



BUSINESS RULES

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CHAPTER 1

GENERAL PROVISIONS

1.1 Adoption of the Business Rules of the Bait Al Bursa

The Board of Directors of the Bahrain Financial Exchange BSC (Closed) has adopted the following Rules relating to the *Bait Al Bursa* by a resolution passed in accordance with its Articles of Association.

1.2 Legal Effect of the Business Rules

These Rules constitute a Multi-partite agreement between the *Bahrain Financial Exchange*, the Registered Users and the Registered Asset Suppliers and amongst the Registered Users and Registered Asset Suppliers in relation to the use of the *e-Tayseer* system. Each Registered User and Registered Asset Supplier shall be deemed to have irrevocably agreed to these Rules in relation to their transactions on the *e-Tayseer* system.

1.3 Role of the Bait Al Bursa

The role of the *Bait Al Bursa* is to provide the *e-Tayseer* as an Electronic System for transactions in supply, sale and purchase of Assets that conform to Islamic Shariah principles. The *Bait Al Bursa* is not a party to the transactions between the Registered Users and Registered Asset Suppliers.

The transactions shall be settled by way of payment of money consideration or delivery of Assets directly between the Registered Users and the Registered Asset Suppliers. The *Bait Al Bursa* does not provide any guarantee or act as a Central counter party to any transaction and shall in no way be liable or responsible for ensuring any payments or delivery to any of the parties to the transactions or for any other obligations in relation to the transactions.

1.4 Definitions

Assets	The Assets offered by a Registered Asset Supplier as provided in these Rules.
<i>Bait Al Bursa</i>	The Division of the Bahrain Financial Exchange created for providing a platform for transactions in Islamic Shariah-compliant products and governed by these Rules.
Bahrain Financial Exchange or BFX	Bahrain Financial Exchange BSC (Closed) an Exchange licensed by the Central Bank of Bahrain and having its office at 12 th Floor East Tower, Bahrain Financial Harbour, Manama, Kingdom of Bahrain.
Bank	A Bank that is licensed by the Central Bank in the jurisdiction in which it is incorporated.
Board	Board of Directors of the BFX and includes a Committee thereof.
Business Rules or Rules	These Rules, as amended.
Corporation	A joint stock company, limited liability company, corporation sole, or a body corporate or any other Institution incorporated under the laws of any jurisdiction.
Committed Assets	Assets that are represented by a Tradable Asset Certificate and shall be owned by a buyer of the Tradable Asset Certificate.
<i>Directors</i>	The Directors on the Board of Directors of the BFX.

<i>e-Tayseer</i>	The Electronic Trading System of the <i>Bait Al Bursa</i> .
Registered Asset Supplier	A Corporation that has been admitted as a Registered Asset Supplier and agrees to supply and buy and sell Assets which are accepted under Islamic Shariah principles, as provided in these Rules.
Registered User	A Bank or a Corporation that has obtained admission from the <i>Bait Al Bursa</i> as a Registered User for using the <i>Bait Al Bursa</i> facilities to supply or buy or sell Tradable Asset Certificates.
Shariah Advisors	An independent body of specialised jurists, who collectively are entrusted with the duties of directing, reviewing and supervising the activities of the Bait Al Bursa to ensure that they are in compliance with the Islamic Shariah rules and principles.
Transaction	The supply, buy and sell orders executed on <i>e-Tayseer</i> system of the <i>Bait Al Bursa</i> .
Tradable Asset Certificate	The electronic document evidencing ownership of Committed Assets and other details as specified by the <i>Bait Al Bursa</i> .

1.5 Interpretation

These Rules shall be interpreted in a harmonious manner with a view to complying with the Islamic Shariah principles and the guidelines laid down by the Shariah Advisors.

In these Rules wherever the expression Bait Al Bursa appears, it shall mean that it is the BFX as the legal entity acting through its Division Bait Al Bursa.

All references made in these Rules to any 'Rule', is a reference to that 'Rule', as amended.

Unless the contrary intention appears;

- 1) headings are for the sake of convenience only and shall not affect the interpretation of the Rules.
- 2) words in these Rules in the singular include the plural and vice versa.
- 3) a reference to any gender includes the other.
- 4) a reference to a 'Chapter' is a reference to a 'Chapter' of the Rules.
- 5) 'In writing' or 'written' shall include any record that is written, typed, printed or capable of being published, whether or not in electronic form.
- 6) 'Publishing' and 'to publish' shall refer to making information available to clients, public or to Affiliates in any mode.
- 7) 'Transact' and 'to transact' and similar expressions shall refer to supplying, buying and selling of Assets on the *e-Tayseer* system of the *Bait Al Bursa*.
- 8) any reference to 'days' is a reference to calendar days unless specified otherwise.
- 9) any reference to time is a reference to the standard time in the Kingdom of Bahrain.
- 10) any reference to a 'Court' shall refer to the competent Courts of judicature having jurisdiction, in the Kingdom of Bahrain.
- 11) any reference to knowledge of a corporation shall include knowledge of its Directors, officers and employees who are duly authorised.
- 12) Where these Rules confer on the *Bait Al Bursa* a power to do or to refrain from doing any act or to exercise a discretion, a reference to the *Bait Al Bursa* shall

mean a reference to the Board or a person or persons or a committee duly authorised in that regard by the Board.

