

**In The Name of the Merciful God**

**The Palestinian Legislative Council**

**The Proposed Securities Law**

**The Project Number** : **82/2001/J**  
**The Submitting Party** : **The Budget and  
Finance Committee**  
**Council's Reading** : **Passed on Third Reading**  
**Date** : **5/12/2004**

**The Securities Law No. ( ) of the year 2004**

- Chairman of the Palestinian National Authority
- Pursuant to the Amended Basic Law
- And following enactment by the Legislative Council during its session held on --/---/2004
- We have issued the following Law:

Section One  
General Provisions  
**Article (1)**  
Scope of the Law

This Law applies to:

1. The activities of the securities Securities Exchanges, authorized members, those dealing in securities and any new activities authorized by the Capital Market Authority.
2. Issuance and offering of securities and trading therein.
3. Securities companies, investment advisors, financial manager, investors, securities experts, depository and settlement Centers, fund managers, custody services, issuers, major holders and any activity authorized by the Authority pursuant to this Law.

**Article (2)**  
General Definitions

For the purposes of this Law, terms shall have the following meaning:

The Authority : The Capital Market Authority

The Securities Exchange : The Palestine Securities Exchange or any Securities Exchange for securities exchange licensed by the Authority in accordance with the provisions of this Law.

The Center : The Center for Deposit and Settlement

The Financial Advisor : The natural person whose profession is to provide advice and guidance in the area of securities investment to the public for his benefit or for a securities company or as an investment advisor.

The Investment Advisor: The person whose profession is to provide advice and guidance to others with regards to securities and its investments, prepare reports, carry out research and feasibility studies regarding securities.

The Executive Staff : The natural person having executive management duties at the securities company or acting as investment Advisor

The Investment Fund : The legal person licensed by the Authority who invests it on their behalf in a securities portfolio, or other forms of investment by the establishment contract and its bylaws.

The Administrator of the Fund: The natural person approved by the Authority to work on the Fund.

The Custodian of the Fund: The considered individual licensed by the Authority to monitor the activities of the fund and its obligations.

The Auditor of the Fund: The auditor of the Fund

The Manager of the Fund: The legal person engaged in the management of the Fund.

The Investment Manager: The person engaged in the management and investment of securities for the Fund

Bonds : The securities issued by a public shareholding company or government agencies or public enterprises for subscription and trading to secure debt through in exchange for payment of the principle and interest as shall be specified in the prospectus

The Control Interest :any individual holding 10% or more directly or indirectly of the securities of an issuer.

Insider Information :The information of the issuer or his securities which has not been made public yet.

The Insider :The individual who reviews insider information as a consequence of his access to it or his position, or whether directly or indirectly related to the insider.

The Issuer :The legal person who issues securities or declares his intent to issue securities.

The person :Any natural or legal person.

The Investor :The person dealing with securities whether by sale or purchase with the aim of realizing profit.

The public : The person directly or indirectly affected by the financial and investment activity in the Securities Exchange

The Relatives : The relatives of the normal person up to the second degree.

The Public Institutions : The public enterprises that the government owns in whole or in part or exercises control.

Securities Exchange Rules: The regulations and instructions which the Securities Exchange adopts and the Authority approves to regulate the activities of the Securities Exchange

Securities Company : The company whose main objective is trading in securities for the account of customers or its own account in accordance with the law.

The Member : The securities company licensed by the Authority and to the Securities Exchange

Members in the Center : The securities companies that are members in the Securities Exchange, the companies listed in the Securities Exchange, the custodian providing custody services at the Securities Exchange, and the investment schemes trading on the Securities Exchange.

Private placement: Offer of limited securities to thirty individuals or less for purchase of not more than 10% of the issue.

Public Issue : Public offering of securities for public purchase

Public Subscription : Subscription in securities in a Public Issue.

Tender offer : The offer made by a buyer for the purchase of 10% or more of the securities of the issuer

The Custodian : the legal person who provides custody services in securities.

The Indenture Trustee : The qualified person representing bondholders pursuant to the provisions of this law, and the regulations issued pursuant thereto.

The Underwriter : The person licensed to purchase the securities of the issuer for the purpose of their resale.

The Managing Agent : The person licensed to sell securities on behalf of the issuer.

The Investment Company: The company whose main activity is to invest in securities and trade them, or the company that owns or intends to own over (50%) of its total assets in the form of securities. This definition does not include banks, or insurance companies which conducts its businesses in this manner.

Material Information: The information or act which when made public affects the price of the security or the decision of the person to either purchase, hold, sell, or trade the security.

Misleading : Any incorrect statement made related to material information or any misleading statement or withholding of material information or any other information necessary for where its omission make the available information incorrect, incomplete and not precise.

Deceit : Any act, practice, plan, tactic, or method intended to either deceive others or lead to their deceit.

Control: The direct or indirect ability to exercise effective control over the acts and decision of others.

Trading : Sale and purchase of securities

Trading Contract : The contract by which the purchase of securities and sale of it conducted.

**Clearance** : The operation through which the rights and obligations of the respective parties in a trade are cleared pursuant to the terms of the Trading Contract.

**Settlement** : The operation through which the payment and transfer of ownership from seller to buyer are concluded pursuant to the terms of the Trading Contract and where the price is unconditionally paid in full.

**Listing** : Listing the securities of an enterprise at Stock Exchange for trading and concluding clearance and settlement of ownership at the Center.

**Disclosure** : providing important information that has an impact on the price of the security to the investors and to the public.

**The Listed Company** : The company whose securities are listed on the Stock Exchange pursuant to this Law.

### **Article (3)**

1. Securities means ownership rights or debt instrument whether domestic or foreign which the Authority approves.
2. Securities include, specially:
  - a. Shares and bonds
  - b. Investment units issued by investment schemes
  - c. Derivatives including convertible shares and bonds, sale or purchase option contracts
  - d. Futures and commodities.

### **Article (4)**

The following are not considered securities:

1. Commercial paper including checks and promissory notes
2. documentary credit, commercial bills, assignable instruments and money or payment transfers, instruments exclusively traded among banks.
3. Insurance policies or rights in pension funds which are funded from sources not including beneficiary contributions.

## **Section Two**

### **Establishment of the Securities Exchange and Its Powers**

#### **Article (5)**

##### **The Establishment**

1. One or more securities Securities Exchanges shall be established in Palestine, which shall be autonomous and shall have financial and management independence.
2. Securities Exchanges shall be the only entities authorized to operate trading in securities in Palestine
3. The management of the Securities Exchange shall be carried out by a board of directors and a full time general manager and an organizational structure and systems approved by the Authority.
4. The Chairman of the Board of Director or his deputy shall be prohibited from being a partner or a member of a board of directors or a managers or employees of any entity who is a member at the Securities Exchange or be its representative.
5. A Securities Exchange may be restructured subject to the approval of the Authority.
6. The Securities Exchange shall be regulated by the Authority, and its supervision, and inspection. The Authority may audit its records.

#### **Article (6)**

The parallel exchanges and other exchanges established by a Securities Exchange shall be deemed part of its regular operation an subject to the same rules and instruction related thereto.

#### **Article (7)**

##### **The Powers of the Securities Exchange**

The Securities Exchange shall enjoy the following powers, without contravening the powers of the Authority:

1. Regulating, supervising, and monitoring the activities of the members, and the issuers, and the listed companies with regard to their securities.
2. Regulate dealing in securities for the protections of the securities owners, investors, and the public from the fraud, deceit and unjust practices in accordance with the rules issued by the Authority.
3. Setting the rules for performance, supervision, and the procedures for monitoring and implementation to ensure regulating, operating, managing, and monitoring the Securities Exchange in the best manner after obtaining the approval of the Authority.

