



Capital Markets Authority Law

Law No. 7 of 2010
Regarding the Establishment of the Capital Markets Authority and
Regulating Securities Activities and its Amendments



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Law No. 7 of 2010*
**Regarding the Establishment of
the Capital Markets Authority and
Regulating Securities Activities
and its Amendments**

* Law No. 7 of 2010 is amended pursuant to Law No. 108 of 2014 and Law No. 22 of 2015.

- Having perused the Constitution; and
- Law No. 15 of 1960 on the Issuance of the Commercial Companies Law and the amending laws thereof; and
- Law No. 16 of 1960 on the Issuance of the Penal Law and the amending laws thereof; and
- Law No. 17 of 1960 regarding the Procedures and Penal Trials and the amending laws thereof; and
- Law No. 30 of 1964 regarding the Establishment of the State Audit Bureau and the amending laws thereof; and
- Law No. 37 of 1964 on Public Tenders, and the amending laws thereof; and
- Law No. 32 of 1968 regarding Currency, the Central Bank of Kuwait and the Organization of Banking Business and the amending laws thereof; and
- Decree-Law No. 31 of 1978 regarding the Rules for Preparing Public Budgets, Monitoring their Execution and Final Account, and the amending laws thereof; and
- Decree-Law No.15 of 1979 regarding the Civil Service and the amending laws thereof; and
- Decree issued on 4/4/1979 regarding the Civil Service Regulations as amended; and
- Decree-Law No.38 of 1980 on the Issuance of the Civil & Commercial Pleadings Law and the amending laws thereof; and
- Decree-Law No.67 of 1980 on the Issuance of the Civil Law as amended; and
- Decree-Law No. 68 of 1980 on the Issuance of the Commercial Law and the amending laws thereof; and
- Decree-Law No. 5 of 1981 on the Practice of the Auditing Profession, and the amending laws thereof; and
- Law No. 42 of 1984 on the Disposal of the Shareholding Companies Shares and Securities and the Trading thereof; and
- Decree-Law No. 23 of 1990 regarding the Regulation of the Judiciary, and the amending laws thereof; and
- Decree-Law No. 31 of 1990 regarding the Regulation of the Trading of Securities and the Establishment of Investment Funds; and
- Decree-Law No. 116 of 1992 regarding the Administrative Regulation, Determination of Competences and Delegation thereof, and the amending laws thereof; and
- Law No. 1 of 1993 on the Protection of Public Funds, and the amending laws thereof; and
- Law No. 11 of 1998 on Licensing the Establishment of the Leasing and Investment Companies, and the amending laws thereof; and
- Law No. 2 of 1999 regarding the Disclosure of Interests in Shares of Shareholding Companies; and
- Decree issued on 14/8/1983 on the Regulation of Kuwait Stock Exchange, and the amending decrees thereof; and
- Decree of the Ministry of Commerce and Industry, issued on 12/8/1986; and
- Decree on Regulating the Liquidation of the Trading of Securities Operations and the Clearing Room in Kuwait Stock Exchange on 27/12/1986

Upon the approval of the National Assembly, We have ratified and issued the following Law:

Chapter 1

Definitions

Article 1*

The following words and terms - wherever used in this Law - shall have the meanings assigned to them here below :

The Competent Minister: The Minister of Commerce and Industry.

The Authority: The Capital Markets Authority.

The Board: The Board of Commissioners of the Capital Markets Authority.

Bylaws: The executive bylaws of this Law.

Exchange: A Securities Exchange or Securities Market.

Members of the Exchange: Listed Companies and funds traded at an Exchange, and Brokers.

Clearing Agency: An entity which carries out clearing and settlement operations in respect of securities, and one which provides the central custody of securities, and one which provides other related services.

Person: A natural individual or corporate entity.

Issuer: A corporate entity that is authorized to issue securities.

Listed Company: A shareholding company listed in the Exchange.

A Security: Any instrument - in any legal form - that evidences ownership of a share in a financial transaction and that is negotiable pursuant to a license from the Authority, such as:

- a) Shares issued or proposed to be issued in the capital of a company
- b) Any instrument that creates or acknowledges a debt issued or to be issued by a company
- c) Loans; bonds; Sukuk; and other instruments that can be converted to shares in the capital of a company
- d) All public debt instruments that are tradable and issued by the various government entities or public institutions and authorities
- e) Any right, option or derivative relating to Securities
- f) Units in a collective investment Scheme
- g) Any paper or instrument considered by the Authority as a Security for the purposes of implementing this Law and the Bylaws

* Article (1) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No.7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Not to be considered as Securities are commercial papers such as cheques, promissory notes, bills of lading, letters of credit, cash transfers and instruments negotiated by banks exclusively between each other, insurance policies and rights arising from retirement funds established for the benefit of the beneficiaries therefrom.

Dealing in Securities: A Person's dealing in Securities for his/her own account or for the account of others by sale or purchase, or by submitting an offer of sale or purchase or acquisition regarding the same, or issuance, or public offer, or subscription, or waiver of the right to subscribe, or marketing, or promoting, or undertaking to cover the subscription, or custody, or listing, or depositing, or settling, or financing the dealing of, or lending, or short sale, or pledge or waiver of Securities or any other transaction that the Authority considers as Dealing in Securities.

Trader: A Person who engages in the purchase and sale of Securities for his/her own account.

Broker: A corporate entity which conducts the business of the purchase and sale of Securities for the account of others in consideration of a commission.

Investment Portfolio: Any client account with a licensed Person authorized to practice the activity of investment portfolio management which includes cash, or Securities, or other assets owned by the client in accordance with the Authority's rules. An investment portfolio is either a custody portfolio, or a portfolio managed by a portfolio manager or by the client.

Investment Portfolio Manager: A Person entrusted with managing investment portfolios on behalf of clients or for the benefit of the clients or the benefit of the company in which he/she is employed.

Investment Advisor: A corporate entity which provides advisory services related to Securities for a commission.

Collective Investment Scheme: An entity which facilitates the investment of investors' funds in various investment instruments.

Custodian: A corporate entity licensed by the Authority to be responsible for the safeguarding of the assets comprised in Collective Investment Schemes according to the provisions of this Law and the Bylaws.

Subscription Agent: A Person who offers or sells Securities for the benefit of their Issuer or its associate or obtains Securities from an Issuer or its associate for the purpose of re-marketing them.

Insider: Any Person who, by virtue of his position, is in possession of information or data that has or may have a material effect on a Listed Company which is not available to the public.

Initial Public Offering: The process of addressing an invitation to the public to subscribe or purchase Securities through various media.

Private Placement: An invitation addressed to a certain group or to certain Person or Persons to subscribe in a Security.

Ally: A Person who is affiliated with another Person or Persons or is subject to their authority.

Competent Court: The Capital Markets Authority's court provided for in this Law.

Actual Control: Every situation, agreement or ownership of shares or proportion regardless of the percentage, that leads to control of the appointment of the majority of the members of a Board of Directors or the resolutions taken by a Board of Directors or by the general assemblies of the relevant company.

Market Maker: A Person who ensures the availability of supply and demand for one or more Securities according to such controls as may be laid down by the Authority.

Option Contracts: A contract or agreement whereby the buyer acquires the right - but not the obligation - to purchase or sell a Security or a group of Securities, but without the rights of ownership of the Securities.

Financial Derivatives: Financial instruments which derive their value from the value of the relevant assets such as shares, bonds, commodities, and currencies, and which can be purchased or sold or traded in a similar method as the trading of shares or of any other financial assets.

Ask Offer: An expression of interest to dispose of a Security listed in the Exchange and through the Exchange for cash consideration.

Bid Offer: An expression of interest to acquire ownership of a Security listed in the Exchange and through the Exchange for cash consideration.

Related Person: An individual who occupies the position of a member in the Board of Directors, executive or supervisory management of a Broker or investment advisor, or works as a manager or occupies a supervisory position in the above mentioned entities, or works as an employee or representative of any such entity who deals with the public, or has the freedom to dispose of Securities or funds, as part of his/her duties at an entity which is licensed to operate in the field of Securities.

Secondary Market: The market or markets where the sale and purchase of Securities transactions are executed and ownership is transferred in accordance with the bylaws, regulations and laws that govern the same.

Investment Controller: A corporate entity licensed to practice the activity of supervision over Collective Investment Schemes.

Credit Rating Agency: A corporate entity licensed to practice the activity of credit rating or the activity of rating credit information.

Insider Information: Information or data not disclosed to the public, which if disclosed would affect the price or the trading of Securities.

Chapter 2

Capital Markets Authority

Article 2

An independent Authority that has legal personality shall be established and shall be under the oversight of the Minister of Commerce and Industry, and shall be called the “Capital Markets Authority”.

Article 3*

The Authority aims to achieve the following:

- 1 - Regulate Securities activities in a fair, transparent and efficient manner.
- 2 - Grow the capital markets, and diversify and develop investment instruments thereof in accordance with best international practice.
- 3 - Enhance investor protection.
- 4 - Reduce systemic risks arising from Securities activities.
- 5 - Impose requirements of full disclosure in order to achieve fairness and transparency, and to prevent conflicts of interests and the use of Insider Information.
- 6 - Ensure compliance with the rules and regulations related to Securities activities.
- 7 - Enhance public awareness of Securities activities and of the benefits, risks and obligations arising from investments in Securities and encourage their development.

Article 4*

The Authority’s Board of Commissioners shall :

- 1 - Issue necessary bylaws and instructions to execute the Law. It shall also work on issuing recommendations and the necessary studies needed to develop the regulations which assist in achieving its objectives.
- 2 - With consideration to the provisions of Article (33) of this Law, the Board shall issue licenses to Securities Exchanges and for related activities, and shall supervise their activities.
- 3 - Issue licenses to members of Securities Exchanges, and licenses to their employees and anyone who works in the management of Securities activities, including asset management and investment funds companies, brokerage companies, Securities custody companies, advisory services institutions, etc.

* Article (3) & (4) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

- 4 - Regulate the promotion of investment funds and other Collective Investment Schemes.
- 5 - Regulate Public Subscriptions or Initial Public Offerings (IPOs) and Private Placements for Kuwaiti and non-Kuwaiti Securities and supervise them.
- 6 - Regulate the process of mergers and acquisitions and supervise them.
- 7 - Set up rules of supervision and self-regulatory organization in Securities activities.
- 8 - Approve of the rules and regulations proposed by an Exchange administration prior to commencement of its business.
- 9 - Set up rules for compliance with professional ethics, for competence, and for the integrity of licensed Persons, and approve of the same.
- 10 - Provide appropriate systems to protect Traders and work towards minimizing improper and unfair practices in the Securities activities.
- 11 - Cooperate with supervisory authorities and foreign counterpart institutions with regards to organizing, coordinating and participating in joint activities.
- 12 - Carry out all duties and authorities entrusted in it in this Law or any other law with regard to reducing market instability.
- 13 - Issue all necessary decisions which fall within the Authority's competences and are deemed necessary to implement this Law and its Executive Bylaws. It may delegate some of these authorities.
- 14 - Set up special rules, regulations and procedures needed by the licensed Persons who work in accordance with Islamic Sharia.
- 15 - Issue rules for Market Makers.

Article 5*

The Authority shall carry out all the work necessary to achieve its goals, pursuant to this Law, and in particular the following:

- 1 - File civil, commercial, and administrative lawsuits related to the application of the rules of this Law and its Bylaws, regulations, and rules issued hereunder, or others relevant to the Authority.
- 2 - Receive complaints on violations and crimes stated in this Law, perform administrative investigation of them, and refer them to the Disciplinary Board if so it deems.
- 3 - Carry out all the procedures that may lead to uncovering crimes as stated in this Law and refer criminal complaints to the Public Prosecution in case of any incident which is suspected to be an offense under the purview of the Authority or in respect of those

* Article (5) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

who are engaged in Securities activities.

- 4 - Conduct inspections, and supervise Securities dealings and the activities of the licensed Persons in accordance with this Law.
- 5 - Purchase, acquire, and dispose of any kind of property, and initiate all forms of legal action.
- 6 - Print and publish materials related to Securities activities.
- 7 - Impose fees corresponding to the services provided, and collect fines within the framework of this Law. The Authority shall perform all the necessary procedures which enable it to perform its duties and achieve its objectives as explained in this Law.
- 8 - Set up rules to regulate Dealing in Securities and the transfer of ownership. Such dealings shall not be subject to the provisions of Articles (508, 992 and 1053) of the Civil Law and Articles (231, 232, 233 and 237) of the Commerce Law. The Authority shall also set up rules to regulate the execution of Securities, without being limited to the provisions provided for in Section Three of the Law of Pleadings and the Executive Bylaws of the Companies Law.
- 9 - Issue rules to regulate special purpose companies which issue Securities, without being limited to the provisions provided for in the Companies Law.
- 10 - If it so decides, to establish or contribute in establishing an educational or training institution related to the field of Securities markets, such a body being a corporate entity which is subject to the Authority's sole supervision, and which shall be regulated in accordance with rules and bylaws issued by the Authority.

Article 6

The Authority shall be managed by a board called "Board of Commissioners of the Authority" consisting of five (5) full-time commissioners who shall be appointed by decree upon nomination by the Competent Minister. The decree shall also designate, from the Board members, the Chairman and his deputy.

Article 7

The Commissioner shall be a Kuwaiti natural individual with integrity, and has experience or is specialized in fields related to the functions of the Authority. He/She shall not have been the subject of a final judgment of bankruptcy or penalized with restriction of freedom in a felony or in a crime of breach of honor or trust.

Article 8

The Chairman shall represent the Authority before the court and third parties. He/She

assumes the position of the Executive Director and executes the decisions of the Authority. He/She also supervises all the technical and administrative bodies affiliated of the Authority. He/She exercises his/her authorities in accordance with the law, bylaws and decisions approved by the Board of Commissioners. He/She shall also be responsible, along with the other commissioners, for the management of the Authority. He/She may delegate some of his/her administrative authorities to one of the commissioners or an administrative unit in the Authority.

Article 9

If the Chairman of the Board is absent or his seat is vacant, and the Vice-Chairman cannot perform his duties for any reason whatsoever, the Board shall convene within two weeks and designate a Person to carry out the functions of the Chairman in the capacity of an acting Chairman.

Article 10*

The term of membership of the commissioner is four years, renewable for one term only, except for the first Board members, where only three of them can be renewed for a third term. A commissioner's position becomes vacant in case of death, disability or resignation.

Furthermore, the Commissioner shall lose his capacity and the seat thereof become vacant and a Decree shall be issued to end his/her membership in the following cases :

- a) If a final judgment of bankruptcy is issued.
- b) If he/she is charged with a definitive crime related to breach of honor or trust or with a freedom restricting penalty in a crime.
- c) If he/she does not attend three consecutive meetings or six nonconsecutive meetings without a good reason acceptable to the Board.
- d) If he/she violates the provisions of Articles 27 or 29 of this Law hereof.
- e) If he/she intentionally violates the "code of ethics" laid down by the Board during its inception to specify the code of ethics and conduct for commissioners.

Article 11

A Decree shall set the salaries and remunerations of the Chairman, his deputy, the rest of the commissioners, as well as any allowances or privileges paid from the Authority's funds, upon

* Article No. (10) is amended pursuant to Law No. 108 of 2014 Amending Some Provisions of Law No. (7) of 2010 regarding the Establishment of the Capital the Markets Authority and Regulating Securities Activities.

a proposal by the Competent Minister and the consent of the Council of Ministers.

Article 12*

The Board shall convene at least eight (8) times a year upon an invitation from the Chairman or a request filed by at least two Commissioners.

