

Decision Number 22

Prohibition of Price Manipulation in Securities Business

The Chairman of the Capital Markets Authority/Governor of the Central Bank of Lebanon,

Pursuant to Law 161 of August 17, 2011 on Capital Markets, particularly article 11,

Pursuant to the decision of the Capital Markets Authority's Board ref 6/2/16 taken in its meeting held on 22 February 2016

Pursuant to the decision of the Capital Markets Authority's Board ref 13/11/16 taken in its meeting held on 8 August 2016

Declares the following,

Section I: Definition of certain manipulative or deceptive acts or practices

Article I: The provisions of the present decision shall apply to all manipulative or deceptive acts or practices related to the prices of the securities in Lebanon, especially, including but not limited to, those mentioned in this decision.

Article II: The following actions are deemed to be manipulative or deceptive acts unless the contrary is proved:

- i) Making a fictitious trade in a traded security, or
- ii) Making a trade in a traded security that involves no change in the beneficial or economic ownership of the security.

Article III: The following acts constitute a manipulative or deceptive act if the act is for the purpose of creating (i) a false or misleading impression of trading activity, supply of, demand for or price of a traded security or (ii) an artificial bid price, ask price or trade price for a traded security:

- i) entering an order or orders for the purchase of a traded security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the sale of that security, has been or will be entered,



- ii) entering an order or orders for the sale of a traded security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the purchase of that traded security, has been or will be entered,
- iii) Making purchases of, or offers to purchase, a traded security at successively higher prices or in a pattern of successively higher prices,
- iv) Making sales of or offers to sell a traded security at successively lower prices or in a pattern of successively lower prices, or
- v) Entering an order or orders for the purchase or sale of a traded security in order to:
 - a) Establish a predetermined sale price, ask price or bid price,
 - b) Effect a high or low closing sale price, ask price or bid price, or
 - c) Maintain the sale price, ask price or bid price within a predetermined range, or
- vi) Entering an order or a series of orders for a traded security that are not intended to be executed.

Section II: Prohibition of manipulative or deceptive acts or practices

Article IV: A person is prohibited from engaging in or participating in the use of any manipulative or deceptive act or practice that the person knows or reasonably should know:

- i) results in or contributes to, or may result in or contribute to, a false or misleading impression of the trading activity, supply of, demand for, or price of a traded security,
- ii) Creates or is likely to create an artificial bid price, ask price or trade price for a traded security, or
- iii) Perpetrates a fraud on any person relating to a transaction in a traded security.

Article V: A person participates in the use of a manipulative or deceptive act or practice under article (IV) above if that person colludes with, or acts in concert with, another person that engages in such conduct.

Article VI: A person is prohibited from, directly or indirectly, entering an order or executing trade in a traded security for the purpose of creating:

- i) A false or misleading impression of trading activity, supply of, demand for, or price of a traded security, or
- ii) An artificial bid price, ask price or trade price for the traded security or a related security.



Section III: Miscellaneous Provisions

Article VII: The trading in all securities should be at all times within the context of the market. This applies to transaction between the approved institutions from one side and their partners, related stakeholders or collective investment schemes managed by the approved institutions from the other side.

Article VIII: A natural person or legal entity, including the approved institution that carries out securities business is prohibited from short selling Lebanese securities, unless the security to be sold is owned by the client on the date of the transaction.

Article IX: The Approved Institution must, when acting as principal with a customer only, execute the transaction at a better price for the customer than it would have obtained if it executed the order as agent. This condition applies if the client is a collective investment fund managed by the Approved Institution.

Article X: A Collective Investment Scheme manager, its partners, any entity entrusted by them to carry out their proper tasks or the entity's partners are prohibited to trade for their own account/s as counterparty when trading on behalf and for the Collective Investment Schemes that they manage.

Article XI: The Approved Institution must fully disclose to the client all the fees and commissions charged to the client before even providing any service. The client must approve the fees by signing a dated copy of the fee schedule and any updated version.

Article XII: Whether acting as agent or principal, the Approved Institution should disclose to the client in writing the process according to which any transaction related to his account has been executed.

Article XIII: When acting as agent at a better price than the one set in the client's orders, the Approved Institution should reflect in the client's account the actual price in which the transaction has been executed.

Article XIV: Any person who violates the provisions of the present Decision shall be subject to the administrative sanctions set forth in the applicable laws and regulations, namely the Law no. 161 of August 17, 2011, on Capital Markets.

Article XV: This decision shall enter into force upon its publication in the Official Gazette.

BEIRUT, August 9, 2016

Chairman of the CMA / Governor of the Central Bank of
Lebanon

Riad Toufic Salameh
(Signature)