4. The Securities Exchange may set and impose fees on the member, listed companies in exchange for the use of its facilities and services, including registration fees, membership fees, exchange fees, and listing fees after obtaining the approval of the Authority.
5. Implement the rules and procedures applicable to the members including those related to:
  - a. The financial position of the member companies, and the requirements of financial audit in accordance with international standards.
  - b. Access to the books and records of the members.
  - c. Send regular reports to the Authority regarding the members' activities.
  - d. Observe the rules of ethics as approved by the Authority.
6. Investigate the conduct of member and listed companies and impose fines for violations. The fine structure shall be submitted to the Authority for approval and remain in force until the Authority changes them.
7. The stock exchange, and for reasons, may request the Authority to suspend dealing in securities or suspend the business of any of its members for the period it deems suitable.

#### **Article (8)**

The Securities Exchange shall submit to the Authority the rules and operating procedures (Securities Exchange rules), and any amendments thereof for the Authorities approval. The Authority has the right to request the Securities Exchange to amend them within a period specified in the request. These amendments shall become effective from the date the Authority determines.

#### **Article (9)**

##### Immunity

1. The stock exchange, the Center, any officer, employee, representative, or contractor shall be immune from responsibility for any act while performing a function at the Securities Exchange or the Center, or when exercising an action specified in this Law, regulation, rules, or instructions of the Securities Exchange unless the act, error or negligence has caused damage or harm the interests of others.
2. The rules of the Securities Exchange may refer certain matters to dispute resolution or arbitration.

#### **Article (10)**

##### Exchange at the Securities Exchange

It shall be prohibited to deal in the securities listed on the Securities Exchange except by the member companies whether the dealing for the member's account or the account of others.

#### **Article (11)**

##### The Relationship between the Authority and the Securities Exchange

1. The Authority shall provide the proper environment to maintain the integrity of the securities exchange and to regulate, promote, monitor and supervise the securities exchange and the capital market in Palestine. It shall protect holders of securities, investors and the public from fraud and deceit.
2. In order to accomplish that, the Authority shall perform the following:
  - a. Regulate and monitor the issuance of securities and dealing in them.
  - b. Regulate and monitor the businesses and activities of the parties subject to the Authority's supervision and regulation including the stock exchange, center, investment funds, securities companies, public shareholding companies, and financial professionals.
  - c. Regulate and monitor the disclosure of information relevant to the securities and the parties issuing them, including dealing by insiders, controlling shareholders and investors.
  - d. Regulate the public offerings of securities by public shareholding companies
  - e. Any other power stated in the Capital Market Authority Law.
  - f. The Authority shall be vested with full powers under the Law to issue rules, instructions, and regulations related to the functions and activities of the parties subject to its regulation and supervision necessary to achieve its goals as listed in paragraph (a). It shall be prohibited to violate these rules, instructions and regulations.

#### **Article (12)**

##### Powers of the Authority

Without derogating from the powers of the Authority as enumerated in the Capital Market Authority Law and Article (11) above, the Authority may:

1. issue written instructions to the stock exchange for the purpose of the public good, in relation to the following:
  - a. Dealing at the Securities Exchange
  - b. Types of securities traded on the Securities Exchange
  - c. Disseminate information to the member securities companies or to the public.

- d. The manner in which the Securities Exchange shall apply its rule, instructions and procedures.
- e. Any other matter that the Authority deems necessary to implement this Law.
2. review the decisions made by the Securities Exchange to ensure their compliance with the provisions of this Law, regulations, instructions, and decisions made pursuant it and to make the appropriate related decisions.
3. According to the procedures, and by the conditions listed in the regulations, the Authority may request the Securities Exchange to do the following:
  - a. Suspend the membership of a securities company.
  - b. approve the membership of a securities company in the Securities Exchange.
  - c. Suspend dealing at the Securities Exchange, if it becomes apparent that force majeure has prevents trading.
  - d. Suspend, or cancel the trade of any security at the Securities Exchange or any license.
4. Any notification made by the Authority to suspend or cancel the membership, or suspend or cancel the trading of any security must be reasoned and effective immediately after notifying the Securities Exchange. The member has the right to appeal the decision of the Authority in accordance with the regulations issued according to this Law.

**Article (13)**  
Confidentiality

It shall be prohibited for the Securities Exchange, its managers, officers, employees or the Center to disclose to any person information that is related to the transactions of the member securities companies or the listed companies or their respective customers or shareholders and their ownership in securities except as is allowed to disclose under this Law or pursuant to the rules of the Securities Exchange, unless this information is deemed public. This prohibition shall not apply to information required by the Authority under this Law or its regulations or pursuant to a court decision.

**Article (14)**  
The Center

The Center conducts the following tasks:

1. Register issuers of securities
2. Central deposit for the securities
3. Audit the information entered in the accounts of the investors at the securities companies which are members at the Securities Exchange, ensure correctness of information, and enter any additional personal details in the records of the owners of the securities at the Center.
4. Provide the services of clearance and settlement for the Securities Exchange and its members.
5. The documentation related to the transfer of securities' ownership
6. Register collateral interests in securities, pledges, court order attaching the security, redemption of the collateral.
7. Monitor the limits on the ownership of securities ownership that are set by listed companies according to their by-laws or pursuant to the prospectus.
8. Provide, on a regular basis, the issuers of securities with updates concerning the changes reflected on their records.
9. execute the instruction of the Authority and the Securities Exchange concerning the shares of the board of directors of listed companies and execute the instructions of the listed companies concerning the distribution of dividends to shareholders.
10. The Center has the right to charge fees for services rendered pursuant to instructions issued by the Securities Exchange and approved by the Authority.
11. Other tasks as necessary to ensure the proper operations related to securities at the Center.

**Article (15)**

Exclusivity

It shall be prohibited for any person other than the Authority to establish, or manage another Center to provide clearing and settlement functions to the Securities Exchange its members.

**Article (16)**

Supervision and Monitoring of the Members at the Center

1. The Authority is vested with the powers to impose and implement the rules to regulate and supervise the members in the Securities Exchange and the Center, in relation to:
  - a. Registration and documentation of the ownership rights in securities that have been traded and cleared and settled.
  - b. Information, prospectuss and confidentiality of records and those authorized to view them.
  - c. Information, prospectuss and records that the Center may disclose.

- d. The professional standards of ethics.
- 2. The Authority has the right to adopt the rules and instruction; supervise and regulate the members of the Securities Exchange who have a right to access the Center including:
  - a. The right of the Center to access the records of the members.
  - b. The right of the Center to issue reports concerning the records of the members.
  - c. Specify the violations of rules of the Center and the sanctions associated with that and the imposition of penalties including the suspension of their activities.
  - d. Any other areas that may require regulation by the Authority.
- 3. The Authority has the right to investigate the members of the Center and impose fines for violations of the rules. The Authority may reassess these fines which remain in force unless otherwise changed by the Authority.

**Article (17)**

Restrictions on the Ownership of Securities

- 1. The Authority may assess the degree of compliance with rules pertaining to the ownership of securities and the restrictions imposed thereon pursuant to the provisions of this Law or the rules of the issuer. The Center may refuse to register securities that violate these rules.
- 2. The rules of the Securities Exchange may require the securities companies, the custodian, and the other members of the Securities Exchange to provide the Center with the names of the beneficial owners of securities deposited in the accounts of their representatives. The Center shall keep this private information confidential, and shall have the power to share this information with the Authority and the issuer.

