

**Resolution No. (128) of 2024**

**Regarding**

**Amending Certain Provisions of the Pledge of Securities**

**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. (30) of 2024 held on 18/09/2024.

**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.

**Prof. Ahmad Al-Melhem**

**Issued on: 23/09/2024.**

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## Annex No. (1)

#	Module	Chapter	Article Number	Amendment Type	Text before Amendment	Text After Amendment
1	Eleven	Nine	9-1	Amending Article	<u>Securities</u> may be pledged in accordance with a contract signed by the creditor pledgee, debtor and <u>In-Kind Guarantor</u> , if any, even if their value is not paid in full.	<u>Securities</u> , even if their value is not paid in full, may be pledged in accordance with a physical or electronic contract between the pledgor, the creditor pledgee and <u>In-Kind Guarantor</u> , if any.
2	Eleven	Nine	9-2	Amending Article	<u>Investment Portfolios</u> may be pledged by virtue of a contract signed by the creditor pledgee, debtor, the company managing a portfolio and <u>In-Kind Guarantor</u> , if any.	<u>Investment Portfolios</u> may be pledged in accordance with a physical or electronic contract between the pledgor, the creditor pledgee, the company managing a portfolio and <u>In-Kind Guarantor</u> , if any.
3	Eleven	Nine	9-3	Amending Article	A pledge shall be documented in writing and shall not be enforced before a <u>Clearing Agency</u> , <u>Investment Portfolio Manager</u> , <u>Issuer</u> or third party, unless it is recorded and registered as stated in this Module.	A pledge shall be documented in writing in a physical or electronic form, and shall not be enforced before a <u>Clearing Agency</u> , <u>Investment Portfolio Manager</u> , <u>Issuer</u> or third party, unless it is registered as stated in this Module.
4	Eleven	Nine	9-5	Amending Article	<p>There shall be a notation of the pledge of registered <u>Securities</u> on the <u>Clearing Agency</u>'s register made in the presence of the debtor, creditor pledgee and <u>In-Kind Guarantor</u>, if any, or their legal representatives, after providing the <u>Clearing Agency</u> with a true original copy of the pledge agreement signed by them.</p> <p>There shall be a notation of the pledge of <u>Investment Portfolios</u> on the account of such portfolios by the <u>Investment Portfolio Manager</u> by virtue of an agreement to be signed by the portfolio owner, creditor pledgee and <u>Investment Portfolio Manager</u>.</p>	<p>There shall be a notation of the pledge of registered <u>Securities</u> on the <u>Clearing Agency</u>'s register with the consent of pledgor, the creditor pledgee and <u>In-Kind Guarantor</u>, if any.</p> <p>Such consent shall be in physical or electronic form and shall be given after providing the <u>Clearing Agency</u> with a true original copy of the pledge agreement, whether in physical or electronic form.</p> <p>There shall be a notation of the pledge of <u>Investment Portfolios</u> on the account of such portfolios by the <u>Investment Portfolio Manager</u> in accordance with a physical or electronic agreement between the portfolio owner, creditor pledgee and <u>Investment Portfolio Manager</u>.</p>
5	Eleven	Nine	6-9	Amending Article	The entity at which the pledge of listed <u>Securities</u> is notated in accordance with the provisions of the preceding article shall provide	The entity at which the pledge of listed <u>Securities</u> is notated in accordance with the provisions of the preceding Article shall provide the <u>Exchange</u> and the

					<p>the <u>Exchange</u> and the <u>Clearing Agency</u> with reports on the arrangement of the pledge on such <u>Securities</u> and the parties holding voting rights resulting from the pledge of that amount in accordance with the pledge agreement. provided that the Exchange shall announce the pledged amount of each listed <u>Security</u> and the parties holding voting rights resulting from the pledge of that amount in accordance with the pledge agreement.</p> <p>The <u>Clearing Agency</u> shall provide the creditor pledgee, pledgor and pledge notary, upon their request, with an extract of the <u>Securities</u> statement of holding with a notation of the pledge.</p>	<p><u>Clearing Agency</u> with monthly reports on the arrangement of the pledge on such <u>Securities</u> and the parties holding voting rights resulting from the pledge of that amount in accordance with the pledge agreement, provided that the <u>Exchange</u> shall announce the pledged amount of each listed <u>Security</u> and the parties holding voting rights resulting from the pledge of that amount in accordance with the pledge agreement.</p> <p>The <u>Clearing Agency</u> shall provide the creditor pledgee, pledgor and pledge notary, upon their request, with a physical or electronic extract of the <u>Securities</u> statement of holding with a notation of the pledge.</p>
6	Eleven	Nine	9-13	Amending Article	<p><b><u>Sale or Ownership of Pledged Securities upon the Debtor's Default</u></b></p> <p>In the event that the creditor pledgee is a bank or <u>Financial Institution</u> and the debtor or pledgor is a <u>Professional Client</u>, the parties may agree when they enter into a pledge agreement or afterward to give the creditor pledgee the right to acquire the ownership or sell or execute the pledge regardless of the provisions of articles (231) and (233) of the Companies Law and the provisions of chapter three of the Civil and Commercial Pleadings Law.</p>	<p><b><u>Sale or Ownership of Pledged Securities upon the Debtor's Default</u></b></p> <p>In the event that the creditor pledgee is a bank or <u>Financial Institution</u> and the debtor or pledgor is a <u>Professional Client</u>, the parties may agree when they enter into a pledge agreement or afterward to give the creditor pledgee the right to acquire the ownership of the pledge – provided that the value of pledge item is not more than the value of the debt – or sell it regardless of the provisions of Articles (231) to (233) of the <u>Commercial Law</u> and the provisions of Chapter Three of the Civil and Commercial Pleadings Law.</p>
7	Eleven	Nine	9-14	Amending Article	<p>In the event stated in article (9-13) of this Module, the <u>Investment Portfolio Manager</u> and <u>Clearing Agency</u>, as the case may be, shall execute the creditor pledgor's instructions concerning the ownership or sale or execution of the <u>Securities</u> and the fulfilment of the creditor's rights upon a formal written notice sent to the debtor and <u>Guarantor In Kind</u>, if any, in</p>	<p>In the event stated in Article (9-13) of this Module, the <u>Investment Portfolio Manager</u>, the agent of creditor pledgee, or the <u>Exchange</u> shall execute the creditor pledgee's instructions concerning the ownership or sale of the <u>Securities</u> and the fulfilment of the creditor pledgee's rights, provided that the pledge debtor and the <u>In-Kind Guarantor</u>, if any, are notified by a formal physical or electronic notice, in</p>

