



THE BAHRAIN MONETARY AGENCY

GUIDELINES ON INSIDERS

**CAPITAL MARKETS SUPERVISION DIRECTORATE
OCTOBER 2004**

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1. INTRODUCTION

The regulation on insiders' trading issues was introduced for the first time to the Kingdom of Bahrain's capital market by Resolution No. 3/1990, which was published in the Official Gazette on 22nd May 1990.

The Bahrain Monetary Agency has prepared these Guidelines on Insiders' Holdings and Dealings in Securities (hereinafter called the "Guidelines") for the use of listed companies, brokerage firms, and other securities intermediary service providers in the securities market in the Kingdom of Bahrain, for the purpose of clarifying the legal and administrative requirements for handling the insiders' holdings and dealings in the listed companies' securities.

Since insider trading undermines investors' confidence in the fairness and integrity of the securities markets, securities regulators all over the world have treated the detection and prosecution of insider trading violations as one of their enforcement priorities.

As a guiding principle, inside information shall be strictly confidential until published or otherwise made publicly available in the market. Inside information shall not be used in any manner to gain economic benefit (maximize profit or expected profit, and/or avoid or minimize losses or expected losses) for an insider himself or for another person.

Moreover, these Guidelines are considered as part of the Bahrain Monetary Agency's policy to develop the regulation and practices relating to the risk management systems and controls within the listed companies and brokerage firms.

The purpose of these Guidelines shall be to unify and intensify the handling of insider-trading issues in listed companies and thus increase confidence in the operations of the securities markets. The trading practices of the insiders shall be such that they do not undermine such confidence.

It is imperative that the insiders understand the details of these Guidelines and in particular, the implications of failing to follow these Guidelines. If any insider is in any doubt, he must contact the board's Committee or the person in charge for more clarification.

These Guidelines shall be considered as basic instructions on the handling of insider-trading issues, as well as serving to outline an insider's duty to declare and restrict trading in their listed companies' securities.

Therefore, the listed companies shall supplement these Guidelines with their own additional instructions and restrictions.

These Guidelines reflect common practices exercised by prudently managed listed companies. Many listed companies are already meeting these requirements and therefore the benefits of the Guidelines in terms of enhanced public confidence will be more than proportionate to the cost.

2. DEFINITIONS

The Agency / BMA - means the Bahrain Monetary Agency.

Beneficial Owner – The term "beneficial owner" of securities refers to any person who, even if not the recorded owner of the securities, has or shares the underlying benefits of ownership. These benefits include the power to direct the voting or the disposition of the securities, or to receive the economic benefit of ownership of the securities. A person is also considered to be the "beneficial owner" of securities if that person has the right to acquire such securities within a certain period of time, either by option or other agreement. Beneficial owners include persons who hold their securities through one or more trustees, brokers, agents, legal representatives or other intermediaries, or through issuers in which they have a "controlling interest", which means the direct or indirect power to direct the management and policies of the issuer, or any other entity in question.

The CMS Directorate – means the Capital Markets Supervision Directorate at the Bahrain Monetary Agency.

The Committee – means the Board of Directors' Committee appointed under Article 41.3 of Circular No. ODG/407/03 of the Disclosure Standards.

Connected Person – in relation to:-

- (a) an individual, means:-
 - (i) the individual's spouse, and his/her son, adopted son, stepson, daughter, adopted daughter, step-daughter, father, step-father, mother, step-mother, brother, step-brother, sister or step-sister; under his/her guardianship or control, or
 - (ii) a firm or a corporation in which the individual or any of the persons mentioned in sub-paragraph (i) has control of not less than 10% of the voting power in the firm or corporation, whether such control is exercised individually or jointly;
- (b) a firm or a corporation, means another firm or corporation in which the first-mentioned firm or corporation has control of not less than 10% of the voting power in that other firm or corporation.

Directors and Senior Management – This term includes (a) the issuer's directors, (b) senior management: Chief Executive Officers, Presidents, Heads of Finance, Heads of Business Departments, (c) partners with unlimited liability, in the case of a limited partnership with share capital, (d) nominees to serve in any of the aforementioned positions, and (e) founders, if the issuer has been established for fewer than two years.

The Exchange / BSE – means the Bahrain Stock Exchange.

Inside Information - means information (a) which is of a precise nature relating directly or indirectly to one or more security or securities; (b) which has not been made public; (c) which, if it were made public, would likely to have a significant effect on the price of those securities or any related derivative security; and (d) in the case of derivatives on commodities, which relate directly or indirectly to such derivatives which users of markets on which such derivatives

are traded, would expect to be disclosed in accordance with the rules or accepted market practices on those markets.

Insiders - All persons who come into possession of material inside information before its public release are considered insiders for the purposes of the Agency's disclosure policies. Such persons include controlling shareholders, "directors and senior management", officers and employees, and frequently should also include any officials of the Agency and the Exchange who have access to such information, outside attorneys, accountants, auditors, underwriters, investment bankers, public relations advisers, advertising agencies, consultants and other independent contractors. The husbands, wives, immediate families and those under the control of insiders may also be regarded as insiders. Where acquisition or other negotiations are concerned, the above relationships apply to other parties to the negotiations as well. Finally, for purposes of the Agency's disclosure policy, insiders include "tippees" who come into possession of material inside information.

Insiders' Register/The Register - the Register is required to be maintained in accordance with BMA Circular No. ODG/407/03 on Disclosure Standards.

Insider Trading - "Insider trading" refers not only to the purchase or sale of an issuer's equity and debt securities, but also to the purchase or sale of puts, calls or other options with respect to such securities. Such trading is deemed to be done by an insider whenever he has any beneficial interest, direct or indirect, in such securities or options, regardless of whether they are actually held in his name. Included in the concept of "insider trading" is "tipping", or revealing inside information to outside individuals, to enable such individuals to trade in the issuer's securities on the basis of undisclosed information.

Issuer - references to the "issuer" means the company whose securities are being or have been offered or listed, and refers to the company on a consolidated basis, unless the context indicates otherwise.

(The terms "issuer" and "listed company" in these Guidelines are interchangeable, as they have the same meaning).