**Article (18)**

- 1. the registration of traded securities at the Securities Exchange, transfer of their ownership, settlement of their prices, and registration of collateral interests, pledges or attachment thereon shall be recorded at the Center.
- 2. The Center has the right to open accounts to trade securities or register them in accordance with the provisions of this Law or the rules of the Securities Exchange.

Members of the Securities Exchange have to have separate account for their cusmoters from those of their accounts.

**Article (19)**

The Center's Records as Evidence

The entries of the Center's records, its accounts, and any document issued manually or electronically shall be deemed evidence unless proven otherwise.

**Article (20)**

Dematerialized Securities

Trading the Securities Exchange shall be dematerialized. Its records shall be deemed proof of ownership.

**Article (21)**

- 1. The securities deposited at the Center are not considered possessions of the Center or the Securities Exchange.
- 2. The Center may serve as a depository for foreign securities if these securities were properly registered at a foreign Center after obtaining the Authority's approval.

**Article (22)**

The members, listed companies, and custodians shall have a sufficient guarantees to cover their commitments towards others.

Section Three

Issuing, and Offering Securities for Public Subscription

**Article (23)**

Licensing the Issuance of Public Offerings

- 1. It shall be prohibited for any person to issue securities, offer securities, or solicit investors to purchase securities unless a prospectus is submitted to the Authority containing all information and data that will enable the investor to make informed investment decisions.
- 2. The Authority shall issue instructions specifying the information and data required in the prospectus.

**Article (24)**

The Underwriter in a Public Offering

It shall be prohibited to offer securities to the public without an underwriter or a management agent.

## **Article (25)**

### The License Application

1. The licensing application shall be submitted along with the prospectus pursuant to the provisions of Article (24).
2. The application shall be signed by the issuer, and the underwriter or the management agent appointed by the issuer or others as specified in the regulations.

## **Article (26)**

### The Prospectus

1. The issuer must prepare a prospectus containing complete disclosure with necessary information to enable the investor to make an informed decision. The prospectus shall specifically contain the following information and data:
  - a. **Complete Description** of the issuer and the nature of his activity, the executive management of the business including the board of directors, senior management, and shareholders.
  - b. **Complete Description** of the securities with regards to the number, price, and all the conditions related to the offer and the manner in which the proceeds will be used.
  - c. **Complete Description** of the financial situation of the issuer, and any financial information that may affect the investment, including the financial statement and the income statement and the company's track record for the last three years; or
  - ii. feasibility study for the new companies and a projected budget for the coming two years prepared in accordance with the international accounting standards, and the forecasts for the investment opportunities and risks.
  - d. Any information requested by the Authority and/or the Securities Exchange that shall assist the investor in making his decision regarding the investment in the securities being offered.
2. The Authority may determine a specific format or form for electronic signature to approve it, which shall be equivalent in its validity to the written signature.

## **Article (27)**

The issuer must inform the Authority of any changes occurring related to its information as stated in the prospectus without delay before or after the prospectus has been approved.

## **Article (28)**

### The Authority's Approval of the Prospectus

1. The prospectus shall be effective thirty days after the date of its submission to the Authority, unless the Authority decides during that period that the prospectus is approved, rejected or suspended. It has the right to determine the period during which this prospectus shall be effective.
2. The Authority shall reject the prospectus in the following cases:
  - a. If the prospectus was deemed in contravention of the provisions of this Law or its regulations.
  - b. If the prospectus contained any incorrect, misleading, or insufficient information or data.
3. The Authority may reject the prospectus or suspend its effectiveness in the following cases:
  - a. If the issuer did not supply the Authority with any of the documents requested by the Authority
  - b. If the prospectus did not contain any material information
  - c. If the fees for the prospectus have not been paid to the Authority
  - d. In all cases, the decisions of the Authority to reject or suspend the prospectus shall be for reason and justified.

## **Article (29)**

### The Responsibility of the Correctness of the Prospectus

The issuer shall be responsible for the correctness, precision, and sufficiency of the prospectus. The Authority's approval of the prospectus does not reflect its approval of the correctness of the information disclosed or contained in the prospectus.

## **Article (30)**

### Amending the Application and the Prospectus

1. After the Authority approves the application for licensing and the prospectus, and before completion of the subscription in the securities, the application and the prospectus may be amended by the issuer in the following cases:

- a. Occurrence of a substantial change to any information the application or the prospectus;
  - b. The Authority's notification to the issuer to make the amendment if the information was deemed misleading or incorrect or material information was omitted rendering the information required to make informed investment decision insufficient.
2. In case the information included in the prospectus has to be amended:
    - a. The investors who bought securities must be notified
    - b. The investors may return the securities for a refund during a reasonable period as shall be specified in the regulations.

### **Article (31)**

#### Suspension of the Public offering

After approving the application and prior to the completion of the subscription, the Authority may suspend the public offering if discovered that the contents of the public offer or any public materials were misleading, incorrect, or failed to contain material information whose inclusion or exclusion is harmful to the investors. If the deficiency was not corrected during a period specified in the regulations, the Authority has the right to revoke the license and order the cancellation of any securities issued including a full refund to the investor.

### **Article (32)**

#### Private Placement

The following are conditions for the private placement:

1. The Authority's approval for the private placement
2. That the offer is not accompanied by any publication in the media except for the announcement of the completion of the offer.
3. To permit the individuals to whom the offer was presented to review the information pertinent to the issuer and the securities in a prospectus similar to the case of public offerings.

### **Section Four**

#### The Reporting Issuers

### **Article (33)**

1. The securities shall be released for public offering through one of the four methods:
  - a. Prospectus
  - b. An announcement containing a summary of the prospectus, and any information or data the Authority requests or permits in accordance to instructions issued by the Authority.
  - c. Written material annexed to the prospectus or pre-published indicating the approval date of the prospectus.
2. The sale of the securities, by public offer, is not binding on the purchaser unless a copy of the approved prospectus was received.

### **Article (34)**

#### Listing on the Securities Exchange

1. The issuer shall file a request to list on the Securities Exchange.
2. The Securities Exchange shall list the securities of the issuer, which meet the conditions for listing at the Securities Exchange.
3. The Securities Exchange has the right to bind the listed issuer to disclose any information and make it available to the public upon the occurrence of any event concerning the issuer's material.
4. It shall be prohibited for any issuer in Palestine to list his securities on the Securities Exchange or a securities exchange outside of Palestine without obtaining the prior approval of the Authority
5. Any company whose securities are listed on the Securities Exchange for trading shall abide by the disclosure requirements issued by the Authority.

### **Article (35)**

#### Periodic Disclosure

1. Each issuer shall submit to the Authority and the Securities Exchange annual reports during the first three months following the end of each fiscal year. The report shall include the following information:
  - a. Complete information about the issuer and its activities.
  - b. The names of the members of its board of directors, managers, and major shareholders.
  - c. Financial information clearly reflecting the issuer's financial position including its affiliated and subsidiary company information.
  - d. The changes and future indicators expected by the issuer that have substantial impact on its financial position.



2. Each issuer shall present to the Authority and the Stock Exchange semi-annual financial reports. The Authority shall issue instruction specifying the time the issuers shall submit their semi-annual financial and any other periodic reports, its contents, and the method of presenting them and any other additional information that shall be included. It shall also specify the officers who have signature authority.

