



MARKETS & EXCHANGES MODULE

CONSULTATION



**Date Last
Changed**

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CHAPTER	MAE-2 Obligation of Licensed Exchanges, Market Operators and Crowdfunding Platform Operators

MAE-2.1 General Obligations

Licensing Requirements

MAE-2.1.1

A licensed exchange or licensed 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 are clearly expressed, understandable and readily available to anyone who needs to use them;



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MAE-2.11 Obligations of Crowdfunding Platform Operators

MAE-2.11.1

The content of MAE-2.11 and MAE-2.12 of this Module applies to crowdfunding platform operators licensed under CBB Rulebook Volume 5 (Ancillary Service Providers) undertaking equity crowdfunding activities.

MAE-2.11.2

A crowdfunding platform 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 crowdfunding platform operator is verified for accuracy and made accessible to investors through the platform;
- (e) Upon approval granted to an equity crowdfunding issuer to make an equity crowdfunding offer, immediately notify the CBB and file a copy of the following documents with the Capital Market Supervision Directorate:
 - (i) A letter of approval from the crowdfunding platform operator 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;
 - (ii) A copy of the equity crowdfunding offering statement filed by the equity crowdfunding issuer; and
 - (iii) Any amendments to the equity crowdfunding offering statement filed by the equity crowdfunding issuer.
- (f) Inform investors of any material adverse change to the crowdfunding issuer's proposal as set out under Paragraph MAE-2.11.4;
- (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 issuer with all applicable terms and conditions. The crowdfunding platform 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:



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- (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 crowdfunding platform if :
 - 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 crowdfunding platform 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 platform services.
- (j) Appoint a Money Laundering Reporting Officer (MLRO) and comply with the requirements of Module FC of the CBB Rulebook Volume 5 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) including FATCA report. 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.



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(continued)

- (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 their close family members:
 - ~~(i) Must not holds 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.
- (nn) Must not accept or host as equity crowdfunding issuer any of the following:**
 - (i) its shareholders holding 20%, or more, of share capital or voting rights;**
 - (ii) its managers or employees;**
 - (iii) any natural or legal person linked to those shareholders, managers or employees by control;**

except, however, that if such persons invest in the projects listed on the platform, they may only do so in cash and not in kind. In all such cases the crowdfunding platform operator must disclose the conflicts of interest on its platform and ensure that the investments are made by such persons under the same conditions as the investments made by other investors and that such persons do not enjoy any preferential treatment or privileged access to information.
- (o) Must not invest in an equity crowdfunding offer to the extent that it operates a crowdfunding platform. In order to undertake investment in crowdfunding issues, a crowdfunding platform operator must obtain a separate license from the CBB for investment activities and also disclose conflicts of interests that may arise between its interest and those of its clients.



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**MAE-2.11 Obligations of Crowdfunding Platform Operators
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- (p) Have an adequate policy (a fair dealing policy) for excluding an equity crowdfunding issuer from using the crowdfunding 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
- (q) Ensure cyber-security at all times including the conduct of IT security penetration testing semi-annually by an independent consultant.
- (r) Maintain relevant systems in place for mitigating and managing operational and other risks
- (s) Subsequent to an equity crowdfunding offer, the crowdfunding platform 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.
- (t) Ensure that entities engaged in real estate projects comply with applicable real estate laws;
- (u) Provide frequent updates on its platform regarding the progress of an equity crowdfunding offer meeting the offer size.
- (v) Notify the CBB on the progress of an equity crowdfunding offer towards meeting the offer size within 2 calendar days after reaching 50% and 80% of the offer size.
- (w) Must be a member of the Bahrain Credit Reference Bureau.

MAE-2.11.3

The scope of the due diligence exercise by a crowdfunding platform operator, referred to in Paragraph MAE- 2.11.2(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.



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MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

- MAE-2.11.4 For the purpose of Paragraph MAE-2.11.2(f), a material adverse change concerning the equity crowdfunding issuer, may include any of the following matters:
- The discovery of a false or misleading statement in the equity crowdfunding offering statement in relation to the equity crowdfunding offer; or
 - The discovery of a material omission of information required to be included in the equity crowdfunding offering statement; or
 - There is a material change or development in the circumstances relating to the equity crowdfunding offer or the equity crowdfunding issuer.

