

Palestinian Capital Market Authority

Securities Control Department

Instructions for approving management of client's portfolios at
Securities companies
Issued by the Palestinian Capital Market Authority
Pursuant Stipulations of Article 2/3 of the Law of the CMA for
The years 2004

First: Title

These conditions shall be termed: Conditions for approving management of clients' Securities portfolios by Securities Companies.

Second: Conditions for approving management of clients' securities portfolios

The duly licensed company shall submit to the Authority an application to obtain a permit to practise the activity, attaching the following:

1. The appointment letter of a natural person duly certified by the Authority "Investment Manager" undertaking management of the investments of clients under agreements concluded between the clients and the company.
2. Any other requirement and attachments that the Authority deems necessary.

Third: Duties of the Investment Manager

1. Manage the securities portfolios of clients of a company licensed to the practise such an activity under agreements concluded between the clients and the company, and exert all necessary efforts and professionalism.

2. Manage the securities portfolios for clients of securities companies employing the best known practices in the field and observing the laws and regulation and instructions in force.

Fourth: Conditions for certifying the Investment Manager:

1. Holder of a university degree in financial and administrative sciences or economical disciplines.
2. Enjoy work experience of no less than 4 years securities, financial brokerage or in the management of investment portfolios.
3. Be of good repute and honesty evidenced is an official certificate from the concerned.

Fifth: Acceptance or rejection of the Certification Application

The Authority shall decide on accepting or rejecting the company's application for certification to conduct management of clients' securities portfolios and the request to approve the investment manager within thirty days of the date of submitting the application therefore. In the event of rejection, the applicant can appeal to the board of Authority within fifteen days from date of rejection.

Sixth: Trading Agreement

The company shall sign a trading agreement with the client which will include the following details:

1. Identify the client's investment objectives and limitation with regard to:
 - a. Interest rate on capital agreed upon between both parties.
 - b. Rate of annual returns agreed upon between both parties.
2. Identify the right that the client accepts and that could result from the company's management of his securities portfolio.
3. Identify the right of the client and the company to terminate the agreement ad agreed.
4. Identify the fees due to the company for the services it extends and the mode of calculation thereof.
5. Identify the mode of settling any disputes or conflicts that could arise between both parties with regard to the implementation of the terms of the agreement.

Seventh: The obligations of the Securities Company

The securities company which is permitted to manage clients' securities portfolios shall undertake the following:

1. Maintain an absolute separation between the accounts of the clients and the accounts of the company.
2. Keep a list of all the clients' names and their related portfolios.
3. Prepare details of the securities handled on behalf of the client and contracts concluded between the client and the company, and keep same details in client's file.
4. Keep a separate file for each client containing the following details:

- Name, age, profession, place of registration (in the event that the client is an entity).
 - Correspondence address and telephone numbers of the client.
 - Copy of the person ID/Passport of the client or his representative, and copy of family booklet for client of minor age.
 - The correspondence between both parties shall be filed for at least two years.

5. Observe absolute confidentiality with regard to client's personal details and refrain from divulging any information or any details of dealings to other without the prior written consent of the client and within the boundaries set by the law and the current rules and instructions, except when requested to do so by the Authority or the market or judiciary bodies pursuant to the prevailing laws. The company shall ensure that its managers and employees observe such confidentiality of information and in all cases it is prohibited such exploit this enjoyed advantage, and that should not be abused for personal gain for the company itself or any of its other clients.

6. Buy and sell all the securities on behalf of the client and registers all securities in the name of the client (owner of the portfolio) or in the name of the securities company (portfolios), and ensure the separation between the accounts of the company and the accounts of the client.

