

Instructions of trading Securities

Introduction and Definition

Preface:-

Based on the interim Securities Law No.74 of 2007, Securities Commission has issued instructions relating to all regulatory and organizational aspects of the securities markets in order to achieve its objectives, to build a fair and transparent security which serves the economic development in the new markets of Iraq.

During the previous period, the Commission issued and updated the instructions commensurate with development in the area of Disclosure and Listing and in 2011 the commission issued which includes all instructions for trading securities to enlighten investors and traders this vital economic sector.

In the mid of 2014, the commission determines the need in a review of the issued instructions to keep pace with the development in the stock market. The committee, which was formed for this purpose to study the instructions with a detailed study and showing the amendments that have been reached on the website of the Commission after being discussed by all relevant parties (Central Bank of Iraq, Registrar of Companies, Iraq Stock Exchange, Erbil Stock Exchange, Brokerage firms and listed companies in the stock Exchange), and send a copy of the instructions and its amendments to the experts in the field of securities. And then, the opinions have been discussed and unified and present it on the council of the commission for the purpose of approval, and it has been approved

by the council Resolution No. (4/3/2015) according to the section (12) of Article (12) of the securities law.

The Chairman of the Securities Commission

Definitions:

- 1- **The Instruction:** Instruct which sends by a broker to the trading system to buy and sell a specific security for the benefit of the investor or for the benefit of its portfolio.
- 2- **Securities:** - Shares and bonds issued by joint Stock Company and bonds and notes issued by the government and public institutions in the country and the Financial Instruments if they were domestic and non-domestic which they are accepted by the commission.
- 3- **Insiders:** - person which briefed on lowdown by virtue of their positions, jobs and their properties and their relationship directly or indirectly including possession of lowdown concerning (Board members and their advisers , Managing Director, financial director, Internal and external auditor and anyone else who gets that information).
- 4- **Authorization:** is provided by investor to the broker asking him and Plenipotentiary him to implement a deal to buy or sell

securities Based on certain conditions by the investor in accordance with the provisions of these regulations.

5- Brokers Records: is a record which kept by the market to save all information relating to brokers who work at Stock Exchange.

6- Record of Brokers Representatives: is a record which kept by the Stock Exchange to save all information relating to the representatives of the brokers who work at the Stock Exchange.

7- Stock Exchange: is a Securities market licensed by the Commission.

8- Regular Market: Is a market which the issued trading of securities goes through it in accordance with the provisions of laws, regulations and instructions (6) (requirements of Listing the companies at Iraq Stock Exchange).

9- Second Market: Is that part of the market which is the trading of securities being at it and it is governed by the terms of the listing and own trading instructions.

10- Natural person: It means the Person, his wife and his minor children.

11- Incorporeal Person: the Company with its subsidiaries and affiliates.

- 12- **The Council:** It is legally responsible for the management of the market.
- 13- **Authorized:** The person who is licensed to operate on the electronic trading station in accordance with the instructions.
- 14- **Managing Director:** Managing Director of the Stock Exchange.
- 15- **The Center:** Iraqi Deposit Center.
- 16- **The Essential Information:** Any strategic decisions, fundamental developments and Important Events which directly or indirectly affect on the performance and activity, ownership and continuity of the company and affect on the value of the securities and the movement at the Stock Exchange.
- 17- **Internal Information:** It is information which obtained by insiders that are not available to the general public and undeclared that may be affect on the price of the securities when declared.
- 18- **Broker's Representative:** A natural person who is appointed by a Broker to conduct on his behalf to provide brokerage services relating to securities transactions at the Stock Exchange and be registered in the representatives of the Brokers Record.

- 19- **Affected Ratios:** Directly or indirectly own (10%) per cent or more of the listed company's shares.
- 20- **Trading System:** It is a system which is applicable at the Stock Exchange.
- 21- **The point:** The proportion of (1%) of the total shares of listed company.
- 22- **The Broker:** The Company which is licensed by the Commission and the Council to exercise the company's financial intermediation in securities and it is recorded in the record of the association of the Financial Intermediaries IN Iraq.

Electronic Trading Rules

1- Electronic Trading Rules at Iraqi Stock Exchange

Article (1)

Working Hours

The automated trading system is presented on the two types of sessions:

A- Pre-opening session: By which enter order and at the end is calculated as an opening price.

B- The continuous trading session: It can be used the electronic trading system which its start time from 09:30 am to noon 12:30 of each working day, the pre-opening session starts from 9:30 until 10:00 am. and immediately followed by the continuous trading session which ends at 12:00 pm.

Article (2)

- Covering the sold orders

Prior to accepting any order sale, the automated trading system ensures the availability of stock for stock transaction settlement, and then suspends specific stocks so as not to be used twice.

The Sales Order will be refused if there was no stock availability of the shares in the concerned account at the moment of enters orders.

Article (3)

Trading Unit and the Unit of price change

- Trading Unit is a regular trading unit (Amount Unit) and it consists of number of shares, as for the Unit of price change is the lowest value which the price changes (Rise or Decline).

A- The used trading unit is one share for all shares.

B- The unit of the used changing price of shares is (10) Fils.

Article (4)

The pre-opening session

Order Row

Before the start of trading, there will be a precedent opening period from which entering order or modified without being processed immediately by the automated trading system, the purpose of the pre-opening session is to determine the opening price for each security.

It should take into account the following observations:

A- Row the orders which were entered during the pre-opening session but it is not implemented in the input time and it will be dealt with the entered orders in the continuous trading session, which begins after calculating the opening price.

B- It may enter orders of special conditions, they are those include conditions special implementing into the system, but it is not included in the calculation of the opening price, and it is processed at the beginning of the continuous trading session.

- C- It is not permitted to enter orders of the stock exchange during the pre-opening session. (Referring to Article 12)
- D- The re-calculation of the opening price happens in each time which orders are entered during the pre-opening session, as for the final opening price shall be calculated at the end of the pre-opening session.
- E- Trading Unit and the Unit of price change which determined by the stock exchange is valid during the pre-opening session

Article (5)

Calculating the opening price

- The share price of each company shall be the price of one opening only, and the orders which are trading in the opening at the stock exchange will be rowed, and the opening price will be calculated based on orders are available in normal conditions record.

In order to determine the opening price shall use the following criteria:

- A- The available shares amount at every price.
- B- The remaining quantity of the shares after the potential matches.
- C- Net change at the closing price from the previous continuous trading session.
- D- Share price.

Article (6)

Show Data Prices

The price of the order is considered which has been entered in pre-opening is private information and due to this some orders are showed at the stock exchange with prices vary from the actual prices (Calculated opening price). The purpose of not disclosing the actual price of the in the pre-opening stage is to verify that the opening of trading on the company's shares would be the fairest possible price which based on supply and demand at the stock exchange with taking into consideration the following:

- A- The calculated opening price may change during the pre-opening session in conjunction with the introduction of new orders into the trading system.
- B- During the pre-opening session, the ordered will be rowed which their prices better or equal to the opening price, with the calculated opening price, regardless of the actual price of the order, and it could not be seen the actual prices but for market supervision.
- C- Rowing the orders of which their prices lower than the opening with their actual prices during the pre-opening session (ex: The purchase price is less than the best available bid price).

Article (7)

The priority of time for orders which have been inserted after pre-opening.

The priority of time for orders which have been inserted during the pre-opening session is based on the actual time of the entry. As for orders which have not been fully implemented during the transitional period between the pre-opening session and the continuous trading session they will be reserved with preference of that time throughout the trading day.

Article (8)

Continuous Trading

When the opening quantities have been allocated, the stock exchange opens and starts the continuous trading activity.