In interpreting any provision of these Rules, an interpretation that promotes the object or purpose of these Rules (whether or not such object or purpose is expressly stated in these Rules) is to be preferred to an interpretation that would not promote the object or purpose.

1.6 Effective time

The Rules and amendments thereto shall be effective when approved by the Board and notified in such manner prescribed by the Board.

1.7 Powers to amend Rules

The Board may, from time to time, amend these Rules as may be deemed necessary or appropriate for meeting the objectives of these Rules. All such amendments shall be an integral part of these Rules and shall be binding on all Registered Users and Registered Asset Suppliers.

1.8 Limitation of Liability of the Bait Al Bursa

1.8.1 The *Bait Al Bursa* or the BFX, its Directors, officers and employees shall have no liability, obligation or duty to any Registered Users or Registered Asset Suppliers or any third party or person, including but not limited to, as a result of:

- I) any Force Majeure event;
- II) any losses or damages, including consequential losses and damages, which may be incurred by any Registered User or Registered Asset Supplier or any other person which may arise directly or indirectly with respect to the activities and functions of the *Bait Al Bursa*;
- III) any failure, omission or error on the part of the *Bait Al Bursa* including any losses or damages with respect to transacting on the *Bait Al Bursa* or

suspension, interruption, cancellation or, closure or cessation of services of the *Bait Al Bursa* or any inoperability or malfunction of any equipment, software, computer system or any other product operated, supplied or used by the *Bait Al Bursa*;

- IV) failure of telecom network or system failures including failure of ancillary or associated support systems provided by the *Bait Al Bursa* or support agencies, or fluctuation of power, or other environmental conditions or destruction of any data or any other reason;
- V) accident, neglect, misuse, errors, frauds of the Registered Users or Registered Asset Supplier or their officers, employees or agents or any third party;
- VI) any decision of the Bait Al Bursa accepting the resignation of a Registered User, or the decision to suspend or terminate a Registered User or a Registered Asset Supplier;
- VII) the exercise or failure to exercise of any discretion or rights under these Rules by the Bait Al Bursa.

1.8.2 The *Bait Al Bursa* and the developer of the **e-Tayseer** system or any other system or of any computer systems used or operated by the *Bait Al Bursa* in relation to the functions of the *Bait Al Bursa* shall not have any liability for any breach of any law, any act or omission, injury, death, damage to physical property, any direct or indirect losses, loss of operational time or loss of equipment or process, loss of reputation or losses or damages, economic loss, in connection with, incidental or consequential to the use or operation or installation of any such systems. All warranties and conditions including express and implied as to the description, condition, performance, quality, fitness for purpose, durability or otherwise of such systems or any components thereof are excluded except as required by law. Further, the *Bait Al Bursa* does not warrant or forecast that such systems or any components thereof or any services performed in respect thereof will fulfil or meet the requirements of any user, or that operation of such systems will be error-free or uninterrupted or that any services performed with respect to such systems will be error-free or be uninterrupted. For avoidance of doubt, nothing in these Rules, including this Rule shall limit any liability of any developer of such systems to the *Bait Al Bursa*.

- 1.8.3 In the event that an obligation of the *Bait Al Bursa* must be performed by or prior to a particular time but is not performed on or before that time, the *Bait Al Bursa* shall not be in violation of these Rules provided that it performs the relevant obligation within a reasonable timeframe thereafter.
- 1.8.4 The *Bait Al Bursa* shall not be liable under any circumstances for any transactions undertaken on the *Bait Al Bursa* by any person acting in the name of, or on behalf of a Registered User or Registered Asset Supplier or for any outcome arising due to any action taken by any such person.
- 1.8.5 No claim, suit, prosecution or other legal proceedings shall lie against the *Bait Al Bursa* or the BFX or its directors, officers or employees or any authorised persons acting for the *Bait Al Bursa* or the BFX in respect of anything which is done or intended to be done in good faith in pursuance of any order or other directive issued to the *Bait Al Bursa* or the BFX under any law.

1.9 Force Majeure Event

The *Bait Al Bursa* shall not be liable for any harm, loss, damage, cost or injury caused by it to any person if such harm, loss, damage, cost or injury is caused by conditions beyond its reasonable control. Such events or causes include, but not limited to, war, riots, acts of God, civil disturbances, terrorism, acts of a civil or military authority, embargoes, fires, labour disputes, floods, any natural disaster, explosions, accidents, mechanical breakdowns, computer or system failures or other failures of equipment, any failure or interruption of any network, telecommunication equipment or online system, any failure or interruption of power supply, any failure referable to any utility or service provider, any failure of or defect in computer or software systems, change of law, interruption or suspension or insolvency or bankruptcy of any bank, financial institution, depository or custodian, market emergency, closure of any market including any market operated by the *Bait Al Bursa*, and any other causes in all cases which are beyond the reasonable control of the *Bait Al Bursa*.

