



MARKETS & EXCHANGES MODULE

CONSULTATION



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MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-A Introduction

MAE-A.1 Purpose

Executive Summary

- MAE-A.1.1 Module MAE sets out the Central Bank of Bahrain's regulatory framework governing licensed exchanges, and licensed market operators (other trading instruments platforms) and licensed equity crowdfunding market operators operating in or from the Kingdom of Bahrain.
- MAE-A.1.2 The MAE Module seeks to introduce a consistent, effective and harmonised approach in regulation and supervision of licensed exchanges and licensed market operators in the Kingdom of Bahrain. It sets out the CBB requirements for their authorisation, the initial as well as ongoing compliance requirements.
- MAE-A.1.3 The key principles underlying the approach of the CBB in this Module aim:
- (a) To promote fair, orderly and transparent markets;
 - (b) To facilitate efficient markets for the allocation of capital and the transfer of risks;
 - (c) To reduce systemic risk;
 - (d) To detect and deter manipulation and other unfair trading practices; and
 - (e) To maintain integrity of trading through fair and equitable rules that strike an appropriate balance between the demands of different market participants.
- MAE-A.1.4 Persons or entities undertaking functions falling within the meaning of licensed exchanges and licensed market operators require prior CBB approval. MAE-B.2 provides the definitions for licensed exchanges and licensed market operators which are impacted by this Module. These include entities providing the services including those:
- (a) That provide a platform through which the exchange of securities takes place;
 - (b) Which provide listings of securities for trading;
 - (c) Which which provide trade matching services, as these services may result in a transaction between investors; and
 - (d) Which provide a service which leads an investor to the reasonable expectation that they may trade in securities.
- MAE-A.1.4A** The MAE Module sets out the requirements that have to be met by licensed equity crowdfunding market operators and equity crowdfunding issuers.

Legal Basis

- MAE-A.1.5 Article 4(4) and Part 2 of the CBB Law provides the power of the CBB to license and exercise regulatory control over financial institutions providing regulated services stated in Article 39, including markets and exchanges.



MODULE	MAE:	Markets & Exchanges Module
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MAE-A.1 Purpose

- MAE-A.1.6 As per Article 39(b) of the CBB Law, the CBB shall issue regulations specifying the regulated services. The operation of a licensed market operator or a licensed exchange is hereby specified as one of the regulated services which require licensing pursuant to Article 40 and Article 44 of the CBB Law.
- MAE-A.1.7 This Module contains the prior approval requirements for approved persons under Resolution No (23) of 2015.
- MAE-A.1.8 This Module contains Resolution No (1) of 2007 (issued under Article 180 of the CBB Law) amended by Resolution No (26) of 2010 and further amended by Resolution No (1) of 2016 with respect to determining fees categories due for licensees and services provided by the CBB.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-A Introduction

MAE-A.2 Module History

Evolution of Module

MAE-A.2.1 This Module was first issued in October 2008. Any material changes that are subsequently made to this Module are annotated with the calendar quarter date in which the change is made; Chapter UG-3 provides further details on Rulebook maintenance and version control.

MAE-A.2.2 A list of recent changes made to this Module is provided below:

Module Ref.	Change Date	Description of Changes
MAE-1.1.4 to MAE-1.1.6	04/2013	References added to requirements under Resolution No.(16) for the year 2012.
MAE-1.2.4	04/2013	Updated name change to Form 3.
MAE-1.9.1 and MAE-1.9.1A	04/2013	Provided details of annual fee due to the CBB.
MAE-2.4.3 and MAE-2.4.4	04/2013	Added reference to report institutional information (IIS) to the CBB.
MAE-5.3.12	04/2013	Added reference to Form 3: Application for Approved Person Status
MAE-5.3	04/2013	Expanded the scope of this Section to include all approved persons occupying controlled functions and the various related Rules and Guidance. Clarified Rules and guidance on annual license fees.
MAE-1.9	04/2014	Clarified Rules and guidance on annual license fees.
Module MAE	04/2016	Various minor corrections to clarify language and link defined terms to glossary.
MAE-A.1.7	04/2016	Legal basis updated to reflect Resolution No (23) of 2015.
MAE-2.1.1 and MAE-2.1.1A	04/2016	Added requirements dealing with shareholders' meetings.
MAE-5.3	04/2016	Amended to be in line with Resolution No (23) of 2015 on Prior Approval Requirements for Approved Persons.
MAE-5.3.2A	04/2016	New Paragraph added to ensure segregation of responsibilities in licensees' staffing arrangements.
MAE-B.2	07/2016	Section deleted and moved to Glossary.
MAE-1.8.4	07/2016	Corrected cross reference.
MAE-1.8.6, MAE-4.3.3, MAE-5.4.5, MAE-5.4.7, MAE-6.1.4, MAE-6.1.8,	07/2016	Changed from Rule to Guidance.
MAE-1.9.1	07/2016	Deleted legal reference as already included under MAE-A.1.8
MAE-2.1.1	07/2016	Corrected wording of Subparagraphs.
MAE-2.3.10	07/2016	Added due date for publication requirement.
MAE-2.3.11	07/2016	Clarified accounting standards to be used.
MAE-A to MAE-2	2017	Introduced new rules for licensed equity crowdfunding market operators and equity crowdfunding issuers



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-A Introduction

MAE-A.2 Module History (continued)

Superseded Requirements

MAE-A.2.3 This Module supersedes the following provisions contained in Circulars, or any other regulatory instruments:

Circular/Other Ref.	Provisions	Subject
MOU between CBB and BSE	All	Supervision of BSE
BSE Internal Regulation	Article 5(4)	Registration of Brokers and Market Makers and Listing of Companies. Article 5(4) will be superseded only in so far as the board acts not “in accordance with a resolution to be issued by the Minister”, but rather “in accordance with the requirements of Module MAE”.
	Article 5(16)	Determination of Brokers’ Commission BSE may determine its own fees and commissions, but this will be done by The Board and not through the Minister, and shall be included in the rules of the BSE to be approved by the CBB in terms of this Module.
	Articles 46 & 49	Final accounts and auditing. The first sentence of Article 46 and the whole of Article 49 is superseded by MAE-2.3

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MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-A Introduction

MAE-A.3 Interaction with Other Modules

- MAE-A.3.1 Persons wishing to act as a Clearing House or a Depository should refer to Module CSD (Clearing, Settlement and Central Depository) which sets forth the CBB requirements for the operating of and licensing requirements of a Clearing House and/or Depository, as well as Module MIR (Market Intermediaries and Representatives).
- MAE-A.3.2 Issuers wishing to seek approval to list securities on exchanges licensed under this Module should refer to Resolution No (17) of 2012 regarding the Listing and Trading of Securities and Financial Instruments in a Licensed Exchange issued pursuant to Article 86 of the CBB Law which sets forth the CBB requirements for the listing of securities on licensed exchanges.
- MAE-A.3.3 Persons wishing to list or trade in securities on exchanges licensed under this Module should refer to Resolution No. (1) of 2004 with Respect to Directives Relating to the Prevention and Prohibition of Money Laundering at the Bahrain Stock Exchange.
- MAE-A.3.4 Licensed exchanges must in addition to complying with the business standards in this Module refer to and comply with Module HC (High-level Controls) outlining corporate governance requirements.
- MAE-A.3.5 Licensed exchanges and licensed market operators must comply with the provisions of Module MIE (Market Surveillance, Investigation and Enforcement), Module MAM (Prohibition of Market Abuse and Manipulation), Module DRA (Dispute Resolution, Arbitration and Disciplinary Proceedings).and Module AML (Anti-Money Laundering & Combating Financial Crime).
- MAE-A.3.6 [This Paragraph was deleted in April 2016.]
- MAE-A.3.7 [This Paragraph was deleted in April 2016.]
- MAE-A.3.8 Licensed exchanges must in addition implement and comply with the Disclosure Standards issued on 3rd December 2003 and available on the CBB Website.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-A Introduction

MAE-A.4 Division of Responsibilities

MAE-A.4.1 A clear division of responsibilities between CBB as the regulator and the licensed exchanges or the licensed market operators as a self regulatory organisation (SRO) is required:

- (a) To maximise the regulatory effectiveness;
- (b) To permit flexibility to the licensed exchanges or the licensed market operators in their functioning;
- (c) To achieve greater efficiency and transparency in the enforcement of the laws, rules and regulations; and
- (d) To minimise the regulatory cost.

