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REGULATIONS OF THE CAPITAL MARKETS AUTHORITY OF LEBANON

GLOSSARY

This Glossary sets out the definitions of the defined terms used in the implementing regulations issued by the Authority.

This draft contains only defined terms from the first 3 Regulations to be released: Licensing & Registrations, Business Conduct and Market Conduct.

Defined Terms

Approved institution – an institution or entity that is approved for license to carry on securities business by the Authority under the Licensing and Registrations Regulation.

Associate – A controller of an applicant or approved institution, a person that has close links with an applicant or approved institution, and in relation to an individual person who is a controller of an applicant or approved institution, that person’s spouse, and any entities controlled by that person.

Authority – the Capital Markets Authority

CEO – Chief executive officer, President, General Manager, Managing Director or equivalent of an approved institution.

Client – a person that an approved institution performs securities business activities for. The term “client” includes a customer, a professional client and a counterparty.

Client account – an account for a specific client that records client money and client assets held by that client.

Client money – is defined in article 3501 of the Business Conduct Regulation.

Client assets – is defined in article 3510 of the Business Conduct Regulation.

Close links – the relationship between an applicant or an approved institution and any of the following persons:

- 1) a controller of an applicant or approved institution
- 2) a company controlled by an applicant or approved institution
- 3) a company controlled by a controller of an applicant or approved institution, or
- 4) a company controlled by any combination of the persons described in 1), 2) and 3) above.

Closely related person – the direct ascendants, direct descendents and spouse of an insider who share the same home with an insider.

Collective investment scheme – *[to be finalized in CIS Regulation]*

Controller – a person who holds, directly or indirectly, 25% or more of the voting rights in a company, or who has the right to appoint 25% or more of the members of the governing body. “Controlled by” is construed accordingly.

Corporate group – in relation to a person, that person and its associates.

Counterparty – a client that is one of:

- 1) an approved institution,
- 2) an institution licensed by Banque du Liban, or
- 3) a foreign financial services entity that is properly licensed in its home country to provide banking, securities or similar financial services to clients.

Custodian – an approved institution that has been licensed to provide the securities business activity of custody.

Customer – a client who is not a professional client or counterparty.

Day – a business day

License – a license to carry on securities business issued by the Authority under the Licensing and Registrations Regulation.

Governing body – the board of directors of a joint stock company or the equivalent supervising body of a legal entity.

Execution-only account – an account for a customer that the approved institution deals for as agent, in accordance with instructions received from the customer, and does not provide any advising services to.

Governing body – the board of directors of a joint stock company or the equivalent supervising body of a legal entity.

Inside non-public information – is defined in article 4101 of the Market Conduct Regulation.

Insider –

- 1) A director (or member of the governing body), member of senior management, employee, shareholder or auditor of an issuer,
- 2) A closely related person of a person included in 1), and
- 3) A person who obtains inside non-public information through a business relationship with the issuer of a security or with a person who is an insider of that issuer by virtue of 1).

Issuer – A legal entity (in public or private law) or a collective investment scheme that issues or proposes to issue any traded security to the general public.

Law – Law 161 - the Capital Markets Law.

License – a license to carry on securities business issued by the Authority under the Licensing and Registrations Regulation.

Midclear – The Custodian and Clearing Center of Financial Instruments in Lebanon and the Middle-East, a Lebanese joint-stock company established pursuant to Law 139 of November 26, 1999, that acts as the exclusive central depository of financial instruments and securities that are traded in any regulated capital market in Lebanon.

Person – an individual, a company and any other legal entity.

Professional client – a client that is one of:

- 1) a Lebanese collective investment scheme, pension fund or any other institution whose main activity is to invest in securities and financial products,
- 2) a foreign investment fund or pension fund that is properly licensed in its home country,
- 3) a government, government agency or public authority of any country,
- 4) a joint stock company or an individual client that the approved institution has determined, after making and documenting due enquiries,
 - i) has net investible assets equal of a value of at least \$US 500,000; “Net investible assets” means the client’s holdings of cash and securities, net of any amounts owing on loans made for investment purposes, and
 - ii) has a minimum of 5 years of continuous experience investing in securities markets and investments.

Recognized jurisdiction – a country or territory recognized by the Authority as having a regulatory authority and securities regulation system that provides at least the same level of investor protection as that provided under the Law and the Regulations.

Reconciliation – the identification and explanation of individual items of difference between two sets of records, not including the processing of necessary adjustments. “Reconcile” is interpreted accordingly.

Registered person – an individual approved for registration by the Authority under the Licensing and Registrations Regulation to carry out specific registrable functions.

Regulation – means the regulation in which the term is used.

Regulations – the implementing regulations of the Authority, as approved by the Board of the Authority and as amended.

Regulatory requirements – the Law, the Regulations and the Authority’s directives and decisions made under the Law and the Regulations.

Related security – a security whose price or value is derived from, or linked to, the price, value or income of another security.

Securities advertisement - Any form of verbal, electronic, broadcast or written communication made in the course of business for the purpose of inviting or inducing a person to engage in securities activity.

Security or securities – except in Part B of the Market Conduct Regulation, means any of the following types of financial instruments:

- 1) Shares, debt securities or units issued by a public or private company or entity, or a collective investment scheme,
- 2) Bonds, bonds, notes, certificates of deposit, depositary receipts and Treasury bills and bonds,
- 3) Financial rights, options, futures and any other derivatives or structured financial products, and

- 4) Other financial instruments authorized by the Authority or the Regulations, except an instrument specifically excluded by the Law.

Securities business – is defined in article 2104 of the Licensing and Registrations Regulation.

Securities business activity – is defined in article 2103 of the Licensing and Registrations Regulation.

Senior management – the officers of a company including the CEO, and the heads of major business units and functional areas including (but not limited to) the Chief Operating Officer, and the heads of finance, information, technology, legal & compliance, or the equivalent positions.

Speculative securities – securities with a high degree of risk offering possible substantial returns, including securities with a very small market capitalization, low credit ratings or that are illiquid.

Traded security – a security that is traded on an organized financial market in Lebanon, including over-the-counter (OTC) markets.