

In the name of the People  
Presidency Council

On the basis of what was approved by the Council of Representatives and endorsed by the Presidency Council, and based on the provisions of Articles 25, 48, 107 and 109, the following law is promulgated:

No. ( ) of 2008

## Law Regarding Securities

### **Chapter One: Fundamental Principles**

#### Section One: Objectives

##### Article 1 Title of Law

This law shall be known as the Law Regarding Securities, and shall come into effect as of the date of its publication in the Official Gazette.

##### Article 2 General Objectives

A. The general objectives of this law are:

1. To establish pursuant to Articles 25 and 109 of the Constitution of Iraq a comprehensive national legal framework for the capital markets;
  2. To establish a permanent Iraq Securities Commission, which will replace the interim Iraq Securities Commission in accordance with Article 85 of this law and Article 107 of the Constitution, with exclusive authority to regulate and establish rules regarding Public Offers of Securities and selling and buying Publicly Held Securities;
  3. To protect investors in Securities through full disclosure of Material Information and prohibition of fraud and the use of manipulative and deceptive devices in connection with the offer, purchase and sale of Securities;
  4. To license and monitor participants in the Securities Markets;
  5. To enhance economic activity throughout Iraq by strengthening the investment environment and promoting capital formation;
  6. To ensure that Securities Markets and Securities-related services are fair, competitive, efficient and transparent;
  7. To reduce systemic risk in the Securities Markets.
- B. The provisions of this law shall be construed to accomplish these general objectives.
- C. Every requirement under this law to file, disclose or report information shall require that the information be truthful and not misleading. The filing, disclosing

or reporting of untruthful or misleading information shall be a violation of this law and subject to the sanctions and remedies stated in Chapter Nine of this law.

Section Two: Definitions and Scope of Law

Article 3 General Definitions

- A. “Affiliate” shall mean a Person who controls another Person or is controlled by that other Person, or who is jointly being controlled with that Person by a third Person.
- B. “Associated Person” shall mean (i) a natural Person who is a director or Affiliate of a Licensee, and (ii) any other natural Person employed by a Licensee who deals with clients of the Licensee, client accounts or records, or handles cash or Securities of the Licensee or its clients, unless such Person has been exempted by Commission rules from the definition of “Associated Person.”
- C. “Audited Financial Statements” shall mean financial statements that have been audited by an independent auditor in accordance with accepted auditing standards and are accompanied by an audit report indicating whether the financial statements are presented in accordance with accepted accounting or financial reporting standards. In the case of Issuers that are required to have their financial statements audited by the Bureau of Supreme Audit, the Bureau of Supreme Audit shall be deemed an independent auditor.
- D. “Beneficial Ownership” shall mean the right to receive, in whole or in part, the economic benefits of ownership of a Security and shall include the right, in whole or in part, to direct the voting or disposition of such Security.
- E. “Best Efforts” shall mean a good faith attempt to affirmatively sell an Issuer’s Securities to the public.
- F. “Best Efforts Underwriter” shall mean a Person who acts as an agent for an Issuer or Affiliate of the Issuer and sells or promotes the Issuer’s Securities to the public. A Best Efforts Underwriter shall agree to use its best efforts to assist an Issuer or Affiliate in the Public Offer of the Issuer’s Securities without any commitment to purchase the Securities from the Issuer or Affiliate.
- G. “Broker” shall mean any Person engaged in the business of buying and selling Securities for the account of others.
- H. “Chairman” shall mean Chairman of the Iraq Securities Commission.
- I. “Control” shall mean the ability, directly or indirectly, to influence the actions and decisions of another Person.
- J. “Commission” shall mean the Iraq Securities Commission, which shall be comprised of five appointed Commissioners.

- K. “Dealer” shall mean any Person engaged in the business of buying and selling Securities for the Person’s own account.
- L. “Depository” shall mean an organization that clears and settles Securities transactions or acts as a custodian of Securities in connection with a system for the central handling of Securities held in book-entry form. However, the term Depository shall not apply to a bank, Broker, Dealer, or other financial institution exempted by the Commission, if such activities are part of the organization’s normal activities or if it is performing such activities on behalf of a Depository.
- M. “Hearing Tribunal” shall mean the Hearing Tribunal described in Article 72.B of this law.
- N. “Institutional Investors” shall mean banks, investment funds, financial investment companies, insurance companies and pension funds that are licensed or regulated under the laws of Iraq, Issuers of Publicly Held Securities who invest in other Issuer’s Securities, and such other Persons that the Commission shall define by rule to be deemed Institutional Investors.
- O. “Investment Manager” shall mean a Person who acts as the sponsor, operator or manager of an investment fund that has more than 25 investors, excluding Institutional Investors.
- P. “Investment Advisor” shall mean a Person, other than an Investment Manager who recommends or decides upon the purchase or sale of Securities for investors, has custody of investors’ cash or Securities, and has more than 15 investors as clients during any twelve-month period. Notwithstanding this definition, a Person who is licensed as a Broker, Dealer, Best Efforts Underwriter or Underwriter and engages in activities within the scope of this definition shall not be required to be licensed separately as an Investment Advisor if such activities are incidental to the Person’s activities as a Broker, Dealer, Best Efforts Underwriter or Underwriter, and the compensation of the Person is no more than the compensation that the Person would be entitled to receive for serving as a Broker, Dealer, Best Efforts Underwriter or Underwriter.
- Q. “Securities Association” shall mean the Iraq Association of Securities Dealers (IASD) or any other association of Brokers or Dealers.
- R. “Interim Law” shall mean Coalition Provisional Authority Order No. 74, Interim Law on Securities Markets, as amended.
- S. “Issuer” shall mean any judicial Person issuing or proposing to issue Securities.

- T. “Licensee” shall mean any Person licensed by the Commission in accordance with the provisions of this law, as a Broker, Dealer, Best Efforts Underwriter, Underwriter, Investment Advisor or Investment Manager.
- U. “Major Shareholder” shall mean a Person or a group of Persons acting together who have Control or Beneficial Ownership of 10% or more of a class of voting Securities of an Issuer or Licensee.
- V. “Market Participant” shall mean a licensed Broker or Dealer who is not a Member of a licensed Securities Market and who participates in trading that takes place on the licensed Securities Market either (i) through a contractual agreement whereby the licensed Securities Market provides the licensed Broker or Dealer access to its trading facilities; or (ii) through a contractual agreement between the Market Participant and a licensed Broker or Dealer who is a Member of the licensed Securities Market.
- W. “Material Information” shall mean the type of information that a reasonable investor would find important and relevant to making an investment or voting decision with respect to a security or that would likely have a significant effect on the price of a security.
- X. “Member” as it is used with respect to a licensed Securities Market, shall mean a licensed Broker or licensed Dealer who has an ownership interest in the licensed Securities Market.
- Y. “Person” shall mean any natural or judicial Person that is recognized as such under the laws of Iraq.
- Z. “Prospectus” shall mean, in addition to the prospectus required to be filed for a Public Offer, any other written or media communication that offers for sale Securities pursuant to a Public Offer.
- AA. “Public Offer” shall mean an offer to sell or invitation for bids or subscriptions to purchase any Security that is communicated to more than 25 Persons, excluding Institutional Investors, and shall include an offer that involves a public solicitation, public subscription or use of the internet, other media or public advertising.
- BB. “Publicly Held Security” shall mean a class of Securities of an Issuer that: (i) is Beneficially Owned by more than 100 Persons and that has total assets as of the end of its most recent fiscal year more than an amount as the Commission shall from time-to-time establish by rule or (ii) is listed or admitted to trading on a licensed Securities Market.
- CC. “Relative” shall mean husband or wife, and minor children.

- DD. "Securities Market" shall mean a Person that holds itself out as a stock exchange, or any market or communications facility that brings together multiple buyers and sellers of Securities and provides a mechanism for transactions in Securities.
- EE. "Shareholder Register" shall mean the official record of ownership of Securities kept by the Issuer of Securities or by the Depository acting as a registrar on behalf of the Issuer.
- FF "Underwriter" shall mean a Person who buys Securities from the Issuer or an Affiliate of the Issuer for the purpose of reselling such Securities to the public or who sells an Issuer's Securities with a guarantee to the Issuer that all or a certain percentage of the issue will be sold to the public. In a Securities offering to existing shareholders, an Underwriter shall mean a Person who purchases any of the issue that was not purchased by existing shareholders for the purpose of reselling the Securities to the public.

Article 4      Definition of Security

- A. The term "Security" shall mean any ownership rights or any financial instruments that are commonly recognized as Securities and considered as such by the Commission. In particular, the term "Security" shall include the following:
1. Transferable shares of an Issuer;
  2. Transferable debentures, bonds or other debt obligations of an Issuer;
  3. Bills and bonds issued by official public institutions, public institutions, or provinces;
  4. Shares or units issued by an investment fund;
  5. Any derivative instrument commonly known as a put, call, option, forward or futures contract on any Security or group or index of Securities;
  6. Any other instrument defined by Commission rule or order to be a Security if it involves an investment in a common enterprise or undertaking where the expectation of profits by investors is substantially dependent on the efforts of Persons other than the investors;
  7. Any receipt for or right to acquire any of items 1-6.
- B. The following shall not be deemed a Security:
1. Checks, bills of exchange and non-transferable commercial paper;
  2. Documentary credits, transfers and instruments exclusively traded among banks;
  3. Insurance policies;
  4. Entitlements in pension funds for beneficiaries which are not financed by their contributions;
  5. Other instruments that are not deemed to be Securities by rules of the Commission.

- C. Treasury bonds or bills issued by or on behalf of the Government of Iraq shall be exempt from all provisions of this law except for fraudulent transactions in such Securities that shall be subject to Chapters Nine and Ten of this Law.

Article 5 Commission Authority Over Public Offers and Publicly-Held Securities

- A. The Commission shall have exclusive authority to regulate Public Offers of Securities and trading of Publicly Held Securities.
- B. The provisions stipulated in this law and the rules of the Commission shall apply to Publicly Held Securities that trade on a Securities Market or in transactions in which Brokers or Dealers act as intermediaries, with respect to the following matters:
1. The rights of the parties arising out of the offer, purchase, sale or transfer of such Securities;
  2. The method and specific form of registration of ownership rights in such Securities;
  3. The transfer of ownership rights in such Securities and the rights arising from such transfer;
  4. The rights of the parties involved in clearing, settlement and transfer of such Securities;
  5. The rights of the creditors of the counter-parties to trading contracts arising during the sale, purchase or transfer of such Securities, including the rights relating to the Securities and the monetary equivalents thereto;
  6. The conclusion and documentation of trading contracts for such Securities and means of their proof and cancellation.

**Chapter Two: Regulatory Oversight**

Section One: Establishment and Authority of the Commission

Article 6 The Commission

- A. A Commission shall be established according to this law to be called the Iraq Securities Commission that replaces the interim Iraq Securities Commission established under the Interim Law.
- B. The Commission shall be an independent government commission with the exclusive responsibility and authority to administer this law. The Commission shall have a legal personality with administrative autonomy. As such, the Commission may acquire movable and immovable property and perform all legal acts necessary to achieve its objectives, including entering into contracts, accepting assistance, grants and donations. The Commission shall have the right to sue and be sued, and may be represented in legal proceedings by an attorney the Commission appoints for such purpose.

- C. The Commission shall not engage in any commercial activity, participate in commercial projects, lend any funds, or own or issue any Securities. Subject to the approval of the Council of Ministers, the Commission may borrow funds.
- D. The Commission shall present reports to the Parliament.
- E. The Commission's headquarters shall be in Baghdad.
- F. No Commissioner, employee or agent of the Commission, shall be personally liable for any act or omission taken in the discharge of his or her official functions within the scope of his or her authority under this law and the rules of the Commission, absent a finding of malice and intentional abuse of office. The Commission shall indemnify such Persons against any legal costs, including damages or fines incurred, provided that the Person is not convicted of a crime arising out of the activities.
- G. The Commission shall enjoy the exemptions and facilities accorded to ministries, government departments and official public institutions.

