



Securities Depository Centre (Edaa)

## Securities Depository Centre Rules

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Arabic is the official language of the Depository Centre

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## **SECTION ONE**

### **Preliminary Provisions**

#### **Article 1**

1. These Rules aim to regulate the Depository Centre's activities including specifying the conditions and requirements for the Depository Centre membership as well as the procedures of (i) depositing Securities; (ii) settlement of transactions; (iii) registration of Securities ownership restrictions; and (iv) opening Depository Centre Accounts.
2. All persons dealing with the Depository Centre shall be subject to these Rules including Issuers, Investors, Depository Centre Members and the Depository Bank (as applicable).
3. Unless the contrary intention appears, terms and expressions in these Rules shall have the meaning given to them in the Glossary of Defined Terms Used in the Exchange Rules.

#### **Article 2**

1. The Depository Centre shall provide the services required to (i) deposit Securities; (ii) register and transfer Securities ownership and the rights attached thereto; (iii) settle executed transactions on the Securities and their values. The Depository Centre may take any action or implement any procedure to provide these services.
2. In addition to the services stipulated in the Capital Market Law, the Depository Centre may provide any other service to Issuers, Depository Centre Members, Investors, and the Depository Bank (as applicable) after obtaining the Authority's approval.
3. The Depository Centre may provide any of its services, in accordance with guidelines proposed by the Depository Center and approved by the Authority.
4. The Depository Centre may enter into agreements that it deems appropriate with the beneficiaries of its services.
5. The Depository Centre may apply fees for any of its services, and determine the persons whom are required to pay such fees.

#### **Article 3**

The Depository Centre may, after obtaining the Authority's approval, waive any requirement in these Rules either based on a request from the relevant person or on its own initiative.

**SECTION TWO**  
**Depository Centre Membership**

**Chapter I: Obtaining the Membership**

**Article 4**

1. The Depository Centre Membership is comprised of the following categories:
  - (a) **Custody category:** this category shall be granted to:
    - i. a Capital Market Institution authorised by the Authority to conduct custody activities;
    - ii. an 'exempt' person by the Authority; or
    - iii. a Local Bank which is regulated by SAMA which has received a non-objection letter from both the Authority and SAMA to act as a Custody Member;
  - (b) **Settlement category:** this category shall be granted to a legal person which provides the necessary services to perform the Cash Settlement of Transactions; and
  - (c) **Securities Central Counterparties (CCP) category:** this category shall be granted to a CCP which is authorised by the Authority.
2. A person who wishes to obtain Depository Centre membership must submit an application to the Depository Centre using the form prescribed for this purpose.

**Article 5**

The Applicant for Depository Center membership must satisfy the following conditions:

1. Meet the technical, technological and security requirements, that the Depository Centre determines, which are required to connect to the Depository and Settlement System.
2. Have qualified employees, who meet the criteria determined by the Depository Centre, to access the Depository and Settlement System.
3. Where the Applicant is applying for Settlement category Membership, it must be a participating member of the Payment System - SAMA.
4. Any other conditions proposed by the Depository Centre and approved by the Authority.

**Article 6**

1. In the course of reviewing the membership application, the Depository Centre may take any of the following actions:
  - (a) request the attendance of the Applicant's representative to address or clarify any queries that the Depository Centre may have in relation to the membership application;

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- (b) verify that the Applicant has satisfied the technical, technological and security requirements that are required to connect it to the Depository and Settlement System. The Depository Centre may take any action that it deems fit for this purpose;
  - (c) verify the information and documents submitted by the Applicant;
  - (d) request any information from any party related to the Applicant; and
  - (e) request any additional information from the Applicant.
2. The Depository Centre may apply fees for reviewing the membership application.
  3. The Depository Centre may reject the membership application if the Applicant (i) has not cooperated to enable the Depository Centre to take any of the actions referred to in Paragraph 1 of this Article; or (ii) has not paid the applicable fees to the Depository Centre for reviewing the membership application.
  4. The Depository Centre shall issue its decision on the membership application within a period not exceeding (30) days from submitting a completed application and satisfying all of its requirements. The Depository Centre's decision in relation to the membership application may be to approve, conditionally approve or reject the membership application. The Depository Centre shall notify the Applicant in writing of the decision and, where the decision is to reject the application, the reasons thereof.
  5. Upon the issuance of the Depository Centre's approval on the membership application, the Applicant must sign a membership agreement with the Depository Centre and pay the applicable membership fees.
  6. Prior to obtaining the Depository Centre membership and completing the connectivity to the Depository and Settlement System, the Applicant, or any other person, shall refrain from holding themselves as a Depository Centre Member or take any actions that imply that this is the case.

