



## Draft Amendments to the Market Conduct Regulations

### A) Introduction

As part of the Capital Market Authority's ("CMA") strategic objectives to develop the capital market and enhance the confidence of the participants in the Capital Market, and based on the Capital Market Law issued by Royal Decree No. (M/30) Dated 2/6/1424 H, the CMA Board issued its Resolution to publish the Draft Amendments to the Market Conduct Regulations ("Draft Amendments") for public consultation for a period of (30) calendar days ending on 13/4/1442H corresponding to 28/11/2020G.

### B) Objectives of the Draft Amendments and its main elements:

The Draft Amendments aim to enhance the protection of investors in securities from unfair or unsound practices that involve fraud, deceit, or manipulation. It also aims to further develop the Capital Market's statutory environment and promote Market stability, develop sufficient procedures to minimize risks associated with securities transactions, guarantee protection for investors, and enhance confidence in the Capital Market. Moreover, this comes in line with the international best practices and standards to support the market's growth and prosperity.

The main elements of the Draft Amendments are:

- a) Develop the provisions regulating the prohibition of behavior or practices involving manipulation or deceit, by clarifying that the scope of such behavior or practices shall include promoting the purchase of a security for the purpose of selling that security or promoting the sale of a security for the purpose of purchasing that security.
- b) Develop the provisions regulating the prohibition of insider trading and disclosure of insider information for the purpose of including front running trades. The information related to the orders entered or, that will be entered, on a security will be considered, when the other criteria stated in part 3 of the Draft Amendments are fulfilled, as insider information upon which the Capital Market Law prohibits trading. This prohibition applies to, for example, but not limited to, a director, senior executive or employee of a capital market institution, and authorised signatory or agent over the accounts of natural or legal persons from both the public and private sectors.

### C) Receiving public views

The CMA, with full gratitude, would receive the opinions and comments of relevant and interested persons, through the prescribed form via the following email ([Laws.Regulations@cma.org.sa](mailto:Laws.Regulations@cma.org.sa)).

All comments will be taken into full consideration for the purpose of finalising the Draft Amendments.



**Draft Amendments to the Market Conduct Regulations**

**D) Proposed amendments to the Market Conduct Regulations compared with the current provisions:**

<b>Market Conduct Regulations</b>			
	<b>Current Provisions</b>	<b>Provisions after Proposed Amendments</b>	<b>Aim of the Proposed Amendment<sup>1</sup></b>
<b>1</b>	<p><b>Article 2: Prohibition of manipulative and deceptive acts or practices</b></p> <p>a. It is prohibited for any person to engage in or participate in any manipulative or deceptive acts or practices in connection with an order or transaction in a security, if the person knows or has reasonable grounds to know the nature of the act or practice.</p> <p>b. It is prohibited for any person to, directly or indirectly, enter an order or execute a trade in a security for the purpose of creating any of the following:</p> <ol style="list-style-type: none"> <li>1) a false or misleading impression of trading activity or interest in the purchase or sale of the security; or</li> <li>2) an artificial bid price, ask price or trade price for the security or any related security.</li> </ol>	<p><b>Article 2: Prohibition of manipulative and deceptive acts or practices</b></p> <p>a. It is prohibited for any person to engage in or participate in any manipulative or deceptive acts or practices in connection with an order or transaction in a security, if the person knows or has reasonable grounds to know the nature of the act or practice.</p> <p>b. It is prohibited for any person to, directly or indirectly, enter an order or execute a trade in a security for the purpose of creating any of the following:</p> <ol style="list-style-type: none"> <li>1) a false or misleading impression of trading activity or interest in the purchase or sale of the security; or</li> <li>2) an artificial bid price, ask price or trade price for the security or any related security.</li> </ol> <p>c. <u>The prohibition referred to in this Article shall apply when any person enters an order or executes a trade in a security in whatever method, including using technical tools to generate or enter orders automatically based on pre-defined instructions or calculations.</u></p>	<p>The proposed amendment aims to clarify the applicability of the prohibition of engaging in, or participating in, any manipulative or deceptive acts or practices to entering an order or executing a trade on a security using any technical tools, such as entering orders automatically based on pre-defined instructions or calculations.</p>

<sup>1</sup> Note: This section illustrates the aim of the proposed amendments to the Market Conduct Regulations, and it may not prejudice, replace or interpret the provisions of the Market Conduct Regulations.