MAE-A.4.2 As a regulator, CBB's role is as follows:

- (a) Regulatory supervision;
- (b) Maintaining and promoting fairness, efficiency and transparency within the capital market;
- (c) Acting as an enforcement agency with powers to investigate and take administrative, civil or criminal actions as it may deem appropriate;
- (d) Approving the rules, by-laws and regulations of the licensed exchanges or the licensed market operators, whereby any change in the rules, by-laws and regulations of the licensed exchange or the licensed market operator would need prior approval of CBB; and
- (e) Licensing, supervision, inspection, investigation and enforcement.

MAE-A.4.3

The licensed exchange or the licensed market operator established as an SRO and the licensed equity crowdfunding market operator must comply with the requirements laid down under law as well as by the CBB Law, this Module and the other applicable laws and regulations.

MAE-A.4.4 As an SRO, the main objective of the exchange or the operator is to promote:

- (a) Fairness and investor protection;
- (b) Fair access to market facilities and information;
- (c) The provision of timely and accessible relevant market data; and
- (d) The efficient regulation of its members.

MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-B Purpose

MAE-B.1 Scope

MAE-B.1.1 This Module shall apply to markets operated by a licensed exchange or licensed market operator in or from the Kingdom of Bahrain for the trading of securities, including commodities and/or futures contracts.

MAE-B.1.1A Provisions of this Module shall also apply to market operated by a licensed equity crowdfunding market operator.

MAE-B.1.2 Article 186 of the CBB Law states that the Bahrain Bourse (previously referred to as the Bahrain Stock Exchange (BSE)) is to be regarded as a licensee of the CBB. Accordingly all rules and regulations applicable to markets and exchanges will be applicable to the Bahrain Bourse.



MODULE	MAE:	Markets & Exchanges Module
CHAPTER	MAE-B	Purpose

MAE-B.2 Definitions

[This Section was deleted and moved to the Glossary under Part B in July 2016.]

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MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-1 Licensing

MAE-1.1 Requirement to be Licensed

MAE-1.1.1

No person shall establish or operate a market, or hold himself out as operating a market in or from the Kingdom of Bahrain, unless the person is:

- (a) A licensed exchange;
- (b) A licensed market operator; ~~or~~
- (c) An exempt exchange or market operator; or
- (d) A licensed equity crowdfunding market operator.

MAE-1.1.2

No person in the Kingdom of Bahrain shall hold himself out:

- (a) As a licensed exchange unless he is a licensed exchange; ~~or~~
- (b) As a licensed market operator unless he is a licensed market operator; or
- (c) As a licensed equity crowdfunding market operator unless he is a licensed equity crowdfunding market operator.

MAE-1.1.3

Except with the written approval of the CBB, no person other than a licensed or exempt exchange shall take or use, or have attached to or exhibited at any place:

- (a) The title or description “securities exchange”, “stock exchange”, “futures exchange” or “derivatives exchange” in any language; or
- (b) Any title or description which resembles a title or description referred to in Subparagraph MAE-1.1.3 (a).

MAE-1.1.4

No person may market any financial services in the Kingdom of Bahrain unless:

- (a) Allowed to do by the terms of a license issued by the CBB;
- (b) The activities come within the terms of an exemption granted by the CBB by way of a Directive; or
- (c) Has obtained the express written permission of the CBB to offer financial services.

MAE-1.1.5

In accordance with Resolution No.(16) for the year 2012 and for the purpose of Paragraph MAE-1.1.4, the word ‘market’ refers to any promotion, offering, announcement, advertising, broadcast or any other means of communication made for the purpose of inducing recipients to purchase or otherwise acquire financial services in return for monetary payment or some other form of valuable consideration.

MAE-1.1.6

Persons in breach of Paragraph MAE-1.1.4 are considered in breach of Resolution No.(16) for the year 2012 and are subject to penalties under Articles 129 and 161 of the CBB Law.



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CHAPTER	MAE-1	Licensing

MAE-1.2 Application for License

MAE-1.2.1

A person may apply to the CBB to be:

- (a) Licensed as a licensed exchange;
- (b) Licensed as a licensed market operator; ~~or~~
- (c) An exempt exchange or exempt market operator; ~~or~~
- (d) Licensed as a licensed equity crowdfunding market operator.

MAE-1.2.2

Unless otherwise approved by the CBB, the exchange shall be established as a joint stock company subject to the Commercial Company Law 2001.

MAE-1.2.3

Where the entity is not a joint stock company, the CBB may impose other structural and disclosure requirements.

MAE-1.2.4

An application for approval as a licensed exchange or licensed market operator under Article 39 of the CBB Law shall be made in Form 1 (Application for Approval as a licensed exchange or licensed market operator) and shall be lodged with the CBB together with:

- (a) Form 2 (Information on Shareholders and Subsidiaries) and Form 3 (Application for Approved Person Status);
- (b) Any relevant annex and information specified in those forms;
- (c) A non-refundable prescribed application fee of BD100;
- (d) A business plan setting forth the internal controlling procedures of the enterprise;
- (e) A business plan containing a budgeted accounting plan for the first three business years;
- (f) Memorandum and Articles of Association of the corporation, copies of the by-laws, its constitution and powers of management and the manner in which its business is proposed to be transacted;
- (g) Policies and procedures for all the exchange and market operations;
- (h) The proposed organisation structure and the powers and duties of the officials of the exchange or market operator;
- (i) The criteria for admission into the licensed exchange or the operator of various classes of members, the qualifications for membership, and the exclusion, suspension, expulsion and readmission of members therefrom or thereto;
- (j) A description of the proposed trading and settlement system;
- (k) Arrangements for risk management, compliance and internal controls;
- (l) Where activities would be outsourced, copies of contracts and arrangements for oversight of their activities; and



MODULE	MAE:	Markets & Exchanges Module
CHAPTER	MAE-1	Licensing

MAE-1.2 Application for License (continued)

- (m) Business rules covering membership including capital requirements, instruments to be admitted to trading and listing, trading and execution rules, conflicts of interest requirements, professional standards, clearing and depository rules, data transmission, market conduct including avoidance of market abuse, compliance arrangements, and such other rules as may be required by the CBB.

MAE-1.2.5

The applications must include evidence that:

- (a) Any trading conducted will operate in an orderly, transparent and fair manner;
- (b) The licensed exchange or licensed market operator will be subject to regulation by the CBB;
- (c) The licensed exchange or licensed market operator has taken adequate measure to prudently manage any risks associated with its business and operations;
- (d) The licensed exchange or licensed market operator, in discharging its obligations, will not act contrary to the interests of the public, the investing public, or to the requirements of the CBB;
- (e) The licensed exchange or licensed market operator will enforce compliance by its members with its business rules and listing rules;
- (f) The business rules and listing rules of the licensed exchange or licensed market operator make satisfactory provisions for: an orderly, transparent and fair market trading through its facilities; and the proper rules and supervision of its members; and
- (g) The licensed exchange or licensed market operator has sufficient financial, human, and technical resources to establish and operate a fair and efficient system for market trading; meet contingencies or disasters criteria; and provide adequate trading instruments arrangements.



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CHAPTER	MAE-1	Licensing

MAE-1.2 Application for License (continued)

Licensing of Equity Crowdfunding Market Operator

MAE-1.2.5A This section sets out the licensing requirements for licensing an equity crowdfunding market operator.

Criteria for Grant of Equity Crowdfunding Market Operator License

MAE-1.2.5B The CBB may license a person as an Equity Crowdfunding Market Operator provided:

- (a) The applicant must be locally incorporated;
- (b) The applicant is able to demonstrate that will be able to operate an orderly, fair and transparent market in relation to the securities offered through its electronic facilities;
- (c) The applicant's board, chief executive, controller, and any person who is primarily responsible for the operations or financial management of the body corporate are 'fit and proper';
- (d) The applicant will be able to manage risks associated with its business and operation including demonstrating the processes and contingency arrangement in the event the applicant is unable to carry out its operations;
- (e) The applicant will appoint at least one approved person;
- (f) The business rules of the equity crowdfunding market operator make satisfactory provisions—
 - (i) For the protection of investors and public interest;
 - (ii) To ensure proper functioning of the market;
 - (iii) To promote fairness and transparency;
 - (iv) To manage any conflict of interest that may arise;
 - (v) To promote fair treatment of its users or any person who subscribe for its services;
 - (vi) To promote fair treatment of any person who is hosted, or applies to be hosted, on its platform;
 - (vii) To ensure proper regulation and supervision of its users, or any person utilising or accessing its platform, including suspension and expulsion of such persons; and
 - (viii) To provide an avenue of appeal against the decision of the licensed equity crowdfunding market operator.
- (g) The applicant has sufficient financial, human and other resources for the operation of the equity crowdfunding market, at all times. This includes the minimum capital requirements specified in MAE-1.2.5C.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-1 Licensing

MAE-1.2 Application for License (continued)

Capital Requirement

MAE-1.2.5C The minimum paid up equity capital requirement for a licensed equity crowdfunding market operator is BD 50,000.