### **Article (36)**

#### Disclosure of Material Change

1. Any reporting issuer of securities shall notify the Authority and the Securities Exchange in writing immediately in the event of material change which might affect the prices of the securities it has issued.

2. The Authority or the Securities Exchange may request the reporting issuer to supply any information or data pertinent to its securities. The reporting issuer must supply the Authority and the Securities Exchange with the requested information during the period specified in the request.

The Authority or the Securities Exchange may request the reporting issuer to make public any information or data relevant to its securities. The Authority or the Securities Exchange may make the reporting issuer's information public at its expense.

### **Article (37)**

#### The Accounting and Auditing Standards

The Authority shall specify the following by instructions:

1. The standards of accounting and auditing relevant to the preparation and publication of the financial reports for purposes of the initial public offering or the continuation of listing on the Securities Exchange.

2. The details and qualifications of the auditor authorized to audit the accounts of reporting issuers according to the standards specified in paragraph (1) above and the auditing standards that may be approved for this purpose.

3. If the issuer owns directly or indirectly 50% or more in any entity, the financial reports prepared by that issuer must contain financial reports of that entity or entities and shall be presented on full basis as required by the regulations.

### **Article (38)**

#### Registration of the Ownership of Securities

1. The issued securities must be registered in the name of one specific owner according to the provisions of the Law

2. It shall be prohibited for any issuer to issue any certificates or documents of the securities ownership directly, but must that only through the Center.

### **Article (39)**

#### Suspension and Cancellation of the Listing License

1. The Securities Exchange may submit a request to the Authority to suspend or cancel the listing license, if the issuer violated the requirement of continued disclosure according to the Securities Exchange rules.

2. Upon the Authority's approval of the request for suspension or cancellation, the Authority make the decision public.

#### Section Five

#### Securities Companies

### **Article (40)**

The services provided by the securities company individually or collectively include:

1. Management of the portfolio for its account or for the account of others.

2. Performing the function of underwriter or management agent.

3. Marketing of securities.

4. Management of investment schemes.

5. Management of initial public offerings.

6. Performing the duties of the investment Advisor.

7. Financial intermediation.

8. Any other services approved by the Authority.

### **Article (41)**

The securities company shall not include any of the following:

1. The government.

2. Any person involved in the sale and purchase of securities without this activity being part of his regular or official commercial activity.

#### **Article (42)**

##### Licensing Requirements

1.
  - a. Any person must obtain a license from the Authority and register at the Securities Exchange before engaging in the practice of securities intermediation or as a financial investment Advisor.
  - b. The licensed securities company may perform the tasks of the investment Advisor without obtaining an additional license, but it is prohibited for the investment Advisor to carryout any of the tasks exclusive to the securities company without an additional license.
2.
  - a. Any individual must obtain a license from the Authority and register at the Securities Exchange prior to practicing his activity as a fund administrator Advisor, or any other professional in securities.
  - b. It is prohibited for any securities company or investment Advisor to employ any person as a fund administrator or financial Advisor or professional dealing in securities exchange unless he/she has been licensed by the Authority and has registered at the Securities Exchange.
3. The Authority shall issue instructions that specify the licensing procedures, qualifications requirements, and the minimal capital requirement, financial position, management, professional and technical qualifications. The Authority has the right to specify the different requirements for each activity.
4.
  - a. The Authority may authorize the Securities Exchange to certify the qualifications of those applying to obtain licenses to operate as a fund administrator, financial Advisor, or professional dealing in securities, and to prepare and administer any tests required as a prerequisite for licensing.
  - b. The Authority may authorize the Securities Exchange to ensure that these individuals still enjoy the required capacity during the duration of the licensing period.
  - c. The Securities Exchange may request the Authority to suspend or revoke the license of a securities Securities Exchange, an investment Advisor, or any fund administrator, financial Advisor or professional in securities provided that the request is justified.

#### **Article (43)**

1. The Authority shall make its decision regarding granting the license or rejecting it within sixty days from the request date provided that the application was complete.
2. The Authority shall maintain an approved list of securities companies, investment Advisors, fund administrators, financial Advisors and professionals.

#### **Article (44)**

##### The Obligations of the Securities Companies and the Investment Advisors

1. The securities companies and investment Advisors are obliged to do the following:
  - a. Refrain from providing services to the investors prior to making the Trading Contract.
  - b. Possess sufficient working capital and provide bank guarantees in accordance with instruction issued by the Authority
  - c. Abid by the instructions issued by the Authority and the Securities Exchange, which demand the segregation between company's private assets and those of its investors, and to refrain from using the funds and the securities of the investors for the company's own purposes.
  - d. Give priority to carrying out the investors' requests prior to carrying out requests for its own account or the account of its employees.
  - e. Provide advise to the investors each according to its own investment needs.
  - f. Refrain from providing credit to investors to purchase and possess securities except for what is permitted by the Law, regulations and instructions.
  - g. Refrain from providing assurances or a promises of certain returns on investment to the investors.
  - h. Refrain from trading the investor account without its consent.
  - i. Provide the investor with periodic account statements.
  - j. Refrain from withholding any information concerning their operations from the Authority and the Securities Exchange, and avoid harm to the investor the Securities Exchange.
2. The securities companies shall notify the investors who own the securities of the information supplied by an issuers directly or through the Authority or the Securities Exchange and pass the information received from the issuers to the investor either directly or through the Center.

#### **Article (45)**

##### Membership in the Securities Exchange

1. All securities companies shall obtain membership to the Securities Exchange in order to them at the Securities Exchange. They shall abide to the provisions of this Law, the regulations, instructions, and the rules of the Securities Exchange.
2. The securities companies who are member at Securities Exchange and licensed by the Authority shall perform the following:
  - a. Disclose required information and supply it to investors.
  - b. Make its its books and records available for audit.
  - c. Provide the documents and other information requested by the Authority and the Securities Exchange.

#### **Article (46)**

##### The Authority's Powers to Monitor Securities Companies and Investment Advisors

1. The Authority has the power to issue instructions which specify the duties and obligations of the securities companies, and investment Advisors with regards to the requirements listed in article (43) (a) and (b).
2. The Authority has the power to request the securities companies and the investment Advisors to provide information and reports about their operations.
3. All books, records, prospectuses, documents, communication, and contracts pertaining to the securities companies, and the investment Advisors shall be subject to review and audit by the Authority. The Authority may obtain copies of these documents.
4. If the Authority reviewed confidential information, it shall preserve the confidentiality of that information. It shall be prohibited from revealing it except by court decision or upon a request from the Legislative Council.
5. The Authority shall reject, suspend, cancel or restrict any license issued in accordance with the provisions of this section if it discovers the Advisor:
  - a. Provided the Authority with false or misleading information in requesting the license or in any report.
  - b. Did not meet the qualifications or the requirements specified in this, its regulations or instructions.
  - c. Violated the provisions of this Law, its regulations and instructions.
  - d. Violated the rules of the Securities Exchange.
  - e. Failed in monitoring the work of any of its executive management or any other person under his supervision that would have resulted in the contravention of provisions of this Law, its regulations and instructions.
  - f. Was convicted of a felony or a crime he has committed.