**Draft Amendments to the Market Conduct Regulations**

<b>Market Conduct Regulations</b>			
	<b>Current Provisions</b>	<b>Provisions after Proposed Amendments</b>	<b>Aim of the Proposed Amendment<sup>1</sup></b>
<b>2</b>	<p><b>Article 3: Manipulative and deceptive acts or practices</b></p> <p>a. The following actions shall be among those considered as manipulative or deceptive acts or practices:</p> <ol style="list-style-type: none"> <li>1) making a fictitious trade; or</li> <li>2) <u>effecting a trade in a security that involves no change in its beneficial ownership.</u></li> </ol> <p>b. The following acts shall be among those considered as manipulative or deceptive acts or practices when committed for the purpose of creating a false or misleading impression of trading activity in a security or interest in the purchase or sale of the security, or for the purpose of creating an artificial bid price, ask price or trade price for a security:</p> <p>...</p> <ol style="list-style-type: none"> <li>5) entering an order or orders for the purchase or sale of a security in order to: <ul style="list-style-type: none"> <li>* establish a predetermined sale price, ask price or bid price;</li> <li>* effect a high or low closing sale price, ask price or bid price;</li> <li>* maintain the sale price, ask price or bid price within a predetermined range; or</li> </ul> </li> </ol>	<p><b>Article 3: Manipulative and deceptive acts or practices</b></p> <p>a. The following actions shall be among those considered as manipulative or deceptive acts or practices:</p> <ol style="list-style-type: none"> <li>1) making a fictitious trade;</li> <li>2) <u>promoting the purchase of a security for the purpose of selling that security, or arraigning for another person to sell it; or</u></li> <li>3) <u>promoting the sale of a security for the purpose of purchasing that security, or arranging for another person to purchase it.</u></li> </ol> <p>b. The following acts shall be among those considered as manipulative or deceptive acts or practices when committed for the purpose of creating a false or misleading impression of trading activity in a security or interest in the purchase or sale of the security, or for the purpose of creating an artificial bid price, ask price or trade price for a security:</p> <ol style="list-style-type: none"> <li>1) <u>effecting a trade in a security that involves no change in its beneficial ownership;</u></li> <li>...</li> <li>6) entering an order or orders for the purchase or sale of a security in order to: <ul style="list-style-type: none"> <li>* establish a predetermined sale price, ask price or bid price;</li> </ul> </li> </ol>	<p>The proposed amendment aims to clarify a number of prohibited behaviors, by including in this Article the behavior of promoting the purchase of a security for the purpose of selling that security or arranging for another person to sell it, or promoting the sale of a security for the purpose of purchasing that security or arranging for another person to purchase it. Besides the behavior of entering an order or orders for the purchase or sale of a security in order to effect a high or low opening sale price, ask price or bid price, or for the purpose of affecting the price of another security.</p> <p>The proposed amendment also aims to set out exceptions in the Market Conduct Regulations to the violation of paragraph (a) of Article 49 of the Capital Market Law, with regard to a company buying-back its own shares, if such is in accordance with the provisions of the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies, a price</p>