MAE-1.2.5D A licensed equity crowdfunding market operators is required to maintain, at all times, the Minimum Capital Requirement specified in Paragraph MAE-1.2.5C. In the event that a licensed equity crowdfunding market operator fails to meet the capital requirements specified in Paragraph MAE-1.2.5C, it must immediately notify the CBB in writing. Unless otherwise directed, the licensed equity crowdfunding market operator must in addition submit to the CBB, within 30 calendar days of its notification, a plan demonstrating how it will achieve compliance with the minimum capital requirement.

Application for License as an equity crowdfunding market operator

MAE-1.2.5E An application for approval as a licensed equity crowdfunding market operator under Article 39 of the CBB Law shall be made in Form 1 (Application for Approval as a licensed equity crowdfunding market operator) and shall be lodged with the CBB together with:

- Form 2 (Information on Shareholders and Subsidiaries) and Form 3 (Application for Approved Person Status);
- Any relevant annex and information specified in those forms;
- A non-refundable prescribed application fee of BD100;
- A business plan setting forth the internal controlling procedures of the enterprise;
- A business plan containing a budgeted accounting plan for the first three business years;
- Memorandum and Articles of Association of the corporation, copies of the by-laws, its constitution and powers of management and the manner in which its business is proposed to be transacted;
- Market operations policies and procedures;
- The proposed organisation structure and the powers and duties of the officials of the equity crowdfunding market operator;

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CHAPTER	MAE-1 Licensing

MAE-1.2 Application for License (continued)

- (i) The criteria for admission of investors and the exclusion, suspension, expulsion and readmission of investors therefrom or thereto;
- (j) A description of the proposed technology, IT system, business continuity and disaster recovery plan;
- (k) Arrangements for risk management, compliance and internal controls;
- (l) Where activities would be outsourced, copies of contracts and arrangements for oversight of their activities; and
- (m) Business rules covering admission criteria including capital requirements, instruments to be hosted, conflicts of interest requirements, professional standards, share register rules, data transmission, market conduct including avoidance of market abuse, compliance arrangements, and such other rules as may be required by the CBB.

MAE-1.2.5F The CBB may, in licensing an equity crowdfunding market operator, impose any term or condition, and at any time vary, add or remove any term or condition.

MAE-1.2.6 The CBB may, within 30 days from the date of submission, require an applicant to furnish it with amendments or such additional information or documents as the CBB considers necessary in relation to the application.

MAE-1.2.7 The CBB may refuse to accept any application if:

- (a) It is not completed in accordance with this Module; or
- (b) It is not accompanied by the relevant fee.

MAE-1.2.8 Where strict compliance with any form is not possible, the CBB may in its sole discretion, and upon request from the applicant to this effect, allow for the necessary modifications to be made to that form, or for the requirements of that form to be complied with in such other manner as the CBB deems fit.

MAE-1.2.9 The applicant may, at any time before a decision has been made about the application, withdraw his application or make amendments to any errors therein or in the supporting documents.



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CHAPTER	MAE-1 Licensing

MAE-1.3 Licensing of Exchanges, and Market Operators and Equity Crowdfunding Market Operators

MAE-1.3.1 The CBB shall decide on the application within 60 days from the date of receiving the application, complete with all the required information and documents.

MAE-1.3.2 The CBB may grant an 'in principle' confirmation that the applicant appears likely to meet the CBB's licensing requirements, subject to the remaining information and documents being assessed as satisfactory. The 'in principle' confirmation will also list all outstanding documents required before an application can be considered complete and subject to formal consideration.

MAE-1.3.2A An 'in principle' confirmation does not constitute a license approval, nor does it commit the CBB to issuing a license. However, it provides sufficient assurance for an applicant to complete certain practical steps, such as securing suitable executive staff that satisfy CBB's 'fit and proper' requirements. Once this has been done, the applicant may finalise its application, by submitting the remaining documents and, once assessed as complete by the CBB, a signed and dated final version of Form 1. However, a Bahraini company proposing to undertake financial services activities would not be eligible to obtain a Commercial Registration from the Ministry of Industry and Commerce unless it receives the final approval from the CBB.

MAE-1.3.3 The operations of the licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator may only commence after the CBB grants the license to the applicant.

MAE-1.3.4 The CBB may license a person as a licensed exchange or license an overseas exchange as a licensed market operator, subject to such conditions or restrictions as the CBB may deem fit to impose by notice in writing, including conditions or restrictions relating to:

- (a) The activities that the person may undertake;
- (b) The securities or futures contracts that may be traded on any market established or operated by the person; and
- (c) The nature of the investors or participants who may use, invest in or participate in the securities or futures contracts traded on any market established or operated by the person.

MAE-1.3.5 The CBB may, at any time, by notice in writing to the person, vary any condition or restriction or impose such further condition or restriction as it may deem fit.

MAE-1.3.6 A licensed exchange, ~~or a licensed market operator~~ or a licensed equity crowdfunding market operator shall, for the duration of the license, satisfy all conditions and restrictions that may be imposed on it.

MAE-1.3.7 Where the CBB rejects an application, the decision and any appeal by the applicant shall be governed by Article 46 of the CBB Law.



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CHAPTER	MAE-1	Licensing

MAE-1.4 Exemption of Exchanges and Market Operators

- MAE-1.4.1 The CBB may:
- Exempt any person operating any market from the requirement under MAE-1.1 to be a licensed exchange or a licensed market operator;
 - Declare that person to be an exempt market operator, by order published in the Gazette; and
 - Impose such conditions or restrictions relating to the exemption as the CBB may deem-fit, by notice in writing to that person.
- MAE-1.4.2 An application to be exempted from the requirement under MAE-1.2 to be a licensed exchange or a licensed market operator shall be made in Form 4.
- MAE-1.4.3 The CBB may exempt an applicant referred to in MAE-1.4.1 from the requirement under MAE-1.2 if, in the opinion of the CBB, the objectives specified in MAE-1.2.5 can be achieved without regulating the applicant as a licensed exchange or a licensed market operator.
- MAE-1.4.4 An application made under MAE-1.4.1 shall be accompanied by a non-refundable prescribed application fee of BD100, which shall be paid in the manner specified by the CBB.
- MAE-1.4.5 The CBB may require an applicant to furnish it with such information or document as the CBB considers necessary in relation to the application.
- MAE-1.4.6 The CBB may, by notice in writing, impose on a person exempted under MAE-1.4.3 such conditions or restrictions relating to the exemption as the CBB may deem fit, including conditions or restrictions relating to:
- The activities that the person may undertake;
 - The securities or futures contracts that may be traded on any market established or operated by the person; and
 - The nature of the investors or participants who may use, participate or invest in the securities or futures contracts traded on any market established or operated by the person.
- MAE-1.4.7 The CBB may, at any time, by notice in writing to a person exempted under MAE-1.4.3, vary any condition or restriction referred to in MAE-1.4.6 or impose such further condition or restriction relating to the exemption as the CBB may think fit.
- MAE-1.4.8 The CBB shall give notice in the Gazette of any person exempted under MAE-1.4.3, and such notice may include the conditions or restrictions imposed by the CBB on the person under MAE-1.4.6 in relation to the securities or futures contracts that may be traded on any market established or operated by the person.
- MAE-1.4.9 An exempt market operator shall comply with all conditions or restrictions imposed on it under MAE-1.4.6, 1.4.7, or 1.4.8, as the case may be.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-1 Licensing

