هيئة قطر للأسواق المالية
Qatar Financial Markets Authority

Margin Trading Rules

This is a translation of the Official Arabic version. In case of any discrepancies, the Arabic version shall prevail.

The QFMA's Board Decision No. (4) Of 2019

Concerning the Issuance of Margin Trading Rules

The Board of Directors,

Having considered Law No. (8) Of 2012 of Qatar Financial Markets Authority; as amended by Decree-Law No. (22) Of 2018,

The QFMA's Board Decision No. (6) Of 2014 Concerning the Issuance of Margin Trading Rules, as amended by the Board Decision in at its 2nd meeting 0f 2016;

Regulations and Rules issued by the QFMA;

Qatar Stock Exchange Rulebook;

After coordination with Qatar Central Bank;

Proposal of the QFMA's Chief Executive Officer;

And the QFMA's Board approval at its 2nd meeting of 2019 on 29th of May 2019;

We have decided the following:

Article (1)

The Margin Trading Rules annexed to this decision shall come into full force and effect.

Article (2)

The Decision No. (6) Of 2014 shall be repealed.

Article (3)

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.

Mohammed Bin Hamad Bin Qassim Al-Thani
Chairman of the Board of Directors

Issued on 06/11/1440 H

Corresponding to: 09/07/2019

Published in the Official Gazette Issue No. (17) – 06/08/2019

Margin Trading Rules

Article (1)
Definitions

In the application of these rules, the following words and phrases shall have the meaning given to them hereunder, unless the context requires otherwise:

Authority: Qatar Financial Markets Authority (QFMA).

Financial Markets: Markets licensed for dealing in securities, pursuant to the provisions of the Authority's Legislations.

Law: Law No. (8) of 2012 regarding Qatar Financial Markets Authority.

Company: A financial services company licensed by the Authority to conduct any of the activities prescribed in the Financial Services Rulebook issued by the Authority.

Margin Trading: A transaction(s), whereby the Company pays a percentage of the securities' market value purchased for its client pursuant to the Agreement governing the relation between them.

Cash Trading Account: An account for the transactions that the client pays in full to the Company before executing the purchase order for a particular security.

Margin Trading Account: A designated client account held at the Company for the purpose of Margin Trading.

Initial Margin: The allowed amounts of money or securities deposited by the client in the Margin Trading Account at the Company in accordance with the percentage determined in the Margin Trading Agreement in relation to the securities' market value to be traded via Margin Trading before the purchase process.

Maintenance Margin: The minimum limit determined by the Authority for the client's contribution in the market value of the securities in the Margin Trading Account at any time after the purchase date.

Margin Trading Agreement: The agreement made between the Company and the Margin Trading client in a form approved by the Authority setting forth the terms and conditions governing the relations between them.

Depository: A company licensed by the Authority to carry out the functions of depository and registration for all what is related to the securities traded in Financial Markets.

Article (2)

Margin Trading Activity

The Margin Trading activity shall be conducted after obtaining the Authority's license thereto in accordance with the terms, requirements and procedures prescribed by the Authority.

Article (3)

Licensing Requirements

For the purpose of licensing the Companies to conduct the Margin Trading activity, they shall meet the following requirements:

1. License to conduct the activity of execution of securities purchase or sale’s orders for others.
2. Possession the technical and administrative capabilities necessary to conduct the Margin Trading activity and manage its related accounts.
3. Having capital adequacy necessary to conduct the Margin Trading activity pursuant to the standards determined by the Authority.
4. They have not committed substantial violations of the Capital Adequacy Standards during the year preceding the submission date of license application.
5. The capital shall not be less than the minimum capital determined by the Authority.
6. Providing a bank guarantee with the value determined by the Authority.
7. Any other requirements, conditions or controls deemed necessary by the Authority in accordance with the public interest requirements.