**Draft Amendments to the Market Conduct Regulations**

<b>Market Conduct Regulations</b>			
	<b>Current Provisions</b>	<b>Provisions after Proposed Amendments</b>	<b>Aim of the Proposed Amendment<sup>1</sup></b>
	<p>* entering an order or a series of orders for a security that are not intended to be executed.</p>	<p>* effect a high or low <u>opening or closing sale price, ask price or bid price</u>;</p> <p>* maintain the sale price, ask price or bid price within a predetermined range;</p> <p>* entering an order or a series of orders for a security that are not intended to be executed; or</p> <p>* <u>affect the price of another security.</u></p> <p>c. <u>The following acts shall not be among those considered as manipulative or deceptive acts or practices:</u></p> <p>1) <u>a company buying-back its own shares, if such is in accordance with the provisions of the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies;</u></p> <p>2) <u>a price stabilisation manager buying the shares, if such is in accordance with the provisions of the Instructions on the Price Stabilisation Mechanism in Initial Public Offerings; or</u></p> <p>3) <u>a market maker selling or buying securities, if such is in accordance with any rules, regulations or procedures that the Authority or the Exchange issue.</u></p>	<p>stabilisation manager buying the shares, if such is in accordance with the provisions of the Instructions on the Price Stabilisation Mechanism in Initial Public Offerings, and a market maker selling or buying securities, if such is in accordance with any rules, regulations or procedures that the Authority or the Exchange issue.</p>



**Draft Amendments to the Market Conduct Regulations**

<b>Market Conduct Regulations</b>			
	<b>Current Provisions</b>	<b>Provisions after Proposed Amendments</b>	<b>Aim of the Proposed Amendment<sup>1</sup></b>
<b>3</b>	<p><b>Article 4: Disclosure of inside information and insider trading defined</b></p> <p>b. For greater certainty, insider means any of the following:</p> <ol style="list-style-type: none"> <li>1) a director, a senior executive or an employee of the issuer of a security related to inside information;</li> <li>2) a person who obtains inside information through a family relationship, including from any person related to the person who obtains the information;</li> <li>3) a person who obtains inside information through a business relationship, including obtaining the information: <ul style="list-style-type: none"> <li>* from the issuer of a security related to inside information;</li> <li>* from any person who has a business relationship with the person who obtains the information; or</li> <li>* from any person who is a business associate of the person who obtains the information;</li> </ul> </li> <li>4) a person who obtains inside information through a contractual</li> </ol>	<p><b>Article 4: Disclosure of inside information and insider trading defined</b></p> <p>b. For greater certainty, insider means any of the following:</p> <ol style="list-style-type: none"> <li>1) a director, a senior executive or an employee of the issuer of a security related to inside information;</li> <li>2) <u>a director, a senior executive or an employee of a capital market institution related to the inside information.</u></li> <li>3) <u>an authorised signatory or an agent over an account related to the inside information.</u></li> <li>4) a person who obtains inside information through a family relationship, including from any person related to the person who obtains the information;</li> <li>5) a person who obtains inside information through a business relationship, including obtaining the information: <ul style="list-style-type: none"> <li>* from the issuer of a security related to inside information;</li> <li>* <u>from a capital market institution related to the inside information;</u></li> </ul> </li> </ol>	<p>The proposed amendment aims for the concept of an insider to include; a director, a senior executive or an employee of a capital market institution, and an authorised signatory or an agent over an investment account. In addition, the proposed amendment aims for the concept of inside information to include the orders entered or to be entered to a security.</p>