Appointment of Shari'a Advisor

MAE-2.11.5 For the purposes of Islamic equity crowdfunding offers, crowdfunding platform operators must appoint an independent Shari'a advisor. The appointed Shari'a advisor must be a person or a corporation.

MAE-2.11.6 The appointed Shari'a advisor must advise the equity crowdfunding issuer on all aspects of the Islamic equity crowdfunding offer, including documentation, structuring, investment, as well as other administrative and operational matters in relation to the Islamic equity crowdfunding offer, and ensure compliance with applicable Shari'a principles.

MAE-2.11.7 The crowdfunding platform 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.

MAE-2.11.8 The Shari'a advisor must produce and sign a Shari'a pronouncement report or declaration that the equity crowdfunding offer is in compliance with the principles of Shari'a and include the report in the equity crowdfunding offering statement which is submitted to the crowdfunding platform operator.

MAE-2.11.9 The equity crowdfunding issuer is responsible for the compliance of the issue with Shari'a principles. The Shari'a advisor's role does not release equity crowdfunding issuer's management from their responsibility in ensuring such compliance.

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MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

Type of Securities Eligible for Hosting

MAE-2.11.10 Ordinary shares fully paid and free from all encumbrances of closed, private, family companies, start-up, small and medium size companies and real estate projects are eligible for hosting on a crowdfunding platform.

MAE-2.11.11 In order to approve a real estate equity crowdfunding offer, a crowdfunding platform operator must ensure that real estate projects comply with the following additional requirements;

- (a) The real estate project must be duly incorporated and registered with relevant authority in respective jurisdiction.; and
- (b) The real estate project must be an income producing (rental income, leasing etc.) project or property and the intended uses may be for commercial and/or dwelling purpose.

Permitted Equity Crowdfunding Issuers

MAE-2.11.12 An equity crowdfunding issuer must be a duly incorporated entity under the law of the Kingdom of Bahrain, or in case of overseas equity crowdfunding issuer, under the law of its place of incorporation.

MAE-2.11.13 The following entities are prohibited from raising funds through a crowdfunding platform operator:

- (i) Commercially or financially complex structures (i.e. investment fund companies or financial institutions);
- (ii) Public-listed companies and their subsidiaries;
- (iii) Companies with no specific business plan or its business plan is to merge or acquire an unidentified entity (i.e. blind pool); and
- (iv) ~~Companies with paid-up share capital exceeding BD250,000 or equivalent amount in other currency; and [This Subparagraph has been deleted in February 2022]~~
- (v) Any other type of entity that is specified by the CBB.

MAE-2.11.14 An equity crowdfunding issuer must not be allowed to be hosted concurrently on multiple crowdfunding platforms.



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MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

Overseas Equity Crowdfunding Issuers

MAE-2.11.15 The equity crowdfunding requirements for locally incorporated equity crowdfunding issuers shall apply equally to overseas equity crowdfunding issuers.

MAE-2.11.16 An overseas equity crowdfunding issuer must provide the following additional information, documents along with the equity crowdfunding offering statement;

- (a) A copy of the home market's relevant laws, rules and regulations that show no restrictions are imposed for making an equity crowdfunding offer;
- (b) A copy of necessary approval from the home regulator;
- (c) Confirmation that it shall adhere to the general requirements as well as with the additional requirements, as stipulated in this Module;
- (d) The applicable governing law and specify the various risk factors associated with cross border transactions; and
- (e) The necessary share registrar arrangements with the crowdfunding platform operator.

Limits to Funds Raised

MAE-2.11.17 The following limits shall apply to an equity crowdfunding issuer being hosted on a crowdfunding platform, except where, subject to the CBB's prior written approval, the funding raised is to be used for a Government of Bahrain-led initiative/project:

- (a) Equity crowdfunding issuer, excluding entities engaged in real estate projects, can raise up to BD 250,000 or equivalent amount in other currency within a 12-month period, irrespective of the number of projects an equity crowdfunding issuer may seek funding for during the 12-month period; and
- (b) Equity crowdfunding issuer who qualify as entity engaged in real estate projects can raise up to BD 500,000 or equivalent amount in other currency within a 12-month period, irrespective of the number of projects an equity crowdfunding issuer may seek funding for during the 12-month period;