Article 7 Commission Responsibility and Authority

- A. In order to achieve the objectives of this law, the Commission shall assume the following main responsibilities and authorities:
  - 1. Regulating and monitoring the Public Offer of Securities and dealing therein;
  - 2. Insuring full and accurate disclosure of Material Information, which includes periodic reports, by Issuers of Publicly Held Securities;
  - 3. Licensing, regulating, and monitoring the activities of Licensees and Associated Persons of Licensees in the capital market;
  - 4. Licensing, regulating and monitoring the activities of Securities Markets, Depositories and Securities Associations;
  - 5. Regulating and monitoring the clearance, settlement and custody of Securities.
- B. In addition, the Commission shall have all the necessary authority to achieve the objectives of this law, and carry out the responsibilities and authorities stipulated in accordance with its provisions, including the following:
  - 1. Formulating the Commission's general policy as exclusive authority over Public Offers of Securities and trading of Publicly Held Securities as set forth in Article 5 and developing the programs necessary for its implementation;
  - 2. Inspecting, monitoring and supervising Licensees and other regulated Persons under the regulatory oversight of the Commission as set forth in Article 8, including implementing rules on the books and records these entities are required to keep;

3. Preparing the annual budget of the Commission in accordance with the budget process of the Government of Iraq as set forth in Article 13;
4. Setting the fees for issuing licenses, or other activities and services as provided for and subject to the limitations in Articles 13 and 14;
5. Issuing rules and orders to facilitate the implementation of this law as set forth in Article 15, or amending or repealing such rules and orders as needed to administer this law;
6. Establishing cooperative relations with other financial regulators and international organizations of financial regulators in accordance with Article 16;
7. Approving any Public Offer of any Security by requiring a Prospectus for any Public Offer of Securities consistent with the requirements set forth in Articles 17 through 28;
8. Halting or denying the effectiveness of a Prospectus as set forth in Article 24;
9. Approving the listing or admission to trading of any Security on a licensed Securities Market as set forth in Article 30;
10. Establishing and enforcing reporting requirements for Issuers and Major Shareholders of Publicly Held Securities as set forth in Articles 31 and 33;
11. Issuing rules to protect the rights of shareholders of Publicly Held Securities as set forth in Article 34;
12. Regulating tender offers and takeover bids as set forth in Article 35;
13. Granting or denying a license for any Person, Securities Market, Securities Association or Depository as set forth in Articles 37, 38, 46, 47, 56, 57, 58 and 59;
14. Regulating the activities of the Iraq Stock Exchange as set forth in Article 37;
15. Reviewing the decisions issued by a licensed Securities Market, Securities Association or Depository that affect members, participants, or Associated Persons, as set forth in Articles 41, 57 and 59;
16. Approving the governing instruments, rules, and procedures of a licensed Securities Market, Securities Association or Depository pursuant to Articles 43, 57 and 60, including service fees, charges and commissions;
17. Establishing and maintaining professional standards and obligations for Licensees and Associated Persons as set forth in Articles 48 through 56;
18. Regulating the registration and transfer of ownership of deposited Securities and regulating Depositories as set forth in Chapter Eight;
19. Investigating and bringing actions for violations or possible violations of any provisions of this law, or the rules and orders of the Commission, or the governing instruments, rules or procedures of a licensed Securities Market, Securities Association or Depository in accordance with Articles 68 through 76;
20. Imposing sanctions and remedies on any Person for violating any provision of this law or the rules and orders of the Commission, or the governing instruments, rules or procedures of a licensed Securities

- Market, Securities Association or Depository as set forth in and subject to the limitations of Articles 74 and 75;
21. Taking emergency action to protect investors in accordance with Article 70;
  22. Taking action regarding any other matters that the Commission has authority over under this law.

Article 8      Persons Subject to Commission Inspection, Monitoring and Supervision

- A. The following Persons shall be subject to the monitoring and supervision of the Commission:
  1. Persons making a Public Offer of Securities and Issuers of Publicly Held Securities;
  2. Licensees and Associated Persons of Licensees;
  3. Licensed Securities Markets;
  4. Licensed Depositories;
  5. Licensed Securities Associations.
- B. The Persons referred to in Article 8.A numbers 2, 3, 4 and 5 above shall be subject to inspection and production of their books and records by the Commission at any time during normal business hours. The books and records that these entities are required to maintain shall be established by the rules of the Commission. Notwithstanding any other requirements, the Commission may by rule permit such books and records to be kept in manual or electronic form, or by a third party agreed to by the Commission, as long as such books and records are capable of being produced without delay at the request of the Commission.

Section Two:    Organization and Administration of the Commission

Article 9      Appointment and Terms of Commissioners

- A. The Commission is to be comprised of five Commissioners. Upon the effective date of this law, the Commissioners, including a Chairman and a Deputy Chairman, shall be appointed by the Prime Minister for five-year terms renewable once. The Chairman and Deputy Chairman shall be full-time government positions, and the Chairman shall have a grade of Minister and the Deputy with the grade of Deputy Minister. The other three Commissioners shall be designated by the Prime Minister as full-time positions or part-time positions and shall be remunerated based on the percentage of their time dedicated to the Commission, as determined by the Chairman, at a grade commensurate with Deputy Ministers. Each Commissioner must be an Iraqi citizen and have relevant experience for the position. No Person may be employed by or hold any other position with the Government of Iraq while serving as a Commissioner, although a Person may draw from a pension earned through government employment while serving as a Commissioner. No other law or regulation shall impede a person from being appointed a Commissioner based on their age or previous governmental employment.

- B. The Commissioners appointed may be Persons who served on the interim Iraq Securities Commission under the Interim Law; their prior service shall not make them ineligible for reappointment under this law. A Commissioner shall hold office until a successor is appointed or the Commissioner resigns, except that a Commissioner shall not continue to serve more than one year after the expiration of his or her term. The terms of office of the Commissioners first taking office after the enactment of the law shall expire as designated by the Prime Minister at the time of their appointment, with one expiring at the end of one year, one expiring at the end of two years, one expiring at the end of three years, one expiring at the end of four years, and one expiring at the end of five years.
- C. The Prime Minister may remove a Commissioner prior to the expiration of his or her term. The Prime Minister may only remove a Commissioner for: criminal misconduct; conviction of a violation of this or another law, other than minor infractions; substantial violations of ethics provisions; repeated and inexcusable absence from duty; or if physically unable to perform the duties of a Commissioner.
- D. If, at any time, for any reason, the Commission has less than three Commissioners, and this situation continues for a period of 20 days due the failure of the Prime Minister to appoint or reappoint Commissioners as provided in this Article 9, the Iraq National Assembly shall assume the appointment authority of the Prime Minister and may appoint one or more Commissioners to fill the vacancies on the Commission and to serve for the terms authorized under this Article 9. Any Commissioners appointed under these circumstances shall be subject to removal by the National Assembly rather than the Prime Minister, and only for the reasons specified in paragraph C of this Article 9. At such time as the Prime Minister subsequently exercises his or her authority to appoint or reappoint one or more persons as Commissioners to fill vacancies on the Commission, the authority of the National Assembly to appoint Commissioners in accordance with this paragraph D shall be suspended.

#### Article 10 Administration of the Commission

- A. The Chairman shall be the Commission's chief executive. The Chairman shall be responsible for implementing the Commission's policy and the management of its affairs. As such, the Chairman shall be responsible for the following:
  - 1. Implementing the rules adopted by the Commission;
  - 2. Appointing, assigning work and supervising personnel employed by the Commission, including experts and consultants, provided that the appointment of the heads of major administrative units shall be subject to the approval of the Commission;
  - 3. Approving, using and expending Commission funds consistent with the budget of the Commission.

- B. The Deputy Chairman shall perform the duties and functions assigned to him or her by the Chairman and shall exercise the powers of the Chairman in his or her absence or if the post becomes vacant.
- C. A quorum for Commission meetings shall consist of a majority of the Commissioners then in office, provided that the Chairman or the Deputy Chairman is present. Rules, orders and other matters requiring a decision of the Commission shall be adopted by a majority of the Commissioners then in office. The provisions and procedures governing Commission meetings shall be specified in rules issued for this purpose.
- D. The Commission may hire and set salaries, benefits and financial entitlements for experts, consultants and specialists.

#### Article 11 Delegation of Authority

- A. The Commission may delegate any functions, other than its rulemaking authority, to an office or division of the Commission, an individual Commissioner or an employee of the Commission, provided that the delegation is in writing and specific.
- B. The Commission shall retain the right to review any delegated actions. The request of one Commissioner shall require the Commission to review the action.
- C. A party adversely affected by an action at a delegated level may request review of the action by the Commission within 30 days of the action.

#### Article 12 Ethics

- A. The Commission shall adopt and publish a written code of conduct applicable to the Commissioners and all employees, experts, consultants and specialists of the Commission, which shall address Securities ownership, conflicts of interest and potential misuse of nonpublic information that may arise in connection with the work of the Commission.
- B. Upon assuming his or her office, each Commissioner shall declare in writing any Securities that are Beneficially Owned or controlled by the Commissioner or Relatives of the Commissioner. Commissioners shall declare in writing any changes in such ownership interests within three days of the Commissioner's knowledge thereof.
- C. No Commissioner or Relative of the Commissioner shall Beneficially Own or Control any Securities of a Broker, Dealer, Underwriter, Best Efforts Underwriter, Investment Manager, Investment Advisor, Depository or Securities Market licensed by the Commission.

- D. A full-time Commissioner shall not have any other employment. A part-time Commissioner shall not have any other employment that would conflict with his or her responsibilities to the Commission.

Section Three: Commission Budget and Financial Resources

Article 13 Commission Budget and Reports

- A. The fiscal year of the Commission shall start on the first day of January of each year and shall end on the 31st day of December of the same year.
- B. The Commission shall present to the Prime Minister within the first three months of each fiscal year, an annual report summarizing the Commission's activities during the preceding year, accompanied by the balance sheet and revenues and expenditures account of the Commission, certified by the Bureau of Supreme Audit.
- C. The budget of the Commission shall be determined annually as part of the overall budget process of the Government of Iraq. The Commission shall submit a budget to the Minister of Finance. As an offset to funds appropriated for the budget of the Commission, the Commission shall be credited with and entitled to retain and use the financial resources derived from its activities to fund the operations of the Commission. These resources include:
1. Any fees that the Commission adopts pursuant to the standards set forth in Article 14 of this law and that the Commission is authorized by the Council of Ministers to levy under this law;
  2. Any forms of assistance, grants or donations from Persons who are not subject to regulation by the Commission and which are approved by the Council of Ministers.
- D. Any fees received by the Commission, pursuant to Paragraph C.1 above, in excess of its annual budget shall be paid to the general treasury of the Government of Iraq. The Commission may make an application to the Council of Ministers, supported by appropriate documentation, to retain all or a portion of such excess monies for Commission expenditures that are consistent with the objectives of this law and for the further development of the Iraq Securities Commission and that are not provided for in the Commission's annual budget.

Article 14 Fees

- A. The Commission is authorized to charge fees for the following:
1. The filing of a Public Offer Prospectus and registration statement;
  2. The grant or renewal for any license or registration in accordance with the provisions of this law;
  3. The listing or approving of the trading in Securities on a licensed Securities Market;

4. The trading in, and transfer of ownership of Securities on any licensed Securities Market, provided that no such fees shall be levied for a period of three years after the effective date of this law or later if the Commission deems it necessary;
  5. The filing of any other document as required under this law or by Commission rule.
- B. The amount of the fees shall be determined according to rules issued by the Commission and approved by the Council of Ministers.

