

The Executive Bylaws
Module Seven

Clients' Funds and Clients' Assets



هذه أسرار الله التي لا يعلمها إلا الله تعالى

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Chapter One

Introduction and Scope of Application

Article 1-1

Chapters One, Two, Three and Four of this Module apply to all Licensed Persons who manage or maintain Clients' Assets and Funds, in particular the following:

1. Investment Portfolio Manager
2. Collective Investment Scheme Manager
3. Custodian
4. Clearing Agency
5. Qualified Securities Broker Registered with an Exchange

Chapter Five of this Module applies to the Investment Portfolio Manager activity, and Chapter Six applies to the activity of Qualified Securities Broker Registered with an Exchange, and Chapter Seven is applicable to the Custodian activity.

Article 1-2

Client's Funds are all cash monies held or received by any Licensed Person for or on behalf of a Client in the course of any Securities Activity. When a Client designates a certain amount for the purpose of covering present or future, actual or contingent or prospective obligations, such money shall no longer be regarded as client funds.

Client's assets are all non-cash money and Securities and other assets held or received by any Licensed Person for or on behalf of a Client in the course of any Securities Activity.

A Licensed Person's fees are not included in Client's funds if they are due subject to a contract entered into between the parties.

Chapter Two
General Provisions

Article 2-1	Organizational Requirements
Article 2-1-1	A <u>Licensed Person</u> shall make all appropriate arrangements to hold and maintain <u>Client's Funds</u> and <u>Clients' Assets</u> and not use the same unless for their assigned purposes. The <u>Licensed Person</u> may deposit <u>Clients' Funds</u> designated for trading in interest-generating or profit-generating accounts with banks licensed locally, in accordance with the terms and conditions set forth in the following Article.
Article 2-1-2	The <u>Licensed Person</u> shall not make any interests or profits from depositing <u>Clients' Funds</u> designated for trading in interest-generating or profit-generating accounts with banks licensed locally, except in accordance with the following terms and conditions: 1. Obtaining the explicit and prior consent of the <u>Client</u> regarding the <u>Licensed Person's</u> charging of fees for depositing the <u>Client's Funds</u> designated for trading in interest-generating or profit-generating accounts with banks licensed locally, along with a clear disclosure on the nature of returns, risks, and sharing mechanism, and the <u>Client's</u> right to revoke such consent at any time. The <u>Licensed Person</u> may waive part of or the total fees. 2. Restricting the deposit of <u>Funds</u> to locally licensed banks or entities subject to the <u>Authority's</u> supervision. 3. Providing a periodic report to the <u>Client</u> stating the return or profit collected from the deposited <u>Funds</u>. 4. Complete segregation between the <u>Clients' Funds</u> and the <u>Licensed Person's Funds</u>, in compliance with the provisions of Article (3-1) of this Module, and to ensure that <u>Clients' Funds</u> are deposited in independent or omnibus bank accounts allocated for this purpose only, while maintaining accurate and updated accounting records for each <u>Client</u>, subject to periodic auditing and supervision. 5. Maintaining sufficient liquidity levels to allow immediate retrieval of <u>Clients' Funds</u>, and without prejudice to the <u>Client's</u> ability to trade and fulfill their settlement obligations. 6. Providing automated and supervision systems with the <u>Licensed Person</u> to monitor and manage the processes of depositing or investing <u>Funds</u> accurately and effectively. 7. Complying with any other controls set by the <u>Authority</u> in this regard.

Article 2-2

A Licensed Person shall comply with the following requirements:

1. To separate all transactions and orders executed by the Licensed Person for his own account from the transactions and orders he executes for Clients.
2. To ensure that the Client is the Interested Person of all his fund related transactions in regard of deposit, withdrawal and money transfer. Besides, these transactions shall be issued and received from Client's named accounts.

Registers, Accounts and Reconciliations

Article 2-3

A Licensed Person shall keep records and accounts to enable it to distinguish assets and funds held for one client from the assets and funds held for any other Client or for the Licensed Person. He shall ensure that each Client's assets and funds are recorded in a separate account in the name of the Client.

On a regular basis, a Licensed Person shall conduct reconciliations between its internal accounts and records with the bank accounts in which Clients' funds are held and with the records of any third party by whom Clients' funds and assets are held in respect of any Security Activity.

Article 2-4

In the event that any difference or discrepancy arises as a result of a Licensed Person's reconciliation concerning Clients' records and accounts this shall be resolved at the end of the Business Day on which the reconciliation is performed; and in no case later than three Business Days after the day on which the discrepancy arose.

When any discrepancy arises as a result of a reconciliation between a Licensed Person's internal records and with a Clients' account at a bank where clients' funds are held or with the records of any third party which holds Clients' funds, the Licensed Person shall correct the discrepancy immediately. If the Licensed Person's reconciliation identifies that the sum required to be held in such an external account is greater than the sum reported by the party concerned then the Licensed Person shall pay the difference from his own funds. The Licensed Person shall inform the Authority immediately in such an event.

Article 2-5

Each Licensed Person must appoint a registered Auditor with the Authority to ensure the Licensed Person compliance with the rules stipulated in this Module on an annual basis. The appointed Auditor shall submit an annual report to the Authority in this regard.

The provisions of this Article shall not apply to a person licensed to practice in the activity of a Collective Investment Scheme Manager.

Article 2-6

A Licensed Person's creditors shall not have recourse on a Licensed Person's Clients' Assets or Clients' Funds.

Chapter Three

Client's Funds

Article 3-1

Segregation of Client's Funds

On receiving any client funds, a Licensed Person shall immediately place such funds into a separate and independent account opened with a Local Bank except in cases where settlement of a Client's dealings is to be performed in a foreign market in which case these shall be settled in accordance with the relevant settlement procedures.

The Licensed Person shall take the Care of a Prudent Person in the selection, appointment and periodic review of the bank where such Clients' Funds are deposited, ensuring that such Client accounts are segregated from the accounts of the Licensed Person's accounts. Clients' funds may be placed in one or more banking account.

Article 3-2

Transfer to other Agencies

A Licensed Person may transfer Clients' funds to third parties such as a Clearing Agency for the purpose of fulfilling the Clients' obligations arising from Securities transactions, provided that such transfers shall be limited to the amount necessary for such fulfilment.

A Licensed Person shall ensure that an entity receiving Clients' funds keeps the same in an independent and separate account designated for the Licensed Person's Clients.

Chapter Four

Clients' Assets

Article 4-1

Segregation of Client's Assets

A Licensed Person shall deposit Clients' assets in an independent account designated for Clients' assets. It is permissible to consolidate Clients' assets into one or more accounts, provided that the account(s) in which Clients' assets are deposited is/are segregated from the Licensed Person's accounts.

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Article 4-2

Deposit of Assets and Conditions for Depositing Assets with Third Parties

Article 4-2-1

A Licensed Person may deposit Clients' Assets held by it on behalf of his Clients into an account or accounts open with a third party who is licensed by the Authority, or licensed by an equivalent foreign regulatory entity, to hold Clients' Assets. A Licensed Person shall take Care of a Prudent Person while selecting this Person and considering in particular the following:

1. Legal requirements and market practices.
2. Financial status and reputation.
3. Dangers of depositing assets at one entity.

Article 4-2-2

A Licensed Person shall ensure segregation between his Clients' assets deposited with a third party and any other assets belonging to the Clients of such person by maintaining separate accounts with the person where the Clients' assets are held.

Article 4-2-3

In case of depositing Clients' Assets at another custodian, the Licensed Person shall prepare a periodical report on the entity where the Clients' Assets were deposited, in respect of keeping and possessing such assets.