Market Information - means information consisting of one or more of the following facts:

- a) the securities of a particular kind have been or are to be acquired or disposed of, or that their acquisition or disposal is under consideration or the subject of negotiation;
- b) the securities of a particular kind have not been or are not to be acquired or disposed of;
- c) the number of securities acquired or disposed of or to be acquired or disposed of or whose acquisition or disposal is under consideration or the subject of negotiation;
- d) the price (or range of prices) at which securities have been or are to be acquired or disposed of or the price (or range of prices) at which the securities whose acquisition or disposal is under consideration or the subject of negotiation may be acquired or disposed of;
- e) the identity of the persons involved or likely to be involved in any capacity in an acquisition or disposal of a security.

Materiality – information is material if its omission or misstatement could influence the economic decisions of the users taken on the basis of the financial statements.

Non-Confidential Information - information is not confidential if (a) it has been made available to the public by virtue of being disclosed; (b) it is in the form of a summary or collection of information so framed that it is not possible to ascertain from it information relating to any particular person.

Person – means any natural or legal person.

Person in Charge – a person appointed in accordance with the provisions of 8.3.4 of these Guidelines.

Share – means a share in the paid-up share capital of a corporation and includes stock, except where a distinction between stock and shares is expressed or implied.

3. OBJECTIVES

The primary objective of these Guidelines is to ensure that insiders are fully aware of the legal and administrative requirements regarding their holdings and dealings in the securities of the concerned company, in such a way as to prevent any abuse of inside information.

The main objectives of these Guidelines are:

1. To operate under the principle of full transparency, through on-going disclosure.
2. To set out obligations on the listed companies, in relation to the insiders' holdings of and dealings in their securities.
3. To contribute to the promotion of a culture of organizational and self-compliance among the insiders and for overseeing the obligations of the listed company to operate appropriate systems and internal controls, in order to meet the expected standards in the most efficient manner.
4. To maintain standards of conduct at the highest level of integrity.
5. To avoid any conflict between the insiders' and the listed companies' interests, and to protect the interest of public investors.

Therefore, these Guidelines require each listed company to:

1. Identify and determine an insider position;
2. Handle and manage inside information in accordance with the Agency's Disclosure Standards and with the requirements of these guidelines;
3. Maintain and monitor the trading conducted by insiders.

In addition, another objective of the Guidelines is to achieve an effective implementation of laws, rules and regulations covering the insider issues, in particular, the BMA Law, BSE Law, Commercial Companies Law and Directives Relating to the Prevention and Prohibition of Money Laundering at the BSE, as well as to BMA Circular ODG/407/03 on Disclosure Standards. The text of the most important Articles relating to insider issues is enclosed as Appendix No. 2.

4. SCOPE OF APPLICATION

These Guidelines shall be applied to all companies listed on the Bahrain Stock Exchange, as well as to the insiders of such companies.

In general Article 56 of the Disclosure Standards defines all insiders to whom these Guidelines should be applied. However, for the purpose of implementation of these Guidelines, insiders can be divided into:

1. Permanent Insiders: Which can be divided into two classes, namely:

a. Statutory Insiders: The members of the Board of Directors or the Supervisory Board of a company, or similar positions, and the company's external auditor and the employees of the auditing firms having the main

responsibility for the audit of the listed company, and connected persons of the abovementioned insiders.

The listed company's holdings and dealings in its own shares (treasury shares) is also to be considered as Statutory Insiders.

Where an individual is represented on the Board of a listed company as a nominee of a company/institution, in such a case the nominee as well as the company/institution shall be deemed to be an insider.

b. Insiders by Definition: The listed company shall determine as insiders by definition persons who, by virtue of the exercise of their duties, regularly receive information on the company, which is likely to have a material effect on the value of its securities. The determination of a person as an insider by definition requires The Committee to notify such a person. It is often justified to include as insiders the members of the company's internal executive group, the persons in charge of the most important fields and persons who are responsible for the financing, legal issues, research and development, as well as communications of the company. It is often justified to also include as insiders the secretaries of the top management of the company. The group of insiders by definition should, however, not be made unnecessarily large by definition.

2. Temporary Insiders: Every insider shall evaluate whether information that he possesses shall be deemed as inside information. The insider shall also be responsible for not violating the provisions on abuse of inside information, regardless of whether he has been entered onto the Insiders' Register or not. The listed company should determine such insiders on a case-by-case (project-by-project) basis.

The evaluation on whether an issue, project or arrangement under preparation can be deemed temporary shall be made on a case-by-case comprehensive evaluation, taking into consideration all facts relevant to the matter. The facts to be taken into consideration in the evaluation may be both internal (e.g., the decision-making process in the company necessary for the realization of the issue, a project or arrangement under preparation, as well as the importance of an issue or arrangement in the company's point of view) or external (e.g., the established corporate practices of the company's line of business) with regard to the company's previous corporate practice and shall consequently be taken into consideration in the evaluation.

For more clarity and from a practical point of view, the following are examples of both permanent and temporary insider trading cases that have been brought by some securities' regulators, and are cases against:

1. Corporate officers, directors, and employees who traded the corporation's securities after learning of significant, confidential corporate developments;
2. Friends, business associates, family members, and other "tippees" of such officers, directors, and employees, who traded the securities after receiving such information;
3. Employees of law firms, banking, brokerage and printing firms who were given such information to provide services to the corporation whose securities they traded;
4. Government employees who learned of such information because of their employment; and

5. Other persons who misappropriated and took advantage of, confidential information from their employers.

5. PROHIBITION AGAINST ABUSE OF INSIDE INFORMATION AND CONFIDENTIALITY

The prohibition against abuse of inside information and confidentiality shall apply to all persons who possess inside information in spite of where from or how the information has been received. Thus, the prohibition against the abuse of inside information shall apply to others than statutory insiders of the company. Inside information shall refer to facts relating to a listed company which have not been published, or which have not otherwise been available in the market and which is likely or most likely to have a material effect on the value of the listed company's securities, (reference should be made to the definitions of inside information and material information).

Information having an effect on the value of a listed company's securities shall be deemed published when a company information bulletin relating to the issue has been submitted to the Exchange, and has been made available to the market through the press.

The specific provisions prohibiting insider trading are contained in Articles 40 and 41 of the Disclosure Standards, and which have been reproduced in Appendix (1) enclosed.