**Draft Amendments to the Market Conduct Regulations**

<b>Market Conduct Regulations</b>			
	<b>Current Provisions</b>	<b>Provisions after Proposed Amendments</b>	<b>Aim of the Proposed Amendment<sup>1</sup></b>
	<p>relationship, including obtaining the information:</p> <ul style="list-style-type: none"> <li>* from the issuer of a security related to inside information; or</li> <li>* from any person who has a contractual relationship with the person who obtains the information.</li> </ul> <p>c. For greater certainty, inside information means information that fulfils the following:</p> <ol style="list-style-type: none"> <li>1) information that relates to a security;</li> <li>2) that has not been disclosed to the general public, and that is not otherwise available to the general public; and</li> <li>3) that a normal person would realise that, in view of the nature and content of the information, disclosing it or making it available to the public would have a material effect on the price or value of the security.</li> </ol>	<ul style="list-style-type: none"> <li>* <u>from a person who owns an account related to the inside information;</u></li> <li>* from any person who has a business relationship with the person who obtains the information; or</li> <li>* from any person who is a business associate of the person who obtains the information;</li> </ul> <p>6) a person who obtains inside information through a contractual relationship, including obtaining the information:</p> <ul style="list-style-type: none"> <li>* from the issuer of a security related to inside information;</li> <li>* <u>from a capital market institution related to the inside information;</u></li> <li>* <u>from a person who owns an account related to the inside information; or</u></li> <li>* from any person who has a contractual relationship with the person who obtains the information.</li> </ul> <p>c. For greater certainty, inside information means information that fulfils the following:</p>	



**Draft Amendments to the Market Conduct Regulations**

<b>Market Conduct Regulations</b>			
	<b>Current Provisions</b>	<b>Provisions after Proposed Amendments</b>	<b>Aim of the Proposed Amendment<sup>1</sup></b>
		<ol style="list-style-type: none"> <li>1) information that relates to a security, <a href="#">or orders entered or to be entered to it</a>;</li> <li>2) that has not been disclosed to the general public, and that is not otherwise available to the general public; and</li> <li>3) that a normal person would realise that, in view of the nature and content of the information, disclosing it or making it available to the public would have a material effect on the price or value of the security.</li> </ol>	
<b>4</b>	<p><b>Article 5: Prohibition of disclosure of inside information</b></p> <p>a. An insider is prohibited from disclosing any inside information to any other person when he knows or should have known that it is possible that such other person may trade in the security related to the inside information.</p> <p>b. A person who is not insider is prohibited from disclosing to any other person any inside information obtained <a href="#">from an insider</a>, when he knows or should have known that it is possible that such other person to whom the disclosure has been made may trade in the security related to the inside information.</p>	<p><b>Article 5: Prohibition of disclosure of inside information</b></p> <p>a. An insider is prohibited from disclosing any inside information to any other person when he knows or should have known that it is possible that such other person may trade in the security related to the inside information.</p> <p>b. A person who is not insider is prohibited from disclosing to any other person any inside information obtained <a href="#">in whatever manner</a>, when he knows or should have known that it is possible that such other person to whom the disclosure has been made may trade in the security related to the inside information.</p>	<p>The proposed amendment aims to prohibit the disclosure of inside information by a person who is not an insider, regardless of the means through which he obtained that information.</p> <p>It also aims to set out an exception in the Market Conduct Regulations to the provisions related to the disclosure of inside information, for the purpose of allowing capital market institutions to disclose clients' orders in relation to negotiated transaction, provided that such disclosure is in the client's interest to effect the transaction, and that</p>



