Chapter II

The Executive Regulation of the Capital Market Law 80/98

Trading of Securities01
Section I

General Provisions

Article (44): All securities listed in the Market are tradable unless pledged or attached or blocked from trading.
Article (45): The Board of Directors of CMA shall determine the weekly trading days. The Board of Director of MSM shall determine daily timings. These shall be announced one week before coming into effect.
Article (46): The Director General shall stop trading in the market in the event of any technical failure in the electronic trading system affecting at least one third of all brokerage companies. He may make up for such stoppage with additional time aft er repairing the failure or start new trading session if such an adjustment would be unfair to brokers and market participants.
Article (47): The Director General may extend or reduce the specified time of the trading session as per the rules approved by Board of Directors of the Market. All principles and measures of the original session shall apply to such extended sessions. The extended periods shall also constitute a part and parcel of the trading session.
Article (48): Access to the trading platform shall be limited to the staff of MSM, the staff of CMA and licensed brokers. The Director General shall determine the number of staff of the brokerage companies who shall have the right to access the trading platform. Entry to the traders' arena may be allowed to official delegations, visitors, guests and students through approval by the Director General or his deputy.
Article (49): Brokerages shall keep the usernames and passwords given to them by the Market to access the trading system and take the necessary measures to maintai n the secrecy of the same. Brokerages shall be responsible for orders and transactions executed through their usernames.

Article (50): The Director of Operations of MSM shall have the powers to execut e trading measures and directives. Brokers shall not have the right to interfere in th e powers of the Director of Operations or object his decisions during the trading sessions.
Article (51): The Market may temporarily suspend trading of any listed security if there is of information or rumor that may affect the price of the security or in case the company restructures its capital or splits its shares.

Trading of the securities of any company shall be suspended if the company is dissolved or liquidated.
Article (52): The Director General may increase the price fluctuations of a certai n security by 10% over the original percentage at the same trading session if there are orders or offers that exceed the applicable ceiling in the Market. The Market shall announce this modification and suspend trading in the security for 15 minutes to allow dealers to amend their orders.

Article (53): No person shall enter bid/ask orders with the intention of misleading market participants that there is active market for one security or more, which would lead to price increase or fall. Any person or group of persons may not conduct a series of transactions on securities in order to manipulate the price.

Article (54): A brokerage company may trade in securities in favour of a member of its Board of Directors, its managers, their spouses and relatives up to first degree. It may also deal in securities in favour of its accredited brokers and its staff provided that it fully and immediately discloses such relationships and dealings.

Article (55): Declared dividends shall accrue on the date of the general meeting which approved such dividends or any other date determined by the general meeting. In all cases dividends shall accrue to the holders at the end of working hours on the record date.

Article (56): The buying client shall be considered as holder of the securities from the moment of execution of the purchase order. Where the client fails to discharge his financial obligations during the settlement period the broker shall deal with s uch securities in accordance with rules applicable in the market.

Article (57): The broker shall charge the client a trading commission of not less than 0.004 and not exceeding 0.0075 for each transaction inclusive of the market's share which is 0.0015 of the transactions value.

Section II
Authorization

Article (58): Selling and purchasing of securities by brokerages shall only be executed on the basis of written or verbal authorization or any other method agreed upon between customers, their agents or their legal representatives and the brokerage com pany, provided that that such unwritten orders shall be made in written down later and signed by the client or his authorized agent. Client's authorization shall not be absolute.

Article (59): Client's orders shall only be received by the broker the general manager of the brokerage or his/her equivalent.

Article (60): Orders given to the broker shall specify the conditions or limits of the client within which the broker can act on his behalf in accordance with the form issued by CMA.

Article (61): Upon receiving the authorization the broker shall verify the identity of the client and his capacity to trade.

Article (62): The signature of the client on the authorization given to the broker shall be deemed as acknowledgment of the validity of the information contained therein. T he broker shall act within the terms and conditions of such authorization.

Article (63): The broker should maintain a telephone conversation recording machine to receive authorization by telephone. In case of any authorization received by a telephone which is not connected to telephone conversation recording machine, the broker shall be liable in case a of any dispute with the client.

Article (64): The brokerage company should block the securities it wants to sell before sending the selling order. This excludes the shares registered under custodian's account.

Article (65): The Authorization System shall automatically block the securities purchased for clients of the brokerage company in favour of the brokerage company which made the purchase. The brokerage company shall lift the block as per the agreement shown in

the
authorization order unless the buyer client infringes his obligations with the broker age company.