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MAE-2.11 Obligations of Crowdfunding Platform Operators
(continued)

Eligible Investors and Investment Limits

MAE-2.11.18 ~~Only accredited investors and expert investors are eligible to register with a crowdfunding platform operator and participate in an equity crowdfunding offer. [This Paragraph has been deleted in February 2022].~~

MAE-2.11.18A ~~The crowdfunding platform operator must undertake a suitability and appropriateness assessment by seeking information from the investor to gauge his knowledge, experience, financial situation (including his ability to bear losses) and investment objectives (including his risk tolerance).~~

MAE-2.11.19 [This Paragraph was deleted in January 2019].

MAE-2.11.20 ~~A crowdfunding platform operator must ensure that registered expert investors comply with the applicable investment limits and on identification of any breach of applicable investment limit, report such breach to the CBB. [This Paragraph has been deleted in February 2022].~~

MAE-2.11.21 ~~Expert investors must submit to crowdfunding platform operator a “self-declaration form” confirming that their investment is within the applicable investment limit. [This Paragraph has been deleted in February 2022].~~

Disclosure Requirements

MAE-2.11.22 A crowdfunding platform operator must disclose and display prominently on its platform, any relevant information relating to equity crowdfunding including:

- (a) Information relating to equity crowdfunding issuer as specified under Section MAE-2.12;
- (b) Investor education materials and appropriate risk disclosure the main risks associated with the issuer;
- (c) Information on how to facilitates the investor’s investment including providing communication channels to permit discussions about equity crowdfunding issuers hosted on its platform;
- (d) General risk warning in participating in equity crowdfunding;
- (e) Information on rights of investor relating to participation in equity crowdfunding, including voting rights;



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MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

MAE-2.11.22 Continued

- (f) Information about complaints handling or dispute resolution and its procedures;
- (g) Fees, charges and other expenses that it may charge to, impose on an equity crowdfunding issuer or investor; and
- (h) Information on processes and contingency arrangement in the event the crowdfunding platform operator is unable to carry out its operations or cessation of business.

MAE-2.11.23 A crowdfunding platform operator must immediately notify to the CBB of any non-compliance with CBB Law, rules and regulations and other applicable law, rules and regulations, money laundering, fraud or other dishonest conduct involving the crowdfunding platform operator, investor or equity crowdfunding issuer.

Warning Statement

MAE-2.11.24 A crowdfunding platform operator must ensure that a warning statement is prominently displayed on the home page of its website. The warning statement must be in the following form;

“Warning statement about equity crowdfunding

Equity crowd funding is risky.

Equity crowdfunding issuers using this equity crowdfunding platform includes closed, private, family companies, start-up and small and medium size companies incorporated in the Kingdom of Bahrain or elsewhere and entities engaged in real estate projects in the Kingdom of Bahrain or elsewhere.

Investment in these types of businesses is very speculative and carries high risks. You may lose your entire investment, and must be in a position to bear this risk without undue hardship.

The CBB Law, Rules and Regulations normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision.



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MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

MAE-2.11.24 continued

The usual rules do not apply to crowdfunding offer by equity crowdfunding issuers using this equity crowdfunding platform. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

Ask questions, read all information given carefully, and seek independent financial advice before committing yourself.”

MAE-2.11.25 A crowdfunding platform operator:

- (a) Must obtain from each investor, a confirmation to the following effect:
 - (i) “I confirm that I have seen the warning statement about equity crowd funding and—
 - (ii) I understand that equity crowd funding is risky and I may lose my entire investment; and
 - (iii) I confirm that I could bear that loss without suffering undue hardship;
 - (iv) I understand that the usual legal protections do not apply to this investment; and
 - (v) I understand that I may not be given the same information as is usually required by the CBB Law, Rules and Regulations for investments.”
- (b) Must obtain the “warning statement confirmation” referred to in Paragraph MAE-2.11.25(a) in writing in a separate document or, if it is obtained by electronic means, through a process by which it is obtained separately from the investor agreement to use the service.
- (c) Must obtain the warning statement confirmation before the investor is authorised to use the service.

Investor Agreement

MAE-2.11.26 A crowdfunding platform operator must enter into a written agreement (investor agreement) with each investor before the investor is authorized to use the service.