Inside information may include but not limited to information on:

1. All information that requires prompt announcement, as per Article 42.5 of the Disclosure Standards;
2. A merger or demerger of the company or other significant corporate actions;
3. Issuance of a security, a purchase or redemption offer or another change relating to the paid-up share capital of the listed company;
4. The contents of quarterly, semi-annual and annual financial statements (reference should be made to Article 5 in general and sub-Article 5.1.2 of the Disclosure Standards in particular).

The prohibition against abuse of inside information applies also to all personnel or management of the listed companies' group and their subsidiaries, who shall observe absolute confidentiality of all information obtained in connection with their duties, or in any other manner.

6. DECLARATION AND MAINTENANCE OF A REGISTER ON INSIDERS

(I) Permanent Insiders

6.1. Declaration Requirements

Insiders shall provide to the person in charge of the Insiders' Register their basic personal data and information on people under their guardianship or control, as well as on corporations controlled by them, and corporations in which they exercise influence, by completing a specific declaration form.

6.1.1 Initial Basic Information Declaration Form:

A specific form shall be used for completing the declaration of basic personal information. The form also includes instructions for completing the form. The declaration shall be submitted to the person in charge of the Insider Register in the listed company within a maximum of 10 calendar days from the date the person concerned assumed duties, subject to the disclosure requirement **(Form: Ins-2)**.

6.1.2 Declaration of Insider's Beneficial Ownership Form:

A specific form shall be used for completing the declaration of insider's beneficial ownership. The form also includes instructions for completing the form. The declaration shall be submitted to the person in charge of the Insider Register in the listed company within a maximum of 10 calendar days from the date the person concerned assumed duties, subject to the disclosure requirement. **(Form: Ins-3)**.

6.1.3 Changes in Declared Information:

Any changes in personal data and information on controlled corporations and corporations in which the insider exercises influence included in the basic information declaration using Form: Ins-2, and any change in insider's beneficial ownership by using Form: Ins-4. Both forms shall be completed and submitted by the end of the next business day following the date the change took place.

6.1.4 Permanent Insiders in more than one Listed Company:

A person who is an insider in more than one listed company must complete the required declaration forms for each listed company.

6.1.5 Declaration Requirement by Insiders by Definition:

The company shall maintain a register on Insiders by definition in the same manner as that of statutory insiders, as well as the duty to declare relating to insider by definition, and shall be the same as that of duty to declare relating to the statutory insider.

6.2. Maintenance of Insiders' Register

A listed company shall create a separate register called the " Insiders' Register", which shall be maintained at its headquarters in Bahrain. The Insiders' Register shall be made available for investigation and inspection to the BMA at all times.

The Insiders' Register shall be maintained and kept by the listed company for a minimum period of 5 years.

The information entered in the Insiders' Register should also be entered into the BSE's Central Depository System, as per BMA instructions.

6.3. Information to be Entered in the Insiders' Register

6.3.1 Basic information relating to a person with the duty to declare:

Upon the appointment, election, or employment or as the case may be, the company shall declare in writing to a person belonging to the statutory insiders of his insider position in the company, using the Notification Insider Position By Listed Company **Form: Ins-1**.

Any person belonging to the statutory insiders shall also be under an obligation to declare to the Committee or the person in charge, basic information on himself, any person under his guardianship or custody, a co-corporation in which he exercises control or influence, as well as any changes in this information.

The declaration shall be submitted to the person in charge of the Insiders' Register in the listed companies within a maximum of 10 business days from the date on which the person accepted the task with a duty to declare, or from the date when a change took place in the information declared.

6.3.2 Information on Insiders' Beneficial Ownership:

The insider's own holdings, as well as the holdings of any persons under his guardianship or control, and of corporations in which he exercises control, and changes in the holdings shall be entered in the Insiders' Register. Securities issued by the company and by its group and subsidiaries shall be subject to the duty to declare.

As the registration of holdings and any changes therein varies in different situations, different actions are required from the insiders as follows:

- 1) Changes of the securities traded on the Exchange are electronically entered in the Central Depository System. However, the insider shall report to The Committee or the person in charge within a maximum period of 2 business days of such changes.
- 2) When a transaction or other change (e.g. gift, inheritance, or any permitted off-the-market transactions) has been concluded outside the Exchange, an insider shall personally ensure that the declaration of the change is made, and that the change will be entered in the Insiders' Register.
- 3) When a change is related to securities other than those deposited with the CDS system (e.g. derivatives contracts, options based on an employment relationship, a security of a Bahraini listed company quoted abroad), an insider shall himself ensure that declarations of the change are made and entered in the Insiders' Register.

All the abovementioned changes shall be completed and submitted to the person in charge of the Insiders' Register by the end of the next business day following the date of change, by using the "Change in Insiders' Beneficial Ownership **Form: Ins-4**.

An insider shall also be responsible for compliance with the duty to declare when the management of the insiders' securities has been assigned to another person (e.g. portfolio management, discretionary account, trust account). The declaration shall be submitted to the person in charge of the Insiders' Register of the listed company within a maximum of 10 days from the change in the holding.

(II) Temporary Insiders

When the listed company expressly defines any person(s) as a Temporary Insider, the declaration and information relating to those insiders should be entered into the Temporary Insiders' section by the company within the Insiders' Register.

The company shall file the declaration in a similar form as prescribed under Permanent Insider 6.3.

Any person who considers that he comes within the definition of Temporary Insider shall notify the company, as per **Form INS-2**.

The names of the employees of the regulators, such as BMA, BSE, MOC, should not be entered into in a temporary Insiders' Register, as they are governed by their internal code of conduct, which includes restrictions on dealings in securities.

The following information relating to the Temporary Insiders shall be entered into the Register:

- 1) The date at which such person becoming a Temporary Insider (i.e. Date of project);
- 2) The persons (names) as well as the represented corporation or authority of the persons outside the company who have been given information on the project;
- 3) The date and time when the notification of entry in the Register has been given to a Temporary Insider;
- 4) The date and time when a Temporary Insider has submitted notification of the project (if this moment is different from the moment of notification of entry in the Register), presuming that the moment, when the notification has been submitted, is known to the person in charge.
- 5) The termination of the project as a result of either publication or expiration thereof as well as the date of termination.