Priority of row and interpolation

It is possible that the system rejects any valid command which is inserted into the trading system, or to be implemented immediately or partially be implemented by the row of the remaining amount or partially be implemented with rejection of the remaining amount of it or rows it completely, all or part of the incoming order do not match with another order and the quantities are rowed which they have been matched at the exchange. When there are a variety of orders and rowed at the exchange then the priority in row and in trading based on the following:

- A- **Price:** the order of the exchange which has been rowed shall deal with it with a specified price exactly like the specified order which has the exact same price. (Refer to Article 12)
- B- The orders of the normal conditions shall be before the orders with special conditions, but the orders with are qualified for the match with normal conditions record orders.
- C- Sealing time: seals the order which enters the system at a time that shows the insert time.

The priority of rowing takes into consideration the following criteria:

A- The price shall has the priority in rowing :

- The priority of purchases and sales orders shall be separately.
- Purchase order at a higher price shall have the priority over other purchase orders at lower prices.
- Purchase orders at lower prices shall have the priority over other sales orders at higher prices.

B- The orders with regular conditions shall be granted the priority over the orders of special conditions which are the same price level and have the same exact price based on the priority of the time between each other.

C- If several orders have been entered at the same price level and with the same special conditions, whereupon, the priority of rowing will be specified by using time as a final solution to this issue, by applying the principle (first inserts first to implement).

- The orders which have the old time seal shall have the priority over the orders which have the new time seal.
- Changing former order may lead to put a new seal on it and thus, it may change a priority of rowing of this order. (Refer to Article 14).

Article (9)

The prices of orders with special conditions are better than the best price at the exchange.

The trading system is working to increase trade matching to the fullest extent, and that by trying to trading orders with special conditions, which have the best price at the Exchange. After trading the incoming order or row it at the exchange to become idle, then the trading system will try to identify other orders capable of trading, and especially the orders with special conditions which have been rowed previously:

A- After each trading, any order becomes with special conditions and its price is the best and better than the best price at the exchange.

B- When orders with special conditions in one aspect of the special conditions Record then the priority will be for those active orders which rely on the price with descending Order, it means the high price still first and it will continue until all orders with a better price or better for the equivalent price at the exchange to be processed.

- C- If there are several orders of special terms in one side of the exchange (As the sell side or the buy side), and they all have the same price, and then become active orders under the principle of (first inserts first to implements).
- D- Once the price level becomes in special conditions, tying the record for the best price at the exchange , then orders in normal conditions Record will have the priority over the orders in special conditions Record.
- E- When orders are located on both sides of special conditions Record, and with a price better than the best price at the exchange. Priority in the selection of the active order under the principle of (first inserts first to implements), so that it will be compared to the sale and purchase orders of the best price.

Article (10)

Private Interpolation Terms

- The entire quantity or nothing: This order could be met by the sale / purchase quantity (entire or nothing).
 - A- The orders with (entire quantity or nothing) may trade with more than one counterparty at the same time.
 - B- The order will be rejected if there is no implementation of the entire quantity at a specific price.

The Minimum Implementation: When this condition is chosen, it must meet the deal of the minimum number of shares which have been set.

A- The first deal shall be the amount equal to the minimum or higher.

B- If an amount of shares remain and did not meet in the first deal, then automatically be listed in regular Order record.

Article (11)

Types of Orders

The Specified Order: it is an order to buy or sell a number of shares, with a specific price, or with a better price, the specified price shall be priced based on the unit price change which provided for in Article 3 of the rules.

Article (12)

Exchange orders and price protection

Exchange order: It is non-Priced to trading a security immediately with the best price, current and available at the exchange. And the order of the exchange will be an order which is specified once the price is calculated.

The system determines the price of the exchange order automatically based on a specific formula to protect the price.

The price protection feature uses to set limits on the movement of exchange prices orders. Which this limit reduces the risk size which the trader is exposed to when inserts orders.

- A- The order of the exchange may trades a series of prices better than or equivalent to the set price.
- B- The orders of the exchange are allowed to be inserted only during the continuous trading session.
- C- The orders of the exchange will be rejected if there are no orders on the opposite side.
- D- The specified price of the orders shall be equivalent to the best price at the exchange.

Article (13)

Change a previous order

This feature uses for an amendment (Amendments) in the properties of a specific order in the system:

- A- It may not use this feature to change the type of the share which is chosen by dealer, in any of these cases shall cancel the order then re-entered.
- B- The original order shall which has been created by (Change the previous order) a new time seal. And a priority of a new row as if used this feature, investor Number account and add or cancel special requirement.
- C- At the stage of selecting or fill out a form of this feature, the order will not be removed from the from the orders record, therefore, it could be trading the order.

D- If an order has been placed or it has been partially implemented in accordance with paragraph (3 of Article 1) in the period between the introduction of feature (Change the previous order) and send to the system- Pressing the enter key- then the trader will be notified and he has to re-confirm (Change the previous order).

Article (14)

Canceling the order

- Transfers a valid or hanging to the status of cancellation. Once this happens, It cannot retrieve the original order in the system.
 - A- It uses to cancel an existed order in the system.
 - B- This feature will be refused if the trading happens on this order.
 - C- This feature will be refused if the number is not true.
 - D- If the order has been cancelled before getting a confirmation that this order has been partially fulfilled as a result of trading in the period between of inserting the order to the system. There will be a need to confirm the desire of another trader to cancel the remaining amount of the order.

Article (15)

Suspend/ Resume order

Uses to transfer a valid order to the status of suspension, this order issues by an exchange observer or the owner of the original order,

this feature resume the original order to the status of valid and it should take into account the following observations:

- A- The feature of suspension shall not use however, suspend an order already exists.
- B- The trader may use this feature (Change the previous order) with the order which has been suspended.
- C- The trader may cancel an order which has been cancelled.
- D- Orders which have been suspended shall not be inserted in the system.
- E- An order which has been suspended in the record with a feature (Change the previous order) may re-insert in the case that the order has been resumed and to be treated as a new order and it will gain new seal and priority.

Article (16)

Hit and Take order

It is a specified price to sell the available whole quantity, to request an offered buy with a better price at the exchange, and the quantity which they have been offered the swift new order even if the order with special conditions has a better price than normal conditions record, but the system automatically execute the swift new order with an order of the best price.

It should be noted, the swift new order is updated automatically by the system if the best price has been changed at the exchange and the screen of the swift new order was running.

It should also take into account the following observations:

- A- If order have been found in regular conditions Record at buying side, so the total amount in the screen of swift new order will include Best Price request and only in regular conditions record.
- B- If order have not been found in regular conditions Record at buying side, but there were orders to buy with special conditions, the total amount in the screen of swift new order will include Best Price request and only in special conditions record.
- C- If the best price has been changed in the time between pressing the input order screen and the time which the system needs to seal the order at the entry time, so that the swift new order will be refused and the reason is that this order originally is an order of interpolation or cancellations.
- D- The trader may change the attributes of the swift new order (Amount, the company's shares and price) before the order to be sent to automated trading system.
- E- If the amount can be met the order of the swift new order wholly or part of it with an order of special conditions and with best price, the system automatically implements the order of the swift new order.

Article (17)

Hit and Take Order is an order of a specified order to buy the whole available quantity with the best price offer at the exchange for a particular company shares and implementing the order within the input screen.

- A- If order has been found in regular conditions Record at buying side, the total amount in the screen of swift new order will include Best Price request and only in special conditions record.
- B- If order have not been found in regular conditions Record at buying side, but there were orders to buy with special conditions, the total amount in the screen of swift new order will include Best Price request and only in special conditions record.
- C- If the best price has been changed in the time between pressing the input order screen and the time which the system needs to seal the order at the entry time, so that Hit and Take Order will be refused and the reason is that this order originally is an order of interpolation or cancellations.
- D- The trader may change the attributes of the swift new order (Amount, the company's shares and price) before the order to be sent to automated trading system.
- E- If the amount can be met the order of the swift new order wholly or part of it with an order of special conditions and with best price, the system automatically implements the order of the swift new order.