#### **Article (47)**

##### Disclosure of Changes

Securities companies and investment Advisors shall notify the Authority and the Securities Exchange of any changes in the circumstances, which might affect their position. This notification shall take place during the time and through the method specified in the regulations and instructions, including:

1. If the securities company or the investment Advisor has ceased performing the business for which the license was granted.
2. If the securities company or the investment Advisor ceased to employ executive managers, administrative officers, or supervisors who have obtained a license for the type of activity the securities company or the investment Advisor has obtained the license for.
3. If any material change has occurred in the information reflected on the approved list of that company or the investment Advisor at the Authority.
4. If events have occurred which could harm the financial position of the securities company or the investment Advisor.
5. Any other kind of circumstances or events, which the instructions specify.

#### **Article (48)**

##### Confidentiality

It shall be prohibited for the Securities Company, custodian, investment Advisor, managers, officials, or employees to disclose to any individual any information pertaining to the transactions of the investors, or the securities owned by them without written permission from the customer each time where disclosure is requested from third parties. This prohibition does not apply to information required for disclosure under this Law or by the instructions of the Authority and the Securities Exchange.

#### **Article (49)**

##### Custody Services

1. Custody means the services provided by the custodian whether directly or through one or more other custodians to protect an investor in securities, and to assist the investor in establishing his rights with relevance to the securities.
2. Types of custody services include:

- a. Material holding if the custodian is receiving securities from the investor to maintain.
- b. Nominal holding if the custodian is receiving from the investor securities documented by records to maintain in its safekeeping or with another custodian.
3. The Authority shall specify by instructions the procedures for licensing the custodian and the essential requirements for the applicants qualified for licensing.

Section Six  
Investment Funds  
**Article (50)**  
Licensing of Investment Funds

It shall be prohibited for any party to establish any investment fund unless if it was an incorporeal individual, and after obtaining the necessary license from the Authority and registration at the Securities Exchange.

**Article (51)**  
Types of Investment Funds

1. Investment Funds are one of the following two types:
  - a. investment fund of variable capital called (the open fund)
  - b. Investment fund of fixed capital called (the closed fund)
2. The closed fund may issue its investment units through private placement or a public offering. It may be listed in the Securities Exchange according to the listing requirements.
3. The closed fund may be converted to an open fund if its by-laws permit that, provided that it meets the requirements of the this Law, regulations and instructions.
4. The Authority shall specify by instructions the public offering of the securities for the open investment fund.
5. The open fund may not issue, or extinguish its investment units except in accordance to the price calculated based on the net value of its assets in accordance to rules issued the Authority.
6. The open fund may not cease to issue or extinguish its investment units as specified under this Law except by instructions of the Authority.
7. The open fund shall be highly liquid at all times in order to meet its obligations.
8. The Authority shall specify the minimum liquidity percentage the open fund is obliged to maintain and the method of calculation.

**Article (52)**

Establishment and Management of Investment Funds

1.
  - a. The investment funds shall have a fund manager, trustee and auditor.
  - b. The fund may have a custodian provided that he is not the manager or the trustee of the fund.
  - c. The fund may have an investment manager provided that he is not the manager or the trustee of the fund.
2. The licensed trustee follows up on the investments of the fund, and ensures compliance with the investment policy stated in its by-laws, the provisions of this Law, regulations and instructions.
3. The fund's treasurer shall immediately notify the Authority of the violations committed by the fund manager. In case the Authority is not notified, he shall be deemed an accomplice unless his lack of knowledge is proven.
4. It shall be prohibited for any person to jointly hold the positions of a fund trustee and manager.
5. It shall be prohibited for the fund manager, trustee, custodian or investment manager or auditor to use his job for personal gain whether directly or indirectly.
6. The Investment funds shall abide by the rules and regulations relevant to their establishment and to the conduct of their operations pursuant to this Law, regulations and instructions.

**Article (53)**

The Authority shall maintain a list of approved investment funds, fund managers, investment managers, fund administrators, trustees and the custodian of the fund.

**Article (54)**

Disclosure and Reports

1. Each investment fund shall submit at least two reports annually to the Authority including the financial data, its performance and type of portfolio, and information required for disclosure to the shareholders. These reports shall be audited by the fund auditor.
2. Each investment fund shall disclose periodically the information pertinent to the value of the portfolios, disclosure date, accounting and audit rules, and the evaluation basis.
3. The provisions of this law dealing with disclosure shall be applicable to the investment funds. The Authority may issue special instructions in that regard if necessary.
4. The Authority may by instructions, specify the level of compliance with the disclosure rules and the frequency of report submission pursuant to paragraphs (1), (2), and (3) above.

#### **Article (55)**

##### The Fund Manager

1. Any legal person has the right, after obtaining the necessary license from the Authority, to perform the functions of the Fund Manager including the marketing thereof.
2. The Authority shall specify, by instructions, the procedures for licensing the Fund Manager, and the basic requirements for the applicants qualified for licensing.
3. The fund manager shall perform his activities in accordance with the by-laws of the Fund. The Fund Manager shall sign the application for the public offering.
4. It shall be prohibited for the Fund Manager to enter into any securities deal for his own account whether directly or indirectly with the fund or any client securities company.

#### **Article (56)**

The Authority may, by request from the Fund Manger or any other concerned party, exempt the fund from the licensing requirement in accordance with the provisions of this section unless the issue is a public offering, and if it determines that the exemption does not undermine this objectives of this Law with regards to the protection of the investor or the public interest of the fund.

#### **Article (57)**

##### The Investment Manager of the Fund

1. Any person may serves as an investment manager of fund after obtaining the necessary license from the Authority.
2. The Authority shall issue instructions specifying the licensing procedures and the basic requirements for the qualified applicants to obtain the licenses in accordance with the provisions of this Law.
3. The investment manager of the fund shall abide by the by-laws of the fund, and shall manage the fund in accordance with the rules of the Securities Exchange..
4. The investment manager of the fund shall manage the investment portfolio in a way that promotes the objectives and the policies of investment listed in the prospectus of the fund.
5. The investment manager of the fund shall not enter into any securities deal whether directly or indirectly with the fund or with any client securities company.

#### **Article (58)**

##### The Administrator of the Fund

1. Any natural person may, after obtaining the necessary license from the Authority, perform the function of Fund Administrator.
2. The Fund Administrator shall perform the following:
  - a. Provide administrative services for the fund in a sound and effective manner in accordance to the Securities Exchange rules.
  - b. Maintain the ownership records of the investors in the fund.
3. The Authority specifies, by instructions, the licensing requirement and the basic requirements for the applicants qualified for licensing.

#### **Article (59)**

##### The Trustee of the Fund

1. Any legal person may perform the functions of the trustee after obtaining the necessary license from the Authority.
2. The Authority specifies, by instructions, the licensing procedures and the basic requirements for qualified applications.
3. The Authority specifies, by instructions, the responsibilities of the trustee to monitor the activities of the fund and supervise them.

4. The trustee performs his activities and duties in an appropriate, sound, and efficient manner.
5. It shall be prohibited for the trustee to enter into any securities deal whether directly or indirectly with the fund its serves as trustee or with any client securities company.

**Article (60)**  
The Custodian

1. Any legal person may perform the function of custodian of a fund after obtaining the necessary license by the Authority.
2. The Authority issues instructions specifying the licensing procedure and the essential requirements for qualified applicants.
3.
  - a. The custodian of the fund shall abide by the by-laws of the fund
  - b. Provide the services of custody of the fund in an appropriate, sound and efficient manner.
4. It shall be prohibited for the custodian to enter into any securities deal whether directly or indirectly with the fund it as a custodian or with any client securities company.

**Article (61)**

The Authority may specify the qualifications and requirements of the parties providing services to the investment funds. It may specify, by instructions when the license must be obtained.

