

## **Custodian Entity Instructions No. (17) For the year 2012**

### **Item (1): (Definition)**

The definitions it means the following;

Commission: Securities Commission.

Stock Exchange: Iraq Stock Exchange certified entity by the Securities Commission.

Centre: Iraq Depository Centre.

**Custodian:** Is the Moral Person who's duly authorized by Securities Commission to conduct Custodian Activity besides maintaining and converting securities for his sponsored investor to broker's investor account and vice versa, and fulfill its liabilities which may occur upon trading on behalf investors.

**Custodian Entity:** The activity which is conducted by the Custodian Entity in accordance with hereby instructions  
**Securities:** Bonds and Shares issued by Shareholding Companies, and bonds issued by the Government and any other securities accepted by Securities Commission.

### **Item (2) (Licensing Terms)**

To obtain Custodian Activity for Securities the following terms must be fulfilled:

1. Applicant for Custodian must be Moral Person in one the following forms:
  - a. A Certified Iraqi Bank with obtaining conditionally approval of Iraqi Central Bank to conduct such activity.
  - b. Iraqi Shareholding Company specialized in providing Financial Services.
  - c. A branch for Foreign Bank duly authorized by its main bank to conduct such activity obtaining conditionally approval of Iraqi Central Bank to conduct such activity.
2. To conduct such activity the paid up capital must be no less than (50,000,000,000) Billion Iraqi Dinar.
3. Providing necessary electronic programs in order to execute such activity in accordance with instructions made by Iraq Stock Exchange (ISX) and approval of Securities Commission.
4. Providing sufficient specialized administrative and technical expertise besides competency required for those managing the administration process and to conduct Custodian activity, and should be well-reputable persons and not of those either condemned of moral or trustworthiness violation.
5. To have internal auditing system sponsoring safety of enforcement of law, procedures and decisions made by the system and instructions generally accepted by Iraq Stock Exchange (ISX) and notifying Stock Exchange (ISX) of any violations may occur immediately.
6. Providing what is benefiting for Insurance to ensure the responsibility for any damages may occur to investors resulted in risks of business, career responsibility, loss, damaged, stealing investors' documents or even their money all in accordance to what the commission considering it right.
7. Custodian Activity must be conducted through independent administration to ensure the independency of employed rules and communication lines related to practicing such activity to prevent any conflict of interests or misuse of money.
8. Paying amount of (250,000,000) for membership.
9. Providing bank warrantee of no less than (1,000,000,000) Iraqi Dinar to be made to the Iraq Stock Exchange when the approval of applicant is granted by Commission and Iraq Stock Exchange (ISX), the Commission retain the highest right

of deciding whether the bank warrantee presented by the applicant is considerable or not to ensure if it deems there is a need commensurate with risks in some Custodians.

10. The commission will consider the necessity of presenting any other additional requirements or terms in accordance with public interest.

**Item (3): (Request of License)**

To obtain the License of Securities Custodian Entity the application must be sent to Iraq Stock Exchange for decision and to be forward it to Securities Commission for ratification considerably fulfilling all instructions mentioned in Item no. (2) Above made for therefore purpose and accompanied with information, data and documents supporting the application and exclusively the below:

1. Legal form for licensing and registration date with report showing the names of Boar of Directors and Executives.
2. Agreement form representing Custodian Activity for Securities and should stating the following information and data:
  - a. Definition of Custodian activity for Securities.
  - b. Defining of all personal data relating to investor or whom is acting on behalf of him, and the nature of his work and affiliation with statement of communication means.
  - c. Defining the mechanism which will be used to apply the principle (know your Investor).
  - d. Defining how to deal with the money obtained for the benefit of investor.
  - e. Defining brokerage values which investor bear.
  - f. A detailed statement of liabilities and rights resulting from each Investor and Custodian.
  - g. Ensuring that the investor solely responsible for his liabilities resulting from instructions released to Custodian unless resulted from non-commercial damages of career responsibility or might be resulted from stealing, losing or damaging documents directly relevant to investors of their money.
  - h. Statement showing the proposed mechanism to settle conflicts with investors.
3. Statement showing any liabilities or legal obligations directly relevant to Custodian.
4. Statement showing the name of Chief Executive Officer (CEO), Internal Auditor and relevant portions whose managing the activity of Securities Custodian with providing statement of description for each of them.
5. Statement showing employed technical regulations and proposed process to provide Custodian Activity in accordance with technical requirements and regulations which Stock Exchange (ISX) construct and generally accepted by Securities Commission.
6. The Securities Commission may require from the Licensing applicant to provide any clarifications, information or other documents if it deems there is justification therefore.