Article (4)
License Application

The license application to conduct Margin Trading activity shall be submitted to the Authority together with supporting statements and documents, especially the following:

1. Financial statements according to the last working day of the month preceding the submission date of the application. The statements shall be signed by the Company's board chairman or his authorized representative and the internal auditor, and the last audited financial statements along with the external auditor's report thereon.
2. A report showing the technical system used to process the information related to the Margin Trading Accounts.
3. Account opening form and Margin Trading Agreement form, including all data and information required as per Article (6) of these rules.
4. Any other requirements requested by the Authority.

Article (5)

The Authority shall issue its decision on the license application within a period of (30) thirty days from the submission date of the full and complete application.

The Authority shall issue its decision to approve the application with or without conditions or reject it.

Article (6)
Margin Trading Agreement

The Margin Trading activity shall be conducted between the Company and its client after signing the Margin Trading Agreement.

The Margin Trading Agreement shall at least include the following:

1. Definition of Margin Trading, and the client’s responsibility to obtain prior advice and understand the risks that he might be exposed to when conducting such activity. These risks include:
   a) The possibility to lose all or part of the funds deposited in the Margin Trading Account.
   b) The Company’s right to sell part of the securities purchased via Margin Trading or the collaterals provided for in (Article

(12) Item (1)) in case that the Maintenance Margin percentage has become lower than the limit determined in the Agreement without covering the shortage in the Maintenance Margin within the period determined at the moment of Margin call. In this case, the Company shall take into account first the sale of all or part of securities that caused a reduction in the Maintenance Margin unless otherwise as agreed with the client.

2. The client's securities and cash balance held in the Margin Trading Account and other collaterals, if any, shall be considered as collateral for the Margin Trading in order to ensure covering the amounts due to the Company in this account.

3. The amounts of expenses to be collected by the Company from its client**.**

4. Determination of Maintenance Margin percentage, not to become less than the limit determined in these rules.

5. The procedures to be done by the Company if the Maintenance Margin percentage has become less than the limit determined in the Agreement, and the manner of notification thereof.

6. The client's acknowledgment and acceptance statement of the Margin Trading Rules.

7. The percentage of money paid on behalf of the client by the Company for the purpose of Margin Trading.

8. The Agreement period with possible extension by both parties agreeing.

9. The client's right to receive the dividends and interest when due, and the right to vote in the general assemblies of the companies where he owns securities.

10. The client's right to pay the full amount of indebtedness to the Company at any time and release the owned securities in the Margin Trading Account of which the Company had rights to. The Company shall immediately transfer the securities owned by the client in the Margin Trading Account to the client's Cash Trading Account in the Company or any other account specified by the client.

11. The client's right- at any time- to recover cash or to dispose securities or other financial collaterals available in the Margin Trading Account, by sale or request for the transfer of such cash, securities or financial collaterals to the client's cash account, within the amount equal to the increase in percentage of client's contribution in the Margin Trading Account from the percentage agreed in the Margin Trading Agreement, provided that this does not affect the minimum Maintenance Margin limit.

12. The client's right to exchange the securities and collaterals provided to collaterals and other securities accepted by the Company and authorized by the Authority, so as not to result in a decrease in the Maintenance Margin beyond the determined limit.

Article (7)

The purchase of securities via margin shall be in accordance with the terms of the Agreement. In this case, the client shall, by any means of proof, determine the securities to be purchased via margin and their value and deposit the percentage of the Initial Margin agreed upon in the Agreement, or use the excess collaterals and securities deposited in the Margin Trading Account over and above the percentage agreed with the Company as an Initial Margin.

Article (8)

The Maintenance Margin percentage is calculated by subtracting the total contribution of the Company plus any expenses or commissions due to the Company from the total market value of the securities plus other collaterals - if any- in the Margin Trading Account divided by the mentioned total market value of the securities and other collaterals, and this shall be based on the total value of the client's portfolio.

Article (9)

It is not permissible to open more than one Margin Trading Account per person at more than one Company. The Margin Trading Account is used to deal in securities traded in the market and authorized by the Authority to be traded via margin, and must not be used for subscription in new securities' issuances.