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MAE-2.11 Obligations of Crowdfunding Platform Operators (continued)

MAE-2.11.27 The investor agreement referred to in Paragraph MAE-2.11.26 must include:

- (a) How investors and equity crowdfunding issuers apply for, and obtain, access to the facility and the eligibility criteria that apply in each case;
- (b) How shares are issued and allotted;
- (c) How investor money is received and dealt with;
- (d) The nature, extent, and frequency of monitoring the performance of the equity crowdfunding issuer by the crowdfunding platform operator;
- (e) The charges that may be payable to the crowdfunding platform operator by an investor and when the investor must pay the charges; and
- (f) The warning statement referred to in Paragraph MAE-2.11.24.

Investor Money

MAE-2.11.28 A crowdfunding platform operator must:

- (a) Establish systems and controls for maintaining accurate and up-to-date records of investors' monies held;
- (b) Ensure that investors' monies are properly safeguarded from inappropriate use;
- (c) Subscription monies received in respect of an equity crowdfunding offer must be held in a separate bank account with a licensed retail bank based in Kingdom of Bahrain;
- (d) Designate a separate bank account for each issue of equity crowdfunding offer. The name of the designated bank must be provided to investors as part of information relating to equity crowdfunding issuer specified under Paragraph MAE-2.11.22(a).
- (e) Hold subscription monies received in respect of crowdfunding offer in the designated separate bank account held with a licensed retail bank, until the final allotment of shares has been approved by the crowdfunding platform operator.



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MAE-2.11 Obligations of Crowdfunding Platform Operator (continued)

MAE-2.11.28 Release the fund to the equity crowdfunding issuer after the following conditions are met:

- (i) The equity crowdfunding offer confirms to minimum subscription requirement and conditions regarding unsubscribed portion of an equity crowdfunding offer stipulated under Paragraphs MAE-2.12.7 and MAE-2.12.8; There is no material adverse change relating to the equity crowdfunding offer during the offer period; and
- (ii) In the event of non-receipt of minimum subscription, all investors monies received must be refunded to the investors forthwith, but no later than 7 calendar days from the closing date of the equity crowdfunding offer.

MAE-2.11.29 The crowdfunding platform operator, subject to the approval of the CBB, may impose any other additional conditions before releasing the fund specified in Paragraph MAE-2.11.28, provided that they serve the investors' interest.

Cooling-off Period

MAE-2.11.29A Crowdfunding platform operators must allow persons (whether natural or legal) who commit to invest through a crowdfunding platform, a minimum of 48 hours from the time the commitment is made, to withdraw the commitment. No fee or penalty must be charged to such persons if a commitment is withdrawn.

Segregation of Client Assets

MAE-2.11.30 A crowdfunding platform operator must maintain sufficient systems and procedures in respect of the handling of clients' money and assets, including but not limited to the requirement of maintaining books and records, segregation of the clients' money and assets and the risk management and internal controls systems to address this requirement.

MAE-2.11.31 A crowdfunding platform operator must hold client assets separate from its own at all times. The crowdfunding platform operator must, in connection with any clients' assets and funds received in the course of their business, establish and maintain separate client accounts, segregated from those used for their own accounts.

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MAE-2.11 Obligations of Crowdfunding Platform Operator (continued)

Client Money

MAE-2.11.32 A crowdfunding platform operator must hold client money in a separate client bank account. Client bank accounts may only be opened with banks licensed to do business in the Kingdom of Bahrain.

Record-keeping

MAE-2.11.33 A crowdfunding platform operator must ensure that proper records, sufficient to show and explain the crowdfunding platform operator's transactions and commitments in respect of its client assets are kept. These records must be retained for a period of a minimum of 10 years after they were made, unless otherwise required by law.

Compliance

MAE-2.11.34 A crowdfunding platform operator that hold or control client assets must arrange for their external auditor to report on the crowdfunding platform operator's compliance with the requirements related to the holding and segregation of the client's assets requirements.

MAE-2.11.35 The report referred to under Paragraph MAE-2.11.34 must be in line with the Agreed Upon Procedure provided by the CBB, and must be submitted to the CBB immediately whenever such report contains serious deficiencies and on a regular basis within 60 calendar days of the crowdfunding operator's financial year end.