Article 13

The meeting of the Board of Commissioners shall be valid if the majority of the commissioners are present, including the Chairman or his deputy, except the meeting provided for in Article (9). Decisions of the Board shall be issued by the majority vote of the members.

Article 14

The Board may establish permanent or temporary advisory committees and entrust them with studying a certain topic falling within its authorities as stated in this Law. The Board may hire experts from outside the Authority to accomplish the committees' tasks.

Article 15

A committee shall be established at the Authority to receive complaints and grievances that any stakeholder may submit complaints from any wrongful act committed by any licensed Person. It shall also receive grievances of decisions issued by the Authority. The Executive Bylaws stipulates deadlines, regulations and rules of the committee's work, as well as the rules and procedures for appeal against its decisions before the Competent Court.

Article 16*

Subject to the provision of Article (2) of the Amiri Decree Number (12) of 1960, promulgating the Law of Regulating Fatwa and Legislation Department for the government of Kuwait, the Authority shall have a Legal Department under the control of its Chairman to handle all cases, to appear in courts or any arbitration institutions, give legal opinion and conduct investigations.

The Department shall also be in charge of preparing draft laws, proposals for bylaws and resolutions related to the Authority and its work.

Article 17

The Authority's Board shall set the administrative and financial bylaws for the employees affairs in the Authority without abiding by the provisions set for civilian employees in the Civil Service Law and its system, provided that the latter law and its system shall be applied if there are no provisions otherwise in this regard. The Chairman of the Board of Commissioners shall

* Article (12) & (16) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

have the powers of the minister and Civil Service Commission (CSC) on what pertains to the employees of the Authority.

Article 18*

The Authority shall have an independent budget promulgated by a Law, to be prepared in accordance with the rules to be set out in the Bylaws taking into account the provisions of Decree-Law No. (31) of 1978 on the Rules for Preparing Public Budgets, Monitoring their Execution and Final Account. The financial year shall commence on April 1st and conclude on March 31st every year. The Bylaws shall set out the financial policies and procedures for the disposition of the Authority's funds, and for book-keeping systems to regulate its operations and monitor its accounts. The Chairman of the Board of Commissioners shall have the competences of the Minister of Finance regarding the provisions of the mentioned Decree-Law.

Article 19*

The financial resources of the Authority consist of fees and charges collected for the Authority as determined by this Law and its Bylaws, and from what is allocated to the Authority from the State budget, or from any other resources earned from the activities and investment of the Authority's reserves.

Article 20

All sums due from third parties to the Authority are considered public funds and are treated as debts payable to the Public Treasury and shall be collected in accordance with the procedures of collecting the outstanding debts for the Public Treasury.

Article 21*

The Authority shall have financial reserves to ensure financial stability in the long term in order to face the systemic risk expected to occur in the Securities activities. The amount and means of creating such reserves shall be determined by a decision issued by the Council of Ministers – upon the Board's proposal. The Authority shall manage such reserves, and if these reserves reach the determined amount, the surplus shall be transferred to the Public Treasury of the State. If at any time the reserves become less than the determined amount, then the Government shall supplement and pay the lacking amount.

The Authority shall also have a pre-determined operational capital of KD 40.000.000, from which the expenses of all the Authority's activities shall be paid. Expenses shall be paid and covered directly from the Authority's cash reserves, in accordance with the rules of the Bylaws. The Authority's capital may be increased through a Decree.

* Article (18), (19) & (21) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 22

The Authority shall comply with the bookkeeping provisions in respect of its accounts and records of its revenues, expenses, assets, liabilities and all transactions related to the Authority. It shall have one or more independent auditors.

The Authority shall set up the rules and conditions to be fulfilled by its auditors in order to be recorded in the Authority's Register specified for this purpose.

Article 23

Without prejudice to the subsequent supervision of the State Audit Bureau on the Authority, the Authority shall not be subject to prior supervision of the State Audit Bureau, nor to the provisions of Public Tenders Law Number 37 of 1964 and its amendments.

Article 24*

Without prejudice to the provisions of this Law, the Authority shall not engage in any commercial transaction. It may not lend monies, issue Securities or invest therein.

Article 25*

The Authority shall, within 120 days after the end of every financial year, present to the Competent Minister an annual report on its activities, work and achievements in the growth and development of the market during the completed year, including the Authority's financial accounts and the auditor's report. The annual report shall then be submitted to the Council of Ministers.

Article 26*

No Commissioner or employee invited to attend a meeting on any domain of the Authority's competence who has a direct or indirect interest in the topic submitted for deliberation shall be allowed to participate in its discussion, or express an opinion or vote thereon. Such interested party must disclose this interest, if any, at the beginning of the meeting, and shall leave the meeting prior to commencing the discussion of the topic.

Every Person invited to a meeting on any domain of the Authority's competence and who has a direct or indirect interest in the topic submitted for deliberation must disclose such interest, if any, at the beginning of the meeting and before participating in the discussion or expressing opinion.

In all cases, the meeting Chair must notify the attendants of the importance of the disclosure indicated in the two previous paragraphs.

Article 27

* Article (24), (25) & (26) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

No commissioner or employee, holding a position at the Authority, may conduct any business activity for himself/herself or as an agent, guardian or Custodian. He/she may not engage in any other profession, occupation, or job in the private or public sector, provide direct or indirect services or advices, and shall not be a member of the Board of any entity that is under the oversight of the Authority, or any party related thereto.

Article 28*

Every member of the Board as well as employees shall declare in writing to the Authority, upon commencement of his/her duties, his/her ownership of any Securities listed on Kuwait Stock Exchange owned by himself/herself or minors who are under his/her guardianship, and shall also disclose, in writing, any updates on any changes to the declared Securities / financial assets as per the procedures laid down by the Board.

The members of the Board are prohibited from dealing in the shares of companies which are subject to the Authority's supervision throughout their period of membership of the Board.

Article 29*

Any Commissioner, or employee, or any Person working in or with the committees of the Authority for or without remuneration, shall maintain the confidentiality of the information received by him/her by virtue of his/her position, including documents, and shall not allow access to them other than the authorized Persons at the Authority, unless provided for otherwise by this Law or any other law or a binding order or judgment made by the courts that requires him/her to disclose or provide any document or information obtained while in position.

* Article (28) & (29) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 30

Employees appointed at the Authority by a decision made by the Competent Minister shall have the capacity of judicial power to verify the evidence of the crimes in violation of the provisions of this Law and the decisions made for its enforcement, and they may, therefore, inspect the records, books, documents, and data at the office of the company operating in the field of Securities at the offices of the Securities Exchanges or in any other premises of its operations.

Officials of the bodies referred to in the preceding paragraph, shall make available all the data and documents as requested by the appointed employees for that purpose.

Chapter 3

Securities Exchanges

Article 31

A Securities Exchange means a market designated for matching Bid and Ask Offers for Securities, and which follows the procedures of trading, and performs the usual functions of Securities markets.

Article 32

No Person may establish, operate, nor assist in the establishment or operation of a Securities Exchange unless obtaining a license under this Law and the bylaws approved by the Authority. The Authority shall be solely authorized to issue such licenses, which shall be published in the Official Gazette.

Article 33*

The Authority shall grant an Exchange license to a shareholding company to replace Kuwait Stock Exchange. Its capital shall be specified by a decision made by the Board of Commissioners, and its activity shall be restricted solely to operating a Securities Exchange. The Authority shall be in charge of establishing this Securities Exchange Company. The company shares shall be allocated as follows:

- 1 - Not less than 6% and not more than 24% shall be allocated for public entities which have the right of owning shares. Any unsubscribed shares will be referred to the winning bidder.
- 2 - Not less than 26% and not more than 44% shall be allocated for companies listed on KSE in conjunction with international Securities Exchange operator, or for an international Securities Exchange operator acting solely. The Authority shall establish rules and conditions concerning bidders and the bid process. Shares shall be sold to whoever submits the highest price in excess of its par value and incorporation expenses – if any.
- 3 - 50% of the shares shall be publicly offered for all citizens.
- 4 - The Board of Commissioners, which is tasked with establishing the company, shall determine its capital and distribute all its shares allocated for Initial Public Offering (IPO) equally to all Kuwaiti citizens registered with the Public Authority for Civil Information (PACI) as of the day of the IPO, provided that the value of such subscriptions shall be paid by the citizens to the Authority in accordance with the procedures and the manner

* Article (33) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

determined by the Authority, without any interests, fees, or increase over the share price of the Public Offering date. The payment period lasts until the end of the sixtieth day which is calculated starting from the first day of the next month after the date on which the Authority issued the invitation to the citizens to duly settle the value of those subscriptions through printed, audio and video media of Kuwait.

The Authority shall include in the subscription prospectus a clause permitting the citizens to request an increase of their allotment of shares in respect of any shares which were not paid for to the Authority to ensure allotment of the complete allocation of 50% of the shares to citizens. The Authority shall specify the mechanism and procedures of allocating the amount of such increase, and its distribution to the citizens, as well as the means and procedures and dates of payment to the Authority.

The Authority may approve of licensing of other Securities Exchanges, whose capitals and activity and conditions of work and management, and any other related matters, shall be specified by a decision issued by the Board of Commissioners.

Article 34*

The Exchange – after the approval of the Authority – shall set up the procedures, rules and regulations that shall be followed for the trading and transfer of ownership of Securities that are listed on the Exchange.

The Bylaws shall determine the procedures, rules and regulations that shall be followed by the Licensed Exchange for the trading and transfer of ownership of Kuwaiti Securities that are not listed on the Exchange.

Article 35*

A member of the Board of Directors of the Exchange shall at all times while remaining in his/her position be subject to the following conditions :

- 1 - The member shall not have been convicted of a crime of breach of honor or trust.
- 2 - The member shall not have been declared bankrupt under a final judgment.
- 3 - The member shall be of good reputation.
- 4 - The member shall have sufficient experience in financial, economic, and legal affairs in accordance with the rules and restrictions issued by a decision of the Authority.

* Article (34) & (35) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 36*

The Exchange shall be managed by a Board of Directors formed of a Chairman and a Vice Chairman who shall replace the Chairman in case of the latter's absence, and six members who shall be elected and chosen by the general assembly of the company subject to the approval of the Board.

The Chairman of the Exchange's Board of Directors, or his authorized deputy, shall inform the Board with the names of candidates for the membership of the Exchange's Board of Directors at least 30 days prior to date of the company's general assembly meeting for election of the Board of Directors.

The Board of Commissioners, within fifteen days of being notified, may object by a reasoned decision to any of such candidates for not fulfilling the required conditions.

Such objection shall exclude the candidate from eligibility for membership of the Board of Directors. No candidate shall be proposed to the general assembly of the company if the Board has not been notified of that nominee, or where an objection has been raised against that candidate as per the provisions of this Article.

The Board of Commissioners may request the Exchange's Board of Directors to displace any member – while holding his position – if the latter no longer meets a condition of those stipulated under the previous Article, or if this action is deemed appropriate to maintain safety of investors' assets or is in the Exchange's interest. In case of failure to displace this member, the Board of Commissioners may issue a reasoned decision to terminate any of the members from their position, and notate that order in the Authority's records.

Article 37*

The Chairman of the Board of the Exchange shall represent the Exchange before others and the courts, in addition to other competences stated in the Memorandum and Articles of Association, and shall also execute the Board of Directors' decisions.

The Exchange shall have an Executive Director or more appointed by the Board of Directors after the Authority's approval and pursuant to the controls it may specify. The Executive Director is entitled to manage the Exchange, and the Board of Directors shall specify his/her allocations and authorities. It is prohibited to conjoin the position of the Chairman of the Board of Directors with the position of the Executive Director.

Article 38

The Securities Exchange shall do the following:

- 1 - Ensure the existence of a fair, transparent, and efficient Securities Exchange.
- 2 - Ensure the existence of a management that is aware of the risks associated with its business and operations.

* Article (36) & (37) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

- 3 - Prioritize the public interest in case of a conflict of interest with the Securities Exchange or its members, shareholders or management.
- 4 - Adhere to provide and operate its services in accordance with the rules and regulations issued by the Authority.
- 5 - Adhere to organize its operations, standards of its practices and its members' behaviors in accordance with the rules, policies and procedures of the Securities Exchange.
- 6 - Adhere to organize the operations and standards of practices of the companies listed therein and their employees in accordance with the governing regulations.
- 7 - Adhere to provide its services with the most recent techniques and applications and automated systems in line with the international standards approved or resolved by the Authority.
- 8 - Maintain the confidentiality of all information under its custody with respect to its members and customers, unless it is required by the law or regulations to publish or disclose such information. It shall not disclose such information except for the Authority or by an order from the Authority or the court.
- 9 - Abidance by the Authority's instructions.

Article 39

The Securities Exchange Company shall inform the Authority immediately about the following issues:

- 1 - If found that one of its members cannot comply with any of the Securities Exchange's rules or its financial resources' regulations.
- 2 - If it deemed there is a financial irregularity or any other situation that may indicate inappropriateness of the member or his incapacity to fulfill his obligations.
- 3 - Any disciplinary action is taken against any member, operator, or his subordinates.

Article 40

The Board of Commissioners may request from the Securities Exchange to prepare specific provisions within their scope of work or amend within a certain period. If the Securities Exchange fails to abide by the request or to meet the request within the specified period, the Authority may prepare the rules or amend them on behalf of the Securities Exchange at the expense of the latter.

Article 41

No rules issued by the Securities Exchange, or any amendment thereof, through removal, replacement or change thereof or addition thereto, shall be valid unless they are approved by the Authority. The Securities Exchange shall submit the reasons and objectives for proposing

such rules or amendments and set out its impact, thereupon, the Authority may give its approval, disapproval, amendment and shall notify the Securities Exchange of its resolution within a period not exceeding three months of the date of notification of proposal.

Article 42*

The Exchange shall form a committee to be entrusted with regard to the violations committed by any of its Members. The Authority shall issue the regulations and controls necessary for its work and for Members. The committee may impose the following penalties:

- 1 - Cautioning the violator to discontinue committing the violation.
- 2 - Issuing a warning.
- 3 - Subjecting the violator to further supervision.
- 4 - Suspension from working or practicing the profession for period not exceeding one year.
- 5 - Imposing restrictions on the violator's activity (ies).
- 6 - Suspension of trading of a Security for a specific period in the interest of the market.

In all cases, the committee may cancel transactions related to the violation and the consequences thereof.

Article 43*

The management of an Exchange shall inform the Authority of any disciplinary action taken against any of its Members, the details of the violation committed, and the procedures taken and the penalty imposed. The Authority shall be provided with all documents related to the subject.

The Authority may, by virtue of a decision it issues or based on a grievance filed by a complainant within fifteen days of his receipt in writing of the notification of the decision, refer the subject to the Disciplinary Board to review the disciplinary action in accordance with its accredited review system. The Disciplinary Board may uphold the Exchange's decision, or amend, or cancel the same by a reasoned decision.

Article 44

Disaster, crises and disturbance, which may result in a serious impact in the market and in the event where several Traders give misleading intimations or indications, the Authority shall then have the widest powers to issue instructions that aim to regain equitability, transparency and efficiency of the market. The Authority may take any of the following precautions:

- 1 - Suspend trading at the Securities market or trading of any listed Security for a limited period.
- 2 - Cancel trading for a specific period or cancel transactions on certain shares.

* Article (42) & (43) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

- 3 - Issue resolutions to all or part of balances or reduction thereof.
- 4 - Amend the trading days and hours.
- 5 - Amend or suspend any of the Securities Exchange's rules.

