

Trading Rules and Procedures

- 1- Resolution No. (6) of 2001, in respect of provision of remote trading at the Bahrain Stock Exchange.
- 2- Resolution No (4) of 1999, on the rules and procedures of automated trading at the Bahrain Stock Exchange.
- 3- Resolution No. (2) of 1990, in respect of certain conditions relating securities trading.

Bahrain Stock Exchange

**RESOLUTION NO. (6) OF 2001
IN RESPECT OF PROVISION OF REMOTE TRADING
AT BAHRAIN STOCK EXCHANGE**

The Chairman of the Exchange's Board of Directors:

After perusal of Decree Law No. (28) of 1975 in respect of issuing the Commercial Companies Law and its amendments,
And the Decree Law No. (4) of 1987, pertaining to the establishment and organization of the Bahrain Stock Exchange,
And the Minister of Commerce and Agriculture Resolution No. (13) of 1988 concerning the issuance of the Exchange's Internal Regulation,
And upon the proposal of the Board of Directors of the Bahrain Stock Exchange,
And upon the submission of the Director of the Exchange.

RESOLVED AS FOLLOWS:

ARTICLE ONE

Brokerage Companies licensed by the Minister of Commerce and Agriculture, Chairman of the Exchange Board of Directors Resolution No. (2) of 1995, are permitted to undertake Remote Trading in listed securities and instruments at the Exchange in accordance with the rules and conditions stipulated by the Exchange from time to time.

ARTICLE TWO

The Remote Trading service shall be provided in accordance with the programmes, equipment's, instruments and technical specifications specified by the Exchange. Brokerage Companies shall abide by the Decree Law No. (4) of 1987 in respect of the establishment and organization of The Bahrain Stock Exchange, the Internal Regulation and the related resolutions, specifically, the Exchange rules and procedures of trading, settlement, clearing and central depository.

ARTICLE THREE

The Exchange shall charge the brokerage companies Licenced to provide Remote Trading services a monthly Licensing fee of BD150.000 (One hundred and fifty Bahraini Dinar). The Exchange may review this monthly fee at its discretion.

ARTICLE FOUR

This resolution shall be implemented temporarily, and shall be made find upon the success of the experience. The Director of the Exchange shall set the necessary rules and procedures for its implementation.

ARTICLE FIVE

This Resolution shall be circulated to the heads of sections and units of the Exchange, and each in his respective capacity, shall implement its provisions. This Resolution shall come into force from the date of its issuance.

Ali Saleh Al Saleh
The Minister of Commerce and Industry and
Chairman of the Exchange's Board of Directors

Issued on 4th Ramadhan 1422h
Corresponding to 19 December 2001

Bahrain Stock Exchange

**RESOLUTION NO. (4) OF 1999
ON THE RULES AND PROCEDURES OF AUTOMATED TRADING
ON THE BAHRAIN STOCK EXCHANGE IN THE TEST PERIOD**

The Chairman of the Exchange's Board of Directors:

After perusal of Decree Law No. (4) of 1987, pertaining to the establishment and organization of the Bahrain Stock Exchange;

And upon the Minister of Commerce Resolution No. (13) of 1988 concerning the issuance of the Exchange's Internal Regulations;

And upon the proposal of the Board of Directors of the Bahrain Stock Exchange;

RESOLVED AS FOLLOWS

Article (1)

The attached trading rules and procedures shall be applied during the test period of operations for the automated trading at the Bahrain Stock Exchange. During this period, the Exchange's Management shall work on improving these rules and procedures.

Article (2)

Notwithstanding the provisions of the above stated Article, the Director of the Exchange has the right to the necessary resolutions and procedures, in order to implement the provisions of this Resolution. The Director shall from time-to-time, convey any resolution or decision taken by him to the Chairman of the Board of Directors. The Chairman has the right to repeal, cancel or endorse any Resolution in this regard.