Share Register

MAE-2.11.36 A crowdfunding platform operator must:

- (a) Establish a framework which sets out policies and procedures to perform the function of creation, maintenance and update of the share register;



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MAE-2.11 Obligations of Crowdfunding Platform Operator (continued)

MAE-2.11.36 Continued.

- (b) Must provide the CBB on request as well as on a quarterly basis, a summary of the list of investors they maintain in the form required by the CBB; and
- (c) Be responsible for any loss or damage to the investor due to any inaccurate information or entries made in the share register.

MAE-2.11.37 The CBB may, by notice in writing, issue a direction to the crowdfunding platform operator, the board, chief executive, controller or any other person regarding–

- (a) Compliance with the requirements of the CBB Law, Rules and Regulations;
- (b) The conduct of business or operations of the equity crowdfunding market;
- (c) The appointment or removal of the approved persons;
- (d) Fees payable;
- (e) Restrictions on the types of investors or participants who may have access to an equity crowdfunding market;
- (f) The capital market products or Islamic capital market products that may be hosted on equity crowdfunding market;
- (g) The services that may be offered;
- (h) The requirement to notify the CBB of any changes to the equity crowdfunding platform operator's business;
- (i) The requirement to submit periodic reports to the CBB;
- (j) The requirement to maintain relevant records;
- (k) The requirement to submit to the CBB for its approval, any proposed rules or any proposed amendment to existing rules of the equity crowdfunding market; and
- (l) Any other matter as the CBB considers necessary for the protection of investor or the proper functioning of an equity crowdfunding market.

MAE-2.11.38 The CBB may, at any time, by notice in writing to a crowdfunding platform operator, vary any condition or restriction or impose such further condition or restriction as it may deem fit.

MAE-2.11.39 A crowdfunding platform operator must ensure that an equity crowdfunding issuer adheres to the requirements of equity crowdfunding offer as stipulated under Section MAE-2.12.



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CHAPTER	MAE-2 Obligation of Licensed Exchanges, Market Operators and Crowdfunding Platform Operators

MAE-2.12 Equity Crowdfunding Offer

MAE-2.12.1 An equity crowdfunding issuer making an equity crowdfunding offer must comply with the rules stated under Section MAE-2.12 and is exempted from such requirements under Module OFS whereby requisite permission for public offering of equity securities is made to and approved by the CBB.

MAE-2.12.2 Equity crowdfunding offer must be exclusively made through a crowdfunding platform. An application for equity crowdfunding offer must only be made to and approved by a crowdfunding platform operator.

MAE-2.12.3 In order for the CBB to regard an offer as an equity crowdfunding offer, the equity crowdfunding issuer must meet the following conditions:

- (a) It must be a closed, private, family companies, entities engaged in real estate projects, start-up and small and medium size companies, incorporated either in Kingdom of Bahrain or elsewhere;
- (b) Ordinary shares fully paid and free from all encumbrances are issued as part of the offer;
- (c) The total amount raised from such offers within a 12 month period must not exceed BD 250,000, or equivalent amount in other currency, irrespective of the number of projects an equity crowdfunding issuer may seek funding for during the 12-month period. This limit is not applicable for entities engaged in real estate projects;
- (d) Entities engaged in real estate projects can raise up to BD 500,000, or equivalent amount in other currency, within a 12-month period, irrespective of the number of projects an equity crowdfunding issuer may seek funding for during the 12-month period; and
- (e) Such offer is made only to accredited investors and/or expert investors; and [This Subparagraph has been deleted in February 2022].
- (f) The use of the proceeds from equity crowdfunding offer must be for undertaking proposed business activities disclosed in the equity crowdfunding offering statement.