Article 45

In the event of non-compliance by the Securities Exchange with the decisions or instructions issued within its jurisdiction stipulated under the preceding Article, the Authority may take appropriate measures to achieve systematic trading or liquidate any position related to the Securities.

Article 46

By virtue of a written notification to the Securities Exchange, the Authority may cancel the Securities Exchange license as of the date specified in the Authority's resolution in the following cases:

- 1 - If the company is no longer able to meet one of the conditions by which the company was qualified to obtain a license.
- 2 - If operations in the Securities Exchange has been suspended for more than five working days.
- 3 - In case of closure of Securities Exchange.
- 4 - If the Securities Exchange does not abide by the Authority's instructions in spite of being notified by the Authority.
- 5 - If the Securities Exchange does not provide the Authority with the information requested by the latter or if it provides misleading or inaccurate information.

The Authority shall publish the decision of license cancellation and reasons thereof in the Official Gazette.

Article 47

The Authority on its own accord, may grant the Securities Exchange Company time extension or extend given period after the date of license cancellation in case the Authority deems it to be in the interest of the public, or based on a request by the Securities Exchange Company until the closure of its operations or to handover its activities to another licensed Securities Exchange.

Chapter 4

Clearing Agency

Article 48*

Clearing Agency means any legal entity that conducts settlement and clearing operations among Traders in Securities, with regard to payment or delivery, or both. It provides related services including safekeeping of Securities within a central Securities depository for keeping and transferring ownership or a central counter party system for capital markets transactions. The Authority may grant Clearing Agency licenses to one or more Clearing Agency activities.

Article 49

No Person may incorporate a Clearing Agency, or manage, or assist in incorporating or assist in managing a Clearing Agency, or announcement thereof unless a Clearing Agency's license is obtained and issued by the Authority in accordance with the conditions and restrictions set forth in the Bylaws of the Law and the license shall be published in the Official Gazette.

Article 50

A Clearing Agency license may only be granted to a shareholding company whose capital is determined by the Board of Commissioners, to manage clearing activities, settlement, and central depository and Securities safekeeping operations, as well as other related matters required for the proper management of the Agency.

The Authority may request whatever information or data deemed necessary from the applicant company for a license.

The Authority shall specify the conditions required for granting a license and its procedures in line with Bylaws of the Law.

Article 51

The Clearing Agency shall abide by the following obligations:

- 1 - Arrange for fair and effective clearing and settlement in relation to any commercial transactions of Securities.
- 2 - Manage risks associated with its activity and operation at the highest levels of professionalism.
- 3 - Prioritize to the public interest and that of those who deal with the company over the company's own interests.

* Article (48) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

- 4 - Manage its services according to the related rules approved by the Authority.
- 5 - Maintain confidentiality of all information and data under its possession, except what is required by the Authority or the judicial authorities.
- 6 - Provide its services with the most advanced technology and automated systems in line with the international standards accredited by the Authority or as requested or decided by the Authority.

Article 52

The Clearing Agency shall inform the Authority at the earliest of the following:

- 1 - If it found that any of its counterparty became unable to abide by any of the rules applicable to operations of clearing, settlement and placement.
- 2 - If it deemed that the financial position of counterparty and his ability to fulfill his obligations has given signs of instability, or his ability to fulfill his obligation has already become unstable.

Article 53*

The Authority shall require the Clearing Agency to prepare rules and regulations related to the operations of clearing, settlement and registration of Securities and other activities that relate to the Agency's business, or to amend the same within a certain period. If the Clearing Agency does not comply with the requirements within the specific period, the Authority may prepare or amend the said rules on behalf of the Clearing Agency and its expenses shall be reimbursed by the Clearing Agency.

Article 54

No rules issued by the Clearing Agency nor amendments thereto, either by withdrawal, replacement or change, or addition thereof, shall be valid and effective unless they are accredited by the Authority. The Clearing Agency should provide the Authority with the reasons and objectives for proposing such rules or amendments, and highlight the desired effects; the Authority may resolve its approval, disapproval or amendment thereof and inform the Clearing Agency in writing of its resolution within at latest one week of the resolution date.

Article 55

In case of non-compliance by any Trader with the clearing rules, the Clearing Agency may bind that Trader to pay the charges resulting from his non-compliance.

* Article (53) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 56

The Authority may issue instructions to the Clearing Agency to ensure settlement of Securities transactions and maintain integrity of comprehensive risk management in Securities Exchange. The Authority may, in particular, issue instructions concerning the settlement of Securities contracts, and make amendments to the contractual obligations that may arise from the Securities contract or any other matters deemed necessary by the Authority to implement the provisions of the law.

Article 57

In case of disaster, crises and disturbance, which may result in substantial effects in the market, the Authority may issue instructions to amend or suspend any of the Clearing Agency's rules.

Article 58

If the Clearing Agency failed to comply with the Authority's resolutions or instructions issued under its powers specified in the preceding Article, the Authority may take any procedure deemed necessary to maintain the fair settlement and efficiency of the commercial transactions of Securities or any category thereof.

Article 59

The Authority may, by a written notice, cancel the Clearing Agency's license according to the provisions of this Law, as of the date specified in the Authority's resolution in the following cases :

- 1 - If the Clearing Agency lacks one of the conditions by which it was qualified to obtain a license.
- 2 - If the Clearing Agency ceased to undertake the duties, which the Clearing Agency is assigned to or licensed for management thereof.
- 3 - Liquidation of the Clearing Agency.
- 4 - Failure to fulfill any obligation required under this Law.
- 5 - Failure to provide the information requested by the Authority or providing incorrect or misleading information.
- 6 - When the Clearing Agency makes any amendments to its objectives in its Memorandum or Articles of Association without obtaining prior approval from the Authority.
- 7 - If the Agency requested cancellation of its license.

The Authority shall publish the resolution of license cancellation and reasons thereof in the Official Gazette.

Article 60

The Authority may grant the Clearing Agency a specific time extension, or extend the given period after the date of license cancellation, if the Authority deems it necessary for the public interest, or pursuant to the request of the Agency to suspend its operations or handover its activities to another licensed Agency.

Article 61

The Agency may submit a grievance to the Authority against the resolution of cancellation of its license within 15 days of the date on which it has been notified thereof in writing or the date of publishing the resolution in the Official Gazette. The Authority should decide on the grievance by a reasoned resolution within twenty days of submission date.

Article 62

If a Person is subject to insolvency, bankruptcy, liquidation or appointment of a receiver on his properties, the clearing and settlement procedures of the Clearing Agency shall have priority over any procedures or ordinary debts.

Chapter 5

Regulated Securities Activities

Article 63*

No Person may undertake any of the following activities unless having obtained a license from the Authority indicating the licensed activity or activities:

- 1 - Securities Broker or its representative.
- 2 - Investment Advisor or its representative.
- 3 - Investment Controller.
- 4 - Investment Portfolio Manager.
- 5 - Collective Investment Scheme Manager.
- 6 - Custodian.
- 7 - Market Maker.
- 8 - Credit Rating Agency.
- 9 - Any Person who conducts or participates in any other activity that is deemed by the Authority to be an activity in Securities to be regulated in accordance with the purposes of this Law.

One legal Person may be licensed to perform two or more of these activities; and the Bylaws of the Law shall determine the terms and conditions for granting such licenses, as well as the criteria for performing such activities, and the relevant regulations.

Article 64

No Person may act as a representative of a licensee or claim that unless obtaining an approval and a license from the Authority.

Article 65

The Authority may request from Persons licensed to engage in Securities activities to submit periodic reports on all their activities, including an annual report of the audited financial statements.

The Authority shall check and audit all of their records; and it may take photocopies of these records or request from any of them to submit copies thereof.

Article 66*

A Person licensed to engage in the management of Securities activities shall comply with the regulations specified in the Bylaws and in particular as follows:

- 1 - Separate commercial Dealing in Securities from any other commercial activities.

* Article (63) & (66) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

- 2 - Maintain adequate capital.
- 3 - Ensure that clients' funds or Securities shall not be transferred for personal use, nor be mismanaged.
- 4 - Not to incur excessive debt in order to obtain or hold Securities.
- 5 - Have reasonable justifications or grounds to believe that any Securities recommended to a client are appropriate for that client.
- 6 - Never make promises to a client of certain return or guarantee to a client that he/she shall not incur loss, unless the nature of the Securities necessitates so.
- 7 - Seek to achieve the best performance for the client's benefit.
- 8 - Shall not collect high commissions or offer unduly high discounts in transactions.
- 9 - Shall not engage in excessive sale or purchase transactions in the client's account.
- 10 - Shall provide clients with the documents and account statements related to their transactions.
- 11 - Prepare and maintain regular books and records.
- 12 - Appoint one of its managers to be responsible for implementing legal obligations.
- 13 - Shall have written supervisory bylaws, regulations and rules to control its operations, including procedures to prevent the misuse of Insider Information, as well as specific procedures to detect and prevent money laundering.

Article 67*

The Authority may decline or suspend or revoke a license, or restrict the activity of a Person licensed to engage in the management of Securities activities, or any Person related to it, if it were given evidence that he has done one of the following:

- 1 - Commits a major fault, gives misleading information, or omits to mention a material fact when applying for a license, or omits to mention any other information that should be submitted to the Authority.
- 2 - Fails to meet the standards applied under this Chapter or any other subsequent system or bylaws issued accordingly.
- 3 - Violates any provision, rule, regulation, or bylaws issued under this Law, or under any law related to its activity, or a Securities law, or rule or bylaws of another country.
- 4 - Is negligent in monitoring one of his affiliates (subordinates) by failing to prevent him/her from acting in a way which might be a violation of the provisions of this Law or its Executive Bylaws.

* Article (67) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Chapter 6

Licensed Persons' Accounts Review

Article 68*

Each licensed Person shall establish and maintain books, records, and detailed and accurate accounts that reflect transactions or transfers of ownership of the assets related to such licensed Person, according to the accounting standards approved by the Authority.

The licensed Person shall maintain the records, books and accounts for a period of not less than five years from the day of preparation thereof, or until any dispute between the licensed Person and a client is resolved, during which they should be available for review if requested. These documents shall be subject to inspection and auditing at all times by the Authority or whoever assigned by the Authority to do so.

Article 69

Every licensed Person must use an internal control system and abide by the following:

- 1 - Execute the operations according to general or special authorization obtained from the competent department.
- 2 - Independence of disposition of assets under general or special authorization from the competent department.
- 3 - Compare registered assets during appropriate periods of time and take the necessary actions towards any material changes.
- 4 - Record transactions to allow preparation of financial statements in accordance with the standards adopted by the Authority or during the auditing of the company's registered assets.

Article 70

Every licensed Person shall appoint, within one month from obtaining the license, an auditor approved by the Authority, provided that the said auditor shall not be a manager, officer, employee, shareholder or partner of the licensed Person.

The Authority shall be notified of the appointment of the said auditor within seven days from the day of appointment, and shall also be notified within the same period of the auditor's resignation or the appointment of a replacement thereof.

* Article (68) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Chapter 7

Acquisitions and Protection of Minority Interests

Article 71

The acquisition offer means the offer, or solicitation to offer, or request to own :

- 1 - All shares of a Listed Company or all shares of any class(s) in a Listed Company, other than the shares owned by the offeror, or its subsidiaries or affiliates on the offer submission date.
- 2 - All of the remaining shares in the offeree company, and which are offered to all the other shareholders in that company as a result of the acquisition of the offeror and its subsidiaries and affiliates of a majority share in the company, which enables it to control the Board of Directors.

The Authority shall issue a resolution determining the required majority percentage to apply the provisions of this Article.

Article 72

The Person, wishing to submit an acquisition offer, shall submit copies of the offer documents, along with the relevant information to the Authority, Securities Exchange, and the Issuer of the Securities subject to the acquisition offer. The offeror shall obtain the Authority's approval before taking any further steps in the acquisition process.

The Authority shall, within a maximum period of ten days, review the application and offer documents and issue its approval. It shall refrain to issue its approvals in the following situations :

- 1 - The offer does not comply with the provisions of this Law and its Executive Bylaws.
- 2 - The application fees are not included in the offer.
- 3 - The offeror fails to submit the necessary documents in accordance with the provisions of this Law and its Bylaws.
- 4 - The offer includes incorrect or incomplete statement, which shall have an influence on the decision of the shareholders of the company.

Article 73

The Authority shall include in the Executive Bylaws the rules that regulate the operations of a Persons' ownership of a percentage not less than 5% and not more than 30% of the shares of any Listed Company in the Securities Exchange.

Any shareholders referred to in the previous paragraph may challenge the decisions of the General Assembly, if such decisions harm the interests of the minority. They may also appeal

to the Board of Commissioners within fifteen days from the date of issuing the challenged decision or knowledge whereof, which is further. The Authority may revoke the decision of the General Assembly if proved harmful; and each party of interest may file an appeal against the decision of the Authority before the Competent Court as per this Law and its Executive Bylaws.

If the Authority does not reply to the appeal of the challenged decision within twenty days, it shall be considered as rejected.

Article 74*

A Person who acquires directly or indirectly more than 30% of the Securities admitted to trading of a listed shareholding company shall within thirty days from the date of acquisition submit an offer to purchase all the remaining shares traded in the Exchange as per the conditions set in the Bylaws.

The following cases shall be exempted from this provision:

- 1 - Acquisition in consideration of the public interest and in the interest of the remaining shareholders. Any such exemption decision issued by the Authority shall be written and reasoned.
- 2 - Gaining the stated percentage when the company increases its capital and some shareholders refrain from subscription.
- 3 - Obtaining the stated percentage because of debt restructure.
- 4 - Gaining the stated percentage because of an inheritance, a will or a judicial ruling. In such case, the Person shall regularize its situation within not more than two years as from the increase.
- 5 - Such other cases as provided for in the rules and regulations issued by the Authority.

Article 75*

An Issuer whose Securities are the subject of an acquisition shall, within seven business days from receipt of the offer, submit a response to the Authority stating its opinion and recommendations to the shareholders.

* Article (74) & (75) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Chapter 8

Collective Investment Schemes

Article 76*

A Collective Investment Scheme may exist in any of the following forms:

- 1 - Investment fund which is a corporate entity.
- 2 - Contractual Collective Investment Scheme related to movable or immovable assets intended to enable participants to participate in or gain from the profits accrued by acquisition, or ownership, or management, or disposition of such assets.
- 3 - Whatever mechanism the Authority decides to include as a Collective Investment Scheme.

The Authority shall set rules for regulating Collective Investment Schemes, taking into consideration the provisions of this Chapter of the Law.

Article 77*

Securities or units pertaining to a Collective Investment Scheme shall not be managed or sold unless the Scheme has been licensed by the Authority according to its rules, bylaws, and regulations and the issuance of the license has been announced to the public in the Official Gazette.

Article 78*

The Bylaws shall define the necessary conditions for incorporating and managing Collective Investment Schemes and shall set out their endorsed forms, their functions and their responsibilities. The Authority shall issue the rules and regulations on issuance and redemption of investment units in such Schemes, and their pricing controls.

Article 79*

Participants are entitled to redeem their units from a Collective Investment Scheme in accordance with the Articles of Association or Contract.

Article 80*

An investment fund – authorized by the Authority – may be listed on an Exchange. Investment funds incorporated outside the State of Kuwait – and licensed by the Authority to market units in the State of Kuwait – may apply for listing on the Exchange according to the conditions and controls set by the Exchange's bylaws and rules.