Section Four: Commission Rulemaking Authority

Article 15 Issuance of Rules and Orders

- A. The Commission shall have the authority to issue rules and orders to implement, facilitate, or enforce this law. Prior to issuing any such rules, including any amendments to rules, the Commission shall publish the draft rules or amendments to enable others to comment in writing thereon within a period of no less than 30 days from the date of publication. The Commission shall issue rules after indicating in writing what consideration was given to any comments received. The Commission need not seek comment on any rules that are purely internal or administrative.
- B. All rules and orders proposed or issued by the Commission shall be published by the means that the Commission deems appropriate, including by posting on an Internet website or on any other data network readily available to the public.
- C. The Commission shall be required to establish a public reference library or an Internet website within 180 days after the effective date of this law. The public reference library or website shall be accessible free of charge and shall contain copies of this law, all rules and orders under this law and all filings under this law or the rules that are required to be publicly available. The Commission shall not charge fees for access to, viewing or downloading such documents. However, the Commission may charge reasonable fees for making copies of such documents.

Article 16 Assisting Foreign Financial Regulatory Authorities

The Commission may provide assistance to a foreign financial regulatory authority that is investigating or prosecuting a violation of the laws of its home country. The Commission may, in its discretion, and in accordance with the Commission's rules regarding investigations, conduct such investigation as the Commission deems necessary to collect information and evidence pertinent to the request for assistance. Such assistance may be provided to the foreign authority with respect to a violation of its law even though a violation of law may not have occurred in Iraq. In deciding whether to provide such assistance, the Commission shall consider whether the requesting authority has agreed to provide reciprocal assistance in Securities matters to the Commission, and whether compliance with the request would prejudice the public policy of Iraq.

**Chapter Three: Public Offer of Securities**

Section One: Public Offer Requirements

Article 17 Public Offer

- A. For Persons making Public Offers and Issuers of Publicly Held Securities, the requirements of this Chapter and rules of the Commission shall supersede Chapter Three, Section Three of Company Law No. 21 of 1997, as amended. An Issuer shall be responsible for having the required amount of Securities legally authorized and for notifying the Registrar of Companies of an issuance of Securities.
- B. Upon the establishment of a new joint stock company seeking to make a Public Offer, the founders of the new joint stock company, as a group, shall subscribe for a minimum of 20 percent of its nominal capital. The remaining Securities shall be offered for Public Offer or public subscription pursuant to this Chapter and the rules of the Commission. Where a joint stock company does not raise its initial capital by a Public Offer, a joint stock company may be formed in compliance with Company Law No. 21 of 1997, as amended.
- C. The joint stock company may make a Public Offer through an Underwriting, a Best Efforts Underwriting or subscription arrangement. The Commission may, by rule, set forth requirements and conditions that must be met for such arrangement.
- D. An Issuer may make a Public Offer of its debt Securities in accordance with the provisions of this Chapter Three. This Article shall supersede Article 83 of the Company Law No. 21 of 1997, as amended.

Article 18 Public Subscription

- A. Public subscription in the capital of a joint stock company shall meet the requirements set forth in Chapter Three of this law and pursuant to Commission rules. The Commission may issue rules for public subscription. In the absence of Commission rules, the public subscription process shall follow the requirements established in Chapter Three, Section Three of the Company Law No. 21 of 1997, as amended.
- B. If the company is unable to sell its Securities in a public subscription pursuant to its prospectus as detailed in Article 20 B.4, the offer shall be cancelled and the company shall immediately notify the subscription agent. The subscription agent shall return the money paid by all subscribers in full upon notification and within a period of not more than 30 days. The subscription agent and the company shall be responsible for any delays in returning money to the subscribers caused by their action or inaction.

Article 19 Prospectus Required for Public Offer and Sale of Securities

- A. It shall be unlawful to make a Public Offer or sale of Securities before a Prospectus has been declared effective.

- B. An Issuer, Affiliate of an Issuer, Underwriter or Best Efforts Underwriter may not make a Public Offer of Securities of an Issuer unless the Issuer has:
1. Filed a Prospectus with the Commission;
  2. Made the Prospectus publicly available in the form ordered effective by the Commission; and
  3. Paid any required fees to the Commission.
- C. An Issuer, Affiliate of an Issuer, Underwriter or Best Efforts Underwriter may not sell Securities in a Public Offer, and any sale shall not be binding upon the purchaser, until an effective Prospectus has been made publicly available and the purchaser has access to such Prospectus, as may be set forth in the rules of the Commission. A Person who executes a subscription agreement in connection with a Public Offer must receive or have access to an effective Prospectus not later than the time of subscription.

Article 20 Requirements of the Prospectus

- A. The Commission shall issue rules specifying the information which shall be included in or filed with a Prospectus. The Prospectus shall be published in such a manner and for such duration as required by the rules of the Commission.
- B. The Prospectus must contain the following information:
1. Information that provides an adequate description of the Issuer, the nature of its business, its Major Shareholders, and members of the board of directors and senior management, or the founders or founders' committee in the case of a company that is newly established.
  2. Information which gives an adequate description of the Securities to be issued, their number, price or means for establishing the price, and related rights, preferences or privileges of the Issuer's other Securities, if any, and any other information required by the rules of the Commission. The Prospectus shall set forth how the proceeds of the Public Offer will be disbursed.
  3. Audited Financial Statements of the Issuer and any subsidiaries of the Issuer on a consolidated basis for each of the time periods described below or such shorter time period that the Issuer has been in operation. The Audited Financial Statements shall include a balance sheet as of the end of the most recent fiscal year and the immediately preceding year, and profit and loss accounts, statements of cash flows and statements of changes in shareholders' equity for the three years ending with the date of the most recent balance sheet, accompanied by a signed audit report and a report of the board of directors, as the rules of the Commission may require. In the event that the most recent audited balance sheet is as of a date more than 120 days before the date that the Prospectus is filed with the Commission, the Commission shall have authority to require more recent unaudited condensed financial statements. Such unaudited condensed financial

statements shall be presented through the most recent quarter of the Issuer ending within 90 days prior to the filing of the Prospectus or any subsequent amendment to the Prospectus.

4. Information required by the rules of the Commission that provides an adequate description of the plan of distribution of the Securities, indicating the names of any Underwriters, Best Efforts Underwriters or subscription agents, their respective obligations, any compensation to be paid in connection with the offering, timing of the offering and pricing of the offering.
  5. A statement on the front page of every Prospectus indicating that: “The Iraq Securities Commission has not approved or disapproved these Securities or passed upon the adequacy or accuracy of the information contained in this Prospectus, and any representation to the contrary is a violation of the Iraq Law Regarding Securities.”
  6. Any other Material Information required or authorized in accordance with the rules of the Commission, which the Commission deems necessary to make the information provided not misleading.
  7. The Commission may, by rule, require offerings of an Issuer’s debt Securities to include additional information that is Material to a purchaser of such Securities.
- C. In addition to any other requirements the Commission may impose, the information to be filed together with the Prospectus shall include copies of the following:
1. Any agreements concluded with an Underwriter, Best Efforts Underwriter or subscription agent;
  2. The organizational documents pursuant to which the Issuer was established or formed;
  3. Other Material documents as prescribed by the rules of the Commission.
- D. The Commission may exempt an Issuer from some of the requirements listed above in Articles 20.B and 20.C, based on the manner of the offering, the amount of the offering, the number of investors and their characteristics, or the characteristics of the Issuer or the Security.

#### Article 21 Filing of Prospectus

- A. The Prospectus shall be filed with the Commission in written or electronic form as specified by Commission rules, and shall be signed by the general manager and by the manager of finance or chief accountant of the Issuer. If the Issuer is a joint stock company, the Prospectus shall be signed by the majority of the members of the board of directors of the Issuer.
- B. If the offering is underwritten, the Underwriters or Best Efforts Underwriters of the offering shall sign the Prospectus.

- C. If the Issuer is in the process of being established and there are no senior managers or governing body, the Prospectus shall be signed by a majority of the founders' committee.
- D. The Commission may prescribe a specific form or type of electronic signature that shall serve as equivalent evidence of a written signature.

Section Two: Mechanics of Public Offer

Article 22 Availability of Information

The Prospectus and other information required to be filed pursuant to this Chapter shall become available to the public upon filing with the Commission.

Article 23 Effectiveness of the Prospectus

- A. The Commission shall review the Prospectus and the information filed with the Prospectus to determine whether the Prospectus satisfies the form and content requirements of this law and the rules of the Commission.
- B. The Prospectus shall take effect 45 days after being filed with the Commission, unless the Issuer requests deferral or the Commission declares the Prospectus effective earlier or rejects the Prospectus.

Article 24 Halting or Denying Effectiveness of the Prospectus

- A. The Commission may issue an order to halt or deny the effectiveness of a Prospectus if it finds that:
  - 1. The Prospectus or any of the information filed with the Prospectus does not conform to the requirements of this law or the rules of the Commission;
  - 2. The Prospectus or any of the information filed with the Prospectus contains Materially false, inaccurate or misleading information, or omits Material facts that are necessary to enable the investor to make investment decision, or that it presents information in a way that renders the information Materially false, misleading or inaccurate;
  - 3. The fees, as required by the rules of the Commission, have not been paid in full; or
  - 4. The Issuer, if it is already an Issuer of Publicly Held Securities, has failed to file any report required by Article 31.
- B. Subsequent to issuing an order to halt or deny effectiveness, the Commission may issue an order declaring the Prospectus effective if the Issuer has amended the Prospectus to meet the requirements of this law and the rules of the Commission.
- C. An Issuer subject to an order halting or denying effectiveness of a Prospectus shall have the right to be heard before the Commission, and the right to request a Hearing Tribunal, as set forth in Article 72 of this law.

Article 25 Duration of and Updating an Effective Prospectus

- A. The Commission may specify the period during which a Prospectus is effective. The specifications of the Commission supersede the timing provisions of Company Law No. 21 of 1997, as amended, as it relates to Publicly Held Securities and Public Offers of Securities.
- B. Every Issuer making a Public Offer through an effective Prospectus must notify the Commission in writing of any Material change in the statements set forth in the Prospectus immediately upon becoming aware of such change. The Issuer should also prepare and publish a press release to disclose such change. The Commission's rules shall set forth the conditions applicable regarding the press release.

Article 26 Pricing of Newly Issued Publicly Held Securities

- A. The general assembly of an Issuer must approve of a new issuance of the Issuer's securities, pursuant to Article 54 of Company Law No. 21 of 1997, as amended. For a proposed offering of Publicly Held Securities, the board of directors of the Issuer shall make a recommendation as to the offering price, and disclose the basis for such a price, which must be approved by the general assembly along with the new issuance. The price recommendation shall consider the performance and prospects of the company, the prevailing market price of the shares and the objective of minimizing as much as possible the potential dilution that will result from the issuance of new shares. Notwithstanding Article 55, Fourth and Article 56, Third of the Company Law No. 21 of 1997, as amended, an offer of Publicly Held Securities by an Issuer that is made on a priority rights basis to existing shareholders shall be made at a subscription price that reflects the above factors affecting the price recommendation.