1.10 Confidentiality

1.10.1 The *Bait Al Bursa* and the BFX and its Directors, Officers, employees and agents shall maintain and aid in maintaining the confidentiality of all information relating to the Registered Users and Registered Asset Suppliers and all transactions on the *Bait Al Bursa* that comes to the knowledge of the *Bait Al Bursa* or the BFX and any of its Directors, Officers, employees and agents; or is in possession of the *Bait Al Bursa* or any of its Directors, Officers, employees or agents (all such information, collectively, “**Confidential Information**”), subject to such disclosure as is required to ensure compliance with any applicable law or to institute, carry on or defend any proceedings including any court proceedings. Any confidential information provided by the *Bait Al Bursa* or the BFX to its directors, officers, employees or agents for carrying out their obligations shall not be construed as disclosing such confidential information in violation of this Rule.

1.10.2 Nothing in these Rules shall prejudice any right of disclosure that the *Bait Al Bursa* may have under the Act or any applicable law. All such rights of disclosure available to the *Bait Al Bursa* under the Act shall be deemed to be available to the *Bait Al Bursa* under these Rules for all Confidential Information.

1.11 No warranty

1.11.1 *Bait Al Bursa* and BFX and its Directors, officers, employees or agents make no express or implied warranties and shall have no liability to any person in respect of or in connection with;

- i) the accuracy, originality, completeness or timeliness of any information;
- ii) the merchantability and fitness for a particular purpose of information or data, or the *e-Tayseer* system of the *Bait Al Bursa*;
- iii) errors, inaccuracies, omissions or delays in calculating, compiling, maintenance, reporting or disseminating any information derived from the *e-Tayseer* system or any other facilities of the *Bait Al Bursa*;

- iv) any direct, indirect, special, punitive or consequential damages or loss of profits; and

all warranties of merchantability or fitness for a particular purpose or use of title and non infringement with respect to the electronic system are hereby expressly disclaimed.

1.12 Indemnity to the Bait Al Bursa and the BFX

Every Registered User and Registered Asset Supplier shall indemnify and keep indemnified the *Bait Al Bursa* and BFX and its Directors, officers and employees against any and all losses, costs, expenses, damages, injuries, and liabilities (including legal costs) whatsoever incurred where such losses, costs, expenses, damages, injuries, and liabilities arose out of or in connection with any violation by the Registered User or the Registered Asset Supplier of the terms of these Rules or any law, or unlawful, wilful, reckless or negligent act or omission of the Registered User or the Registered Asset Supplier (including its Directors, officers, employees, agents, contractors clients, past or present).

1.13 Proprietary Rights of the Bait Al Bursa

The *Bait Al Bursa* shall be exclusively entitled to all the marks relating to the *Bait Al Bursa* systems, the **e-Tayseer** system, the methods, processes, procedures and software and data, rights, symbols or codes pertaining to transactions done on the *Bait Al Bursa* and the Registered Users and the Registered Asset Suppliers hereby expressly agree that they do not and shall not be deemed to have any direct or indirect claim, interest on these rights. These Rules or guidelines or any other agreements entered into between the *Bait Al Bursa* and the Registered Users and the Registered Asset Suppliers shall not be construed as any understanding or agreement to convey any rights to any person.

1.14 No waiver

No failure to exercise and no delay in exercising by the *Bait Al Bursa* of any right, power or remedy under any Rule operates as a waiver, nor does any single or partial exercise by the *Bait Al Bursa* of any right, power or remedy preclude any other or further exercise of that or any other right, power or remedy.

1.15 Notices by the Bait Al Bursa

1.15.1 A general notice may be published by the *Bait Al Bursa* by electronic means including display on the **e-Tayseer** system, or sending an electronic mail to the electronic address supplied and shall have effect at the time it is published or issued or sent or at such other time as may be stated in the notice.

1.15.2 A notice may also be given by the *Bait Al Bursa* to any Registered User or Registered Asset Supplier:

- a) personally or
- b) by sending it by post to the registered address or
- c) by facsimile transmission.

1.15.3 Such notice shall be deemed to have been duly served, if delivered personally, immediately upon delivery, or if transmitted by facsimile, upon the generation of a successful transmission report from the facsimile machine, or if sent by prepaid post, two (2) days (for local mail) and seven (7) days (for overseas airmail) after posting.

1.15.4 A notice sent by electronic means shall be deemed to be served and effected by sending it to the electronic address last known to the *Bait Al Bursa* as the addressee's electronic address, and shall be deemed to have been effected upon transmission by the *Bait Al Bursa*.

1.16 Severability

The invalidity or unenforceability in whole or in part of any of the provisions of these Rules shall not affect the validity, legality and enforceability of the remaining part or provisions of these Rules which shall continue and remain in full force and effect.

