

Instructions NO (4) for 2008 which has been amended at 2011

Pursuant to the CPA ORDER NUMBER 74 INTERM Law ON SECURITIES MARKETS, Section 12, article 12, IT has been decided to issue the following instructions: -

Amended Instructions number 4 for the year 2011 of financial solvency for the brokerage firms.

1. Financial solvency in the application of these instructions means "the adequacy of financial resources of the company to meet its financial obligations on maturity dates and ability to cope with the risks associated with its activities, customers and the securities which it deals with."
2. The provisions of these instructions shall apply on securities brokerage companies.
3. Shareholders equity shall not be less than the minimum capital prescribed by the ISC at any time.
- 4.
- In case of decreasing the property rights of the company mentioned in (3) above during the year, the company must present a letter of credit covering the deference between property rights in the company balance and the minimum by the Commission and ISX must suspend the company's work till the letter reception.
- When the property rights decreasing under the decided minimum at the end of the financial year, the company must take the necessary procedures to settling its capital to the required minimum and ISX must suspend the company's work till the settling procedures completion.
5. The company shareholders shall not withdraw any amount from the company, and the company will distribute profits according to the company's law.
6. The brokerage company should held liquid or like liquid assets (not to exceed the maturity period on one month) in order to cover commitments to customers and all other short-term obligations at rate not less than 100% of it.
7. In order to reach The liquidity amount referred at (6) above of these instructions, private settlements must be making to the terms of assets, according to the following rules :-
 - A. Cash at hand: this item is calculated at rate doesn't pass 10% from the property rights or the monthly costs of the company according to the fewer.
 - B. Deposits at banks: this item is calculated of value and with the exception of the reserved deposits insurance for certain purposes and insurances of customers of buy shares.
 - C. Portfolio: the invested amount in it shall not exceed 65% of the equity including:
 - 1) The listed and traded shares: shall be evaluated at the market price using last closing price from the date of the financial statements.
 - 2) Suspended shares from trading: shall be excluded and the Commission shall determine, on its discretion, the suspended shares under this provision.
 - 3) Bonds in trading issued by the Government of Iraq or the Iraq Central Bank: shall be evaluated by market value and if not possible by the nominal value or the cost according to the fewer.
 - 4) Bonds issued by joint stock companies: They shall be evaluated by market value and if not possible by the nominal value according to the fewer.
 - 5) Mortgaged or reserved securities: the value of those shall be excluded.

6) Unlisted securities at ISX: the value of those shall be excluded.

D. Other current assets: taken into account, any current assets can be converted into cash during month and any current assets can't be converted to cash shall be excluded during the same Period.

8. The broker shall procure accounts receivable balances (which are resulting from the purchase and sale operations of securities) during the period of settlement determined by the ISX.
9. The broker shall register all assets of company by its name and has not arranged any obligations on these assets.
10. The broker shall retain the amended amount of equity by at least (25%) of the annual expenses of the previous year.
11. To reach the amended amount of equity contained in (10) of these regulations is to reduce the amounts set out below from the amount of equity which appears in the accounts of the brokerage company, namely:

- Net value of fixed assets
- Net value of intangible assets
- Net value of establishment expenses
- All exceptions to the current assets contained in (6) above of these instructions.

12. At all time, the brokerage firms shall abide the criteria of financial solvency and to provide both the Commission and the ISX with information, reports and documents set forth in these regulations and any other documents required by the Commission or the ISX to verify the company's commitment to this.
13. The ISX shall verify the compliance of the brokerage firms with the standards prescribed by these regulations or any amendments thereto approved by the Commission.