Section Three: Public Offer Violations; Damages

Article 27 Violations

- A. The following Persons shall be considered legally responsible in the event of any violation of Article 24.A numbers 1 or 2 of this law:
1. The Issuer;
  2. All directors or members of the governing body of the Issuer, unless a member has specifically voted against authorization of the Public Offer;
  3. The general manager and manager of finance or chief accountant of the Issuer;
  4. All members of the founders' committee in the case of an Issuer that has not been established with a board of directors as of the effective date of the Prospectus;
  5. The Underwriters or the Best Efforts Underwriters who sign the Prospectus;
  6. The independent auditors, except for the Bureau of Supreme Audit, but only with respect to the Audited Financial Statements included in the Prospectus that are covered by their audit report;

7. Any other Persons upon whose authority or expertise a statement is included in the Prospectus, but only with respect to the adequacy and accuracy of such statement.
- B. Any Person who offers or sells Securities by Public Offer in violation of Article 19 of this law or the rules of the Commission shall be legally responsible, at the election of the purchaser, for rescission of the transaction and repayment of the purchase price, or damages in accordance with Article 28 of this law.

Article 28 Damages

- A. Damages may be obtained through a claim brought on the basis of Article 27 of this law, which damages shall represent either:
1. The difference between the price actually paid for purchasing the Security (not to exceed the price at which it was offered to the public) and the value thereof as of the date of bringing the legal action, provided that if the defendant proves that any portion in the decline in value of the Security is due to causes which are not related to the omission or misstatement which is the substance of the suit, such portion shall be excluded from the damages for which the defendant is responsible;
  2. The difference between the price actually paid for purchasing the Security (not to exceed the price at which it was offered to the public) and the price which the Security was disposed of, if the Security has been sold prior to bringing the suit, provided that if the defendant proves that any portion in the decline in value of the Security is due to causes which are not related to the omission or the misstatement which is the substance of the suit, such portion shall be excluded from the damages for which the defendant is responsible.
- B. Any Person included in Article 27.A. numbers 2 through 7 above may avoid liability for damages by establishing that the Person made a reasonable independent investigation, directly or through a representative, of the facts and circumstances relating to the alleged violation and based upon such investigation, the Person should not reasonably be expected to have known that there was a Materially false or misleading statement or omission in the Prospectus.

**Chapter Four: Responsibilities Related to Publicly Held Securities**

Section One: Trading of Publicly Held Securities

Article 29 Limitations on Secondary Trading

No Broker or Dealer shall, in its capacity as such, purchase or sell any Security listed or admitted to trading on a licensed Securities Market otherwise than on or through such licensed Securities Market, or pursuant to rules set forth by the Commission for the safety and fairness of the markets and the protection of investors.

Section Two: Admission to Listing or Trading of Publicly Held Securities

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

- A. An Issuer that wishes to have a class of its Securities listed or admitted to trading on a licensed Securities Market shall be required to meet the requirements established by such Market, as approved by the Commission. These requirements shall provide that:
1. The Issuer must sign an agreement with the Securities Market in which the Issuer:
    - (a) Agrees to be contractually bound by all applicable listing and other requirements of the Securities Market, including disclosure and financial reporting requirements of the Securities Market and this law;
    - (b) Represents that the Issuer has read the provisions of this law and the rules under this law applicable to Issuers of Publicly Held Securities, and the rules and procedures of the licensed Securities Market applicable to Issuers of listed Securities;
    - (c) Agrees to be subject to disciplinary sanctions, including possible delisting if the Issuer fails to comply with such requirements.
  2. The Issuer shall file with the Commission and the Securities Market a registration statement, which shall be publicly available upon filing. Except as provided in paragraph B below, the registration statement shall include the following information:
    - (a) Information that provides an adequate description of the Issuer, the nature of its business, its Major Shareholders, and members of the board of directors and senior management.
    - (b) Information which gives an adequate description of the Issuer's Securities, their number, related rights, preferences or privileges.
    - (c) Audited Financial Statements of the Issuer and any subsidiaries of the Issuer on a consolidated basis for the time periods described below or such shorter period of time that the issuer has been in operation. The Audited Financial Statements shall include a balance sheet as of the end of the most recent fiscal year and the immediately preceding year, and profit and loss accounts, statements of cash flows and statements of changes in shareholders' equity for the three years ending with the date of the most recent balance sheet accompanied by a signed audit report and a report of the board of directors, as the rules of the Commission may require. In the event that the most recent audited balance sheet is as of a date more than 120 days before the date that the registration statement is filed, the Commission shall have authority to require more recent unaudited, condensed financial statements. Such unaudited, condensed financial statements shall be presented through the most recent quarter of the Issuer ending within 90 days prior to the filing of the registration statement or any subsequent amendment to the registration statement.

- (d) Any other Material Information required or authorized by the Commission or Securities Market in accordance with rules of the Commission or Securities Market, which is deemed necessary to make the information provided not misleading.
  3. In addition to any other requirements the Commission may impose, the information to be filed with the registration statement shall include copies of the following:
    - (a) The organizational documents pursuant to which the Issuer was established or formed;
    - (b) Other Material documents as prescribed by Commission or Securities Market rules.
  4. The registration statement shall be filed in a written or electronic form specified by the Commission in accordance with its rules, and shall be signed by each of the general manager and the manager of finance or chief accountant of the Issuer. The registration statement shall also be signed by the majority of the members of the board of directors of the Issuer.
  5. The liability and violations provisions of Article 27A regarding a false or misleading or incomplete Prospectus shall apply in the same manner to a registration statement, except that no Underwriter or Best Efforts Underwriter shall have any liability with respect to the registration statement.
- B. Notwithstanding Paragraph A.2 above, a separate registration statement shall not be required if an Issuer has a current effective Prospectus that contains current information at the time of applying for listing or admission to trading or a current annual report containing Audited Financial Statements, in which case the Prospectus, or annual report, may be used along with the agreement required in Paragraph A.1 above.
- C. The Securities of an Issuer shall not be listed or admitted to trading on a licensed Securities Market until:
  1. The licensed Securities Market has evaluated the registration statement and certified to the Commission that it is prepared to list the Securities or admit them to public trading; and
  2. The Commission has reviewed the registration statement to determine whether it complies with the requirements of this law and the rules of the Commission, and has issued an order declaring the registration statement effective.
- D. If a licensed Securities Market fails to enforce its rules for Issuers whose Securities are listed or admitted to public trading on that Securities Market, the Commission may enforce the rules directly with respect to the Issuer, including, where necessary:
  1. Publicly reprimanding the Issuer;

2. Requiring Issuers that are delinquent in providing current financial or other information to be separately identified or traded on a separate market tier;
  3. Suspension of trading until the Issuer is current in all financial and other disclosure obligations;
  4. Delisting of the Issuer's Securities.
- E. If an Issuer fails to comply with the provisions of this law, the rules of the Commission, the provisions of its listing agreement or rules of a licensed Securities Market, the Securities of the Issuer may be summarily suspended from trading by the Securities Market or the Commission for a period of up to ten trading days. If the failure to comply continues after such ten day period, the Commission, or the licensed Securities Market upon application to the Commission, may suspend further trading or delist the Securities of the Issuer from the licensed Securities Market. An Issuer shall have a right to appeal a final decision of the Securities Market regarding suspension or delisting to the Commission, and with respect to a decision by the Commission, a right to be heard before the Commission, and the right to request a Hearing Tribunal, as set forth in Article 72.

*Section Three: Reporting Requirements*

Article 31 Issuer Reporting Requirements

- A. Every Issuer of Publicly Held Securities must file quarterly and annual reports with the Commission. Annual reports must be filed within 120 days of the close of the fiscal year of the Issuer and must include Audited Financial Statements as required by the rules of the Commission. Quarterly reports must be filed with the Commission within 60 days of the end of the quarter. The Commission may require reports to be filed within shorter periods or provide an extension of up to an additional 30 days pursuant to rules it deems appropriate for the needs of investors for timely disclosure.
- B. The Commission shall specify by rule the form and content of annual reports to be filed by an Issuer of Publicly Held Securities, including the level of comparative financial statement detail required. Annual reports shall include the following information:
1. Audited Financial Statements, including a balance sheet, profit loss account, statement of cash flows, and statement of changes in shareholders' equity, accompanied by a signed independent auditors report;
  2. A signed board of directors' report;
  3. Any other Material Information as required by the rules of the Commission.

If the Issuer has one or more subsidiaries, the financial statements shall be presented on a consolidated basis. The Annual Report shall be signed by each of

the Issuer's chairman of the board of directors, the general manager and manager of finance or chief accountant.

- C. The Commission shall specify by rule the form and content of quarterly reports to be filed by an Issuer of Publicly Held Securities, including the level of comparative financial statement detail required. Quarterly reports shall include condensed financial statements, including a balance sheet, profit and loss account, statement of cash flows and statement of changes in shareholders' equity. These financial statements do not need to be audited. Quarterly reports shall include any other Material Information as required by the rules of the Commission. If the Issuer has one or more subsidiaries, the condensed financial statements shall be presented on a consolidated basis. The quarterly report shall be signed by the Issuer's general manager and manager of finance or chief accountant.
- D. An Issuer of Publicly Held Securities shall file additional reports as may be required by rules of the Commission as necessary to disclose Material Information.
- E. The reports shall be filed with the Commission and any licensed Securities Market where the Securities of the Issuer are listed or admitted to trading, and shall be made publicly available as required by the Commission rules.
- F. Issuers of Publicly Held Securities shall hold meetings and conduct elections as stipulated in Company Law No. 21 of 1997, as amended. The Commission may issue rules regarding disclosure of information and other practices in connection with the solicitation of proxies or voting instructions for Publicly Held Securities.

#### Article 32 Confidential Treatment of Certain Information

Upon petition by an Issuer, the Commission may order any portion of the information required to be filed in a Prospectus, registration statement, or report to be treated as confidential if public disclosure would reveal important business secrets or otherwise harm the Issuer's business, and the information is not sufficiently Material to justify compulsory disclosure.

#### Article 33 Major Shareholder Reporting Requirements

- A. An Issuer of Publicly Held Securities shall file with the Commission and any licensed Securities Market where its Securities are listed or admitted to trading a statement identifying any Major Shareholder of the voting Securities of the Issuer, the amount and exact percentage of the class of voting Securities held and any other information as may be required by the Commission. Each Issuer of Publicly Held Securities shall report any change in a Major Shareholder's holdings exceeding 1% of the outstanding class of Securities from the last reported holdings within 10 days.
- B. The Commission by rule may require Major Shareholders to report their holdings to the Commission and any licensed Securities Market where the Securities are

listed or admitted to trading when it is necessary for the safety and fairness of the markets and the protection of investors.

Article 34 Shareholder Rights

- A. The Commission may issue rules for the regulation of shareholder rights for shareholders of Publicly Held Securities. Commission rules may require that:
1. Shareholders are supplied adequate information to enable them to assess the merits of any proposal and have a reasonable amount of time to consider any offer;
  2. Shareholders have a reasonable opportunity to participate in any benefits accruing to shareholders under any proposal under which a Person would acquire a substantial interest in the outstanding voting Securities of an Issuer;
  3. An Issuer of Publicly Held Securities shall ensure equality of treatment for all holders of shares of the same class with respect to all of the rights attaching to such Securities.