Article (66): The broker shall observe the priority of executing clients' orders as per their time of receipt. The broker shall be responsible for the accuracy of such priority. The
broker shall execute buy and sell orders in the nearest trading session unless t he authorization provides otherwise.

Article (67): a. The broker shall open a trading account in favour of the client and ensure
that the client has an account with Muscat Depository and Securities Registratio n Company.

b. The broker shall endeavour to execute purchasing or selling orders in favour of his client at the best possible price at the time of executing the order as per the authorization.

Article (68): a. The purchasing client shall, upon the execution of the purchasing order by the broker, pay the value of the purchased securities and the commission to the broker as per the clearance and settlement rules applicable in the Market
a - The selling broker should pay the value of the sold securities to his client as per the applicable clearance and settlement rules applicable in the Market.

Section III

Trading Through the Internet

Article (69): Companies licensed for brokerage may provide the ability to trade in the Market, through the Internet.

Article (70): Brokerage companies desirous of providing trading through the intern et
shall obtain the Market's approval by filing an application and signing the relevant agreement on the form prescribed by the Market.

Article (71): Brokerage companies desirous of providing this service shall:
1- Install and maintain an order management system as per the technical specifications determined by the Market.
2- Provide information protection system against hacking through the Internet.
3- Provide electronic means necessary to receive and register clients' order safely and in consistence with the company's procedures.
4. Conduct surveillance of Internet trading operations.
5. Create technical mechanism to ensure that client's transactions are not executed without sufficient balance of funds or securities.
6. Set out written disclosures to explain the steps for trading through the Internet.
7. Assign the compliance officer of the company to follows up clients' complaints regularly and ensure that they are resolved within a reasonable period.
8. Sign contracts with its clients that take into account the following, in addition to the requirements of the laws that regulates Internet based dealings in the Sultanate:
a. Adherence to "Know Your Customer" requirements.
b. Specifying responsibilities of the parties of the contract.
c. Specifying the duration of the contract.
d. Specifying cases that require manual signature.
e. Providing alternative contact channels.

f. Specify cases that lead to the cancellation of clients' orders.
g. That each of the contracting parties shall comply with local laws, irrespective of the place where the order has been entered from.
h. Disclose all risks related to trading through the Internet and investment in securities.
i. Any other requirements prescribed by the Market.

Article (72): Brokerages licensed to provide this service shall enable their clients to route their buy and sell orders to the electronic trading system.

Article (73): Orders through the Internet shall be subject to the same prov isions regulating the ordinary orders.

Article (74): Brokerages shall cancel the orders coming from clients through the Internet if the orders infringe the applicable directives and regulations of the Market or infringe the agreement with the client or are intended to create false impression of purchasing or selling orders. In such cases, the brokerages shall also inform their clients.

Article (75): The Brokerage Company shall not bear any responsibility for such orders placed through the internet which have failed to reach it due to any reason. The client may use the available alternative methods to have his orders delivered to the brokerage company. The agreement between the client and the brokerage company shall provide for this condition.

Section IV
Orders

Article (76): The priority for execution of orders in the trading system shall be based on:
1st - price
2nd - time of entry
3rd - type of order

Article (77): The price shall determine the priority of executing orders. Orders entered into the electronic trading system shall be either a Limit Order, or a Market Order . Priority shall be based on prices as per the following rules:
a- Priority of buy orders shall be separate and independent from selling orders.
b- Higher-price buy order shall take precedence over lower-price buy orders.
c- Lower-price sell orders shall take precedence over higher-price sell orders.
d- Best prices shall get priority in execution.

Article (78): Time of entry of the order shall be subsequent to the price in determining the precedence in the sequence of priorities as per the following rules:
a- Once an order is entered, the system shall determine time and date of entry.
b- Entry time of the order is the time upon which priority is determined.
c- Orders carried forward from previous day shall take priority over orders that are entered for trading during the pre-opening session or during the continuous trading session if the price is the same.
d- Any amendment in the information of an order entered into the system shall lead to a change in the time of entry of the order and its rank in the priority except in case of reduction in the quantity.
e. Where an order is partially executed, the remaining portion shall retain its priority.

Article (79): All bids and offers shall be in units specified by the Board of Directors of the Market.

Article (80):
Types of orders:
1- Limit Price Order: Order at specific execution price.

2- Cross Order: An order to the same broker for the same securities, asking to buy and sell for the same quantity. This order shall be executed directly at the best price limits.
3- Market Order: Order which the client accepts its execution at the current market price.

