

Chapter One: Fundamental Principles

Article 1 Title of the Law

The law shall be titled the Law Regarding Securities and shall become effective upon being published in the Official Gazette.

Article 2 General Objectives

The general objectives of the law are to:

- Establish a comprehensive legal framework for the capital markets;
- Establish a permanent ISC;
- Protect investors through full disclosure and prohibiting fraud;
- License and monitor Securities Market participants;
- Enhance economic activity throughout Iraq;
- Ensure Securities Markets and securities related services are fair, competitive, efficient, and transparent;
- Reduce systematic risk in Iraq's capital markets.

Article 3 General Definitions

Refer to the law.

Article 4 Definition of a Security

- The definition of a security encompasses all items that are normally thought of as securities by international standards, such as stocks and bonds, and also gives the Commission the authority to define other financial instruments as securities if they have characteristics similar to commonly recognized securities. The definition specifically excludes insurance policies and financial instruments used to exchange value between banks.
- Treasury bonds or bills issued by the Government of Iraq shall be exempt from all provision of the law except for those making fraudulent transactions in such illegal.

Article 5 Commission Authority Over Public Offers and Publicly Held Securities

This article in conjunction with the definitions of “public offer” and “publicly held securities” grants the ISC the exclusive authority to regulate public offers and publicly held securities. The ISC does not have the authority to regulate the process of private offers of non-publicly held securities, although it may bring an enforcement action for any fraudulent conduct made in connection with a private offer of non-publicly held securities.

Chapter Two: Regulatory Oversight

Article 6 The Commission

The permanent ISC will replace the interim Iraq Securities Commission. The ISC will be an independent governmental commission and shall have a distinct legal personality and administrative autonomy. It shall not engage in any commercial activity. It will report to the Prime Minister and will be headquartered in Baghdad. Commissioners, employees

and agents of the ISC will not be personally liable for actions taken while carrying out their duties.

Article 7 Commission Responsibility and Authority

The ISC shall have all necessary authority to achieve the objectives of the law, pursuant to Article 2, and to carry out its responsibilities, pursuant to Article 5. A non-exclusive list of authorities of the ISC, and the Articles to which they relate, is included in Article 7.

Article 8 Persons Subject to Commission Inspection, Monitoring and Supervision

The ISC may monitor the activities of persons licensed by it or who have issued publicly held securities or who are making a public offer of securities. Additionally, the ISC may inspect the books and records of persons licensed by it.

Article 9 Appointment and Terms of Commissioners

- The ISC will be comprised of five persons, led by a Chairman and Deputy Chairman. The Commissioners shall be appointed by the Prime Minister for five year terms, with one Commissioner's appointment expiring each calendar year. A Commissioner may be reappointed once. A Commissioner can be removed by the Prime Minister prior to the expiration of his/her term only for significant cause.
- The Chairman will possess the grade of a Minister and the other Commissioners shall possess the grade of Deputy Chairman. The Prime Minister shall determine if the three Commissioners not serving as Chairman or Deputy Chairman shall work full-time or part-time.
- Because it is an independent governmental commission, none of the Commissioners may concurrently be employed by a Ministry or other governmental entity while serving in this capacity, although they may receive earned pension payments.
- No other law will obstruct a person from being appointed as a Commissioner.
- The persons who served as interim Commissioners shall be eligible to serve on the permanent ISC without affecting their ability to be reappointed.

Article 10 Administration of the Commission

- The Chairman shall be the chief executive of the ISC and be responsible for the administration of its work.
- An ISC meeting requires a quorum, consisting of a majority of Commissioners then in office. ISC decisions shall be made by a vote of a majority of the Commissioners then in office.

Article 11 Delegation of Authority

The ISC can delegate any of its responsibilities and authorities, except for rulemaking, to any employee, individual Commissioner, or office or division of the ISC. The ISC may review any delegated action, and a party adversely affected by a delegated action may request such a review.

Article 12 Ethics

The ISC must establish a code of conduct applicable to the Commissioners and any person performing work for the ISC. Each Commissioner must declare all securities beneficially owned or controlled personally and by relatives, and may not beneficially own the securities of Licensees.