Article (18)

The Order Properties

Time of entry into force order

The trader may insert a certain period of time and it will be valid until the end of that period, the system provides mechanisms to ensure not exceed the time constraints of orders and the characteristics of the time of entry into force of it available are as follows:

A- The day: It is valid until the closure of the trading day on the day that has been entered.

B- Interpolation or cancellations: The order full or part thereof shall be executed once entering the exchange, and if it was not possible for spot trading, automatically will be removed from the system or the remaining quantity.

It should take into account the following observations:

A- All orders are being removed with time constraints from Automatically Trading System When the entry will be validity.

B- If not inserted a time limit for the entry into force of the order, the order will be treated as for an order of one day.

Article (19)

Closure

Status of Closure

The Status of Closure is at 12:30 pm and that happens after the continuous trading session ends, and it cannot insert any orders or change pre-orders. But it could print reports on entered orders and the completed transactions.

Article (20)

Closing price

After the continuous trading session ends, the system calculates the closing price for each security, the closing price it is likely in all transactions that it has today which have done today.

The First Chapter

Disclosure Instructions

Instructions No. (8) Disclosure of Listed Companies

1- Article (1)

Each company at Stock Exchange should provide the commission Annual report within a period not exceeding (150) days from the end of the fiscal year and publish it in the media and prepare it in accordance with accounting standards and it includes the following:

A- Board of Directors' report, which must include: -

First:

- The company's main headquarters and its branches.
- A description of the main activities of the company.

Second: A statement of the names of the members of the Board of Directors and names, positions of senior management persons.

Third: A statement of the senior names of the owners of issued shares by the company and the number of shares owned by each of them whether such property constitutes 5% or more.

Fourth: A description of any government protection or privileges of the company or any of its products under the laws.

Fifth: A description of any decisions issued by the government or international organizations or others have a material effect on the company or its products or its ability.

Sixth: The organizational structure of the listed company and the number of employees and their qualifications and rehabilitation programs and training for the staff of the company.

Seventh: A description of the risks to the company, if any.

Eighth: The achievements of the company supported by figures and description of significant events that have passed on the company during the fiscal year.

Ninth: The financial impact of operations of non-recurrent which occurred during the financial year and it is not considered as a part of the main activity of the company.

Tenth: Analyzing of the company's financial position and the results of its operations during the fiscal year.

Eleventh: Important future developments including any expansions, new projects and future plan of the company for the year to come, at least, and the expectations of the Board of Directors of the company's financial results.

Twelfth: A statement of the number of securities issued by the company and owned by members of the Board of Directors and senior management persons.

Thirteenth: The amounts which obtained by the members of the Board of Directors and Managing Director of them current and former wages and cash bonuses during the reporting year.

Fourteenth: Amounts which spent for the purposes of publicity, travel and hospitality and donations.

Fifteenth: The reserve balance and its using.

Sixteenth: Not to approve the absence of any material issues that may affect the continuity of the company during the next financial year.

B- The annual financial statements of the Company which is prepared in accordance with the accounting standards in force and audited by an independent observer accounts and authorized by law in Iraq including current year figures compared to the previous year concerning:

First: General budget (Appendix No.1).

Second: The profit and loss account. Current account, (Appendix 2)

Third: Detection cash flow (Appendix No.3)

Fourth: The accompanying notes to the financial statements.

C- **The auditor's report** (Data must be audited according to the audit evidence in Iraq, In case of violation, the report will be rejected and the accounts will consider unaudited.)

Article (2)

The listed company should disclose who owns 5% or more of the company's shares and any change lead to increase or decrease this contribution by one point immediately after the event.

Article (3)

If the listed company owns more than (50%) of the capital of another company, should issue the annual financial statements uniformly, in addition to the data of the company, taking into account the Companies Act.

Article (4)

Each listed company at Iraqi Stock Exchange should provide quarterly financial statements every three months during a period not exceeding (60) days from the end of the quarter and it requires to be prepared in accordance with accounting standards and it includes:

- A- **General Budget:** As at the end of the current semester and general budget as compared to the end of the previous financial year.
- B- **The profit and loss account:** The current season and cumulatively for the current financial year and the counting profit and loss corresponding to separate it from the previous year.
- C- **Detection cash flow:** Cumulatively for the current year to date with the corresponding period has to date of the previous year.
- D- Clarifications on financial statements.

Article (5)

The listed company shall notify the Commission, the stock exchange and the public within three days working when there is no substantive information and particularly the following:

A- Significant changes in any of the following:

First: Company assets.

Second: Obligations On the company, whether short-term or long-term and any sequestration on its assents.

Third: Capital and shareholders' equity.

Fourth: Changes in the ownership of the company's shares that cause a change in controlling.

Fifth: Any main event which affect on the company.

B- Big Transactions which implemented by the company and abolition such these transactions, And evaluation of the Board of Directors and its expected impact on the company's profitability and financial position.

C- Disasters, fires and incidents which affect on the company and its impact on the financial position.

D- Any losses or financial profit has an impact on the financial position of the company with a statement of reasons.

E- The important decisions of the Board of Directors which may affect on the prices of issued securities.

F- Including decisions concerning the following:

First: The issuance of new securities.

Second: Changes in capital investments or in the company's goals and its markets.

Third: Initiate merger.

Fourth: Profit distribution.

Fifth: Voluntary liquidation.

G- Resolutions of the General Assembly of the Company, certified by the registrar of companies.

H- The call for the meeting of General Assembly.

I- Forming a new board of directors of the company and the resignation of any member of the board of directors or its Managing Director and the reasons.

J- The company owns an impressive rate in the capital of another company.

K- Another company has an impressive rate in the capital of the listed company.

Article (6)

Fines and penalties

A- Impose a fine of (250.000) thousand Dinar for each month, or part of it for a period of (60) days in this case if the company delays in submitting its annual financial statements during the period which referred to in Article (1) above, and its trading will be suspended at the Stock Exchange and it will not be allowed to return to the trading only after fulfilling the disclosure requirements and pay monthly fines plus two million dinar to Re-circulation.

B- Impose a fine of (50.000) Thousand dinar for each month or part of it in this case if the company delays in submitting its

quarterly financial statements during the period which referred to in Article (4) and its trading will be suspended at the Stock Exchange and it will not be allowed to return to the trading only after fulfilling the disclosure requirements and pay the fine.

Article (7)

The company which violates as it is stated in Article (5) above will expose to sanctions sets by the Commission in accordance with the Securities Law.

Article (6)

The provision of Article (8) does not apply on the suspended companies due to its failure to provide disclosure requirements and until they fulfill the requirements to return to trading.

Second, Electronic Trading Rules at (Erbil Stock Exchange) under approval

Chapter II

Securities trading instructions

First, the instructions of trading securities at Iraq Stock Exchange

Article (1)

The Commission: Iraqi Securities Commission.

The Market: Iraqi Stock Exchange.

The Council: The Council legally responsible for market management.

Managing Director: Managing Director of the Stock Exchange.

The Securities: Stocks and bonds issued by the Joint Stock Company and bonds, permissions issued by the government and public institutions in the country.

The Broker: Licensed by the Commission and the Council to exercise the company's Financial Brokerage at Iraqi Stock Exchange and it is included in Brokers Association in Iraq.

Broker's Representative: A natural person who is appointed by the broker to perform on his behalf to providing brokerage services relating to transactions in

securities at the Stock Exchange and he should be registered in the representatives of the brokers' record.

Brokers Records: a record which held by the Stock Exchange to save all information relating to brokers and employees at the Stock Exchange.

Trading System: It is a trading system which is applicable at the Stock Exchange.

Brokers Representatives Record: a record which held by the Stock Exchange to save all information relating to brokers and employees at the Stock Exchange.