Chapter Five

Rules of Securities Investment Portfolios

Article 5-1

Roles and Responsibilities of Licensed Persons

Article 5-1-1

Before providing any service to a Client, a Licensed Person shall take all required actions to obtain correct and full information and data which enable him identify the Client and determine his investment purposes. In particular, the Licensed Person shall:

1. Obtain sufficient and detailed personal information of the Client such as name, date of birth, nationality, occupation, home address, work place, name of any agent or legal representative together with their contact details, and, for a corporate body, its memorandum of association, nationality and head office address.
2. Establish whether the Client is Member of a Board of Directors or a member of the executive or one of the Insiders for a Listed Company.
3. Ascertain the Client's financial status and determine how consistent it is with investment purposes.
4. Ascertain the Client's ability to take risks whether low, moderate or high.
5. Ascertain the Client's experience and its relevance to various investment areas, identifying the Client's activity levels in relevant stocks and how far he depends on investment consultancies.
6. Ensure the Client's compliance with all requirements and controls of Money-Laundering and Counter-Terrorism Financing stipulated in Module 16. Thus, the Licensed Person shall implement Due Care procedures for the Client on a continuous basis as well as constant auditing of all transactions to ensure that all operations are consistent with Client's knowledge, information, financial resources and the source of his funds.
7. For corporate Clients, ensure that Client's main activities include dealing in Securities in accordance with its Articles of association and memorandum of association.
8. Update Clients' information and data at least annually and review the same as necessary, such as upon the expiry of a civil ID or a passport or a commercial license.

Article 5-1-2

A Licensed Person shall not ensure validity of the information provided by the Client as stipulated in Article 5-1-1 of this Module. He may provide services for Clients based on the provided information unless he knows or may know invalidity or inaccuracy of the same.

Article 5-1-3

If there is insufficient information relating to a Client in respect of Article 5-1-1 of this Module, the Licensed Person shall notify the Client that it shall suspend services to the client unless such information is provided within three Business Days as of the notice. The Licensed Person shall suspend such services to a Client who fails to provide the information after the expiry of the notice term.

Article 5-1-4 A Licensed Person shall be exempt from obtaining the information referred to in paragraphs 4 and 5 of Article 5-1-1 of this Module, if the services to be provided are for a Qualified Professional Client.

Article 5-1-5 A Licensed Person shall be exempt from obtaining the information referred to in paragraphs 3, 4 and 5 of Article 5-1-1 of this Module if the services to be provided are a Professional Client by Nature.

Client’s Needs Fulfilment

Article 5-1-6 Upon providing investment services for Clients, the Licensed Person shall ensure the contents of the following table according to each Investment Portfolio type:

Description	Investment Portfolio managed by The Licensed Person	Investment Portfolio managed by the Client	Investment Portfolio for Custody
Consistency with Clients’ investment needs and financial positions	✓		
Consistency with instructions issued by Clients	✓	✓	✓
Relevance to Client’s ability to take risks.	✓		

Article 5-1-7

Duties of Care

A Licensed Person shall always consider Client's benefit and endeavours to achieve his Clients' benefits and care for their investment. He shall particularly comply with the following:

1. He shall manage the Client's investments himself and shall not delegate any other Licensed Person, specialist licensed companies by a regulatory authority similar to the Authority may be delegated to manage Client's investments outside of the State of Kuwait subject to Client approval in writing, in accordance with the relevant foreign markets' systems and without violating the provisions of the Law and these Bylaws.
2. He shall commit to establishing one primary Investment Portfolio for each Client, and for every Investment Portfolio category subject to the system managing the portfolio. This is in addition to the possibility of establishing Investment sub-Portfolios of the primary Investment Portfolios owned by the Client in order to strictly control the components of each portfolio and procure effective and sufficient management thereof.
3. He shall enable a Client which holds an Investment Portfolio of any type to exercise all his rights arising from his ownership of Securities, such as rights of taking any action on Securities, voting, nomination and appointment to Boards. The Licensed Person may not exercise any such rights on behalf of the Clients without a written authorization by the Client whether in the contract or via special authorization. All this shall be without prejudicing cases stipulated in paragraph 8 of Article 5-1-8 of this Module or where there is a condition in the agreement between the Client and the Licensed Person and other person(s) which restricts the Client's right of exercising all or part of his rights arising from Securities ownership.
4. He shall not participate in the Shares of newly established companies on behalf of the Clients (holders of Investment Portfolios); yet without violating his right to subscribe on behalf of these Clients. Subscription applications shall be provided to each subscriber and Securities certificate shall be issued in the name of each Subscriber separately.
5. He or his employees shall be responsible for any mistake that may occur while executing Clients' transactions and orders. He shall take necessary actions to recover the same. Defaults of gross negligence or bad intention or deliberate violations of the Licensed Person's duties in managing Client's investments shall not be waived.
6. He shall keep in safekeeping ownership documents which prove ownership in the name of the Client or where applicable in the name of the Licensed Person who manages Client's investments.
7. In the event that the Licensed Person enters into contract with specialist companies licensed by a regulatory authority similar to the Authority to manage the Client's investments outside the State of Kuwait, this contract shall include the mechanism of handing over Clients' Funds and Clients' Assets to the party concerned with holding, managing, or safe-keeping in accordance with the cases mentioned in item (6) of Article (5- 1- 9) of this Module.

Article 5-1-8

Duty of Honesty

In all cases, a Licensed Person shall act with good faith and for the Clients' benefit. He shall take the Care of a Prudent Person, and be always honest in all his transactions through compliance in particular with the following:

1. He shall use Client's Funds and Clients' Assets solely for the purposes stated in the signed contract and act within the limits of his authorization.
2. He shall not provide false or exaggerated data or information about any existing or possible investments in order to direct Clients to take decisions serving the Licensed Person's own interests.
3. He shall not provide any guarantee for any Client against losses arising from Securities dealings unless the nature of the Security so guarantees.
4. He shall not make any promise of, nor promote any investment by promising, profit or gain from making an investment in an Investment Portfolio.
5. He shall not use the Investment Portfolios he manages for Clients in different purposes nor for his own benefit, especially in financing purposes of whatever type, whether in the form of giving loans or credit facilities or mortgaging Investment Portfolio as collateral to obtain loans or credit facilities for his own benefit.
6. He shall not make unnecessary purchases and sales in respect of any Client's account for the purpose of gaining resultant commissions and fees
7. He shall not enter into any transaction or dealing in respect of any Client's account which may have any of the following purposes or consequences:
 - Influencing prices of Securities listed on an Exchange of or any relevant Security.
 - Creating any false or illusory impression of the value of any Security listed on an Exchange or of the level of interest in selling or purchasing the same.
 - Setting an artificial price of any Security listed on an Exchange or of that of any relevant Security.
8. He shall not execute a Client's order if such would incur a penalty set by a Regulatory Body or nor issue any order when a ruling or instruction of an investigatory authority or judicial entity has ordered the suspension of the Client's relevant activities nor if there are reasons or information indicating that Client's orders may entail the following:
 - Improper and misleading practices for the purpose of Securities manipulation.
 - Insider trading.
 - Not abiding by applicable laws and rules concerning Securities Activity, especially the clearing and settlement rules applicable in the Exchange and Clearing Agency.

Paragraphs 6 and 7 of this Article shall not apply to Investment Portfolios managed by the Client.