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MAE-2.12 Equity Crowdfunding Offer (continued)

Equity Crowdfunding Offering Statement Disclosure

MAE-2.12.4

An equity crowdfunding issuer proposing to make an equity crowdfunding offer must submit an equity crowdfunding offering statement with all relevant information to the crowdfunding platform operator including the following:

- (a) The first page of the equity crowdfunding offering statement must contain the following particulars:
- (i) Full name and registration number of the equity crowdfunding issuer;
 - (ii) Number and amount of ordinary shares to be offered:
Face or par value of the ordinary shares;
 - (iii) Offer Price
 - (iv) Minimum Subscription limit; and
 - (v) Standard disclaimer statement, written in capital letters and box framed, as follows:

THIS OFFER DOES NOT CONSTITUTE AN OFFER OF SECURITIES IN THE KINGDOM OF BAHRAIN IN TERMS OF ARTICLE (81) OF THE CENTRAL BANK AND FINANCIAL INSTITUTION LAW 2006 (DECREE LAW NO. 64 OF 2006). THIS OFFER IS MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION OFS-1.4.1(e) OF MODULE OFS, CBB RULEBOOK VOLUME-6. THIS EQUITY CROWDFUNDING OFFERING STATEMENT AND RELATED OFFERING DOCUMENTS HAVE NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE CENTRAL BANK OF BAHRAIN (CBB). THE CBB HAS NOT REVIEWED, APPROVED OR REGISTERED THE EQUITY CROWDFUNDING OFFERING STATEMENT OR RELATED OFFERING DOCUMENTS AND IT HAS NOT IN ANY WAY CONSIDERED THE MERITS OF THE SECURITIES TO BE OFFERED FOR INVESTMENT, WHETHER IN OR OUTSIDE THE KINGDOM OF BAHRAIN.

THE CENTRAL BANK OF BAHRAIN ASSUME NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE EQUITY CROWDFUNDING OFFERING STATEMENT AND INFORMATION CONTAINED IN THIS DOCUMENT AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS DOCUMENT

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MAE-2.12 Equity Crowdfunding Offer (continued)

- (vi) Standard risk disclosure statement, written in capital letter and box framed, as follows:

COMPANIES HOSTED ON EQUITY CROWDFUNDING PLATFORMS MAY CARRY HIGHER RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED COMPANIES LISTED ON LICENSED EXCHANGES. IN PARTICULAR, COMPANIES MAY HOST ON EQUITY CROWDFUNDING PLATFORMS WITHOUT A TRACK RECORD OF PROFITABILITY AND THERE IS NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN EQUITY SECURITIES HOSTED ON EQUITY CROWDFUNDING PLATFORMS. YOU SHOULD BE AWARE OF THE RISK OF INVESTING IN SUCH COMPANIES, INCLUDING THE RISK OF LOSING ALL OF YOUR INVESTMENT, AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND, IF APPROPRIATE, CONSULTATION WITH YOUR PROFESSIONAL ADVISER(S)

- (vii) If not disclosed on the front cover, the document should include on the inside cover the following declaration by those responsible for it (usually the Directors of the equity crowdfunding issuer):

THE DIRECTORS OF THE COMPANY, WHOSE NAMES APPEAR HEREIN, ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THE DOCUMENT.

- (b) Information that explains the nature of business, key characteristics of the company and relevant risk factors;
- (c) Information that explains the purpose of the fund raising, the offer size and the closing date;
- (d) The price to the investors and the method for determining the price;
- (e) Information relating to the business plan of the company;
- (f) Information about management, directors and owners of 5 percent or more of the issue;



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MAE-2.12 Equity Crowdfunding Offer (continued)

- (g) Related-party transactions;
- (h) The basis of allotment must be clearly stated and all investors must be treated equally in all aspect and in accordance with allotment basis;
- (i) Financial information relating to the company:
 - (i) Audited financial statements of the company where the equity crowdfunding issuer has been established for at least 12 months; and
 - (ii) Certified financial statements or information by the issuer's management where the equity crowdfunding issuer is newly established (less than 12 months period);
- (j) A roadmap that includes the proposed exit channels for investors and number of year to planned exit;
- (k) Disclose the fees that the crowdfunding platform operator is charging for its services and other expenses related to the equity crowdfunding offer; and
- (l) Where the equity crowdfunding issuer makes an Islamic crowdfunding offer, a copy of Shari'a Pronouncement report that the transaction is in compliance with the principles of Shari'a;
- (m) Information regarding the option to be availed in event of the equity crowdfunding offer is not fully subscribed but meets the minimum subscription requirement of 80%:
 - (i) All monies shall be refunded to investors; or
 - (ii) Provide details of the means by which the shortfall in subscription money shall be funded
- (n) Applicable governing law;
- (o) In case of overseas equity crowdfunding issuers, various risk factors associated with cross border transactions;
- (p) The equity crowdfunding offering statement must be submitted in Arabic and/or English language.