4- Market To Limit Order: An order without specifying the price. It shall be executed at the best available price (the order is cancelled if there is no corresponding order at the time it was sent). In case of partial execution of the order, the bid/ask price for the unexecuted portion shall be equal to the price of the executed part.
5- Opening Price Order: Order sent without price during the pre-opening session. The execution price shall be equal to the opening price. Should any quantity remain unexecuted after the opening of the market it shall become a limit order at a price equal to the opening price.
6- Stop Order: An order at market price that automatically becomes active only when the price of the security reaches the specified trigger price.
7- Stop Limit Order: An order which specifies maximum/minimum price for execution (Limit Price). It shall be triggered automatically if the security reaches the specified Stop Limit Price.
8- On 1 Limit Order: An order which has one tick priority over Limit Price Orders.
It can be sent during the pre-opening session or during the continuous trading session.
9- Fill and Kill (FAK) Market Order: This is a market price order. It is executed at the opening of the market if it was sent during the pre-opening session. It shall be executed directly if it was sent during the continuous trading session fully or partially depending on the existence of one or more corresponding orders. The order shall be cancelled if no matching order is available at the time of transmission. Any unexecuted quantity of the order shall automatically be cancelled.

Article (81): Validity of the orders entered into the electronic trading system shall be as follows:
1- (Day): Valid for one day.
2- Valid for immediate execution (Fill And Kill)
3- Valid for a certain date (Good Till Date)
4- Valid for one year (Sliding Validity).

Article (82): The broker may, in addition to the type and validity of order, specify:
1. Minimum limited for execution of the order.
2. Number of securities appearing in the order.
Article (83): The Brokers may cancel any order entered into the electronic trading system
if not executed. If part of the order is executed, the broker may cancel the unexecuted part.

Section V
Trading Sessions

Article (84): Trading shall take place through the electronic trading system in regular sessions as follows:
1- Pre-opening session
2- Opening session
3- Continuous trading session
4- Closing session
The electronic trading system shall continue in operation for the period set by the Director General of the Market.

Article (85): a. The Market shall hold the pre-opening session on every trading day. It shall run till the beginning of the continuous trading session. Unexecuted and valid orders of the previous day shall be carried forward to this session. Brokers shall, during the pre-opening session, undertake preliminary measures including entering, amending, or canceling orders and review the available data through the electronic trading system.

b. During the pre-opening session, the electronic trading system shall prioritize entered selling and purchasing orders and the existing orders in accordance with applicable priority rules. No trading shall take place during this session. The System shall calculate the opening price for companies for which there are executable selling and purchasing orders.

c. The opening price shall be determined during the pre-opening session in accordance with the following rules:

1- The opening price is the price which would lead to the trading of the largest possible quantity of securities at the opening.

2- In the event that there is more than one price meeting this condition, the price which keeps the least quantity unexecuted shall be chosen.

3- Where more than one price achieves the same results in terms of the traded quantity and the remaining securities, the higher price shall be chosen in case the remaining quantity is more on the demand side and the lesser price in case the remaining quantity is more on the supply side.

4- The price that is nearest to the benchmark price.

Article (86): a. At the end of the opening session, selling and purchasing orders shall be executed at the opening price where this price is better than or equal to the prices specified in purchasing and selling orders. Unexecuted orders and the remaining quantities of the partially executed orders shall be transferred to the continuous trading session.

b. Entered orders which were not fully executed in the opening session shall be included in the priorities schedule in accordance with their prices and the time they were entered into the system. Orders transferred from previous days shall take precedence over those orders which were entered during the pre-opening stage in case prices are equal.

Article (87):

During the continuous trading session, purchasing and selling of listed securities shall be executed through entering purchasing or selling orders followed by automatic matching of corresponding orders.

Section VI
Measures of Execution of Special Orders

Article (88): Special orders shall be executed through TCS trading system. The Board of Directors of the Market shall determine the number of securities required to qualify as such orders

Article (89): Special orders shall be allowed a flexibility of 15% from the previous day's closing price. The Director General may change this percentage as appropriate.

Article (90): Executed special orders may be split through the clearance and settlement entity on the condition that one party to the contract is one individual person or one person and his wife and/or his parents and/or children up to second degree or his sole commercial enterprise.

Article (91):

The Broker may demand the announcement of the existence of a special order (bid, ask) to other brokers through the Operations Department.

Section VII

Measures for calling the Un-paid capital

Article (92): The company may, prior to calling for the unpaid capital, coordinate with the Market and MDSRC to create the mechanism for registration of payment and trading of its shares during capital call period.

Article (93): Following a decision of its board of directors, the company shall, by registered mail send to their addresses in the shareholders' register, call upon shareholders who are yet to pay the outstanding capital, to do so, within thirty (30) days from the date of sending the call. The company shall advertise the same in two daily newspapers of Oman, one Arabic and one English.