Authorization: The demand which is provided by the broker asking him and plenipotentiary him to implement and purchase or sale of a security based on certain conditions by the investor in accordance with the provisions of these regulations.

The Instruct: The instruct which the broker, sends it to the trading system to buy or sell securities for the benefit of the investor or for the benefit of its portfolio.

Authorized: The person licensed to operate on the electronic trading station in accordance with the instructions.

Article (2)

A- It is traded at the Stock Exchange exclusively through Brokers and it fixes the Trading Operations under the restrictions in the market records which coincides match in each trading session.

B- The registered restrictions at the depository center and any documents issued by the Stock Exchange are considered legal proof of ownership of securities trading unless proven otherwise.

Article (3)

A- The broker is prohibited to trade securities for the benefit of any of his customers only after entered into agreement with him it turns out the rights and obligations of both parties.

B- The money which belongs to the investor which was placed under the disposal of the broker by virtue of the Municipality of funds and acting in accordance with the provisions of the applicable legislation and the provisions of the agreement signed with the investor.

C- The Broker should guarantee the agreement entered into investor with any information, statements or conditions required by the legislation and decisions in force, and at a minimum must include the following:

- Name and address of the broker and the investor.
- A statement of services to be provided by the broker to the investor.
- Commissions charged by the broker from the investor.

- Authorization types which the broker is allowed whereby the implementation of investor orders.
- Permit investment risk of securities according to the formula adopted by the Stock Exchange.
- Private information is met of the investor (Know your Customer) according to Money Laundering Law No. (22) for the year 2004 and decided by the Stock Exchange and the Commission.
- The broker is not allowed under any agreement entered into by that restricts the obligations set out under applicable legislation or to be exempt from such obligations.
- Deemed null and void any requirement in the investor agreement violates the provisions of the legislation.

Article (4)

- A- The broker is prohibited to enter any orders to sell or buy any for the benefit of his clients, however, based on the prior authorization from the investor authorized by this act.
- B- The authorization to the investor should be written, it is allowed to be held by telephone or in the form of a fax or e-mail address and any other means agreed upon by the investor with an argument, though, it should be documented in writing during the next three days.
- C- The Rest of the broker the burden of proof to the Stock Exchange that he has a mandate from the investor and he is responsible for obtaining the signature of the investor on the linear authorization form and recording and archiving of authorizations which have been received by phone to ensure

- the authenticity of authorizations which have been received by fax or e-mail and retaining copies of the written authorizations.
- D- The mandate should include investor name, his number , the name of the securities , the type of operation (sell or buy) , the number of securities, the price and the date of authorization and its date and the period of its validity.
 - E- The broker should enter buy and sell orders to the trading system when he receives the related authorizations, to be done the insert according to precedence as it is existed in the broker orders record.
 - F- The price is specified in the authorization in accordance with the terms of the investor with a certain price no more than in the case of the purchase and not least in the case of sale or the price of the Stock Exchange.

Article (5)

- Any regular person is prohibited to insert buy or sell orders to the trading system unless he is registered in the brokers' representatives' record.

Article (6)

- The broker should inform his investor Executed transactions in his favor when it is implemented or by the concluded agreement between them as it is stated in Article 3 / above.
- The broker should send an account statement on his account of securities and cash money and executed processes in his favor once at least in a month unless the

agreement states that concluded between them for less period As in Article 3 / A.

Article (7)

- The implementation of the process of trading at the Stock Exchange according to the guide to use the trading system which issued by the managing director after the approval of the Board of Governors and the associated approval of the Commission.
- The Board of Directors and Managing Director may to propose to amend this guide the same style which has been issued according to the necessity of the work developments.

Chapter III

Listed Companies

- Instructions

Suspension and Resumption of Trading the Shares of Listed Companies

According to the provisions of Section (11), article (12) of the CPA Order No. 74/2004 of the Interim Law on Securities Markets, and trying to establish the dates and situations where grounds for suspension and resumption of listed companies trading at ISX, The commission has decided to approve the following:

1. Trading of the securities of a company listed on the exchange shall be halted on week prior to the general assembly's meeting, and the company must inform the Exchange and Depository Center in a period not less than two weeks
2. Trading halted due to the meeting of the general assembly, shall resume immediately after the end of the meeting in case no decision to alter the registered capital of the listed company was taken by the general assembly.
3. Trading halted due to the meeting of the general assembly shall be resumed which included a decision of the general assembly provided for the capitalization of the profits and reserves only, as follows:
 - a. Resumption of trading the company's shares at ISX before the increasing directly after the general assembly's meeting.

b. Listing the shares of increasing which achieved to the company in a period doesn't pass six weeks from the general assembly's meeting date.

4. Trading halted due to the meeting of the general assembly shall be resumed which included a decision of the general assembly provided for increasing the company's capital, as follows:

a. Resumption of trading the company's shares at ISX before the increasing directly after the general assembly's meeting.

b. The shares of increasing must be listed in trading after the company's register office certificated on increasing the company's capital, and the company must follow-up the certification during a period doesn't pass four months from the general assembly's meeting date.

5.

a. In each one of articles (2, 3(a), 4(a)) the company must present request of resumption its trading to ISX accompanied with the documents that prove the fulfill of general assembly's meeting and ISX will confirm it before permitting to resumption the trading.

b. b) In articles (3(b), 4(b)) the company must present request of listing the shares of increasing which achieved in the capital to ISX after finishing the increasing procedures and certification of company's register office.

6. Within the time-frame set in articles (3(b), 4(b)), the listed company has the right to propose any change of the periods mentioned in the two article above if there is any justification at the company can satisfied by the Commission.

7. The company and its officials will be subject to set forth in the Securities Law in force penalties.

Instructions No.3

Suspension of trading and Cancellation of Listing at ISX

Article (1)

The Commission may suspend listing in the following cases:

- A-** If the company ceases to satisfy a condition for listing stated in the Commission's instructions No (6).
- B-** If the company defaults on disclosure requirements.
- C-** If it is necessary to protect the investor or for maintenance of a regulatory stock.
- D-** If the company violates any article of the Commission's regulations.

Article (2)

Suspend the trading according to the company's request:

- A-** If the company introduces a justifiable request to suspend its securities trading.
- B-** The company may request from the Commission to suspend the trading when there is a major event which affects the company, the company must disclose the event immediately.

When the company presents the request for suspension to the Commission, it must provide the following:

First: justifiable reasons for the suspension and the duration.

Second: Information about the nature of the event and its affect on the company's activity.

The Commission may accept or refuse the request of suspension according to its appreciation.

Article (3)

Suspension due to legal requirements or Commission's regulations:

The trading of the company is suspended if there is a legal reason or according to the Commission's regulations No (2).

Article (4)

Lifting the suspension:

A- The commission may lift the decision of suspension if the reason vanished.

B- Lifting the suspension depends on the accompanied circumstances and by the Commission's condition.

Article (5)

In the case of a decision to Resume Trading on the company's shares suspended for more than six months for any reason, Should return (50%) rising and decreasing from the closing price of the last session and for one session, and the trading price rate of this session should considered as an indicator for the subsequent sessions.

Article (6)

The Board of Governors of the Stock Exchange can suspend trading on the shares of the company when necessary, to protect the investors for a period not exceeding ten working days and it should obtain the approval of the commission if the period will increase.

Article (7)

Cancellation of Listing:

The Commission may cancel the listing of any Securities for trading at ISX in the following cases:

- A- If a resolution is taken to dissolve the company.
- B- If the company is declared bankrupt or if a resolution is taken to dissolve the company.
- C- If the main objectives of the company is changed that may affects its share's price at ISX.
- D- If the company is merged with another company or companies with the consequence that the juristic personality of the company comes to an ended.