Article (3)

The provisions and resolutions which are inconsistent with the provisions of this Resolution shall be repealed.

Article (4)

The Director of the Exchange shall implement this Resolution from the date of its signature.

Minister of Commerce

Issued on 30 Sha'aban 1420 H
Corresponding to Wednesday, 8th December 1999

Section 1 Definitions

Article (1)

In this Resolution, the following words shall have the meaning assigned to each one unless the context states otherwise:

BATS:	means the Bahrain Stock Exchange's Automated Trading System.
Bid:	means an order by a stockbroker to buy securities at a certain price, or a price that a buyer is willing to accept for his securities.
Board Lot:	means a standard number of shares or stock, as determined by the Exchange, which can be traded on the market.
Board Trading Session:	means a stage during the trading session when any simultaneous arrangements and special trades are dealt in. This usually takes place during the Pre-Opening session of BATS.
Chairman:	means the Chairman of the Exchange.
Client Contract Notes:	are a record of the details of the match, its total value and all charges.
Client Order:	means an order placed for the account of a client, or the client is the beneficial owner of the securities traded.
Director:	means the Director of the Exchange.
Exchange:	means the Bahrain Stock Exchange.
Exchange Account Number:	means an account number generated by the Exchange, to serve as the point of reference for administrative purposes.
Deal, Match, Trade:	are three terms used interchangeably to refer to bids and offers which have been either wholly or partially satisfied.
Foreign Investor Order:	means an order placed for a non-Bahraini investor's account, whether an individual or institution.
Insider Order:	means an order made for the account of the officers and directors of listed companies to buy or sell shares of such companies, and orders made for the account of a person who owns more than 10% of the stock of these companies.
Issuer Order:	means an order made by the issuing company when it desires to repurchase its shares on the open market.
Market Imbalance:	means a situation in the Pre-Opening market when the best bid is higher than the best offer.
Market Controller:	means an Exchange official who manages the trading operations of the Exchange, in accordance with this Resolution.
Market Control Order:	means an order made by the Market Controller to buy or sell shares in buy-in or sell-out situations.
Market Maker:	means an authorised trader employed by an investment dealer who is required to maintain reasonable liquidity in the securities market, by making firm bids and offers for one or more designated securities.

Mutual Fund Order:	means an order made for the accounts of investment companies.
Offer:	means an order by a stockbroker to sell securities at a certain price, or a price which the seller will accept for his securities.
Opened:	means a state during the trading session where all securities are fully opened and continuous trading activity can occur.
Opening Algorithm:	means a calculation used on opening the Exchange to calculate an opening price for each security.
Order Log Book:	means a register maintained at the offices of each stockbroking firm, containing details on each buying and selling order received by the firm.
Order:	means an instruction from a client to a stockbroker to buy or sell securities.
Pre-Opening:	means a state during the trading session where stockbrokers can enter orders and view inquiries.
Price:	means the unit price of a security.
Professional Order:	means an order made for the accounts of partners, directors, officers, investment advisors of brokerage firms, listed companies, employees of the Exchange and brokerage firms.
Queue Priority:	means all orders in the system are sorted according to priority of orders for execution, in accordance with the Queue Priority rules as outlined in these Rules and Procedures.
Regular Order Book:	means a book that contains all unfilled orders without any special terms. Regular orders are given priority in trading over all other orders.
Symbol:	means a set of characters that identifies the security being traded.
Tick Size:	means the step-by-step increase or decrease in price by which bids and offers may be raised or lowered.
Trade Range:	means the percentage increase/decrease from the trade weighted average price dealt in during the last trading session, in which that particular security was traded.
Trading Board:	means the facility provided by the Exchange for manual matching during the Board Trading Session.
Trading Floor:	means the room, area and other facilities designated or made available by the Exchange for effecting trades and other transactions between members during the trading sessions of the Exchange.
Trading Session:	means the period during which orders can be entered, amended, or cancelled and trading takes place. A typical trading session contains a Pre-Opening and an Opened session.