Article 5-1-9

Contracts and Agreements with Clients

Without prejudice to Article (1-4) of Module Eight (Conduct of Business), each agreement concluded with a Client shall include in particular:

1. Define the form and type of Investment Portfolio, goals and purpose thereof, relevant controls, and where the Portfolio is to be managed by the Licensed Person the investment policy which shall be followed, provided that the Licensed Person shall obtain the written consent of the Client in the event that the investment policy is to be changed.
2. State the limits of the authorization issued by the Client to the Licensed Person which indicate the extent of the powers and authorities of the Licensed Person in managing the Investment Portfolio as appropriate to the form of the portfolio (Investment Portfolio managed by the Licensed Person, Investment Portfolio managed by the Client, Investment Portfolio for custody).
This is in addition to documentation of order transmission and confirmation, stating whether this shall be done in writing or via recorded phone calls or E-mail.
3. Indicate whether the contract is intended to persist for a specific or indefinite time, and the notice period which shall be considered and applied by the two parties should any party wish to terminate the contract. In the event of a contract with a specific time limit, any party may terminate the contract before the expiry date provided that such termination is in proper time and for reasonable excuse. The Licensed Person shall not terminate a contract before its expiry date without due cause and in such case the Client shall be notified of the termination with sufficient notice to enable him to take proper actions to protect his interests.
4. State the policy for informing the Client of completed transactions as well as frequent reports regarding the results of client requests.
5. State the reports to be provided to the Client, including their frequency and method of presentation.
6. Describe the way of delivering the Investment Portfolio's components, including Securities, funds and any other assets, to the Client, or to the party concerned with holding, managing, or safe-keeping, in the event that the Client requires the same or upon non-renewal or termination of the contract between the Licensed Person and the Client, or upon the cancellation of the Licensed Person's license, taking into account the Care of the Prudent Person, immediately and without delay in the execution of the Client's requests and the delivery of the Investment Portfolio's components, taking into account the stipulations in Appendix (3) of this Module.
7. Indicate whether the Client is Member of a Board of Directors of any Listed Company or holds an executive position or is an Insider with Inside Information. The Client shall provide the Licensed Person with any changes thereof.
8. State the Licensed Person's policy for keeping the accounting records and the relevant supporting documentation.
9. State the method of delivery of reports, notices and other communications whether written to be delivered by courier or mail, or through fax or E-mail or any other modern communication mechanism.
10. State whether the parties agree to the option of Arbitration in accordance with the Arbitration Rules of the Authority in the event of any dispute arising concerning the contract.
11. Procedures followed by the Licensed Person in the event of termination of the contract at the request of the Client or the Licensed Person, or the cancellation of the licensed activity of the Investment Portfolio Manager by the Authority, provided they include - as a minimum - the following:
 - A- Mechanism of delivering the funds and assets components of the Client's Investment Portfolio managed by the Licensed Person under the activity of Investment Portfolio Manager to be operated by another Licensed Person.
 - B- Mechanism of delivering the Investment Portfolio's components, including assets, Securities and funds held, to the Client or to the party concerned with holding, managing, or safe-keeping.
12. The Licensed Person and the Client shall abide by the laws and regulations, especially the Law and these Bylaws.

Article 5-2

Article 5-2-1

Licensed Persons' Operational Requirements and Controls

In executing a Client's transactions a Licensed Person shall abide by the mechanisms stipulated in the contract between the two parties and in addition shall comply with the following:

1. Secure the Client's interest when transmitting the Client's orders to another entity for execution.
2. Not to combine orders regarding Securities traded on an Exchange received from one Client with those of any other Client. In the case of non-listed Securities, a Client's orders may be combined with those of another Client or of other Clients provided that all the Clients concerned are informed accordingly.
3. To execute the Client's orders for Securities sales or purchases without interfering directly or indirectly in the Client's decision concerning the same, without prejudicing any duties required of the Licensed Person to give advice and guidance.
4. To abide by the tools and mechanisms approved by the Exchange when executing relevant transactions.
5. Not to execute a Client's order concerning a sale or purchase unless there sufficient funds or Securities, respectively, in the Client's account. The Licensed Person shall not use any other Client's Funds or assets for the benefit of another Client.
6. Keep safe documents relating to sale and purchase transactions performed for the Client.

Paragraph 2 of this Article shall not apply to Investment Portfolios managed by the Licensed Person.

Fees and Commissions

Article 5-2-2

A Licensed Person shall, when calculating the fees and commissions due to a him for managing an Investment Portfolio, consider the following:

1. He shall not take any fee for establishing an Investment Portfolio.
2. Fees and commissions for Investment Portfolio shall be reasonable and shall be consistent with the nature of the services provided to the Client.
3. The Client shall be made aware of the method of calculating commissions and fees for all services to be provided, including any the incentive bonus related to the profits achieved by the Client, and how these fees and commissions shall be paid.
4. In the event that the Licensed Person's license is canceled by the Authority pursuant to Article (67) of the Law, he shall not calculate the fees and commissions for managing the Investment Portfolio until the Authority's resolution comes into force.

Article 5-2-3

Controls and Internal Auditing

Since Investment Portfolios allow direct access to Clients' accounts and due to the confidentiality and privacy of the same, in addition to direct dealing in Securities sale and purchase orders systems, certain controls and internal audit restrictions that shall be applied by the Licensed Person, including the following:

1. The physical location at which Investment Portfolios are managed shall be secured and equipped with effective monitoring tools.
2. Access to such location shall be restricted to a limited number of employees who each shall be certified by the executive management of the Licensed Person, and that these employees shall be the only ones who are authorized to deal with the Clients' accounts.
3. The Licensed Person shall take into consideration the complete separation between the managerial entities that manage the investment portfolios owned by it and those owned by the clients.

It shall also take into consideration while conducting its activities the complete separation between its managerial entities authorized to manage any type of investment portfolio owned by clients provided that the complete separation should be by providing different employees for the investment portfolios managed by the Licensed Person than those managed by clients.

4. In the event of death or inheritance, and until a determination of the heirs is issued, the Licensed Person shall freeze the Client's account unless otherwise the portfolio management contract specifies otherwise.

Thus, when the Licensed Person obtains a copy of the determination of the heirs, he may remove the restrictions on the Client's account and shall take the following procedures:

- Commencing the formal procedures to transfer the contents of the Client's account to its beneficiaries according to the determination of the heirs, within a period not exceeding three months.
- In the event that the entitled parties to the deceased Client's portfolio request to liquidate the contents of the Investment Portfolio (sale only), to complete all the formal and legal requirements, and obtain the approval of all the heirs on the liquidation of the portfolio's contents, and without any objection from any of the heirs, within a period not exceeding one month.

Provided that the Client's portfolio shall be permanently closed after that period.

In all cases, these steps shall comply with the regulations of the relevant foreign markets regarding Investment Portfolios of Securities that include Securities in the foreign markets.

Article 5-3

Article 5-3-1

Reporting Systems

A Licensed Person shall set up a comprehensive reporting system to his Clients a clear and accurate image of the status of his Investment Portfolios and completed transactions, including the following:

1. Comprehensive periodic reports – on monthly basis at least – which indicate the composition of the assets of the portfolio and value of the Investment Portfolio, and including the following at least:
 - a. Investment Portfolio number.
 - b. Report date.
 - c. Cash balances available for the Client.
 - d. Securities included in the Investment Portfolio.
 - e. Total value of Investment Portfolio on the report date.
 - f. Realized and unrealized profits/losses ratio for the year to date.
 - g. Mortgage details and determining the Person/entity to which the portfolio is mortgaged and the rank of such mortgage.
 - h. Total fees and commissions whether for the purchase and/or sale of Securities or managing an Investment Portfolio or for any other service provided by the Licensed Person within the period.
 - i. Description of each Security in the Investment Portfolio:
 - Security name.
 - the Exchange the Security is listed on.
 - Security average purchase cost.
 - Market value of Security listed on the Exchange.
 - Value of each Security according to purchase currency thereof, complying with international accounting standards in determining and evaluating the Security value as per exchange rate.
 - Security weight to total Investment Portfolio.
 - k. Statement of movements within the Investment Portfolio for the period.
2. Notices concerning any matters related to Securities in the Investment Portfolio owned by the Client. The notices are as follows:
 - a. Notices regarding the dates of companies' general assembly meetings where the Client owns Securities and of other meetings of Securities holders.
 - b. Notices regarding declarations of general assemblies where the Client owns Securities of any profits or revenues distribution whether in cash or bonus Shares or physical assets or other rights.
 - c. Notices regarding the Licensed Person receiving any profits and revenues distributions in cash or bonus Shares or physical assets or other rights, provided that profits receipt period shall not exceed ten Business Days as of distribution commencement.
 - d. Notices regarding the resolutions taken by boards of companies where the Client owns Securities, and related to any amendments in the capital of the Issuer, limited to the authorized capital or converting Securities to Shares in company capital.
 - e. Notices of any Subscription or capital increase or Acquisition Offer or Merger or liquidation or changing a Security Issuer Company's objectives or name or in the event that suspension thereof or withdrawal from the Exchange.
 - f. Notices regarding any resolutions issued by Regulatory Bodies against the companies where the Client owns Securities.