- E- If the company does not perform its activity for one year.
- F- If the company suspends for six months without taking suitable procedures to resumption the trading.
- G- If the Commission regards a justification for Cancellation of Listing at ISX.

Article (8)

Cancellation according to a request:

The company may present a request of Cancellation from ISX according to the following conditions:

- A- If the annual trading volume of the company's shares didn't exceed (five per thousands) of the issued shares for two sequent years.
- B- The request is based on a decision of the general assembly and by agreement of (51%) of the votes.
- C- The company must present its financial statements for the last financial year to the commission and ISX audited by the auditor and certified by the general assembly together with the financial statements of the last quarter.
- D- The company must publish the general assembly's decision of Cancellation in two daily newspapers, the bulletin and the ISX website.
- E- The company must pay all its financial obligations toward the Commission and ISX.
- F- The holders of (5%) of the shares may object on the decision of Cancellation during (15) days from the decision date to the Commission.

Instructions No. (6)

Conditions and requirements of the companies listing at ISX

Article (1)

1. The company should submit an application of listing at ISX signed by the board of director and the authorized manager of the company, certifying its acceptance with the listing conditions issued by the Commission.
2. It requires that the company has obtained the approval of the Commission to list its shares at ISX and certified by the registrar of companies or by order of the sector to be included in the Iraq Stock Exchange.
- 3- It should be passed at least two years on establishing the company, and issuing two auditing balance sheet by an independent auditor licensed in Iraq and the Commission may accept listing it with a duration of not less than one year and it should be issued financial statements at least one and audited by an independent auditor, and authorized by law.
- 4- Participants' number in the listed companies must not be lower than 100 participants.
- 5- Present a report by the company's board of director, including:
 - A- Summary on the company establishment, its main objectives and its relation with other companies if found.
 - B- Board of director's valuation supported with numbers of the company performance and its achievements comparing with the placed plan.
 - C- The important events of the company before its presenting the listing request.

- D- The names of the board of director's members and the names, positions of the high executive management persons, their own securities or their relatives, and their membership in other companies' board of director.
- E- A list of participants names and nationalities who their contributions more than (1%) from the company's shares and the number of their own shares.
- F- Description any governmental protection or privileges have been granted to the company or its products according to the Laws.
- G- Description any decision issued by the government, international organizations or others which have material effect on the company's work, its products or its competitive ability.

Article (6)

- The company's financial statement, including:
 - A- Yearly financial statement for the two years which previous the listing request accompanied with a report of the board of director and an independent auditor licensed in Iraq, including:
 - The balance sheet.
 - Profit and loss account.
 - Statement of cash flow.
 - The necessary notes on this statement.

B- Quarter financial statement of the period from ending the previous financial year till the end of the last quarter before presenting the listing request comparing with the corresponding period of the previous year, including:

- The balance sheet.
- Profit and loss account.
- Statement of cash flow.

Article (7)

- The participant rights in the company at presenting the request must not be lower than (100%) from its paid capital.

Article (8)

- It should be practiced a real activity and achieved profit from this activity in the last two financial years before presenting the request.

Article (9)

- If the request presented by a company changed its legal entity from limited to Participant Company then it must be passed one financial year on this changing since it's marking at the companies' registrar by a decision of transfer and it should be issued financial statements at

least one and audited by an independent auditor, and authorized by law .

Article (10)

- If the request presented by a joint stock company resulting from the merger of two companies or more listed or unlisted at ISX, then it must be passed one financial year on this changing since it's marking at the companies' registrar by a decision of transfer and it should be issued financial statements at least one and audited by an independent auditor, and authorized by law, unless otherwise the companies were listed at ISX before the merge , in this case, it can be accepted to list the companies which resulting from the merger after the decision to transfer.

Article (11)

- Make a pledge that the company's capital applied the issuers' shares and certified by supervisor of the participants department and the account manager and the Managing Director.

Article (12)

- Introduce a commitment signed by the board of director chairman, the authorized manager and the accountings manager by showing them to law NO. (74) and its regulations, systems issued by the Iraq securities commission and ISX and following it.

Article (13)

- Meet requirements and conditions of the law's provisions that have a related by the company as (companies' law /banks law of the bank company).

Article (14)

- The company should deposit of shareholders in the depository center record and undertakes to approve on the instructions of the depository center.

Article (15)

- Submit a letter from the company regarding the legal restrictions on transferring the ownership of securities which signed by the managing director and Shareholders official.

Article (16)

- Provide minutes of meetings of the General Authority of the company for the previous two fiscal years of the date of submission of the listing application.

Article (17)

- The Council shall submit a written assessment on the financial performance of the company and the extent of entitlement its listing at ISX for the purpose of approval of the listing.

Article (18)

- The company should publish its financial statements of article (7) above in the website of ISC and ISX and in the daily newspaper before the permission of trading its shares at ISX.

Article (19)

- The company should meet procedures of listing at ISX through two month after ISC accepted on its listing at ISX. This acceptance would be cancelled in case of passing this duration.

Instructions .(15)

Conditions and requirements of the listing Companies of at Iraqi stock market Second Market

1- Article (1)

Definitions:

- **Commission:** Iraq Securities Commission.
- **Stock Exchange:** Iraq Stock Exchange.
- **The Regular market:** the market through which issued securities are traded according to the provisions of Laws and regulations No (6) amended at 2010 (Requirements of the companies listing at Iraq Stock Exchange).
- **The Second Market:** It is the part of the Regular Market through which trading takes place in securities that governed by the accompanied listing conditions and trading regulations.

1- Article (2)

The listing conditions at the Second Market:

- A- The company should submit an application of listing at ISX signed by the board of director and the authorized manager of the company, certifying its acceptance with the listing conditions issued by the Commission.
- B- It should be Participant Company which passed at least one year on practicing its activity and issued one yearly financial statement auditing by an independent auditor.
- C- The financial statements of the Company include the following:

- 1- Annual financial statements for the previous year to the date of submission of the listing application, together with the report of each of the Board of Directors and an independent auditor and authorized by law includes the following:
 - General budget.
 - The profit and loss account.
 - Detection of cash flows.
 - The necessary clarifications on these statements.
- 2- Quarterly financial statements covering the period from the end of the previous fiscal year to submit the listing application and until the end of the last quarter preceding the date of the request compared with the corresponding period in the previous year and includes:
 - General budget.
 - The profit and loss account.
 - Detection of cash flows.
- 3- Equity of not less than 50% of the capital.
- 4- Approval of the Board of Directors on the application for listing in the Second Market, and in the case of not obtaining the approval, the company will be listed provided that this issue submit for discussion in the first meeting of the General Authority that follows the date of the listing, and provide the approval of the General Authority and the Commission and the Market, otherwise the company will delisted from the market.
- 5- The company provides a certification of the legal limitations on the transferring the ownership of securities which signed by the Chairman of the Board and Managing Director of the company.

- 6- The company should deposit its shares in the depository center and undertake to agree the terms of the deposit.
- 7- The company should pay the credits and the annual subscriptions.

Article (3)

Trading instructions in the second market:

- A- The clients' orders of trading the securities listed at the second market and used by the brokerage companies should be in accordance with the market pattern.
- B- Closing price and opening price of any security has not been calculated.
- C- In each trading session, the shares price's average of each company has been calculated.
- D- The maximum and minimum of increasing and decreasing the shares' price during the session within (20%) from shares' price average of the previous session which mentioned in (c) above. The price should be valid during three effective trading sessions after the listing, and it will be free in the first trading session after capital increasing.
- E- The Second Market will be responsible on reports dissemination and statements transformation, as follows:

- 1- **First:** dissemination the trading statements in the daily bulletin which includes number of transactions, number and ratios of the trading shares, highest and lowest trading price of each securities and the price average.