Article 35 Tender Offers and Takeover Bids

- A. The Commission shall make rules to govern a Public Offer or solicitation of tenders to acquire more than 15% of a class of an Issuer's Publicly Held voting Securities that are listed or admitted to trading on a licensed Securities Market. Any such Public Offer shall be made upon the same terms and conditions to all holders of the same class of the Issuer's voting Securities. If more Securities are tendered than the offeror has committed to purchase, the Securities shall be purchased on a pro rata basis from all of the Persons tendering Securities. Commission rules may further require:
1. Disclosure of the identity of the offeror, the amount of Securities Beneficially Owned by the offeror and all other Persons acting with the offeror, and any additional information the Commission deems necessary or Material;
  2. Filing of all public communications and advertisements regarding the offer with the Commission.
- B. Any Person who acquires more than 50% of the voting power of the Publicly Held Securities of an Issuer that are listed or admitted to trading on a licensed Securities Market shall be obliged to offer to purchase all of the remaining outstanding voting Securities of the Issuer. The offer to purchase shall be made upon such terms and conditions as may be prescribed by the rules of the Commission to ensure that the remaining security holders receive a fair price, unless the Commission, by order, exempts such a person from the obligation to make a mandatory offer to the remaining shareholders.
- C. Unless otherwise provided by Commission rules, offers made pursuant to the provisions of this Article 35 shall be made through the facilities of the licensed

Securities Market on which the voting Securities of the Issuer are listed or admitted to trading, provided that Securities Market has the mechanisms and procedures to facilitate such an offer.

## **Chapter Five: Securities Markets**

### Section One: Licensing and Regulatory Oversight of Securities Markets

#### Article 36 General Licensing Requirement for Securities Markets

No Securities Market may operate in Iraq without a license from the Commission, unless specifically exempted by Commission rule or order. It shall be unlawful for any Person to engage in Securities transactions, directly or indirectly, on a Securities Market operating in Iraq, unless such Securities Market is licensed or exempted by the Commission.

#### Article 37 Iraq Stock Exchange

A. The Iraq Stock Exchange (ISX), which is currently organized as a private, member-owned, not-for-profit organization, shall be deemed a licensed Securities Market as of the effective date of this law, provided the ISX complies with this Article 37.

B. For as long as the ISX is a private, member-owned not-for-profit institution:

1. The ISX shall be managed by a Board of Governors. The rules and procedures governing the ISX Board of Governors, convening of the general assembly, the manner of convening the Board of Governors' meetings, and of adopting decisions therein, the responsibilities and authority ascribed respectively to the general assembly, the Board of Governors, the chief executive officer, together with the procedures for dissolving and liquidating the ISX and any other administrative and financial matters pertaining thereto, shall be governed by the governing instruments, rules and procedures issued by the ISX. All of such governing instruments, rules and procedures shall be subject to the approval of the Commission as set forth in Article 43.
2. The general assembly of the ISX shall consist of the Members of the ISX who have paid all required fees and annual dues. The general assembly shall have the authority to elect members of the Board of Governors. Each member of the general assembly shall have one vote in the meetings of the general assembly.
3. The governing instruments of the ISX shall provide that the Board of Governors shall consist of nine members. The governing instruments shall include provisions specifying how eight members shall be nominated, and how eight members shall be elected by the general assembly. One position shall be reserved for the chief executive officer of the ISX. The governing instruments shall include provisions whereby the chief executive officer shall be appointed and removed by the Board of Governors, and shall only be entitled to serve as a member of the Board of Governors while also serving as chief executive officer. The chief

executive officer shall not hold any other job or be a partner, shareholder, owner or representative of any Licensee. The eight elected members of the Board of Governors shall be elected from the following categories of nominees:

- (a) One member who shall serve as Chairman of the Board of Governors who is nominated by at least two members of the general assembly;
- (b) One member from among the Members the ISX who is nominated by at least two members of the general assembly;
- (c) One member from among the Issuers whose Securities are listed or admitted to trading on the ISX and who is nominated by a percentage of Issuers as determined by the ISX governing instruments;
- (d) One member from the membership or management of the IASD, or other licensed Securities Association, who is nominated by the governing body of the IASD or other licensed Securities Association; and
- (e) Four members who are independent of any Licensee, any Issuer whose Securities are listed or admitted to trading on the ISX and who are not employees of the ISX.

Subject to the above requirements, the governing instruments of the ISX shall specify additional procedures for nominating and electing members of the Board of Governors and may provide that members, other than the chief executive officer, may be elected in not more than three classes, provided that the term of each class does not exceed three years.

4. Commencing 180 days after the effective date of this law, unless such deadline is extended by the Commission, and every year thereafter:

- (a) The ISX shall open its membership to licensed Brokers and Dealers as described below and on such other terms and conditions, not inconsistent with those described below, approved by the Commission.
- (b) Annually, the ISX shall file a plan for Commission approval, stating the terms and conditions for accepting new members. The plan shall indicate:
  - (i) The maximum number of new members that the ISX proposes to accept for the year; and
  - (ii) The proposed minimum price for a new membership, including an analysis of how the ISX determined the minimum price.
- (c) To assist it in determining the minimum price for a new membership, if requested to do so by the Commission, the ISX shall retain an expert agreed upon by the ISX and the Commission.
- (d) If the ISX and the Commission cannot agree on the number of new memberships for any year, the Commission may require the ISX to offer up to five new memberships.

- (e) The ISX shall provide at least 30 days public notice of an auction for new memberships, subject to the minimum price determined as set forth above, and shall conduct such auction subject to terms and conditions to be approved by the Commission.
- 5. The ISX may stipulate reasonable market access requirements, conditions and rules for Market Participants to allow for agreements between a Market Participant and a licensed Broker or Dealer who is a Member of the ISX, which shall be reviewed by the Commission as stipulated in Article 43.
- C. Nothing contained in this law shall prohibit the ISX from reorganizing into a joint stock company organized for profit, provided that the terms and conditions of such reorganization and the governing instruments, rules and procedures of the reorganized entity shall be approved by the Commission. All other requirements for licensed Securities Markets shall apply to the ISX.
- D. The ISX shall be subject to all applicable provisions of this law and shall be required to conform its governing instruments, rules and procedures to this law not later than 180 days after the effective date of this law, unless such deadline is extended by the Commission. In furtherance of this objective, within 120 days after the effective date of this law, the ISX shall file for review and approval by the Commission all of its governing instruments, rules and procedures with proposed amendments, indicating how the ISX proposes to comply with the requirements of this law.

#### Article 38 Licensing of a Securities Market

- A. A Securities Market may be licensed by the Commission in accordance with the provisions of this law and rules issued by the Commission. An application to license a Securities Market shall be filed with the Commission and shall include the Securities Market's bylaws, other governing instruments, all rules and proposed rules governing its activities, and such other information as the Commission may deem necessary or appropriate for the protection of investors or in the public interest.
- B. The Commission shall publish notice of the filing of an application for a Securities Market license and allow 60 days for the public comments. After 60 days the Commission shall grant the license or commence proceedings to determine whether the license should be denied. Such proceedings shall include notice of the grounds for denial under consideration and an opportunity to be heard before the Commission and the right to request a Hearing Tribunal, as provided in Article 72 of this law.

#### Article 39 Regulatory Oversight of Securities Markets

- A. The Commission shall have oversight authority over licensed Securities Markets to the exclusion of substantive regulation by other government entities of Iraq.

- B. In order to be licensed by the Commission, the governing instruments, rules, and procedures of a Securities Market shall provide for the following:
1. Organization and the capacity to enforce compliance with its governing instruments, rules and applicable provisions of this law and the rules of the Commission;
  2. Maintenance of an audit trail showing the date, time, price, volume and parties to each transaction and such other data as the Commission may by rule require;
  3. Timely and equitable access to information regarding transactions taking place on the Securities Market, and that trading information will be made publicly available as soon as practicable;
  4. Prohibitions against a Member, Market Participant or Associated Person from unfairly trading ahead of the order of a client;
  5. No Person or group of related Persons may have a membership or Beneficial Ownership interest of more than 10% of the shares of the licensed Securities Market or any person who is licensed as an operator of such Securities Market;
  6. A governing body that allows for the fair representation of Members and listed companies, and includes two or more directors who are not Affiliated or associated with Members or Market Participants;
  7. Equitable allocation of reasonable dues, fees and other charges among Members, Market Participants, Issuers of listed Securities and other Persons using the facilities of the Securities Market;
  8. Prohibition of anticompetitive practices or burdens on competition, unless necessary in furtherance of the objectives of this law.
  9. Prevention of fraudulent, misleading and manipulative, acts and practices and the promotion of just and equitable principles of trade;
  10. Appropriate guidelines for Members, Market Participants, Associated Persons and the Securities Market to comply with the applicable anti-money laundering laws and rules;
  11. Appropriate discipline and fair procedures for disciplining Members, Market Participants, Associated Persons, and listed companies for violations of the provisions of this law, the rules and orders of the Commission, and the governing instruments, rules and procedures of the Securities Market;
  12. Protection of the confidentiality of nonpublic information and prevention of any Member, Market Participant or Associated Person from trading on the basis of or otherwise misusing nonpublic information;
  13. If the Commission requires, its rules provide for arbitration of disputes between or among Members, Market Participants, Associated Persons and their clients.
- C. Failure of a Member, Market Participant or Associated Person to abide by the governing instruments, rules and procedures of a licensed Securities Market shall

be considered a violation of this law, enforceable by the Securities Market and the Commission.

Section Two: Members and Market Participants

Article 40 Criteria for Becoming a Member or Market Participant

- A. A licensed Securities Market may stipulate by rule reasonable market access requirements and conditions for Members and Market Participants that are reviewed by the Commission as stipulated in Article 43, and may refuse the application of any Person to become a Member or Market Participant, or bar any Associated Person from being employed by a Member or Market Participant, if:
1. The Person does not meet the standards of training, experience, and competence prescribed by the governing instruments and rules of the Securities Market;
  2. The Person does not meet the standards of financial responsibility or operational capability;
  3. The Person or an Associated Person commits or has committed a violation of the provisions of this law or the rules of the Commission, or the governing instruments or rules of the Securities Market.
- B. In taking any of the measures described in Paragraph A above, a licensed Securities Market shall give the Person opportunity to be heard, and make a written record of the basis for its decision. An applicant may appeal an adverse decision of a licensed Securities Market to the Commission within 30 days of the decision and the Commission may affirm, overrule, modify or seek further clarification of the decision of the Securities Market.

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

- A. A Member, Market Participant or Associated Person shall have the right to appeal an adverse disciplinary action by a licensed Securities Market to the Commission within 30 days of the decision. A party subject to an adverse decision by the Commission shall have the right to be heard before the Commission, and the right to request a Hearing Tribunal as provided in Article 72 of this law.
- B. An arbitration decision by a licensed Securities Market shall be final and binding upon all parties and no party shall have a right to appeal such decision unless the party can sustain the burden of proof that the decision was procured by fraud or that one or more of the arbitrators had a material conflict of interest and should not have participated in the arbitration.

Section Three: Operation of Securities Market

Article 42 Reports of the Securities Market

- A. A licensed Securities Market shall be required to file an annual report with Audited Financial Statements with the Commission within 120 days after the close of its fiscal year. The annual report shall be publicly available upon filing

and shall include a report of the governing body of the licensed Securities Market and a signed independent auditors report on its Audited Financial Statements. The annual report and budget shall be submitted to the general assembly of the licensed Securities Market for their approval.

- B. The Commission, by rule, may require a licensed Securities Market to file such other reports with the Commission as the Commission may reasonably require in order to exercise oversight authority over the Securities Market.

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

- A. A licensed Securities Market shall be required to adopt, subject to Commission approval, a written code of professional conduct applicable to its Members, Market Participants and Associated Persons, as well as the governing body, officers and employees of the Securities Market. The code of conduct shall provide for standards of training, experience, administrative competence, and prohibitions on trading on nonpublic information.
- B. A licensed Securities Market shall file the following with the Commission for prior approval:
  - 1. Governing instruments;
  - 2. Rules and procedures;
  - 3. Any amendments to numbers 1 and 2 above.

Within 60 days after a filing, the Commission shall approve, disapprove, or publish the filing with a request for public comments. If the Commission requests comments, it shall give the public 30 days to comment on the filing. Within 30 days after the end of the comment period, the Commission shall approve, disapprove or request changes in the filing. If the Commission disapproves the filing, the grounds for denial must be set out in writing in reasonable detail. If the Commission does not act within the time periods indicated in this provision, the filing, shall be deemed to be approved.