The Licensed Person shall provide the Client with the notices set out above immediately upon the occurrence of any amendment on Securities as above mentioned.

Article 5-3-2

Reports to the Capital Market Authority

A Licensed Person shall provide the Authority with quarterly reports concerning all Securities Investment Portfolios for which he is responsible, whether managed by the Client or by the Licensed Person or for is held for custody purposes pursuant to the attached forms in Appendix 2 of this Module. Below are the reports to be prepared:

1. Report identifying the Securities Investment Portfolios established or closed by the Licensed Person during the quarter.
2. Report identifying the Securities Investment Portfolios managed by the Licensed Person whether managed by him or by the Clients or for custody, and value of each. This in addition to identifying whether each portfolio is owned by a natural or corporate person with the authorizations issued by Clients to other persons on these portfolios, the date of suspending the Investment Portfolio and the suspension reasons, and the procedure taken regarding the suspended Investment Portfolio and its date during the quarter.
3. Report identifying any trading by Members of the Board of Directors and employees of the Licensed Person on Securities Investment Portfolios with the Licensed Person during the quarter.
4. Report identifying any trading by Investment Portfolios of Clients on Securities issued by the Licensed Person or the Parent Company or Subsidiary or Associate companies during the quarter.
5. Report identifying any trading by Investment Portfolios of foreign Clients (non-Kuwaiti) on listed Securities during the quarter.

Such reports shall be sent within a period not exceeding ten Business Days from the end of each quarter.

This is in addition to informing the Authority immediately of the following:

- a. Upon any change or development which genuinely affect the Licensed Person's performance of his duties in managing Investment Portfolios activity.
- b. Upon refraining from executing transactions for a Client pursuant to paragraph 8 of Article 5-1-8 of this Module.
- c. Upon any problem or default in the internal control system of the Licensed Person.
- d. Report indicating name of the entity authorized to manage Investment Portfolios. This report shall define in detail the managerial entity which manages each Clients' Investment Portfolio and any company portfolios. This is in addition to immediately informing the Authority of any change in the identity of the entity authorized to manage any Investment Portfolio.
- e. A copy of the Investment Portfolios management manual and its policies for managing Investment Portfolios as approved by the Licensed Person's Board Members. This is in addition to notifying the Authority of any amendment of such manual.

Article 5-3-3

The Person whose license is canceled by the Authority shall submit monthly reports on the condition of the portfolios subject to the closure, according to forms No. (1) and (2) stipulated in Appendix (2) of this Module. These reports are to be submitted within a period not exceeding 5 Business Days at the end of each month.

Article 5-4

Article 5-4-1

General Requirements and Controls

Preparing Clients' securities Investment Portfolios' management policies and procedures

A Licensed Person shall manage Investment Portfolios according to clear policies which are consistent with the volume and nature of his activities and suitable to meet Client's investment needs. The guidance in particular shall include the following:

First: Aspects related to all types of Investment Portfolios:

1. Evidence of commitment to meeting the Client's investment goals and methods for achieving the same.
2. Determining the powers, authorities and responsibilities of the Licensed Person in each type of Investment Portfolio.
3. Regulating the relation between Clients' investments with those of the Licensed Person and any Subsidiary, Associate company or Related Party.
4. Fulfilling Clients' requests without compromising the authorised purposes of the Licensed Person. For example, Investment Portfolio managers who work pursuant to Islamic Sharia shall not invest a Clients' money in Securities which do not meet the Islamic Sharia requirements even if this was the Client's request or order.
5. Detailed guidance on procedures applicable in the event of any mistake while executing Clients' orders.
6. Detailed manual of procedures applicable in the event of termination of the contract at the request of the Client or the Licensed Person, or the cancelation of the Licensed Person's license by the Authority, taking into account the stipulation of Appendix (3) of this Module.

Second: Aspects related to Investment Portfolios managed by the Licensed Person:

1. A statement explaining the investment policies applicable in accordance with the Client's instructions (conservative or balanced or non-conservative policy).
2. How to determine variation and distribution method for Investment Portfolio consisting-assets according to the Client's instructions.
3. Method of determining investment targeted market subject to the Client's instructions.
4. Determining Investment Portfolio related risks and the Securities therein, as well as the applicable ways to reduce such risks.
5. Maximum limits of concentrations in components of each Investment Portfolio according to each Security type, the investment sector, investment country and Security Issuer.
6. Bases and controls related to Securities distributions which shall be purchased and sold for the Clients' account as for the Investment Portfolios managed by the Licensed Person.

Article 5-4-2

A Licensed Person who is authorized to manage Securities Investment Portfolios shall abide by the following:

1. He shall not establish Investment Portfolios for his interest with another Licensed Person, except for the portfolios established with another Licensed Person for investment in foreign markets or an Investment Portfolio mortgaged as guarantee for any bank. Both Portfolio contract parties and the bank are required to have agreed on the mechanisms for managing the Investment Portfolio concerned.
2. He shall not establish Securities Investment Portfolios for individual institutions.
3. He shall not make internal transfers between Investment Portfolios he manages.
4. A manager of an Investment Portfolio is prohibited from purchasing or selling Treasury Shares in a Portfolio owned by the company which has Issued those Shares.
5. The Licensed Person shall ensure that a person managing an Investment Portfolio is not a Member of a Board of Directors of, and shall not hold any Executive Position in, any other Licensed Persons.

Article 5-5

Auditing Requirements

Article 5-5-1

The department within the Markets Sector of the Authority which is responsible accordingly shall be provided with all reports mentioned in this chapter within the periodicity indicated for each report. The Authority may stipulate any electronic system or format for the submission of these reports.

Article 5-5-2

The Authority may require any Licensed Person and a Person whose license is canceled by the Authority, to provide any information or data or reports or additional papers which the Authority deems necessary for the fulfilment of all requirements and conditions stipulated in this chapter.

Chapter Six

A Qualified Securities Broker Registered in the Exchange

Article 6-1

Roles and Responsibilities of Licensed Persons

Article 6-1-1

Before providing any service to a Client, a Licensed Person shall take all required actions to obtain correct and full information and data which enables him to know the client and determine his investment purposes. In particular, the Licensed Person shall:

1. Obtain sufficient and detailed personal information of the Client such as name, date of birth, nationality, occupation, home address, work place (for natural persons), name of any agent and its legal representative together with their contact details, for a regular body, and as for a corporate body, its memorandum of association, nationality and head office address.
2. Ascertain the Client's financial status.
3. Ensure the Client's compliance with all requirements and controls of Anti-Money-Laundering and Combating Financing of Terrorism stipulated in Module Sixteen of these Bylaws.
4. For Corporate Clients, ensure that Client's main activities include dealing in Securities according to its Articles of Association and Memorandum of Association.
5. Update Clients' information and data as necessary, when the need arises, such as upon the expiry of a civil ID or a passport or a commercial license for corporate clients.

Article 6-1-2

A Licensed Person is not required to ensure validity of the information provided by the Client as stipulated in Article 6-1-1 of this Module. He may provide services for Clients based on the information provided unless he knows or may know invalidity or inaccuracy of the same.

Article 6-1-3

If there is insufficient information related to a client in respect of Article 6-1-1 of this Module, the Licensed Person shall notify the Client. The Licensed Person shall suspend such services to a client who fails to provide the information after the expiry of the notice term.