Later, verification of the date and time when the company has submitted notification to an insider regarding his entry in the Register shall be possible.

The Register shall be confidential. Entries in the Register shall also indicate the person responsible for such entries.

A person entered in the Register shall be notified of the entry made and of its significance. The restrictions on the operations resulting from entry in the Register may vary, depending on the stage at which the Register is drawn up or the entry is made therein.

The BMA shall also have the right to access at any time the information relating to the management of the Temporary Insider of the company.

7. RESTRICTIONS ON INSIDER'S TRADING

7.1 Restriction on Trading (CLOSE PERIOD)

The permanent insiders shall schedule their trading of securities issued by the company, so that their trading will not undermine confidence in the securities markets.

7.1.1. Close Period:

According to the Disclosure Standards requirements, the company shall define the period when the permanent insiders shall not trade in its securities prior to the publication of annual and interim reports and financial statements of the company, as per Article 41.5 of the Disclosure Standards.

However, to ensure the implementation of the close period, and the equal treatment among all listed companies and insiders, and due to the different dates of issuing annual financial statements, the implementation of Article 5 of Resolution 3/1990 will be continued as practiced now.

Therefore, the permanent insiders are prohibited from trading from the beginning of the last month of the company's financial year (i.e. December for those companies following the Georgian calendar), until the financial statements are published.

7.1.2. Following Day or 24 Hours:

According to Article 58 of the Disclosure Standards, following the dissemination of the information, insiders should refrain from trading until the public has had an opportunity to evaluate it thoroughly.

In this case, the Agency recommends that when dissemination of the abovementioned information is made, the insider may only trade after either of the following two periods, **whichever is less**:

- **The following day's trading session:** Insiders should wait until the commencement of the following day's trading session (i.e. until 10.00 a.m. the next day), or
- **Twenty-four hours:** The insider should wait until twenty-four hours has elapsed since the general publication of the release in a national medium, starting from the official working hours of the BSE (i.e. 7.30 a.m.).

7.1.3. The Company may, where necessary, also define other restrictions on trading, or extend the abovementioned refraining from trading periods.

7.2. Scope of the restriction on trading

The restrictions on trading shall be applied to the listed company's insiders as well as to persons under their guardianship and control, and corporations in which they exercise control or influence the decision-making of the company.

An insider shall also be responsible for compliance with the restriction on trading when the management of the securities of the insider has been assigned to another party.

The restriction on trading shall not be applied in cases where:

1. buying securities by subscribing or obtaining them directly from the company or its group;
2. receiving securities in consideration of redemption, merger, demerger, or as compensation in accordance with a public tender offer, or in another comparable manner;
3. receiving shares as dividends (bonus shares), or another form of payout from retained earnings;
4. receiving securities as compensation for work or other performance or service;
5. receiving securities as inheritance under a will, as a present or as a result of partition of an estate, or by means of similar acquisition.

It should be noted that the prohibition against the abuse of inside information shall also be valid when deviating from trading restrictions.

8. MANAGEMENT AND SUPERVISION OF INSIDERS

8.1.1 The Company shall organize regular supervision of the permanent insiders to verify the information declared to the company at least once yearly, and in addition, the company should verify at least once a year the trading of the permanent insiders.

8.1.2 The company shall, where necessary, case-by-case, verify the trading of securities of its insiders more diligently, for example if a permanent insider deals with a large volume of securities or the insider is trading frequently.

8.1.3 Any violations of the Disclosure Standards and the Guidelines for Insiders shall be reported immediately to the Agency. The Agency shall supervise the prohibition on abuse of inside information and the statutory duty to declare actual abuse of such information.

8.1.4. Annual Verification

Insiders' Register data shall be verified at least once a year before the Annual General Meeting by the internal auditor of the company. The result of such verification shall be forwarded to the Agency at least 15 days before the date of the company's AGM.

8.2. Written Guidelines and Instructions

8.2.1. All listed companies must have their own written guidelines on insiders using these Guidelines as minimum instructions. The company may define other instructions or restrictions as it deems fit according to its situation.

8.2.2. The listed company's written guidelines on insiders should be submitted to the Agency for approval before being officially implemented.

8.2.3. The company shall make its approved guidelines on insiders available to its insiders, and to ordinary shareholders or any other interested parties.

8.3. The Committee

8.3.1. According to Article 41.3 of the Disclosure Standards, each listed company shall form a Committee to manage insiders' holdings and tradings.

8.3.2. The Committee is to be formed from the Board of Directors members or from the Board of Directors and senior management of the company.

8.3.3. The number of members in the Committee should not be less than three.

8.3.4. The Committee shall appoint a person in charge for the Insiders' Register issues for managing the day-to-day business of the Committee, who might be a non-member of the Committee. Such person should be treated as an insider. However, the authority to give approval for permitting trading by insiders shall be vested with the Committee.

8.3.5. The names, titles, and contact details of the Committee members and the person in charge should be forwarded to the Agency on the appointment and when changes occur.

8.3.6. Alternatively, the listed company may allocate the Committee's responsibilities to the Audit Committee of the company.

8.4. Responsibilities of the Committee

8.4.1 The Committee shall ensure compliance with these Guidelines on Insiders, the prohibition of the abuse of inside information and the disclosure requirements concerning insiders. However, the day-to-day monitoring of the above shall be the responsibility of the person in charge and he shall report to the committees any violation of such requirement.

8.4.2 Securities transactions by insiders subject to the permission procedure shall be supervised on a proactive basis by ensuring, prior to any transaction, that there is no impediment to securities trading or other securities transactions. Securities transactions by insiders entered in the Insiders' Register shall primarily be supervised retroactively by the reconciliation of all securities transactions, on the basis of the data entered in the CDS system against the declarations of insider holdings.

8.4.3 The company shall notify the person in charge for insider issues when an individual's employment or service contract commences and expires.

8.4.4 The company shall be responsible for providing new insiders with these Guidelines, and the person in charge shall provide them with training and instructions.

8.4.5 Each employee who has concluded an employment or service contract with the company is personally responsible for filing the required declarations of his insider holdings and tradings with the person in charge.