- C. The Commission shall have authority, upon notice and opportunity for public comment, to supplement or to abrogate the governing instruments, rules and procedures of a licensed Securities Market. The Commission shall set out in writing the grounds for the action in reasonable detail.

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

Section One: Licensing and Regulatory Oversight of Licensees

Article 44 Legal Form

- A. A Broker, Dealer, Underwriter, Best Efforts Underwriter, Investment Advisor or Investment Manager shall be organized as:

1. A separate affiliate of a bank that is licensed to do business in Iraq; or
2. A joint stock company or limited liability company established or authorized to do business in Iraq.

#### Article 45 Requirements for Licensees

Unless licensed by the Commission in accordance with this law and the rules of the Commission, no Person may engage in business as a Broker, Dealer, Underwriter, Best Efforts Underwriter, Investment Advisor or Investment Manager. A Person may acquire multiple licenses.

#### Article 46 Licenses Under the Interim Law

- A. A Broker that was deemed to be licensed under the Interim Law and who actively maintained such a license to engage in Securities transactions on the Iraq Stock Exchange shall be deemed to be automatically licensed as a Broker under this law, but shall be required to conform its activities to the requirements of this law and the rules of the Commission in order to maintain such license.
- B. A Broker licensed under the Interim Law that is organized as a licensed bank has 180 days after the effective date of this law to comply with Article 44. If a bank fails to comply within 180 days, the Commission may suspend the Broker license of the bank or provide an extension up to an additional 180 days for the bank to comply. The bank's Broker license shall be transferred to the separate affiliate once it is established.

#### Section Two: License Requirements

##### Article 47 License Application

- A. An application for a license for a Broker, Dealer, Underwriter, Best Efforts Underwriter, Investment Advisor or Investment Manager shall be filed with the Commission and shall include the information and documents that are required by the rules of the Commission. The applicant must demonstrate that the applicant satisfies the conditions and requirements necessary for obtaining a license. A statement attesting to the accuracy of the information in the application signed by the applicant shall be included as part of the application.
- B. The application shall include:
  1. The applicant's name and commercial name;
  2. The form of the company;
  3. The applicant's principal place of business, and its principal office and branches, if applicable;
  4. The residence and business addresses of all current and proposed Associated Persons and Beneficial Owners of 10% or more of the applicant;
  5. The nature of the applicant's business and the length of time the applicant has engaged therein;

6. Disclosure of any felony or misdemeanor convictions of the applicant, any of its current or proposed Associated Persons and Beneficial Owners of 10% or more of the applicant;
  7. Such additional information as the Commission may deem necessary to establish that the applicant meets the financial and operational requirements for licensing.
- C. The Commission shall set forth the requirements and conditions that must be met by applicants for obtaining a license. Such requirements and conditions shall include:
1. Criteria pertaining to an applicant's competence to act as a Broker, Dealer Underwriter, Best Efforts Underwriter, Investment Advisor or Investment Manager;
  2. Criteria of integrity or suitability for Persons to conduct such activities.
- D. The Commission shall issue its decision granting or denying the license within 45 days as of the date of filing a complete application. An application that does not satisfy all the requirements shall not be considered a complete application. A party subject to an adverse decision by the Commission shall have the right to be heard before the Commission, and the right to request a Hearing Tribunal as provided in Article 72.
- E. The Commission shall maintain a register of all Licensees, which shall be available to the public.

*Section Three: Obligations of Licensees*

Article 48 Reports and Records of Licensees

- A. The Commission shall by rule require a Licensee to file annual and periodic financial statements and reports regarding its financial, operational, trading investment management and investment advisory activities with the Commission and any licensed Securities Market of which it is a Member or Market Participant. The financial statements and reports shall be kept in accordance with accepted accounting standards, including recording at market value of all of the Securities positions held by the Licensee.
- B. A Licensee shall make and maintain books and records as required by Commission rules and the rules of licensed Securities Market or licensed Depository where the Licensee is a member or a participant. A Licensee shall keep all records related to Securities transactions, the transfer of Securities or money and customer records listing the assets, transactions and transfers of each customer.
- C. A Licensee shall make available its books and records to a licensed Securities Market or licensed Depository where the Licensee is a member or participant at any reasonable time and in accordance with the rules and procedures of that

## Securities Market or Depository.

### Article 49 Updating Material Information

A Licensee shall file written notification with the Commission and any licensed Securities Market of which it is a Member or Market Participant of any material changes to information previously filed, within 15 days of such change.

### Article 50 Licensee Financial Responsibility Requirements

A licensed Broker, Dealer or Underwriter shall maintain such capital requirements as determined by rules of the Commission, any licensed Securities Market or licensed Depository of which such licensed Broker, Dealer or Underwriter is a member or participant. Such capital requirements shall take into consideration the different risks undertaken by Brokers, Dealers and Underwriters. The Commission by rules may establish bonding requirements for Licensees and Associated Persons.

### Article 51 Professional Conduct

In carrying out their activities, Licensees and their Associated Persons shall perform their duties abiding by the rules of professional conduct issued by the Commission, and applicable rules of a licensed Securities Market, Securities Association or Depository of which the Licensee is a member or participant. This shall include:

- A. Observing just, transparent, and equitable principles of trade, and acting with honesty and integrity;
- B. Protecting confidential information regarding clients except where legally obligated to reveal such information;
- C. Fulfilling obligations under the applicable laws and rules to prevent money laundering;
- D. Acting with loyalty and dedication so as to maximize their clients' interests, including placing the interests of clients ahead of their own;
- E. Abstaining from engaging in fraudulent and deceptive practices, such as charging excessive commissions and service fees, or guaranteeing or promising clients definite amounts of profits.

### Article 52 Client Relationship

- A. The relationship between the client and the Licensee shall be governed by a written agreement that is consistent with the provisions of this law and the rules and orders of the Commission.
- B. Licensees who are Brokers or Dealers shall provide their clients with contract notes confirming Securities transactions, and with periodic account statements.

- C. Licensees shall disclose in writing material conflicts of interest to their clients as prescribed by the rules of the Commission.
- D. A Licensee or Associated Person shall not buy, sell or dispose of any Securities of a client without a written authorization or a written agreement between the Licensee and client which provides for other means of authorization.
- E. A Licensee shall not extend credit in connection with Securities transactions or pledge the Securities of a client without a written agreement between the client and the Licensee that complies with the provisions with this law and the rules of the Commission.
- F. A Licensee or Associated Person that recommends the purchase or sale of Securities by a client must have a reasonable basis for concluding that such recommendation is suitable based upon the client's investment objectives, financial situation and tolerance for investment risk.

#### Article 53 Fees

A Licensee shall disclose a schedule of all fees, commissions, mark-ups and mark-downs charged to its clients prior to entering into any agreements or understandings with them. Fees for individual transactions also shall be disclosed on contract notes for purchase and sale transactions. The Commission may prescribe rules relating to maximum mark-up and mark-down levels.

#### Article 54 Protection of Client Assets

The Licensee shall segregate client's money, Securities and other assets from its own money and Securities in accordance with the rules specified by the Commission and included in the agreements concluded with the clients. Money, Securities and other assets that belong to clients shall not be available to fund the Licensee's business.

#### Section Five: Bankruptcy and Insolvency of Licensees

##### Article 55 Bankruptcy, Insolvency and Liquidation

- A. In the event of bankruptcy or insolvency of a Licensee, the Commission shall be entitled to participate in the liquidation or restructuring of the Licensee, whether voluntary or involuntary.
- B. The Commission may take any necessary measures to publicize the bankruptcy or insolvency of a Licensee and may refer the Licensee for compulsory liquidation.
- C. The money, Securities, and other assets belonging to the clients of a Licensee shall not be subject to lien in favor of creditors of the Licensee unless the client has specifically consented in writing to such lien.

#### Section Six: Associated Persons of Licensees

##### Article 56 Licensing of Associated Persons of Licensees

- A. An Associated Person employed by a Licensee shall not be required to be licensed separately as a Licensee.
- B. The Commission may determine by rule the nature of the activities, the licensing, and standards of training, experience, and competence for Associated Persons of Licensees. The Commission may subject applicants to an examination or to any other demonstration establishing satisfaction of prescribed standards. In doing so, the Commission shall take into consideration the advisability of implementing these requirements progressively over a five-year period from the effective date of this law to allow for sufficient training of Associated Persons and so as not to adversely affect the growth of the capital markets in Iraq.
- C. The Commission may grant by rule or order any Associated Person or class of Associated Persons an exemption from the licensing requirements set forth in this Article 56, as required for the protection of investors. Exemption from licensing requirements shall not relieve an Associated Person from potential liability for violations of this law, rules of the Commission, and applicable rules of a licensed Securities Market, Securities Association or Depository.

## **Chapter Seven: Securities Associations**

### Article 57 Licensing and Regulatory Oversight of Securities Associations

- A. The IASD, presently the sole active Securities Association in Iraq or any other Securities Association, including the IASD, may apply to the Commission to become a licensed Securities Association under this law. The Commission may delegate by rule certain self-regulatory authority to licensed Securities Associations. The Commission may establish licensing guidelines for Securities Associations by rule. No such association shall be licensed, or shall continue to be licensed, by the Commission unless the Commission determines that the governing instruments, rules and procedures of the applicant satisfy all of the conditions in Article 39.B numbers. 1, 6, 7, 8, 9, 10, 11, 12 and 13 and Article 43.A of this law in the same manner as a licensed Securities Market, provided that the references to listed companies and Issuers in Articles 39.B. 6 and 7 may be disregarded.
- B. A licensed Securities Association's governing instruments, rules, procedures and code of conduct shall be subject to Commission approval, and it shall be subject to Commission review, oversight, rule making authority, inspection and discipline with respect to its actions and decisions in the same manner as a licensed Securities Market under Articles 43.B and 43.C this law.
- C. Failure of a member to abide by the governing instruments, rules or procedures of a licensed Securities Association shall be considered a violation of this law, enforceable by the Securities Association and the Commission.

## **Chapter Eight: Depository**



- C. The Commission shall publish notice of the filing of an application for a Depository license and allow 60 days for the public comments. After 60 days the Commission shall grant the license or commence proceedings to determine whether the license should be denied. Such proceedings shall include notice of the grounds for denial under consideration and an opportunity to be heard before the Commission and the right to request a Hearing Tribunal, as provided in Article 72.
- D. The Commission shall have oversight authority over a licensed Depository to the exclusion of other government entities and a licensed Depository need not register with the Ministry of Trade or the Registrar of Companies.
- E. The provisions of Article 41 of this law applicable to disciplinary and arbitration decisions of a licensed Securities Market shall also be applicable to a licensed Depository.
- F. The Commission may fine, suspend, revoke, limit the activities, functions and operations or censure a licensed Depository after a hearing pursuant to Article 72 to ensure consistency of the activities of a licensed Depository with the provisions of this law and the rules of the Commission.

Article 60 Licensed Depository Governing Instruments, Rules and Procedures

- A. A licensed Depository shall file the following with the Commission for prior approval:
  - 1. Governing instruments;
  - 2. Rules and procedures, which includes operating guidelines and procedures;
  - 3. Any amendments to numbers 1 and 2 above.
- B. Within 60 days after a filing the Commission shall approve, disapprove, or publish the filing with a request for public comments. If the Commission requests comments, it shall give the public 30 days to comment on the filing. Within 30 days after the end of the comment period, the Commission shall approve, disapprove or request changes in the filing. If the Commission disapproves the filing, the grounds for denial must be set out in writing in reasonable detail. If the Commission does not act within the time periods indicated in this provision, the filing shall be deemed to be approved.
- C. The Commission shall have authority, upon notice and opportunity for public comment, to supplement or to abrogate the governing instruments, rules and procedures of a licensed Depository. The Commission shall set out in writing the grounds for the action in reasonable detail.