Article 13 Commission Budget and Reports

- The ISC shall provide an annual report, including a balance sheet and revenues and expenditures account certified by the Bureau of Supreme Audit, to the Prime Minister by March 31 of each year.
- The ISC's budget shall be determined annually as part of the normal budget process for the Government of Iraq. All fees, donations, and grants shall serve as an offset to budgeted funds. Any fees generated above the ISC's budget shall be paid to the treasury of the Government of Iraq; however, the ISC may make an application to the Council of Ministers to retain all or a portion of these excess monies for the further development of the ISC.

Article 14 Fees

The ISC may charge fees to persons making filings with it, acquiring a license, or trading securities on a licensed Securities Market (trading fees may not be levied for three years). The ISC shall set fees by rule, which must receive the approval of the Council of Ministers.

Article 15 Issuance of Rules and Orders

- ISC may issue rules and orders to implement, facilitate, or enforce the law. These shall be published, except for orders related to ISC inspections and investigations pursuant to Article 69.
- Before issuing a rule (other than an internal rule), the ISC shall publish the draft rule and seek comments from the public. When issuing the rule, the ISC shall indicate what consideration it gave to comments received.
- The ISC shall establish a free Internet website or public reference library within 180 days of the effective date of the law, which shall contain the law, all ISC rules and orders, and all filings made under the law and ISC rules.

Article 16 Assisting Foreign Financial Regulatory Authorities

The ISC may in its discretion assist foreign financial regulatory authorities conducting an investigation or prosecution of violations of the laws of its home country, even if the conduct would not violate the laws of Iraq.

Chapter Three: Public Offer of Securities

Article 17 Public Offer

- This Chapter supersedes Chapter Three, Section Three of Company Law No. 21 of 1997, as amended.
- The founders of a new joint stock company seeking to make a public offer of securities must subscribe for a minimum of 20 percent of the company's nominal capital.

- A joint stock company may make a public offer through and underwriting or best efforts underwriting.
- An Issuer can make a public offer of debt securities pursuant to Chapter Three. Article 17 supersedes Article 83 of Company Law No. 21 of 1997, as amended.

Article 18 Public Subscription

- The ISC may issue rules regarding public subscription in the capital of a joint stock company, which will then supersede Chapter Three, Section Three of Company Law No. 21 of 1997, as amended. If a subscription fails, the offer shall be cancelled and the subscription agent shall return the monies already paid by subscribers within 30 days. The subscription agent and the company shall be responsible for any delays in returning the monies already paid if caused by its action or inaction.

Article 19 Prospectus Required for the Public Offer and Sale of Securities

- An Issuer, Affiliate of an Issuer, Underwriter, or Best Efforts Underwriter may not make a public offer of securities until the Issuer has filed a Prospectus with the ISC, the ISC has declared the Prospectus effective, the Prospectus is made publicly available in the form ordered effective by the ISC, and any required fees have been paid to the ISC. Any purchases or subscriptions made before the effective Prospectus has been made available to the purchaser or subscriber shall not be binding.

Article 20 Requirements of the Prospectus

- The ISC shall issue rules detailing the information that must be contained in or filed with a Prospectus. At a minimum, the Prospectus must describe the Issuer's business, the securities being issued, how the proceeds of the issuance will be disbursed, the plan of distribution of the securities, and include the audited financial statements of the Issuer, any agreement concluded with an Underwriter or Best Efforts Underwriter, and the organizational documents pursuant to which the Issuer was formed.
- A Prospectus shall indicate on its cover that "The Commission has not approved or disapproved of the Securities or passed upon the adequacy or accuracy of the Prospectus and any representation to the contrary is a violation of the Law Regarding Securities."
- The ISC may allow for certain exemptions from these requirements.

Article 21 Filing of a Prospectus

A Prospectus shall be filed with the ISC pursuant to its rules, and shall be signed by the general manager and the manager of finance or chief accountant of the Issuer. If the Issuer is a joint stock company or is in the process of being established, a majority of the company's board of directors or founders committee respectively shall sign as well. If the offering is underwritten, the Underwriter or Best Efforts Underwriter shall sign as well.

Article 22 Availability of Information

A Prospectus shall become available to the public upon being filed with the ISC.