- 2- **Second:** dissemination the trading statements in the monthly bulletin which includes the same statements of securities listing at the First Market.
- 3- **Third:** sending the trading statements to Iraq Securities Commission.
- 4- **Fourth:** sending the trading statements automatically to the depository center and on the day of settlement deposit and storage process should be completed.
- 5- **Fifth:** printing the daily executive reports as it happens at the Organized Market.

- F- The trading regulations of the Organized Market have been followed concerning the article which didn't mention here.
- G- Orders have been entered through the trading station of each authorized person according to the trading system of the Second Market.
- H- The order are input and implemented through trading stations for each authorized person in the trading hall by a special trading system which belongs to the second market.
- I- The Stock Exchange and the depository center should be committed the financial clearing and settlement process procedures according to the used systems mechanics and its procedures.

4- Relegation from the Organized Market to the Second Market

A- The company relegates from the Organized Market to the Second Market in one of these cases:

- 1- First: Failure of the company in implementing one of listing conditions at the Organized Market (Regulations NO (6) amended at 2010) and by a decision from Board of Governors certified by Board of Commission.
- 2- Second: decreasing number of executive transaction of the company's shares from (25) transactions yearly or decreasing the trading volume from 1% of the company's capital or decreasing its trading days from (25) days during the year.
- 3- The company relegates from the Organized Market to the Second Market by a decision from Board of Governors after presented a recommendation by the Market authorized director and Commission certification.

Article (5)

- **Ascending from the Second Market to the Organized Market.**

The company ascends to the Organized Market by a request from the company's board of director if the listing conditions at the Organized Market (Regulation NO (6) amended at 2010) has been fulfilled, taking into consider listing conditions at the Organized Market, and when achieving trading indexes that appropriate the trading indexes of the Organized Market.

Article (6)

- Disclosure requirements from the listed companies at the Second Market.

A- Introduce yearly financial statements to the Commission and Organized Market and publish it during (150) days from ending the year.

B- Introduce and publish quarter financial statements every three months to the Commission and Organized Market.

C- The disclosure of the essential events which effect on the company's activity, ownership, and continuation. Also, it has direct or indirect effect on the security's value and movement at Organized Market.

Article (7)

- **Cancellation the listing from the Second Market**

The company may be canceled by a decision from Board of Governors in the following cases:

A- Lack of commitment of the continued listing requirements.

B- Non-trading of its shares for a year without reasonable reason.

C- When a resolution is taken to dissolve or merge the company.

Article (8)

- General provisions

- A- The company should complete the listing requirements during a period not exceeding (60) days from informing the company with the acceptance of listing, on the contrary the acceptance will be cancelled.
- B- Iraq Stock Exchange will issue a list of the listed companies at the Organized Market and at the Second Market, periodically.
- C- Iraq Securities Commission and Iraq Stock Exchange have to supervise the obligation of the companies listed at the Second Market in application the Financial Markets' law, rules, and regulations.

Chapter 4

The Investors Instructions

Non-Iraqi investors trading at ISX

Article (1)

1- The personal information of Non-Iraqi investors shall be checked by the broker. The following documents shall be required by electronic mail followed by original copies, certified at the Iraqi Embassy in the investor's country or at any other approved government authority, within 15 days time.

A- ID.

B- Valid passport.

C- Incorporation contract and registration license certified by the issuer or the relevant Iraqi authority, for legal entities.

D- Permanent and temporary address (if any), e-mail address, and phone number.

E- Three samples of signature.

Article (3)

ISX shall prepare buying and selling order forms in both Arabic and English, which shall include: order number, time and date of the order, means by which the order was received, investor's name, number of shares to be traded, the fixed price, market price, order type, order validity period. The

order can be placed by electronic mail or by the investor's authorized representative or by other means on the condition that the broker shall bear responsibility for buying and selling depending on their contract.

2- The non Iraqi Investment or his representative must do the following:

- A- Signing a contract with the financial brokerage company.
- B- Signing an authorization form with the financial brokerage company.

C- Article (4)

Non-Iraqi investors not residing in Iraq may appoint an authorized representative to follow up their financial investments at ISX.

Article (5)

ISX brokers shall not receive money in cash from non-Iraqi investors directly or through the investors' authorized representatives. Also brokers shall not make cash payments to them. All these operations are to be done through authorized banks in Iraq and in Iraqi Dinars.

Article (6)

Selling amounts are to be paid to non-Iraqi investors through authorized banks in Iraq. Financial settlements shall take place within the period specified in the Trading Regulations of the exchange, and the broker shall bear all legal and financial consequences resulting from that.

Article (7)

The broker shall provide the non-Iraqi investor and/or his authorized representative, according with the executive transactions through available approved means, a statement of account of the investor's securities trades.

Article (8)

The broker shall keep a copy of all documents mentioned in the regulations, and copies of slips and vouchers of deposited and drawn amounts. All these documents shall be available for inspection by the Securities Commission and by the ISX.

Article (9)

The laws, regulations and guidelines regarding securities trading applicable to non-Iraqi investors are to be published on ISX website.

Article (10)

In case the non-Iraqi investor wills to sell or buy shares, his authorization must be executive and according with the executive instructions.

Article (11)

All rules, regulations and procedures which apply to Iraqi investors and brokers are fully applicable to non-Iraqi investors as well, unless otherwise provided in these Instructions.

Disclosure on Influential Ratios No. (10)

Article (1)

The expressions hereunder shall have the meanings set forth opposite each of them whereas indicates within these instructions:

- **Influential ratios:** shall mean direct or indirect ownership of (10%) or more of listed company shares.
- **Natural person:** shall mean the person, his wife and his minor children.
- **Judicial person:** shall mean the company with affiliated and allied companies.
- **Point:** shall mean the rate (1%) of listed company shares.

Article (2)

- **The entities that shall disclose on influential ratio:**

A- The Investor:

First: - each natural or judicial person shall report to the ISC and ISX immediately upon owning 10% or more of listed company shares.

B- Each natural or judicial person shall report to the ISC and ISX during one week about any transaction or conduct lead to increase or decrease the rate one point in (first) above.

Second: Listed Company

Each listed company shall disclose at its annual reports the number of shareholders that have (10%) or more from its issued shares.

C- Depository center:

First: the depository center shall report to ISC and ISX about the persons that have rate (10%) or more of listed company shares as shown at the end of each quarter of calendar year.

Second: the depository center shall report to ISC and ISX about the changes on shareholders balances which mentioned through increasing or decreasing one point.

3- Add the following expression at the form of sell and buy authorization: "I certify my viewing on instructions No () that concerning the disclosure on Influent ratio and I obligated on the specified period that mentioned at".

4- The violated persons and companies will be punished by prescribed sanctions of law 74 for 2004.

1. Definitions:

Commission: Iraqi Securities Commission

Market: The Stock Exchange licensed by the Commission.

- **Aware Persons:** The persons aware of the internal information by virtue of their positions, occupations, ownerships or direct or indirect relations with those having internal information. Those include BOD members and their advisers, executive manager, financial manager,

internal and external auditor and any other person obtains such information.

- **Internal Information:** The information obtained by the aware persons, which are not available to the public and not announced and may affect the stock price upon their announcement.
- **Substantial Event:** Any strategic decisions, substantial developments and important events that affect the company's performance, activity, ownership and subsistence, and directly or indirectly affect the value of the stock's movement in the market.

2. **Disclosure:**

The listed stock company shall, within 15 days as of the beginning of each year, furnish the Commission and the Market with the names and job titles of the aware persons mentioned in Clause 1 above and the stocks they hold for the same company, and any change occurs later within a week from such change.

3. **Trading:**

The aware persons are prohibited from trading in the below stated periods:

- 15 days before the end of the quarter until publishing the quarterly information.
- The period of time during which there is an undisclosed substantial piece of information until the date of its disclosure.
- 15 days before the date of issuing the annual information until the date of their disclosure.