Article 61 Licensed Depository Functions

- A. A licensed Depository shall be responsible for the following functions:
1. Clear and settle transactions in Publicly Held Securities;
  2. Serve as a depository for Publicly Held Securities and hold such Securities in book-entry form;
  3. Maintain the Shareholder Register for Issuers of Publicly Held Securities;
  4. Hold in separate accounts Securities owned by clients of Depository members and participants from Securities owned by the members and participants themselves;
  5. Register and transfer ownership of Publicly Held Securities.
- B. A licensed Depository may perform the functions in paragraph A above for other Issuers pursuant to their request.
- C. An Issuer of Securities deposited with a licensed Depository shall be required to enter into a binding agreement with the Depository pursuant to which the respective rights and obligations of the Issuer and the Depository shall be established, including payment by the Issuer to the Depository for maintaining the Shareholder Register of the Issuer. The agreement shall also set forth any specific delegation of the duties of the Issuer under Company Law No. 21 of 1997, as amended, relating to the Shareholder Register of the Issuer.

Article 62 Membership or Participation in a Licensed Depository

- A. The following shall be entitled to membership or participation in a Licensed Depository:
1. Licensees who are Brokers or Dealers and who effect transactions in Publicly Held Securities and who meet the capital and other membership or participation requirements;
  2. Banks who act as custodians for Securities or who effect transactions in Securities subject to clearance and settlement by a licensed Depository and who meet the capital and other membership or participation requirements;
  3. Global custodians, international Securities depositories or clearing agencies and other Persons, including financial institutions, whose membership or participation is approved by the Commission.
- B. A member or participant shall sign a written commitment upon becoming a member or participant of a licensed Depository pursuant to which such Person agrees to comply with the governing instruments, rules and procedures of the Depository.

Article 63 Organizational Structure for a Licensed Depository

- A. A licensed Depository's organizational structure, areas of activity, membership conditions and requirements, and any fees it charges shall be specified in the governing instruments, rules and procedures.

- B. A licensed Depository shall be managed by a board of directors and a full-time executive manager. The general assembly, the composition of the board of directors, the method of convening meetings of the general assembly and of the board of directors and of adopting decisions therein, as well as the authority and responsibilities of the general assembly, of the board of directors, of the executive manager, and of all administrative and financial matters related thereto, shall be regulated by the Depository's governing instruments, rules and procedures issued for this purpose.

#### Article 64 Reports of a Licensed Depository

- A. A licensed Depository shall be required to file an annual report with Audited Financial Statements with the Commission within 120 days after the close of its fiscal year. The annual report shall be publicly available upon filing and shall include a report of the governing body of the Depository and a signed independent auditors report on the Audited Financial Statements. The annual report and budget of a licensed Depository shall be submitted to the general assembly of the Depository for their approval.
- B. The Commission, by rule, may require a licensed Depository to file such other reports with the Commission as the Commission may reasonably require to exercise oversight authority over a licensed Depository.

#### Article 65 Deposited Securities

- A. All transactions taking place in Publicly Held Securities shall be required to be cleared and settled through the facilities of a licensed Depository.
- B. The certificates of ownership of Securities deposited shall be cancelled according to the procedures issued by the licensed Depository. The Commission may by rule set forth standards for the cancellation of Securities certificates and what type of evidence of ownership of deposited Securities the licensed Depository shall provide to its members and participants, and clients of its members and participants.
- C. The Commission may issue rules regarding the necessity of depositing at a licensed Depository for book-entry transfer other Securities not covered by Paragraph A above but that have been or shall be the subject of a Public Offer.
- D. A licensed Depository may establish a settlement guarantee fund to be drawn upon for the sole purpose of settling transactions.
- E. Securities registered at a licensed Depository in the names of others for holding and transfer in book-entry form shall not be regarded as property of the Depository or be subject to claims of its creditors.
- F. A licensed Depository shall have a lien on all member and participant owned Securities and money held by the Depository for the sole purpose of meeting the

obligations of a member or participant with the Depository, including settlement deposits, and may use those member or participant owned Securities and money to settle any obligation owed by that member or participant to the Depository or its other members or participants.

Article 66 Registration and Transfer of Ownership

- A. Registration and transfer of ownership of Publicly Held Securities shall be by book-entry in the records of a licensed Depository. A licensed Depository may accept electronic data and keep and transfer electronically Securities held at the Depository in accordance with its governing instruments, rules and procedures.
- B. Unless otherwise proven, the entry records and the accounts maintained by a licensed Depository, whether manually or electronically, as well as any document issued by the licensed Depository, shall constitute prima facie legal evidence of ownership, registration, transfer of ownership and settlement of the Securities, at the price and on the date stated in those records, accounts or documents. Lawful transfers on the books of a licensed Depository of deposited Securities shall supersede the provisions of Article 66, First paragraph and Article 68 of the Company Law No. 21 of 1997, as amended.
- C. A licensed Depository shall fix any lien, pledge or other restriction of ownership, imposed on a deposited Security in its records on the date of receiving the lien or other restriction, unless the ownership of the Security has been transferred prior to that date.
- D. The settlement of all trades shall be made at a licensed Depository on a delivery versus payment basis.
- E. Every holder of Securities of an Issuer making a Public Offer or an Issuer of Publicly Held Securities, who has fully paid for such Securities, shall be entitled to evidence of ownership of the Securities, and to be listed on the Shareholder Register of the Issuer. Such evidence and listing may be in electronic format.

Article 67 Bankruptcy of a Member or Participant

- A. If a member or participant of a licensed Depository is subject to a bankruptcy or liquidation order, the licensed Depository, pursuant to the legislation in force, and according to procedures issued thereby, shall take all appropriate measures to fulfill the settlement of any pending trading contracts to which such member or participant was a party before issuance of that order. Such trading contracts, and the settlement thereof, shall be considered valid against third parties.
- B. Notwithstanding what is stated in any other law, the settlement of Securities transactions and the movement of Securities and funds in a licensed Depository may not be reversed or blocked because of the bankruptcy or insolvency of a member or participant to that settlement or movement. A licensed Depository shall have the right to settle all obligations of a member or participant with the

Depository or its members or participants regardless of whether the member or participant is bankrupt or insolvent.

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

### Section One: Investigations

#### Article 68 Investigative Authority

- A. The Commission may conduct a formal or informal investigation to determine whether any Person has violated or is about to violate any of the provisions of this law or the rules or orders of the Commission or the governing instruments, rules or procedures of any licensed Securities Market, Securities Association or Depository. If after investigating, the Commission believes that violations have or are about to occur, it may take an action pursuant to Articles 70, 72, or 76.
1. An informal investigation does not require an order of the Commission. Pursuant to an informal investigation, the Commission may make voluntary inquiries and requests for documents from any Person. The Commission may also use its inspection authority to gather information and documents pursuant to Article 8.B.
  2. To initiate a formal investigation the Commission shall issue an order to that effect, which generally indicates the nature of the suspected violation and sets forth the scope of the authority to investigate, including the identity of the Persons authorized by the Commission to conduct the formal investigation.
- B. The Commission may for the purpose of carrying out a formal investigation:
1. Require any Person, including third parties, to appear and testify under oath, and require the production of documents, records or other evidence that the Commission deems relevant to the investigation;
  2. Enlist the services of experts and specialists in conducting the investigation.
- C. If a formal order of investigation has been issued and a Person refuses, in whole or in part, to comply with a call for attendance, testimony or the production of documents, records or other evidence issued to such Person, the Commission may invoke the aid of any court of competent jurisdiction to compel the Person by judicial order to attend, testify or produce. This Paragraph does not limit the ability of the Commission to impose by order the sanctions and remedies available to it pursuant to Articles 74 and 75.

#### Article 69 Confidentiality of Inspections and Investigations

Except for information divulged during law enforcement proceedings or in accordance with an order of a court, any information arising from an inspection or investigation shall be deemed confidential. However, the Commission may disclose such information as it

deems necessary for the protection of investors by sharing such information with licensed Securities Markets, Securities Associations and Depositories, and other law enforcement and financial regulatory organizations.

Section Two: Commission Actions, Hearings and Appeals

Article 70 Emergency Measures

- A. If the Commission upon a determination for good cause, deems that the protection of investors dictates taking immediate measures, it may order:
1. Ceasing or suspending any trading activity related to any Security, other than a Government security, for a period of not more than ten trading days;
  2. Limiting or suspending the activities of a Licensee or Associated Person of a Licensee for up to 30 days.
- B. The Commission may issue a temporary order to cease and desist the activities of a Licensee or any Person who commits or attempts to commit any violation of this law, the rules of the Commission, or the governing instruments, rules or procedures of a licensed Securities Market, Securities Association or Depository that is likely to result in dissipation or conversion of assets, or cause harm to the public interest or to investors. Such temporary order shall remain effective pending the completion of proceedings by the Commission, unless the order is otherwise cancelled or set aside.
- C. The Commission may carry out any of the measures stipulated in this Article 70 regardless of whether the concerned Person has been given the opportunity for a hearing.

Article 71 Settlement

- A. Except for emergency actions under Article 70, a Person accused by the Commission of violating this law, the rules of the Commission, or the governing instruments, rules and procedures of a licensed Securities Market, Securities Association or Depository, shall have the right to submit evidence as to why the Commission should not bring an action against that Person.
- B. Any person who is notified that an action may or will be instituted against him or her, or any party to an action already instituted, may, at any time, propose in writing an offer of settlement to the Commission. It is in the discretion of the Commission to accept or decline the settlement offer.

Article 72 Right to a Hearing

- A. All actions taken by the Commission, pursuant to Articles 24, 30, 38, 41, 43, 47, 56, 59 and all actions as the Commission is authorized to take under this law, shall entitle the named party or parties opposed to the Commission to notice and an opportunity to be heard before the Commission, and the right to request a Hearing Tribunal as provided for in this Article 72. However, the preceding

sentence shall not apply to trading suspensions of not more than ten days pursuant to Article 30, or to matters covered by Articles 70 and 76 of this law.

- B. If a Hearing Tribunal is requested by a Person accused by the Commission of violating this law, the rules of the Commission, or the governing instruments, rules and procedures of a licensed Securities Market, Securities Association or Depository, the Commission shall establish a Hearing Tribunal to be comprised of three persons:
1. A representative from the Commission, who may be a member of the Commission other than the Chairman, or an employee or agent of the Commission, who did not participate in matter before the Hearing Tribunal;
  2. A lawyer licensed to practice in Iraq who is not an employee or agent of the Commission, and who is not associated with or has any financial relationships with a Licensee, or a licensed Securities Market, Securities Association or Depository;
  3. A representative from the IASD, or a licensed Securities Association.

The chairmanship of the Hearing Tribunal shall be rotated among the three representative members on a hearing-by-hearing basis. All hearings shall be decided by majority vote of the members. In the event that a member of the Hearing Tribunal has a conflict of interest that would prevent the member from participating in hearing, the remaining members shall select a substitute member. Other procedures for conducting a hearing shall be set forth in the rules of the Commission.

- C. The Hearing Tribunal shall make written findings of fact and conclusions of law with respect to the matter that is before it, determine whether violations of the law or rules of the Commission, or the governing instruments, rules or procedures of a licensed Securities Market, Securities Association or Depository have occurred and, if so recommend appropriate sanctions or remedies to be imposed by the Commission.
- D. The Commission shall review the recommendations of the Hearing Tribunal and issue its decision within 30 days. The member of the Commission or Commission employee or agent who served on the Hearing Tribunal shall not be involved in the review by the Commission. The Commission, based upon the record before the Hearing Tribunal, may accept, reject, modify or remand to the Hearing Tribunal for further determination or clarification, any conclusions of law, and recommended sanctions or remedies. The Commission shall be required to issue a written opinion to support its final decision.