8.5. Tasks of the Committee

The tasks of The Committee and the person in charge shall include the following:

8.5.1. Training and informing

(a) The Committee shall ensure that the insiders, in particular permanent insiders, are fully aware of the restrictions and their obligations to its guidelines on insiders and that they recognize their position and the effects thereof.

(b) When a new insider position is accepted, as well as when amendments take place in the provisions on insiders in the laws or in provisions issued by the Agency, or the company itself, the Committee is required to disseminate such changes and train the insiders accordingly.

8.5.2. Maintenance of Insiders' Register and declaration:

(a) Receipt, examination and forwarding of declarations and tradings of the insiders of the company to the Agency,

(b) The drawing up and maintenance of the Insiders' Register.

8.5.3. Supervision of the insiders' transactions:

(a) Prior Approval

Any insider must notify the Committee and obtain its written approval, prior to the submission of any order to a licenced broker to buy or sell the company's securities.

(b) Validity of Approval

The Committee's approval shall be valid for not more than 20 calendar days from the date of approval, which will be indicated when the approval is granted. After this time, the approval is no longer valid and new approval will be required.

(c) Withdrawal of Approval

The Committee shall have the authority to withdraw or cancel the approval so granted to any insider by a notice in writing, if during the validity of approval there is any new development that may affect the companies' securities price.

(d) Refusal of Application

The Committee shall refuse to grant approval on any application, the execution of which is likely or most likely:

- To result in a breach of any of the provisions of rules, regulations or circulars, whether in a specific or general nature issued by the Agency regarding the insiders' holding or trading.
- If such transaction or order abuses inside information.
- If such transaction or order includes conflict of interest between the applicant and the listed company's interest.

- On any other event where the board of directors or the Committee, as the case may be, deem it necessary to protect the interests of the company and its shareholders.

8.5.4. Acknowledgment requirement

The Committee should inform the applicant of its decision within a maximum period of 2 business days, and a copy of such acknowledgement should also be kept in the Insiders' Register.

8.5.5. Reporting to the Agency's CMS Directorate

(a) The Committee shall prepare a monthly statement in the standard format prescribed by the CMS Directorate, recording all insiders' transactions, including any orders to buy or sell whether executed or not. The information of such statement should be only extracted from the Insiders' Register.

If the verification process indicates any discrepancies or differences between the Insiders' Register information and information obtained from the CDS, or any other concerned source of information should be reported to the CMS Directorate separately.

(b) The abovementioned monthly statement should be audited by the internal auditor before submitting such statements to the board and to the CMS Directorate.

(c) The abovementioned monthly statement should be reported at the next board meeting.

(d) In any case, the monthly statement should be submitted to the CMS Directorate not later than 15 calendar days from the end of each month. The company's Compliance Officer (appointed in accordance with the BMA Circular No. ODG/407/03) shall ensure that such statement is forwarded to the CMS Directorate within the stipulated time.

9. BROKERAGE AND INTERMEDIARY FIRMS DUTIES

9.1. The brokerage firms shall lay down internal guidelines on Insiders, prevention of abuse of inside information, and compliance with Disclosure Standards requirements for their staff, directors, proprietors and partners dealing in securities of any company listed or to be listed.

9.2 Other securities intermediaries service providers in the securities market of the Kingdom of Bahrain shall also lay down similar guidelines, as above.

9.3. It is the duty of insiders both permanent and temporary, to provide the brokerage firm or its representative with the written Approval, and the brokerage firm has the right to ask for it.

9.4 The brokerage firms are totally prohibited from entering any order by any permanent insider, if he has any suspicion that execution of such order may lead to violation of these Guidelines, without first verifying the approval obtained by

the insiders from the Committee. Otherwise, they are considered in breach of these Guidelines and Disclosure Standards requirements.

10. ROLE AND FUNCTION OF THE BSE

The primary objective of the BSE's systems regarding insider trading is prevention. Prompt disclosure by listed companies of price-sensitive information is one of the ways to limit the possibility of insider trading.

In terms of detection, the BSE's Market Surveillance System has in place a number of proprietary systems that have been specifically designed to detect unusual trading volumes and price movements.

The sophisticated surveillance system that has been adopted by the BSE is capable of identifying the names, addresses, telephone numbers and other details of the parties involved in the suspicious transactions.

If suspicious trading activity is detected, a report is produced and forwarded to the CMS Directorate at the BMA for further investigation.

To that end, the listed companies are required to update the Insiders Register within the CDS system at the BSE, whenever or wherever there is any change in the information relating to insiders.

The Agency and the BSE shall not approve any cross-listing unless the applicant and other Exchange(s) make all necessary requirements to update the CDS System regarding the dealings taking place on those Exchanges, and agree to provide the Agency with the information required.

11. THE ROLE AND FUNCTION OF THE CMS DIRECTORATE

The typical scope of activity of the CMS Directorate regarding the monitoring and supervising of insider trading includes, but not limited to:

11.1. Right of collection of information concerning transactions and in particular, transactions before and after receiving the abovementioned monthly statement from all parties involved, including the Bahrain Stock Exchange, transfer agents, brokers and the person in charge as well.

11.2. Identification of insiders to suspicious transactions.

11.3. Analysis of all collected information of insiders.

11.4. Identification of any person who had access, or could have had access to inside information.

11.5. Establish the relationship between such persons who had or could have had access to inside information and the parties to suspicious transactions.

12. RIGHTS OF THE BMA ON NON-COMPLIANT SITUATIONS

12.1. Once the BMA receives a case, it shall launch an investigation as a capital market regulator. The Agency has the authority to obtain records and documentation, and the ability to obtain all information related to suspicious transactions, including but not limited to the beneficial owners of securities held in nominee names.

12.2. Without prejudice to any laws or regulations applicable in the Kingdom of Bahrain, the BMA reserves the following rights regarding non-compliant person(s):

1. Call the Arbitration Board, formed in accordance with Article 13 of the BSE Law, for a meeting to decide on such non-compliant transactions.
2. If the Agency or the Arbitration board, as the case may be, comes to the finding that the transaction is non-compliant and that the person profited or avoided a loss through unlawful tradings, the transaction is liable to be cancelled and the profit or loss (whether realized or not) would be recovered, in addition to bearing the costs, fees, and charges incurred from such persons.
3. According to Article 361 (h) of the Commercial Companies Law, such persons shall be subject to "imprisonment and a fine not less than BD5,000 and not exceeding BD10,000 or either of these two penalties".