* Article (76), (77), (78), (79) & (80) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 81

Any Person acting as an advisor for a Collective Investment Scheme shall comply with the following:

- 1 - To be licensed by the Authority to act as an Investment Advisor.
- 2 - Act in the conformity with the regulations and procedures governing the Collective Investment Scheme, which aims to achieve the unit holders' interests.
- 3 - Exert reasonable care of the Person that is protecting his/her own property when giving investment advices.
- 4 - Maintain regular records according to the accounting systems related to the Collective Investment Schemes. He shall submit periodic reports to the Authority, as requested and in accordance with its issued regulations.

Article 82

The Collective Investment Scheme is prohibited from carrying out the following:

- 1 - Grant credit.
- 2 - Purchase any Securities issued by the company managing the Scheme or any of its subsidiaries, except to the extent of the rules established by the Authority in this regard.
- 3 - Purchase any Securities of the entity, where the Scheme's manager is acting as the subscription manager or sales agent, except to the extent of the rules established by the Authority in this regard.

Article 83*

A manager or Custodian of a Collective Investment Scheme may not be replaced unless upon approval from the Authority; and the Authority shall notify an applicant for such a change of its reasoned decision within thirty days from the date of receipt of the request. The Bylaws shall specify the procedures required in this regard.

* Article (83) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 84*

A manager of a Collective Investment Scheme shall not make any amendments to the Contract or Articles of Association of the Scheme unless approved by the Authority.

The Authority – if it finds that the proposed amendments shall affect the acquired rights of unit holders – may request the Scheme manager to acquire the approval of more than 50% of the capital on those amendments.

Article 85*

The Authority may revoke the license of any Collective Investment Scheme in the following situations:

- 1 - Proven failure to meet any of the requirements of granting the license.
- 2 - Cancellation is in the interest of the participants in the Scheme.
- 3 - The manager or Investment Controller or Custodian has violated any law or and regulation, or has submitted to the Authority incorrect or misleading information.
- 4 - The Scheme's manager has requested the cancellation of the license, in which case the Authority shall reject the request if it deems it necessary to investigate anything related to the Scheme or to secure the interests of the participants in the Scheme.

Article 86*

The Authority may notify the manager or the Investment Controller or the Custodian of a Collective Investment Scheme about its intention to revoke the license of the Collective Investment Scheme, and such decision shall be in writing and reasoned. The investment manager or Custodian shall submit undertakings within fifteen days from the date of notification, and the Authority shall decide whether such undertakings are satisfactory in order to avoid the cancellation of the Scheme's license.

* Article (84), (85) & (86) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 87*

If the Authority issues a decision to revoke the license of a Collective Investment Scheme, it shall assign a licensed Person to liquidate the Scheme or shall request the Competent Court to do so. It shall, in such case, inform the Scheme manager and Custodian – immediately and in writing – of the procedures undertaken.

The Authority shall specify rules and procedures for the liquidation of a Collective Investment Scheme.

Article 88

The Authority may, upon the request filed to it, permit the marketing of a Collective Investment Scheme established outside Kuwait. The Executive Bylaws shall specify the conditions and controls relevant to this case.

Article 89*

The Authority may revoke the permission granted for marketing a Collective Investment Scheme established outside the State of Kuwait in any of the following events:

- 1 - Proven failure to meet any of the requirements for granting the permission.
- 2 - Cancellation is in the interest of the participants in the Scheme.
- 3 - The manager or Investment Controller or Custodian has violated any of the provisions of the Law or Bylaws, or has submitted to the Authority incorrect or misleading information.

Article 90*

The Authority – where a manager or Investment Controller or Custodian of a Collective Investment Scheme has failed to comply with the provisions of this Law or the Bylaws hereof – may instruct the Scheme Manager to temporarily suspend issuance or redemption operations in the units of the Collective Investment Scheme, or both, from the date specified in the instructions therewith.

Article 91

The affected party may file an appeal to the Authority against decisions issued pursuant to the provisions of this Chapter within fifteen days from the date of being informed thereof in writing. The rules and procedure set forth in this Law and its Executive Bylaws shall apply to such an appeal.

* Article (87), (89) & (90) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Chapter 9

Prospectus for Securities Issued by Companies

Articles 92

The provisions of this Chapter shall apply to the Securities issued by companies regardless of the forms or objectives of such Securities.

Article 93*

No Person may offer any Securities for an Initial Public Offering or Private Placement without providing a prospectus consistent with the information and procedures set forth in the Bylaws and ratified by the Authority.

Foreign Securities may not be offered or issued for Public or Private Placement or promoted or marketed unless licensed by the Authority.

The Bylaws as set by the Authority shall determine any exceptions on the application of this Article.

Article 94

The prospectus shall be valid after thirty days from the date of submission thereof to the Authority supported by all required documents, information, and data unless the Authority announces it is approval or rejection in writing prior to this date. The said period may be extended with the consent of the Issuer of the Securities.

The issuing entity shall make the prospectus available to the public free of charge at a clear address in the State of Kuwait.

Article 95

The Authority may refuse the prospectus in any of the following cases:

- 1 - If the prospectus is not in accordance with the provisions of this Law and its Bylaws.
- 2 - If the prospectus is submitted without any evidence of the payment of the determined fees.
- 3 - If the Issuer fails to submit the required financial statements according to this Law or any regulations or bylaws issued accordingly.
- 4 - If the prospectus contains any inaccurate or incomplete statement that may influence the decision of the subscriber.

* Article (93) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 96*

A prospectus for the shares of a company – upon its incorporation – shall include disclosures of the information as provided for in the before-mentioned Commercial Companies Law, and the information as set forth in the Bylaws, as well as the obligatory disclosure of the following information:

- a) A record of the company's historical activities.
- b) Names of the Board members, directors and officials and their respective experience.
- c) Names of the shareholders who each own more than 5% of the shares of the company, together with the percentage of their ownership.
- d) A summary of the financial statements and information approved by auditors for the last three years or the period following the incorporation of the company – whichever is shorter – as per the disclosure rules set forth by the Bylaws and according to the templates set by the Authority.

Article 97

Companies listed on the Securities Exchange shall disclose their financial statements in accordance with the regulations issued by the Securities Exchange and approved by the Authority.

Article 98

The Authority may require the Securities Exchange to take all necessary actions to urge listed companies to expedite the disclosure of any material changes that may occur in any of these companies.

Article 99

The public may, for a fee specified by the Authority, have access to or obtain copies of periodic publications, reports, information and statements kept at the Securities Exchange, which was announced or disclosed.

* Article (96) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Chapter 10

Disclosure of Interests

Article 100*

An Interested Person means any Person who has an interest that represents 5 % or more in the capital of a company listed on an Exchange, whether directly, indirectly, or in alliance with others.

The rules and regulations issued by the Authority shall define what is meant by “Interested Person”, whether directly or indirectly, and shall define Interested Person to include where one or more Persons act as a group, or where one or more Persons work in alliance with others. It shall also specify the other interests that shall be disclosed and the procedure, method, and timing of disclosure.

Article 101*

An Interested Person shall – within a period not exceeding five business days from acquiring the interest – send an authenticated and signed statement to the Authority and the Exchange where the Securities are traded and to the Issuer of those Securities; and such statement shall contain the information specified by the rules and regulations issued by the Authority.

Any shareholding company listed on an Exchange shall disclose the names of the shareholders who own 5% or more of its capital or any change of such percentage. The rules and regulations issued by the Authority shall specify procedures and timing for such disclosures.

Article 102*

The Authority and the Exchange on which Securities are traded must be notified of any changes in any interest – subject to disclosure – that exceeds more than 0.5% of the Issuer’s capital within a period not exceeding ten business days as of the date of the change. Such reporting remains mandatory when the change results in a decline of the interest to below 5% of the capital.

Article 103*

The Authority shall issue rules and regulations to regulate the disclosure and Dealing in Securities with regard to Insiders, as well as the Board of Directors members and the members of the executive management of companies.

* Article (100), (101), (102) & (103) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 104*

The Authority shall issue rules and regulations to regulate Listed Companies disclosure of material information.

Article 105

Each listed shareholding company shall maintain a special register for the disclosure of the members of the board directors, executive directors and managers, which involve all statements and information determined by the Authority, and shall include all data related to remunerations, salaries, incentives and other financial benefits as included in the report of the general assembly. Any stakeholder shall have the right to access this register during regular working hours.

Article 106*

The Exchange – in which a Security is listed – shall announce the information received concerning the disclosures of interests immediately upon receipt thereof as specified by the rules and regulations issued by the Authority.

Article 107*

A Person under the obligation of disclosure shall be held liable for any damages incurred by the Authority, the Exchange or a third party as a result of a failure to disclose the interest according to the provisions of this Law and the rules and regulations issued by the Authority.

* Article (104), (106) & (107) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Chapter 11

Penalties and Disciplinary Actions

First : Jurisdiction and Procedures

Article 108

Under the Court of First Instance, a court named **“Capital Markets Court”** shall be established. A decision shall be issued by the Minister of Justice to define its premises, with the consent of the Supreme Judicial Council. It shall consist of :

- 1 - Penal circuits that shall have exclusive jurisdiction to decide on penal cases related to the crimes stipulated in the law. The Felonies Circuit shall consist of three judges one of whom shall be at least at the level of counselor. The Misdemeanors Circuit shall consist of a judge of the first degree at least. In the initiation of the penal case and the lodging thereof before those circuits, the rules and procedures prescribed in the Law of Penal Procedures and Trials shall be followed, in respect of anything that has not been specifically provided for in this Law.
- 2 - Non-penal circuits with exclusive jurisdiction to decide on non-penal cases related to commercial, civil and administrative disputes arising from the implementation of the provisions of this Law and the regulations and bylaws related to the Securities markets, and the disputes related to the enforcement of judgments issued thereby, regardless of the value of such disputes. These circuits shall consist of three judges one of whom shall be at least with the rank of counselor.
- 3 - One or more judges shall be delegated by the Court of First Instance to rule in a temporary basis, but without affecting the origin of the right, in matters of concern about the lapse of time and which fall within the jurisdiction of this court, and the temporary execution complaints, and to issue orders based on petitions, temporary orders and performance orders related thereto.

The Law of Civil and Commercial Pleadings and the complementary laws shall apply to the non-penal law suits that are filed according to the provisions of this Law, in respect of all matters that have not been specifically provided for herein.

Article 109

Judicial papers and writ of summons issued by the investigation officers or by the court to the accused shall be served through the competent process servers of the Capital Markets Authority in accordance with the rules set forth in Chapter 2 of Part 1 of the Law of Penal Procedures and Trials. The accused may be served with notice at his place of work by delivering a copy thereof to the Person who states that he is in charge of administrating the place or the Person who works therefor.

Those papers and a writ of summons may be served upon Persons other than the accused by fax or email. The Executive Bylaws shall regulate the manner in which the service of such papers shall be done.

Article 110*

As an exception from the rules related to the process for the service of judicial papers as set forth in the Law of Civil and Commercial Pleadings, judicial papers relating to civil, commercial and administrative disputes provided for in this Law may be served by fax or e-mail.

The Minister of Justice – in coordination with the Ministry of Communications and the Authority – shall issue a decision setting forth the terms and conditions for regulating the process for the service of judicial papers and the type of hardware and software to be used in effecting such service, the forms, formats and form of the writ of summons, notifications, and the responses thereto, as well as the method of paying the prescribed courts fees thereto. Violating the provisions of this Article shall invalidate the process.

Article 111

As an exception from the provisions of Articles 49, 59 and 91 of the Law of Civil and Commercial Pleadings, the following shall be observed :

- 1 - Upon the request of the defendant, judgment shall be rendered to consider that the case has never been filed (void), if the defendant has not been summoned to appear before the court within thirty days from the date of submission of the summons with the Clerks Department, where this failure to serve the summons is attributable to the plaintiff.
- 2 - If the plaintiff or the defendant does not attend the first session or any other session, the court shall issue its judgment in the case or shall rule to cancel the case after verifying the validity of the process. The court shall decide cancellation of the case if both parties appear and agree to cancel the case. In the event where the plaintiff or appellant fails for the second time to appear before the court, the court shall, inside of cancelling the case, deem it (void) as it have not been filed. However, if the absent party appears before the court before the end of the session, the cancellation shall be void. The Court shall rule that the case is void if both parties fail to appear before the court after the start of the proceedings therein, or if either party fails to notify the other of the proceeding in the case within thirty days from cancellation, and the duration of the cancellation shall be included within this period if it repeated even if it wasn't consecutive. The time shall not be deemed to have been observed without serving the process to the litigant party before the expiry of the period.
- 3 - The case may be suspended by agreement between the litigant parties not to proceed with it, for a period not exceeding two months from the date on which the court approves of their agreement. Such suspension shall not affect any mandatory time specified by the law in this regard.

* Article (110) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

If the litigants do not resume the case proceedings within the fifteen days following the end of the period, regardless of the length of the period of stay, the plaintiff shall be deemed to have abandoned his case and the appellant shall be deemed to have abandoned his appeal.

Article 112

The Court of Appeal shall form one or more Penal Circuits and one or more Non-penal Circuits, with competence to hear the appeals of judgments issued by the Capital Market Court. The rule of this court shall be final and conclusive and may not be challenged by any method of appeal.

The appeal circuits at the Court of Appeal and at the Court of First Instance shall continue to hear appeals filed before them in respect of judgments issued in lawsuits that have become subject to the jurisdiction of the Capital Market Court or those that are filed before it after the entry into force of this Law until a conclusive judgment is issued in the merits thereof.

Article 113

The President of the Competent Court, in the event of challenge or appeal of judgments, shall set a session to consider the appeal, which shall be recorded in the appeal petition when submitting it, and this shall be considered as a process to the objector even if the appeal filed by his legal representative. The Clerks Department shall serve the petition upon the remaining litigant parties by Fax through the Authority.

Article 114

A special prosecution body to be called "The Capital Market Prosecution" shall be established and shall have exclusive jurisdiction to investigate, act and prosecute in the matter of crimes that fall within the jurisdiction of the Capital Market Court and to file objections against the judgments issued by it.

Article 115

The Capital Markets Authority as well as the administration of the Securities Exchange shall execute the orders of the investigation authorities and the court. They shall also assist them in search for evidence related to the crimes arising from the application of the provisions of this Law.

Article 116

The non-penal circuits of the Court of First Instance shall, by their own initiative, refer to the Capital Market Court the cases that are being heard by them and that have become subject to the jurisdiction of the Capital Market Court pursuant to the provisions of this Law, in the condition at the time of referral. In the event of the absence of any litigant, the Clerks Department shall notify him of the referral and require him to appear before the court at the prescribed times before the Circuits to which the case has been referred.

The provisions of the preceding paragraph shall not apply to the cases in respect of which

the Court has rendered judgment concerning a part of the merits thereof, and the cases in respect of which a partial judgment has been issued in respect of a part of the litigations and the cases in which judgments have been issued to postpone them for rendering judgment even where the court has given permission to the parties to submit memoranda.

The penal courts shall continue to hear the suits referred to them prior to the date of entry into force of this Law in respect of crimes that have become subject to the jurisdiction of the Capital Market Court.

Second : Crimes and Penalties

Article 117

Without prejudice to the measures provided for in this Law or to any more severe penalty provided for in any other law, unlawful acts shall be punishable under this Law with the penalties provided for in the following articles.

Article 118*

A punishment by imprisonment for a term not exceeding five years and a fine of not less than the amount of the benefit achieved or losses avoided or an amount of ten thousand Dinars – whichever is higher – and not more than three times the benefit achieved or losses avoided or the amount of one hundred thousand Dinars – whichever is the higher – or by either of these two penalties, shall be incurred by any Insider who sold or purchased a Security while in possession of Insider Information regarding the same, or disclosed Insider Information or gave an advice based on Insider Information to another Person.