7. Apply principles of honesty and care for the welfare of the clients and fair play in all its dealing with clients, refrain from favoritism and bias or unjust advantage or special information disclosure to some and not others whether directly or indirectly, and refrain from any action that could harm any of the client.
8. Avoid the instigation of any conflicts of interest between the company and any owners of the securities portfolios, or any other clients while conducting securities portfolios management.
9. Keep a special ledger detailing the operations conducted in favor of each of the company's managers and employees, the general manager of the company shall inspect the purchase orders related to the portfolios of the chairman and board members and/or the consortium of managers or brokers authorized by the company and shall ensure that it is free of discrepancy and no conflicts of interest exist and that the orders contained therein were executed after the execution of the orders of the managed private portfolios.
10. The board has to check the purchase and sale orders of the general manager and ensure that it does not entail any conflict of interest and that it is conducted in pursuant to executing the orders of the managed private portfolios.
11. Avoid preference of one managed portfolio over another during securities transactions be it sale or purchase therefore and which is expected to again or enjoy an increase in price.

Eighth: Obligations of the Investment Manager

The Investment Manager shall observe the following:

1. Ensure absolute separation between the private securities of each client and the securities owned by him or by the company.
2. Keep separate independent accounts for each client or portfolio managed provided such accounts contain the investments undertaken the fees chargeable in return for management and the trading commission.
3. Refrain from including the value of the private securities among the assets of the company or its liabilities as well not to list any revenues of these private securities among the profit accounts of the company.
4. The client complaints shall be forwarded to the general manager. A separate complaints record shall be kept and shall contain a list of complaints and the outcome thereof which shall be reported to the

Authority. A copy of such complaints should be send to the investment manager.

5. Prepare a monthly report, unless the agreement signed with the client dictates otherwise which shall be send to the official address of the client listed in the company files. Such a report shall contain:

- Details of the portfolio of the securities in the portfolio, their number, cost of each, market value, client net profit and loss and cash balance of the client as of the date of the preparation of the report.
- Purchase and sale transactions conducted.
- The fees carried by the client for the management of his portfolio.

6. Extend to the client any information related to client's securities portfolio upon request.

7. The investment manager is prohibited to:

- Receive expensive gifts from clients.
- Give priority to his accounts or the accounts of his first degree relative over the account of other clients.

8. Refrain from indulging in any action that could entail dishonesty, fraud or cheating, and not to enter into action affect adversely his professional reputation.

9. Observe the set investment policy of the company.

10. Protect the confidentiality of the personal information of the clients, expect for the information that needs to be disclosed under the laws and regulations in force.

Ninth: Security Company Prohibitions

The Company is prohibited to conduct the following:

1. Pay the client any profits that are not resultant of actual trading or are above the amount profited from such transactions.
2. Offer any guarantees to any client against loss that could result from trading in securities.
3. Use of client funds to finance any of the company's private transactions or spending any amounts of client funds for company's own benefit.
4. Trade in client's securities in the name of or for the account of the managers, including the investment manager or any of his first

- degree relatives or partners a commercial venture or any other concern entailing benefits without the prior consent of the Authority and full compliance with the disclosure instructions.
5. The company is prohibited from promoting through promises or adverts issued by them and meant to enhance certain set financial returns, upon dealing with any securities or confirming certain expected gains or even hitting on that.

Tenth: Liabilities of the Securities Company

1. The company shall be held liable if they do not conform to their duties entailed under these conditions.
2. The company shall be held directly responsible for the full damage the client sustains resultant of slackness on the part of the investment manager who failed to extend the necessary care needed in the course of executing his tasks and thus the company can consequently claim and recover from the investment manager the amount of damage inflicted on the clients in the event such damage resulted from his direct and deliberate negligence, and in accordance with the current laws and regulations in force.

Eleventh: Fines and administrative offences

The Authority has the right to enforce fines and penalties on the offender of these instructions as stipulated by the law and/or the penal code and the fines schedule issued by the Authority.

These instructions shall come into effect as of the 23 of September, 2008.

Corresponding to the 23rd of Ramadan, 1429 Hajirah.

Issued in the City of Al Bireh on 22nd of September, 2008.
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