin</u>, provided that these percentages shall not be less than the limits set in this Chapter. It is also permitted to determine a maximum limit for the financing amount granted from the <u>Margin Trading Service Provider</u> to the <u>Client</u>. 6. A detailed statement regarding the authority of the <u>Margin Trading Service Provider</u> in the event that

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					6. A detailed statement regarding the authority of the <u>Margin Trading Service Provider</u> in the event that the <u>Client</u> breaches any of his obligations, in particular the procedures followed in case the <u>Maintenance Margin</u> percentage falls below the limit specified in the agreement, including the mechanism of notifying the <u>Client</u> of this fall. 7. Means of communicating with the <u>Client</u> to provide him with the notifications and reports. 8. Stating the cases for the termination of the agreement or the financing period, or their termination based on the wish of either of the parties. In addition to stating the mechanism of the rights' settlement and the commitments resulting from it, specifically regarding disposal of the margin financed <u>Securities</u>.	the <u>Client</u> breaches any of his obligations, in particular the procedures followed in case the <u>Maintenance Margin</u> percentage falls below the limit specified in the agreement, including the mechanism of notifying the <u>Client</u> of this fall. 7. Means of communicating with the <u>Client</u> to provide him with the notifications and reports. 8. Stating the cases for the termination of the agreement or the financing period, or their termination based on the wish of either of the parties. In addition to stating the mechanism of the rights' settlement and the commitments resulting from it, specifically regarding disposal of the margin financed <u>Securities</u>.
5	Eleven	Eight	8-15	Amending Article	**The Tasks and Responsibilities of the Margin Trading Service Provider towards the Client** The <u>Margin Trading Service Provider</u> shall comply with the following: 1. Opening an account for the purpose of <u>Margin Trading</u> at the <u>Clearing Agency</u> for all or some of his clients. 2. Opening a <u>Margin Trading Account</u> for his <u>Client</u> who wishes to receive this service, taking into consideration the separation of this account from the <u>Client</u>'s other accounts. 3. Ensuring that the <u>Client</u> has deposited the <u>Initial Margin</u> in his account with the <u>Margin Trading Service Provider</u> according to the provisions of the <u>Margin Trading Agreement</u>	**The Tasks and Responsibilities of the Margin Trading Service Provider towards the Client** The <u>Margin Trading Service Provider</u> shall comply with the following: 1. Opening a pool account for the purpose of <u>Margin Trading</u> at the <u>Clearing Agency</u> for his <u>Clients</u>. 2. Opening a <u>Margin Trading Account</u> for his <u>Client</u> who wishes to receive this service, taking into consideration the separation of this account from the <u>Client</u>'s other accounts. 3. Ensuring that the <u>Client</u> has deposited the <u>Initial Margin</u> in his account with the <u>Margin Trading Service Provider</u> according to the provisions of the <u>Margin Trading Agreement</u> before purchasing any <u>Securities</u> financed on margin.

	before purchasing any Securities financed on margin. 4. Ongoing review of each Client's Margin Trading Account and immediate notification should the Maintenance Margin falls below the limit specified in the Margin Trading Agreement, in order for the Client to cover the shortfall in his account in cash or by submitting additional collaterals according to Article (8-17) of this Chapter during the period specified in the agreement, provided that this period shall not be less than two Business Days from the notification date. 5. Selling all or some of the Securities held in the Margin Trading Account immediately after the end of the period specified for the Client to cover the shortfall in an amount that restores the percentage of the Client's ownership to the percentage of the Initial Margin according to the market value of such Securities on the date of this sale. 6. Keeping copies of all registers and accounts of providing the Margin Trading service. 7. Maintaining the confidentiality of information available to him or the internal information that he obtains from practicing the Margin Trading service through taking all measures that ensure the necessary confidentiality in dealing with those data and information. 8. Providing the Client with a monthly statement showing the trading movement of the Securities in the account, and the percentage of his ownership in the account.	4. Review each Client's Margin Trading Account in an ongoing method. The Client should be notified if the Maintenance Margin falls below the limit specified in the Margin Trading Agreement immediately after the end of trading session, in order for the Client to cover the shortfall in his account in cash or by submitting additional collaterals according to Article (8-17) of this Chapter during the period specified in the agreement, provided that this period shall not exceed two Business Days from the notification date. 5. Selling all or some of the Securities held in the Margin Trading Account immediately after the end of the period specified for the Client to cover the shortfall in the percentage agreed upon in the Margin Trading Agreement, provided that this percentage is not less than the percentage of the Maintenance Margin according to the market value of such Securities on the date of this sale. 6. Keeping copies of all registers and accounts of providing the Margin Trading service. 7. Maintaining the confidentiality of information available to him or the internal information that he obtains from practicing the Margin Trading service through taking all measures that ensure the necessary confidentiality in dealing with those data and information. 8. Providing the Client with a monthly statement showing the trading movement of the Securities in the account, and the percentage of his ownership in the account. 9. Not to utilize Client funds to provide Margin Trading facilities