Section 2
General Conditions

Article (2)
Trading Sessions

1- Trading Sessions shall be held on such days as the Exchange shall determine by written

notice. BATS is accessible from 10:00 am to 12:00 noon on each business day (five days a week from Sunday to Thursday) including a Pre-Opening period of 10 minutes, starting from 9:50 a.m.

- 2- Market opening and closing times are established by the Exchange. No transactions may be effected before the opening bell or after the closing bell.

Article (3) **Trading Restricted to Trading Sessions**

Subject to the exceptions set out in Article (2) of the Bahrain Stock Exchange's Law No. (4) for the year 1986, all purchases and sales of listed securities must take place at the Exchange during a trading session. Unless otherwise prescribed by the Exchange, all securities shall be traded using BATS, subject to this Resolution.

Article (4) **Access to the Trading Floor**

Access to the Trading Floor is limited to:

- (i) Members of the Exchange and their accredited representatives;
- (ii) Exchange personnel; and
- (iii) Any other person duly authorised by the Exchange.

Article (5) **Financial Market**

Financial market orders shall be traded on the following markets:

- 1- **Regular Market:** this market consists of a hybrid and does not allow unique trades such as odd lot or negotiated trades deal.
- 2- **Whole or Non Market:**
 - (i) The value of the order shall not be less than BD50,000;
 - (ii) It shall be in favour of one person only;
 - (iii) A whole or non deal shall not be connected with any deal in the regular market, except for the determination of the tick sizes and trade range;
 - (iv) The broker can improve his prices and execute the deal with himself, after notifying the Market Controller, if no other broker offers a bid.
- 3- **Mutual Funds market.**
- 4- **Bond Market.**
- 5- **Odd-Lot Auction Market:** All odd-lot share certificates shall be traded in the odd-lot auction market, subject to the following rules:
 - a) All sell and buy orders are whole or non because the odd-lot certificate cannot be broken up.
 - b) Special settlement terms and market orders are not allowed in this market.
 - c) Brokers may combine odd-lots, whether related or not.
 - d) Sell and buy orders shall be traded on the regular market, if the combined odd-lots exceed one board lot.
 - e) Sell and buy orders shall be traded on the odd-lot auction market, if the combined odd-lots do

not exceed one board lot.

Article (6)
Instructions from Clients

- 1- It is the responsibility of members of the Exchange to ensure that they receive bona fide instructions from clients, and that they have effective procedures for identifying the persons from whom they take instructions to effect transactions.
- 2- Instructions may be received from clients:
 - a) directly on completion of the appropriate instruction form; or
 - b) by completing the appropriate instruction form, but utilizing financial intermediaries; or
 - c) through their appointed attorney, and in accordance with the terms set out in the power of attorney; or
 - d) in accordance with a client's agreement letter.
 - e) In the case of (b) and (c) the Exchange has to be informed of the person authorised to act on behalf of the client.
- 3- At no stage shall a stockbroker make an offer or bid for shares, unless he has a genuine request by a client, in accordance with the Exchange's Internal Regulations. The Market Controller can ask any stockbroker to prove that a genuine request exists and the stockbroker is required to comply accordingly. This rule does not apply in the case where a stockbroker, acting on behalf of his firm, takes a position as principal by acquiring holdings of securities, including equities, for long-term investment purposes on behalf of his firm.

Article (7)
Order Log Book

All buying and selling orders shall be listed in an "Order Log Book" which must contain the following information:

- 1- a sequential order number;
- 2- the date and time of receipt of the order;
- 3- the type of order (i.e. bid or offer);
- 4- the name or symbol of the listed security;
- 5- the number of shares or stock to be traded;
- 6- the trading price and any conditions;
- 7- the expiry condition of the order, if any;
- 8- the client's/clients' name/s;
- 9- the Exchange Account Number; and
- 10- the financial intermediary code, if applicable.