The same penalty shall be applied to any Person who purchased or sold a Security based on Insider Information obtained from an Insider, while being aware of the nature of such information, for the purpose of realizing any benefit for himself/herself or for others.

Article 119*

A punishment by imprisonment for a term not exceeding one year and a fine of not less than three thousand Dinars and not exceeding ten thousand Dinars, or by either of the these two penalties, shall be incurred by any Person subject to the provisions of this Law who discloses a secret of which he/she became aware by virtue of the nature of his/her work or his/her occupation or position.

The penalty shall be imprisonment for a period not exceeding three years and the fine shall be in an amount not less than ten thousand Dinars and not more than one hundred thousand Dinars, or by either of these two penalties, if he/she has been found to have obtained in any manner a benefit, interest or consideration for himself/herself or for others in consideration of the disclosure of a secret or piece of information.

* Article (118) & (119) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 120*

A fine in an amount of not less than ten thousand Dinars and not more than one hundred thousand Dinars shall be incurred by any Person who omits, conceals, or prevents information with material effect – that the Law or the Bylaws require to be provided or disclosed to the Authority or an Exchange – in connection with the purchase or sale of a Security or in connection with a recommendation to purchase or sell a Security.

Article 121

Shall be punished by a fine not less than one thousand Dinars and not exceeding one hundred thousand Dinars anyone who violates any of the provisions of Chapter 10 concerning the disclosure of interests.

Article 122*

A punishment by imprisonment for a term of not more than five years and fine of not less than ten thousand Dinars and not more than one hundred thousand Dinars, or by either of these two penalties, shall be incurred by any Person who is proved to have intentionally committed one of the following acts :

- 1 - Behaves in a way that creates a false impression or misleads people concerning the actual trading in a Security or a Security Exchange through:
 - a) Entering into a deal in a manner that is not conducive to real change in the Security's ownership;
 - b) Entering a purchase or sale order for a Security with the knowledge that a similar order in terms of size, price, time of sale or purchase for the same Security, has been or will be issued by the same Person or by Persons who act in agreement with that Person.
- 2 - Whoever concludes one or more deals concerning a Security, that would lead to:
 - a) An increase in the price of the Security for the purpose of encouraging others to purchase it.
 - b) A reduction in the price of the Security for the purpose of encouraging others to sell it.
 - c) Creating actual or fictitious trading for the purpose of encouraging others to purchase or sell.

The Authority shall set the rules explaining the instances included in Clause (1/a) and Clause (2/c). Such rules shall specify practices to be exempted from the implementation of the provision of this Article.

Article 123

Shall be punished with a fine not less than five thousand Dinars and not more than one hundred thousand Dinars or 20% of the value of the violated shares at the time of the

* Article (120) & (122) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

occurrence of the violation, whichever is higher, anyone who violates any of the provisions of Chapter 7 of this Law in relation to acquisition and protection of the minority interests.

Article 124

Shall be imprisoned for a term not exceeding five years and a fine not less than five thousand Dinars and not more than fifty thousand Dinars or with either of these two penalties any Person who is found to have an undisclosed interest or who has publicly recommended the purchase or sale of a particular Security. The undisclosed interest means any hidden commission, material return, grant or gift from an Issuer, Broker, Trader, or advisor or Subscription Agent, in connection with the Security.

Article 125*

A punishment of a fine of not less than five thousand Dinars and not more than fifty thousand Dinars shall be incurred by any Person who claims – contrary to the truth – that the Authority has taken any action or decision when it has not actually done so.

Article 126

Shall be punished with a fine not less than five thousand Dinars and not exceeding fifty thousand Dinars any Person who:

- 1 - Exercises any particular activity or profession without obtaining a license from the Authority in accordance with the provisions of this Law.
- 2 - Makes a public offering or any other transaction in violation of the provisions of this Law or the Executive Bylaws thereof.
- 3 - Deliberately refrains or delays in submitting any periodical report or document to the Authority as required by this Law.

A ruling may be rendered to deprive him/her temporarily from exercising any activity that he/she has been performed without license, or preventing him/her from entering into any transaction or deal that is required to be registered in accordance with the Law.

Article 127*

A punishment of a fine of not less than five thousand Dinars and not exceeding fifty thousand Dinars shall be incurred by any Person who commits an action that may obstruct an investigation or any supervisory activity of the Authority or its employees. The following acts shall be among the acts which obstruct the work of the Authority:

- 1 - Failing to enable the employees of the Authority to access any data or information deemed necessary by the Authority.
- 2 - Failing to comply with any final resolution issued by the Authority's Disciplinary Board.
- 3 - Providing the Authority with false or misleading information.

* Article (125) & (127) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 128

In all events, the offender shall, in addition to the original punishment, be required to return the financial benefit he/she obtained or the amount of the losses that were avoided as a result of committing any act in violation of the provisions of this Law.

Article 129*

The courts may issue an order against any Person who has been convicted in connection with any of the offenses provided for in this Law, by temporarily or permanently depriving him/her from working as a member of the Board of Directors, Managing Director or Chief Executive Officer in a shareholding company, or in the practice of his profession or any similar profession, and such deprivation shall be mandatory in the event of repetition of the violation.

Article 130

The Capital Market Court may rule for the minimum term of imprisonment as prescribed for the stated crimes without being bound by the provision of paragraph 2 of Article 83 of the Penal Law. Furthermore, the Court may stay the execution of the judgment in the events provided for in Article 82 of the Penal Law regardless of the punishment ruled.

Article 131

The Authority may, in any stage of the criminal case and until conclusive judgment therein has been rendered, offer or accept reconciliation with any Person who committed any of the crimes provided for in this Law, in consideration for payment of an amount which is not less than the minimum amount of the prescribed fine and not more than the maximum amount of that fine. It shall be a condition for reconciliation in the crimes provided for in Articles 122,124,126 and 127, in addition to paying the amounts referred to, that the amount of any benefit achieved or losses avoided, be refunded, provided that the accused is not a recidivist.

The Authority shall determine the time period during which the accused shall fulfill the reconciliation conditions according to the aforesaid rules. In the event where reconciliation is achieved, the criminal shall expire.

Article 132

The Attorney General may, by a resolution issued by him or at the request of the Authority or the employer, if the interests of the investigation so requires, order a suspension of the work, employment or profession temporarily whoever the prosecution began investigating him/her in a crime of the crimes stipulated in this Law; and shall be suspended from work by the force of law anyone who has been referred to the Penal Court. However the Court may, during the course of the proceedings, order otherwise, upon the request of the interested Person or of its own initiative.

* Article (129) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 133

The Attorney General may, if he has adequate evidence with regard to one Person or a group of Persons, and that such a Person has committed any of the crimes under this Law, or pursuant to a request from the Authority or a Person authorized by it to do so, order that such Person be banned from travel or from disposing of or managing his properties. He may also order taking any other precautionary measures in this regard, in respect of the funds that are under the hands of the accused or others, in whole or in part, and without prejudice to the right of the Authority or the interested party, to take all conservative legal action.

The Attorney General may take the same actions against the properties of the minor children or spouse of the accused.

This decision may be appealed before the Competent Court within twenty days from the date of its issuance.

Article 134

The Attorney General shall take a decision regarding the request of the Authority as prescribed in the preceding Article within 24 hours from the time of its submission. In case the request is rejected, the causes of such rejection shall be stated. The Authority may within 15 days from the date of the Attorney General's decision appeal before the Competent Court. The court shall take a prompt decision regarding the appeal.

Article 135

The reserved funds under custody may not exceed the maximum financial punishment that may be imposed upon the accused. The Attorney General or the Court may seek the assistance of the Authority in assessing the value of the benefit obtained by the accused.

Article 136

The Attorney General or the court may, at the request of the Authority or any interested Person, lift the precautionary measures if the accused has submitted enough security acceptable to the Authority or the court.

Article 137

In the event where the accused is prevented from managing his properties, the Attorney General shall appoint a manager to manage the properties that are covered by the said prevention. This shall be done pursuant to a nomination by the Authority which shall, by a statement, determine the duties, powers and controls governing the work of such manager.

Third: Violations and Discipline

Article 138

The reporting and the initiation of investigation by the Public Prosecution and filing of the criminal case shall not prevent the right of the Authority from taking disciplinary action. The Disciplinary Board may defer the taking of disciplinary action pending the rendering of a final ruling in the matter of the criminal case. In all events, the penal court judgment shall be binding to all.

Article 139*

A violation is any act which is not in accordance with the rules, regulations, decisions, or instructions issued by the Authority within the framework of this Law.

Article 140

One or more disciplinary boards shall be established within the Authority, composed of three members headed by a judge delegated by the Supreme Judiciary Council and two members who are experienced in financial, economic, and legal affairs. The term of membership of the Disciplinary Board shall be three years and may be renewed. The Board shall address the following matters:

- 1 - Deciding in the disciplinary matters referred to it by the Authority and concerning the violation of the provisions of this Law, Bylaws or any decisions or instructions issued in connection therewith.
- 2 - Deciding in the appeals filed against the Securities Exchange decisions and the decisions taken by the Violations Committee thereat. The Disciplinary Board, when hearing these appeals shall be deemed to act as an appellate body and its rulings with regard thereto shall be final.

The Executive Bylaws shall set forth the system, rules and procedures of the work of the Disciplinary Board and the manner in which it issues resolutions and notify the concerned parties thereof.

Article 141

A member of the Disciplinary Board is prohibited from having any direct or indirect interest with any entity subject to this Law, nor may he/she be allied with such entity during the time of his/her said work.

Article 142

The Authority's Legal Department shall undertake the administrative investigation of the

* Article (139) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

violations covered by this Law and its Executive Bylaws, and that are referred to it by the Authority. The investigator, for the purpose of performing this mission and perform his work shall have the following powers:

- 1 - The right to request any data and documents from any government organization or any organization that is related to the Authority.
- 2 - The right to hear the testimonies of the witnesses.
- 3 - The right to call on whomever it may deem necessary to testify during the investigation.
- 4 - The right to move and inspect any register or information at any government body or organization related to the Authority.

Article 143*

If the investigations reveal that there is evidence that a violation has been committed, the Authority may refer the suspected violator to the Disciplinary Board according to the rules and procedures set forth in the Bylaws. The Authority may warn a violator to stop committing violations, in addition to requiring a pledge not to repeat such a violation in the future. The Authority may impose more supervision on the violator.

Article 144

Any Person who was investigated or who appears in front of the Disciplinary Board shall have the full right to defend himself or appoint a lawyer to defend him/her.

Article 145

The defendant shall be notified of the facts attributed to him/her, and the evidence thereof, the date set for the investigation session, at least seven days before the date and time of the investigation, provided that the Executive Bylaws shall set forth the method, time and procedure for notification.

Article 146*

The Disciplinary Board may – after being satisfied that a violation has been committed – issue any of the following penalties:

- 1 - Cautioning the violator to discontinue committing the violation.
- 2 - Issuing a warning.
- 3 - Requiring the violator to re-pass pre-qualification tests.
- 4 - Suspending his/her activities for a period not exceeding one year.
- 5 - Suspension from practicing work or profession in final.
- 6 - Suspending the license for a period not exceeding six months.
- 7 - Revocation of the license.

* Article (143) & (146) are amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

- 8 - Imposing restrictions on the activity or activities of the violator; such restrictions shall be specified by the Bylaws.
- 9 - Canceling the voting or proxy or power obtained by the violation of the provisions of this Law.
- 10 - Suspending or canceling any acquisition offer or purchase transactions outside the scope of the acquisition offer if they are in violation of the provisions of Chapter 7 of this Law or the Bylaws.
- 11 - Prohibition of exercising voting rights for a period not more than three years by any Person who refrained from submitting any statement, or submitted an incomplete statement, or one contrary to the truth or in violation with the Law or the Bylaws.
- 12 - Suspending the validity of an applicable prospectus according to the provisions of this Law.
- 13 - Cessation of trading of a Security temporarily or suspension or cancellation of the decision to list a Security before the effective date thereof.
- 14 - Dismissal of a member of a Board of Directors or of a manager of one of the licensed companies or listed companies or Investment Controller or Custodian of a Collective Investment Scheme who failed to perform his/her duties as provided in this Law or the Bylaws.
- 15 - Imposing financial penalties that are defined according to the severity of the violation not exceeding fifty thousand Kuwait Dinars.

In all cases, the Disciplinary Board may cancel all transactions related to the violation and the entailed effects, or require the violator to pay amounts equal to the benefit he/she acquired or the value of the loss he/she has avoided as a result of the violation. The amount may be multiplied if the Person repeats committing the violations.

Article 147

Any Person, against whom a penalty from those penalties set forth under this Law, may appeal in writing before the Authority within fifteen days from the date on which he is notified of the decision in writing. The decision of the Authority to reject the appeal shall be final, but may be challenged before the Competent Court. Non-response to the appeal within one month from the date of submittal thereof shall be deemed to mean that the appeal has been declined.

Fourth: Resolution of Disputes by Arbitration

Article 148

Disputes arising from the obligations set forth in this Law or any other law if related to transactions of the capital market may be resolved by arbitration, according to such arbitration system as may be adopted by the Authority.

Chapter 12

General Rules

Article 149*

The Authority may exchange information and documents concerning violations relating to Securities between itself and corresponding authorities in other countries as the Authority may deem appropriate in each case individually, in light of the public interest, subject to applying the principle of reciprocity.

The Authority may sign Memoranda of Understanding with corresponding entities and authorities in other countries to coordinate cooperation among them.

The Authority may also conclude conventions with corresponding entities and authorities in other countries pursuant to the provisions and procedures stipulated in the Constitution.

Article 150

All information and data related to the work of the Authority are confidential. They may not be disclosed without the consent of the Authority or pursuant to a court order. The data and information related to the Persons who are licensed and who deal in the Securities Exchange shall enjoy the protection extended to personal and confidential information, and may not be disclosed except in the event allowed by the law or pursuant to a court order.

(Article 150 bis)**

Without prejudice to the tax exemptions from the prescribed tax on profits arising from disposal of Securities issued by companies listed in the Exchange, returns in respect of Securities, bonds, financial Sukuk and all other similar Securities, regardless of the issuer, shall be exempted from taxes.

* Article (149) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

** Article (150 bis) is added pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Chapter 13

Transitional Provisions

Article 151

A decree nominating the members of the Board of Commissioners shall be issued within three months from the date of issuance of this Law.

Article 152

The Authority shall issue the Executive Bylaws of this Law within six months after the issuance of the decree designating the members of the Board of Commissioners and shall be published in the Official Gazette.

Article 153

As an exception from the provisions of Article 164, the resolution of disputes arising from the application of this Law by arbitration shall be subject to the provisions contained in the Ministerial Resolution No. 2 of 1984 establishing the Arbitration Committee, and the rules and procedure applicable before the said committee until the Authority issues arbitration regulations.

Article 154

In accordance with the provisions of this Law, the current Kuwait Stock Exchange Market shall be considered a licensed Securities Exchange. It shall organize its affairs according to the provisions of this Law and the Executive Bylaws hereof, particularly those related to the conditions and controls of licensing, within a period of one year from the date of publishing the Executive Bylaws in the Official Gazette.

All resolutions, instructions, and internal resolutions of Kuwait Stock Exchange remain in effect until they are cancelled or amended by the Authority according to the provisions of this Law and its Executive Bylaws.

Article 155

Regulatory duties set forth in this Law shall be rendered to the Authority within six months from the date of publishing the Executive Bylaws, and thereupon Kuwait Stock Exchange Committee's work shall terminate in terms of its regulatory aspect. Neither the Securities Exchange which replaces the Exchange nor the Exchange Committee may, after the said date, exercise any of the powers given to the Authority under this Law.

