

2020

# Key Persons Dealing and Insiders Trading Policy

الإِثْمَارُ القَابِضَةُ  
Ithmaar Holding



Ithmaar Bank

Compliance and AML Department

21-Jun-20

<b>Volume</b>	<b>High Level Controls</b>
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## 1.0- Introduction

Below documented guidelines are considered as part of the Central Bank of Bahrain ("CBB") and Bahrain Bourse ("BHB") requirements to develop frameworks and practices relating to the risk management systems and controls within the financial institutions.

The purpose of these guidelines are to unify and intensify the handling of insider-trading issues in Ithmaar Holding B.S.C. (the "Company") and thus increase confidence in the Company's operations. The trading practices of the insiders shall be such that they do not undermine such confidence.

These guidelines reflect common practices exercised by prudently managed listed companies / financial institutions. Many listed companies / financial institutions are already meeting these requirements and therefore the benefits of the guidelines in terms of enhanced public confidence will be more than proportionate to the cost.

These guidelines are also applicable to the Company's directly held key operating subsidiaries (including their employees), namely Ithmaar Bank B.S.C. (c) and IB Capital B.S.C. (c).

## 2.0- Definitions

**Beneficial Owner** – The term "beneficial owner" of securities refers to any person who, even if not the recorded owner of the securities, has or shares the underlying benefits of ownership. These benefits include the power to direct the voting or the disposition of the securities, or to receive the economic benefit of ownership of the securities. A person is also considered to be the "beneficial owner" of securities if that person has the right to acquire such securities within a certain period of time, either by option or other agreement. Beneficial owners include persons who hold their securities through one or more trustees, brokers, agents, legal representatives or other intermediaries, or through issuers in which they have a "controlling interest", which means the direct or indirect power to direct the management and policies of the issuer, or any other entity in question.

**The CMSD**– means the Capital Markets Supervision Directorate at CBB.

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**Connected Person** – in relation to:-

(a) an individual, means:-

- (i) the individual's spouse, and his/her son, adopted son, stepson, daughter, adopted daughter, step-daughter, father, step-father, mother, step-mother, brother, step-brother, sister or step-sister; under his/her guardianship or control, or
- (ii) a firm or a corporation in which the individual or any of the persons mentioned in sub-paragraph (i) has control of not less than 10% of the voting power in the firm or corporation, whether such control is exercised individually or jointly;

(b) a firm or a corporation, means another firm or corporation in which the first-mentioned firm or corporation has control of not less than 10% of the voting power in that other firm or corporation.

**Directors and Senior Management** – This term includes (a) the issuer's directors, (b) senior management: Chief Executive Officers, Deputy Chief Executive Officers, Presidents, Heads of Finance, Heads of Business Departments, Head of Control Departments, Secretary to the Board of Directors and its Committees (c) partners with unlimited liability, in the case of a limited partnership with share capital, (d) nominees to serve in any of the aforementioned positions, and (e) founders, if the issuer has been established for fewer than two years.

**The Bourse / BHB** – means the Bahrain Bourse or any other bourse where the Company's shares have been listed.

**Inside Information** - means information (a) which is of a precise nature relating directly or indirectly to one or more security or securities of the Issuer; (b) which has not been made public; (c) which, if it were made public, would likely to have a significant effect on the price of those securities or any related derivative security; and (d) directly or indirectly, related to derivatives of commodities which the traders expect to be disclosed according to the market regulations.

**Insiders** -

Means any person who has obtained inside information: (a) By virtue of his employment or profession; (b) Being an officer or shareholder of the issuer of the securities; or (c) Through illegal means.