**Draft Amendments to the Market Conduct Regulations**

<b>Market Conduct Regulations</b>			
	<b>Current Provisions</b>	<b>Provisions after Proposed Amendments</b>	<b>Aim of the Proposed Amendment<sup>1</sup></b>
		<p>c. <u>Without prejudice to the provisions of paragraph (a) of this Article, a capital market institution and a registered person may disclose the client's orders for the purpose of negotiating a transaction for such client, provided the following:</u></p> <p>1) <u>the disclosure is in the client's interest to effect the transaction.</u></p> <p>2) <u>the client's prior written approval has been obtained.</u></p>	client's prior written approval has been obtained.
5	<p><b>Article 6: Prohibition of insider trading</b></p> <p>a. An insider is prohibited from engaging in insider trading.</p> <p>b. A person who is not insider is prohibited from engaging in insider trading <b>if he obtains the inside information from another person</b> and he knows or should have known, that the information is inside information.</p>	<p><b>Article 6: Prohibition of insider trading</b></p> <p>a. An insider is prohibited from engaging in insider trading.</p> <p>b. A person who is not insider is prohibited from engaging in insider trading <u>where</u> he knows or should have known, that the information is inside information.</p>	The proposed amendment aims to prohibit the person who is not an insider from engaging in insider trading, without conditioning that the inside information is obtained from another person.
6	<p><b>Article 7: Prohibition of untrue statements</b></p> <p>A person is prohibited from making an untrue statement of material fact verbally or in writing or from failing to make a statement required to be made under the Capital Market Law, the Implementing Regulations, or the rules of the Exchange or the Depository Center, if the statement is made, or the person fails to make the required statement, for the purpose of influencing</p>	<p><b>Article 7: Prohibition of untrue statements</b></p> <p>A person is prohibited from making an untrue statement of material fact verbally or in writing or from failing to make a statement required to be made under the Capital Market Law, the Implementing Regulations, or the rules of the Exchange or the Depository Center, <u>including the financial information</u>, if the statement is made, or the person fails to make the required statement, for the purpose</p>	The proposed amendment aims to emphasise that the untrue statements and the statements required to be made referred to in this Article shall include the financial information, including the information contained in the financial statements. Also, the proposed amendment aims to clarify the applicability of this Article if the statement being made,





**Draft Amendments to the Market Conduct Regulations**

<b>Market Conduct Regulations</b>			
	<b>Current Provisions</b>	<b>Provisions after Proposed Amendments</b>	<b>Aim of the Proposed Amendment<sup>1</sup></b>
	the price or value of a security, inducing another person to purchase or sell a security, or inducing him to exercise or refrain from exercising rights under a security.	of influencing the price or value of a security, inducing another person to purchase or sell a security, or inducing him to exercise or refrain from exercising rights under a security, <u>or any other manipulative or deceptive purpose.</u>	or the person failing to make the required statement, is for any other manipulative or deceptive purpose.
<b>7</b>	<p><b>Article 8: Rumours</b></p> <p>a. A person is prohibited from circulating, directly or indirectly, an untrue statement of material fact or a statement of opinion for the purpose of influencing the price or value of a security or for any manipulative purpose.</p> <p>b. The prohibition in paragraph (a) applies to a statement made by the person who circulates the statement or to a statement made by another person.</p>	<p><b>Article 8: Rumours</b></p> <p>a. A person is prohibited from circulating, directly or indirectly, an untrue statement of material fact or a statement of opinion for the purpose of influencing the price or value of a security or for any manipulative <u>or deceptive</u> purpose.</p> <p>b. The prohibition in paragraph (a) applies to a statement made by the person who circulates the statement or to a statement made by another person.</p>	The proposed amendment aims to clarify the applicability of this Article if the circulation of the incorrect statement is for any other manipulative or deceptive purpose.
<b>8</b>	<p><b>Article 11: Conduct in case of market manipulation and insider trading by clients</b></p> <p>a. <u>An authorised person</u> or a registered person must not accept or execute a client order if any of them has reasonable grounds to believe that the client:</p> <ol style="list-style-type: none"> <li>1) is engaging in market manipulation or insider trading;</li> <li>2) would be engaging in market manipulation or insider trading in another market if these Regulations applied to that market;</li> </ol> <p>or</p>	<p><b>Article 11: Conduct in case of market manipulation and insider trading by clients</b></p> <p>a. <u>A capital market institution</u> or a registered person must not accept or execute a client order if any of them has reasonable grounds to believe that the client:</p> <ol style="list-style-type: none"> <li>1) is engaging in market manipulation or insider trading;</li> <li>2) would be engaging in market manipulation or insider trading in another market if these Regulations applied to that market; or</li> </ol>	The proposed amendment aims to clarify the obligation of the capital market institution and the registered person in the matter of reporting any client's order after accepting or executing that order where the capital market institution or the registered person has reasonable grounds to believe the client is in violation of the Capital Market Law, the Implementing Regulations or the Exchange's Rules, without prejudice to the obligation of the capital market