Article (8)
Ownership of Securities

Following the close of the trading session, the Exchange shall pass the necessary entries in the "Registers of Holders" of the relevant securities, to reflect the transactions effected during the

trading session. The ownership of a security, together with all its rights and interests in respect of which the transaction was effected passes from the seller(s) to the buyers(s), with effect from the moment of entry into the Registers of Holders.

Article (9)
Functions of the Stockbroker

- 1- The selling stockbroker will use his best endeavours to sell the listed securities on the first trading day, following the receipt of instructions from his client.
- 2- The selling stockbroker shall be responsible for ensuring that his client is the registered holder of the security. He must ascertain that there is enough available holdings to be sold, and that there is no charge registered against these holdings in the "Central Securities Depository", or the "Register of Shares". If it transpires that the holdings are not sufficient to meet the order, or that there is a charge against the holdings, the order will be rejected by BATS.
- 3- The buying stockbroker shall use his best endeavours to buy the listed securities on the first trading day following the receipt of instructions from his clients.
- 4- Both the selling and buying stockbrokers shall be responsible for supplying the Exchange with sufficient details of their clients, to enable the Exchange to produce the "Client Contract Notes" on behalf of the stockbroking firms. This information must be supplied before the trade execution. In the event that sufficient details of the client are not available at the Exchange, the order will not be validated by BATS.

Article (10)
Disputes and Irregular Deals

- 1- The settlement of disputes arising on the Trading Floor concerning the terms of transactions shall be decided by the Market Controller and his decision is final.
- 2- Any deal which in the opinion of the Director is irregular, or is in contravention of the Exchange Law, Internal Regulations, or these Rules and Procedures, shall be reported immediately to the Chairman.
- 3- Any deal determined by BATS is binding with both parties, unless an appeal is lodged with the Director. If after an investigation an error is detected, the Director may take such action as he deems fit, including the cancellation of the trade.

Article (11)
Trading Delays and Interruptions

The Director has the authority to take such decisions as may be required to delay the opening or to interrupt trading in any security, in order to assist in the orderly opening or trading of such security.

Article (12)
Systems Failure

Failure in any of the systems installed at the Exchange for trading purposes shall be immediately reported to the Market Controller, who shall take the necessary action to suspend or close trading or to operate under a manual trading system, as directed by the Director. Every effort shall be made in order to resume the orderly conduct of trading as soon as possible. Under no circumstances shall the Exchange be responsible for damages which arise from any such failure, error or defect in the equipment, either directly or indirectly.

Section 3
Trading Procedures

Article (13)
Validity of Bids and Offers

- 1- To be valid, bids and offers must be made:
 - b) during the trading session;
 - c) to all members generally and without discrimination; and
 - d) in the manner prescribed by this Resolution.

- 2- To be valid, an order must specify:
 - a) the name or symbol of the listed security;
 - b) whether the order is to buy or sell;
 - c) the number of shares or stock to be traded;
 - d) explicit instructions regarding the trading price;
 - e) any conditions which must be met prior to the order becoming effective, if any;
 - f) the Exchange Account Number of the underlying client on whose behalf the order is being effected, if applicable; and
 - g) the financial intermediary code, if applicable.

Article (14)
Board Lots and Tick Sizes

Orders must be entered within the defined board lots and tick sizes, as specified by the Exchange. All trades shall be executed within the trade ranges as set by the Exchange. The Exchange shall have the right to adjust the board lots and the tick sizes in light of market conditions. Any trades effected at prices which are outside the stipulated trade range will be cancelled.

The Exchange adopts, in the meantime, the following board lots and tick sizes for orders in Bahraini Dinars and U.S. Dollars:

1- Board Lots:

- a) Orders in Bahraini Dinars.