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A person may be an insider if he is already aware that such information is classified as inside information, even though none of the above applies to him. All persons who have access or come into possession of material inside information before its public release are considered insiders. Such persons include controlling shareholders, directors and senior management, officers and employees, and frequently should also include any officials of the CBB and the Exchange who have access to such information, outside attorneys, accountants, auditors, underwriters, investment bankers, public relations advisers, advertising agencies, consultants and other independent contractors. The husbands, wives, immediate families and those under the control of insiders may also be regarded as insiders. Where acquisition or other negotiations are concerned, the above relationships apply to other parties to the negotiations as well. Insiders include "tippees" who come into possession of material inside information.

For the purpose of these guidelines, the insiders are defined as persons included in Annexure 1.

**Insider Officer -**

The person in-charge for maintaining the Register on insiders.

**Insiders' Register/The Register** – the Register as required to be maintained in accordance with Bahrain Bourse guidelines on Key Persons' dealings issued 4 November 2010 & CBB Prohibition of Market Abuse & Manipulation (MAM) rulebook.

**Insider Trading** - "Insider trading" refers not only to the purchase or sale of an issuer's equity and debt securities, but also to the purchase or sale of puts, calls or other options with respect to such securities. Such trading is deemed to be done by an insider whenever he has any beneficial interest, direct or indirect, in such securities or options, regardless of whether they are actually held in his name. Included in the concept of "insider trading" is "tipping", or revealing inside information to outside individuals, to enable such individuals to trade in the issuer's securities on the basis of undisclosed information.

**Issuer** – references to the "issuer" means the company whose securities are being or have been offered or listed, and refers to the company on a consolidated basis, unless the context indicates otherwise.

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(The terms "issuer" and "listed company" in these guidelines are interchangeable, as they have the same meaning).

**Market Information** - means any published information about trading or non-trading in certain types of securities, their number, prices, range of price for trading, or the identity of those involved or who may be involved in any capacity, such as trading. Market information consists of one or more of the following facts:

- a) the securities of a particular kind have been or are to be acquired or disposed of, or that their acquisition or disposal is under consideration or the subject of negotiation;
- b) the securities of a particular kind have not been or are not to be acquired or disposed of;
- c) the number of securities acquired or disposed of or to be acquired or disposed of or whose acquisition or disposal is under consideration or the subject of negotiation;
- d) the price (or range of prices) at which securities have been or are to be acquired or disposed of or the price (or range of prices) at which the securities whose acquisition or disposal is under consideration or the subject of negotiation may be acquired or disposed of;
- e) the identity of the persons involved or likely to be involved in any capacity in an acquisition or disposal of a security.

**Materiality** – information is material if its omission or mis-statement could influence the economic decisions of the users taken on the basis of the financial statements. For the purpose of this Module, a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

**Non-Confidential Information** - information is not confidential if (a) it has been made available to the public by virtue of being disclosed; (b) it is in the form of a summary or collection of information so framed that it is not possible to ascertain from it information relating to any particular person.

**Person** – means any natural or legal person.

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**Share/ Securities** – means a share in the paid-up share capital of the Company and includes stock, except where a distinction between stocks and shares is expressed or implied.

### 3.0- Scope

These guidelines shall be considered as basic instructions on the handling of insider-trading issues, as well as serving to outline an insider’s duty to declare and restrict trading on behalf of the Company.

It is imperative that the insiders understand the details of these guidelines and in particular, the implications of failing to follow these guidelines. If any insider is in any doubt, he must contact the Insider Officer.

### 4.0- Objective

The primary objective of this Policy is to ensure that all Insiders of the Company are fully aware of the legal and administrative requirements, in such a way as to prevent any abuse of inside information.

The main objectives of this Policy are:

- a. To operate under the principle of full transparency, through on-going disclosure.
- b. To set out obligations on the Company’s employees, in relation to the insider information possessed by them and any insider holdings, if applicable.
- c. To promote a culture of organizational and self-compliance among the insiders within the Company and for overseeing the obligations of the Company to operate appropriate systems and internal controls, in order to meet the expected standards in the most efficient manner.
- d. To maintain standards of conduct at the highest level of integrity.
- e. To avoid any conflict between the insiders’ and the Company’s’ interests, and to protect the interest of shareholders.