MAE-1.5 Power of CBB to Revoke Exemption

- MAE-1.5.1 The CBB may revoke any exemption granted to a person under MAE-1.4.3 if:
- The person does not commence operating its market or, where it operates more than one market, all of its markets, within 6 months from the date on which it was granted the exemption;
 - The person ceases to operate its market or, where it operates more than one market, all of its markets;
 - The person contravenes:
 - Any condition or restriction relating to the exemption;
 - Any direction issued to it by the CBB; or
 - Any provision of the CBB Law or Regulations;
 - The CBB is of the opinion that the person has operated in a manner that is contrary to the interests of the public;
 - The person is in the course of being wound up or otherwise dissolved, whether in Bahrain or elsewhere;
 - A receiver, a receiver and manager or an equivalent person has been appointed, whether in Bahrain or elsewhere, in relation to, or in respect of, any property of the person;
 - The person has been convicted, whether in Bahrain or elsewhere, of an offence involving fraud or dishonesty or the conviction for which involved a finding that it had acted fraudulently or dishonestly;
 - The CBB is of the opinion that the person would be more appropriately regulated as a licensed exchange or a licensed market operator; or
 - Any information or document provided by the person to the CBB is false or misleading.
- MAE-1.5.2 Subject to MAE-1.5.3, the CBB shall not revoke under MAE-1.5.1 any exemption granted to a person without giving the person an opportunity to be heard.
- MAE-1.5.3 The CBB may revoke any exemption granted to a person on any of the following grounds without giving the person an opportunity to be heard:
- The person is in the course of being wound up or otherwise dissolved, whether in Bahrain or elsewhere;
 - A receiver, a receiver and manager or an equivalent person has been appointed, whether in Bahrain or elsewhere, in relation to, or in respect of any property of the person; or
 - The person has been convicted, whether in Bahrain or elsewhere, of an offence involving fraud and dishonesty or the conviction for which involved a finding that it had acted fraudulently or dishonestly.
- MAE-1.5.4 For the purposes of MAE-1.5.1(b), a person shall be deemed to have ceased to operate its market if:
- It has ceased to operate the market for more than 30 days, unless it has obtained the prior approval of the CBB to do so; or
 - It has ceased to operate the market under a direction issued by the CBB.



MODULE	MAE:	Markets & Exchanges Module
CHAPTER	MAE-1	Licensing

MAE-1.5 Power of CBB to Revoke Exemption (continued)

- MAE-1.5.5 Any revocation under MAE-1.5.1 of an exemption granted to a person shall not operate so as to:
- (a) Avoid or affect any agreement, transaction or arrangement entered into on a market operated by the person, whether the agreement, transaction or arrangement was entered into before or after the revocation of the exemption; or
 - (b) Affect any right, obligation or liability arising under such agreement, transaction or arrangement.
- MAE-1.5.6 The CBB shall give notice in the Gazette of any revocation of an exemption referred to in MAE-1.5.1.

CONSULTATION



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-1 Licensing

MAE-1.6 Criteria for Granting License as an Exchange or Market Operator

- MAE-1.6.1 The CBB may license a person as a licensed exchange or licensed market operator if:
- (a) The CBB is satisfied that the establishment of a market or exchange to be operated by a person will;
 - (i) Develop the financial sector and enhance confidence therein; and
 - (ii) Protect the interests of investors in the market and exchanges and enhance the Kingdom's credibility as an international financial centre; and
 - (b) The CBB is satisfied that the person, having applied to be a licensed exchange or licensed market operator under this Module, is able to comply with the obligations or requirements imposed on licensed exchanges or licensed market operators.
- MAE-1.6.2 The CBB may have regard to the following matters in determining whether a licensed exchange or licensed market operator has satisfied the criteria referred to in Subparagraphs MAE-1.6.1 (a) or (b):
- (a) The size and structure, or proposed size and structure, of the market to be operated by the applicant;
 - (b) The nature of the services provided, or to be provided, by the market to be operated by the applicant;
 - (c) The nature of the securities or futures contracts traded, or to be traded, on the market to be operated by the applicant;
 - (d) The nature of the investors or participants, or proposed investors or participants, who may use or have an interest in the market to be operated by the applicant;
 - (e) Whether the applicant is regulated by the CBB under this Module or any other law;
 - (f) That the rules and by-laws of an applicant are in conformity with such conditions as may be prescribed with a view to ensure fair dealing and to protect investors;
 - (g) That the applicant is willing to comply with any other conditions (including conditions as to the number of members) which the CBB, having regard to the nature of the securities dealt with by it, may impose;
 - (h) The proposed trading and settlement systems comply with up-to-date industry standards;
 - (i) The persons who may be affected in the event that the applicant, or the market to be operated by the applicant, runs into difficulties;
 - (j) Where the head office or principal place of business of the applicant is outside Bahrain, whether the applicant in the country or territory in which the head office or principal place of business of the applicant is situated, is subject to requirements and supervision comparable to those in the Kingdom of Bahrain;
 - (k) The interests of the public; and
 - (l) Any other circumstances that the CBB may consider relevant.



MODULE	MAE:	Markets & Exchanges Module
CHAPTER	MAE-1	Licensing

MAE-1.6 Criteria for Granting License as an Exchange or Market Operator (continued)

MAE-1.6.3 The applicant must additionally be able to demonstrate to the CBB and the CBB must be satisfied that it has:

- (a) The financial resources, and the management and human resources with appropriate experience, necessary for the operation of a market or exchange;
- (b) Made arrangements for the proper supervision of all transactions effected through the market or exchange so as to ensure compliance with its rules;
- (c) Taken sufficient steps to maintain security and back-up procedures to ensure the integrity of the records of transactions effected through the market or exchange;
- (d) Insurance, a guarantee or compensation fund or other warranty plans in place to enable it to provide compensation, subject to the business rules, to clients; and
- (e) Made provisions, to the satisfaction of the CBB, for the clearing and settlement of transactions effected through the market or exchange and for the management of trade and settlement risk.

MAE-1.6.4 In addition, the CBB may, for the purposes of licensing an overseas exchange as a licensed market operator, have regard in addition to any criteria prescribed under Paragraph MAE-1.6.1 whether adequate arrangements exist for cooperation between the CBB and the financial services regulator responsible for the supervision of the operator in the country or territory in which the head office or principal place of business of the operator is situated.

MAE-1.6.5 In considering whether it is satisfied that an overseas exchange has met the requirements mentioned in Paragraph MAE-1.6.1, the CBB may have regard to:

- (a) The relevant laws and practices of the country or territory in which the head office or principal place of business of the operator is situated; and
- (b) The rules and practices of the operator.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-1 Licensing

MAE-1.7 Surrender of License or Cessation of Business

MAE-1.7.1

A licensed exchange, ~~or~~ a licensed market operator or a licensed equity crowdfunding market operator which intends to cease operating its market or, where it operates more than one market, all of its markets, must apply to the CBB to surrender its approval as a licensed exchange ~~or~~, licensed market operator or licensed equity crowdfunding market operator as the case may be.

MAE-1.7.2

The CBB may, subject to MAE-1.8.1 cancel the license if it is satisfied that the licensed exchange, ~~or~~ licensed market operator or licensed equity crowdfunding market operator referred to in MAE-1.7.1 has ceased operating its market or all of its markets, as the case may be and that there are no pending obligations of the licensed exchange, ~~or~~ licensed market operator or licensed equity crowdfunding market operator or contracts traded.

MAE-1.7.3

The licensed exchange, ~~or~~ licensed market operator or licensed equity crowdfunding market operator shall publish a notice of its intention to cease to operate its market in 2 daily newspapers, one in Arabic and the other in English, in Bahrain.

MAE-1.7.4

Any objections received from any investor, member, user or participant of the licensed exchange, ~~or~~ licensed market operator or licensed equity crowdfunding market operator shall be considered by the CBB prior to issuing its consent for the surrender of license or cessation of business of the exchange or the operator.

MAE-1.7.5

The notice referred to in Paragraph MAE-1.7.3 shall be subject to the approval of the CBB and shall be published at least 30 days prior to the cessation taking effect.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-1 Licensing

MAE-1.8 Cancellation or Amendment of License

MAE-1.8.1 The CBB may cancel any license of a person as a licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator if:

- (a) There exists criteria under MAE-1.2 that the licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator does not meet and on which grounds the CBB would refuse an application;
- (b) The licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator does not commence operating its market or, where it operates more than one market, all of its markets within 6 months from the date on which it was granted the license.
- (c) The licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator ceases to operate its market or, where it operates more than one market, all of its markets.
- (d) The licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator contravenes:
 - (i) Any condition or restriction applicable in respect of its license;
 - (ii) Any direction issued to it by the CBB;
 - (iii) Any provision in this Module; or
 - (iv) Any other CBB law, rule or regulation;
- (e) The licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator operates in a manner that is in the opinion of the CBB, contrary to the interests of the public or user; and
- (f) Any information or document knowingly or willingly provided by the licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator to the CBB is false or misleading.

MAE-1.8.2 The CBB may not, subject to MAE-1.8.3, cancel any license that was granted to a licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator without giving the opportunity to be heard.