**Article (62)**  
Responsibility

Each of the fund managers, the investment manager of the fund, the fund administrator, the trustee, the custodian of the fund, and the other parties who provides services to the fund, shall be responsible towards the fund and the investors with regard to any violation of the provisions of this Law, its regulations or instructions.

**Article (63)**

The Powers of the Authority over the Investment Funds  
And Tteir Staff

1. The Authority has the power to issue the instructions that specify the duties and the obligations of each of the fund manager, the investment manager of the fund, the fund administrators, the trustee of the fund, and the custodian of the fund in accordance with the provisions of this Law.
2. The Authority has the power to determine the responsibilities expected from the parties falling under the provisions of this Chapter.
3. The Authority has the power to request the investment funds, the fund manager, the investment manager of the fund, the fund administrators, the trustee of the fund, the custodian of the fund, and the other service providers, to provide it with any information or reports required by the regulations issued pursuant to this Law.
4. The Authority has the power to examine the facilities, the accounting books, records of the fund manager, and the investment manager of the fund, fund administrators, trustee of the fund, and the custodian of the fund concerning any of their activities.
5. All records, prospectuses, documents, communication, and contracts dealing with the fund or with the relevant parties shall be subject to the monitoring and inspection of the Authority. The Authority may obtain copies of such records or request copies thereof.
6. If the Authority reviewed confidential information, it shall preserve the confidentiality of this information. It shall be prohibited from disclosing this information without a court order.
7. The Authority may reject, suspend, cancel, or restrict any license issued according to this section, if it determines that the licensee:
  - a. Has supplied the Authority with wrong, misleading or vague information in the application or in any report.
  - b. Has not fulfilled the qualifications and the requirements specified in this law and/or regulations and/or instructions.
  - c. Has violated the provisions of this law, regulations, or instruction issued by it.
  - d. Violated the rules of the Securities Exchange.
  - e. Failed to monitor the work of any employee, or other person under his supervision that has led to the contravention of the provisions of this Law, regulations and instructions related thereto.
  - f. Has been convicted of any crime, financial felony, or crime relevant to the securities within the last ten years.
8. The Authority may suspend, cancel or revoke the license of an investment fund if it violates the rules of a foreign Securities Exchange where it is listed.

**Article (64)**

## Disclosure of Material Changes

1. The Authority may request any licensed person to notify it of any changes in circumstances, which may affect the status for which it was licensed. This notification has to be issued within the period and method indicated in the regulations and instructions. The circumstances necessitating notification include:
  - a. If this person has ceased to conduct the activities for which he was granted the license.
  - b. In the case of the custodian of the fund, if the Securities Exchange suspends his participation rights.
  - c. If substantial change in any information, provided to the Authority in its approved list of fund staff.
  - d. The occurrence of any events, which has a negative impact on the financial position of that person as indicated in the instructions.
  - e. Any other type of circumstances of events, which the instructions specify.
2. The Authority may, by instructions, request all the funds or the relevant parties who have been licensed pursuant to this section, to obtain the Authority's prior approval before any substantial change to any of the founders, ownership rights, capital, or any other business which the Authority defines as a change in the ownership rights, control, legal framework, sale of assets or mergers.

### **Article (65)**

#### Ownership of the Fund's Property

It shall be prohibited to attach and seize the assets of the fund or the securities or investment units of investors for satisfaction of except by court judgment.

### **Article (66)** Confidentiality

The investment fund or the relevant parties shall not disclose to any person any information relevant to the characteristics of the investor in securities, or the securities or assets of the investment fund, or the policies of the investment without the written consent of the investor, or pursuant to court judgment. This requirement shall be deemed necessary in the event of each separate disclosure to third parties. This prohibition is not applicable to the disclosure of information required under this Law, regulations, instructions or the rules of the Securities Exchange.

### Section Seven Bonds **Article (67)**

#### The Requirements for Issuing Bonds

1. The documents which the issuer must submit shall include:
  - a. The terms of the bonds including the payment of interest and face value.
  - b. The details concerning the assets of the issuer for the last three years, if available, which guarantee the bonds.
  - c. The details relevant to the guarantee, if available, by other parties concerning the face value and the interest.
  - d. Any other requirements, which are specified by the regulations and instructions.
2. The bonds shall have the following:
  - a. The company's approvals in accordance with the provisions of the prevailing Companies Law.
  - b. If these bonds are convertible to shares, the offer shall be in accordance with the provisions of the prevailing Companies Law.
3. The provisions of this section are not applicable to:
  - a. The bonds and securities which the government, public institutions and local government issue.
  - b. Private placements.
  - c. Any other types of issue which may be excepted from the definition of public offering according to its specific provisions.

### **Article (68)** The Trading of Bonds

The bonds shall have a face value which can allow for trading. They shall be registered in the name of holders and the contractual arrangement shall be recorded at the Center. These bonds may be traded at the Securities Exchange in accordance with the provisions of this Law.

### **Article (69)**

#### The Face Value of the Bonds

1. The bonds shall have one face value when issued and be issued in various units for the purpose of trading. It bond maybe sold by its face value, at a discount, or premium. In all events the face value of the bond must be paid.

#### **Article (70)**

##### Payment for the Bonds Upon Subscription

1. The value of the bond shall be paid upon subscription and shall be recorded as a deposit in the name of the issuer/borrowing company.
2. It shall be is permissible to record the amounts paid in the name of the underwriter with the consent of the borrowing company. The proceeds of the sale shall be deposited with the issuer in due time as agreed with the underwriter.
3. The managing agent may carryout the subscription upon agreement with the issuer.

#### **Article (71)**

##### Bonds Guaranteed by in Kind Property

If the bonds are secured by movable or immovable property, or by other in kind property, or by others types of collateral, guarantees or mortgages, that property and funds shall be placed as a security for the bonds and properly documented prior to the completion of subscription and prior to the deposit of the subscription proceeds pursuant to applicable legislation.

#### **Article (72)**

The currency of the bonds offered shall be subject to the Authoritys approval, if it is other than the national currency.

#### **Article (73)**

##### Under-subscription in the Bonds within the Specified Period

The Authority may set the minimum required, not less than 66% to be subscribed in during a given subscription period.

#### **Article (74)**

##### The Terms of Offering Convertible Bonds

The issuer may offer bonds which are convertible to shares provided that the Board of Director's resolved to abide by the rules related to the conversion pursuant to this Law and the regulations of the Authority.

#### **Article (75)**

##### The Bonds Holders Committee (Trustee)

1. An Committee called the Bondholders Committee shall be established for each bond offering.
2. The Committee of the Bond Holders shall appoint a trustee for the offer pursuant to the instruction of the Authority.
3. The Trustee shall be duly licensed by the Authority in order to perform this function.

#### **Article (76)**

##### The Duties of the Bond Holders Committee

1. The purpose of the Bond Holders Committee shall be the protection of its owners rights, and making the necessary arrangements for the protection of these rights in cooperation with the trustee.
2. The Bond Holders' Committee meets for the first time based on an invitation from the Board of Directors of the Company issuing the bonds. The appointed Trustee shall manage the invitations thereafter.

#### **Article (77)**

##### The Powers of the Trustee

The Trustee shall have the following powers:

1. Representation of the Loan Bonds Holders' Committee before the judiciary as a plaintiff or defendant and with relation to third parties.
2. Handling the secretariat services for the Bond Holders Committee during meetings.
3. Carry out all necessary work required for the protection of the Bond Holders rights.



