

## Market Notice (008) إشعار السوق

### QE launches a Securities Lending and Borrowing facility

Date:	21/02/2013	التاريخ:
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The Exchange announces the launch of a securities lending and borrowing facility. The facility can be used as an alternative pool of securities by Liquidity Providers that have committed to make markets on QE. In addition, the facility will be open for all market participants as a mechanism to prevent settlement failures. No other use will be permitted until further notice.

#### **Regulatory framework**

Market participants should note that lending and borrowing transactions are executed “off market” away from the Central Order Book. The facility will be governed by:

- (i) QFMA’s Securities Lending and Borrowing Activity rules which can be found on QFMA’s website, [http://www.qfma.org.qa/mritems/streams/2012/7/19/1\\_428\\_1\\_11.pdf](http://www.qfma.org.qa/mritems/streams/2012/7/19/1_428_1_11.pdf), and
- (ii) Section 5.5 and section 5.6 of the QE Rulebook, attached to this notice as Annex 1

Market participants are encouraged to read these rules carefully and direct any questions they may have to the Sales & Marketing department of QE.

The most important conditions for use of the facility are summarized below.

#### **Licensing process**

Lending and borrowing transactions are entered directly into the post trade system of QE and can only be executed by Members approved by the Exchange as Lending and Borrowing Participants. The approval requires the candidate to obtain a license from the QFMA. For this, an application needs to be submitted to the Exchange which will be sent to the QFMA for licensing, including the following supporting documents:

- Business plan: the candidate’s business plan relative to lending and borrowing.
- System documentation: functional description of systems that are used to support lending and borrowing
- Staff: preferably an org chart, highlighting staff/managers that are involved in lending and borrowing and their duties/responsibilities/reporting lines and job descriptions
- Internal Controls: a document that describes internal controls relative to the lending and borrowing activity and how risk management is organized.

Once a license is obtained, the Lending and Borrowing Participant will enter into an agreement with the Exchange. The application form and agreement can be obtained from the Sales & Marketing department.

Please note that a Lending and Borrowing Participant will have to certify, among other conditions, that it satisfies and will continue to satisfy appropriate levels of expertise, in addition to technical, operational and risk management capabilities. As part of the application process, the Exchange may request that the candidate provides information or it may conduct on-site inspections.

### **Borrowing restricted to Members**

Lending and Borrowing Participants can act for their own account or on behalf of Clients. On the lending side, such Clients may either be Members or end investors. Borrowing will only be allowed by Members until further notice in the context of the current restrictions relative to the use of the facility (for Liquidity Providers and fails management only).

### **Transactions executed under GMSLA or MSLA**

Lending and borrowing transactions can only be executed using standard agreements approved by the Authority from time to time. For Professional Clients (including Members) the industry master agreements of the International Securities Lending Association (“ISLA”), GMSLA version 2010, and the Securities Industry and Financial Markets Association (“SIFMA”), MSLA version 2000 are currently accepted.

Transactions involving a Non Professional Client should be executed using GMSLA version 2010 in combination with the mandatory addendum for Non Professional Clients (the “Addendum”) that can be obtained from our Sales & Marketing department.

Lending and Borrowing Participants are required to disclose the use of either MSLA or GMSLA (whether or not in combination with the Addendum) in the designated fields of the post trade system and make executed copies of the agreements available at the Exchange’s request. In addition, as a condition to use the facility for liquidity provision, Liquidity Providers must submit documentation to the satisfaction of the Exchange to evidence their Lenders’ ongoing commitment to make the relevant securities available for lending if and when needed, and in which quantities.

The Exchange may at any time, and subject to timely notice, direct Lending and Borrowing Participants to cause the master agreements to be amended, rescinded or supplemented, as a condition for continued use of the facility.

### **Licensed Intermediary requirement**

Non Professional Clients will be subject to the Licensed Intermediary requirement of section 6 of the QFMA’s Securities Lending and Borrowing Activity rules, requiring these Clients to engage, or seek prior advice of a Financial Services Firm licensed to provide investment management or advisory services (the “Licensed Intermediary”). When executing transactions on behalf of Non Professional Clients, the Lending and Borrowing Participant will be required to provide details of the Licensed Intermediary in the designated fields of the post trade system.

### **Eligible Securities**

The facility will initially be available for the securities shown in Annex 2 of this notice. This list is subject to updates from time to time as published on our website.

For further assistance and additional information please contact the Sales & Marketing department, Mr Muffadal Kagalwala at + 974 44333129, or via email [muffadal.kagalwala@qe.qa](mailto:muffadal.kagalwala@qe.qa)

**CHAPTER 5**  
**CLEARING, DEPOSITORY AND BANK GUARANTEE**  
**Part Five: Exempt Transactions 5.5**

5.5.1 “Exempt Transactions” are exempted from the trading procedures set forth in these Rules and shall include the following:

- (i) Transfer of Securities on death (Inheritance);
- (ii) Transfer of Securities between spouses and relatives up to the second degree of relationship;
- (iii) Transfer of Securities pursuant to the competent court order;
- (iv) Transfer of Founders’ shares between the founders of the company during the legally given period;
- (v) Transfer of the shareholding companies’ shares which are not listed on the Exchange;
- (vi) Transfer of State-owned shares or shares of public authorities and institutions in the shareholding companies;
- (vii) Transfer of Securities pursuant to lending and borrowing under the terms and conditions set forth in Article 5.6, including any transfers between Clients and Members acting on their behalf, whenever necessary.
- (viii) Any other transactions the Exchange may deem appropriate to exempt from the Trading System, after the Authority’s approval.

**Part Six: Lending and Borrowing**

**Lending and Borrowing Participants:**

5.6.1 Lending and Borrowing Participants are Members approved by the Exchange acting on behalf of their Clients or for their own account in the activities of lending or borrowing of Admitted Securities.

**Standard Lending and Borrowing Agreement:**

5.6.2 The Lending and Borrowing Participants must enter into a standard lending and borrowing agreement as determined by the Exchange, after notifying the Authority thereof. Pursuant to the terms and conditions of the lending and borrowing agreement, the borrower will enjoy full ownership of the borrowed Securities, including the right to transfer the borrowed Securities to others.

**Dedicated Account with the Depository:**

5.6.3 Lending and Borrowing Participants must open a designated account with the Depository to hold the borrowed Securities. Transfers of the borrowed Securities from this account are restricted to specific conditions.

**Corporate Actions:**

5.6.4 Corporate action adjustments are dealt with by the Exchange outside the lending and borrowing system. The Exchange may not perform any adjustment to the loan quantity.

**Collateral:**

5.6.5 There is no collateral lodgment with the Exchange and this is left entirely between the Lending and Borrowing Participants.

5.6.6 The Exchange shall submit to the Authority the lending and borrowing controls for approval thereon before entering into effect.

**LIST OF SECURITIES ELIGIBLE FOR LENDING AND BORROWING**

Non issuer sponsored Liquidity Providing	QE 20 index constituent company shares
Issuer sponsored Liquidity Providing  <i>NB: A Liquidity Provision Agreement should be in place between the Issuer and the Liquidity Provider pursuant to section 4.1.10 of the QE Rulebook</i>	All securities listed on QE
Fails management	All securities listed on QE