MAE-1.8.3 The CBB may cancel a license that was granted to a licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator on any of the following grounds without giving an opportunity to be heard:

- (a) The licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator is in the course of being wound up or otherwise dissolved, whether in Bahrain or elsewhere;
- (b) A receiver, a receiver and manager, or an equivalent person has been appointed, whether in Bahrain or elsewhere, in relation to or in respect of any property of the licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator; and
- (c) The licensed exchange, ~~or licensed market operator~~, or licensed equity crowdfunding market operator has been convicted, whether in Bahrain or elsewhere, of an offence involving fraud or dishonesty or the conviction for which involved a finding that it had acted fraudulently or dishonestly.



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MAE-1.8.4

For the purposes of Subparagraph MAE-1.8.1(c), a licensed exchange, or licensed market operator, or licensed equity crowdfunding market operator shall be deemed to have ceased to operate its market if:

- (a) It has ceased to operate the market for more than 30 days, unless it has obtained the prior approval of the CBB to do so; or
- (b) It has ceased to operate the market under a direction issued by the CBB.

MAE-1.8.5

Any cancellation of a license of a licensed exchange, or licensed market operator, or licensed equity crowdfunding market operator referred to in Paragraph MAE-1.8.1 shall not operate so as to:

- (a) Avoid or affect any agreement, transaction or arrangement entered into a market operated by the corporation, whether the agreement, transaction or arrangement was entered into before or after the revocation of the license; or
- (b) Affect any right, obligation or liability arising under such agreement, transaction or arrangement.

MAE-1.8.6

Where the CBB cancels or amends a license of a licensed exchange, or licensed market operator or licensed equity crowdfunding market operator, a notification to the licensed exchange, licensed market operator or licensed equity crowdfunding market operator shall be issued and an appeal against such a decision shall be governed by Article 48 of the CBB Law.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-1 Licensing

MAE-1.9 Annual Fees Payable by Licensed Exchange, and Licensed Market Operator and Licensed Equity Crowdfunding Market Operator

MAE-1.9.1 Every licensed exchange, and licensed market operator, licensed equity crowdfunding market operator must pay to the CBB an annual fee on the 1st December of the preceding year for which the fee is due.

MAE-1.9.1A The following fee is currently prescribed for licensed exchanges and licensed market operators and licensed equity crowdfunding market operators:

Managing and operating markets and systems for trading in securities and financial instruments (<i>fixed</i>)	BD15,000
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<u>Equity Crowdfunding Market Operator (<i>fixed</i>)</u>	BD 1000
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MAE-1.9.1B For new licensees, their first annual license fee is payable when their license is issued by the CBB. The annual fee due in relation to the first year in which the license is granted, is prorated for the year using the date of the official licensing letter from the CBB, as the base for the prorated period. The prorated fee will result in fees charged only for the number of complete months left in the current calendar year.

MAE-1.9.2 Where a license is cancelled (whether at the initiative of the firm or the CBB), no refund is paid for any months remaining in the calendar year in question, should a fee have been paid for that year.

MAE-1.9.3 A licensed exchange, ~~or~~ licensed market operator or licensed equity crowdfunding market operator failing to comply with Paragraph MAE-1.9.1 may be subject to financial penalties as prescribed by the CBB.



MODULE	MAE:	Markets & Exchanges Module
CHAPTER	MAE-1	Licensing

MAE-1.10 Publication of the Decision to Grant, Cancel or Amend a License

MAE-1.10.1 The CBB shall publish its decision to grant, cancel or amend a license in the Official Gazette as well as in 2 local newspapers, one published in Arabic and the other in English in Bahrain.

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MODULE	MAE:	Markets & Exchanges Module
CHAPTER	MAE-1	Licensing

MAE-1.11 Place of Business

MAE-1.11.1 No licensed exchange or licensed market operator must, without a prior written approval of the CBB:

- (a) Open a new place of business in the Kingdom;
- (b) Close or change an existing place of business in the Kingdom;
- (c) Open a new place of business abroad if the licensed exchange or licensed market operator is not an overseas exchange; and
- (d) The CBB may restrict its approval stipulated in MAE-1.6.1, subject to any other conditions, as it may deem necessary.

MAE-1.11.2 A licensed equity crowdfunding market operator must not, without a prior written approval of the CBB:

- (a) Open a new place of business in the Kingdom; and
- (b) Close or change an existing place of business in the Kingdom;



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-2 Obligation of Licensed Exchanges and Market Operators

MAE-2.1 General Obligations

Licensing Requirements

MAE-2.1.1

A licensed exchange, or licensed market operator or licensed equity crowdfunding market operator shall, in respect of every market it operates:

- (a) As far as is reasonably practicable, ensure that the market is fair, orderly and transparent;
- (b) Manage any risks associated with its business and operations prudently;
- (c) Not act contrary to the interests of the public, having particular regard to the interests of the investing public;
- (d) Ensure that access for participation in its facilities is subject to criteria that are fair and objective, and that are designed to ensure the orderly functioning of the market and to protect the interests of the investing public;
- (e) Maintain business rules and, where appropriate, listing rules that make satisfactory provision for:
 - (i) A fair, orderly and transparent market in securities and futures contracts that are traded through its facilities; and
 - (ii) The proper regulation and supervision of its members;
- (f) Enforce compliance with its business rules and, where appropriate, its listing rules;
- (g) Have sufficient financial, human and system resources:
 - (i) To operate a fair, orderly and transparent market;
 - (ii) To meet contingencies or disasters; and
 - (iii) To provide adequate security arrangements;
- (h) Ensure that it appoints or employs fit and proper persons as its chairman, chief executive officer, directors and key management officers;
 - (i) Have a well designed Disaster Recovery Plan in place and the same shall be submitted to the CBB in accordance with Section MAE-2.10;
 - (j) Have the capacity, authority, expertise and resources to enforce compliance by its members, shareholders, users and participants with laws, regulations and rules;
- (k) Ensure that the rules and regulations of the stock exchange or equity crowdfunding platform are clearly expressed, understandable and readily available to anyone who needs to use them;



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-2 Obligation of Licensed Exchanges and Market Operators

MAE-2.1 General Obligations (continued)

MAE-2.1.1 (cont'd)

- (l) Ensure that the rules are applied equally to all participants and investors without favour or discrimination;
- (m) Ensure that there is a system in place to record all trades and capture order entry data for surveillance purposes;
- (n) Ensure that it has a complaints and whistleblowing procedure;
- (o) Have an operating manual, including the structure of the licensed exchange, ~~or~~ licensed market operator or licensed equity crowdfunding market operator;
- (p) Provide to the CBB, for its review and comment, at least 5 business days prior to publishing in the press, the draft agenda for any shareholders meetings referred to in Subparagraph MAE-2.1.1(r);
- (q) Ensure that any agenda items to be discussed or presented during the course of meetings which require the CBB's prior approval, have received the necessary approval, prior to the meeting taking place;
- (r) Invite a representative of the CBB to attend any shareholders' meeting (i.e. ordinary and extraordinary general assembly) taking place. The invitation must be provided to the CBB at least 5 business days prior to the meeting taking place; and
- (s) Within a maximum of 15 calendar days of any shareholders' meetings referred to in Subparagraph MAE-2.1.1(r), provide to the CBB a copy of the minutes of the meeting.



MODULE	MAE:	Markets & Exchanges Module
CHAPTER	MAE-2	Obligation of Licensed Exchanges and Market Operators

MAE-2.1 General Obligations (continued)

Notification Requirements

MAE-2.1.2

A licensed exchange or licensed market operator shall, as soon as practicable after the occurrence of any of the following circumstances, notify the CBB of the circumstance:

- (a) Any material change to the information provided by the licensed exchange or licensed market operator in its application under MAE-1.2;
- (b) The carrying on of any business by the licensed exchange or licensed market operator other than:
 - (i) The business of operating a market;
 - (ii) A business incidental to operating a market; or
 - (iii) Such business or class of businesses as the CBB may prescribe;
- (c) The acquisition by the licensed exchange or licensed market operator of a substantial shareholding in a corporation which does not carry on:
 - (i) The business of operating a market;
 - (ii) A business incidental to operating a market; or
 - (iii) Such business or class of businesses as the CBB may prescribe;
- (d) The licensed exchange or licensed market operator becoming aware of a financial irregularity or other matter which in its opinion:
 - (i) May affect its ability to discharge its financial obligations; or
 - (ii) May affect the ability of a member of the licensed exchange or licensed market operator to meet its financial obligations to the licensed exchange or licensed market operator;



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-2 Obligation of Licensed Exchanges and Market Operators

MAE-2.1 General Obligations (continued)

- (e) The licensed exchange or licensed market operator reprimanding, fining, suspending, expelling or otherwise taking disciplinary action against a member of the licensed exchange or licensed market operator;
- (f) The licensed exchange or licensed market operator reprimands, suspends, dismisses or otherwise takes disciplinary action against any of its directors, or key management officers or if any director or key management officer is subject to an order or petition of bankruptcy or criminal prosecution;
- (g) Any civil or criminal legal proceeding instituted against the licensed exchange or licensed market operator, whether in Bahrain or elsewhere;
- (h) Any disciplinary action taken against the licensed exchange or licensed market operator by any regulatory body, whether in Bahrain or elsewhere, other than the CBB;
- (i) Any significant change to the regulatory requirements imposed on the licensed exchange or licensed market operator by any regulatory body, whether in Bahrain or elsewhere, other than the CBB;
- (j) A failure by the licensed exchange or licensed market operator to adhere to the trading days, hours or sessions of the licensed exchange or licensed market operator;
- (k) Any disruption of, delay in, suspension of, or termination in any trading procedure or trading practice of the licensed exchange or licensed market operator including those resulting from any system failure;
- (l) Any other matter that the CBB may specify by notice in writing to the licensed exchange or licensed market operator.