Article 6-1-4

Duty of Honesty

In all cases, a Licensed Person shall act with good faith and for the client's benefit. He shall take the Care of a Prudent Person, and always be honest in all his transactions through compliance in particular with the following:

1. He shall not use the account he manages for Clients for purposes other than those specified for it or for the benefit of the Licensed Person nor for his own benefit, especially in financing purposes of whatever type, whether in the form of giving loans or credit facilities or mortgaging Investment Portfolio as collateral to obtain loans or credit facilities for his own benefit.
2. He shall not execute a Client's order if such would incur a penalty set by a Regulatory Body or nor issue any order when a ruling or instruction of an investigatory authority or judicial entity has ordered the suspension the client's orders nor if there are reasons or information indicating that client's orders may entail the following:
 - Improper and misleading practices for the purpose of Securities manipulation.
 - Insider trading.
 - Not abiding by applicable laws and rules concerning Securities Activity, especially the clearing and settlement rules applicable in the Exchange and Clearing Agency.

Article 6-1-5

Duty of Care

A Licensed Person shall always consider Client's benefit and endeavours to achieve his Clients' benefits and care for their investment. He shall particularly comply with the following:

1. He shall enable a Client to exercise all his rights arising from his ownership of Securities, such as rights of taking any action on Securities, voting, nomination and appointment to Boards. The Licensed Person may not exercise any such rights on behalf of the Clients.
2. He shall commit to establishing one account for each Client in the licensed person correct, this account shall be restricted to one client only.
3. He or his employees shall be responsible for any mistake that may occur while executing Clients' transactions and orders. He shall take necessary actions to recover the same. Defaults of gross negligence or bad intention or deliberate violations of the Licensed Person's duties in managing Client's investments shall not be waived.
4. He shall keep in safekeeping documents which prove ownership in the name of the Client.

Article 6-1-6

Contracts and Agreements with Clients

Without prejudice to Article 1-4 of Module Eight (Conduct of Business), each agreement concluded with a Client shall in particular:

1. Procedures of order receipt and execution, stating whether this shall be done in writing or via recorded phone calls or E-mail or other modern means of communications.
2. Procedures for informing the Client of completed transactions as well as frequent reports regarding the results of client requests.
3. State the reports to be provided to the Client, including their frequency and method of presentation.
4. State the Licensed Person's policy for keeping the accounting records and the relevant supporting documentation.
5. State the method of delivery of reports, notices and other communications whether written to be delivered by hand or mail, or through fax or E-mail or any other modern means of communication
6. State whether the parties agree to the option of arbitration in accordance with the Arbitration Rules of the Authority in the event of any dispute arising concerning the contract.
7. Describe the manner of delivering the Securities, funds and any other assets to the Client, or to the party concerned with holding, managing, or safe-keeping, immediately and without delay, in the event that the Client requires the same or upon non-renewal or termination of the contract between the Licensed Person and the Client, or upon the cancelation of the Licensed Person's license, taking into account the Care of the Prudent Person's license, without delay in the execution of the Client's requests and the delivery of the Investment Portfolio, taking into account the stipulation of Appendix (3) of this Module.
8. A statement that the Licensed Person and the Client shall abide by laws and regulations, especially the Law and these Bylaws.

Article 6-2

Licensed Persons' Operational Requirements and Controls

Article 6-2-1

In executing a Client's transactions, a Licensed Person shall abide by the mechanisms stipulated in the contract between the two parties and in addition shall comply with the following:

1. Secure the Client's interest when transmitting the Client's orders to another entity for execution.
2. Not to combine orders received from one Client with those of any other Client.
3. To execute the Client's orders for Securities sales or purchases without interfering directly or indirectly in the Client's decision concerning the same.
4. To abide by the tools and mechanisms approved by the Exchange and the Clearing Agency when executing relevant transactions.
5. Not to execute a Client's order until verifying that the Client can fulfil its obligations within the specified time for settlement.
6. he shall commit to execute the client's settlement of the transactions in accordance with the regulations set out by the Authority.
7. Licensed Person shall not use the funds and assets of a client for the benefit of another.
8. Keep safe documents relating to sale and purchase transactions performed by the Client.

Article 6-2-2

Controls and Internal Auditing

Since the work of a Qualified Securities Broker registered with an Exchange allows direct access to Clients' accounts and due to the confidentiality and privacy of the same, in addition to direct dealing in Securities sale and purchase orders systems, there shall be certain controls and internal audit restrictions that applied by the Licensed Person, including the following at least:

1. The specific physical location at which qualified securities broker registered with an Exchange are managed shall be secured and equipped with effective monitoring tools.
2. Access to such location shall be restricted to a limited number of employees who each shall be certified by the executive management of the Licensed Person, on condition that these employees shall be the only ones who are authorized to deal with the Clients' accounts and are registered as a qualified securities broker registered at an exchange in the Authority.

Article 6-3

Reporting Systems

Article 6-3-1

A Licensed Person shall set up a comprehensive reporting system to his Clients giving the Client a clear and accurate portrayal of the status of his accounts and completed transactions, by preparing periodic reports which indicate the composition and value of the of the client's accounts, and it shall include the following at least:

1. Client account number.
2. Report date.
3. Cash balance available for the Client.
4. Securities included in the account.
5. Total value of account on the report date.
6. Realized and unrealized profits/losses percentage for the year to date.
7. Mortgage details and determining the Person/entity to which the account is mortgaged and the rank of such mortgage.
8. Total fees and commissions whether for the purchase and/or sale of Securities or for any other service provided by the Licensed Person within the period.
9. Description of each Security in the account:
 - Security name.
 - the Exchange on which the Security is listed.
 - average purchase cost of the Security.
 - Market value of Security listed on the Exchange.
 - Value of each Security according to purchase currency thereof, complying with international accounting standards in determining and evaluating the Security value as per exchange rate.

Article 6-3-2

Notice Requirements

Licensed Person shall notify the Authority of the following:

1. Upon any change or development which materially affect the Licensed Person's performance of his duties as a Qualified representative of a Securities Broker registered with an Exchange.
2. Upon refraining from executing transactions for a Client pursuant to paragraph 2 of Article 6-1-4 of this Module.
3. Upon any problem or default in the internal control system of the Licensed Person.

Chapter Seven Custodian

Article 7-1

Article 7-1-1

Roles and Responsibilities of the Licensed Person

The Licensed Person shall, before providing services to Clients, take all necessary measures to obtain accurate and complete information and data, which allows him to know the Client, while complying with the provisions stated in the rules of Anti-Money Laundering and Combating Financing of Terrorism mentioned in Module Sixteen (Anti-Money Laundering and Combating Financing of Terrorism) of these Bylaws.

Article 7-1-2

A Licensed Person shall not ensure validity of the information provided by the Client as stipulated in Article (7-1-1) of this Module. He may provide services for Clients based on the provided information unless he knows or may know of its invalidity or inaccuracy.

Article 7-1-3

If there is insufficient information relating to a Client as stipulated in Article (7-1-1) of this Module, the Licensed Person shall notify the Client. The Licensed Person shall suspend such services to a Client who fails to provide the information after the expiry of the notice term.

Duty of Honesty

Article 7-1-4

In all cases, a Licensed Person shall act with good faith and for the Clients' benefit. He shall take the Care of a Prudent Person, and be always honest in all his transactions.

Duties of Care

Article 7-1-5

A Licensed Person shall always consider Client's benefit and endeavours to achieve his Clients' benefits. He shall particularly comply with the following:

1. He shall enable Clients to exercise all their rights arising from his ownership of Securities, such as rights of taking any action on Securities, voting, nomination and appointment to Boards.
The Licensed Person may exercise any such rights on behalf of the Clients with written authorization by the Client whether in the contract concluded or via special authorization.
2. He shall commit to establishing one account only to each Client in the Licensed Persons records, such account may only be owned by one Client.

