



QFMA's Board Decision No. (04) of 2022

Concerning the Issuance of

Securities Lending & Borrowing Rules

(SLB Rules)

The Board of Directors,

Having considered Law No. 8 of 2012 of Qatar Financial Markets Authority;

QFMA's Board approval at its 1st meeting of 2022 on 17th of March 2022;

And as required by the public interest,

We have decided the following:

Article (1)

Securities Lending & Borrowing Rules (SLB Rules) annexed to this decision shall come into full force and effect.

Article (2)

All competent authorities, each within its jurisdiction, shall implement this decision. The decision shall be effective from the date of issuance and shall be published in the Official Gazette.

Bandar Bin Mohammed Bin Saoud Al-Thani

Chairman of the Board of Directors

Issued on 12/02/1444 H

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This is a translation of the Official Arabic version.

In case of any discrepancies, the Arabic version shall prevail.

Securities Lending & Borrowing Rules (SLB Rules)

Article (1)

The following words and phrases shall have the meaning given to them hereunder, unless the context requires otherwise:

State:	State of Qatar
Law:	Law No. 8 of 2012 and its amendments.
Authority” QFMA”:	Qatar Financial Markets Authority.
Market:	Financial market licensed by the Authority for dealing in securities
Depository:	The company licensed by the Authority to carry out the functions of the depository.
Company:	A financial services company licensed by or registered at the Authority to conduct any of the activities prescribed in Article (4) of Financial Services Rulebook issued by the Authority.
Securities Lending and Borrowing (SLB):	A temporary transfer or sale of securities ownership executed by a lender to a borrower outside the Market at a deferred payment price. The borrower shall be obliged to return or resell such securities to the lender on demand at any

Securities Lending and Borrowing Agent (SLB Agent):

time within or at the end of the agreed term unless otherwise agreed.

The Company, or the Custodian licensed by or registered at the Authority to conduct the SLB activity, whether acting for its own account or on behalf of its clients.

Agency Agreement:

An agreement entered into between the investor and the SLB Agent giving authority to enter into SLB Agreement on its behalf.

Lending and Borrowing Agreement (SLB Agreement):

An agreement entered into between the lender and the borrower setting for the terms and conditions to be followed by them and defines the rights and duties of each.

Collateral “Guarantee”:

Cash amount or securities deposited by the borrower to the lender to ensure meeting its obligation of returning the borrowed securities to the lender pursuant to the terms agreed upon in the SLB Agreement.

Market Maker:

A Market member Company licensed by the Authority to conduct market making activity.

Liquidity Provider:

A Market member Company licensed by the Authority to conduct liquidity providing activity.

Qualified Investor:

An investor who has an efficient experience to invest in securities by itself and satisfies the following requirements:

1. Financial services companies.
2. Banks, insurance & reinsurance companies, investment & financing, and investment funds licensed by the State.
3. State institutions and companies owned by the State, Qatar Investment Authority and its Subsidiaries.
4. The investor represented by an investment manager licensed by the Authority.

5. Natural person, if meeting one or more of the following:
 - a) has worked in one of the entities subject to the Authority's jurisdiction or one of the entities subject to the supervision of other financial sector regulators in a professional function accepted by the Authority for a period of no less than (3) years.
 - b) has traded in the Market with a total value of no less than fifty million riyals during the past twelve months.
 - c) has specialized and approved international or local certificates in the field of investment in the Financial Markets.

Custodian: The Company that is a member of the Depository and licensed by the Authority.

Article (2)

The SLB shall be for the purposes of settling shares in deals transactions in which the sold shares are not available at the time of transaction settlement, for the purpose of executing short selling transactions or for the purpose of returning borrowed securities, for the purpose of issuing exchange-traded fund (ETF) units, or any other purposes approved by the Authority.

The SLB Agent may lend the securities that borrows for its own account to any of its clients.

Article (3)

As one of the financial services activities subject to the Authority's jurisdiction set out in Article No. (4) of the Authority's Financial Services Rulebook, SLB activity shall only be conducted through a SLB Agent.

