

Resolution No. (168) of 2024

Regarding Development of Rules and Regulations for Financial Integrity and Soundness Standards in the Executive Bylaws for Unlicensed Listed Companies

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. (39) of 2024 held on 18/12/2024.

The Following Was Resolved

Article (1)

Module Fifteen (Corporate Governance) 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)

Appendix 3 (Mechanism for Applying the Rules of Financial Integrity and Soundness Standards to Members of the Board of Directors of Unlicensed Listed Companies) of Module Fifteen (Corporate Governance) 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 added pursuant to Annex (2) attached to this Resolution.

Article (3)

Unlicensed Listed Companies shall be granted a transitional period to meet the requirements for the standards of financial integrity and soundness for Board Members and Executive Management not later than 30/06/2025.

Article (4)

The concerned bodies shall execute this Resolution, each within its jurisdiction. This Resolution shall come into force from 1/1/2025, and it shall be published in the Official Gazette.

Prof. Ahmad Al-Melhem

Issued on: 22/12/2024.

Annex No. (1)

Module	Chapter	Article Number	Amendment Type	Text before Amendment	Text After Amendment
Fifteen (Corporate Governance)	Three	3-7	Amending Article	Board roles and responsibilities include, for example without limitation: ... 15. Appoint or remove any of executive management members including executive agency chairman or his representative.	Board roles and responsibilities include, for example without limitation: ... 15. Appoint or remove any of executive management members including the Chief Executive Officer and positions that directly report to him in the company's organizational structure, and ensure that the conditions mentioned in the provisions of Article (3-9) and regulations stipulated in Appendix 3 Mechanism for Applying the Rules of Financial Integrity and Soundness Standards to Members of the Board of Directors of Unlicensed Listed Companies of this Module.
Fifteen (Corporate Governance)	Three	3-9	Adding Article and Renumbering Following Articles	-	The following conditions shall be met by the Member of the Board of Directors and Chief Executive Officer and the positions that directly report to him in the company's organizational structure:

					<p>1. No final judicial judgment shall have been issued against him that is detrimental to honour or trust, or related to money laundering, financing terrorism, capital markets crimes, or corruption crimes, unless he has been rehabilitated.</p> <p>2. He must be of good reputation and conduct.</p> <p>3. He shall not have been previously dismissed from his position or job by a disciplinary decision from a <u>Regulatory Body</u> or by a final judicial judgment.</p> <p>4. He shall not have been declared bankrupt, unless he has been rehabilitated or a decision has been issued to imprison him for a debt owed.</p> <p>This is in accordance with the regulations stipulated in Appendix 3 Mechanism for Applying the Rules of Financial Integrity and Soundness Standards to Members of the Board of Directors of Unlicensed Listed Companies of this Module.</p>
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					<p>The <u>Authority</u> may consider the circumstances of individual's rehabilitation and its recency. If he has been rehabilitated within the past five years.</p> <p>The <u>Authority</u> may take all necessary procedures it deems appropriate to ensure that the person holding the position of board member fulfils the conditions stated in the Financial Integrity and Soundness Standards whether inside or outside the State of Kuwait throughout the period of holding the position. If any of the conditions ceases to exist, the company may suspend the person holding this position and it may re-appoint such person in the event that such standards are met.</p>
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Annex No. (2)

Appendix 3

Mechanism for Applying the Rules of Financial Integrity and Soundness Standards on Members of the Board of Directors of Unlicensed Listed Companies

Companies listed on the Securities exchange that are not licensed by the Authority and are subject to the provisions of this module shall take into account the following:

First: Members of the Board of Directors, Chief Executive Officer, or positions that directly report to him in the organizational structure of the company, shall comply with the Rules for Financial Integrity and Soundness Standards in the following cases:

- **When electing the new members of the Board of Directors for the next term and until the General Assembly convenes.**
- When appointing the CEO and the positions that directly report to him in the organizational structure.

Second: Refer to the certificates mentioned below to ensure that the members of the Board of Directors, the position of the CEO and the positions that directly report to him in the organizational structure meet the financial integrity and soundness standards, which are:

- o Criminal status certificate issued by the General Department of Criminal Evidence at the Ministry of Interior.
- o A certificate to whom it may concern regarding the soundness of the legal position issued by the Capital Markets Authority, which includes the disciplinary penalties issued by the Disciplinary Board at the Capital Markets Authority, in addition to any statement or violations under investigation.