Regular Market
Market

Odd Lots

WON

Board Lots			Market		
Class No	Price (BD) From	To	Board Lot Shares	Maximum Shares	Minimum BD50,000
1	0.001	0.050	10,000	9,999	
2	0.051	0.100	5,000	4,999	
3	0.101	0.250	2,000	1,999	
4	0.251	0.500	1,000	999	
5	0.501	Above	500	499	

b) Orders in U. S. Dollars.

**Regular Market
Market**

Odd Lots

WON

Market

Board Lots			Market		
Class No	Price (US \$) From	To	Board Lot Shares	Maximum Shares	Minimum (Eqv.) BD 50,000
1	0.01	2.00	1,000	999	
2	2.01	4.00	400	399	
3	4.01	10.00	200	199	
4	10.01	Above	100	99	

2- Tick Prices:

i) Orders made in Bahraini Dinars.

Class No	Price Range (BD)		Tick Size (Fils)
	From	To	
1	0.001	0.200	1
2	0.201	0.500	2
3	0.501	1.000	5
4	1.001	2.500	10
5	2.501	Above	20

b) Orders made in US Dollars.

Class No	Price Range (US \$)		Tick Size (¢)
	From	To	
1	0.01	2.00	1
2	2.01	4.00	2
3	4.01	10.00	4
4	10.01	Above	5

**Article (15)
Price Fluctuation:**

The Exchange protects the prices by limiting the price variation (up and down) to a maximum of

10% of the previous closing price.

Article (16)
Source of Orders:

The following orders shall be accepted for trading on the Exchange:

1. Client Order
2. Foreign Investor Order
3. Market Control Order
4. Mutual Fund Order
5. Issuer Order
6. Professional Order
7. Insider Order

Article (17)
Definition of Orders

The following are the permissible orders:

- 1- **Limit Order:** An order that has a specified price when it is posted for execution.
- 2- **Market Order:** An order that does not have a specified price when it is posted for execution. A Market order must be executed promptly at the best price obtainable, and will have priority over Limit Orders at the same price levels entered in the Pre-Opening period, and assumes an initial price limit value normally based on the most advantageous price on the market. A Market Order trades through a range of prices, starting with the best price on the market. The range of prices that a Market Order can go to may be limited by the Exchange. Market Orders require a current market price, and therefore are not accepted until the market is loaded.
- 3- **Day Order:** The order is valid until the close of the trading day on which it was entered.

Article (18)
Time in Force Restrictions (TIF)

Orders are allowed to have time restrictions, which limit the period the order is available to trade. The order will be automatically removed after close of trading for the stipulated day.

Article (19)
Orders Exceeding BD999,999/-

Prior approval of the Director is required before execution, if the value of the order exceeds BD999,999/-

Article (20)
Disclosed and Undisclosed Volumes

- 1- An order may specify the total share volume and may also specify a lesser amount than is

disclosed to the market. However, the disclosed share volume should not exceed the undisclosed volume by 50% of the total share volume.

- 2- Undisclosed volume amounts are private; they are only seen by the stockbroker entering the order and the Market Controller. Everyone else will only see an indication that an undisclosed volume is present. When fills have reduced an order to the point where there is no remaining undisclosed volume, the indicator will no longer appear.
- 3- If an order can be filled on initial entry, it will be filled to the extent of the total volume of the order. A partial fill will result in the remaining order volume being posted with the full original disclosed volume, provided sufficient volume remains.
- 4- The disclosed quantity acts as the roll-in quantity upon the original order entry. Roll-in quantity cannot be changed, except by changing the disclosed quantity. A change in the disclosed volume will not change the total or remaining volume.
- 5- An increase in the disclosed volume will lead to a new time stamp and change in queue priority. A decrease in the disclosed volume will not lead to a new time stamp.
- 6- Partial fill diminishes current volume without replenishment from undisclosed volume, unless there are no further orders behind at the current price level. Where no orders exist behind the traded order, the disclosed quantity will be automatically rounded-up to the full disclosed amount. When there are orders queued after the disclosed volume, the total disclosed volume must be traded before a new roll-in quantity is brought in. Once the total disclosed volume is traded, another amount equal to the disclosed volume will be rolled-in with a new effective time stamp.
- 7- Only the disclosed volume and an indicator showing that there is an undisclosed amount is public.