Article 23 Effectiveness of the Prospectus

The ISC will review a filed Prospectus to determine if it satisfies the form and content requirements of the law and ISC rules. A Prospectus shall be made effective 45 days after being filed with the ISC unless the Issuer requests deferral, the ISC declares the Prospectus effective at an earlier date, or the ISC rejects the Prospectus.

Article 24 Halting or Denying the Effectiveness of the Prospectus

The ISC may halt or deny the effectiveness of a Prospectus by order if the Prospectus does not conform to the requirements of the law or ISC rules; it contains materially false or misleading information, or omits material facts; any required fees have not been paid; or the Issuer, if already required to do so, has failed to file reports pursuant to Article 31. An Issuer whose Prospectus is subject to such an order shall have the right to a hearing before the Commission and may request a Hearing Tribunal.

Article 25 Duration of and Updating an Effective Prospectus

The Commission may specify the period of time during which a Prospectus is effective. During this period of time, the Issuer must immediately notify the ISC and publish a press release regarding any material changes to statements included in the Prospectus.

Article 26 Pricing of Publicly Held Securities

The board of directors of an Issuer proposing to make an offering of publicly held securities shall recommend an offering price to be approved by the shareholders. The price recommendation shall consider the performance and prospects of the company, the prevailing market price of the shares and the potential dilution of the issuance. Such factors shall also be considered when pricing an offering to be made on a priority rights basis to existing shareholders, superseding Article 55, Fourth and Article 56, Third of the Company Law No. 21 of 1997, as amended.

Article 27 Violations

- This article lists those persons who may be held liable for the filing of a Prospectus that does not conform to the requirements of the law or ISC rules, or that contains materially false or misleading information, or omits material facts. Experts and advisors may only be held liable for deficiencies related to the portions of the Prospectus that they assisted with.
- Any person who makes a public offer or sale of securities without an effective Prospectus shall be liable to a purchaser, at the purchaser's election, for rescission of the transaction and repayment of the purchase price, or damages.

Article 28 Damages

- Damages for a Prospectus violation shall be either the difference between the price paid for the security (not to exceed the price at which it was offered to the public) and the price of the security at the time that the action is filed or the price at which the security was sold, which ever is relevant. A defendant may reduce this liability, by proving that any portion of the damages assessed was not a result of the wrongdoing.
- A due diligence defense is allowed for any defendant, except for the Issuer.

Chapter Four: Responsibilities Related to Publicly Held Securities

Article 29 Limitations on Secondary Trading

- Brokers and Dealers must purchase and sell securities listed on a licensed Securities Market through that market or pursuant to ISC rules.

Article 30 Admission of Securities to Listing or Trading on a Licensed Securities Market

- To have its securities listed on a Securities Market, an Issuer must sign an agreement with the market stating that it will comply with the listing and other requirements of the market and that it has read the securities law and the rules and procedures of the market. If the Issuer does not have an effective Prospectus or an annual report for the securities being listed, it must also file a registration statement with the ISC. A registration statement requires the disclosure of information similar to what is required by a Prospectus. Both the Securities Market and the ISC must review the registration statement and the ISC must declare it effective.
- The liability provisions of Article 27 regarding false or misleading or incomplete information in a Prospectus also apply for registration statements, although Underwriters and Best Efforts Underwriters will not be held liable for such.
- If a Securities Market fails to enforce its rules for Issuers, the ISC may enforce them directly.
- The ISC or the Securities Market may summarily suspend trading in an Issuer's securities for up to ten days if it is in violation of the law, ISC rules, its listing agreement, or the market's rules. If the violation is not corrected, the Issuer's securities may be delisted. An Issuer may appeal a final decision of the Securities Market to suspend or delist its securities to the ISC.

Article 31 Issuer Reporting Requirements

An Issuer of publicly held securities must file annual and quarterly reports with the ISC and any Securities Market where its securities are listed. Annual reports shall include audited financial statements; quarterly reports must also include financial statements, but they need not be audited. ISC rules will determine the level of detail required in these reports. The ISC may by rule require Issuers to file additional reports to disclose new material information to the public, regarding the solicitation of proxies, or regarding voting instructions.

Article 32 Confidential Treatment of Certain Information

An Issuer may request that certain information included in filings with the ISC be treated as confidential. The ISC may grant such a request by order.