## **Article 7**

The Depository Centre Member shall be connected to the Depository and Settlement System once it has signed the membership agreement with the Depository Centre and paid the applicable fees in accordance with Paragraph 5 of Article 6 of these Rules.

## **Article 8**

The Depository Centre Member must comply with the following:

1. continue to satisfy the technical, technological and security requirements that are required to connect it to the Depository and Settlement System.
2. immediately notify the Depository Centre in writing upon its knowledge of the occurrence of any technological error in its systems or any security issues that may affect its connectivity to the Depository and Settlement System or the actions executed through it. Such notice must identify the steps taken to resolve the situation and the time necessary to do so.

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3. develop, implement and maintain business continuity plans as specified by the Depository Centre.

## **Article 9**

1. The Depository Centre Member must submit an application to the Depository Centre, in the form prescribed by the Depository Centre, to obtain a username for each of its employees who use the Depository and Settlement System.
2. The employees referred to in Paragraph 1 of this Article must be qualified to use the Depository and Settlement System. The Depository Centre may, at its own discretion, require such employee to complete any training or obtain any certificate.
3. With respect to each employee who has obtained a username, the Depository Centre Member must notify the Depository Centre in writing no later than (5) days prior to (i) terminating their service; or (ii) changing their role, specifying the date of termination or change. The Depository Centre shall take all necessary actions to stop the username granted to such employee upon the termination of the service or changing the role.
4. If the Depository Centre Member has no advance knowledge of the termination of the employee's service or the change to the employee's role, in accordance with Paragraph 3 of this Article, it must notify the Depository Centre immediately upon the occurrence of the termination or the change in role. The Depository Centre shall take all necessary actions to stop the username granted to such employee.
5. The Depository Centre Member shall be responsible for all actions and procedures entered into the Depository and Settlement System through such Depository Centre Member.

## **CHAPTER II: Custody Members**

### **Article 10**

With respect to deposited Securities, the Custody Member shall provide custody services which include the following:

1. identifying its clients in the Depository and Settlement System as set out in Article 41 of these Rules;
2. opening Depository Centre Accounts for its clients;
3. safeguarding deposited Securities in the Custody Member Accounts;
4. transferring deposited Securities and executing any other actions performed on it in accordance with these Rules;
5. providing any necessary information to the relevant Exchange Member for verification purposes as set out in Article 27 of the Trading and Membership Rules;
6. holding, releasing or request to cancel the settlement instructions in accordance with Article 14 of these Rules;

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7. carrying out appropriate actions to resolve failed settlements where the Custody Member is responsible for settlement of the transaction; and
8. taking any appropriate actions to facilitate the settlement of corporate actions in respect of deposited Securities as specified by the Depository Centre.

#### **Article 11**

1. The Custody Member must safeguard deposited Securities owned by its client in a Depository Centre Account opened by such member in the name of that client, except for any case that is regulated under regulations, rules or procedures issued by the Authority or the Exchange.
2. The Custody Member must at all times ensure the segregation of deposited Securities owned by any of its clients from its own Securities and Securities owned by other clients, except for any case that is regulated under regulations, rules or procedures issued by the Authority or the Exchange including, but not limited, Securities deposited in the settlement pool account.
3. The Custody Member must ensure the correctness and the validity of transactions and actions executed in the Custody Member Accounts.
4. Without prejudice to Article 14 of these Rules, and in respect of all transactions executed which the Custody member is responsible for its settlement, the Custody Member must take all necessary actions to perform the settlement of those transactions in accordance with the mechanism and settlement cycles referred to in Chapter II of Section Three of these Rules, and must also take all necessary actions with respect to failed transactions in accordance with the settlement failure provisions referred to in Chapter III of Section Three of these Rules.