Article (21)

Alteration of Orders (Change Former Order-CFO)

A stockbroker may change the terms of an order already entered in BATS for the following reasons:

- 1- If the security, symbol, market or the order type (buy or sell) needs to be changed, the order must be cancelled and re-entered.
- 2- If any of the following changes are effected, a new effective time stamp will be given to the order:
 - (a) change in price;
 - (b) increase in disclosed volume;
 - (c) a change in the underlying client.
- 3- If any of the following changes are effected, the order will keep its original effective time stamp:
 - (a) decrease in disclosed volume.
 - (b) changes in undisclosed volume.

Article (22)
Cancellation of Orders

An order can be cancelled as long as it has not been matched. During trading, stockbrokers can remove groups of orders or all of their orders from the trading system. Once a cancel order has been issued, the original order cannot be retrieved.

Article (23)
Priority of Orders for Execution (Queue Priority)

Orders that cannot be immediately executed are queued for future execution in a specific order, based on a queue priority. The factors used to determine the queue priority in order of consideration are:

1- The Price:

The price of an order determines its primary priority for execution. An order can be specified with a limit price or a market price. For both buy and sell, the higher priority price is defined as the better price, i.e. a buy order at a higher price will take priority over other buy orders at a lower price, and a sell order at a lower price will take priority over other sell orders at a higher price.

A market order being queued at a limit price will be treated the same as if it had been entered as a Limit Order at that price.

2- Source of Order Priorities:

Sources of orders shall have the following priorities:

a- First priority:

- (a) client order
- (b) foreign investor order
- (c) market control order

b- Second priority:

- (a) mutual fund order
- (b) issuer order
- (c) professional

c- Third Priority:

- (a) insider order

3- Time of Entry:

- (a) The time of entry of an order governs its priority on a First-In First-Out (FIFO) basis. Orders entered into BATS are given a time stamp, noting their actual date and time of entry. At a single limit price, the earliest time of entry takes priority in the queue.
- (ii) If any portion of an order remains unfilled after the opening, its time priority will be based on the actual time of entry during Pre-Opening.

- (iii) An order that participates in a fill that does not entirely deplete the current disclosed volume (i.e. is partially traded), will retain its effective time of entry and its position in the queue.
- (iv) Changing the terms of an order may result in a new effective time stamp, and may change the relative priority position of the order in the queue. Whether or not a new time stamp is assigned depends on the nature of the change to the order. **See the Alteration of Orders - Change Former Order (CFO) section.**

4- Cross priority:

Is applied starting with the order of the highest queue priority on the side designated as aggressive. This order is traded first against orders from the other house, then against the same house order.

5- Random Factor:

In the event that two orders are received at exactly the same time, priority will be given using a random factor.

Article (24)

Bahrain Stock Exchange's Automated Trading System

The BATS shall consist of a Pre-Opening stage, At the Open, and Opened stage for continuous trading.

Article (25)

Pre-Opening

- 1- Prior to the start of regular trading, there shall be a Pre-Opening period, during which orders can be entered to determine the opening price for each security. These orders will be queued in accordance with the Priority of Orders for Execution (Queue Priority) and shall not be processed immediately.
- 2- During this period, stockbrokers can enter orders, change former orders (CFO), cancel orders and carry out inquiries on orders already in the system.
- 3- As each order is queued, the system will verify whether the security is expected to open and calculates the opening price in accordance with the Opening Algorithm.
- 4- A market imbalance can be created during the Pre-Opening period, whereby the best bid is higher than the best offer. In this instance, an opening price will be chosen based on the following criteria in priority order:
 - a) maximum volume of shares to be traded;
 - b) minimum imbalance in share volume;
 - c) least net change from last day's closing price;
 - d) highest share price.
- 5- In the Pre-Opening period, the actual price entered for a limit order that is better than the

current predicted opening price is considered private information to the stockbroker entering the order and to the Exchange. The stockbroker entering the order would see the actual price entered and be able to clearly see that the order is causing an “imbalance”. The Market Controller would also see the actual price. For all other stockbrokers, the order would be treated as if it had been entered at the currently predicted opening price. However, as the opening price changes, the volume at the previously predicted opening price and the currently predicted opening price will change.