MAE-2.12.5

An equity crowdfunding issuer proposing to be hosted on a crowdfunding platform:

- (a) Must ensure that all information submitted or disclosed to the crowdfunding platform operator is true and accurate and shall not contain any information or statement which is false or misleading or from which there is a material omission;



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MAE-2.12 Equity Crowdfunding Offer (continued)

- (b) Amend its equity crowdfunding offering statement to disclose changes, addition or update to information already furnished. An amendment is required for changes, addition or updates that are material;
- (c) Enter into a share subscription agreement with the investors. A share subscription agreement is an agreement between the investors and the equity crowdfunding issuer, under which each investor agrees to purchase ordinary shares fully paid and free from all encumbrances from the equity crowdfunding issuer pursuant to terms specified therein and the equity crowdfunding offering statement.

Offer Period

MAE-2.12.6 The offer period for an equity crowdfunding offer must not be less than 10 calendar days after the day of commencement of the offer and must not exceed a maximum period of 3 months.

Minimum Subscription

MAE-2.12.7 The minimum subscription to be received in an equity crowdfunding offer must not be less than 80% of the equity crowdfunding offer size. In the event of non-receipt of minimum subscription, all subscription monies received shall be refunded to the investors forthwith, but no later than 7 calendar days of the closing date of the equity crowdfunding offer.

MAE-2.12.8 Where the equity crowdfunding offer is not fully subscribed but meets the minimum subscription requirement specified under Paragraph MAE-2.12.7, the equity crowdfunding issuer may either;

- (i) Seek transfer and utilization of funds collected, provided adequate disclosures regarding the means by which the shortfall in subscription money shall be funded, is made in the equity crowdfunding offering statement; or
- (ii) Refund all monies paid by investors in respect of the equity crowdfunding offer. The crowdfunding platform operator must refund the subscription money to investors no later than 7 calendar days from the closing date of the equity crowdfunding offer.



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MAE-2.12 Equity Crowdfunding Offer (continued)

Investment Commitment

MAE-2.12.9 An investor that has signed the share subscription agreement with the equity crowdfunding issuer must contribute their committed

Investment into the designated separate bank account held with a licensed retail bank no later than the closing date of subscription period.

MAE-2.12.10 An investor may cancel or amend an investment commitment until the end of the closing date of subscription period.

MAE-2.12.11 If there is any material adverse change, an equity crowdfunding issuer must notify of such change to potential investors and seek a reconfirmation of investment commitment.

Oversubscription

MAE-2.12.12 If an equity crowdfunding offer is over-subscribed after the closing of the offering period, the equity crowdfunding issuer must make allotment in accordance with the pre-determined basis which must be described in the equity crowdfunding offering statement. No allotment shall be made by the equity crowdfunding issuer in excess of the offer size stated in the equity crowdfunding offering statement.

Allotment, Dispatch and Refund

MAE-2.12.13 An equity crowdfunding issuer must allot or allocate, in accordance with the allotment basis stipulated in the equity crowdfunding offering statement, ordinary shares within 4 calendar days from closing date.

MAE-2.12.14 The equity crowdfunding issuer must refund the excess subscription money and dispatch ordinary shares within a maximum of 7 calendar days from the closing date.



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MAE-2.12 Equity Crowdfunding Offer (continued)

Reporting Requirements

MAE-2.12.15 An equity crowdfunding issuer must provide on a semi-annual basis, to its investors, the crowdfunding platform operator on which it is hosted and the CBB a performance progress report. The semi-annual report is to be provided as of 30th June and 31st December and must be provided to the investors, the crowdfunding platform operator and the CBB within three months of the reporting period.