Without limitation each of the following tasks in respect of a SLB transaction may, depending on the context, constitute one of SLB activities:

- a- providing advice to the lender or borrower in respect of the transaction;
- b- selecting and negotiating with a counterparty in the transaction and executing or directing the execution of the loan with the counterparty;
- c- receiving, delivering, or directing the receipt or delivery of loaned securities;
- d- receiving, delivering, or directing the receipt or delivery of collateral;
- e- providing mark-to-market, corporate action, recordkeeping or other services incidental to the administration of the transaction;
- f- making and enforcing margin calls;
- g- investing, or directing the investment of, cash collateral;
- h- indemnifying the lender or borrower of the securities with respect to various matters; and
- i- such other activities specified by the Authority.

The SLB Agent may perform some of the tasks specified in this article through the parent company or through any company within the same group after the Authority's approval.

Article (4)

The SLB Agent shall apply to the Authority to obtain a license to conduct SLB activities, satisfying the following requirement and conditions:

1. being a financial services company or Custodian holding a license from the Authority, or a license recognized by the Authority.
2. having the necessary human resources.
3. having information systems related to the SLB activity, with network to both the Depository and the Market.
4. having records containing client's names, the executed transactions, the signed contracts, the charged commissions and fees, and their recordkeeping systems.

5. having systems for internal control and financial audit.
6. having risk management procedures related to its activity.
7. shall not have committed substantial violations of Capital Adequacy Standards within a year prior to the submission date of the application.

Article (5)

The SLB Agent shall comply with the following:

1. Conclude Agency Agreement with the client setting forth the terms and conditions pursuant to which lending and borrowing services will be provided. The Authority shall be notified of a copy of this agreement.
2. Inform the client of the SLB risks and obtaining the client's signature indicating that.
3. Ensure that the standards set by the Market in respect to the securities subject to the lending and borrowing process are available, approved by the Authority, that there is no restriction on its trading, and that it has a sufficient balance of such securities with it or with the lender.
4. Ensure that the borrower has the required security to fulfill the obligation to return the borrowed securities or sell them to the lender.
5. Provide the Depository with a copy of the SLB Agreement, to implement the transfers of ownership resulting from this agreement as per the mechanism and procedures set by the Depository and approved by the Authority.
6. Register the SLB transactions of its clients, their instructions, the volume of executed transactions, submitted collaterals, and all commissions and fees.
7. Send regular reports to its clients - and whenever the client requests - in order to clarify the SLB transactions that have actually been implemented, and what is related to the follow-up of the collateral value.
8. Retain the records of SLB transactions for a period of no less than 10 years.
9. Provide the Authority, the Market and the Depository with weekly reports on the volume of SLB activity, the number of relevant securities, their value and type, or any other reports it requires.
10. Comply with the Authority's legislation and the rules of dealing in both the Market and the Depository.

Article (6)

It is not permitted to lend securities under pledge as per market procedures, securities under seizure as per the laws, regulations and legal applicable regulations in the country, or securities purchased in accordance with the Margin Trading Rules plus any other cases determined by the Market.

The borrower shall also not transfer the ownership of the borrowed securities to another party – except for the SLB Agent – create any right thereon such as pledge or seizure or take any action in them except for the purposes permitted in accordance with these rules.

Article (7)

Subject to the terms of the SLB Agreement, it shall be permitted in any SLB transaction conducted pursuant to these Rules for that:

- a. The securities lender shall receive fees from the borrower, plus any collaterals provided by the borrower to secure its obligations;
- b. If the borrower fails to pay the fees, or return the borrowed securities, the lender shall have the right to sell or otherwise dispose of the collateral and set off the proceeds against the repurchase price of the securities; and
- c. The lender shall have all full ownership rights to the borrowed securities except for the right to sell or transfer the securities unless otherwise agreed in the agreement.