					<p>accordance with the mechanism stated in the pledge agreement. The said formal notice shall be sent at least five <u>Business Days</u> prior to the date of acquiring ownership or sale.</p> <p>The sale may only be applied to cover payment to the creditor pledgee, who shall take due care in the disposal of money in the course of <u>Securities</u>' sale, execution or acquiring ownership.</p>	<p>accordance with the mechanism stated in the pledge agreement. The said notice shall be sent within five <u>Business Days</u>, or a timeframe otherwise the article agreed upon in the pledge agreement.</p> <p>The <u>Investment Portfolio Manager</u> or the agent – as the case may be – shall verify the existence of the pledge agreement and ensure that it contains the condition set forth in the preceding Article.</p> <p>The sale shall be conducted in accordance with the rules of the <u>Exchange</u> and the <u>Clearing Agency</u>, as the case may be.</p> <p>The sale may only be applied to cover payment to the creditor pledgee, who shall take due care in the disposal of money in the course of pledged <u>Securities</u>' sale or ownership.</p> <p>The <u>Clearing Agency</u> shall make the necessary restrictions in light of the outcome of the <u>Shares</u>' sale procedures.</p>
8	Eleven	Nine	9-15	Amending Article	<p>Attachment procedures taken after the date of pledge of <u>Securities</u> or portfolio shall not prevent the sale, execution or acquiring the ownership thereof as per articles (9-13) and (9-14) of this Module. In such case, the creditor pledgee shall acquire the rights which cover its debt. The attachment shall be fully effective concerning the amounts which exceed the right of the creditor pledgor, without prejudice to the owners of privilege rights.</p> <p>In the event that there is more than one pledge on the same <u>Securities</u> or <u>Investment Portfolio</u>, the creditor pledgee may decide to exercise its</p>	<p>Attachment procedures taken after the date of pledge of <u>Securities</u> or portfolio shall not prevent the sale or the ownership thereof as per Articles (9-13) and (9-14) of this Module. In such case, the creditor pledgee shall acquire the rights which cover its debt. The debtor – <u>Clearing Agency</u> or portfolio manager, as the case may be – shall notify the Department of Execution. The attachment shall be fully effective concerning the amounts which exceed the right of the creditor pledgor, without prejudice to the owners of privilege rights.</p> <p>In the event that there is more than one pledge on the same <u>Securities</u> or</p>

					rights stated in the pledge agreement until its debt is covered. In the event that there are remaining pledged securities after collecting the debt, the remaining creditor shall exercise its rights to have its debt collected and so forth until the debt of the creditor of the least degree is collected. The creditor's pledgees may agree with one another upon the method of selling the pledged securities and the distribution of proceeds among them.	<u>Investment Portfolio</u> , the creditor pledgee may decide to exercise its rights stated in the pledge agreement until its debt is covered. The following creditor pledgee may suspend the sale on the remaining pledged <u>Securities</u> until its debt is collected and so forth until the debt of the creditor of the least degree is collected. The creditor's pledgees may agree with one another upon the method of selling the pledged securities and the distribution of proceeds among them.
9	Eleven	Nine	9-17	Amending Article	A pledge shall be cancelled by virtue of a letter to be sent to the <u>Clearing Agency</u> and signed by the creditor pledgee, if the creditor pledgee or its agent is a <u>Local Bank</u> , or by virtue of the presence of the creditor pledgee before the <u>Clearing Agency</u> and signing the form of pledge cancellation attached to this Module. The pledge shall be cancelled pursuant to an enforceable court judgment or arbitration award.	A pledge shall be cancelled by virtue of achieving one of the following cases: <ol style="list-style-type: none"> <li>1. A physical or electronic application submitted by the creditor pledgee in accordance with the rules specified by the <u>Clearing Agency</u>.</li> <li>2. Final court judgment.</li> <li>3. Enforceable arbitration award.</li> </ol>