Article (26)
At the Open & Opened Operations

- 1- During ‘At the Open’, an opening price is chosen in accordance with the ‘Opening Algorithm’. The calculated opening price is intended to create the largest volume of trade.
- 2- Once the opening price is chosen, all the orders that can execute at this price will take place.
- 3- ‘At the Open’, the aggressive side is designated as the “balanced side”; i.e. the side that will be completely traded in the open.
- 4- When the bid volume and the offer volume are the same, both sides will be completely traded. In this case, the side with the earliest order will be chosen as the aggressive side.
- 5- The allocation of orders during ‘At the Open’ is based on the following :
 - a) **Allocation at better than opening price** - Once the opening price is selected, all market orders will be fully traded, followed by limited orders at better than opening price, taking into consideration the source of order, priority and the cross priority.
 - b) **Shared allocation at the opening price** - Once all market orders and limit orders i.e., at better than opening price are fully traded, the remaining volume will be allocated on the board lots between the numbers of the remaining orders on the opposite side. The allocation is made in the order of the FIFO method.
 - c) (iii) **Orders not completely filled** - All orders entered during the Pre-Opening have a time priority based on the actual time of entry. For orders not completely filled during ‘At the Open’, this time priority is maintained thereafter during the trading day.
 - d) Trading done during ‘At the Open’ on the basis of cross priority has no effect at all on the calculation of the trades for the shared allocation of any remaining volume. Shared allocation of remaining volume is done strictly on the basis of the number of orders on the opposite side of the market from the remaining volume on the designated aggressive side.
- 6- At the completion of the Opening Algorithm, the market will be open for normal continuous trading. Each new order, revision (CFO), or cancellation will be processed by the system on arrival. If an order cannot be executed immediately, it will be queued in accordance with the Priority of Orders for Execution-Queue Priority mentioned earlier.

Article (27)
Close of Trading

New orders and revisions to existing orders can be input until the closing signal.

Article (28)
Market Controller

The Market Controller assumes the following functions:

- (a) Provides advice to members on the interpretation and implementation of trading rules.
- (b) Configures the Exchange parameters and enforces controls.
- (c) Manages the daily trading schedule.
- (d) Monitors price movements and reviews market activity.
- (e) Reviews market imbalances 'At the Open', (BATS automatically updates all imbalances).
- (f) Provides information to investigative and regulatory agencies as required.
- (g) Executes orders on behalf of the Exchange (corrects errors i.e. cancelled trades).
- (h) Controls trading activity (i.e. half suspends, reinstates a symbol for trading).
- (i) Has access to current and historical market information, including private broker information, such as undisclosed volumes, client account reference, IDS, etc.
- (j) Enters and completes trades that take place outside the regular operating hours on behalf of members of the Exchange (i.e. to enter late trade).
- (k) Changes the attributes of any of the trades that have already occurred, including the time stamp (trade correction).
- (l) Corrects any errors made by traders when they enter a trade. A trade allows them to rectify their mistake. The Market Controller, when reinstating the buy or sell orders or both when cancelling a trade, can reinstate the orders to the original time stamp.
- (m) Sends bulletins to broadcast information to traders, other stock markets and various data feeds (i.e. Reuters).
- (n) Determines the state of a symbol independently from the rest of the securities listed on the Exchange (e.g., if symbol XYZ is halted by the Market Controller, the remaining symbols in that market are not effected).
- (o) Halts, suspends, or delays trading of a symbol in one or more of the markets that the symbol trades in (e.g., symbol XYZ can be halted in the odd lot market, but allowed to trade in the negotiated deals market if the Market Controller allows only half Odd Lot Trading).
- (p) Uses the market state function in exceptional circumstances to manually control the state of a specific market during the trading day (e.g. the Market Controller can halt the trading in the Odd Lot Market).
- (q) Sets the current state of the entire Exchange. This can be set Pre-Opening suspended or closed.
- (r) Suspends/resumes any trader groups of traders or houses.
- (s) Sets the state of tightly coupling with the CDS to ON/OFF.
- (t) Cancels the orders in a frozen trade or allows the trade to continue.
- (u) When the freeze parameters are changed in the database, the Market Controller can reload the parameters to take effect immediately.