Article 33 Major Shareholder Reporting Requirements

Issuers of publicly held securities shall file a report with the ISC and any Securities Market where its securities are listed disclosing the identity and percentage ownership of the Major Shareholders of its voting securities. Updates will be required for significant changes of such ownership. The ISC may by rule also require Major Shareholders to report their holdings.

Article 34 Shareholder Rights

The ISC may issue rules requiring that shareholders are provided adequate information and time to consider any proposals; shareholders have a reasonable opportunity to participate in any benefits derived from a large sale of an Issuer's voting securities; and to ensure equality of treatment of all shareholders of a class of an Issuer's securities.

Article 35 Tender Offers and Takeover Bids

- A tender offer to acquire 15% or more of a class of an Issuer's voting shares shall be made with the same terms and conditions to all current shareholders. If more shares are tendered than the offeror committed to purchase, the purchases will be made on a pro rata basis from all persons tendering securities. The ISC may issue rules regarding tender offers.
- A person who acquires more than 50% of the voting power of the publicly held securities of an Issuer that are listed on a Securities Market shall offer to purchase the remaining outstanding voting securities of the Issuer. The ISC by order may exempt a person from this requirement.

Chapter Five: Securities Markets

Article 36 General Licensing Requirement for Securities Markets

A Securities Market operating in Iraq must be licensed by the ISC.

Article 37 Iraq Stock Exchange

- ISX, a not-for-profit private entity, will be deemed a licensed Securities Market upon the effective date of the law, provided it complies with Article 37.
- ISX shall be managed by a Board of Governors ("BOG") and shall be guided by governing instruments, rules, and procedures that must be approved by the ISC. The BOG shall be elected by the General Assembly, consisting of the members of the ISX, who will each have one vote.
- The BOG shall consist of nine members – the Chief Executive Officer (automatically on the BOG while in office), a Chairman, one member of the ISX, one representative of the Issuers whose securities are listed on the ISX, one representative of a licensed Securities Association (including the IASD), and four members who are independent. The BOG may be split into three classes with terms of no more than three years.
- The ISX will annually open its membership to licensed brokers and dealers (starting 180 days after the effective date of the law). The ISC must approve all terms and conditions of new membership. The ISC and ISX shall agree on the number of new members, but if they cannot agree, the ISC may require up to five new members. An auction, with a minimum price determined by the ISX or an expert agreed upon by the ISC and ISX, shall decide who the new members will be.
- A broker or dealer who is not a member of the ISX may gain access to its facilities as a market participant, by means of an agreement with a member of the ISX.
- The ISX may reorganize into a joint stock company for profit, provided such action is approved by the ISC.

- ISX must comply with all other applicable provisions of the law, and shall file for review and approval its governing instruments, rules, and procedures with the ISC within 120 days of the effective date of the law.

Article 38 Licensing of a Securities Market

A Securities Market (other than the ISX) must file an application to be licensed with the ISC, which shall include its bylaws, governing instruments, and rules. The ISC will publish notice of the application and seek comments from the public. A proceeding with an opportunity for a hearing shall be required before the ISC can deny such an application.

Article 39 Regulatory Oversight of Securities Markets

The ISC has oversight authority over Securities Markets. To be licensed, a Securities Market must have governing instruments, rules, and procedures that provide for the items listed in paragraph B of this Article. These items ensure that the Securities Market will act as a self-regulatory organization and the trading activity will be conducted in a fair manner. A failure to abide by a Securities Market's governing instruments, rules, or procedures is a violation of the law, enforceable by the Securities Market and the ISC.

Article 40 Criteria for Becoming a Member or Market Participant

A Securities Market can determine reasonable market access requirements and conditions for members or participants, or their associated persons. These must be approved by the ISC and shall relate to training, experience, competence, financial responsibility, operational capability, and illegal conduct. A Securities Market may only deny access after a hearing and producing a written record of its reasons for such. An adverse decision may be appealed to the ISC.

Article 41 Appeal of Securities Market Decisions Affecting Members, Market Participants, and Associated Persons; Arbitration Decisions

- A person subject to an adverse decision by a Securities Market may appeal the decision to the ISC. Such a person shall be entitled to a hearing and may request a Hearing Tribunal.
- Arbitration decisions by a Securities Market shall be final; only decisions procured by fraud or where an arbitrator had a material conflict may be reviewed.