4. Any other functions as assigned by the Bond Holders Committee.

**Article (78)**

The Trustee shall attend the issuer General Assembly Meetings but shall not have the right to vote.

**Article (79)**

The Meetings of the Bond Holders Committee

1. The Trustee shall invite the bond holders to meetings whenever necessary.
2. The Bonds Holder Committee shall be invited to the issuer's ordinary general assembly who shall be bound by the rules of the general assembly when attending.
3. The terms of the bond offering maybe changes by the issuer if the Bond Holder Committee consents by a majority vote of 2/3 of the members who hold the bonds to the change.
4. The Turstee shall inform the Authority, the Companies Controller, the issuer and any Securities Exchange where the bonds are listed and the decisions of the Bond Holders Committee.

**Article (80)**

The Company's Right to Extinguish the Bonds

The Prospectus may include information pertaining to the issuer's right to the extinguish the bonds.

Section Eight  
The Public offer  
**Article (81)**

The Securities with Voting Rights

1. For the purposes of this section, the securities eligible to vote mean the securities which have the right to vote in the shareholders general assembly meeting.
2. The Authority may specify, by instructions, other securities which are eligible to vote.

**Article (82)**

Disclosure of Ownership by Major Holders

1. The Securities Exchange shall disclose to the Authority the holding of any person who holds directly or indirectly 10% or more of the issuer's securities which are eligible to vote, within twenty-four hours of obtaining the information.
2. Any person purchasing or selling securities of an issuer directly or indirectly (including purchase or sale through beneficiaries' rights) which may exceed ten percent of the securities eligible to vote, shall notify the Authority and the Securities Exchange within seven working days.

**Article (83)**

Any person making a tender offer shall submit a request to the Authority, the issuer and the Securities Exchange, if the securities were listed in the Securities Exchange, including a report concerning its operation and the details of the tender offer prior to making it to the and must make his tender offer public pursuant to instructions issued by the Authority and the Securities Exchange rules.

**Article (84)**

The Terms and Conditions the Tender Offer

1. The tender offer must be made to shareholders without any exception and the offer shall be considered an offer submitted to all holder of the security.
2. The person conducting a Tender Offer shall without discrimination pay to any person holding securities of the class that are the subject of the offer and that are willing to sell, an amount equal to the highest consideration paid to any other seller in the Tender Offer.
3. If a Tender Offer is made for less that the total outstanding securities and the holders of such securities tender more than the amount of securities that the purchaser has committed to purchase, the purchaser shall be obligated to make purchases from such holders pro rata in accordance with the number of shares tendered by each holder compared to the total number of shares tendered.

**Article (85)**

## Requirement to Conduct Certain Purchases by Means of a Tender Offer

If the purchaser intends to acquire voting securities such that the amount of voting securities directly or indirectly held by such purchaser will equal or exceed 10% of the voting securities of a reporting issuer (or the result of which will be that the purchaser is able to control this issuer), the purchase of these securities shall be conducted by means of a tender offer.

### **Article (86)**

#### The Powers of the Authority in Respect of Tender Offer

In order to ensure the proper conduct of a tender offer and to ensure that there is no discrimination among the owners of the securities that are the subject of the tender offer, the Authority may issue instructions specifying the following:

1. The form and content of the reports and notifications referred to in this section.
2. The procedures that the prospective purchase must comply in the conduct of a tender offer including minimum time periods during which the offer to purchase must remain open, security to be provided by the purchaser to guarantee performance, and limitations on the types of conditions that may be included in the Tender Offer.

### Section Nine

#### Fraud, Deceit, and Insiders and Insider Trading

### **Article (87)**

1. It shall be prohibited for any person who has a direct or an indirect relation regarding any deal, including the purchase, sale, or dealing in securities, or providing any investment advice, or any authorization or approval, or proxy or power of attorney or any other information solicited from the security holder or published in connection with a meeting or other action taken by security holder or any tender offer for securities or any solicitation of holders of securities in favor of or in opposition to any tender offer: to do the following:
  - a. Employ any device, scheme or artifice to defraud another person.
  - b. Engage in any act, practice or course of business that operates as a fraud or deception or is likely to operate as a fraud or deception on that other person.
2. Use fraud and deception to affect or influence the investor's decision making process including:
  - a. Information which was false, misleading, or deceptive
  - b. Concealing and withholding any material information
  - c. Provide recklessly or dishonestly false or misleading information or forecast the same with the intent to deceive.

### **Article (88)**

#### False Trading and Market Manipulation

1. It is prohibited for any person to create or cause to be created or commit any act that will result in the following:
  - a. False or misleading appearance of volume of trading in any security.
  - b. False or misleading appearance of the market for, or the price of any security.
2. It is prohibited for any individual to create whether directly or indirectly a false or misleading the appearance of the volume of the deals, or the price of any security by:
  - a. Trading in securities which do not include an actual change in the actual ownership or the final beneficiary.
  - b. Placing a sell or buy order knowing a similar order will be made by another person known to them or involved with them in the sale or purchase of the same security at the same time and price.
  - c. Entering into other false deals with the intention of influencing and causing the prices of these securities to become volatile, or inflating the price or affecting the price to cause price volatility.
3. It shall be prohibited for any person to directly or indirectly conduct any securities deal for an issuer who attempts to:
  - a. Raise its price to affect the purchase of that same security or another security of the same issuer; or
  - b. decrease the price for the purpose of affecting others to sell the same security or another security of the same issuer; or
  - c. create a dealing process, real or fictitious for affecting other to purchase or sell the security or another security.
4. The Authority may specify by instructions other violations which may be deemed manipulation or fictitious transaction that are not mentioned in this Chapter.

### **Article (89)**

#### Insider Dealings

1. It shall be prohibited for any insider, who possesses insider information, to purchase or sell directly or indirectly, for his account or for another, securities specific to any issuer relevant to that information. The insider is not considered in violation in the following cases:
  - a. If the insider demonstrates that the information is not insider information.
  - b. If the insider believes that the other party to the transaction is aware of the inside information.
2. From the moment, a matter which is required to be disclosed by an issuer under this Law, until such time as disclosure is made in accordance with regulations, any of the following persons who are aware of the matter shall be prohibited from dealing, directly or indirectly, in the securities of the issuer and its affiliates:
  - a. The issuer
  - b. Any affiliate of the issuer and
  - c. Any controlling shareholder, member of the board of director, manager, officer, insider, insider's agent or insider dealing with the issuer or with any affiliate of the issuer.
3. The Authority may specify by instructions controlling shareholders and affiliates.

**Article (90)**

Reporting Transactions by the Directors and Officers

Directors and officers of a reporting issuer shall promptly report to the Authority any sale, purchase or other disposition of securities of such a reporting issuer or any subsidiary or affiliate thereof, whether such sale, purchase or other disposition is for the account of such a person or an account at such person's disposal or under control.

**Article (91)**

Power of the Authority to Act

If the Authority finds that any person has violated or has taken steps or measures to contravenes this Law, or any of its regulations or instructions or the decisions issued by it, it shall have the right to order that person to remedy the violation and take corrective measures. In the event that the person fails to comply, the Authority has the power to do the following:

1. Suspend any application submitted to it, and consequently order the cessation of issuance or dealing in the relevant securities.
2. Suspend any activity connected with the securities, or relevant to special securities for any duration of time seen appropriate.
3. revoke the license of the violator, or suspend it for a period of time.
4. Refer the matter to a court of competent jurisdiction who will accord such matters expedited process.