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## 5.0- Definition of Inside Information

Inside information shall refer to facts relating to the Company which have not been published, or which have not otherwise been available in the market and which is likely or most likely to have a material effect on the value of the Company's share value.

Inside information may include but not limited to information on:

- All information that requires prompt announcement, as per the CBB requirements and Listing Rules.
- A merger or demerger of the Company or other significant corporate actions.
- Issuance of a security, a purchase or redemption offer or another change relating to the paid-up share capital of the Company.
- The contents of the quarterly, semi-annual and annual financial statements.

The prohibition against abuse of inside information applies also to all Insiders of the Company including the directly held key operating subsidiaries, who will observe absolute confidentiality of all information obtained in connection with their duties, or in any other manner.

Any person who is in possession of inside information shall not use such information to:

- Deal in any securities to which that information relates;
- Encourage any person to deal in any securities to which that information relates;
- Disclose inside information to any other person, otherwise than in the proper performance of the functions of his employment, office or profession.
- Violate the rules governing the publishing of market information.

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## 6.0- Determination Of Insiders

For the purposes of the Policy, the Insiders are divided into following two separate categories:

### 6.1 *PERMANENT INSIDERS*

“Permanent Insider” means members of the Board of Directors of the Company, its senior management, the Company itself, and such other persons as decided by Insider Officer in consultation with the Chief Executive Officer (CEO),, Deputy CEO Business Group and Deputy CEO – Support Group to have access to inside information relating to the Company from time-to-time (refer to Annexure 1)

### 6.2 *TEMPORARY INSIDERS*

“Temporary Insider” means any person who is an insider, but not a permanent insider. The Insider Officer, in consultation with CEO, Deputy CEO Business Group and Deputy CEO – Support Group, can designate any permanent insider as temporary insider (who has left the Company for example) till the reporting date relating to publication of subsequent financial results of the Company.

## 7. Prohibition Against Abuse Of Insider Information And Confidentiality

- a. The prohibition against abuse of inside information and confidentiality shall apply to all persons who possess inside information in spite of where from or how the information has been received.
- b. Information having an effect on the value of a Company’s shares shall be deemed published when a Company’s information bulletin relating to the information has been submitted to the Bourse, and/ or has been made available to the market through the press.

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## 8. Declaration And Maintenance Of A Register On Insiders

For the purpose of below clauses, the Insider Officer/ designated staff shall be the person in-charge for maintaining the Register on insiders.

### 8.1 PERMANENT INSIDERS

#### 8.1.1 Declaration Requirements

Insiders shall provide to the Insider Officer personal data and information on people under their guardianship or control, as well as on corporations controlled by them, and corporations in which they exercise influence, by completing a specific declaration form.

#### 8.1.2 Initial Basic Information Declaration Form

A specific form shall be used for completing the declaration of basic personal information. The declaration shall be submitted to the Insider Officer within a maximum of 8 calendar days from the date the person concerned assumed duties, subject to the disclosure requirement. **(Annexure Form KP1)**. The Insider Officer shall submit the form to the Bourse within 10 calendar days.

#### 8.1.3 Declaration of Insider's Beneficial Ownership Form

A specific form shall be used for completing the declaration of insider's beneficial ownership. The declaration shall be submitted to the Insider Officer by the Insider within a maximum of 10 calendar days from the date the person concerned assumed duties, subject to the disclosure requirement. **(Annexure 2)**

#### 8.1.4 Changes in Declared Information

Any changes in personal data and information or change in beneficial ownership or holdings of securities shall be notified to the Insider Officer (by the insider) by the end of the next business day following the date the change took place.

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### **8.1.5 Permanent Insiders in More Than One Listed Company**

Any employee of the Company who is an insider in any other listed company must complete the required declaration forms for each listed company (for submission to respective company's insider officer) for which he possess any insider information as defined in the Policy.