Article 42 Reports of a Securities Market

A Securities Market shall file with the ISC an annual report and any other report required by ISC rule. The annual report shall include audited financial statements and a report of the Securities Market's governing body.

Article 43 Securities Market Code of Conduct, Governing Instruments, Rules, and Procedures

A Securities Market shall adopt, subject to ISC approval, a code of conduct, governing instruments, rules, and procedures. The ISC, after affording for public comment, may supplement or abrogate the governing instruments, rules, and procedures of a Securities Market and shall indicate in writing the reasons for such.

Chapter Six: Licensing and Regulation of Brokers, Dealers, Underwriters, Best Efforts Underwriters, Investment Advisors and Investment Managers

Article 44 Legal Form

A Licensee shall be organized as a separate affiliate of a bank licensed in Iraq, as a joint stock company, or a limited liability company.

Article 45 Requirements for Licensees

A person performing the functions of a Licensee must be licensed by the ISC.

Article 46 Licenses Under the Interim Law

- A broker who was licensed under the interim law and has been actively functioning as a broker shall be deemed a licensed broker under the law, provided its activities thereafter conform to the law and ISC rules.
- A broker that was organized as a bank must transfer its brokers license to a separate affiliate within 180 days of the effective date of this law or the ISC may suspend its license.

Article 47 License Application

- A person wanting to be licensed as a Broker, Dealer, Underwriter, Best Efforts Underwriter, Investment Advisor, or Investment Manager must file an application with the ISC to be licensed as such. The law designates the minimum amount of information that must be disclosed in such an application. The ISC may require the application to disclose additional information. A person subject to an adverse decision of the ISC shall have a right to a hearing and may request a Hearing Tribunal.
- The ISC shall maintain a register of Licensees, which shall be available to the public.

Article 48 Reports and Records of Licensees

- Pursuant to ISC rule, Licensees shall file annual and periodic reports, including financial statements, with the ISC and any Securities Market of which it is a member or market participant.
- Licensees shall be required to maintain certain books and records related to their business, including all records related to customer transactions involving cash and securities. The ISC and any Securities Market of which the Licensee is a member or market participant may inspect these books and records at any reasonable time.

Article 49 Updating Material Information

A Licensee shall update the ISC and any relevant Securities Market regarding material changes to any information previously filed.

Article 50 Licensee Financial Responsibility Requirements

The ISC shall determine net capital requirements for Licensees, taking into account the different risks associated with the Licensees' functions. This means that a Licensee must have assets of a certain value after subtracting the value of assets that might not easily be

converted into cash at their full value. ISC may also require bonding for licensees and associated persons of such.

Article 51 Professional Conduct

Licensees shall act according to the ISC's rules of professional conduct, which shall address just and equitable principles of trade, protecting confidential information, preventing money laundering, acting in their clients' best interests, and abstaining from fraudulent and manipulative conduct.

Article 52 Client Relationship

The relationship between a Licensee and its clients shall be determined by a written agreement consistent with the law and the rules of the ISC. Brokers and Dealers must provide transaction confirmations and account statements to clients. A Licensee may not buy or sell securities for a client without prior authorization. A Licensee shall not extend credit for a securities transaction or pledge a client's securities without a written agreement that complies with the law and ISC rules. A Licensee may only recommend securities transactions that it reasonably believes are suitable for a client.

Article 53 Fees

All Licensee fees shall be disclosed to clients prior to entering into an agreement with them, and shall be indicated by transaction on client statements. The ISC may establish maximum mark-ups and mark-downs, which are a means to collect commissions, for Licensees.

Article 54 Protection of Client Assets

A Licensee shall segregate clients' money. Clients' assets cannot be used to fund a Licensee's business.

Article 55 Bankruptcy, Insolvency, and Liquidation

- The ISC may participate if a Licensee becomes bankrupt or insolvent, publicize the bankruptcy or insolvency, and may refer a Licensee for compulsory liquidation.
- Assets of clients held by a Licensee may not be used to satisfy the claims of the Licensee's creditors unless the client has agreed to such in writing.