Article (94): Where a shareholder defaults on payment despite calling upon him to do so, the company shall send him a warning by registered mail to his address recorded in the shareholders' register to pay within 21 days of the date of the warning. The warning shall inform the defaulting shareholder that his shares will be placed for sale in a public auction in the Market, in case the warning period elapses without payment has being made.

Article (95): Where the warning period mentioned in the above article passes without the shareholder making the payment, the company shall publish an advertisement at its own expense once in two daily newspapers in one Arabic and one English indicating that the company intends to sell the shares owned by defaulting shareholders in an auction ten days prior to the date of auction. The advertisement shall contain the date of the auction.

Article (96): The company, wishing to sell the shares of the defaulting shareholders in a public auction shall submit an application to this effect to the Market. The application shall include the following documents:

a- A written statement showing that the company has taken all the necessary legal measures in this respect.

b- Copies of the advertisements in which the company called upon the shareholders to pay the required unpaid capital.

c- Detailed statement approved by the company's management showing the names of defaulting shareholders who failed to pay the unpaid capital, the number of shares and their serial numbers.

Article (97): The Market shall announce the date of the auction three (3) working days prior to the date of auction and the auction shall continue for five (5) days. Where all the shares offered in the auction are not sold within the specified term, the auction shall continue for another five (5) working days after the date of commencement and the same trading session. If the shares are still not sold the company may request for extension of the time.

Article (98): The sale of the auction shares shall be through only one brokerage company which shall be authorized by the concerned company to execute the selling process.

Article (99): The brokerage company executing the sale of the shares in a public auction shall place selling orders in the form of ordinary orders on the trading screen.

Article (100): The Broker authorized to execute the auction shall observe the following measures when presenting the selling of auction shares orders:
a - To start with offering the highest price allowed by trading measures or with the highest price recorded during the last fifteen 15 days.
b- The prices of offers that follow the first offer shall be determined and put up for auction sale in accordance with the auction method.

Article (101): The brokerage company authorized to manage the auction shares s elling process may purchase in favour of its clients or its own portfolio.

Article (102): The brokerage company shall issue a cheque with the net value of the sales in the name of the company together with the detailed selling invoice, the quantity and the net value after commission.

Article (103): The company shall take precedence over all the shareholder's creditors in recovering its unpaid dues from the value of the sold shares in the public auction in addition to the accrued interest and expenses. It shall pay the balance to the shareholder. If the selling proceeds were inadequate to pay all the company's dues, it may recourse to the court to recover the remaining amount from the private money of the shareholder.

Article (104): The average price of the total shares sold in the auction shall appear in the company's register in calculating the share-selling price in order to make the final settlement with the shareholder after deducting all related expenses.

Section VIII
Bonds Trading

Article (105): Selling and buying bonds shall only be on the trading platform. Bonds may not be traded in any other place without a decision from the Board of Directors of CMA.

Article (106): Bonds unit, for the purpose of trading, shall consist of one bond based on its face value in every issue. A transaction executed shall consist of one unit and its multiples. A broker shall be obligated to buy or sell at least one bond (one unit). The buyer shall pay the price of the purchased units as per its market value in addition to the accruing interest up to the date of purchase.

Article (107): Interest shall accrue to the bond bearer on the date of maturity.

Article (108): Public auction measures shall apply for determining bond price s in accordance with supply and demand on the issue and its instruments without any limit for daily increase or fall and without any limit on the number of bonds included in one order.

Section IX
Measures for selling securities by court orders or orders or competent authorities

Article (109): Securities may be sold as per directions in final judgments or orders by the competent authorities in accordance with the provisions of the law against debtors.

Article (110): To enforce the selling process in accordance with the previous Article the creditor or his agent shall present the judgment or the order of the competent authority in accordance with the law together with any documents or identification documents required by the market.

Article (111): Where a broker is not assigned by the judgment or order to execute the sale process the Market shall appoint a broker to do so.

Article (112): a. The broker who executed the selling process shall issue a cheque at the net value of the sold securities in the name of the entity that issued the selling order. A selling invoice showing the number of securities sold, their market price and the net amount after deducting the required commissions shall be attached with the cheque.
b. The broker shall hand over the cheque and the sale invoice to the Market management upon the completion of the selling process.
c. The Market shall hand over the cheque and the selling invoice to the entity that ordered the sale, after recording his signature in the register.
d. Securities selling processes which are executed by virtue of final judgment or order of competent authority in accordance with the law shall be recorded in a special register with in the Market.