Contracts and Agreements Concluded

Article 7-1-6

Without prejudice to Article (1- 4) of Module Eight (Conduct of Business), each agreement concluded with a Client shall include in particular:

1. The procedures that need to be followed for record keeping which include distinguishing between the Client's Assets and Funds, and the ones held for any other Client or for the Licensed Person, and the means of ensuring that each Client's Assets and Funds are recorded in a separate account in the name of the Client, as well as the means of specifying the keeping entity and the value and the ownership of the Client's assets at all times.
2. State the reports to be provided to the Client, including their frequency and method of presentation.
3. State the method of delivery of reports, notifications and notices whether written to be delivered by courier or mail, or through fax or E-mail or any other modern communication mechanism.
4. Mechanism of receiving the Client's orders and their execution, and specifying whether this shall be done in writing or via recorded phone calls or E-mail or any other modern communication mechanism.
5. Rights and obligations of every Client.
6. State whether the parties agree to the option of Arbitration in accordance with the arbitration Rules of the Authority in the event of any dispute arising concerning the contract.
7. Procedures followed by the Licensed Person in the event of termination of the contract at the request of the Client or the Licensed Person, or the cancelation of the licensed activity of the Custodian by the Authority, provided they include - as a minimum - the following:
 - A- Mechanism of delivering the funds and assets of the Client's Investment Portfolio managed by the Licensed Person under the activity of Custodian to be operated by another Licensed Person.
 - B- Mechanism for delivering the assets, Securities and funds held in custody, to the Client or to the party concerned with holding, managing, or safe-keeping them. Taking into account the stipulation of Appendix (3) of this Module.
8. A statement that the Licensed Person and the Client shall abide by laws and regulations, especially the Law and these Bylaws.

Article 7-2

Reporting Systems

Article 7-2-1

A Licensed Person shall set up a comprehensive reporting system to his Clients a clear and accurate image of the status of their accounts and assets by preparing comprehensive periodic reports which indicate the composition of the assets and value of the Clients accounts,

and including the following at least:

1. Client's account number.
2. Report date.
3. Cash balances available for the Client.
4. Assets and funds included in the Client's account.
5. Entity keeping the Assets and Funds included in the Client's account.
6. Details relevant to the ownership of assets and funds included in the Client's account.
7. Total value of Client's account on the report date.
8. Mortgage details and determining the Person/entity to which the securities are mortgaged and the rank of such mortgage.

Article 7-2-2

Reports to the Capital Market Authority

A Licensed Person shall provide the Authority with an annual report submitted by an independent external audit office on the Licensed Person. In particular it shall include the following:

- Evidence of the availability of the necessary IT systems which enable the Custodian to perform his tasks in a manner that is commensurate with the nature and volume of the work that he carries out, and in line with IT systems adopted by the Custodian at the Clearing Agency and the Exchange.
- State the Clients assets: It shall include the arrangements required for fulfilment of the stipulations in Article (3-2) of this Module.

Article 7-3

Notice Requirements

A Licensed Person shall notify the Authority immediately upon the occurrence of any change or development which materially affect the Licensed Person's performance of his duties in the Custodian activity.

Chapter Eight

Default Events

Article 8-1

Definition of Default Events

Occurrence of an urgent factual or legal event for the Licensed Person that may lead to the inability to continue performing business, or meeting obligations, or losing its administrative capacity, thereby jeopardizing the safety of Clients' funds and assets in his possession.

The Default Events are divided into two parts which are: Primary Default Event and Secondary Default Event.

Article 8-2

Article 8-2-1

Primary Default Event

A Primary Default Event in respect of a Licensed Person shall be deemed to occur in the following cases:

1. Disorder of the financial status of a Licensed Person, including, but not limited to, the following events:
 - a) Accumulated losses reaching 75% of the capital.
 - b) The inability of a Licensed Person to meet its financial obligations on maturity.
 - c) Material doubt expressed by the Licensed Person's Auditor regarding its ability to continue its objectives.
 - d) Any other cases the Authority may deem to affect the ability of a Licensed Person to continue its business.
2. Disorder of the administrative status of a Licensed Person, including, but not limited to, the following events:
 - a) Sudden group resignations by Members of a Board of Directors or executive management.
 - b) The annual general assembly meeting may not be held for more than one year from the last scheduled date.
 - c) Not forming the Board of Directors for more than six months from the date of vacancy.
 - d) Issuance of a decision by any Regulatory Body to isolate the majority of Members of the Board of Directors.
 - e) Any other cases the Authority may deem to affect the ability of a Licensed Person to continue its business.
3. In case of appointing a receiver or administrator, or the attachment of execution over its assets by at least 50% of such assets.

Article 8-2-2

In the event of a Primary Default Event, the Licensed Person shall immediately notify the Authority in writing. In case of non-compliance by the Licensed Person, the Authority shall announce that the Licensed Person is in Primary Default Event after examining and assessing the disorder of the financial or administrative status or both.

Article 8-2-3	The <u>Authority</u> may suspend the <u>Licensed Persons</u> transactions, as it deems necessary.
Article 8-2-4	When the <u>Licensed Person</u> is in Primary <u>Default Event</u> due to disorder of financial or administrative status, it shall present a work plan to the <u>Authority</u> to resolve this disorder within ten <u>Business Days</u> from the date of the <u>Authority's</u> notice or announcement.
Article 8-2-5	In case of the <u>Authority's</u> approval of the plan mentioned in the Article above, the <u>Licensed Person</u> shall immediately implement the plan and provide the <u>Authority</u> of periodical reports regarding the implementation results. The <u>Authority</u>, immediately upon completion of executing this plan, shall announce the end of the Primary <u>Default Event</u>.
Article 8-2-6	The <u>Licensed Person</u> shall take prompt actions to deliver <u>Clients'</u> funds and assets to them or any party relevant to holding, managing or safekeeping them, provided that the contracts and agreements relating to such funds and assets are taken into account within six months upon occurrence of any of the following events: 1. In the event that the <u>Authority</u> rejects a plan submitted by a <u>Licensed Person</u>. 2. In the event of the <u>Licensed Person's</u> failure to implement the plan and end of the specified period. 3. In the case of a Primary <u>Default Event</u> of the <u>Licensed Person</u> due to the appointment of receiver or administrator, or the attachment of execution over its assets by at least 50% of such assets.
Article 8-2-7	The <u>Authority</u> may require implementation of any action or procedure differing from the actions set out above to resolve any Primary <u>Default Event</u> .

Article 8-3	Secondary Default Event
Article 8-3-1	A Secondary <u>Default Event</u> occurs upon disorder of the financial or administrative status of a third party who holds funds and assets of a <u>Licensed Person</u> , or when appointing a receiver or administrator or whole attachment of any of its assets, or partial attachment of not less than 50% of those assets.
Article 8-3-2	In the event of a Secondary <u>Default Event</u>, all Clients' assets shall be treated as a pooled and deposited in an independent account with a <u>Local Bank</u> or the <u>Licensed Person</u> <u>Clients'</u> account pursuant to Article (8-3-1) and shall be treated in the following way: 1. Each <u>Client</u> shall separately bear any shortfall in accordance with their entitlements as held with the defaulted person, unless a breach of the <u>Licensed Person's</u> obligations stipulated in this Module would then occur. 2. The <u>Licensed Person's</u> accounts and registers shall be amended to reflect the result of applying item (1) of this Article. The <u>Licensed Person</u> shall prepare a record showing the total shortfall resulting from the Secondary <u>Default Event</u> and each <u>Client's</u> share thereof. The <u>Authority</u> may require implementation of any action or procedure differing from the actions set out above to resolve any Secondary <u>Default Event</u>.
Article 8-3-3	The <u>Authority</u> may require implementation of any action or procedure differing from the actions set out above to resolve any Secondary <u>Default Event</u> .
Article 8-3-4	A <u>Licensed Person</u> shall not transfer <u>Clients'</u> funds or assets to a defaulted person after the occurrence of a Secondary <u>Default Event</u> , unless pursuant to the <u>Client's</u> order to settle a commitment for the <u>Client</u> towards another defaulted person, these remaining funds shall return to the <u>Client's</u> account immediately or transfer to another person's account based on the <u>Client's</u> instruction.
Article 8-4	The provisions of this Chapter regarding Primary <u>Default Event</u> and Secondary <u>Default Event</u> does not apply to banks, the <u>Authority</u> and the <u>Central Bank</u> shall co-ordinate in this regard pursuant to the signed memorandum of understanding between them.