					9. Not to utilize <u>Client</u> funds to provide <u>Margin Trading</u> facilities to another <u>Client</u> or to himself, even if the <u>Margin Trading Service Provider</u> has obtained the <u>Client</u>'s approval in this regard. In all cases, the suspension of trading a <u>Security</u> will result in the suspension of the period specified for coverage mentioned in Item (4) of this Article - with the continued obligation of the <u>Margin Trading Service Provider</u> to notify the <u>Client</u> – provided that the period shall be completed after the end of the suspension period. This provision is not applicable in the event of more than one <u>Security</u> in the <u>Margin Trading Account</u>, whereby Items (4) and (5) of this Article must be applied.	to another <u>Client</u> or to himself, even if the <u>Margin Trading Service Provider</u> has obtained the <u>Client</u>'s approval in this regard. In all cases, the suspension of trading a <u>Security</u> will result in the suspension of the period specified for coverage mentioned in Item (4) of this Article - with the continued obligation of the <u>Margin Trading Service Provider</u> to notify the <u>Client</u> - provided that the period shall be completed after the end of the suspension period. This provision is not applicable in the event of more than one <u>Security</u> in the <u>Margin Trading Account</u>, whereby Items (4) and (5) of this Article must be applied.
6	Eleven	Eight	8-18	Amending Article	**Margin Trading Regulations** <u>Margin Trading</u> is subject to the following regulations: 1. The <u>Securities</u> purchase process shall not exceed the purchase ceiling that shall be equal to the total amounts of cash and <u>Securities</u> deposited by the <u>Client</u> as <u>Initial Margin</u> and the financing amount granted by the <u>Margin Trading Service Provider</u>. 2. When the <u>Client</u> purchases <u>Securities</u> at an amount less than the purchase ceiling, he may use the remaining amount to purchase other <u>Securities</u> in the <u>Margin Trading Account</u>, provided that it shall not affect the <u>Initial Margin</u>. 3. The <u>Client</u> may withdraw cash from the amounts deposited in the <u>Margin Trading Account</u> or transfer them to his other accounts at the <u>Margin Trading</u>	**Margin Trading Regulations** <u>Margin Trading</u> is subject to the following regulations: 1. The <u>Securities</u> purchase process shall not exceed the purchase ceiling that shall be equal to the total amounts of cash and <u>Securities</u> deposited by the <u>Client</u> as <u>Initial Margin</u> and the financing amount granted by the <u>Margin Trading Service Provider</u>. 2. When the <u>Client</u> purchases <u>Securities</u> at an amount less than the purchase ceiling, he may use the remaining amount to purchase other <u>Securities</u> in the <u>Margin Trading Account</u>, provided that it shall not affect the <u>Initial Margin</u>. 3. The <u>Client</u> may withdraw cash from his available cash balance or transfer part of the <u>Securities</u> available in the <u>Margin Trading Account</u> to his other accounts at the <u>Margin Trading Service Provider</u>, if its value exceeds the