MAE-2.12.16 Equity crowdfunding issuers, other than entities engaged in real estate projects, must provide the following information in the report required under Paragraph MAE-2.12.15:

- (i) Update of development at company:
 - (a) Report on any strategic or organizational changes since last report.
 - (b) Business review and future plans.
- (ii) Disclosure of financial result: Reviewed quarterly or audited annual financial statements.
- (iii) Information about the board members and members of senior management.
- (iv) Litigation or disputes: Disclosure of any claims brought against the equity crowdfunding issuer or any complaint brought by investors or any investigation by regulatory bodies against the concerned equity crowdfunding issuer, their directors and management.
- (v) Board Resolution: Briefing on resolutions passed by the board.
- (vi) Pledging or sale of assets of, or acquisition of additional debt by the equity crowdfunding issuer:
 - (a) Details of any charges or pledges created over the assets of the equity crowdfunding issuer, or sales of assets and whether such sales or pledges are consistent with the disclosure made in the original disclosure statement.
 - (b) Details of any additional debt facilities undertaken by the equity crowdfunding issuer and the amount drawn down.



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MAE-2.12 Equity Crowdfunding Offer (continued)

MAE-2.12.17 Equity crowdfunding issuers engaged in real estate projects, must provide the following information in the report required under Paragraph MAE-2.12.15:

- (i) Update of onsite development of projects:
 - A. Original development plan and its deliverables and milestones and any amendments thereon.
 - B. Report on physical progress made since last report.
 - C. Report on any official planning or other permission obtained or outstanding.
 - D. Next step and anticipated completion date.
- (ii) Utilisation of Proceeds: Report of amount spent during the preceding 6 months period and on a cumulative basis, and identification of the recipients of material amounts (10% or above) of such amount spent. This would include payments made to any related party of the equity crowdfunding issuer.
- (iii) Disclosure of financial result: Reviewed quarterly or audited annual financial statements.
- (iv) Information about the board members and members of senior management.
- (v) Litigation or disputes: Disclosure of any claims brought against the equity crowdfunding issuer or any complaint brought by investors or any investigation by regulatory bodies against the concerned equity crowdfunding issuer, their directors and management.
- (vi) Board Resolution: Briefing on resolutions passed by the board
- (vii) Pledging or sale of assets of, or acquisition of additional debt by the equity crowdfunding issuer:
 - A. Details of any charges or pledges created over the assets of the equity crowdfunding issuer, or sales of assets and whether such sales or pledges are consistent with the disclosure made in the original equity crowdfunding offering statement.
 - B. Details of any additional debt facilities undertaken by the equity crowdfunding issuer and the amount drawn down.

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MAE-2.12 Equity Crowdfunding Offer (continued)

Limits on Advertising

MAE-2.12.18

An equity crowdfunding issuer must not advertise the terms of an equity crowdfunding offer except in a notice that directs investors to the crowdfunding platform and includes no more than the following information:

- (i) A statement that the equity crowdfunding issuer is conducting an equity crowdfunding offer pursuant to Section MAE-2.12 of Module MAE, CBB Rulebook Volume 6, the name of the crowdfunding platform operator through which the equity crowdfunding offer is being conducted, and a link directing the potential investor to the crowdfunding platform;
- (ii) The terms of the equity crowdfunding offer, which means the amount of ordinary shares offered, the nature of the ordinary shares, the price of the ordinary shares, and the closing date of the offering period; and
- (iii) Factual information about the legal identity and business location of the equity crowdfunding issuer, limited to the name of the equity crowdfunding issuer, the address, phone number, and website of the equity crowdfunding issuer, the e-mail address of a representative of the equity crowdfunding issuer, and a brief description of the business.

MAE-2.12.19

Advertising the terms of the equity crowdfunding offer off the crowdfunding platform is limited to a brief notice. However, an equity crowdfunding issuer may communicate with investors and potential investors about the terms of the equity crowdfunding offer through communication channels provided on the crowdfunding platform. An equity crowdfunding issuer must identify itself as the issuer and persons acting on behalf of the equity crowdfunding issuer must identify their affiliation with the equity crowdfunding issuer in all communications on the crowdfunding platform.

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MAE-2.12 Equity Crowdfunding Offer (continued)

MAE-2.12.20 The following statement, in bold, must be included in all advertisements specified under Paragraph MAE-2.12.19.

~~“THIS EQUITY CROWDFUNDING OFFER IS MADE ONLY TO ACCREDITED INVESTORS AND/OR EXPERT INVESTORS. THE CBB HAS NOT ASSESSED, REVIEWED OR APPROVED THIS EQUITY CROWDFUNDING OFFER.”~~