DISCLAIMER:

This “translation” of the Bylaws of the Capital Markets Authority from Arabic into English is provided solely for reference. No translation can exactly reflect every aspect of an original text and accordingly this “translation” may be used for guidance but not for legal purposes. Only the Arabic original shall be considered for legal proceedings and legal actions before the competent courts of jurisdiction and in any arbitration mechanism agreed upon by contracting parties to any transaction made under the Law and the Bylaws thereof. The Capital Markets Authority shall not be responsible for any mistake, error and/or misinterpretation made or given by any party based on that party’s interpretation of the Law and the Bylaws whether arising from a reading of the Arabic text or, specifically in the context of this document, the English “translation”. The original Arabic versions, as approved and accordingly published by the Authority, shall constitute the only source of the provisions and regulations of the Law and its Bylaws.

Appendix 1

Securities Investment Portfolios' Definition, Goals, Components and Types

This appendix includes general guidance provisions concerning definition, goals, components and types of Securities Investment Portfolios in detail as follows:

First: Investment Portfolio Definition

Investment Portfolio is one of main investment tools which consist of various Securities that differ in type or revenue or maturity term, and which is managed or archived or pursued by a person licensed by the Authority. It is often for trading and investment in local and foreign markets, as well as achieving the highest possible revenue for Clients under acceptable level of risks.

The Investment Portfolio must be owned by one Client, excluding the following:

- 1) Inheritance cases, and even distributing Shares to heirs.
- 2) Public corporate entities who manage or act with the funds of others in accordance with the laws of their establishment.

It shall be managed by the Licensed Person or the Client personally, subject to the Client's investment goals and risks level and degree accepted by the Client.

Thus, method of managing Investment Portfolio by the Licensed Person may take any of the following forms:

1. Investment Portfolio managed by The Licensed Person in favour of Clients:

Components of this portfolio are managed and investment resolutions are taken by the Licensed Person in accordance with the Client's investment desires and aims, which are agreed with the Licensed Person based on set or non-set scale investment policy as below:

- a. Set scale (restricted) investment policy:

The Client shall determine goals and risk level as well as the desired investment tools for example, not limited to: Securities type, risks degree, economic activity sector and targeted markets. The Licensed Person shall manage the Investment Portfolio in accordance with the Client's goals.

- b. Non-set scale (absolute) policy

The Client shall determine goals and risks level without identifying the portfolio investment policy. The Licensed Person shall identify and manage the portfolio with full investment powers pursuant to Client's policies and goals.

2. Investment Portfolio managed by the Client personally

The Client shall identify goals, risks level and portfolio investment policy. He shall personally manage and vary investments as per his trends and investment vision. The Licensed Person's role shall be limited to executing Client's orders and instructions, pursuing investments and providing him with all Investment Portfolio-related services.

3. Custody Investment Portfolio

This type serves the Client's desire to maintain Securities at average or long term through archiving with the Licensed Person. The Client shall set a fixed policy to maintain Investment Portfolio components. The role of the Licensed Person shall be limited to pursuing the Client's portfolio components and provision with all Investment Portfolio relevant services, especially using portfolio's components for archive and long term investment in order to –possibly- prevent using components thereof in other purposes.

Second: Investment Portfolio Goals and Purposes

The main objective of establishing Investment Portfolio is meeting the Client's needs, which aim mostly to achieving profits with the least possible risks through long or average or short term Securities investment. This is done by following wise and comprehensive investment policy which is considered an apparent framework of the Licensed Person investment philosophy and goals. Establishing Investment Portfolio may have multiple purposes. In light of the Client's goals, Security type is elected in consistency with these goals. Below are the most important goals and purposes of Investment Portfolio, for guidance:

1. Achieving constant development in Securities investment money and improving the market value of the Investment Portfolio.
2. Maintaining Client's capital as this is considered basic necessity for the Client's continuous stock investment.
3. Achieving additional profits through distributions given by the invested company.
4. Reducing Securities investment risks through diversifying the Investment Portfolio.
5. Influencing the company's resolutions through voting in shareholders' general assemblies. The greater Shares increase the Client's (shareholder's) power in the company, and subsequently he has more ability to interfere in any resolution contradicting with his interests.
6. Providing another source for liquid money when needed, through investment in high liquidity Securities which can be sold and purchased at all times.

It is worth noting that Client's investment goals and policies must be clear and accurately defined.

Third: Investment Portfolio Components and Establishment Method

Investment Portfolio mainly consists of Securities, in addition to Client's cash money assigned for investment. Thus, portfolio components are featured with action and change according to its type and goals of every Client, and risks acceptance degree. Securities combination and category, especially Shares, bonds, instruments and collective investment unit and other tools vary from one portfolio to another. Besides, Investment Portfolio Securities vary as for type, value, and revenue and maturity period.

In this regard, it is worth noting that Investment Portfolio establishment is governed by important controls and factors such as available capital, expected revenue, portfolio relevant risks and variety. These factors must be put into consideration by those who want to establish Investment Portfolio to accomplish their targets. Below are the controls to be considered while establishing Investment Portfolio:

1. Financial or capital controls:

The Licensed Person must identify the Client's financial status. He shall consider depending on money available in the portfolio to finance financial portfolio. This money may be resulting from facilities and loans obtained by the Client whether portfolio components are the guarantee or not.

2. Variety controls:

If the Investment Portfolio is managed by the Licensed Person, it is necessary while selecting Securities, to apply variation principle subject to one or more of the following controls:

- Variation between Securities issuing agencies.
- Variation of Security type (for example: preferred Shares/ normal Shares, instruments, companies/governmental bonds, variable interest bonds/ fixed interest bonds, Collective Investment Scheme unit).
- Variation of risk degree accompanied to each Security
- Variation between economic sectors
- Variation according to maturity period
- Variation according to Securities realized revenue
- Variation between listed and non-listed Securities
- Variation between following markets:
 - Immediate or cash markets, future markets, and Financial Derivatives markets.
 - Local and foreign markets.

Fourth: Investment Portfolios Types

Due to the spread and branching of financial an investment markets and the variation of the available tools and different Securities, there are many types of Investment Portfolios due to various components, goals and accompanied risks. Below are the most important types of Investment Portfolios managed by the Licensed Person for guidance:

1. Regular revenue portfolio – income
2. Profit portfolios - growth
3. Profit and revenue portfolios – mixed
4. Conservative portfolios
5. High risk portfolios

Appendix 2

Securities Investment Portfolios Forms

NOTE:

All forms referenced in the “translation” of the Bylaws are for reference purposes only. Forms to be submitted to the Authority are to be in Arabic language only.

Form No. 1

Report Indicating Securities Investment Portfolios Established or closed by the Licensed Person

(Add name of the Licensed Person)

..... Quarter of the year

Report date:											
S	Investment Portfolio No.	Client's name	Civil/ Commercial register No.	Client's type	Nationality	Investment Portfolio management methods			Date of portfolio establishment	Date of portfolio closing	Remark
				Normal or company person		Investment Portfolio managed by the company	Investment Portfolio managed by the Client	Custody Investment Portfolio			
1											
2											
3											
4											
5											

This report shall be sent to markets follow up operations department in Capital Market Authority no later than five Business Days at the end of each quarter.

Report Indicating Securities Investment Portfolios of the Licensed Person

(Add name of the Licensed Person)

Quarter Year

Report date:															
#	Investment Portfolio No.	Client's name	Civil/Commercial Register No.	Client's type	Statement of the Authorizations granted by the Client to other Persons	Client's Nationality	Investment Portfolio Management Methods			Date of Portfolio Establishment	Market Value of Investment Portfolio	No. of Transactions Executed during this Period	Investment Portfolio Status (Active/ Suspended)	Portfolio Recorded Mortgage	
				Normal or Corporate Person			Investment Portfolio Managed by the Company	Investment Portfolio Managed by the Client	Custody Investment Portfolio		Cash	Securities		Mortgage Degree	

#	Date of Suspending the Investment Portfolio	Reason for Suspending the Investment Portfolio	Procedure Taken Regarding the "Suspended" Investment Portfolio	
			Procedure*	Date

- This report shall be sent to the Markets Surveillance Department in the Capital Markets Authority no later than ten Business Days at the end of each quarter.
- In "Procedure" column, a detailed explanation of the procedures taken regarding the suspended Investment Portfolios is provided.