MAE-2.1.3. The CBB may, at any time after receiving a notification referred to in Paragraph MAE-2.1.2 and after providing the licensed exchange and licensed market operator an opportunity to be heard, issue directions to the licensed exchange or licensed market operator:

- (a) Where the notification relates to a matter referred to in Subparagraph MAE-2.1.1 (b):
 - (i) To cease carrying on the first-mentioned business referred to in Subparagraph MAE-2.1.1 (b); or
 - (ii) To carry on the first-mentioned business referred to in Subparagraph MAE-2.1.1 (b) subject to such conditions or restrictions as the CBB may impose; or



MODULE	MAE:	Markets & Exchanges Module
CHAPTER	MAE-2	Obligation of Licensed Exchanges and Market Operators

MAE-2.1 General Obligations (continued)

- (b) Where the notification relates to a matter referred to in Subparagraph MAE-2.1.1 (c):
- (i) To dispose of the shareholding referred to in Subparagraph MAE-2.1.1 (c); or
 - (ii) To exercise its rights relating to such shareholding subject to such conditions or restrictions as the CBB may impose, and the licensed exchange or licensed market operator shall comply with such directions.

MAE-2.1.4

Where a circumstance referred to in MAE-2.1.2 has occurred, the licensed exchange or licensed market operator shall, in addition to the notification required under Paragraph MAE-2.1.2, within 14 days of the occurrence of the circumstance or such longer period as the CBB may permit, submit a report to the CBB of the circumstances relating to the occurrence, the remedial actions taken at the time of the occurrence, and the subsequent follow-up actions that the licensed exchange or licensed market operator has taken or intends to take.

MAE-2.1.5 An exchange may levy on its members, participants and users such fees as it may deem necessary in the form of:

- (a) Membership fees; and/or
- (b) Listing fees.

MAE-2.1.6 The fees shall be paid quarterly, semi-annually or annually at the discretion of the exchange.

MAE-2.1.7 A licensed exchange or licensed market operator shall, within a reasonable period of time prior to entering into negotiations to establish a trading linkage, clearing arrangement or cooperative arrangement with the person establishing or operating an overseas market or clearing facility, notify the CBB of such intent to enter into negotiations.

MAE-2.1.8 In Paragraph MAE-2.1.7, “cooperative arrangement” shall not include:

- (a) Any joint development of products and services;
- (b) Any joint marketing efforts between the licensed exchange and the person operating an overseas market or clearing facility in promoting the services of either entity; or
- (c) Any memoranda of understanding for the exchange of information.



MODULE	MAE:	Markets & Exchanges Module
CHAPTER	MAE-2	Obligation of Licensed Exchanges and Market Operators

MAE-2.2 Obligation to Maintain Proper Records

MAE-2.2.1

Every licensed exchange, ~~or~~ licensed market operator or licensed equity crowdfunding market operator shall ensure that all relevant books and other information, as may be required by the CBB for the purposes of this Module, be kept for a minimum of 10 years.

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MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-2 Obligation of Licensed Exchanges and Market Operators

MAE-2.3 Final Accounts and Auditing

MAE-2.3.1 Every licensed exchange, or licensed market operator or licensed equity crowdfunding market operator shall appoint one or more a qualified and experienced external auditors for its accounts for every financial year. A prior written approval by the CBB will be required before appointing an auditor.

MAE-2.3.2 If a licensed exchange, or licensed market operator, or licensed crowdfunding market operator fails to appoint an auditor within 4 months from the beginning of the financial year, the CBB shall appoint such auditor.

MAE-2.3.3 The licensed exchange, or licensed market operator, or licensed equity crowdfunding market operator shall pay the fees of the auditor regardless of the manner in which such auditor is appointed.

MAE-2.3.4 An auditor shall not be the chairman or a director in the licensed exchange, or licensed market operator's or licensed equity crowdfunding market operator's board or a managing director, agent, representative or taking up any administrative work therein, or supervising its accounts, or a next of kin to someone who is responsible for the administration or accounts of a licensed exchange, or licensed market operator or licensed equity crowdfunding market operator or having an extraordinary interest in a licensed exchange, or licensed market operator or licensed equity crowdfunding market operator as the CBB may determine.

MAE-2.3.5 If any of the circumstances referred to in Paragraph MAE-2.3.4 occurs after the appointment of the auditor, the licensed exchange, or licensed market operator or licensed crowdfunding market operator must appoint another auditor.

MAE-2.3.6 The licensed exchange, or licensed market operator or licensed equity crowdfunding market operator shall provide the external auditor with all information and assistance necessary for carrying out his duties.

MAE-2.3.7 The duties of the auditor shall include the preparation of a report on the final accounts. The report shall contain a statement on whether the licensed exchange, or licensed market operator's or licensed crowdfunding market operator's accounts are correct and reflect the actual state of affairs of the licensed exchange, or licensed market operator or licensed crowdfunding market operator according to the auditing standards prescribed by the CBB and whether the licensed exchange, or licensed market operator, or licensed crowdfunding market operator has provided the auditor with any required information and clarifications.



MODULE	MAE:	Markets & Exchanges Module
CHAPTER	MAE-2	Obligation of Licensed Exchanges and Market Operators

MAE-2.3 Final Accounts and Auditing (continued)

MAE-2.3.8 The final audited accounts shall be presented to the general meeting of the licensed exchange, ~~or~~ licensed market operator or licensed crowdfunding market operator together with the auditor's report. A copy of these documents shall be sent to the CBB at least 15 days before the date of the general meeting.

MAE-2.3.9 If the licensed exchange or licensed market operator is a foreign company, a copy of its final audited accounts together with the auditor's report shall be sent to its main office abroad.

MAE-2.3.10 Every licensed exchange, ~~or~~ licensed market operator or licensed equity crowdfunding market operator must, within 3 months following every financial year, send to the CBB and make public its final audited accounts, for all the transactions carried out until year end as well as any other financial statements required by the CBB. Extracts of the final audited accounts shall be published in 2 local daily newspapers, one in Arabic and the other in English, within 60 calendar days from the end of the financial year.

MAE-2.3.11 Audited financial statements must comply with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS). For Islamic institutions, audited financial statements must comply with AAOIFI standards or where AAOIFI standards do not cover a subject, IFRS must be followed.



MODULE	MAE: Markets & Exchanges Module
CHAPTER	MAE-2 Obligation of Licensed Exchanges and Market Operators

MAE-2.4 Obligation to Submit Periodic Reports

MAE-2.4.1

A licensed exchange or licensed market operator shall submit to the CBB:

- (a) Within 3 months after the end of its financial year or such longer period as the CBB may permit, a copy of its:
 - (i) Annual report and directors' report; and
 - (ii) Auditor's report;
- (b) Within 45 days after the end of each of the first 3 quarters of its financial year or such longer period as the CBB may permit, or the preceding quarter, in such form as may be approved by the CBB, a copy of its:
 - (i) Profit and loss accounts; and
 - (ii) Balance sheet;
- (c) Within 3 months after the end of its financial year or such longer period as the CBB may permit, a report on how the licensed exchange or licensed market operator has discharged its responsibilities under the CBB Law and these Rules during that financial year;
- (d) Within 3 months after the end of its financial year or such longer period as the CBB may permit, a copy of the balance sheet of any fidelity fund of the licensed exchange prepared in such form as may be approved by the CBB;
- (e) The following reports relating to the business of the licensed exchange or licensed market operator:
 - (i) Prescribed monthly statistics in Form 5 within 10 business days from the end of the month;
 - (ii) Prescribed quarterly statistics in Form 6 within 10 business days from the end of each quarter; and
 - (iii) Where the licensed exchange is operating a futures market, Form 7 within 10 business days from the end of each month;
- (f) Such other report as the CBB may require for the proper administration of this Module, at such time or on such periodic basis as may be required by the CBB.