**Item (4): (Custodian Functions)**

Custodian functions shall be determined in accordance with Custodian Agreement which agreed on with investor and includes the following:

1. Opening securities account for each investor and preparing independent file for each one of them separately including all paperwork, documents and practices which occurred at his account.
2. Maintaining securities and commencement of relevant rights including receipt of benefits, profits and right o subscription, and attending General Assemblies meetings to vote for on behalf of investor according to his instructions.

3. Updating the investor immediately on all procedures and decisions made by shareholding companies and rights directly relevant to his securities by communication agreed on with taking into consideration of Investor's interest.
4. Mortgaging entry directly relevant to securities or freeze it upon investor's desire of his acting entity.
5. Transferring securities to the Broker (Seller) and accepting transferring it from Broker (Buyer) through the Iraq Stock Exchange (ISX) on behalf of the investor in accordance with internal procedures stated by Stock Exchange (ISX) and generally accepted by the Commission.
6. Submitting request of transferring securities equity to Iraqi Depository Centre within exceptional situations of trading.
7. Transferring securities from investor's account to Custodian account in accordance with investor's request.

**Item (5): (Obligations of Custodian)**

The Custodian shall be obligated by the following:

1. An agreement of retaining securities shall be signed with each investor clearly implied all investor's information and data accompanied by investor's identity, personality and eligibility as proof of making contract, one copy should be sent to Iraq Stock Exchange.
2. The custodian is not entitle to dispose of securities which deposited at his possession except in accordance with securities law and decisions issued by required law thereof and in accordance with terms of agreement agreed upon with investor.
3. Implementation of instructions issued by his investor especially that directly relevant to attending General assembly meeting and participation of voting on behalf of investor in form achieving his investing goals.
4. Notifying the investor of (24/h) transferring operation that occurred on his account and this is in accordance with notification mean agreed upon on between investor and custodian.
5. Notifying the investor of detailed monthly statement of account clearly showing all trading and transferring process, which occurred on his account with providing of up-to-date statement for securities or cash deposited at his account.
6. Complete separation between Custodian account and his investors account with taking into consideration preparation of separate record for each of custodian and investor to include full data directly relevant to each.
7. Maintaining confidentiality of information that relevant to investors and not to either expose their names to public nor stating any information or details related to their accounts.
8. Required records and paperwork should be kept with Custodian to conduct activity of use of computer techniques or other modern means available in accordance with Standard Accounting Principles provided that these records with its copies and other available data should be saved on Company's computer system for period of (15) years to ensure that investors' data is safe and not exposed to damage.
9. Constructing internal-System ensuring the safety of choosing providing service, observation and internal auditing and ensuring that each one of them is working properly and enlighten them on career and morals principles.
10. Allowing Iraq Stock Exchange (ISX) and Securities Commission to examine all information, data and documents directly relevant to Custodian of Securities activity and other details such as data of ownership or any other investor.
11. Retaining of minimum capital with bank warrantee which is agreed upon on.
12. Paying amount of (10,000,000) for annual participation.

13. Providing the annual quarter report for financial state for the Custodian verified by internal auditor and Chairman of Boar of Director stating all actions occurred during that period, notification of any deficit that would affect the safety of his financial position must be immediately sent to the Commission.
14. Providing the annual report on less than (30) days of fiscal year ended verified by chairman of board of directors and internal observer showing closing accountability records and annual budget audited by certified auditor, to include all works related to custodian and number of investors in addition to most important events that would impact providing of service, with statement of any liabilities or obligations or any other issues directly relevant to custodian or any other change and such report submitted by auditor who is acting as effective auditing internally at the custodian.
15. Providing the Iraq Stock Exchange (ISX) with details, data and ownership of any investor whenever is needed.

**Item (6): (General Law)**

To organize Custodian function the Iraq Stock Exchange (ISX) must issue the following instructions;-

1. Requirements of opening account for Custodian's Investors.
2. Procedures of Share and Monetary Settlement.
3. Required procedures to execute (Sell + Buy) Orders between Investor, Broker and Custodian.

**Item (7): (Penalties)**

First: In case of any violation of these Resolution's Regulations by the Custodian, the Commission or Iraq Stock Exchange (ISX) is entitled to take the following actions against it accordingly:

1. Directing warning and obligating him of removing any violations on specified period determined by the Commission or Iraq Stock Exchange (ISX).
2. A fine of no less than the stated in Securities law no. (74) or any other law stated therefore will be imposed.  
Second. The ISX retain the right to retrieve custodian from conducting his activity and call-off license which granted to him and the commission will do so in any case of mentioned below. Cancellation decision will be disseminated by means available for Iraqi Stock Exchange (ISX) of the Commission.
  1. Failure to fulfill any term of licensing terms that state in these instructions.
  2. Obvious violation of any duties and obligations stated in these instructions.
  3. Failure of payment for annual participation.
  4. Issuance of verdict requiring the company to declare its bankruptcy.
  5. Liquidation of licensed company and settlement procedures.