Report Indicating Trading by the Licensed Person's Board members and employees on Securities Investment Portfolios with the Licensed Person

(Add name of the Licensed Person)

..... Quarter of the year

Report date:																
S	Investment Portfolio No.	Employee/ Board Member name	Client's nationality	Job title	Investment Portfolio management methods			Date of portfolio establishment	Purchases			sales			Securities balance	
					Investment Portfolio managed by the company	Investment Portfolio managed by the Client	Custody Investment Portfolio		Security name	Date	Quantity	price	Security name	Date		Quantity
1																
2																
3																
4																
5																

This report shall be sent to markets follow up operations department in Capital Market Authority no later than ten Business Days at the end of each quarter.

Form No. 4

Report Indicating Trading by Investment Portfolios Clients on Securities Issued by the Licensed Person or Parent Company or Subsidiary or Associate Companies

(Add name of the Licensed Person)

..... Quarter of the year

Report date:																				
S	Investment Portfolio No.	Client's name	Client's type	Normal or company	Client's nationality	Investment Portfolio management methods			Date of portfolio establishment	Purchases				sales				Relation type	Security type	Securities balance
						Investment Portfolio managed by the company	Investment Portfolio managed by the Customer	Custody Investment Portfolio		Security name	Date	Quantity	price	Security name	Date	Quantity	Price			
1																				
2																				
3																				
4																				
5																				

Form No. 5

Report Indicating Trading by Investment Portfolios Foreign (non-Kuwaiti) Clients on Listed Securities

(Add name of the Licensed Person)

..... Quarter of the year

Report date:																					
S	Investment Portfolio No.	Client's name	Client's type	Normal or company	Passport No.	Client's nationality	Investment Portfolio management methods				Date of portfolio establishment	Purchases				sales				Security type	Securities balance
							Investment Portfolio managed by the company	Investment Portfolio managed by the Client	Custody Investment Portfolio	Investment Portfolio managed by the Client		Security name	Date	Quantity	price	Security name	Date	Quantity	Price		
1																					
2																					
3																					
4																					
5																					

This report shall be sent to markets follow up operations department in Capital Market Authority no later than five Business Days at the end of each quarter.

Appendix 3

(General Procedures for Handing Over of Clients' Funds and Clients' Assets to the Party Concerned with Holding, Managing or Safe-keeping in the event of the Licensed Person's License is Canceled by the Authority Pursuant to the Provisions of Article 67 of the Law)

NOTE:

All forms referenced in the "translation" of the Bylaws are for reference purposes only. Forms to be submitted to the Authority are to be in Arabic language only.

Steps of the Procedure	Procedures Required of the person whose license has been canceled
First Stage: "Announcement and submission of the required documents to the Authority."	1. The Person whose license is canceled shall announce immediately – within a maximum of 3 Business Days from the date of issuance of the cancelation resolution in the following means of media: • Company's website. • All approved social media accounts and official, approved electronic applications of the company. • Two local daily newspapers. A Person whose license is canceled shall consider the following when advertising: - The announcement shall include the Authority's resolution to cancel the company's license and evidence that the company's Clients are asked to hand over their funds and assets, and the end date of the hand over period. - The Listed Company shall comply with the relevant disclosure rules in this regard in accordance with Module Ten «Disclosure and Transparency» of these Bylaws. 2. In the event of canceling the licensed activities of an Investment Portfolio Manager, the Person whose license is canceled must notify the specialized companies licensed to manage Clients' investments outside the State of Kuwait of the Authority's resolution and activate the terms of handing over Clients' funds and Clients' assets to the party concerned with holding, managing or safe-keeping contained in the contract concluded between the two parties.

3. Based on the issuance of the Authority's resolution, the Person whose license is canceled shall – within a maximum of 10 Business Days from the date of the resolution - submit to the Authority a clear plan for the procedures that the company shall undertake to hand over the Clients' funds and Clients' assets related to Securities Activities and the time periods for implementing the hand over process, including the following:
 - Mechanism for handing over Clients' funds and Clients' assets to the party concerned with holding, managing or safe-keeping.
 - Report that includes the basic data of its Clients - for the purpose of following up on the process of handing over Clients' funds and Clients' assets to the party concerned with holding, managing or safe-keeping - in particular the following:
 - Full name (Individual/Commercial name (company)).
 - Civil ID (Individual/ Commercial license number (Company))
 - Contact Information.
 - Client Balance.
 - A detailed statement of the Client's funds and Client's assets (inside and outside the State of Kuwait) stipulated in Article 1-2 of this Module.
 - Location of funds and assets (specify the country).
 - Any other data the company deems necessary to be mentioned in the plan.
 - Excluded from the above-mentioned report is a Person whose license to practice the activity of an Investment Portfolio Manager is canceled and is replaced with Reports Form 1 and 2 stipulated in Appendix (2) of this Module. The reports are considered for follow-up on the process of handing over Clients' funds and Clients' assets to the party concerned with holding, managing or safe-keeping.
4. The Person whose license is canceled shall update and submit a follow-up report of the process of handing over Clients' Funds and Clients' Assets to the party concerned with to holding, managing or safe-keeping, as referred to in item (3), to the Authority on a monthly basis.
5. In conjunction with the stipulations of this stage, the Person whose license is canceled shall communicate with his Clients according to what is agreed upon in the contracts concluded between them to implement the procedures for handing over Clients' funds and Clients' assets, and settling their obligations immediately or transferring them to another Person's account in accordance with the Client's instructions for each Client separately, according to the terms of contracting with Clients for each activity of the Securities Activities.

Second Stage:
“Implementing the
Mechanism for Handing
Over Clients' Funds and
Clients' Assets.”

General Provisions

The Person whose license is canceled, during the implementation of the mechanism for handing over Clients' funds and Clients' assets, shall take the Care of a Prudent Person on the following aspects:

- Make every effort of handing over Clients' funds and assets to the party concerned with holding, managing or safe-keeping, as soon as possible, taking into account the manner in which the hand over process will take place in accordance with the contracts and agreements concluded with the Client.
- The responsibility of communicating with the Capital Markets Authority during the first stage until the final approval of the closing stage rests with the Compliance Officer registered with the Authority or his representative, provided that the Authority is notified in advance of the contact person's data.
- Providing all information and data to the Authority and the concerned authorities in the hand over process in a clear and accurate manner.
- Notifying the Authority immediately of any material developments that may delay the hand over process.
- Preserving supporting documents regarding the Client's receipt of his funds and assets or the receipt of the party concerned with holding, managing or safe-keeping.

The Third Step:
«Closing»

1. In the event that the Person whose license is canceled is committed to carrying out the hand over process within the period specified by the Authority, the final report of the handover process and clearance certificates shall be submitted from the concerned authorities inside and outside the State of Kuwait (if any).
2. In the event that the Person whose license is canceled does not comply with the implementation of the hand over process within the period specified by the Authority, for several reasons, for example, but not limited to, failure to contact some of the Licensed Person's clients, the Person whose license has been canceled shall keep the unclaimed Funds and Assets of his Clients with the obligation to ensure the continuity of separating those funds and assets from the company's funds and assets.
3. The Authority has the right to issue instructions to transfer Clients' Funds and Clients' Assets to another Licensed Person to ensure the safety of Clients' Funds and Clients' Assets in the event that the person whose license has been canceled is unable to complete the hand over process for any of the reasons that may arise, if the Authority deems it necessary.