Article 56 Licensing of Associated Persons of Licensees

- Associated persons of a Licensee do not need to be licensed separately as a Licensee. However, the ISC may set by rule licensing requirements and standards, which may include an examination, for a person to become an Associated Person of a Licensee. These requirements and standards may become effective progressively over the five years following the effective date of the law.

Chapter Seven: Securities Associations

Article 57 Licensing and Regulatory Oversight of Securities Associations

- Securities Associations shall be licensed by the ISC. A Securities Association's governing instruments, rules, and procedures must meet many of the same qualifications

as those of Securities Markets. The ISC may delegate certain self-regulatory functions to a Securities Association.

- A Securities Association's governing instruments, rules, procedures, and code of conduct shall be subject to ISC review and approval. A Securities Association shall also be subject to ISC's rulemaking authority, inspection, and discipline. A failure of a member to abide by a Securities Association's governing instruments, rules, or procedures is a violation of the law, enforceable by the Securities Association and the ISC.

Chapter Eight: Depository

Article 58 Iraq Securities Depository

- The Iraq Securities Depository ("ISD") shall be separated from the ISX into an independent not-for-profit entity upon the earlier of 180 days after another Securities Market is licensed by the ISC or two years after the effective date of the law. The ISD will not be required to be licensed by the ISC until it is separated. The ISC must approve of the separation plan prior to the ISX separating the ISD.
- At the time of separation, the members of the ISX shall become members of the ISD with an equity stake based on usage of its facilities.

Article 59 Licensing Requirement and Regulatory Oversight of a Depository

- A Depository must be licensed by the ISC, unless exempted by the law or ISC rule or order. The ISC will publish notice of the application and seek comments from the public. A proceeding with an opportunity for a hearing shall be required before the ISC can deny an application.
- A Depository shall: safe keep the securities and funds under its control; clear and settle securities transactions; equitably allocate fees among its members and participants; provide fair standards for participation and representation of members and participants; and enforce the law, its governing instruments, rules, and procedures.
- ISC shall have exclusive oversight over a Depository. A Depository need not register with the Ministry of Trade or the Registrar of Companies. The Commission may fine, suspend, revoke, limit the activities, functions and operations or censure a Depository after a hearing to ensure consistency of the activities of a Depository with the provisions of this law and the rules of the Commission.
- A person subject to an adverse decision by a Depository may appeal the decision to the ISC. Such a person shall be entitled to a hearing and may request a Hearing Tribunal.
- Arbitration decisions by a Depository shall be final, only decisions procured by fraud or where an arbitrator had a material conflict may be reviewed.

Article 60 Licensed Depository Governing Instruments, Rules, and Procedures

A Depository shall adopt, subject to ISC approval, governing instruments, rules, and procedures. The ISC, after affording for public comment, may supplement or abrogate the governing instruments, rules, and procedures of a Depository and shall indicate in writing the reason for such action.

Article 61 Licensed Depository Functions

A Depository's primary function is to clear and settle securities transactions and to do so in book-entry form, meaning that ledger-like records are used rather than stock certificates to evidence ownership. A Depository can also act for an Issuer and maintain its shareholder register, which is a list of all of the current shareholders of the Issuer, itemizing the number of shares that they own. Any Issuer that has securities deposited with as Depository must enter into an agreement with it to define the parties' rights and obligations.

Article 62 Membership or Participation in a Licensed Depository

Certain persons shall be entitled to membership or participation in a Depository. These persons include: brokers, dealers, banks, and others approved by the ISC. A member or participant must agree to comply with the governing instruments, rules, and procedures of the Depository.

Article 63 Organizational Structure for a Licensed Depository

A Depository shall be managed by a board of directors and an executive manager. A Depository's governing instruments, rules, and procedures shall regulate the election of the board of directors and the governance of the Depository.

Article 64 Reports of a Licensed Depository

A Depository must file an annual report, including audited financial statements and a report of the governing body of the Depository, with the ISC. The ISC may require a Depository to file other reports.