Article (10)
Obligations of the Company

The Company licensed to conduct the Margin Trading activity shall be committed to the following:

1. Conducting due diligence measures before opening a Margin Trading Account for any client. These measures shall include, but not limited to, the client’s financial position, investment objectives,

acceptable risk tolerance ratio, knowledge and trading experience in the Financial Markets.

2. Opening a special account other than the client's Cash Trading Account - if any- under the name of "Margin Trading Account" for its client wishing to have this service.
3. Opening a Margin Trading Account at the Depository for each client wishing to deal with it via the Margin Trading and complying with the instructions and procedures of the Depository thereon.
4. Ensuring the legal capacity and financial solvency of each client.
5. At the time of opening the Margin Trading Account, client shall deposit a cash balance not less than the amount determined by the Authority.
6. Making sure that the client has determined the securities that wishes to be purchased via margin and their value and has deposited the Initial Margin in his account at the Company as percentage prescribed in the Margin Trading Agreement as well as issued purchase orders for such securities before the Company's purchase of such securities and the implementation of the Agreement terms.
7. Registering the securities purchased via Margin Trading at the Depository under the name of the client. In the event of distribution of bonus shares and capital increase shares related to the securities purchased via Margin Trading, these shares shall be added to the client's Margin Trading Account opened at the Company.
8. Notifying the client at the end of each working day of any decrease in the Maintenance Margin percentage determined in the Agreement after taking into account value of the collaterals provided by the client in order to cover the shortage in the account, either cash or other collaterals as prescribed in Article (12) of these rules, within two working days from the date of notifying the client thereof.
9. Providing the client with a daily statement of account, showing the trading history of the securities purchased via Margin Trading and the ownership percentage in this account as well as any increase or decrease in this percentage from the previous day.
10. In all cases, the Company shall notify the client of any decrease in the Maintenance Margin limit determined in the Agreement.
11. The Company may pay for any purchase transactions via the client’s Margin Trading Account in accordance with the agreed percentage in the Agreement after depletion the full Initial Margin deposited by the client.
12. The Company shall not, prior to paying for the client, charge or collect expenses specified in the Agreement or other costs, except for trading commissions for shares purchased from client's funds.

13. The Company shall transfer the cash Initial Margin deposited by the client in the Margin Trading Account or the equivalent of securities purchased using the Initial Margin or securities deposited as an Initial Margin by the client to the cash account in the event that ,within ten days from the date of initial deposit, the cash Initial Margin is not depleted, or did not use the percentage of funds allocated by the Company as agreed upon in the Margin Trading Agreement.
14. If the full amount of funds allocated by the Company during the period mentioned above (ten days from the date of the initial deposit) is not depleted, the Company shall notify the client of the value of his contribution in the Margin Trading Account. The notification shall include the client's right to dispose the excess in the value of client's contribution to the Margin Trading Account in accordance with Article (6 -item 11) and shall choose among the following alternatives:
    a. Request to sell the excess and obtain cash.
    b. Request to transfer the excess to cash account.
    c. Request to maintain the excess in the Margin Trading Account as an additional collateral.
    d. Request to use the excess as an Initial Margin for the purchase of other securities via margin as per the percentage agreed upon in the Trading Agreement.

Article (11)
Continuous Obligations

The Company licensed to conduct the Margin Trading activity shall, on ongoing basis, comply with the following:

1. Maintaining capital adequacy in accordance with standards determined by the Authority.
2. The total funds allocated for Margin Trading by the Company shall not exceed (100%) of the net equity according to the latest audited annual financial statements.
3. The money paid on behalf of each client for purchasing one security shall not exceed (10%) of the money allocated by the Company for this activity and without exceeding (30%) for all Company's clients on this security of the total funds allocated for the activity.
4. The money paid to the client for the purpose of Margin Trading shall not exceed (10%) of the total funds allocated for Margin Trading.
5. The Initial Margin shall not be less than (60%) of the market value of the securities to be traded via Margin Trading.