MAE-2.4.2 The auditor's report referred to in Paragraph MAE-2.4.1 (a)1 shall unless otherwise provided to the CBB by way of a management letter, include the findings and recommendations of the auditors, if any, on the internal controls of the licensed exchange or licensed market operator; and

- (a) Any provision of this Module;
- (b) Any direction issued by the CBB under this Module; or
- (c) Any other relevant laws or regulations.



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MAE-2.4 Obligation to Submit Periodic Reports (continued)

- MAE-2.4.2A** A licensed equity crowdfunding market operator is required to submit to the CBB:
- (a) Annual audited financial accounts no later than 3 months from the end of its financial year; and
 - (b) A soft copy of its annual report to the CBB within 4 months of the end of their financial year.

IIS Reporting Requirements

MAE-2.4.3 A licensed exchange, or licensed market operator or licensed equity crowdfunding market operator is required to complete online non-financial information related to its institution by accessing the CBB's institutional information system (IIS). Licensees must update the required information at least on a quarterly basis or when a significant change occurs in the non-financial information included in the IIS. If no information has changed during the quarter, the licensee must still access the IIS quarterly and confirm the information contained in the IIS. Licensees must ensure that they access the IIS within 20 calendar days from the end of the related quarter and either confirm or update the information contained in the IIS.

MAE-2.4.4 Licensees failing to comply with the requirements of Paragraph MAE-2.4.3 or reporting inaccurate information are subject to financial penalties or other enforcement actions.



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MAE-2.5 Obligation to Assist CBB

MAE-2.5.1 A licensed exchange and licensed market operator shall provide such assistance to the CBB as the CBB may require for the performance of the functions and duties of the CBB, including the furnishing of such returns and the provisions of:

- (a) Such books and information:
 - (i) Relating to the business of the licensed exchange or licensed market operator; or
 - (ii) In respect of such dealings in securities or trading in futures contracts; and
- (b) Such other information, as the CBB may require for the proper administration of this Module.

MAE-2.5.2 The CBB may at its discretion:

- (a) Call for the provision of additional information about the affairs of the exchange or the operator;
- (b) Carry out inspections of the office of the exchanges and inspect the books of accounts and other relevant books of the exchange or the operator; and
- (c) Appoint one or more person to inquire into the affairs of the exchange or operator.



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MAE-2.6 Obligation to Maintain Confidentiality

MAE-2.6.1

Subject to Paragraph MAE-2.6.2, a licensed exchange and licensed market operator and its officers and employees must maintain, and aid in maintaining the confidentiality of all user information that:

- (a) Comes to the knowledge of the licensed exchange or licensed market operator, or any of its officers or employees; and
- (b) Is in possession of the licensed exchange or licensed market operator, or any of its officers or employees.

MAE-2.6.2

Paragraph MAE-2.6.1 does not apply to:

- (a) The disclosure of user information for such purposes, or in such circumstances as the CBB may prescribe;
- (b) Any disclosure of user information which is authorised by the CBB to be disclosed or furnished; or
- (c) The disclosure of user information pursuant to any requirement imposed under any law or order of court in the Kingdom of Bahrain.

MAE-2.6.3

For the avoidance of doubt, nothing in this Section shall be construed as preventing a licensed exchange or licensed market operator from entering into a written agreement with a user which obliges the licensed exchange or licensed market operator to maintain a higher degree of confidentiality than that specified in this Section.



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MAE-2.7 Exceptions to Obligation to Maintain Confidentiality

MAE-2.7.1 The obligation to maintain confidentiality shall not apply to the disclosure of user information by a licensed exchange or licensed market operator, or its officers or employees for the following purposes or in the following circumstances:

- (a) The disclosure of user information is necessary for the making of a complaint or report under any law for an offence alleged or suspected to have been committed under such law;
- (b) The disclosure of user information is permitted for such purpose specified in writing by the user or, where the user is deceased, by his appointed personal representative;
- (c) The disclosure of user information is necessary for the execution by the licensed exchange or licensed market operator of a transaction in any securities or futures contracts or clearing or settlement of a transaction and such disclosure is made only to another user which is:
 - (i) A party to the transaction; or
 - (ii) A member of a licensed exchange or licensed market operator, or a designated clearing house through which that transaction is executed, cleared or settled;
- (d) The disclosure of user information is necessary:
 - (i) .In any disciplinary proceedings of the licensed exchange or licensed market operator, provided that reasonable steps are taken to ensure that user information disclosed to any third person is used strictly for the purpose for which the user information is disclosed; or
 - (ii) For the publication, in any form or manner, of the disciplinary proceedings and the outcome thereof;
- (e) The user information disclosed is already in the public domain;
- (f) The disclosure of user information is made in connection with:
 - (i) The outsourcing or proposed outsourcing of any function of the licensed exchange or licensed market operator to a third party;
 - (ii) The engagement or potential engagement of a third party by the licensed exchange or licensed market operator to create, install or maintain systems of the licensed exchange or licensed market operator; or
 - (iii) The appointment or engagement of an auditor, a lawyer, a consultant or other professional by the licensed exchange or licensed market operator under a contract for service;
- (g) The disclosure of user information is necessary in:
 - (i) An application for a grant of probate or letters of administration or the resealing thereof in relation to the estate of a deceased user; or
 - (ii) The administration of the estate of a deceased user, including such disclosure as may be required for this purpose by the relevant authority; or
- (h) The disclosure of user information is made in connection with:
 - (i) In the case where the user is an individual, the bankruptcy of a user; or
 - (ii) In the case where the user is a body corporate, the winding up or receivership of a user.

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MAE-2.7 Exceptions to Obligation to Maintain Confidentiality (continued)

MAE-2.7.2 Where user information is disclosed under MAE-2.7.1 (f), the licensed exchange or licensed market operator shall:

- (a) Maintain a record of the circumstances relating to the disclosure of user information referred to in MAE-2.7.1 (f); and the particulars of:
 - (i) In the case of the disclosure of information under MAE-2.7.1 (f), the outsourcing of the function of the licensed exchange;
 - (ii) In the case of the disclosure of information under MAE-2.7.1 (f), the engagement of the third party; and
 - (iii) In the case of the disclosure of information under MAE-2.7.1 (f), the appointment or engagement of the auditor, lawyer, consultant or other professional and make that record available for inspection by the CBB;
- (b) Disclose the user information only insofar as this is necessary for the relevant purpose; and
- (c) Take reasonable steps to ensure that the user information disclosed is used by the person to whom the disclosure is made strictly for the relevant purpose, and that the user information is not disclosed by that person to any other person except with the consent of the licensed exchange or licensed market operator.

MAE-2.7.3 Where disclosure of user information is permitted to be made for any purpose or in any circumstance under Paragraph MAE-2.7.1 to a body corporate, the user information may be disclosed only to those officers of the body corporate to whom the disclosure is necessary for the relevant purpose.

MAE-2.7.4 In Paragraphs MAE-2.7.2 and MAE-2.7.3, “relevant purpose” means:

- (a) In the case of the disclosure of information under Paragraph MAE-2.7.1 (f), facilitating the outsourcing of the function of the licensed exchange or licensed market operator;
- (b) In the case of the disclosure of information under Paragraph MAE-2.7.1 (f), facilitating the engagement of the third party; and
- (c) In the case of the disclosure of information under Paragraph MAE-2.7.1 (f), facilitating the appointment or engagement of the auditor, lawyer, consultant or other professional.



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MAE-2.8 Provision of Information to Investors

MAE-2.8.1

A licensed exchange or licensed market operator shall:

- (a) Make available upon request by; or
- (b) Publish in a manner that is accessible to, any investor who accesses or potential investor who may access, any market that the licensed exchange or licensed market operator operates information on:
 - (i) All services of the licensed exchange or licensed market operator;
 - (ii) All products available on the market operated by the licensed exchange or licensed market operator;
 - (iii) Applicable fees and charges;
 - (iv) Applicable margin requirements; and
 - (v) Any arrangement that may be in place to compensate an investor who suffers pecuniary loss as a result of these activities or insolvency of a participant of the licensed exchange or licensed market operator.

MAE-2.8.2 In Paragraph MAE-2.8.1 “investor” means:

- (a) In the case where the licensed exchange is incorporated in Bahrain, any investor, whether in Bahrain or elsewhere; and
- (b) In the case of licensed market operators, any investor in Bahrain.