1.17 Conclusive evidence

All written statements or reports which are provided by the *Bait Al Bursa* in respect of any transactions will be considered final and conclusive in case the same is not disputed by the recipient within sixty (60) minutes of the transaction. Unless agreed otherwise, any failure of any Registered User or Registered Asset Supplier to inform the *Bait Al Bursa* of any error or omission in any advice, statement or report promptly shall constitute a waiver in favour of the *Bait Al Bursa* by such Registered User or Registered Asset Supplier of any right to require rectification.

1.18 Governing Language

All Rules or guidelines, reports and documents issued by the *Bait Al Bursa* in relation to the transactions shall be in the English and Arabic Language.

1.19 Governing Law

1.19.1 These Rules (including any dispute or arbitration) shall be governed by and construed in accordance with the laws of the Kingdom of Bahrain.

1.19.2 All the commercial disputes, claims, controversies between the *Bait Al Bursa* and Registered Users or Registered Asset Suppliers arising out of transactions carried out on the Bait Al Bursa, shall be settled by referring such disputes to arbitration as laid down under Chapter 6 of the Rules.

Notwithstanding anything contained herein, *Bait Al Bursa* is empowered to bring proceedings including third party proceedings, to enforce regulatory or statutory actions under the Rules herein or any guidelines/directions issued from time to time, against any Registered User/s or Registered Asset Supplier/s, or to apply for interim remedies, in connection with the Rules;

(i) in any court of competent jurisdiction; and

(ii) concurrently in more than one jurisdiction,

and the obtaining by the *Bait Al Bursa* of judgement in one jurisdiction shall not prevent the *Bait Al Bursa* from bringing or continuing proceedings in any other jurisdiction, whether or not these shall be founded on the same cause of action.

CHAPTER 2

MANAGEMENT OF THE BAIT AL BURSA

2.1 Management

The *Bait Al Bursa* will be managed by the Board of Directors in accordance with the Islamic Shariah principles and as interpreted by Bait Al Bursa's Shariah Advisors.

2.2 Powers of the Board

The Board is entitled to;

- i) prescribe criteria, norms and procedures, terms and conditions for admission of Registered Users and Registered Asset Suppliers.
- ii) prescribe criteria, norms, procedures, terms and conditions to be complied with for inclusion and continued inclusion, of Assets available for transacting.
- (iii) determine fees, system usage charges, and other monies payable to the *Bait Al Bursa* by Registered Users.

2.3 Operational Guidelines

The Board may, for the implementation of the Rules and smooth functioning of the *Bait Al Bursa*, issue from time to time, various operational Guidelines in writing. The Board may also from time to time approve and issue written procedures relating to the operations. These operational guidelines and procedures shall be deemed to be part of these Rules and shall be binding on every Registered User and Registered Asset Supplier.

2.4 Manner of Amending Rules:

The Board may from time to time amend these Rules. Amendments to these Rules shall be published by notice and shall become binding on the Registered Users and Registered Asset Suppliers at the time specified in such notice.

2.5 Delegation by the Board

The Board may, by its resolution, delegate such of its powers, authorities and discretions exercisable by it under these Rules as the Board may from time to time determine, to such Directors, officers of the *Bait Al Bursa*, persons and committees as may be determined by the Board. The Board shall be responsible for ensuring that any third parties to whom any of its powers, authorities and discretions are delegated act in accordance with the obligations of the *Bait Al Bursa* under these Rules including but not limited to data protection obligations.

2.6 Fees and Charges

The *Bait Al Bursa* may impose such fees and other charges for dealings as is agreed to with the Registered Users. The *Bait Al Bursa* may levy late payment amount if there is a delay in payment, as agreed with the Registered Users. Any late payment amount shall be used to pay any actual costs incurred as a result of the late payment and the remaining amount (if any) shall be donated to such registered charitable foundations as advised by the Shariah advisors.

The *Bait Al Bursa* may also impose additional fees ranging from five times to ten times of the predefined transaction fee, on any Registered User that holds the Tradable Asset Certificate past the close of trading for a given day. The range of the additional fee will depend on the severity of the situation and for the duration that the TAC is being held.

CHAPTER 3

REGISTERED USERS

3.1 Admission

- 3.1.1 A Bank or a Corporation may become a Registered User by making an application to the *Bait Al Bursa*.
- 3.1.2 The Board shall decide on the application and admit or reject the applicant as a Registered User.
- 3.1.3 On admission as a Registered User, the Bank or corporation shall enter into a Registered User Agreement with the *Bait Al Bursa*.
- 3.1.4 The fact of admission of an applicant as a Registered User may be informed by the *Bait Al Bursa* to other Registered Users and Registered Asset Suppliers in such manner as the *Bait Al Bursa* determines and the names of the Registered Users may also be published in any fact sheet, brochure, notice, advertisement or document released by the *Bait Al Bursa*.