Article 156*

All the material and intellectual assets of Kuwait Stock Exchange shall, upon the issuance of this Law, be rendered to the Authority when this Law is issued, and the Exchange Committee shall continue to manage them until the management functions are taken over by the Authority. The Authority may entrust Bursa Kuwait Securities Company (BKSC) with the management thereof.

The Authority shall – within the first year after the entry into force of this Law – commission an advisory committee to value the material and intellectual assets of Kuwait Stock Exchange, and determine which of such assets shall inure to the Authority and which shall be retained by the Exchange. The Authority shall authorize both Kuwait Stock Exchange and the Market Committee or Bursa Kuwait Securities Company (BKSC) to manage these assets and undertake the administrative and financial functions required for administering the Exchange's entity during the provisional period.

Article 157

Without prejudice to the functional conditions for the employees of Kuwait Stock Exchange on the date of this Law, these employees shall continue to work with the Authority with the same rights and obligations existing on that date, their remuneration for the previous period of their work shall be settled and paid by Kuwait Stock Exchange. The Authority is committed to the rehabilitation and settlement of the situation of the staff of Kuwait Stock Exchange according to the requirements of this Law and its Executive Bylaws. The proportion of employment of Kuwaitis shall not be less than 75% of the total number of workers of the Capital Markets Authority, Securities Exchanges, and Clearing Agencies.

Article 158

According to the provisions of this Law, the Kuwait Clearing Company shall be considered licensed. The company shall adjust its affairs according to the provisions of this Law and the Executive Bylaws hereof within one year from the date of publishing the Executive Bylaws.

Article 159

According to the provisions of this Law, any licensed financial Broker at Kuwait Stock Exchange shall be considered a licensed financial Broker at the Securities Exchange. The Broker shall adjust its affairs according to the provisions of this Law and the Executive Bylaws hereof within six months from the date of the publishing the Executive Bylaws.

* Article (156) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 160

According to the provisions of this Law, all Securities listed on Kuwait Stock Exchange shall be deemed to be listed on the Securities Exchange.

Article 161

The investment funds licensed under the Decree by Law No. 31 of 1990 shall be deemed to be licensed according to the provisions of this Law and the Executive Bylaws hereof. They shall adjust their affairs according to the provisions of this Law and the Executive Bylaws hereof within six months from the publishing of the Executive Bylaws in the Official Gazette.

Article 162

The Investment companies registered at the Central Bank of Kuwait, and which manage the funds of third parties, are licensed to manage Collective Investment Schemes under the provisions of this Law and the Executive Bylaws hereof. They shall adjust their affairs according to the provisions of this Law and the Executive Bylaws hereof within one year from the date of publishing of the Executive Bylaws.

Article 163*

Firstly: - Following the end of the provisional phases referred to in this Law, the following laws, decrees-laws and decrees shall be annulled:

- 1 - Decree issued on August 14, 1983 regulating Kuwait Stock Exchange Market.
- 2 - Decree regulating the settlement of Securities trading and the clearing room at Kuwait Stock Exchange dated 27 December 1986.
- 3 - Law No. (12) of 1998 concerning Licensing the Establishment of Leasing and Investment Companies.
- 4 - Decree-Law No. (31) of 1990 on Regulating the Trading of Securities and Establishment of Investment Funds.
- 5 - Law No. (2) of 1999 concerning Declaration (disclosure) of Interests in Shareholding Companies' Shares.

Secondly: - Provisions of Articles (from 323 to 328) of the Commerce Law shall not apply to Exchanges to which the provisions of this Law apply.

Thirdly: - Provisions of Chapter (5) and Chapter (6) of Section (9) of the Companies Law shall be cancelled.

* Article (163) is amended pursuant to Law No. 22 of 2015 Amending Some Provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority & Regulating Securities Activities.

Article 164

This Law shall be considered a special law and its provisions shall be considered special provisions. All provisions contained in any general or special laws inconsistent with the provisions hereof are hereby cancelled.

Article 165

The prime minister shall implement this Law, and it shall be published in the Official Gazette.

The Amir of the State of Kuwait
Sabah Al-Ahmad Al-Jaber Al-Sabah

*Issued at Seif Palace on 7th Rabee Alawal 1431 h,
Corresponding to February 21, 2010*

**Explanatory Memorandum
of Law No. (7) of 2010
Regarding the Establishment of
the Capital Markets Authority
and Regulating Securities Activities**

Several laws, law decrees and other decrees have been issued for the establishment of Kuwait Stock Exchange and regulating the trading in Securities, establishing investment funds, clearing trades in Securities and the clearing room.

Those legislations laid down the foundations for the establishment of a Securities Exchange market in the State of Kuwait and contributed to the stimulation and growth of economic activity. Over the past few years Kuwait has become a leading regional market that attracted the attention of investors in emerging markets.

In light of the global developments witnessed by the capital markets, mainly the elimination of barriers and restrictions that obstructed the movement of capitals among countries, and the emergence of aspects of a new world order that allows competition and free trade and complements the legal and organization framework thereof under the umbrella of World Trade Organization and international trade agreements.

And in light of the developments witnessed by Kuwaiti market during the past few years and the success achieved as a result of selling a large portion of Government owned shares to the private sector which resulted in the expansion of the ownership base, the increase of the number of investors, both natural individuals and corporate bodies, in Kuwait Stock Exchange, the proliferation of companies operating in the field of Securities and the interlocking relations among them.

And, finally, in light of the deficiencies of certain aspects of the legal and legislative systems that govern Kuwait Stock Exchange, particularly with regard to the need to develop the supervisory entity while providing a large degree of flexibility in dealings, simplification of procedure, ensuring legal protection to investors in the market, particularly the small investors and curtail manipulations designed to achieve illicit gains, all of which were revealed by the implementation of the existing laws and decrees.

Therefore, it has been deemed appropriate to introduce a radical amendment to the legislative framework by issuing a new, comprehensive law that takes into consideration the developments in the global and local markets, the various aspects of deficiency and the need for development, so that the new legislations would replace the various existing laws, while ensuring that the new legislation includes the key regulation rules and allowing the Executive Bylaws a wide scope to ensure inclusion of the numerous details that would be instrumental in addressing problems associated with the activity of the Authority, Securities Exchanges and other regulations contained in the Law.

In light of the legislations in force in many Arab and foreign countries, it is appropriate to establish an authority for the capital markets in the State of Kuwait to serve as a basic element of the capital markets and act as a balancing part among the various elements of these markets, while exercising control and ensuring the soundness of their operation. The capital markets in the State of Kuwait lack such authority and, in certain circumstances, no other entity performs the proposed functions of the Authority, although the Ministry of Commerce and Industry occasionally performs these functions. Indeed, most of the studies that addressed the question of reforming and developing Kuwait Stock Exchange have concluded that this approach be followed. This approach was also recommended by

various studies undertaken by the concerned international organizations, particularly the International Monetary Fund.

The importance of establishing a capital market authority in the State of Kuwait can be seen clearly in light of the following considerations :

- a) The functions of the Authority are not limited to its role of supervising Kuwait Stock Exchange but transcend it to exercise supervision and control of all the elements of the capital markets, from licensing incorporation, to practice to liquidation of all the companies operating in these markets.
- b) Although the companies listed in Kuwait Stock Exchange are relatively small in number compared to similar Exchanges in other countries, the capital value of the Kuwaiti market is large relatively to other markets, and this value continues to grow at high rates year after year.
- c) The number of companies registered in Kuwait Stock Exchange is likely to increase considerably over the coming years in light of the conversion of many family establishments and companies as well as closed shareholding companies to public shareholding companies, resulting in the emergence of companies in various sectors such as transport, contracting, medical care, education and others, in addition to the expected increase in the number of companies as a consequence of implementing various industrial development programs, particularly in the field of petrochemicals which will result in the emergence of a number of companies in the field of manufacturing intermediate and final products.

In view of the overall role of the Capital Markets Authority and given the market trends, as we have stated, the creation of the Authority will result in amending all existing legislations that govern the capital market in the State of Kuwait. For this reason it has been deemed more proper and appropriate, given the large number of modifications made to existing legislations and the numerous new provisions proposed to be added, that a draft law be drawn to encompass the organization of the capital markets in the State of Kuwait, and whereby the following would be achieved :

- a) To cancel all existing legislations that govern the capital market.
- b) To establish a capital markets authority.
- c) To include in the draft law all the provisions required to organize the capital markets after taking into consideration all global and local developments affecting the various capital markets, and to avoid the deficiencies that were revealed through the implementation of existing legislations. The draft law leaves it to the Authority to lay down the controls related to the functioning of the markets, the procedures of granting licenses according to the conditions laid down in the law, the regulations that the Exchange should follow in connection with trading, ensuring participation of specialized and experienced Persons as members of the boards of directors, particularly in financial, legal and economic affairs, and the Authority's exercise of various methods of controlling the activities of those markets with a view to achieve overall efficiency.

d) To achieve flexibility in the work of the Authority by allowing ample scope for the Executive Bylaws to include considerable details in terms of organizational procedure and controls with a view to achieve the desired objectives in the following areas :

1- To provide a mechanism for the functioning of the Secondary Market (trading market). This should be achieved by the Exchange Administration laying down all the rules that regulate the work of the Exchange. These rules can only be applied after they have been approved by the Authority. The rules, as set forth in the Executive Bylaws, should include the following :

- The rules of registration of Securities, companies and brokerage offices in the books of the Exchange.
- The rules of trading in listed and unlisted Kuwaiti and non-Kuwaiti Securities.
- The rules of purchase offers in acquisition and merger operations.
- The rules governing the purchase and selling of treasury shares.
- The rules and controls to be observed by financial brokerage firms in carrying on their business and the conditions of their membership in the Exchange.
- The rules governing the division of shares.
- The rules prohibiting and exposing price manipulation and unfair practices resulting from the leakage and exploitation of inside information.

2- The Authority should have the power to oblige the Exchange to take such measures as would oblige listed companies expedite the disclosure of any substantial changes that are not known to the public and that would have a substantial effect on the prices of Securities issued by those companies, and require such companies to issue a statement to clarify the nature of the matter, advise both the Authority and the Exchange thereof, and publish the clarification statement in such means as may be specified by the Authority.

3- The Executive Bylaws states some of the resolutions and measures that may affect Securities prices and that should be disclosed.

4- The Law includes rules that ensure the ability of the Authority to review the activity of the companies. Indeed, one of the most important things that should be included in the Executive Bylaws is that it should regulate the controls of each company which the volume of its Securities exceeds the number specified in the Executive Bylaws at the end of every financial year, every company whose papers have been registered in the Exchange and every company operating in the field of Securities. Similarly, Collective Investment Schemes should be required to provide the Authority and the Exchange with an annual report in addition to a half-yearly and a quarterly report on its financial statements, subject to such controls and regulations as may be issued by the Exchange and approved by the Authority, and such reports should be made available to all parties who deal with the Exchange on equal grounds in terms of the size, quality, accuracy and timing thereof.

- e) The draft law sets forth the punishments within the provisions of this law, which is the natural place for them to be set forth, rather than keeping them within the Commercial Companies Law.
- f) The establishment of a judicial body specialized in matters related to the activity of the capital markets, thereby ensuring ease and simplicity of resolving disputes that arise from implementing the provisions of this Law.

The law cancels any provision that conflicts with its provisions, regardless of where such provision exists, in recognition of the fact that the provisions of this law are provisions of a particular law concerning capital markets and should, in the application thereof, have precedence over any other private or general law.

In light of the foregoing, the Law was divided into several chapters as follows :

Chapter 1: Tackles the main definitions trending in the Law or in the capital markets.

Chapter 2: Capital Markets Authority and includes the establishment of the Authority and its formation, objectives and competences.

Chapter 3: Securities Exchanges.

Chapter 4: Clearing Agency.

Chapter 5: Regulated Securities Activities.

Chapter 6: Licensed Persons' Accounts Review.

Chapter 7: Acquisitions and Protection of Minority Interests.

Chapter 8: Collective Investment Schemes.

Chapter 9: Prospectus for Securities Issued by Companies.

Chapter 10: Disclosure of Interests.

Chapter 11: The disciplinary punishments and penalties, including the regulation of judicial competence, litigation procedures before the Competent Court, identification of the crimes, punishments, offenses and the rules of discipline, well as the dispute resolution according to the arbitration rules.

**Explanatory Memorandum of
Law No. 108 of 2014
Amending Some Provisions
of Law No. (7) of 2010
Regarding the Establishment of the Capital Markets
Authority and Regulating Securities Activities**

The Law aimed at amending Article (10) of Law No. (7) of 2010 regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities. It amended the term of the commissioners' membership and rewrote the rules regulating the membership's vacancy in order to reduce the membership's term. The membership shall be renewed at most once instead of twice, which comes in line with the approach of the legislations in Kuwait that aims at reducing the membership renewal of the leading positions in general in order to provide the chance for alternation between the leading competences for occupying these positions. The amendment also mentioned the legal document for announcing ending the membership. Such specification for announcement was not mentioned in the Law, which was a deficiency in the legislations. The amendment of the law states that the commissioner shall be appointed by a Decree according to a suggestion by the concerned Minister, and the membership shall be ended by a Decree as well.

**Explanatory Memorandum
of Law No. (22) of 2015
Amending Law No. (7) of 2010
Regarding the Establishment of the Capital Markets
Authority and Regulating Securities Activities**

Law No. (7) of 2010 regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities aiming to respond to the progress in the domain of financial activities, establishing the Authority whose role, among others, is to control and to balance the market and to supervise the Securities activities. Following the lapse of a few years on the implementation of the Law, and as the necessity to amend some provisions of the said Law has evidently transpired, whether through deletion, rephrasing or addition. Such exercise is necessary in light of the Law being a human effort that does not rise above criticism, requiring review so as to become compatible with the dictates of work and progress. Hence the present amendments which came about in order to overcome some matters in the provisions of the Law and to keep abreast of the successive progress in this vital economic and financial activity sector.

The amendment of the Law came about in response to those developments by introducing updated provisions to replace those of Articles (1, 3, 4, 5, 12, 16, 18, 19, 21, 24, 25, 26, 28, 29, 33, 34, 35, 36, 37, 42, 43, 48, 53, 63, 66, 67, 68, 74, 75, 76, 77, 78, 79, 80, 83, 84, 85, 86, 87, 89, 90, 93, 96, 100, 101, 102, 103, 104, 106, 107, 110, 118, 119, 120, 122, 125, 127, 129, 139, 143, 146, 149, 156, and 163) of Law No. (7) of 2010. A new article was added under the number (150 bis). In amending Article (1), it was decided to add new definitions, which were not used in the Law in order to create provisions pertaining thereto, or to rectify existing definitions. Among the added definitions were : the Executive Bylaws, Investment Portfolio, Credit Rating Agency and Financial Derivatives. Some definitions were also rephrased such as : Clearing Agency, Trader, Custodian, Investment Controller, Competent Court, Market Maker, Option Contracts, cancelling the definition of the Main Market and the Parallel Market, and redefining the Secondary Market. Among the most important amendments made to the definitions was the one made to the definition of Securities as they represent the cornerstone of capital markets laws due to their pertinence to the competence of the Authority that dominates the affairs of Securities. Among the most noted definitions added was the definition of Dealing in Securities whereby it was extended to include all the transactions related to Securities, such as subscription, trading, pledge, listing and the like in order to expand the Authority's supervision.