6. The Maintenance Margin shall not be less than (30%) of the securities' market value in the Margin Trading Account at any time after the purchase date.
7. Organizing separate accounts dedicated for the Margin Trading service.
8. The Company shall provide the Authority with all the facilities agreements made between the Company and the banks or the Islamic banks in relation to the Margin Trading activity.
9. Notifying the Authority and the Financial Markets at the end of each week about a summary of Margin Trading activity including value of money allocated for this activity, their funding sources and the used amount, names of Margin Trading Accounts' clients, money paid on behalf of each client, and any actions related to those accounts taken by the Company during the week.
10. Reviewing Margin Trading Accounts for all clients at the end of each working day. If the Company exceeds the percentage determined in item (3) of this Article, the Company shall immediately stop purchasing this security in Margin Trading Accounts.

Article (12)

Collaterals of Margin Trading Account

1. Collaterals shall not be accepted in the Margin Trading Account except for the securities purchased via Margin Trading in that account, the securities allowed to be traded via Margin or cash balances received from the client in that account.
2. With exception of the provisions of paragraph (1) of this Article and based on the Authority's approval, the Company may accept additional collaterals in the Margin Trading Account in addition to the provisions of the previous paragraph in the two following cases:
    - **a.** Continued decline in the market value of the security in the Margin Trading Account as a result of exceptional circumstances.
    - **b.** Suspend or stop the trading of securities purchased via Margin Trading for more than seven working days.

Article (13)

The Authority shall determine the securities, allowed to be traded via Margin Trading or to be deposited in the Margin Trading Account as an Initial Margin or provided by the client as collateral in that account, and the minimum percentages of Initial Margin and Maintenance Margin.

Article (14)

The ownership of the securities purchased by the client via Margin Trading shall entail rights to the Company, which financed those securities and this right shall be established after depletion of the Initial Margin deposited by the client and the financing started by the Company. This Company may claim its rights owed on its client's creditors even if they have special or general privileges.

Article (15)

The Company may close the Margin Trading Account and determine its rights related to the securities held by any of its clients without referring to the client in the following cases:

1. In the event of the client death
2. If the client has been put under liquidation, or if a bankruptcy or seizure claim was made against him.
3. If the Company has received a notice of seizure issued by a competent authority in relation to its client's securities.

Article (16)

The Company, in the event of any of the cases referred to in Article (15) of these rules, shall inform the Authority and the Depository via a written statement including the name of its client, describing the situation that necessitated closing the client's account, the number and type of the securities held by its client, and amount of the cash balance of the securities purchased via Margin Trading during the period not exceeding the second business day from the date of knowing the occurrence of the situation. The Company may then sell the relevant amount of securities that is enough to meet the balance owed to it, without the need to obtain authorization thereto.

Article (17)

The Company shall be responsible for the damages that may affect the client or a third party in the event of using the authorization given pursuant to the preceding Article in an illegal manner or based on an incorrect data.

Article (18)

The Financial Markets shall verify the compliance of the Company with the provisions of these rules and notify the Authority of any violation thereof.

Article (19)
Violations and Sanctions

The Authority may suspend the Company from conducting the Margin Trading activity in any of the following cases:

1. Exceeding the percentages prescribed in these rules.
2. Committing serious violations of the Capital Adequacy Standards issued by the Authority.
3. Breaching any terms or licensing requirements set forth in these rules or breaching any terms of Margin Trading Agreements signed with the clients.
4. Not keeping separate accounts and records for both Cash Trading Account and Margin Trading Account.

Article (20)

The Authority may decide to suspend the implementation of these rules in full or by some Companies or some clients according to the discretion of the Authority and the market interest.

Article (21)

Any person violating the provisions of these rules shall be punished in accordance with the Law, regulations, decisions issued in pursuance hereof, and any other relevant legislations.