Article 65 Deposited Securities

- All transactions in publicly held securities must be cleared through a Depository.
- Stock certificates shall be cancelled and the ISC shall determine what type of documentation will be provided to owners whose securities are held with a Depository.
- Securities held with a Depository in the names of other persons shall not be property of the Depository and cannot be subject to claims of the creditors of the Depository.
- Securities and money held with a Depository can be subject to lien and used as payment for debts owned to the Depository or other members or participants.

Article 66 Registration and Transfer of Ownership

- Registration and transfer of ownership of securities held with a Depository shall be by book-entry. The records of the Depository shall constitute evidence of ownership that must be disproved if disputed.
- A Depository shall record any lien, pledge, or restriction of ownership on a security on the day it receives notice of such.
- Settlement shall be made on a delivery versus payment method, meaning that a buyer's payment for securities is due at the time that the securities are delivered.
- The owners, who have fully paid the purchase price, of securities held with a Depository shall be listed in the shareholder register and are entitled to evidence of ownership.

Article 67 Bankruptcy of a Member or Participant

A Depository shall take all appropriate and legal measures to settle any pending trading contracts to which a member or participant is a party at a time prior to the order of bankruptcy or liquidation. Such settlement shall be considered valid against third parties.

Chapter Nine: Investigations, Commission Actions, Court Proceedings, Sanctions and Remedies

Article 68 Investigative Authority

- ISC may conduct an investigation to determine if a person has or is about to violate any provision of the law, ISC rules, or rules of self-regulatory organizations (including Securities Markets, Securities Associations, and Depositories).
- In an informal investigation, which does not require an order of the ISC, the ISC may gather information and documents from persons on a voluntary basis or pursuant to its inspection authority under Article 8.
- In a formal investigation, which requires an order of the ISC, the ISC can require persons to produce documents and testify under oath. The documents and testimony sought must be relevant to the investigation. If a person refuses an order to produce documents or to testify, the Commission may seek the assistance of a court to require such action by judicial order.

Article 69 Confidentiality of Inspections and Investigations

All information gathered during an investigation shall be deemed confidential and shall only be divulged pursuant to a law enforcement proceeding or an order of a court. Additionally, the ISC may share information with other law enforcement organizations and self-regulatory organizations.

Article 70 Emergency Measures

Absent a hearing, the ISC may for the protection of investors suspend the trading of a security (except a government security) for not more than ten days, and limit or suspend the activities of a Licensee or Associated Person for not more than 30 days. It may also issue a temporary order requiring a person to cease and desist any activity that will or has violated the law and that is likely to result in the dissipation or conversion of assets or harm to the public or investors. Such an order shall remain in effect until the end of the ISC's proceedings unless cancelled or vacated.

Article 71 Settlement

- Except for emergency measures under Article 70, persons accused of violating the law or applicable rules may submit evidence to the ISC demonstrating why the ISC should not bring an action against that person.
- A person may at any time propose in writing a settlement offer to the ISC.

Article 72 Right to a Hearing

- Except for emergency measures (Article 70) and ten day trading suspensions (Article 30.E) all actions taken by the ISC shall entitle a named party opposed to the ISC the opportunity to be heard before the ISC and to request a Hearing Tribunal. A Hearing Tribunal shall be made up of a representative from the ISC, a lawyer who is not

associated with or have a financial interest in a licensee or self-regulatory organization, and a representative of a licensed Securities Association.

- The Hearing Tribunal decides by a majority vote and shall produce an opinion stating its findings of fact and conclusions of law, as well as recommended sanctions and remedies if appropriate.
- The ISC shall review the recommendations of the Hearing Tribunal and render its decision within 30 days. The ISC shall issue a written opinion supporting its final decision.

Article 73 Appeals of Commission Final Decisions

A person adversely affected by a final decision of the Commission may appeal to a court of competent jurisdiction within 30 days. Remedies and sanctions imposed by the Commission shall not automatically be stayed or suspended pending appeal.

Article 74 Sanctions and Remedies

This article lists the sanctions and remedies available to the ISC, including publishing findings, cease and desist orders, disgorgement of illicit profits or avoided losses, monetary penalties, ceasing the issuance of or trading in securities, delisting of securities, requiring corrective actions, suspending the voting rights of Major Shareholders, and suspending or revoking licenses. All enforcement orders shall be made public.

