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**In case of discrepancy between the English version and the Arabic version, the Arabic text shall always prevail.**

## 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 the defined terms from the first 5 Regulations to be released: Licensing & Registrations, Business Conduct, Market Conduct, Offers of Securities and Listing.*

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

Authority – the Capital Markets Authority

Board of directors – the members of a listed issuer’s governing body.

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

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, an approved institution or an exchange and any of the following persons:

- 1) a controller of an applicant, an approved institution or an exchange,
- 2) a company controlled by an applicant, an approved institution or an exchange,
- 3) a company controlled by a controller of an applicant, an approved institution or an exchange, 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 descendants and spouse of an insider who share the same home with an insider.

Collective investment scheme – an arrangement including a mutual fund or investment company that enables a number of investors to pool their assets for professional management and diversification of risk.

Constitution – the articles of incorporation, by-laws and other constitutional documents of a company or issuer.

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. “Control” and “controlled by” are construed accordingly.

Controller – in the Operation of Exchanges and Markets Regulation only, means a person who holds, directly or indirectly, 5% or more of the shares, or who controls the exercise of 5% or more of the voting rights, or who has the right to appoint 5% or more of the members of the governing body of an exchange. “Control” and “controlled by” are construed accordingly.

Corporate group – in relation to a person, means 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.

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.

Executive director – a member of the board of directors who is not a non-executive director.

Exempt offer – is defined in article 6301 of the Offers of Securities Regulation.

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

Independent director – a member of the board of directors who:

- 1) is a non-executive director,
- 2) is not a shareholder who owns, directly or indirectly, more than 5% of the issued shares of any class, or of the voting rights in such shares,
- 3) does not currently have, and has not had during the two years prior to his election as a director, a business relationship with the issuer, with the senior management of the issuer, or with any shareholder who owns, directly or indirectly, more than 5% of the issued shares of any class, or of the voting rights in such shares, and
- 4) is not a parent, child or spouse of any member of senior management of the issuer

or of any shareholder who owns, directly or indirectly, more than 5% of the issued shares of any class, or of the voting rights in such shares.

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) that issues, or offers to issue, a security to the general public.

Issuer – in the Market Conduct Regulation only, means 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.

Listed issuer – an issuer of securities that the Authority has approved for listing.

Listed security – a security that the Authority has approved for listing.

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.

Offer of securities – is defined in article 6002 of the Offers of Securities Regulation and must be either a public offer or an exempt offer.

Offeree – any person to whom an offeror makes an offer of securities, either directly or through an agent of the offeror or the offeree.

Offeror – a person who makes an offer of securities. An offeror may be an issuer or, if the issuer is not making the offer, a person acting as an agent for an issuer.<sup>1</sup>

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,

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<sup>1</sup> For example, an approved institution that offers in Lebanon a security or product of a foreign issuer or a CIS Manager.

- 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.

Public offer – is defined in article 6201 of the Offers of Securities Regulation.

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) Any 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.