Section Ten  
The Civil Liabilities

**Article (92)**

The Responsibility of the Issuer

a. A. person who has signed a request for authorization under this Law is liable to any person who acquired Securities from the Offeror in accordance with the prospectus associated with such request for authorization, and to whoever sold or acquired Securities on or off any Securities Trading Market, for damage caused to such person by the fact that the prospectus contained a material misstatement of fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

b. For purposes of paragraph (a), every director of the Issuer who held office on the day on which the board of directors approved the final version of the prospectus, shall be deemed to have signed the request for authorization, unless such director proves that such director submitted a reasoned written statement about the misstatement or omission to the CMA immediately after such director learned about the inclusion of the material misstatement of fact or omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

**Article (93)**

Liability of Experts

A person who has provided an opinion, report, survey or certificate included or referenced in a prospectus included in a request for authorization with such person's permission, with respect to matters referred to in such opinion, report, survey or certificate, shall be liable for material misstatements of fact or omissions to state a material fact in such prospectus to the same extent as a person liable in accordance with Article (94).

**Article (94)**

## Due Diligence Defense

Liability under paragraphs (92)(a) and (93) shall not extend to a person:

- (1) who proves that such person took all appropriate steps to ensure that the prospectus, opinion, report, survey or certificate did not include a material misstatement or omission to state a material fact;
- (2) proven to have acquired the Securities while such acquirer knew or ought to have known that the prospectus, opinion, report, survey or certificate included the material misstatement or omitted to state the material fact; or
- (3) toward a person proven to have acquired the Securities after an amendment correcting the misstatement of omission had been notified in accordance with this Law.

### **Article (95)** **Personal Responsibility**

- a. Any person who provides assistance to another person in the violation of this Law or Regulation, or rules of any Securities Trading Market or Deposit, Clearing and Settlement Center, with knowledge of the violation, shall be liable under the provisions of this Law.
- b. Any person who controls or who otherwise] effectively exercises decision-making power over any person who violates this Law or Regulations shall be liable to the same extent as such violator, unless such controlling person acted in good faith and did not directly or indirectly induce the violation,
- c. Directors, partners and senior officers of a legal person shall be also be liable for the acts of such legal person, unless they show that they have not been and could not be aware of the violation.
- d. Fees and penalties shall be assessed in accordance with regulations issued by the CMA.

### **Article (96)** **Joint and Several Liability**

Whenever two or more persons are liable under paragraph (94)(a) and (95), they shall be liable jointly and severally to the person injured; their liability between and among each other shall be governed by the general rules applicable under the Civil Wrongs Ordinance.

### **Article (97)** **Rescission of Acquisition**

In addition to any other remedies available to a purchaser of Securities under this Law or other Law, any person who has purchased Securities from an Offeror in a Public Offering in reliance on a prospectus that included a material misstatement of fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that was not delivered to the purchaser substantially in the manner required by this Law and Regulations, may cancel the acquisition and demand a full refund of the money or other consideration paid by such person, provided that the acquirer does so within a reasonable period of time after becoming aware of the misstatement or omission and in any case not later than two years after the acquisition.

## **Chapter ELEVEN**

### **INVESTIGATION** **Article (98)**

- a. The CMA, for the purposes of this Law, shall be vested for judicial administrative powers.
- b. For the purposes of investigation the CMA, may require the provision of documents, books, registers or other records and hear all types of evidence.
- c. With a court order enter and search any location at any time and take possess of and seize any items it determines may be relevant to its investigation with the assistance of the public prosecutor.

## **Article (99)**

### Violations

1. No person shall (a) by making or publishing any statement, promise or forecast that such person knows to be false, misleading, or deceptive or may affect the price of listed securities or the reputation of the Issuer.
2. No person dealing in securities may
  - (1) employ any device, scheme or artifice to defraud another person; or
  - (2) engage in any act, practice or course of business that operates as a fraud or deception, or is likely to operate as a fraud or deception, on that other person.
  - (3) effect negatively the dealing at the Securities Exchange.
  - (4) entering an order for the purchase or sale of such Security with the knowledge that an order of substantially the same size, at substantially the same price and time, for the purchase or sale of such Security will be entered by such person or others acting in concert with such person; or
  - (5) entering into any other fictitious transaction or device intended to maintain, inflate, depress or cause fluctuation in the market price of such Security.
  - (6) provide false information for the purpose of obtaining authorization to trade;
  - (7) increase or decrease prices through fictitious means, false or misleading information.

## **Article (100)**

### **Penalties**

#### Article (100)

#### The Penalties

1. Any person who violates this Law, its Regulations and instructions shall be fined by a fine not exceeding 100,000 Jordanian dinars and shall compensate the injured party for the unjust enrichment and pay damages or the violator may serve a jail sentence not exceeding one year or both.
2. The partner and the person affecting the transaction or intervening in the transaction shall be responsible for penalties of the article (a and b).
3. The person convicted of any violation shall be responsible for the compensation of any individual harmed as a result of the violation of the equivalent of the loss which that individual has incurred and the profit he lost.
4. In addition to imposition of the penalties provided for in this Article, a court may also, upon a showing by the CMA of a violation of this Law, Regulations or any rule of any Securities Trading Market or Deposit, Clearing and Settlement Center,
  - (1) order the freezing of a person's assets to ensure that sufficient funds are available for the possible future payment of fines or damages; and/or
  - (2) appoint a receiver for such assets.
5. Upon the request of the CMA, a court may:
  - (1) rescind any vote, consent or proxy obtained in violation of this Law;
  - (2) terminate or rescind any purchase, sale or issuance undertaken or to be undertaken in violation of this Law;
  - (3) prohibit the exercise of voting rights acquired through a transaction undertaken in violation of this law.

**Article (101)**

1. Service shall be made pursuant to applicable laws, however, service may be made on anyone at its place of residence or business outside Palestine either by having it made to its designated address in Palestine or by notice published in at least one local newspaper or by sending a notice by registered mail or courier services to the address on file.
2. Notwithstanding other laws, electronic records of the CMA and the Securities Exchange shall be evidentiary prove; this includes computer records, telephone records, telex and facsimile.

**Article (102)**

**Investigations by the Securities Exchange**

- 1.. The Securities Exchange shall have the power to investigate, where necessary, and in the event any person has violated or is expected to violate the provisions of this Law.
2. Every person who violates the regulations and instructions of the Securities Exchange shall be referred the Authority for the administration of the proper civil or criminal sanctions.

**Chapter Twelve**

**INTERIM and FINAL PROVISIONS**

**Article (103)**

- a. Any person who holds or control over 10% of securities in any one company has a duty to inform the Securities Exchange during a 60 day period from the entry into force of this Law.
- d. All existing public shareholding companies shall submit an application to list with the Securities Exchange.
- c. All existing public shareholding companies shall comply with the requirements of this Law within 6 months from its entry into force.

**Article (104)**

Without contravening the provisions of the Stamp Duty Laws, the securities prospectus, its registration, and the registration of securities at the Securities Exchange shall be exempt from stamp duty fees.

**Article (105)**

The Council of Ministers shall issue the necessary regulations for the implementation of this Law within two months of the date of its effectiveness.

**Article (106)**

Any provision of Law that contravenions the provisions of this law shall be deemed repealed.

**Article (107)**

All concerned parties, each in within its own mandate, shall implement the provisions of this Law. It shall be implemented thirty days after its publication in the Official Gazette.

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Rawhi Fattouh

Chairman of the Palestinian National Authority