3.2 Obligations of Registered Users

- 3.2.1 Every Registered User agrees that the Tradable Asset Certificates will be used to transact only with other Registered Users or the Registered Asset Suppliers.
- However a Registered User may appoint another Registered User as a user of the e-Tayseer system on its behalf by signing the User Agreement.
- 3.2.2 Every Registered User confirms that it will enter into a direct agreement with the Registered Asset Supplier providing for terms of delivery and related fees, costs and charges.
- 3.2.3 Every Registered User is obliged to directly enter into arrangement with its counterparty Registered User or Registered Asset Supplier, to make and receive payments of funds or deliver committed assets.

- 3.2.4 Every Registered User shall conduct its business on the *Bait Al Bursa* in accordance with the Islamic Shariah principles and shall not commit breach of these Rules and the operational guidelines.
- 3.2.5 Every Registered User shall act with honesty and integrity and exercise due skill care and diligence while conducting transactions.
- 3.2.6 No Registered User shall do anything that may harm or damage the *e-Tayseer* systems to cause disrepute to the *Bait Al Bursa* or the BFX.

3.3 Obligation to maintain confidentiality

Every Registered User shall, keep confidential all data information and transactions which is not available in public domain ('confidential information') subject to disclosure as is required to ensure compliance with any applicable law, Rule or regulation or pursuant to any regulatory directive or to institute, carry on, or defend any proceedings, including any Court proceedings.

3.4 Requirement to notify the Bait Al Bursa

Every Registered User shall give the *Bait Al Bursa* immediate written notification of:

- i) a change of name or address;
- ii) change in the Directors on its Board of Directors;
- iii) change in status and constitution (change in legal form);
- iv) suspension or revocation of license or registration by the regulatory authority where the Registered User is a Bank;
- v) commencement of any winding up, liquidation or insolvency or bankruptcy proceedings against the Registered User;
- vi) Commencement of material litigation that may impact the financial position of the Registered User or cause any impediments to its complying with the terms of these Rules.

3.5 Termination by the Bait Al Bursa

The *Bait Al Bursa* may terminate a Registered User in the following circumstances;

- 1) It has not rectified any violations of these Rules within the time specified by the *Bait Al Bursa*.
- 2) Proceedings for insolvency or bankruptcy or for winding up or liquidation have been commenced against the Registered User.
- 3) Where the Registered User is a Bank, the license or registration has been suspended or revoked by the regulatory authority.
- 4) The *Bait Al Bursa* has received reports of non-payment or non-delivery from the counter parties.
- 5) It fails to make the payments of fees, charges or other dues to the *Bait Al Bursa*.
- 6) Any event that would affect the business and the financial condition (including its ability to pay its debts as and when they fall due) has occurred.
- 7) It has failed to carry on business on the *Bait Al Bursa* in accordance with the Islamic Shariah principles.

3.6 Termination by the Registered User

- 3.6.1 A Registered User may terminate its Registered User Agreement with the *Bait Al Bursa* by giving a notice of not less than three months in writing to the *Bait Al Bursa*, provided however that a shorter notice of not less than one month may be accepted by the *Bait Al Bursa*, at its discretion.
- 3.6.2 The Registered User that has issued a notice of termination shall be liable to complete its obligation under these rules to its counterparties and payment of fees and charges to the *Bait Al Bursa* up to the date of the termination.
- 3.6.3 The *Bait Al Bursa* may at its discretion decide whether a Registered User that has served a termination notice should be allowed to enter into new transactions on the *e-Tayseer* system until the date of the termination.

CHAPTER 4

Registered Asset Supplier

4.1 Admission

- 4.1.1 A corporation that owns Assets which are accepted under Islamic Shariah principles, may become a Registered Asset Supplier by applying to the *Bait Al Bursa*.
- 4.1.2 The Board shall decide on the application and admit or reject the applicant as a Registered Asset Supplier.
- 4.1.3 On admission the Registered Asset Supplier shall enter into an Agreement with the *Bait Al Bursa*.
- 4.1.4 The fact of admission of an applicant as a Registered Asset Supplier may be informed by the *Bait Al Bursa* in such manner as the *Bait Al Bursa* determines and the names of the Registered Asset Suppliers may also be published in any fact sheet, brochure, notice, advertisement or document released by the *Bait Al Bursa*.

4.2 Obligations and Warranties of the Registered Asset Supplier

- 4.2.1 The Registered Asset Supplier shall offer to sell Assets that are accepted under Islamic Shariah principles on the **e-Tayseer** system of the *Bait Al Bursa* on a daily basis in such minimum value as agreed to with the *Bait Al Bursa* and shall provide daily information to the *Bait Al Bursa* as to the Assets available for supply in such manner as specified by the *Bait Al Bursa*.
- 4.2.2 The Registered Asset Supplier agrees that on the basis of the information on the Assets provided by the Registered Asset Supplier, the *Bait Al Bursa* will generate Tradable Asset Certificates committing specific assets that are sold and transferred to the Registered Users. The Registered Users may buy and sell the Tradable Asset Certificates on such terms agreed to between them. The Registered User that has

purchased the Tradable Asset Certificates shall become the owner of the committed assets.