## **8.2 MAINTENANCE OF INSIDERS' REGISTER**

The Company shall create a separate register called the "Insiders' Register", which shall be maintained at its headquarters in Bahrain. The Insiders' Register shall be made available for investigation and inspection to the authorized officials (auditor's, regulator's etc.) at all times. The Insiders' Register shall be maintained and kept by the Company for a minimum period of 5 years.

## **8.3 INFORMATION TO BE ENTERED IN THE INSIDERS' REGISTER**

### **8.3.1 Basic Information Relating To A Person With The Duty To Declare**

- a. Upon the appointment, election, or employment or as the case may be, the Company shall declare in writing to a person belonging to the permanent insiders of his insider position in the Company or any other listed company. **(Annexure Form 2)**
- b. Any person belonging to the permanent insiders shall also be under an obligation to declare to the Insider Officer, basic personal data and information on himself, any person under his guardianship or custody, a corporation in which he exercises control or influence, as well as any changes in this information for the purpose of creating a register for these details.
- c. The declaration shall be submitted to the Insider Officer and included in the Insiders' Register of the Company within a maximum of 10 calendar days from the date on which the Insider was informed with his duty to declare, or from the date when a change took place in the information declared.

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### 8.3.2 Information on Insiders' Beneficial Ownership:

The insider's own holdings, as well as the holdings of any persons under his guardianship or control, and of corporations in which he exercises control, and changes in the holdings shall be entered in the Insiders' Register. Securities issued by the Company shall be subject to the duty to declare.

As the registration of holdings and any changes therein varies in different situations, different actions are required from the insiders as follows:

- a. Changes of the securities traded on the Bourse are electronically entered in the Central Depository System. However, the insider shall report to the Insider Officer within a maximum period of 2 business days of such changes.
- b. When a transaction or other change (e.g. gift, inheritance, or any permitted off-the-market transactions) has been concluded outside the Bourse, an insider shall personally ensure that the declaration of the change is made, and that the change will be entered in the Insiders' Register.
- c. When a change is related to securities other than those deposited with the CDS system (e.g. derivatives contracts, options based on an employment relationship, a security of a Bahraini listed company quoted abroad), an insider shall himself ensure that declarations of the change are made and entered in the Insiders' Register.
- d. All the above mentioned changes shall be completed and submitted to the Insider Officer by the Insider within 8 calendar days following the date of change. **(Annexure Form KP2)**. The Insider Officer shall submit the form to the Bourse within 10 calendar days

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#### **8.4 TEMPORARY INSIDERS**

When the Company expressly defines any person(s) as a Temporary Insider, the declaration and information relating to those insiders should be entered into the Temporary Insiders' section by the Insider Officer within the Insiders' Register.

The names of the employees of the regulators, such as CBB, BHB, MOICT, Boursa Kuwait & Dubai Financial Market etc. should not be entered into in a temporary Insiders' Register (and hence separate KP forms not need to be maintained), as they are governed by their internal code of conduct, which includes restrictions on dealings in securities. Further, external consultants involved in assisting with strategic initiatives for the Company and/ or key operating subsidiaries will be considered as temporary insiders.

The following information relating to the Temporary Insiders shall be entered into the Register:

- a. The date at which such person becoming a Temporary Insider (i.e. date of project).
- b. The persons (names) as well as the represented corporation or authority of the persons outside the Company who have been given information on the project.
- c. The date when the notification of entry in the Register has been given to a Temporary Insider.
- d. The date when a Temporary Insider has submitted notification of the project (if this moment is different from the moment of notification of entry in the Register), presuming that the moment, when the notification has been submitted, is known to the Insider Officer.
- e. The termination of the project as a result of either publication or expiration thereof as well as the date of termination.
- f. The Register shall be confidential.

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- g. A person entered in the Register shall be notified of the entry made and of its significance in writing. The restrictions on the operations resulting from entry in the Register may vary, depending on the stage at which the Register is drawn up or the entry is made therein.