Article (29)

The following Resolutions shall be cancelled forthwith from the date of this Resolution:

- (a) The Chairman of the Exchange Board of Director's Resolution No. 1/1998, regarding the Extension of the Trading Period at the Bahrain Stock Exchange.
- (b) The Director of the Exchange's Resolution No. 2/1995, regarding Order Execution Slips on the Exchange.
- (c) The Director of the Exchange's Resolution No. 12/1994, regarding Trading of Bahraini Joint Stock Companies Shares by Non-Bahraini Residents.
- (d) The Director of the Exchange's Resolution No. 19/1991, regarding Whole or Non Orders.
- (e) The Director of the Exchange's Resolution No. 11/1991, regarding Allowance of One Minute during the Trading Session.
- (f) The Director of the Exchange's Resolution No. 10/1991, regarding the Trading of Odd Lots.
- (g) The Director of the Exchange's Resolution No. 6/1991, regarding the Price Range on the Exchange.
- (h) The Director of the Exchange's Resolution No. 12/1990, regarding the Organization of Trading Operations on the Trading Floor.
- (i) The Director of the Exchange's Resolution No. 8/1990, amending the Trading Rules and Procedures.

Bahrain Stock Exchange

**RESOLUTION NO. (2) OF 1990 IN RESPECT OF
CERTAIN PRIVATE REGULATIONS OF SECURITIES TRADING**

The Chairman of the Exchange's Board of Directors:

After perusal of Decree Law No. (4) of 1987, pertaining to the establishment and organization of the Bahrain Stock Exchange;

And upon the Minister of Commerce and Agriculture's Resolution No. (13) of 1988 concerning the issuance of the Bahrain Stock Exchange's Internal Regulations;

And upon Resolution No. (1) of 1990 of the Exchange's Board of Directors in respect of Trading Excluded cases;

And upon the Exchange's Board of Directors (Board Meeting No. (30) of 5/2/1990) Resolution concerning certain private regulations of securities trading;

And upon the submission of the Exchange's Director;

RESOLVED AS FOLLOWS:

ARTICLE ONE

Securities in the name of others shall not be traded in, unless a Power of Attorney has been issued by them, or on the basis of a signed Transfer Request, except in the case of a father dealing in his minor son's securities.

ARTICLE TWO

Sale or transfer or other type of transactions relating to securities which belong to individuals outside Bahrain, shall be based on a Power of Attorney from the concerned individuals.

ARTICLE THREE

Securities may be transferred from the portfolio manager to the investor, in accordance with the Portfolio Management Contract and Transfer Request signed by the portfolio manager, or by any other authorized person, along with proof that authorizes the company in the management of the investment portfolio.

ARTICLE FOUR

The Director of the Bahrain Stock Exchange shall implement this Resolution, which shall come into effect from the date of its issuance in the Official Gazette.

The Minister of Commerce and Agriculture
The Chairman of the Board of Directors
of the Bahrain Stock Exchange

Issued on 27 Shawaal 1410 H

Corresponding to 22 May 1990