- 4.2.3 The Registered Asset Supplier agrees to hold the Committed Assets represented by a Tradable Asset Certificate, in trust and for the benefit of the owner of the Tradable Asset Certificate. The Registered Asset Supplier shall agree that the delivery of committed assets against the Tradable Asset Certificate can be requested by the owner only and the Registered Asset Supplier shall not request the owner to take delivery of the committed assets. The Registered Asset Supplier further agrees that until the owner requests delivery of the assets, all charges associated with the storage of the assets will be included in the price the assets are sold to the owner, and no additional charges will be charged by the Registered Asset Supplier until delivery is requested.
- 4.2.4 The Registered Asset Supplier agrees, undertakes and confirms that it is, and it shall be the legal and absolute owner of the Assets and it shall have good and marketable title to the same, free from encumbrances, charges, lien, hypothecation pledge to any party for any reason whatsoever.
- 4.2.5 The Registered Asset Supplier undertakes and confirms that the Assets shall not be secured, hypothecated, pledged or charged to any bank or institution or any other company or person during the validity of its registration as a Registered Asset Supplier. No third party rights of any nature shall also be created over ownership interest in the said Assets during the time it is registered with the *Bait Al Bursa*.
- 4.2.6 The Registered Asset Supplier agrees that it shall make necessary arrangement for identification, allocation and issue of necessary warehouse Certificates from a reputed warehouse or a warehouse management agency acceptable to the *Bait Al Bursa*. It shall maintain the Assets in its warehouse and it shall make arrangement for inventory management, safe keeping and issue of warehouse Certificates as specified by the *Bait Al Bursa*.

- 4.2.7 The Registered Asset Supplier agrees and undertakes that the Assets shall be in the custody at the warehouse and shall not be withdrawn during the time it is supplied to the *Bait Al Bursa* platform.
- 4.2.8 The Registered Asset Supplier agrees and confirms that the contractual obligations between parties transacting on the *Bait Al Bursa* platform arise in the Kingdom of Bahrain in view of the supply, purchase and sale of the Tradable Asset Certificates and its committed Assets taking place in the Kingdom of Bahrain and that Bahraini laws will apply to these transactions.
- 4.2.9 The Registered Asset Supplier agrees and confirms that the Assets supplied to the **e-Tayseer** system of the *Bait Al Bursa* shall be adequately insured for the full value informed to the *Bait Al Bursa* in its daily report.
- 4.2.10 The Registered Asset Supplier agrees that it shall receive and make payments and give and deliver the Committed Assets represented by the relevant Tradable Asset Certificate in accordance with the transaction entered into with a Registered User or Registered Asset Supplier. The mode of payments and delivery and related costs, charges, expenses shall be directly agreed between the Registered Asset Supplier and the counter party.
- 4.2.11 The Registered Asset Supplier agrees and warrants that the *Bait Al Bursa* relies on the information and Declarations furnished by the Registered Asset Supplier as to the existence of the Assets and all other matters related thereto and that if any such information or details are found to be not true or correct, the *Bait Al Bursa* shall be entitled to recover the funds directly from the Bank without limitation to its other rights. The Registered Asset Supplier agrees to provide such authorisations and agreements to the *Bait Al Bursa* for the said purpose as specified by the *Bait Al Bursa*.

4.3 Other Obligations

- 4.3.1 The Registered Asset Supplier agrees that the Tradable Asset Certificates and the Committed Assets will be used to transact only with other Registered Users or the Registered Asset Suppliers.
- 4.3.2 The Registered Asset Supplier shall conduct its business in accordance with the Islamic Shariah principles and shall not commit breach of these Rules and the operational guidelines.
- 4.3.3 The Registered Asset Supplier shall act with honesty and integrity and exercise due skill care and diligence while conducting transactions.
- 4.3.4 The Registered Asset Supplier shall do anything that may harm or damage the e-**Tayseer** system of the *Bait Al Bursa* or cause disrepute to the *Bait Al Bursa* or the BFX.

4.4 Obligation to maintain confidentiality

The Registered Asset Supplier shall, keep confidential all data, information and transactions which is not available in public domain ('confidential information') subject to disclosure as is required to ensure compliance with any applicable law, Rule or regulation or pursuant to any regulatory directive or to institute, carry on, or defend any proceedings, including any Court proceedings.

4.5 Requirement to notify the Bait Al Bursa

Every Registered Asset Supplier must give the *Bait Al Bursa* immediate written notification of:

- i) a change of name or address;
- ii) change in the Directors on its Board of Directors;
- iii) change in status and constitution (change in legal form);
- iv) commencement of any winding up, liquidation or insolvency or bankruptcy proceedings against the Registered Asset Supplier;

- v) commencement of material litigation that may impact the financial position of the Registered Asset Supplier or cause any impediments to its complying with the terms of these Rules.