## 9. Restrictions On Insider's Trading

### 9.1 RESTRICTION ON TRADING (CLOSE PERIOD)

The permanent insiders shall schedule their trading of Company's shares so that their trading will not undermine confidence in the securities markets.

Following the publication of financial statements by a company, Permanent Insiders of that company must refrain from trading and wait until the commencement of the following day's trading session, or after 24 hours, whichever is less, after the publication of the financial statements have been released in the local newspapers.

### 9.2 SCOPE OF THE RESTRICTION ON TRADING

The restrictions on trading shall be applied to the Company's declared insiders as well as to persons under their guardianship and control, and corporations in which they exercise control or influence the decision-making of the company.

An insider shall also be responsible for compliance with the restriction on trading when the management of the securities of the insider has been assigned to another party.

The restriction on trading shall not be applied in cases where:

- buying securities by subscribing or obtaining them directly from the Company or its group.
- receiving securities in consideration of redemption, merger, demerger, or as compensation in accordance with a public tender offer, or in another comparable manner.
- receiving shares as dividends (bonus shares), or another form of payout from retained earnings.

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- d. receiving securities as compensation for work or other performance or service.
- e. receiving securities as inheritance under a will, as a present or as a result of partition of an estate, or by means of similar acquisition.

It should be noted that the prohibition against the abuse of inside information shall also be valid when deviating from trading restrictions.

## 10. Management and Supervision Of Insiders

The Company shall organize regular supervision of the permanent insiders to verify the information declared to the Insider Officer at least once each year. The receipt of required information from the insider due to trading or otherwise through any means will be sufficient evidence to meet the requirement of yearly verification.

The Company shall, where necessary, case-by-case, verify the trading of securities of its insiders more diligently, for example if a permanent insider deals with a large volume of securities or the insider is trading frequently.

It is however, the Insider's responsibility to promptly inform the Company in in writing case of dealing in securities.

Any violations of the CBB regulations and the guidelines for Insiders shall be reported by the Insider Officer to executive management and immediately to the CBB.

## 11. Annual Verification

Insiders' Register data shall be verified at least once a year before the Annual General Meeting by the internal auditor of the Company. The result of such verification shall be forwarded to the CBB by the internal auditor not more than 10 calendar days after the date of the Company's AGM.

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## 12. Responsibilities of Insider Officer

1. The Insider Officer will ensure compliance with the policy guidelines on Insiders, the prohibition of the abuse of the inside information and the disclosure requirements concerning insiders.
2. Securities transactions by insiders (subject to insiders providing prior notice to Insider officer) will be supervised on a proactive basis by ensuring, prior to any transaction, that there is no impediment to securities trading or other securities transactions. Securities transactions by insiders entered in the Insiders' Register will primarily be supervised by the reconciliation of all securities transactions from the shareholders' register against the declarations of insider holdings.
3. The Company will notify the Insider Officer for the Insider issues when an individual's employment or service contract commences and expires.
4. The Company will be responsible for providing new Insiders with the Company's policy, and the Insider Officer will provide them with the training and instructions.
5. Each employee who has concluded an employment or service contract with the Company is personally responsible for filing the required declarations of his insider holdings and tradings with the Insider Officer

### **12.1 TRAINING AND INFORMING**

- a. The Insider Officer will ensure that the insiders, in particular permanent insiders, are fully aware of the restrictions and their obligations to its guidelines on insiders and that they recognize their position and the effects thereof.
- b. When a new insider position is accepted, as well as when amendments take place in the provisions on insiders in the laws or in provisions issued by the CBB, or the company itself, the Insider Officer is required to disseminate such changes and train the insiders accordingly.

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## **12.2 MAINTENANCE OF INSIDERS' REGISTER AND DECLARATION**

- Receipt, examination and forwarding of declarations and trading's of the insiders of the Company to the BHB.
- The drawing up and maintenance of the Insiders' Register.