12.3. Sanctions of Abuse of Inside Information

12.3.1 Abuse of inside information

Anyone who in order to gain material benefit for himself or for any other willfully or through gross negligence makes use of inside information relating to a share subject to public trade by:

- 1) disposing of or acquiring the share on his own behalf or on behalf of another, or
 - 2) directly or indirectly advising another party in a transaction relating to the share;
- shall be sentenced for abuse of inside information as stated above in 12.2.3.

12.3.2. Gross Abuse of inside information

All attempts of the willful abuse of inside information shall be punishable if:

- a) The purpose is to acquire exceptional profit or considerable personal gain;
- b) the offender, when committing the offence, makes use of his highly responsible position or direct access to the inside information as an employee or representative of the Agency, the Exchange, the Clearing, Settlement and Central Depository or Registry facilities, a clearing house, a brokerage firm, or if
- c) the offence is committed with exceptional deliberateness and if the abuse of inside information is also deemed gross when assessed as a whole, the offender shall be sentenced for gross abuse of inside information to the penalty stated in Article 361 of the Commercial

Companies Law and other penalties stated in the other related applicable laws, as the case may be.

13. INTERPRETATION AND ADVANCE CONSULTATION

The BMA retains the right to interpret these Guidelines and therefore the listed companies, the Boards' Committees, the persons in charge of the Insiders' Registers, or any other party involved, or might be involved, should consult with the BMA in advance.

14. APPENDICES

APPENDIX 1 – Regulations on Insiders

APPENDIX 2 - Forms

Form: Ins-1 NOTIFICATION INSIDER POSITION BY LISTED COMPANY

Form: Ins-2 INSIDER'S INFORMATION DECLARATION

Form: Ins-3 DECLARATION OF INSIDER'S BENEFICIAL OWNERSHIP

Form: Ins-4 CHANGE IN INSIDER'S BENEFICIAL OWNERSHIP

**Form: Ins/BSE-1 NOTIFICATION INSIDER POSITION BY THE
BAHRAIN STOCK EXCHANGE**

Form: Ins/BSE-2 BSE EMPLOYEES INFORMATION DECLARATION

**Form: Ins/BSE-3 DECLARATION OF BSE EMPLOYEES SECURITIES
OWNERSHIP**

**Form: Ins/BSE-4 CHANGE IN BSE'S EMPLOYEES SECURITIES
OWNERSHIP(S)**

**Form: Ins/Mem-1 NOTIFICATION INSIDER POSITION BY BSE'S
MEMBERS**

Form: Ins/Mem-2 BSE EMPLOYEES' INFORMATION DECLARATION

**Form: Ins/Mem-3 BSE MEMBERS' DECLARATION SECURITIES
OWNERSHIP**

**Form: Ins/Mem-4 BSE MEMBERS' CHANGE IN SECURITIES
OWNERSHIP(S)**

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**Form: Ins/BMA-4 CHANGE IN BMA'S EMPLOYEES SECURITIES
OWNERSHIP(S)**

APPENDIX 1 – Regulations on Insiders

Relevant Articles from Circular No. ODG/407/03 dated 3rd December 2003 on BMA's Disclosure Standards:

"ARTICLE 40 TRANSACTIONS BY DIRECTORS AND SENIOR MANAGEMENT

- 40.1 Any change in the board of directors and senior management must be notified immediately to the Agency.
- 40.2 The issuer must adopt rules governing dealings by directors, senior management and associated persons in the listed securities of the issuer, in terms no less exacting than those issued by the Agency.
- 40.3 The rules issued by the Agency should be regarded as applicable to purchases by an issuer of its own shares.
- 40.4 The directors, senior management and associated persons wishing to buy or sell securities in their company, must first pay attention to the following basic rules, and any other rules issued by the Agency from time to time: -
- 40.4.1 Directors and senior management should not deal in their companies' securities on considerations of a short-term nature.
- 40.4.2 Directors and senior management will always be thought to be in possession of more information than can ever be published. Accordingly, they must accept that they cannot always feel free to deal in their companies' securities, even when the rules would not prohibit them from doing so.
- 40.4.3 Notwithstanding this general constraint, there must be periods in the year when directors are, in principle (but subject to the rules) regarded as free to deal in their companies' securities. The following rules have been formulated on the basis that: -
- a) dealings should not normally take place for a minimum period prior to the announcement of regularly recurring information, particularly profits, dividends and other distributions, whether or not the information is price-sensitive (this period being defined in Article 41 below), and
- b) dealings should not take place prior to the announcement of matters of an exceptional nature involving unpublished price-sensitive information, in relation to the market price of the securities of the issuer (or where relevant, any other listed company).
- 40.4.4 For the purpose of the rules, the grant to a director or senior manager of an option to subscribe or purchase his issuer's securities shall be regarded as a dealing by him, if the price at which such option may be exercised is fixed at the time of such grant. If, however, an option is granted to a director or senior manager on terms whereby the price at which such option may be exercised is to be fixed at the time of exercise, the dealing is to be regarded as taking place at the time of exercise.
- 40.5 Matters of an exceptional nature cause particular difficulty. A director and senior manager who has knowledge of the exceptional matter in question

will normally be prohibited from dealing by the Agency's law and rules, but even if he is not so prohibited he should nevertheless refrain from dealing under the circumstances outlined below. Similarly, a director or senior manager who has no such knowledge should be advised, when he notifies his intention to deal under Article 41 below, that it would be inappropriate for him to deal where the same circumstances apply. Those circumstances are when: -

- 40.5.1 The matter in question constitutes unpublished price-sensitive information in relation to the issuer's securities, and
- 40.6 In principle, a director should seek to secure that all dealings in which he is deemed to be interested should be conducted in accordance with the provisions of Article 41, set out as a general proposition.

Nevertheless it is recognized that a director's or senior manager's duty in this respect will depend on the particular circumstances. A director who is sole trustee, for example, should follow the same procedure as for any dealings on his own account, and should deal only if he would be personally allowed to do so under the rules, even if he is exempt from the general prohibitions imposed by the Agency's law and rules, by virtue of the special defences relating to trustees covered by such provisions.