Article (8)

Subject to the terms and conditions of the SLB Agreement, the following requirements for collaterals to be paid by the borrower to the lender shall be met:

1. Determining the type and value of the collateral provided by the borrower to the lender to secure the due performance by the borrower of its obligation to return the borrowed securities. The collateral amount shall not be less than 100% of the market value of the borrowed securities on the borrowing date, or such greater amount as the Authority or the Market may specify.
2. The borrower shall agree to return equivalent securities to the lender at the specified time, and the lender shall agree to return the collateral in return to the lender.

3. The SLB Agent, as an agent of the lender, shall mark to market at the end of the daily trading session for all borrowed securities and shall ensure maintaining the level of collateral mentioned stipulated in (1) above, having regard both to changes in the price of the borrowed securities and changes in the value of any collateral other than cash denominated in Qatari Riyals (or such other currency in which trading in the borrowed securities is conducted).
4. If, at any time, the collateral value becomes less than the limit stipulated in (1) above, the SLB Agent, in its capacity as an agent of the lender, shall require the borrower to increase the collateral amount to the relevant limit by posting additional collateral.
5. The lender may invest the collateral provided by the borrower as per the agreement, and if the borrower fails to return the borrowed securities or sell them to the lender, the lender may dispose of the collateral assets to purchase securities to cover the loan in the following two cases:
 - a. If the borrower fails to provide an additional collateral by the end of the second business day after the notification.
 - b. If the collateral value is less than 100% of the market value of the loaned securities for one day after the notification.
6. The SLB Agent may appoint another party to manage the collateral subject to the SLB Agreement between the lender and the borrower after the approval of the Authority.

Article (9)

The Authority may from time to time to amend, cancel or supplement the terms of the SLB Rules or all SLB Agreements then in effect.

Article (10)

Only Qualified Investors may deal in the SLB transaction, provided that the SLB Agent is notified of the details of the transaction and a copy of the SLB Agreement, to carry out the procedures for registering and executing that transaction at the Depository.

An unqualified investor may require the SLB Agent to act on its behalf as a lender or borrower to deal in a SLB transaction, and after signing the Agency Agreement, and authorizing the SLB Agent to represent the investor in the SLB Agreement.

Article (11)

The lender and borrower who enter into SLB Agreements shall comply to fulfill the following:

- The beneficiary lender name and its agent, if any;
- The borrower name and its agent, if any;
- The name and code of the security(ies) under lending.
- The loaned security (ies) number;
- The date of securities return;
- The type and amount of the collateral, provided that its value shall not be less than the market value of the borrowed securities;
- Clarify parties' rights about trade off of collateral;
- Indicate the distribution of dividends and other rights related to securities and collaterals;
- Securities redemption procedures and relevant arrangements if delivery of the required securities be impossible;
- Clarify the cases of non-commitment of the obligations, rights and the corresponding obligations on the other party;
- The procedures required for the periodic evaluation of the collateral, cases of its replacement, increase, liquidation or return to the borrower, and clarification of the rights of the parties arising therefrom; and
- The law governing the agreement.

Article (12)

The SLB international standard agreements in the form of Overseas Securities Lending Agreement (OSLA) or the Global Master Securities Lending Agreement (GMSLA) can be used as a standard template for the drafting of such contracts.

Article (13)

The Depository shall:

- a. Provide electronic systems and networking systems with SLB Agents to ensure the execution and registration of SLB transactions, which are carried out pursuant to these rules.
- b. Supervise the activities of SLB Agents in order to ensure that this activity is conducted in compliance with these rules.
- c. Submit reports to the Authority upon request.
- d. Notify the Authority when the SLB Agent violates the SLB Rules.

Article (14)

The Depository may not execute any SLB transaction in the cases defined and approved by the Authority, provided that it informs both the Authority and the two parties of the SLB transaction.

Article (15)

The Authority may suspend or cancel the SLB for a particular security for a specified or indefinite period in order to maintain the integrity and the confidence of the securities trading system, and it may also take any other actions deemed necessary for the SLB activity.

Article (16)

In the event of a violation of any provision of these rules, the Authority may impose the prescribed penalties against the violator, under the provisions of the Authority's law, regulations, rules, and decisions issued in pursuance thereof, according to the procedures established by the Authority in this regard.