**Draft Amendments to the Market Conduct Regulations**

Market Conduct Regulations			
	Current Provisions	Provisions after Proposed Amendments	Aim of the Proposed Amendment <sup>1</sup>
	<p>3) would be considered in breach of the law, regulations or rules applicable in the relevant market.</p> <p>b. Where <u>an authorised person</u> or registered person has decided not to accept or execute an order under paragraph (a) of this Article, he must document the circumstances of and reasons for his decision in writing and the <u>authorised person</u> must notify the Authority of the decision within three days.</p> <p>c. <u>An authorised person</u> must retain the records in relation to any decision under this Article for ten years from the date of the decision.</p>	<p>3) would be considered in breach of the law, regulations or rules applicable in the relevant market.</p> <p>b. Where <u>a capital market institution</u> or registered person has decided not to accept or execute an order under paragraph (a) of this Article, he must document the circumstances of and reasons for his decision in writing and the <u>capital market institution</u> must notify the Authority of the decision within three days.</p> <p>c. <u>Without prejudice to the provisions of this Article, if a capital market institution or a registered person accepts or executes a client's order, then became aware of reasonable grounds to believe the client is in violation of the Capital Market Law, the Implementing Regulations or the Exchange's Rules, the capital market institution must notify the Authority of such within 3 days from the date of becoming aware of these grounds.</u></p> <p>d. <u>A capital market institution</u> must retain the records in relation to any decision under this Article for ten years from the date of the decision.</p>	<p>institution and the registered person ,in accordance with this Article, prior to accepting or executing an order of a client in violation.</p>
9	<p><b>Article 12: Clients priority and front running trades</b></p> <p>a. <u>An authorised person</u> or a registered person must execute client orders for a security before executing any order</p>	<p><b>Article 12: Clients priority</b></p> <p><u>A capital market institution</u> or a registered person must execute client orders for a security before executing any order on the same security for his own account.</p>	<p>The proposed amendment aims to transfer regulating front running trades to be included in the provisions of (Part 3) of the Market Conduct Regulations,</p>



**Draft Amendments to the Market Conduct Regulations**

<b>Market Conduct Regulations</b>			
	<b>Current Provisions</b>	<b>Provisions after Proposed Amendments</b>	<b>Aim of the Proposed Amendment<sup>1</sup></b>
	<p>on the same security for his own account.</p> <p><u>b. An authorised person, a registered person and any associated person are prohibited from dealing in any security for their own benefit, or for the benefit of another client, or for the benefit of an account which they have an interest in, including any account which they have a discretion on, if such dealing is on the basis of prior knowledge that a client order has been or will be entered on the same security.</u></p> <p><u>c. Persons referred to in paragraph (a) of this Article are prohibited from disclosing to any other person any information related to clients orders that have been entered or will be entered, when they know or should have known that it is possible that such other person may trade in the security related to that information.</u></p> <p><u>d. Any person that obtains through an authorised person or a registered person information related to client orders that have been or will be entered is prohibited from dealing in the security related to such information., if such dealing is for the purpose of benefiting from potential material effect of those orders on the price of that security.</u></p>		<p>which resulted in considering front running trades as insider trading.</p>



**Draft Amendments to the Market Conduct Regulations**

<b>Market Conduct Regulations</b>			
	<b>Current Provisions</b>	<b>Provisions after Proposed Amendments</b>	<b>Aim of the Proposed Amendment<sup>1</sup></b>
	<p><u>e. Any person authorised to deal with the account of a legal person is prohibited from dealing in any particular security for his own benefit, or for the benefit of an account which he has an interest in, if such dealing is for the purpose of benefiting from potential material effect of that legal person's account orders that have been or will be entered on the price of that security.</u></p> <p><u>f. Any person authorised to deal with the account of a legal person is prohibited from disclosing to any other person any information related to that account orders that have been or will be entered, when he knows or should have known that it is possible that such other person may trade in the security related to that information.</u></p> <p><u>g. Any person that obtains from to deal in any particular security on the basis of information obtained from a person authorised to deal with the account of a legal person related to this account orders that have been or will be entered, if such dealing is for the purpose of benefiting from potential material effect of those orders on the price of that security.</u></p> <p><u>h. For the purposes of this Article:</u>                      1) <u>"Associated person" means in relation to an authorised person:</u></p>		