					Service Provider, if its value exceeds the Initial Margin. 4. The Client may, after the approval of the Margin Trading Service Provider, exchange all or part of the margin financed Securities with other Securities financed on margin, provided that this shall not affect the Initial Margin, and that the market value of the purchased Securities shall not exceed the value sold. 5. Without prejudice to the right to subscribe in the share capital increase of companies issuing Securities held in the Margin Trading Account, the Margin Trading Account shall not be used to subscribe in new issues of Securities. 6. The service provider shall add the profits and Shares to the Margin Trading Account, in the event that cash dividends or bonus shares are distributed.	percentage specified for the Initial Margin. 4. The Client may, after the approval of the Margin Trading Service Provider, exchange all or part of the margin financed Securities with other Securities financed on margin, provided that this shall not affect the Initial Margin, and that the market value of the purchased Securities shall not exceed the value sold. 5. Without prejudice to the right to subscribe in the share capital increase of companies issuing Securities held in the Margin Trading Account, the Margin Trading Account shall not be used to subscribe in new issues of Securities. 6. The service provider shall add the profits and Shares to the Margin Trading Account, in the event that cash dividends or bonus shares are distributed.
7	Eleven	Eight	8-19	Amending Article	**Procedures of Monitoring and Covering the Maintenance Margin** 1. The Margin Trading Service Provider, at the end of every Business Day, shall calculate the market value of the Margin Trading Account and notify the Client immediately of any shortfall of the Maintenance Margin from the minimum limit. 2. In the event the Client is notified of the shortfall of the Maintenance Margin from the minimum limit, the Client shall add cash or Securities to the Margin Trading Account in the amount necessary to restore his ownership of the Initial Margin during the period stipulated in the Margin Trading Agreement, provided that this period shall	**Procedures of Monitoring and Covering the Maintenance Margin** 1. The Margin Trading Service Provider, at the end of every Business Day, shall calculate the market value of the Margin Trading Account and notify the Client immediately of any shortfall of the Maintenance Margin from the minimum limit. 2. In the event the Client is notified of the shortfall of the Maintenance Margin from the minimum limit, the Client shall add cash or Securities to the Margin Trading Account in the amount necessary to restore the Maintenance Margin as stipulated in the Margin Trading Agreement, provided that this period shall not exceed two Business Days from the notification date.

8	Eleven	Eight	8-20	Amending Article	not exceed two <u>Business Days</u> from the notification date. 3. If the <u>Client</u> is unable to cover the <u>Maintenance Margin</u> during the period stipulated in the previous Item, the <u>Margin Trading Service Provider</u> may sell all or part of the <u>Securities</u> deposited in the <u>Margin Trading Account</u>.	3. The <u>Margin Trading Service Provider</u> shall sell all or part of the <u>Securities</u> deposited in the <u>Margin Trading Account</u> in the event that the <u>Client</u> is unable to comply with the provision of Item (2) of this Article.
					Selling the Securities in the Event if Client's Breach The <u>Margin Trading Service Provider</u> – in the event of the <u>Client</u>'s breach – may sell the <u>Securities</u> pledged in the <u>Margin Trading Account</u> in accordance with the applicable rules, notwithstanding the provisions stipulated in Articles (231) to (233) of the Commercial Law, as well as the provisions stipulated in Chapter three of the Civil and Commercial Pleadings Law. The sale shall only include what is sufficient to fulfil the right of the <u>Margin Trading Service Provider</u>. He shall, upon sale of pledged <u>Securities</u> take due care in the disposal of his funds. Attachment procedures taken after the date of purchasing <u>Securities</u> on margin shall not prevent the sale as per the provisions of this Chapter. In such case, the right of the <u>Margin Trading Service Provider</u> shall be fulfilled within the limit that meets his debt. The attachment shall affect the amounts which exceed the right of the <u>Margin Trading Service Provider</u>.	**Selling the Securities in the Event if Client's Breach** The <u>Margin Trading Service Provider</u> – in the event of the <u>Client</u>'s breach – shall sell the <u>Securities</u> pledged in the <u>Margin Trading Account</u> in accordance with the applicable rules, notwithstanding the provisions stipulated in Articles (231) to (233) of the Commercial Law, as well as the provisions stipulated in Chapter three of the Civil and Commercial Pleadings Law. The sale shall only include what is sufficient to fulfil the right of the <u>Margin Trading Service Provider</u>. He shall, upon sale of pledged <u>Securities</u> take due care in the disposal of his funds. Attachment procedures taken after the date of purchasing <u>Securities</u> on margin shall not prevent the sale as per the provisions of this Chapter. In such case, the right of the <u>Margin Trading Service Provider</u> shall be fulfilled within the limit that meets his debt. The attachment shall affect the amounts which exceed the right of the <u>Margin Trading Service Provider</u>.