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MAE-2.9 Transmission and Storage of User Information

MAE-2.9.1

A licensed exchange or licensed market operator shall take all reasonable measures to maintain the integrity and security of the transmission and storage of user information.

CONSULTATION



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MAE-2.10 Business Continuity Plan

MAE-2.10.1 A licensed exchange, ~~or~~ licensed market operator or licensed equity crowdfunding market operator shall maintain at all times a plan of action (referred to in this regulation as a business continuity plan) setting out the procedures and establishing the systems necessary to restore fair, orderly and transparent operations of any market it operates, in the event of any disruption to the operations of the market.

MAE-2.10.2 A licensed exchange, ~~or~~ licensed market operator or licensed equity crowdfunding market operator shall review the procedures and systems referred to in MAE-2.10.1 on such regular basis as may be specified in the business continuity plan.

MAE-2.10.3 A licensed exchange, ~~or~~ licensed market operator or licensed equity crowdfunding market operator shall immediately notify the CBB of any activation of its business continuity plan and of any action taken or intended to be taken to restore fair, orderly and transparent operations of any market it operates.

MAE-2.10.4 A licensed exchange, ~~or~~ licensed market operator or licensed equity crowdfunding market operator shall, within 14 days or such longer period as the CBB may permit, inform the CBB of any material change to the business continuity plan, and shall submit at the request of the CBB, a copy of the new plan to the CBB.



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MAE-2.11 Additional Obligations for Equity Crowdfunding Market Operator

- MAE-2.11.1 In addition to the general obligations referred to in Paragraph MAE-2.1.1, a licensed equity crowdfunding market operator must, in respect of market it operates:
- (a) Carry out a due diligence exercise on prospective equity crowdfunding issuers planning to use its platform;
 - (b) Monitor and ensure compliance of its rules;
 - (c) Carry out investor education programmes;
 - (d) Ensure the equity crowdfunding offering statement lodged with the equity crowdfunding market operator is verified for accuracy and made accessible to investors through the platform;
 - (e) Immediately notify the CBB following:
 - (i) Submission of an application for a crowdfunding offer and provide a copy of the equity crowdfunding offering statement filed by the equity crowdfunding issuer;
 - (ii) Any amendments to the equity crowdfunding offering statement filed by the equity crowdfunding issuer; and
 - (iii) An approval for hosting clearly mentioning that the equity crowdfunding issuer's application has been verified and approved, and that the crowdfunding offer adheres to the CBB Law, rules and regulations and any other applicable law, rules and regulations.
 - (f) Inform investors of any material adverse change to the crowdfunding issuer's proposal as set out under Paragraph MAE-2.11.3;
 - (g) Ensure that the fundraising limit imposed on an equity crowdfunding issuer is not breached;
 - (h) Enter into a signed written agreement with an equity crowdfunding issue with all applicable terms and conditions. The licensed equity crowdfunding market operator and the equity crowdfunding issuer must fulfil all obligations in their respective capacities in accordance with the signed written agreement.
 - (i) Ensure that adequate policy for identifying and managing the risk of fraud by equity crowdfunding issuer that, at the minimum:
 - (i) checks, against information that is readily accessible and information that is otherwise available to the public, the identity of the issuer and information provided by the issuer relating to the identity and satisfy the "fit and proper" requirements of its directors and senior managers; and
 - (ii) excludes an equity crowdfunding issuer from using the equity crowdfunding platform if:



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MAE-2.11 **Additional Obligations for Equity Crowdfunding Market Operator (continued)**

- A. It is not satisfied as to the identity of the equity crowdfunding issuer or of the equity crowdfunding issuer directors and senior managers; or
 - B. Has reason to believe that any of the equity crowdfunding issuer's directors or managers do not meet the "fit and proper" requirements. In assessing a person's fitness and propriety, a licensed equity crowdfunding market operator must consider previous professional and personal conduct including whether directors or managers has been convicted of offence involving fraud, dishonesty, or has been disqualified by a court, regulator or other competent body as a director or as a manager of a corporation, or has been subject of any disciplinary proceedings, investigation or fines by any government authority, regulatory agency or professional body or association; or
 - C. Has reason to believe that the equity crowdfunding issuer is not likely to comply with the obligations imposed on it under the equity crowdfunding market operator services.
- (j) Appoint a Money Laundering Reporting Officer (MLRO) and comply with the requirements of Module AML of the CBB Rulebook Volume-6 in respect of Anti-Money Laundering and Combating Financial Crime requirements;
 - (k) Establish effective systematic internal procedures for establishing and verifying the identity of investors and the source of their funds and must undertake investors due diligence (KYC). Such procedures must be set out in writing and strictly adhered to.
 - (l) Establish a framework which sets out policies and procedures to effectively and efficiently manage conflicts of interest and the need to have fair, orderly, and transparent systems and procedures to carry out its functions. Such conflicts must be managed in a timely manner.
 - (m) Ensure that its business activities is restricted to arranging deals by bringing together equity crowdfunding issuers and investors. It must not provide any investment advice to investors.
 - (n) The board members, shareholders, management and their close family members:



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MAE-2.11 **Additional Obligations for Equity Crowdfunding Market Operator (continued)**

- (i) Must not hold any shares or invest in whatever form, in any of the equity crowdfunding issuers hosted on its platform;
 - (ii) Must not pay any referrer or introducer, or receive payment in whatever form, including payment in the form of shares, in connection with an equity crowdfunding issuer hosted on its platform; and
 - (iii) Must not provide any financial assistance to investors to invest in shares of an equity crowdfunding issuer hosted on its platform.
- (o) Has an adequate policy (a fair dealing policy) for excluding an equity crowdfunding issuer from using the equity crowdfunding market platform if the provider has information that gives it reason to believe that the equity crowdfunding issuer, in relation to any dealing in shares has:
- (i) engaged in conduct that is misleading or deceptive or likely to mislead or deceive; or
 - (ii) made a false or misleading representation; or
 - (iii) made an unsubstantiated representation
- (p) Ensure cyber-security at all times including the conduct of IT security penetration testing semi-annually by an independent consultant.
- (q) Maintain relevant systems in place for mitigating and managing operational and other risks.
- (r) Subsequent to a crowdfunding offer, the licensed equity crowdfunding market operator must submit to the CBB the results of the crowdfunding offer including an allotment report within 7 calendar days from the closing date of the offer period.
- (s) Ensure that entities engaged in real estate development projects comply with applicable real estate development laws of the Kingdom of Bahrain.
- (t) Provide frequent updates on its platform regarding the progress of a crowdfunding offer meeting the offer size.
- (u) Notify the CBB on the progress of a crowdfunding offer towards meeting the offer size within 2 calendar days after reaching 50% and 80% of the offer size.



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MAE-2.11 Additional Obligations for Equity Crowdfunding Market Operator (continued)

MAE-2.11.2 The scope of the due diligence exercise by a licensed equity crowdfunding market operator, referred to in Paragraph MAE-2.11.1(a), must include taking reasonable steps including but not limited to:

- (a) Conduct background checks on the equity crowdfunding issuer to ensure “fit and proper” requirements are met by the issuer, its board of directors, senior management and controlling owner; and
- (b) Verify that the equity crowdfunding offering statement, lodged by the equity crowdfunding issuer, does not contain information that is false or misleading, in its opinion does not prejudice the interests of present or future investors and does not omit any material information.

MAE-2.11.3 For the purpose of Paragraph MAE-2.11.1(f), a material adverse change concerning the equity crowdfunding issuer, may include any of the following matters:

- (a) The discovery of a false or misleading statement in the equity crowdfunding offering statement in relation to the crowdfunding offer; or
- (b) The discovery of a material omission of information required to be included in the equity crowdfunding offering statement; or
- (c) There is a material change or development in the circumstances relating to the crowdfunding offer or the equity crowdfunding issuer.

Appointment of Shari’a Advisor

MAE-2.11.4 For the purposes of Islamic crowdfunding offers, licensed equity crowdfunding market operators must appoint an independent Shari’a advisor. The appointed Shari’a advisor must be a person or a corporation.

MAE-2.11.5 The appointed Shari’a advisor must advise the issuer on all aspects of the Islamic crowdfunding offer, including documentation, structuring, investment, as well as other administrative and operational matters in relation to the Islamic crowdfunding offer, and ensure compliance with applicable Shari’a principles.

MAE-2.11.6 The licensed equity crowdfunding market operator must disclose the name of the Shari’a advisor appointed to advise on the Islamic equity crowdfunding offer and information relating to the structure of the Islamic equity crowdfunding offer.