**Draft Amendments to the Market Conduct Regulations**

Market Conduct Regulations			
	Current Provisions	Provisions after Proposed Amendments	Aim of the Proposed Amendment <sup>1</sup>
	<p>= <u>Any director, partner, employee, or any person that is (directly or indirectly) controlled by that person; or controls (directly or indirectly) that person.</u></p> <p>= <u>any company which is its subsidiary or parent or fellow subsidiary of the parent.</u></p> <p>= <u>any company whose directors are accustomed to act in accordance with the authorised person's directions or instructions.</u></p> <p>= <u>any company in the capital of which the authorised person is directly or indirectly interested so that it is able:</u></p> <ul style="list-style-type: none"> <li>• <u>to exercise or control the exercise of 30% or more of the votes at the general meeting on all, or substantially all matters; or</u></li> <li>• <u>to appoint or remove directors holding a majority of voting rights at board</u></li> </ul>		



**Draft Amendments to the Market Conduct Regulations**

Market Conduct Regulations			
	Current Provisions	Provisions after Proposed Amendments	Aim of the Proposed Amendment <sup>1</sup>
	<p><u>meetings on all, or substantially all matters.</u></p> <p>2) <u>"Associated person" means in relation to a registered person:</u></p> <ul style="list-style-type: none"> <li>- <u>that person's spouse or minor children (together "members of his family").</u></li> <li>- <u>any company in whose equity shares the registered person or any member or members (taken together) of his family are directly or indirectly interested so that they are able:</u> <ul style="list-style-type: none"> <li>• <u>to exercise or control the exercise of 30% or more of the votes at the general meeting on all, or substantially all matters; or</u></li> <li>• <u>to appoint or remove directors holding a majority of voting rights at board meetings on all, or substantially all matters.</u></li> </ul> </li> </ul>		



**Draft Amendments to the Market Conduct Regulations**

<b>Market Conduct Regulations</b>			
	<b>Current Provisions</b>	<b>Provisions after Proposed Amendments</b>	<b>Aim of the Proposed Amendment<sup>1</sup></b>
<b>10</b>	<p><b>Article 20: Liability for acts of others</b> Where a person is found to have violated the provisions of the Capital Market Law or the Implementing Regulations on market manipulation, insider trading or untrue statements while acting on behalf of another person and at the direction of the person on whose behalf the relevant act is carried out, that other person is liable and is subject to any sanctions to which the person carrying out the relevant acts is subject unless the person on whose behalf the act is carried out:</p> <ol style="list-style-type: none"> <li>1) took reasonable steps to prevent the violation of the provisions of the Capital Market Law and its Implementing Regulations; and</li> <li>2) did not authorise the acts in question.</li> </ol>	<p style="text-align: center;"><b><u>Part 6: Liability for acts of others</u></b></p> <p><b>Article 20: Liability for acts of others</b> Where a person is found to have violated the provisions of the Capital Market Law or the Implementing Regulations on market manipulation, insider trading or untrue statements while acting on behalf of another person and at the direction of the person on whose behalf the relevant act is carried out, that other person is liable and is subject to any sanctions to which the person carrying out the relevant acts is subject unless the person on whose behalf the act is carried out:</p> <ol style="list-style-type: none"> <li>1) took reasonable steps to prevent the violation of the provisions of the Capital Market Law and its Implementing Regulations; and</li> <li>2) did not authorise the acts in question.</li> </ol>	<p>The proposed amendment aims to add further clarification to the scope of Article 20 of the Market Conduct Regulations by proposing to transfer it to a separate part entitled (Liability for acts of others).</p>