The reason for amending the definition of Initial Public Offering is to include public offering operations directed to the public and which precede companies listing in the Exchange, whereby the company, wishing to list, must increase its number of shareholders. This could be done when some of its major shareholders sell part of their shares to the public prior to the company's listing in the Exchange. This offering is as important and risky as subscribing into the capital of a public shareholding company. Thus, the definition is now expanded to cover the purchase offers addressed to the public, in order to allow the Authority to supervise it within its powers stipulated in Chapter (9) in respect of Securities prospectus.

The Private Placement was also amended by deleting the phrase that restricted this type of placement to closed shareholding companies or upon increasing the capital of an existent company. The reason is that Private Placement may be in investment fund units or in the shares of public shareholding companies. Since the most distinctive element of Private Placement is that it is addressed to a Person, group or certain Persons, this definition is in itself indicative of this term without specifying the type of company or entity in which this type of placement is made.

In addition, Article One of the Law introduces the definition of Insider Information; the

reason is that Article (118) of the Law prohibits the sale and purchase of Securities while a Person is in possession of Insider Information. However, the existent Law did not comprise a definition of Insider Information term in line with the practice of the legislator in most similar laws. In addition to the predominant technical element of the term Insider Information, and its relation to Article (118) that comprises a criminal penalty.

Article (3) of the Law includes the goals which the Authority seeks to achieve in the performance of its activity. Therefore, it was important to include Clause No. (2) stating the Authority's objective to grow capital markets, diversify and develop its investment instruments to comply with best international practice. This will serve the Kuwaiti financial market to be in line with recent developments affecting this developed sector.

Article (4) of the Law was also amended by rephrasing paragraph (14) thereof and adding a new paragraph No. (15) with respect to issuing a special regulations for Market Maker.

Article (5) of the Law defines the Capital Market Authority's roles, which is one of the most important articles of the Law, therefore, the preamble of Article (5) was amended to expand the Authority's roles to include all of its objectives as examples and not to be restricted to what it is listed. This will render the Authority's roles immune from any legal argument or from any suspicion with respect to the powers and competences of the Authority.

Clause No. (1) of Article (5) was amended to add to the Authority's competence the filing of administrative lawsuits in addition to civil and commercial lawsuits, in order to enable the Authority to file and to deal with this type of lawsuits as long as they pertain to the Authority's Law and Bylaws or in which the Authority has an interest. This gains a particular significance, especially that this amendment was also compatible with the provision of Clause (2) of Article (108) of the Law which divides the circuits of the capital markets court to civil, commercial and administrative circuits which are competent to rule on disputes related to the application of the provisions of this Law, its Bylaws, and the regulations and bylaws related to capital markets. Moreover, Clause (4) of Article (5), which deals with the competence of the Authority with regard to supervision, was amended to add "Securities dealings" in order to expand the Authority's supervision to include personal standard (supervising the activity of licensed Persons) and subjective standard (Securities dealings). Clause (7) of Article (5) was also amended by adding the phrase "corresponding to the service provided" so that the fees are corresponding to the services provided by the Authority to Persons Dealing in Securities, in line with the applied constitutional principles.

Despite the importance of Dealing in Securities, the current Law does not grant it sufficient attention. The legislator should have rather defined Dealing in Securities, which is considered the cornerstone of Securities legislations. It should be noted that Dealing in Securities is not restricted only to the sale or purchase of Securities in Exchanges in accordance with the applied trading provisions or the sale or purchase of Securities in accordance with special procedures as an exception of trading provisions, but Dealing in Securities is much broader than this definition as it includes Securities pledge, execution and sale procedures and similar transactions. In light of all the aforementioned, it was decided to add Clause (8) to Article (5) for stipulating a general provision that gives the Authority the right to issue regulations related to Dealing in Securities. The text came in this manner in order to cover any matter not particularly provided for in the Law and pertinent to Dealing in Securities. Thus, the Authority

shall have the right to set regulatory rules for all matters related to Dealing in Securities so as to implicitly repeal all the provisions concerned with Dealing in Securities and which are stated in another law, in addition to the explicit repeal stated in Article (163) of the Law which repeals the provisions of Chapters (5) and (6) of Section (9) of the Companies Law, namely the two chapters related to trading and disposal of shares, Sukuk and bonds.

The laws regulating commercial transactions, particularly Securities transactions, were criticized for not regulating some transactions made in capital markets, such as repurchase agreements. There is nothing that regulates this matter in Kuwaiti legislation other than the provision stated in Article (508) of the Civil Law, which applies to this type of agreements the provisions of liens, a fact leading to the annulment of the agreement to own the Securities subject of the transaction.

Therefore, the Law has taken into account this matter by eliminating the applicability of Article (508) of the Civil Law on these transactions, and the provision of Articles (992 and 1053) due to their connection to the indicated Article (508). Also, Articles (231, 232, 233 and 237) of the Commerce Law, regulating the procedures related to public order with respect to the sale and appropriation of a pledged item, has been eliminated as these procedures do not conform to the capital market's nature and dynamics. The amendment also granted the Authority the right to regulate the execution on Securities without being restricted by the provisions stipulated in Section (3) of the Civil and Commercial Pleadings Law. This amendment aims to encourage trading in capital markets which will materially affect the business environment in the State of Kuwait and thus strongly drive commercial practices forward whereby it is permissible for the pledgee creditor to agree with the pledger at the time of arranging the pledge on the Securities that, in the event the debtor defaults, the creditor shall have the right to recover his right by appropriating or selling the pledged item without being restricted by the provisions stipulated in Articles (231, 232 and 233) of the Commerce Law, also without observing the provisions stipulated in Section (3) of the Civil and Commercial Pleadings Law. In other words, the sale shall be made through instructions issued by the pledgee creditor whether to a Clearing Agency if the pledge is directly entailed upon the Securities or through instructions issued to the Investment Portfolio Manager if the pledge is on an Investment Portfolio. As such, the Law has reduced the execution on Securities which habitually last for long years aiming to complete them within a few hours, thus keeping pace with the newest Anglo-Saxon laws, such as the English and American laws. Moreover, it intends to keep pace with the Latin laws, such as the French law issued by virtue of Law No. (346) of 2006, and the Arab laws, namely the Egyptian law with its stipulation in Article (105) of Law No. (88) of 2003 with respect to the Central Bank. This becomes significant especially after the implemented practices have proven the deficiency of the mechanisms set by the legislator in the Commerce Law for the pledger creditor to recover his rights in a commercial pledge as quickly as possible through the issuance of a sale or appropriation order of the pledged item in the manner stipulated in Articles 231 and 237/2 of the Commerce Law. Whatever the nature it pertains to, whether it is rejecting the issue of such an order in most instances where the creditors had resorted to the law for recovering their rights through this mechanism, or because the sale or appropriation order, in the event it was issued, and this rarely occurs, provides an executive instrument which would be executed through the usual procedures for enforcing an executive instrument in accordance with the provisions of the

Pleadings Law. Thus it would consequently be subject to a halt of execution through the execution disputes, although not determined, in order to stall the execution and although they are mostly used for the purpose of delaying the execution. Subsequently, the new laws have resorted to creating new mechanisms for claiming the rights secured by a commercial pledge away from the usual procedures for enforcing the executive instruments whereby the rights are recovered amicably by setting mechanisms guaranteeing the execution of what has been agreed upon by the contracting parties without the need for the public authority to intervene and without allowing the opportunity to obstruct the execution of what has been agreed upon.

It is noteworthy to mention that the Kuwaiti legislator has adopted this concept since 2012 through Article (15) of the Companies Law No. (25) of 2012 allowing the contracts concluded by the companies and the banks working in accordance with the provisions of Islamic Sharia which may comprise owning or selling the pledged item without following the procedures determined in the Pleadings Law, the Commerce Law and the Civil Law.

One of the advantages of the amended Law is that it charged the Authority with setting the rules that regulate the Securities execution procedures in view of its being the most qualified authority for regulating this matter, especially that the attachment of Securities is of a special nature, whether because it amounts to specific rates which may represent the control over the Issuer which cannot be sold through the usual trading system, a fact which the Authority will undoubtedly take into account when regulating this matter.

Clause (9) has also been added to Article (5) of the Law with respect to the special purpose company whereby the Authority shall have competence to issue regulations for this type of companies, in light of the Authority being the most capable authority for regulating this type of companies that issue Securities and therefore fall within the competence of the Authority. Clause (10) has been added to Article (5) creating a new provision to establish an educational or training institution for qualifying and graduating experts to work in Securities activities, similar to the Institute of Banking Studies, noting that it is important for the law to comprise a mechanism, which not only guarantees the provision of experts in a field that is deemed rare, but also ensures to offer the required studies that benefit the business environment in Kuwait.

When looking at the special situation of Capital Markets Authority as an independent supervisory authority, it was observed in Article (18) that it should have an independent budget issued by law and prepared according to the rules determined in the Bylaws, provided that the general provisions of the Decree-Law No. (31) of 1978 on Rules for Preparing Public Budgets, Monitoring their Execution and Final Account shall be considered. The financial year shall commence on the first of April and it shall end at the end of March of every year. The Law empowered the Bylaws through a legislative mandate to regulate all issues related to financial rules and procedures for the Authority to dispose of its funds, its books that it shall keep to control its operations and how to monitor its accounts, thus rendering the Bylaws exclusively applicable in this regard regardless of any other law. The Article empowers the Chairman of the Board of Commissioners with all the competences of the Minister of Finance in relation to the provisions of the indicated Decree-Law in order for the Authority to avail of a financial independence complementing the administrative autonomy it has from the government, thus granting the Authority all the resources for performing its role in regulating and monitoring the markets and Dealing in Securities and the activity of the licensed Persons

under its supervision.

Article (19) of the Law stipulates that the financial resources of the Authority are consisting of the fees determined by this Law and its Bylaws and which should be collected for the account of the Authority in addition to the allocations from the State budget or any other resources it has earned from exercising its activity or investing its reserves, noting that the phrase “and what is allocated to the Authority from the State budget”. It is also noteworthy to mention that the other resources it acquires from exercising its activity comprise the consideration for services, the commissions paid as a result of Dealing in Securities, the allowance for the use of its facilities, the return on the sale of its assets and the other resources it acquires from exercising its activities.

The provision of Article (21) of the Law ensures to provide cash reserves guaranteeing long-term financial stability for the Authority, which is the same provision indicated in Article (21) of the current Law. However, it was deemed that the determination of these reserves and the method of their formation should be by a resolution issued by the Council of Ministers, based on a proposal by the Board of Commissioners. The Authority shall manage the investment of these reserves which, if they reach the determined amount, its surplus shall be transferred to the Public Treasury of the State. If at any time they are less than the determined amount, the government shall complete and pay the deficient amount in those reserves. In order to meet the expenses borne by the Authority, it was determined by virtue of this Law that the Authority should have a pre-determined operational capital, which shall be paid and shall directly and annually be covered from the cash reserves of the Authority. The Authority's capital may be increased through a decree, as it is the same provision indicated in Article (16) of the Central Bank Law.

The Authority shall also have an operational capital amounting to K.D. 40,000,000 (forty million Kuwaiti Dinars) to be used for expenditure on all aspects of the Authority's activity and it shall be paid and covered directly from the Authority's cash reserves in accordance with the rules stipulated in the Bylaws. The Authority's capital may be increased by a decree.

Article (24) was also amended by adding the phrase “without prejudice to the provisions of this Law” in order to exempt the business conducted by the Authority in accordance with the Law, such as the establishment of the Exchange, which is a commercial business according to the provisions of the Commerce Law.

Since the amendment of Article (3) of the Law now encompasses, among the Authority's goals, growth and development of Securities markets, Article (25) of the Law is amended to include the Authority's achievements in developing the markets in the annual report submitted by the Authority. This is intended for more transparency in the Authority's work and activity and in order to demonstrate the extent of the achievement of this important goal.

For further transparency and clarity in the work and meetings of the Authority's Board of Commissioners, the present law made sure that the provision of Article (26) prohibits any Authority commissioner or employee invited to a meeting in the domain of the Authority's competence while having a direct or indirect interest in the topic submitted for deliberation, to participate in its discussion, or express an opinion or vote thereon. Such interested party must disclose this interest at the beginning of the meeting and leave the meeting prior to commencing the discussion of the topic. The same provision applies to any Person,

whomever he may be, invited to a meeting in the domain of the Authority's competence. The amendment also added a provision compelling the meeting Chair to notify the attendants as to the necessity of the indicated disclosure. Such measure shall ensure further clarity on effecting and activating such disclosure.

The amendment of Article (28) comprised the deletion of the provision compelling the Authority's commissioners and employees to disclose in writing the possessions of their spouses immediately upon handing them their tasks for the Securities listed in Kuwait Stock Exchange and any change made thereto, taking into consideration the independent financial disclosures of natural Persons. The amendment also added the phrase "under his/her guardianship" with regard to minor children, since some minor children may not be included in the guardianship of the commissioner or the employee. A new paragraph was also added to the effect of forbidding the Board members from dealing in company shares subject to the Authority's supervision throughout the period of their membership in the Board. The phrase "his standing" stated in Article (29) was replaced with the phrase "his position".

The amendment of Article (33) was based on its relevance to the establishment of the Securities Exchange Company in view of its being a shareholding company. This provision pertains to a specific Exchange intended to replace the existing Exchange with its capital being distributed and it is being established in the manner indicated in the said article. That is the reason for adding the phrase that the company replaces Kuwait Stock Exchange, whereby the provision of this Article applies to this instance only and not to other Securities Exchanges which may be established in the Kuwaiti market in the future, and in order to prevent any ambiguity with respect to this matter.

The amendment also took into consideration the addition of an explicit phrase that the Authority, in view of its being the government establishment, shall be in charge of establishing the Securities Exchange Company which will replace Kuwait Stock Exchange.

This provision complies with the goals of the legislators and falls under the role for which the Authority is responsible in accordance with the same article with regard to determining the company's capital, distributing the shares among the citizens and specifying the subscription procedures by citizens, also to settle the value of those subscriptions and to invite them to do so, in addition to the auction among the companies registered in Kuwait Stock Exchange commensurate to shares designated for the same, while adding the requirement of cooperation with an international Securities Exchange operator or to settle solely for the latter. This provision, although stipulated in the current text in light of the Board of Commissioners - i.e. the Authority being commissioned, it was however deemed to add it in the first paragraph of the article for further clarity.

The participation ratios in the capital of the established company were amended so as to comply with the provisions of Law No. (116) of 2014 with respect to the partnership between private and public sectors while permitting the increase of the subscription therein upon issuing them to the citizens.

By virtue of the amendment, a new provision was added to Article (33) allowing the Authority to approve licensing other Securities Exchanges whose capital, activity, and business and management restrictions and conditions are determined through a resolution by the Board of Commissioners. This new provision falls within the framework of the role and goal

entrusting the Authority with the growth and development of the market by providing the means to establish new Securities Exchanges, which may vary in the size and the diversity of their financial activity, on par with global financial markets.

It was decided to amend Article (34) whereby the Exchange, following the approval of the Authority, sets the procedures, rules and regulations, which the licensed Exchange must follow in trading and transferring the ownership of the Securities in the Exchange. The article empowers the Executive Bylaws to determine the procedures, rules and regulations, which the licensed Exchange must follow in trading and transfer of the ownership of Kuwaiti Securities that are not listed on the Exchange. It was also decided to amend the membership conditions of the Securities Exchange company Board stipulated in Article (35) of the Law by adding the phrase "final court judgment" to the condition pertaining to the member not declaring his bankruptcy.