Article 75 Monetary Penalties

The ISC may impose monetary penalties of no more than 50 million ID on a judicial person and 25 million ID on a natural person. Monetary penalties may only be imposed for violations that occurred within five years of the action being brought. In imposing a monetary penalty, the ISC shall take into account that the penalty shall be commensurate with the violation. Monetary penalties shall be paid to the treasury of the Government of Iraq.

Article 76 Authority of the Commission to Institute Court Proceedings

- The ISC may seek to enforce any order, including a sanction or remedy, through an action before a court of competent jurisdiction.
- Rather than bringing an administrative action, the ISC may bring an action in a court of competent jurisdiction against any person who it alleges has violated the law, rules of the ISC, or rules of a self-regulatory organization.

Article 77 Criminal Prosecution

- Willful violations of Articles 82 or 83 shall, upon conviction in a criminal proceeding, be punished by a fine of not more than 50 million ID, and may result in penal servitude, detention, or confiscation of the assets gained from the offense. First time offenders may be exempted from detention and penal servitude.
- The ISC may refer matters to the Ministry of Justice that it believes warrant criminal prosecution, and may assist with such investigation and prosecution.

Article 78 Private Right of Action for Damages

A person injured by a knowing or reckless violation of Articles 82 or 83 may seek restitution or actual damages in a court proceeding.

Article 79 Statute of Limitations

- A private right of action for damages or restitution based on a violation of Articles 82 or 83 must be brought within two years of the relevant purchase or sale transaction.
- A private right of action for damages or rescission based on a public offer Prospectus or for damages arising from a registration statement must be brought within one year from the purchase of the securities.

Article 80 Joint and Several Liability; Contribution

In a private right of action under the law, defendants shall be held jointly and severally liable, meaning that any responsible party shall be liable to the plaintiff for the full damages caused by the conduct. A defendant who paid more than his proportionate share of damages relative to his or her level of culpability, may seek contribution from other culpable persons, except for the Issuer of the relevant securities.

Article 81 Control Person Liability; Substantially Assisting Violations

- Any person who controls a person who is held liable under any provision of this law or an ISC rule shall also be jointly and severally liable for the violation, unless the controlling person acted in good faith and did not directly or indirectly direct or cause the act constituting the violation.
- Any person, who knowingly provides substantial assistance to another person in committing a violation of the law or an ISC rule, with a general awareness of the violation, shall be liable under this law to the same extent as the primary violator.

Chapter Ten: Fraud, Market Manipulation, and Insider Trading

Article 82 Fraudulent, Manipulative or Deceptive Acts

- It is illegal for any person to act fraudulently, deceptively, or manipulatively in connection with an offer, purchase, or sale of securities or while performing the work of a Licensee. Examples of illegal market manipulation are provided.
- It is illegal for a person to publicly tout a security in return for undisclosed compensation from an Issuer or Licensee without fully disclosing the arrangement.

Article 83 Trading on the Basis of Inside Information

- It shall be illegal for insider persons (listed in Article 83.A) who are in possession of material non-public information about an Issuer of publicly held securities, to buy or sell the Issuer's securities; provide the non-public information to a third-party; or advise a third-party to buy or sell the Issuer's securities until the information is made public.
- It shall be illegal for a person receiving material non-public information from insider persons, who know or should know that such information is confidential, to buy or sell the relevant securities until the information is made public.

Chapter Eleven: Miscellaneous Provisions

Article 84 Improper Representations; Anti-waiver Provision

- It is illegal to represent or imply that the ISC has approved, recommended, sponsored or guaranteed a security, transaction, or person, or that a Prospectus or other filing is accurate or complete.
- Any condition, stipulation or provision that attempts to bind or obligate any Person to waive compliance with any provision of this law or any rule under this law shall be void, unless expressly provided otherwise by an ISC rule that specifies a particular provision or rule.

Article 85 Transition Provisions

When the law becomes effective: the current interim ISC Commissioners shall remain in office until they are reappointed or other persons are appointed to be Commissioners; the staff of the ISC shall become the staff of the permanent ISC; all of the assets, liabilities, and facilities of the interim ISC shall become the property and debts of the permanent ISC; the interim rules of the ISC shall remain in effect until repealed or amended by the permanent ISC.