Where a director has co-trustees who are not directors of the issuer, he may not be able to ensure that the procedure applicable to his personal dealings is followed in respect of dealings on behalf of the trust. The director/trustee has to avoid acting in breach of trust, and at the same time to refrain from divulging or abusing confidential information, and it may not always be practicable to expect that the trustee will refrain from dealing, at a time when one of their members is not personally free to deal.

On the other hand, if a director, whether or not himself a trustee, has as settlor or otherwise, an important influence over the decision of the trustee, the procedure applicable to his personal dealings ought to be followed and the trustee should not deal when he personally is not free to deal. Again, the remoteness of some interests may be such as to make the imposition of any duty under Article 41 below impracticable or inappropriate. Article 41 below indicates certain precautions, which should be taken.

It is an over-riding principle that under no circumstances should a director or senior manager deal, where prohibited from doing so by the Agency's law and rules, or make any unauthorized disclosure of any confidential information, whether to co-trustees or any other person, or make any use of such information for the advantage of himself or others, even those to whom he owes a fiduciary duty.

- 40.7 When a director places investment funds under professional management where either he retains or exercises influence, the managers should be made subject to the same restrictions and procedures as the director himself, in respect of proposed dealings in the issuer's securities.

ARTICLE 41
GUIDELINES FOR TRADING BY DIRECTORS AND SENIOR MANAGEMENT:

- 41.1 A director or a senior manager should not deal in any of the securities of the issuer at any time, when he is in possession of unpublished price-sensitive information in relation to those securities.
- 41.2 The same restrictions should apply to dealings by a director or by a senior manager in the securities of any other listed issue, when by virtue of his position as a director or as a senior manager of his own company, he is in possession of unpublished price-sensitive information in relation to those securities.
- 41.3 A director or a senior manager should not deal in any securities of his own company without first notifying the Board's committee appointed for this purpose, and receiving a form of acknowledgement. In his own case, the committee should first notify the other directors and receive a form of acknowledgement.
- 41.4 The procedure established within the issuer should, as a minimum, provide a written record maintained by the issuer, saying that the appropriate notification was given and acknowledged, and for the concerned director to have written confirmation to that effect.
- 41.5 During the 30 days immediately preceding the preliminary announcement of the issuer's annual results and the announcement of the quarterly and half-yearly results, or of dividends and distributions to be paid, a director, senior management and associated persons should not purchase any securities of the company, nor should he deal in securities as laid out in the abovementioned Article 40, nor should he sell any such securities unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met. In any event, he must comply with the procedure in Article 40.5 above.
- 41.6 Issuers producing quarterly results should consult the Agency on the formulation of modified dealing procedures appropriate to their case.
- 41.7 The restrictions on dealings by a director or by a senior manager contained in these rules should be regarded as equally applicable to any dealings by his or her spouse, or by or on behalf of any minor, and any other dealings in which for the purpose of the applicable laws, regulations and rules he is to be treated as interested. It is the duty of the director, to seek avoidance of any such dealing, at a time when he himself is not free to deal.
- 41.8 Any director of the issue who acts as trustee of a trust should ensure that his co-trustees are aware of the identity of any company of which he is a director, so as to enable them to anticipate possible difficulties. A director having funds under management should likewise advise the investment manager.
- 41.9 Any director who is a beneficiary, but not a trustee, of a trust which deals in securities of the issuer, should endeavour to ensure that the trustees notify him after they have dealt in such securities on behalf of the trust, in order that he in turn may notify the issuer. For this purpose, he should ensure that the trustees are aware of the companies of which he is a director.

- 41.10 A list of directors and senior managers dealing in the securities of the issuer since the date of the previous list should be circulated to members of the board with the board papers, or alternatively, the register maintained for this purpose.
- 41.11 An issuer shall endeavour to ensure that any employee of the issuer, or director or directors of an issuer, who as a board member or individual employee of a subsidiary company and, because of his office or employment in the company or subsidiary, is likely to be in possession of unpublished price-sensitive information in relation to the securities of any listed company, should deal in those securities in accordance with these Rules.

ARTICLE 44
INSIDER TRADING AND MATERIAL INFORMATION
TEMPORARILY WITHHELD

Immediate public disclosure of the information in question must be effected if the issuer should learn that insider trading, as defined in Article 57 hereof, has taken, or is taking place. In unusual cases, where the trading is insignificant and did not have any influence on the market, and measures sufficient to halt the insider trading and prevent its recurrence have already been taken, exceptions could be made which should be discussed with the Agency. The Agency can provide current information regarding market activity in the issuer's securities with which to help assess the significance of such trading.

ARTICLE 56
POLICY ON INSIDER TRADING

Insiders:

All persons who come into possession of material inside information before its public release are considered insiders for the purposes of the Agency's disclosure policies. Such persons include controlling shareholders, directors, officers and employees, and frequently should also include any officials of the Agency and the Exchange who have access to such information, outside attorneys, accountants, auditors, underwriters, investment bankers, public relations advisers, advertising agencies, consultants and other independent contractors. The husbands, wives, immediate families and those under the control of insiders may also be regarded as insiders. Where acquisition or other negotiations are concerned, the above relationships apply to other parties to the negotiations as well. Finally, for purposes of the Agency's disclosure policy, insiders include "tippees" who come into possession of material inside information.

ARTICLE 57
INSIDER TRADING

"Insider trading" refers not only to the purchase or sale of an issuer's equity and debt securities, but also to the purchase or sale of puts, calls or other options with respect to such securities. Such trading is deemed to be done by an insider whenever he has any beneficial interest, direct or indirect, in such securities or options, regardless of whether they are actually held in his name. Included in the concept of "insider trading" is

"tipping", or revealing inside information to outside individuals, to enable such individuals to trade in the issuer's securities on the basis of undisclosed information.