In compliance with the Companies Law and in consideration of the Exchange being a public shareholding company, it was decided to amend Article (37) of the Law. The amendment aimed to separate between the position of the Chairman of the Board of Directors of the Company and the position of Executive Director, whereby the Chairman represents the Securities Exchange company before third parties and the judiciary in addition to his other competences in accordance with the company's Memorandum of Association and Articles of Association and he shall handle the implementation of the Board's resolutions. The company shall have an Executive Director who shall manage the company and shall be appointed by the Board or third party in accordance with the controls set by the Authority and following its approval whereby the position of Chairman and Executive Director may not be combined. Moreover, this amendment shall comply with the provisions of the Companies Law.

Article (42) was amended to include the Authority's right to issue rules for the committee entrusted with looking into the violations committed by an Exchange member. Since the Exchange is subject to the Authority's supervision and instructions, there is no argument that the formation of that committee, established at the Exchange, must be subject to the controls set by the Authority, especially that the resolutions issued by that committee can be subject to review by the Disciplinary Board at the Authority. It was also observed in the amendment that the cancellation of transactions pertinent to the violation and the effects entailed from it, if any, shall not be an independent penalty but is rather deemed a general control, which the committee may effect, if possible, with respect to any of the cases submitted to the committee in addition to the penalty, since the cancellation of a transaction is not in its nature a penalty but rather one of the effects. The phrase "issuance of an order" to the violator to cease committing that violation was also amended and replaced by the term "cautioning" to discontinue committing that violation, in order to verify the type and nature of the penalty.

As to the Clearing Agency and in observance of its functions and role in offering services, the Law ensured in Article (48) to comprise a basic and crucial service in the business of a Clearing Agency, namely the central counterparty service for capital market transactions, in line with the best international practice related to Clearing Agencies' business. At the same time the Authority is allowed to grant license to the Clearing Agency for one service or more among those mentioned in the original text of the Article.

It was deemed to add other Securities activities in addition to the ones stated in the original

text in Article (63) of the Law, after looking into their optimum importance for the development of capital markets, tuning their rhythm and maintaining the balance therein. In particular, these include the activity of the Market Maker, the Investment Controller and the Credit Rating Agency, provided that the Executive Bylaws of the Law shall determine the conditions and controls for granting these activity licenses and provide for standards for exercising the activity.

Clause No. (6) of Article (66) comprised an amendment of addition. The original text of this clause stipulated the necessity of not making any promises to the client of a specific return or guaranteeing a minimum to the client. Since there are some Securities, which by their very nature reject this practice, such as bonds, it was decided, in order to prevent ambiguity and for further clarity, to rephrase this clause in the manner indicated in the amendment by adding the phrase “unless the nature of the Securities necessitates so”.

The Law included an amendment to Clause No. (3) of Article (67) making it permissible for the Authority to decline, to suspend or to revoke a license or to restrict an activity, not only in the case of a violation of the provisions of Law No. (7) of 2010 and its Executive Bylaws, but also in case of violating another law pertinent to the activity of the licensed Person, a Securities law, a rule or bylaws of another country.

Article (74) comprises the provision pertinent to what is known as mandatory acquisition, which has two types, the first of which is the voluntary acquisition offer, which implies merely through its name that the Person(s) submitting this type of acquisition offers are motivated by their wish to purchase all the shares issued for a Listed Company or to control its board of directors without the law or the supervisory authorities compelling them to do so. On the contrary, we find that the mandatory acquisition offer is compulsory upon every Person whose ownership in the shares of a Listed Company exceeds the control ratio, is imposed by the rules regulating various markets, and is implemented by the supervisory authorities in those markets despite the objection of the acquiring Person who, in the event he refrains from doing so, shall be subject to criminal penalties as well as being subject to disciplinary action.

Comparative laws regulating those acquisition offers usually determine the share ownership ratio at which a Person undertakes to submit a mandatory acquisition offer. This is exactly what the Kuwaiti legislator did in Article (74) of the Law. By imposing the mandatory acquisition offer, the laws seek justice and the protection of the rights of minorities in Listed Companies. In the event a Person purchases the shares of a Listed Company until his/her ownership therein reaches a percentage enabling him to change the board of directors and to control it, it shall be fair to give the remaining shareholders the option to stay at the company under the new management or to withdraw from it and sell their shares. This can only be done by compelling the acquiring Person to make an offer to purchase the remaining shares of the shareholders in the company at a specific price.

The amendment decided to add some instances, which were deemed logical according to what the implementation and exemptions from mandatory acquisition revealed in cases where the percentage indicated in the article was obtained because of the increase of the company's capital and some shareholders refraining from subscribing. Additionally, it included the instance of acquiring the indicated percentage because of the capitalization of debt or because of an inheritance, a will or a judicial ruling, while regularizing the situation within a period not exceeding two years from the realization of this increase for the last mentioned

instance. Moreover, it combines the addition of retaining the exemption stipulated in the original text of the acquisition which the Authority decided to exempt in observance of the public interest and the interest of the remaining shareholders, in the manner indicated in the amendment. Clause (4) of the text also permits that the rules issued by the Authority give rise to other instances, thus adding great flexibility and broadness to the text and rendering it at pace with the best international practice in mandatory acquisition offers.

Whereas it was necessary for investment funds to be a corporate entity, the amendment included an explicit text to that effect in Clause No. (1) of Article (76) in order to avoid any confusion over this matter, especially that the Authority's Law had deleted the article pertaining thereto from the Decree- Law No. (31) of 1990 with respect to regulating the trading of Securities and the establishment of investment funds, thus making it necessary to amend the proposed text by explicitly stipulating the investment fund being a corporate entity. The Authority also sets the rules and controls with respect to the Contractual Collective Investment Scheme and other forms of Collective Investment Schemes. The amendment also comprised the addition of a new paragraph granting the Authority the power to set the rules regulating Collective Investment Schemes in general, while observing the provisions indicated in Chapter (8).

Article (77) comprised an amendment by deletion whereby the phrase "only after the preparation of the prospectus and periodic reports" was deleted. Instead, it introduced a provision indicated in the same article to the effect that the regulation, management or sale of Securities or units from a Collective Investment Scheme shall be in accordance with the rules, bylaws and regulations issued by the Authority and which shall guarantee all the matters related thereto, including the preparation of the prospectus and periodic reports of the fund, approving them by the Authority and publish them in the Official Gazette.

The Law also included an amendment to Article (78) through which the article and its provisions were amended by granting the Executive Bylaws to regulate and set requirements for the establishment and management of Collective Investment Schemes, their forms endorsed by the Authority, the functions required therein and their responsibilities. At the same time, it empowers the Authority to issue the rules and regulations for the issuance and redemption of investment units in those Schemes and their pricing controls. Subsequently, the regulation indicated in the amendment includes the content of the original text while observing that it is simultaneously a comprehensive regulation by commissioning the Executive Bylaws in all that pertains thereto. This is due to the numerous technical details relevant to the subject and the expeditious development of the industry of asset management, which requires the necessary flexibility, thus making it appropriate to handle them in the Bylaws.

The amendment of Article (79) included an addition whereby the phrase "in accordance with the Articles of Association or Contract", which is a correct addition when looking at the fact that Collective Investment Schemes are not restricted to investment funds having Articles of Association, but they also include any contract which can be considered a Collective Investment Scheme.

The Law comprised an amendment to the second paragraph of Article (80) by placing the phrase "Investment Funds" in lieu of the phrase "Collective Investment Schemes", since the last phrase stated in the original text is incorrect within the scope of effecting the second paragraph. The reason for this is that investment funds may be listed in the Exchange, in view of their

being corporate entities, unlike other Collective Investment Schemes which are not corporate entities.

Article (83) was amended by placing the term “Custodian” in lieu of the phrase “Investment Trustee” in order to comply with the amendment made in the definitions clause of Article (1) of the Law.

The term “contract” was added next to the Articles of Association in Article (84) since Collective Investment Schemes are not restricted to investment funds, but they rather extend to include other contractual Collective Investment Schemes.

The phrase “Investment Trustee” was amended so as to become “Custodian” in Article (86) in line with the aforementioned amendment in the remaining texts of the Law. Article (87) includes an important provision relates to liquidation of a Collective Investment Scheme, which practice showed the necessity for this amendment, as the Authority will set the required rules and procedures for its liquidation which may vary according to the type of each of these Schemes, especially in light of the importance of those rules to maintaining the rights of unit holders or participants, as the case may be.

Articles (89 and 90) have also been amended by placing the word “Custodian” in lieu of “Investment Trustee” in the manner indicated in the amendments of the term or the definition in Article One.

Article (93) was amended with respect to the procedures of issuance or marketing foreign Securities for Public Offering or Private Placements with a license from the Authority and the data required for the same.

Article (96) was amended by correcting the phrase “Commercial Companies Law No. (15) of 1960 and its amendments” in Article (70) and replacing it with the phrase “the before-mentioned Commercial Companies Law” in view of the annulment of the first law.

Articles (100 and 101) were amended by placing the phrase “the rules and regulations issued by the Authority” in lieu of the Executive Bylaws.

Article (101) was also amended by making it mandatory to send the authenticated and signed statement by the Interested Person to the Authority and the Exchange through adding “the Authority” whereby sending the said statement shall not be confined to the Exchange as indicated in the original text. This amendment was introduced in view of one of the roles and competences vested in the Authority being supervision, as indicated in Clause (5) of Article (3) of the law which explicitly stipulates that one of the goals of the Authority is to impose requirements of full disclosure so as to achieve fairness and transparency. Further, the text of Article (4) of the Law stipulates that the competence of the Authority lies in setting the supervision and self-regulation rules in the Securities activities, providing the appropriate systems for the protection of Traders, and minimizing the improper and unfair practices in the Securities activities.

Article (102) was also amended by mandating that each of Authority and the Exchange must be notified of any change in the interest subject of disclosure by disclosing the same to the Authority as well as to the Exchange, and not only to the Exchange as stipulated by the provision prior to amendment.

In addition and in order to facilitate the disclosure by Persons compelled to do so, the

deadline mentioned in the text of the article was amended for the disclosure of the change in interest so as to become ten business days instead of five business days.

Articles (103 and 104) were amended whereby the Authority sets the regulations and the rules regulating the disclosure and Dealing in Securities with respect to those Insiders, the Board members and the members of the executive management of companies. The Authority shall also set the regulations and the rules that regulate the disclosure of material information by listed companies.

Articles (106 and 107) were also amended whereby the rules and regulations set by the Authority shall replace the Executive Bylaws.

The amendment to Article (110) includes a correction, namely the term “Authority” replacing “Capital Markets Authority” for more accuracy in phrasing and significance and in accordance with the remaining texts of the Law.

Article (118) was also amended whereby insider-dealing crime applies to every Insider who sells or purchases Securities while in possession of Inside Information, discloses Insider Information or gives advice to another Person on the basis of Insider Information. Also any Person who purchases or sells Securities based on Insider Information, which he/she has obtained from an Insider whilst aware of the nature of that information, with the purpose of gaining any benefit for him/herself or for others shall be punished by the same penalty.

Article (122) was amended by adding the phrase “if it is proved that he/she intentionally committed one of the following actions” to the first paragraph and by adding a last paragraph granting the Authority the power to set the rules showing the instances where the actions stipulated in the Clauses (1/a and 2/c) take place. Those rules shall determine the legitimate practices exempted from implementing the provision of this Article.

Article (127) was amended by adding Clause No. (3) with respect to providing the Authority with false or misleading information.

Article (129) was also amended by replacing the word (Executive Manager) with “Chief Executive Officer”.

Article (139) was also amended by adding the phrase “within the framework of this Law” at the end of the Article.

In the amendment of the context of Article (143), a new phrase was added leading the Authority, in case of a violation, to subject the violator to more supervision, in addition to warning the violator to stop committing it and to undertake not to repeat it in the future. This amendment comes within the Authority role as a supervisory authority in order to ensure that the violator will not repeat the same violation. This new provision is optional for the Authority.

Article (146) was amended by deletion and addition. On the one hand, the penalty of transactions pertinent to the violation was deleted along with its entailed effects without prejudice to the rights of well-intentioned third party, provided that the Disciplinary Council, as some type of removal of the effect of the violation, has the right to order in all cases the cancellation of the transactions related to the violation and its entailed effects, or otherwise to require the violator to pay sums equal to the value of the benefit he has acquired or the value of the loss he has avoided as a result of committing the violation, while it is permitted to multiply the amount if the Person repeats committing the same violations.

The amendment also deleted the penalty stipulating “Issuing an order to every Person or group who received ownership of more than 30% of the value of the Securities of a Listed Company which obligating him/her to submit a purchase offer of all the remaining shares and referring them to the Competent Court in case of non-compliance”. The reason for the deletion is that this matter – in itself – is not the penalty thereto because the acquisition in this instance is mandatory by the force of law and does not require an order from the Disciplinary Board for its execution, so its nature consequently loses the notion of penalty. Moreover, the referral to the Competent Court falls within the competence of the Authority and not that of the Disciplinary Board, although the Disciplinary Board shall have the right to impose upon the violator other penalties for that violation. The proposed amendment also comprised an addition of an important and effective penalty, namely to impose financial penalties that progress pursuant to the gravity of the violation.

A maximum was set for the said financial penalty in order to avoid exaggeration. The progression is made by the Disciplinary Board and is a penalty intended to urge the violators to a serious commitment. Moreover, it is stipulated and familiar in Gulf, Arab and foreign capital market laws.

Article (149) was also amended by adding a second paragraph to give the right of the Authority to sign memoranda of understanding with corresponding authorities in other countries aiming to coordinate and cooperate with those authorities in capital market affairs, as well as allowing the Authority to conclude conventions with those authorities after fulfilling the procedures and requirements stipulated by the law and the constitution for the execution and conclusion of those conventions.

Article (156) was amended so as to allow the Authority to entrust the management to Bursa Kuwait Securities Company (BKSC), also to allow it to commission the Exchange and the market committee, or Bursa Kuwait Securities Company (BKSC), to manage the assets and to carry out the administrative and financial tasks during the provisional period.

The amendment also comprised the addition of an article under No. (150 bis) stipulating exemptions from the prescribed tax on profits arising from the disposal of Securities listed on the Exchange, as well as exempting their returns, bonds, financial Sukuk and other similar Securities, regardless of the Issuer, whereby this exemption is allowed for those Securities, whether the Issuer was a listed Kuwaiti or non-Kuwaiti company. This amendment was intended to encourage the investors in Securities activities and the companies to apply for listing and to motivate them to do so, thus becoming one of the factors urging and encouraging investment and trading in Kuwait market.

The amendment of Article (163) states the following:

Firstly: Following the end of the provisional phases indicated in this Law, the following laws and decrees by law shall be annulled:

- 1 - Decree issued on 14 August, 1983, regulating Kuwait Stock Exchange.
- 2 - Decree regulating the settlement of Securities trading and the clearing room at the Kuwait Stock Exchange dated 27 December 1986.
- 3 - Law No. (12) of 1998 concerning Licensing the Establishment of Leasing and Investment Companies.

- 4 - Decree-Law No. (31) of 1990 on Regulating the Trading of Securities and Establishment of Investment Funds.
- 5 - Law No. (2) of 1999 concerning Declaration (disclosure) of Interests in Shareholding Companies.

Secondly: Provisions of Articles (from 323 to 328) of the Commerce Law shall not apply to Exchanges to which the provisions of this law apply.

Thirdly: Provisions of Chapters (5) and (6) of Section (9) of the Companies Law shall be cancelled.

The Law concluded its provisions with a third article comprising a provision on enforcing the amendments indicated therein six months following the date of publication in the Official Gazette.

Disclaimer:

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