## **12.3 SUPERVISION OF THE INSIDERS' TRANSACTIONS**

### **12.3.1 Prior Approval**

Any insider must notify the Insider Officer and obtain its written approval, prior to the submission of any order to a licensed broker to buy or sell securities.

### **12.3.2 Validity of Approval**

The Insider Officer's approval will be valid for not more than 20 calendar days from the date of approval, which will be indicated when the approval is granted. After this time, the approval is no longer valid and new approval will be required.

### **12.3.3 Withdrawal of Approval**

The Insider Officer will have the authority to withdraw or cancel the approval so granted to any insider by a notice in writing, if during the validity of approval there is any new development that may affect the securities price.

### **12.3.4 Refusal of Application**

The Insider Officer will refuse to grant approval on any application, the execution of which is likely or most likely:

- To result in a breach of any of the provisions of rules, regulations or circulars, whether in a specific or general nature issued by the CBB regarding the insiders' holding or trading.
- If such transaction or order abuses inside information.
- If such transaction or order includes conflict of interest between the applicant and the listed company's interest.
- On any other event where the department deem it necessary to protect the interests of the company and its shareholders.

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### 12.3.5 Acknowledgment requirement

The Insider Officer will inform the applicant of its decision within a maximum period of 2 business days, and a copy of such acknowledgement should also be kept in the Insiders' Register.

## 13. Penalties

Penalties for non-compliance will be dealt with in accordance with Article 160-172 of the CBB Law and clause A.1.9 of MAM rulebook of the CBB (Volume 6), which specifies as follows:

*Part 11 of the CBB Law (Articles 160 – 172) provides for penalties for various contraventions and violations of the provisions of the CBB Law:*

*Article 167 specifically provides penalty for the offences of abuse of inside information and states that: "Without prejudice to any greater penalty prescribed in the Penal Code or under any law, a person who contravenes Article (100) of this Law, while he is fully aware, shall be liable to imprisonment for a term not exceeding six months and a fine not exceeding Bahraini Dinars (10,000), or either penalty".*

*Article 168 specifically provides penalty for the offence of market manipulation and states that: "Without prejudice to any greater penalty prescribed under the Penal Code or any other law, a person who contravenes Article (106) of this Law is guilty of an offence of market manipulation and shall be liable to imprisonment for a term not exceeding six months and a fine not exceeding Bahraini Dinars ten thousand (10,000), or either penalty".*

Further, in accordance with clause 5 of Bahrain Bourse's "Guidelines on Issuers' Key Persons Dealing in securities accepted for trading on the Bahrain Stock Exchange", any violation of the dealing policy by key persons employed by or under contract with the issuer including directors, employees, consultants or contractors, may result in action being taken to terminate their service with the Issuer.

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#### Annexure 1 – List of Insiders

The below list is applicable for:

- Ithmaar Holding B.S.C.
- Ithmaar Bank B.S.C. (c )
- IB Capital B.S.C. (c)

<b>S. no.</b>	<b>Designation/ description</b>
1	Members of the Board of Directors
2	Members of Sharia Supervisory Board
3	Senior Management (AGM/ Head of Department and above) as maintained by HR department
4	All employees of: <ul style="list-style-type: none"> <li>• Financial Control Department</li> <li>• Corporate Communications</li> <li>• Compliance &amp; AML (including MLRO &amp; Deputy MLRO)</li> <li>• Internal Audit</li> <li>• Risk Management</li> <li>• Legal Department</li> </ul>
5	Issuer (Ithmaar Holding B.S.C.)
6	External auditors (Partner in-charge)
7	Consultants involved in dealing with inside information (temporary insiders) (Partner in-charge)
8	Agency designers involved in dealing with inside information (Partner in-charge)
9	Any other insider as designated by Insider Officer in consultation with CEO and Deputy CEO's

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