#### Article 73 Appeals of Commission Final Decisions

Any Person subject to an adverse final decision made by the Commission shall have a right to appeal the decision to the court of appeals with competent jurisdiction within 30

days of the final Commission decision. An appeal of the decision of the Commission shall not stay or suspend the imposition of any sanction or remedy unless the Commission or the court of appeals takes affirmative actions to stay or suspend such sanction or remedy.

Section Three: Sanctions and Remedies

Article 74 Sanctions and Remedies

A. If, in accordance with Article 72, the Commission finds that any Person has violated or is about to violate any provision of this law or the rules and orders issued pursuant thereto, the Commission may take one or more of the following measures:

1. Publish the investigation findings;
2. Issue an order requiring such Person to cease and desist from committing, attempting to commit, or causing such violation, or requiring elimination of the violation;
3. Require the disgorgement of any profits made or losses avoided because of the violation;
4. Impose a monetary fine as set forth in Article 75;
5. Order the cessation of issuance of, or trading in any Securities to which the offense relates;
6. In the case of a violation involving an issue of Publicly Held Securities, suspend for more than 10 trading days or require the delisting or removal of the Securities from trading on a licensed Securities Market.
7. Order the Persons committing the violation to take appropriate corrective action, including correction of any false or misleading information that has been made publicly available.
8. In the case of a Major Shareholder who fails to meet reporting requirements as may be set forth by the Commission rules promulgated under Article 33, in addition to the sanctions and remedies listed above, the Commission may also suspend the Major Shareholder's right to vote for a period up to 12 months.

B. The Commission may deny, suspend, limit or revoke the license of any Person or Licensee, including an Associated Person, if it finds that this Person has carried out any of the following:

1. Violated any provision of this law or the rules and orders of the Commission;
2. Violated any of the governing instruments, rules or procedures of a licensed Securities Market, Securities Association or Depository that are applicable to such Person;
3. Filed false information in the application or any update for a license or registration;
4. Been found by a competent court to have committed an offense of fraud or deceit or a felony.

- C. All enforcement orders of the Commission shall be a matter of public record and made publicly available in accordance with Article 15 of this law.

Article 75 Monetary Fines

- A. The Commission may impose a monetary fines of no more than 50 million Iraqi Dinars on any judicial Person and no more than 25 million Iraqi Dinars on any natural Person in any of the following cases:

1. If the Person violates a provision of this law, the rules or orders of the Commission, or the governing instruments, rules or procedures of a licensed Securities Market, Securities Association or Depository;
2. If the Person is responsible for the violation as provide in Article 81;
3. If the Person makes, or causes to be made, in any application, filing or report to be made with the Commission, any information which is false or misleading with respect to any Material fact, or fails to state in any such application or report any Material fact that should have been stated.

- B. In its decision to impose a fine, the Commission shall take into account that the fine and its amount shall be commensurate with the violation, taking into consideration the following:

1. Past violations by those responsible for the present violations;
2. Whether and to what extent the violation involved fraud, deceit, manipulation, or deliberate disregard or gross negligence of the requirements stipulated in this law;
3. Whether and to what extent the violation resulted in harm to any Person, directly or indirectly;
4. Whether and to what extent the violation has resulted in unjust enrichment, taking into account any restitution made to Persons injured by such a violation;
5. Any other matter dictated by fairness and justice.

- C. The Commission shall not impose a monetary fine for a violation that occurred more than five years prior.

- D. Any monetary fine imposed by the Commission or the courts under this law shall be paid into the general treasury of the Government of Iraq.

Section Four: Court Proceedings

Article 76 Authority of the Commission to Institute Court Proceedings

- A. The Commission may institute an action in a court of competent jurisdiction to enforce and secure compliance by any Person with an order, including any sanction or remedy ordered by the Commission against such Person in accordance with Sections Two and Three of this Chapter Nine.

- B. As an alternative to the proceedings authorized under Section Two of this Chapter Nine the Commission may institute an action in a court of competent jurisdiction against any Person who violates any provisions of this law or rules of the Commission, or any governing instrument, rule or procedure of a licensed Securities Market, Securities Association or Depository. In any such proceeding, the Commission may seek the sanctions and remedies that are authorized in accordance with Section Three of this Chapter or such other relief or remedies as the court is authorized to impose against such Person in a proceeding under the laws of Iraq.

Article 77 Criminal Prosecution

- A. Any Person who willfully violates Articles 82 or 83 of this law or any rule of the Commission made under these provisions shall, upon conviction in a criminal proceeding brought by the Ministry of Justice, be fined not more than 50 million Iraqi Dinars and may be subject to other criminal penalties, including penal servitude, detention and confiscation of the property or funds resulting from the offense. The court may exempt first offenders from detention or penal servitude.
- B. The Commission shall refer to the Ministry of Justice any violations of this law or the rules of the Commission that the Commission believes warrant criminal prosecution and, if requested to do so, may assist the Ministry of Justice in prosecuting such violations. The Ministry of Justice may also prosecute violations under Paragraph A above on its own initiative.

Section Five: Private Right of Action

Article 78 Private Right of Action for Damages

In addition to the express private right of action provided in Chapters Three and Four of this law with respect to a Public Offer Prospectus and registration statement, respectively, any Person who knowingly or recklessly violates Articles 82 or 83 of this law or any rule adopted by the Commission under these Articles shall be liable for actual damages or restitution to any Person who proves that:

- A. The Person's act or omission in violating the law was a substantial and significant cause of the injury suffered by the plaintiff;
- B. The injury was a type that the law or rule violated was designed to prevent.

Article 79 Statute of Limitations

A private right of action for damages or restitution under Article 78 must be commenced before a competent court no later than (i) two years following the purchase or sale transaction that gives rise to the claim for damages or restitution; or (ii) in the case of damages or rescission arising from a Public Offer Prospectus or damages arising from a registration statement, no later than one year from the date of purchase of the Securities that were the subject of the Public Offer or one year from the date of purchase of the Securities that were the subject of the registration statement, as the case may be.

Section Five: Scope of Liability

Article 80 Joint and Several Liability; Contribution

The defendants who may be held liable for damages with respect to a Public Offer Prospectus under Chapter Three, a registration statement under Chapter Four, or under Article 78, may be held jointly and severally liable for damages. However, individual defendants shall have a right to seek contribution from any other defendant, other than the Issuer of the Securities, and as between or among such defendants, a court of competent jurisdiction may at the request of one or more of the Persons require contribution or allocate damages according to relative fault.

Article 81 Control Person Liability; Substantially Assisting Violations

- A. Any Person who controls a person liable under any provision of this law, a rule of the Commission, or the governing instruments, rules or procedures of a licensed Securities Market, Securities Association or Depository shall also be liable jointly and severally with and to the same extent as the controlled person, unless the controlling person acted in good faith and did not directly or indirectly direct or cause the act constituting the violation.
- B. Any person, who knowingly provides substantial assistance to another person in committing a violation of this law, a rule of the Commission, or the governing instruments, rules or procedures of a licensed Securities Market, Securities Association or Depository, with a general awareness of the violation, shall be liable joint and severally with and to the same extent as the primary violator.

**Chapter Ten: Fraud, Market Manipulation, and Insider Trading**

Section One: Fraudulent and Deceptive Acts and Market Manipulation

Article 82 Fraudulent, Manipulative or Deceptive Acts

- A. It shall be unlawful for any Person to engage in any fraudulent, manipulative or deceptive act or practice, including market manipulation, or make an untrue statement of a Material fact, or omit to state a Material fact necessary to prevent the statements made from being misleading in light of the circumstances under which they are made, in connection with the offer, purchase or sale of a Security or while providing the services of a Licensee.
- B. The following activities shall be prohibited under Paragraph A above:
  - 1. Undertaking Securities transactions without transferring the ownership attached to those Securities;
  - 2. Buying or selling Securities for the purpose of creating false supply of or demand for the Securities
  - 3. Manipulating Securities prices or other measures of market performance;
  - 4. Other methods of manipulation defined by the rules of the Commission.
- C. It shall be unlawful for any Person to publicly encourage or discourage the purchase or sale of any Security in return for undisclosed compensation from an

Issuer or Licensee, without fully disclosing the receipt, whether past or prospective, of the amount and type of such compensation.

Section Two: Insider Trading

Article 83 Trading on the Basis of Inside Information

- A. For the purposes of this Article 83, “inside information” shall mean material non-public information about an Issuer of Publicly Held Securities or its Securities.
- B. Those Persons who have inside information shall include:
1. Directors and senior management of an Issuer of Publicly Held Securities;
  2. Persons having inside information due to a position or relationship with an Issuer of Publicly Held Securities;
  3. A Major Shareholder of an Issuer of Publicly Held Securities;
  4. Persons who audit the financial statements of an Issuer of Publicly Held Securities;
  5. Licensees and Associated Persons of Licensees;
  6. Institutions and individuals having a business relationship with or supplying services to an Issuer of Publicly Held Securities, including individuals working for these institutions;
  7. Institutions proposing a takeover bid or other offer to purchase Securities of, or business combination with, an Issuer of Publicly Held Securities;
  8. Other individuals and institutions that directly or indirectly have obtained inside information from Persons stipulated in this Article 83.B numbers 1, 2, 3, 4, 5, 6 and 7 above.
- C. Until such inside information has been publicly disclosed, Persons stipulated in Paragraph B above who have inside information are prohibited from:
1. Purchasing or selling Securities of the Issuer of Publicly Held Securities or related derivative Securities to which the inside information pertains, directly or indirectly, or for the account of a third party;
  2. Disclosing or providing a third party with inside information or advising the third party to buy or sell Securities of the Issuer to which the inside information pertains.
- D. Persons receiving inside information or advice, directly or indirectly, from Persons listed in Paragraph B above, who know or should know that such information is confidential, are prohibited from buying or selling Securities based on this information until it has been publicly disclosed.

**Chapter Eleven: Miscellaneous Provisions**

Article 84 Improper Representations; Anti-waiver Provision

- A. It shall be unlawful to represent or imply that the Commission has approved, recommended, sponsored or guaranteed a Security, transaction or Person, or that a Prospectus or other filing is accurate or complete.
- B. 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 a Commission rule that specifies a particular provision or rule.

Article 85 Transition Provisions

- A. Upon the effective date of this law:
  - 1. The members of the Iraq Securities Commission established under the Interim Law shall remain in office as Commissioners of the Commission established under this law until Commissioners are appointed or the interim Commissioners are reappointed in accordance with the provisions of this law.
  - 2. The employees of the Iraq Securities Commission established under the Interim Law shall become employees of the Commission established under this law.
  - 3. The assets, facilities, obligations and budget of the Iraq Securities Commission established under the Interim Law shall become the assets, facilities, obligations and budget of the Commission established under this law.
  - 4. The rules of the Iraq Securities Commission established under the Interim Law shall become the rules of the Commission established under this law and shall remain in effect until repealed or amended by the Commission established under this law.
  - 5. Upon the effective date of this law, the ISC may in its discretion issue an order temporarily suspending any of the disclosure requirements of the law for Issuers of Publicly Held Securities, except for the public offer Prospectus, pursuant to Article 19, and the annual report of Issuers of Publicly Held Securities, pursuant to Article 31.B, for a period of time, not greater than two years.

Article 86 Entry into Force

This law shall enter into force from the date of its publication in the Official Gazette.