ARTICLE 58
INSIDERS AND REFRAINING FROM TRADING

Following dissemination of the information, insiders should refrain from trading until the public has had an opportunity to evaluate it thoroughly. Where the effect of the information on investment decisions is readily understandable, as in the case of earnings and dividends, the required waiting period in this case can be shorter than where the information needs to be interpreted, before its bearing on investment decisions can be evaluated. While the waiting period is dependent on how thoroughly and how quickly after its release the information is published by the news-wire services and the press, the Agency recommends that as a basic policy, when dissemination is made in accordance with the Agency policy, insiders should wait until the commencement of the following day's trading, or for twenty-four hours, whichever is less, after the general publication of the release in a national medium.

ARTICLE 59
PREVENTION PROCEDURES

59.1 Issuers can establish, publish and enforce effective procedures applicable to the purchase and sale of its securities by the issuer, its officers, directors, employees and other "insiders" designed not only to prevent improper trading, but also to avoid any question of the propriety of insider purchases or sales.

59.1.1 One such procedure might require corporate insiders to restrict their purchases and sales of the issuer's securities, to periods following the release of annual statements or other releases setting forth the financial condition and status of the issuer.

59.1.2 Another could involve the purchase of an issuer's securities on a regular basis by an agent, over which neither the issuer nor the individual has any control.

59.1.3 All insiders, as defined above, must clarify or confirm in written form all their dealings, including bid and offer quotations placed by them, to the issuer's Board's committee established for this purpose as required by the Agency.

ARTICLE 60
THE OFFENCE

60.1 A person who is in possession of Inside Information as an insider may not:

60.1.1 Deal in any securities to which that information relates; or

60.1.2 Encourage another person to deal in any securities to which that information relates; or

60.1.3 Disclose that information, otherwise than in the proper performance of the functions of his employment, office or profession, to any other person."

ARTICLE 61
DEFENCES

61.1 A person is not guilty of Insider Trading by virtue of dealing in Securities if he shows:

61.1.1 That he did not at the time expect the dealing to result in a profit attributable to the fact that the information in question was Inside Information in relation to the Securities, or

61.1.2 That at the time he believed on reasonable grounds that the information had been disclosed widely enough to ensure that none of those taking part in the dealing would be prejudiced by not having the information, or

61.1.3 That he would have done what he did even if he had not had the information.

61.2 A person is not guilty of Insider Trading by virtue of encouraging another person to deal in Securities if he shows:

61.2.1 That he did not at the time expect the dealing to result in a profit attributable to the fact that the information in question was Inside Information in relation to the Securities; or

61.2.2 That at the time he believed on reasonable grounds that the information had been or would be disclosed widely enough to ensure that none of those taking part in the dealing would be prejudiced by not having the information, or

61.2.3 That he would have done what he did even if he had not had the information.

61.3 A person is not guilty of Insider Trading by virtue of a disclosure of information if he shows:

61.3.1 That he did not at the time expect any person, because of the disclosure, to deal in the Securities in question.

61.4 A person is not guilty of Insider Trading by virtue of dealing in Securities or encouraging another person to deal if he shows that he acted in good faith in the course of his business as a market maker or his employment in the business of a market maker. For the purposes of this Article a market maker is a person who is licensed as a market maker by the Agency.

61.5 An individual is not guilty of Insider Trading by virtue of dealing in Securities or encouraging another person to deal if he shows that:

61.5.1 The information which he had as an insider was Market Information; and

61.5.2 It was reasonable for an individual in his position to have acted as he did despite having that information as an insider at the time.

61.6 For the purpose of Article 61.5.2, in determining whether it is reasonable for an individual to do any act despite having Market Information at the time, there shall, in particular, be taken into account:

- 61.6.1 The content of the information;
- 61.6.2 The circumstances in which he first had the information and in what capacity; and
- 61.6.3 The capacity in which he now acts.

61.7 A person is not guilty of Insider Trading by virtue of dealing in Securities or encouraging another person to deal if he shows:

61.7.1 That he acted:

- a) in connection with an acquisition or disposal which was under consideration or the subject of negotiation, or in the course of a series of such acquisitions or disposals; and
- b) with a view to facilitating the accomplishment of the acquisition or disposal or the series of acquisitions or disposals; and

61.7.2 That the information which he had as an insider was Market Information arising directly out of his involvement in the acquisition or disposal or series of acquisitions or disposals.

61.8 A person is not guilty of Insider Trading by virtue of dealing in Securities or encouraging another person to deal if he shows that he acted in conformity with any price stabilization rules made by the Agency.

APPENDIX 2

Listed Companies

Form: Ins-1 NOTIFICATION INSIDER POSITION BY LISTED COMPANY

Form: Ins-2 INSIDER'S INFORMATION DECLARATION

Form: Ins-3 DECLARATION OF INSIDER'S BENEFICIAL OWNERSHIP

Form: Ins-4 CHANGE IN INSIDER'S BENEFICIAL OWNERSHIP

Bahrain Stock Exchange

Form: Ins/BSE-1 NOTIFICATION INSIDER POSITION BY THE BAHRAIN STOCK EXCHANGE

Form: Ins/BSE-2 BSE EMPLOYEES INFORMATION DECLARATION

Form: Ins/BSE-3 DECLARATION OF BSE EMPLOYEES SECURITIES OWNERSHIP

Form: Ins/BSE-4 CHANGE IN BSE'S EMPLOYEES SECURITIES OWNERSHIP(S)

Brokerage Firms & Securities Intermediaries Service Providers

Form: Ins/Mem-1 NOTIFICATION INSIDER POSITION BY BSE'S MEMBERS

Form: Ins/Mem-2 BSE EMPLOYEES' INFORMATION DECLARATION

Form: Ins/Mem-3 BSE MEMBERS' DECLARATION SECURITIES OWNERSHIP

Form: Ins/Mem-4 BSE MEMBERS' CHANGE IN SECURITIES OWNERSHIP(S)

Bahrain Monetary Agency

Form: Ins/BMA-1 NOTIFICATION INSIDER POSITION BY THE BAHRAIN MONETARY AGENCY

Form: Ins/BMA-2 BMA EMPLOYEES INFORMATION DECLARATION

Form: Ins/BMA-3 DECLARATION OF BMA EMPLOYEES SECURITIES OWNERSHIP

Form: Ins/BMA-4 CHANGE IN BMA'S EMPLOYEES SECURITIES OWNERSHIP(S)