4. Internal Information:

The aware persons are prohibited from the leakage of internal information before their announcement in the Commission, Market or any important announcement means.

5. General:

- These Regulations apply on the aware persons in the subsidiary companies.
- If a person who occupies a position in the listed stock company is an artificial person, its representing natural person shall be deemed the aware person.

6. Publishing:

The trading of the aware persons shall be published in the publishing means available in the Market directly after execution of the transaction.

7. The Iraqi Stock Exchange's Board of Governors shall supervise the execution of these Regulations and inform the Commission with the actions taken against those in breach.

8. Punishment:

Those in breach of the above regulations will be punished as stipulated in the applicable Law of Stocks.

Chapter 5

Brokers Instructions

Instructions No. (4): Solvency of the brokerage firms

Pursuant to the CPA ORDER number 74 INTERM Law ON SECURITIES MARKETS, Section 12, article 12, IT has been decided to issue the following instructions:

Amended Instructions number 4 for the year 2011 of financial solvency for the brokerage firms.

1. Financial solvency in the application of these instructions means "the adequacy of financial resources of the company to meet its financial obligations on maturity dates and ability to cope with the risks associated with its activities, customers and the securities which it deals with.
2. The provisions of these instructions shall apply on securities brokerage companies.
3. Shareholders equity shall not be less than the minimum capital prescribed by the ISC at any time.
4. The following articles applies:
 - In case of decreasing the property rights of the company mentioned in (3) above during the year, the company must present a letter of credit covering the deference between property rights in the company balance and the minimum by the Commission and ISX must suspend the company's work till the letter reception.
 - When the property rights decreasing under the decided minimum at the end of the financial year, the company must take the necessary procedures to settling its capital to the required minimum and ISX must suspend the company's work till the settling procedures completion.

5. The company shareholders shall not withdraw any amount from the company, and the company will distribute profits according to the company's law.
6. The brokerage company should hold liquid or like liquid assets (not to exceed the maturity period on one month) in order to cover commitments to customers and all other short-term obligations at rate not less than 100% of it.
7. In order to reach The liquidity amount referred at (6) above of these instructions, private settlements must be making to the terms of assets, according to the following rules :
 - A. The lowest one from either 10% ratio of ownership's rights or average of monthly expenses of the previous year.
 - B. Deposits at banks: this item is calculated of value and with the exception of the reserved deposits insurance for certain purposes and insurances of customers of buy shares.
 - C. Portfolio: the invested amount in it shall not exceed 65% of the equity including:
 1. The listed and traded shares: shall be evaluated at the market price using last closing price from the date of the financial statements.
 2. Suspended shares from trading: shall be excluded and the Commission shall determine, on its discretion, the suspended shares under this provision.
 3. Bonds in trading issued by the Government of Iraq or the Iraq Central Bank: shall be evaluated by market value and if not possible by the nominal value or the cost according to the fewer.
 4. Bonds issued by joint stock companies: They shall be evaluated by market value and if not possible by the nominal value according to the fewer.
 5. Mortgaged or reserved securities: the value of those shall be excluded.

6. Unlisted securities at ISX: the value of those shall be excluded.

D. Other current assets: taken into account, any current assets can be converted into cash during month and any current assets can't be converted to cash shall be excluded during the same Period.

7- The broker shall procure accounts receivable balances (which are resulting from the purchase and sale operations of securities) during the period of settlement determined by the ISX.

8- The broker shall register all assets of company by its name and has not arranged any obligations on these assets.

9- The broker shall retain the amended amount of equity by at least (25%) of the annual expenses of the previous year.

10- To reach the amended amount of equity contained in (10) of these regulations is to reduce the amounts set out below from the amount of equity which appears in the accounts of the brokerage company, namely:

- Net value of fixed assets.
- Net value of intangible assets.
- Net value of establishment expenses.
- All exceptions to the current assets contained in (6) above of these instructions.

11- At all time, the brokerage firms shall abide the criteria of financial solvency and to provide both the Commission and the ISX with information, reports and documents set forth in these regulations and any other documents required by the Commission or the ISX to verify the company's commitment to this.

12- The ISX shall verify the compliance of the brokerage firms with the standards prescribed by these regulations or any amendments thereto approved by the Commission.

Instruction No. 5

Suspension of the unlisted brokerage companies

Article (1)

- A. The broker has the right to stop working for a period don't pass one month by submit an application to ISX and licensed the executive manager of the market with the agreement competence of the application for one time during the year.
- B. In case that the broker submits the application of stop working for a period more than one month during six months, he must introduce enough and satisfied justifications to the market. The board of governors has the competence to accept the application.
- C. In the case of the broker stops working at the Stock Exchange without the prior approval, thereupon, the Stock Exchange may impose a fine for each day stoppage or an administrative sanctions, taking into account what is stated in Article (3 A/ Fifth).

Article (2)

Suspend the broker to trade:

- A- The broker must be ceasing on practice the trading activity in the ISX and by decision from the executive manager, if he commits one of these following violations:

First: non-paying the annual participation of the market.

Second: if the broker is late on renew the letter of guarantee of the market order when it deserve.

Third: if he decreases or draw back the letter of guarantee for any reason.

Fourth: if the broker doesn't take the performance to fit the capital of the company according to the decision taken by the commission about increasing its capital.

Fifth: the broker breaches or one of his employees the provisions of the system or exercise behavior is not consistent with the ethics of the profession.

Sixth: non-committing the broker of his works which cleared in the fifth section of the securities market law number (74) year (2008) or any law can take its place.

B- Managing Director has the authority to refer the infractions to the administrative inquiry, if any.

Article (3)

A- The brokerage quality drops from the broker in one of these cases:

- 1- Judging the Managing Director with a crime involving moral turpitude in a competent court due to the exercising of the company's activity.
- 2- When he fails on doing his financial commitments that growth by the securities trading of the listed companies at ISX or declares his bankruptcy.
- 3- the case of the perfect failure achieve saving the financial capability that related to the minimum capital of the limited company by ISC and to the letter of guarantee amount that limited by BOG of ISX during (15) days from the date of for payment and after being notified by the stock exchange.

- 4- Cessation the broker on practicing the brokerage works in the market for thirteen days without a previous editing agreement from the executive manager of the Stock Exchange.
 - 5- A decision to liquidate the brokerage company or close it.
 - 6- The failure of the brokerage company in appointed an authorized manager to the company has the requiring conditions of practicing the broker work during two months from the date of filling the authorized manager position.
 - 7- Issue a decision from the discipline committee in ISX about dropping the brokerage quality from the broker.
 - 8- The executive manager unoccupied to the brokerage company enough to do his work in it.
 - 9- In case of suspending the work of the company at the stock exchange with a decision from the Commission or the market and the company did not take measures to return to work within six months from the date of suspension.
- B- Managing Director shall notify the council the nearest meeting for the violations that result in dropping the characteristic of Brokerage to decide what he deems appropriate.
- C- Drop the brokerage quality from the broker except article (A/Seventh) above by a decision from the Council and with approval of ISC and he has the right to object the Council's decision at the Commission and the competent courts.

Instructions No. (7)

Opening branches for Brokerage Companies

Article (1)

A- The broker should submit a request to the Board of Governors in Iraqi Securities includes his desire to establish a branch of his registered in Iraqi Securities attached with the decision of the General Authority includes:

- Submit an economic feasibility which has prepared by specialist consulting bureau accompanying with an approval from both ISC and BOG.
- Acceptance of the companies' register office about opening the branch.
- Acceptance of the specialists in the state which the branch opening in it, accompanying with a certificated copy of the place lease approved by the related bodies.
- Authorize a person who pass on one of the qualified courses of an authorize manager or his acting that was organized by ISX.
- Appointing an internal surveillance manager devoted to surveillance branches activity and ensures peace for applying law and regulation in force at ISX.