4.6 Termination by the Bait Al Bursa

The *Bait Al Bursa* may terminate a Registered Asset Supplier in the following circumstances;

- i) it has not rectified any breach of these Rules within the time specified by the *Bait Al Bursa*.
- ii) proceedings for insolvency or bankruptcy or for winding up have been commenced against the Registered Asset Supplier.
- iii) *Bait Al Bursa* has received reports of non-payment or non-delivery.
- iv) any event that would affect the business and the financial condition (including its ability to pay its debts as and when they fall due) has occurred.
- v) it has failed to carry on business on the *Bait Al Bursa* in accordance with the Islamic Shariah principles.

4.7 Disclaimers by the Bait Al Bursa

The *Bait Al Bursa* and the BFX and its Directors, officers, employees or agents make no express or implied warranties and shall have no liability to any Registered User or Registered Asset Supplier or any other person in respect of or in connection with;

- i) the accuracy, originality, completeness or timeliness of any information provided by the Registered Asset Supplier;
- ii) the merchantability and fitness for a particular purpose of the Assets;
- iii) any direct, indirect, special, punitive or consequential damages or loss of profits.

While the *Bait Al Bursa* shall take reasonable efforts to verify and ensure the availability of the Assets as declared by the Registered Asset Supplier there shall be no liability on the *Bait Al Bursa* for any fraud or misrepresentation committed by the Registered Asset Supplier.

'Reasonable efforts' shall mean making every effort that is reasonably consistent with the objective to be achieved taking into account any time scale within which it is aimed to be achieved and will include the allocation and use of a reasonable amount of resources to achieve the objective and taking all reasonable positive steps and obtaining information necessary to achieve the objective.

4.8 Indemnity

The Registered Asset Supplier shall indemnify and hold harmless the *Bait Al Bursa*, the BFX and its Directors, officers, employees and agents, against any and all suits, proceedings, judgments, damages, liabilities, costs and losses of any kind (including reasonable attorneys' and experts' fees) (collectively, "Losses") that arise out of or relate to any claim, action or proceeding that arises out of or relates to;

- i) breach of the terms of this Agreement by the Registered Asset Supplier.
- ii) Non compliance by the Registered Asset Supplier with any legal requirements.
- iii) Fraud, gross negligence or willful default on the part of the Registered Asset Supplier.
- iv) Misrepresentation.

The benefit of this indemnity shall survive any termination of the registration of the Registered Asset Supplier and is in addition to any rights, which any Indemnified Person may have at law.

CHAPTER 5

TRANSACTING RULES

5.1 Transacting on the Bait Al Bursa

- 5.1.1 The *Bait Al Bursa* shall facilitate through its **e-Tayseer** systems, the supply of Assets and purchase and sale of Tradable Asset Certificates by Registered Users and Registered Asset Suppliers.
- 5.1.2 The transactions on the *Bait Al Bursa* may be effected through an order driven system, quote driven system or such other system as the *Bait Al Bursa* may be put in place from time to time.

5.2 Matching Rules

The *Bait Al Bursa* shall specify from time to time the kinds of order books that shall be maintained on the system, the order matching algorithms and the matching Rules and parameters that shall be followed therein.

5.3. Jurisdiction

- 5.3.1 The records of the *Bait Al Bursa* as maintained by a central processing unit or a cluster of processing units or computer processing units of the **e-Tayseer** system, whether maintained in any register, magnetic storage units, electronic storage units, optical storage units or computer storage units or in any other manner shall constitute the agreed and authentic record in relation to any transaction entered into through the system and shall constitute valid evidence for all purposes.
- 5.3.2 All supply, purchase and sale of Tradable Asset Certificates and the committed Assets shall be deemed to have been effected in the Kingdom of Bahrain.

5.4 Binding Contract

- 5.4.1 A binding contract between Registered Users and Registered Asset Suppliers and amongst them shall be created when an order to buy and an order to sell is matched on the **e-Tayseer** system of the *Bait Al Bursa*.
- 5.4.2 Buyers and sellers effecting transactions at the *Bait Al Bursa* become the owner of rights and obligations relating to a Tradable Asset Certificate without further notification or delivery of a written document. By becoming a party to the transaction, it is accepted and understood that payment and delivery and all the other rights and obligations related thereto should be executed within their due time amongst the buyers and sellers directly.

5.5 Operational parameters for Trading

The *Bait Al Bursa* may determine from time to time, operational parameters for trading including;

- i) fixation of minimum and maximum value to be offered to be bought or sold;
- ii) functional details of the **e-Tayseer** system including the system, design, users infrastructure and operation.

5.6 Business days

- 5.6.1 The *Bait Al Bursa* shall notify the Business days and holidays for each calendar year.
- 5.6.2 The *Bait Al Bursa* may close the market on days other than or in addition to scheduled holidays, or open the market on days originally declared to be holidays ('unscheduled opening or closing of the markets or Segments') and the decision of the *Bait Al Bursa* in this matter shall be final and binding.

5.7 Business Hours

- 5.7.1 The *Bait Al Bursa* shall announce the regular Business hours for transactions.

5.7.2 The *Bait Al Bursa* may extend, advance or reduce Business hours by notifying the Registered Users and Registered Asset Suppliers as and when it deems fit and necessary in this regard.

5.8 Cancellations and modifications of orders and transactions

5.8.1 A Registered User or Registered Asset Supplier shall be entitled to modify or cancel an order pending in the **e-Tayseer** System any time as set out in the operational guidelines notified by the *Bait Al Bursa*.

5.8.2 A Registered User or Registered Asset Supplier cannot cancel or modify a completed transaction. However in the event a material error has been committed by a Registered User or Registered Asset Supplier and it has been notified to the *Bait Al Bursa* within fifteen (15) minutes of the transaction having been executed, the *Bait Al Bursa* may but shall not be obliged to cancel the transaction effected as a consequence of such error and notify the counter party.

5.9 Confirmations and reporting

5.9.1 The *Bait Al Bursa* shall acknowledge Certificate of all orders entered into the **e-Tayseer** System. The *Bait Al Bursa* shall send a confirmation of the transactions to the relevant Registered Users and Registered Asset Suppliers upon full or partial execution of any order. The confirmation shall state the unfilled order quantity if any.

5.9.2 Transactions carried out in the **e-Tayseer** system are automatically and immediately deemed to have been reported to the *Bait Al Bursa*.

5.9.3 A Registered User that has bought or sold a Tradable Asset Certificate outside the **e-Tayseer** system shall immediately report the details to the *Bait Al Bursa* in such manner prescribed by the *Bait Al Bursa*. Such details shall be captured in the records of the *Bait Al Bursa* to reflect the current owner of the Tradable Asset Certificate.

5.10 Market Interruption

The *Bait Al Bursa* may give notice by effecting a market interruption on the **e-Tayseer** system or through any other means of communication, when a computer

system is not operating (because of hardware or software breakdown or any other reason whatsoever).

5.11 Payment and Delivery

All transactions carried out on the *e-Tayseer* system of the *Bait Al Bursa* or reported to the *Bait Al Bursa* shall be directly settled by the Registered Users and Registered Asset Suppliers by payment and/or delivery as the case may be and the *Bait Al Bursa* is not liable to any of the parties for any reason whatsoever. It is a material term of these Rules that the *Bait Al Bursa* is not a counter party to any transaction and the *Bait Al Bursa* is not obliged to verify whether any payments or delivery have been effected.

5.12 Emergency Powers of the Bait Al Bursa:

Where the *Bait Al Bursa* considers that there is an emergency as a consequence of;

- i) any action taken by the Government of the Kingdom of Bahrain or any foreign government or any state or local government body, which may have an impact on trading on the *Bait Al Bursa*;
- ii) the actual or threatened bankruptcy or insolvency of any Registered User or Registered Asset Supplier or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Registered User or Registered Asset Supplier which may affect the ability of that Registered User or Registered Asset Supplier to perform its obligations under these Rules;
- iii) any circumstance in which it appears that a Registered User or Registered Asset Supplier has failed to perform its obligations under these Rules or is in such financial or operational condition or is conducting business in such a manner that such Registered User or Registered Asset Supplier cannot be permitted to continue as a Registered User or Registered Asset Supplier without jeopardizing the interests of the *Bait Al Bursa* or others ;
- iv) any other circumstance which may have a severe, adverse effect upon the functioning of the *Bait Al Bursa*,

the *Bait Al Bursa* may amongst other things:

- (i) suspend the registration of a Registered User or the Registered Asset Supplier;
- (ii) take such other measures that the *Bait Al Bursa* may decide including but not limited to modifying trading Days or hours.

CHAPTER 6

DISPUTE RESOLUTION AND ARBITRATION

All claims, differences or disputes between the *Bait Al Bursa* and Registered Users or Registered Asset Suppliers ('the parties') arising out of transactions carried out on the *Bait Al Bursa* or with reference to anything incidental thereto or in pursuance thereof or relating to the rights, obligations and liabilities of the parties thereto and including any question of whether such transactions have been entered into or not, if not settled mutually by the parties in mediation or conciliation process, shall be submitted to arbitration in accordance with the rules of the GCC Council for Commercial Arbitrations or Bahrain Chamber for Dispute Resolution (BCDR) (as per Rules of arbitration of the Kingdom of Bahrain, Legislative Decree No. 30 of 2009), for the time being in force. However, the Parties shall expressly reduce it in writing, the type of Arbitration council specifically under which they agree to resolve their disputes, as to whether GCC or BCDR, in their respective agreements entered separately under the provisions of the Rules. For any reasons, in case, the parties fail to agree it in writing the type of arbitration they would like to be governed by, then such dispute/s shall be resolved and governed under GCC Council for Commercial Arbitrations, in Manama city, Kingdom of Bahrain.

The arbitration shall be conducted in English.

The seat of arbitration shall be Manama City, Kingdom of Bahrain.

The above provisions do not apply to disputes where the *Bait Al Bursa* is not a party to the dispute. In such cases, the parties may mutually decide the terms of the arbitration.