Article (2)

- The capital of Brokerage Company that is interested to open branch should not less than what has been identified by instructions of equity capital which was issued by ISC, in addition to 50 million dinars for each branch.

Article (3)

- Boost letter of guarantee to 20 million dinars for each branch.

Article (4)

- Each brokerage company that submits application to open branches should meet the following requirements:
 - A- Ongoing practice the trading activity for at least 1 year previous the date of application.
 - B- Confirmation that the company has not been ceasing its trading activity by a decision during two years previous the date of application.

Article (5)

Obligations and commitments:

- A- The authorized director of Brokerage Company shall be responsible on branch activities and shall undertake to face all legal and financial issues on any procedures or violations that have been made by the branch.
- B- Obligation of the manager of branch:
 - 1- Prepare a qualified staff to management the branch.
 - 2- Preamble screens, computers and devices required by the market according to the specifications.
 - 3- The manager of branch undertakes that do not act any business or another commercial action except brokerage activities and coordinates them with headquarter of the company.
 - 4- Submit a weekly report about all branch activities and it should be submit to the exchange surveillance.

- C-** Submit a list of employees of the branch accompanied with a certificated copy of residence license and business permit concerning the branch outside Iraq to ISC and ISX and any new change.
- D-** Increase the annual participation amount of the company at rate 25% for each branch.
- E-** Increase maintenance amount of far trading net at rate 25% for each branch.
- F-** Compliance to money laundering law, restrict treatment with investments through banks only and don't make any settlement on the basis of direct cash.
- G-** All buy and sell settlements will be made by the main branch of the company according to the rules and regulations in force at ISX.

Article (6)

General Matters:

- A-** The written evaluation of BOG about the activity and capacity of the brokerage company who wishes to open branch and its merit limit.
- B-** These regulations don't apply on the governorate and region that ISC permit to make an exchange in it unless that exchange accepts to permit the license.
- C-** The exchange may close the branch after ISC acceptance, in these two cases:

First: If it missed one of the approved conditions of opening branch.

Second: According to the brokerage company application and if it has a convinced justification that ISC and ISX may satisfy.

Instruction (9)
Disclosure of brokerage firms

Article (1)

- 1- Provide information form that belongs to the company in accordance with the attached form which the commission has approved during a period does not exceed more than a month from the beginning of the year. The Brokerage firm should inform the commission when any change happens during the week of the date of the change.

Article (2)

Annual report within a maximum period of (90) days from the end of the previous fiscal year including:

- 1- Administration provides a report on the activity and expectations of the company the following year.
- 2- The annual financial statements must be audited by an independent auditor and he should be legally licensed in Iraq and this current year should include compared to the previous year and including:
 - The Balance sheet.
 - Profit and loss account.
 - Statement of Cash Flow.
 - A detailed Statement of debtors and creditors accounts and the investment portfolio.
 - The accompanying notes to the financial statements.

3- The auditor's report.

Article (3)

- Quarterly financial statements within a period of not more than (30) day of the end of quarter compared to the corresponding period of the previous year and including:

A- The Balance sheet.

B- Profit and loss account.

C- The accompanying notes to the financial statements.

Article (4)

- Monthly Trial balance and during a period of not more than fifteen days from the end of the month.

Article (5)

- Weekly statements include the following:

A- Analytical list of debts balances.

B- Analytical list of payable balances.

C- List on portfolio of securities.

Article (6)

- The Company shall disclose any material events that affect the performance of its business, including the disclosure of lawsuits and other events immediately and not later than three days from its occurrence.

Article (7)

- Sanctions

A- The annual report: the company which violate these instructions shall face the following:

- 1- Impose Fine (50000) ID on a month or less than a month late, start from (1\4) of each year till the postpone duration.
- 2- The company shall stop trading at ISX in (1\6) if it doesn't fulfill the annual requirements discloser.

B- The quarter report :

- 1- The company suspends working at the Stock Exchange in the event of delayed submission of trial balance for more than fifteen days from the end of each chapter.
- 2- The company returns to its operations in at the stock exchange after the submission the trial balance and pay a fine of 50,000\$ For every month of delay or part thereof.

C- weekly report

Impose a fine (25000) in the case of delayed submission of weekly Disclosure on the next day from the previous week.

Article (8)

A- In the case of non-submission of the information form in the deadline in Article (1) above, by then, the company will be fined 100.000 thousand ID.

B- In the case of continued non-submit the form for a period of 3 months, by then the company will be suspended from working at the stock exchange.

Instructions No (11) Electronic Submission of Financial Statements

Article (1)

- Submitting the financial statements electronically according to the form attached hereto.

Article (2)

- The company shall send the eligible financial statements (signed and sealed) by managing director and the company accountant to the e-mail address of the Control and Inspection Office, file format either PDF or JPG.

Article (3)

- The eligible electronic data not considered received by the ISC unless after receiving a confirmation message of receiving by the ISC to the company.

Article (4)

- The company reserves the file which is related to saving data electronically and update it (add to it) periodically and continuously.

Article (5)

- The company provides the ISC with its e-mail which the correspondences with ISC will be adopted and secure it with a private password restricted to the persons authorized to send data.

Article (6)

- The company responsible for using these statements by the authorized person.

Article (7)

- The company specifies the persons who have the password.

Article (8)

- The company responsible for the misuse of its e-mail by unauthorized persons.

Article (9)

- The electronic statements which are sent to ISC shall be considered as official documents and subjected to inspection and monitoring as well as taking investigative decisions about them.

Article (10)

- The inspection and enforcement office specify the names of authorized persons who receive the financial statements and it will be responsible for the misuse by unauthorized employees.

Instruction No. (12)

Regulations and procedures for separation the accounts at brokerage firms

Article (1)

- The brokerage firms should separate their accounts from the clients' accounts as follows:

A- Open a current account at the bank by the brokerage firm's name, to deposit its money, income, and the money which arise from practicing the brokerage business and the drawing to cover its expenses and to distribute its profits, and other company's special accounts except the deposit accounts.

B- Open Another current account under the name\clients' deposits and use it for their trading activities, for the following purposes:

- 1- **First:** Deposit the received amounts from the clients, to finance the buying processes of securities for their interest.
- 2- **Second:** Transfer the amounts of the earned commission's own which result from trading processes to the company's own account.
- 3- **Third:** Return the company clients' money resulting from selling the shares, or failing complement buying processes or the balance of their accounts after completion buying and selling processes.

C- The brokerage company must keep sub-accounts for each invest or to show the amount due to him and the movement on it. The total of the deposit accounts must equal the balance of the deposit account in the bank.

Article (2)

- The brokerage company should be prohibited from the following:
 - A- Using of the deposit money in clients' accounts except for the purposes permissible in the agreement between the company and the clients.
 - B- Using the balances in these accounts as collateral to get the company financing facilities or banking loans.
 - C- Using the debit balances of some clients in order to clearing the credit balances for another client.

Article (3)

- The brokerage firm must abide by the following:
 - A- Must separate between the company's account from the clients' accounts in their financial statements and notes to the accounts.
 - B- Providing the ISC with the particular statements related to all accounts that have been opened at the banks, as follows:
 - 1- Number of the company's account, name of the bank and type of the account.
 - 2- Number of the company's account clients' deposits, name of the bank, type of the account.

3- Names of the authorized persons by the company to open close the bank accounts.

- C- Calculate the commissions arising from the trading at every trading session, and transfer it to the company's account at the bank.
- D- Do not transfer any amount from the clients' deposits to the company's accounts except the fees which produced from the trading.
- E- Review the clients' deposits and affirming their balances, at the end of every business day.
- F- Reconcile, every day, the debit balances of the clients' accounts with the balances of the banks' accounts related to the clients' deposits.