#### **Article 12**

The Custody Member must at all times be connected to a Settlement Member or more, in accordance with these Rules. The Custody Member must not terminate its connectivity to the Settlement Member prior to completing the pending settlement instructions, and taking the necessary actions to be connected to an alternative Settlement Member. In all cases, the Custody Member must obtain the Depository Centre's prior approval before changing the Settlement Member to whom it is connected to.

#### **Article 13**

1. The execution of transactions for the Custody Member Accounts shall be through an Exchange Member in accordance with the provisions of the relevant Exchange Rules.
2. A Custody Member may facilitate the settlement of:
  - (a) transactions in deposited Securities which it executes on behalf of its client, as an Exchange Member, in accordance with the Exchange Rules; and/or
  - (b) transactions in deposited Securities which are executed on behalf of its client by another Exchange Member, in accordance with the Exchange Rules.

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## Article 14

1. Where an Exchange Member executes a transaction for a client which is allocated to another Custody Member for settlement and such Custody Member request to cancel the transaction in accordance with Paragraphs 2, 3 of this Article, and the request has been approved by the counterparties, the Exchange Member shall be responsible to ensure the settlement of such transaction as if it had executed the transaction for its Exchange Member settlement pool accounts.
2. Where a transaction has been allocated to a Custody Member for settlement by an Exchange Member pursuant to Paragraph 2(b) of Article 13 of these Rules, that Custody Member may hold or request to cancel the settlement of such transaction in the manner prescribed and within the timelines specified by the Depository Centre if the Custody Member, in the case of a buy transaction, determines that the client will not have sufficient cash on its intended settlement date.
3. Where a transaction has been allocated to a Custody Member for settlement by an Exchange Member pursuant to Paragraph 2(b) of Article 13 of these Rules, that Custody Member must hold or request to cancel the settlement of such transaction in the manner prescribed and within the timelines specified by the Depository Centre. The Custody Member must hold or request to cancel a transaction if:
  - (a) such Custody Member does not receive a matched settlement instruction from the client, within the deadline prescribed by the Depository Centre to request to cancel the transaction;
  - (b) such Custody Member, in the case of a sell transaction, determines that the client will not have sufficient deposited Securities on its intended settlement date. For the purpose of making this determination, a client will be deemed to have sufficient deposited Securities on its intended settlement date if the client has ensured Securities can be borrowed and delivered prior to the last settlement cycle (whether or not such client has entered into the contractual arrangements to effect this); or
  - (c) such Custody Member receives a notification from the relevant Settlement Member that there is insufficient cash to settle the amounts resulting from a single or multiple buy transactions on its intended settlement date.
4. Where a Custody Member fails to hold or cancel a settlement instruction within the timelines specified by the Depository Centre, the Depository Centre shall be entitled to proceed on the basis that the transaction has been released by the Custody Member.

## CHAPTER III: Settlement Members

### Article 15

1. The Depository Centre shall connect the Settlement Member to the Depository and Settlement System to perform Cash Settlement of transactions, in accordance with the provisions of Chapter II of Section Three of these Rules, as well as performing all other functions related thereto.

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2. The Settlement Member may engage with one or more Custody Members for the purpose of performing Cash Settlement of transactions effected on such Custody Members Accounts.

#### **Article 16**

1. The Settlement Member must take all necessary actions to perform the Cash Settlement, in accordance with the mechanism and settlement cycles referred to in Chapter II of Section Three of these Rules, for all transactions executed for the Custody Members Accounts to whom it is connected to.
2. The Settlement Member connected to a Custody Member shall be obliged to carry out cash settlement of all transactions which have been allocated to that Custody Member up to the maximum Cash Settlement Headroom, and to provide any relevant cash amounts owed by that Custody Member pursuant to Article 30 and Article 31 of these Rules.
3. The Settlement Member must set a maximum Cash Settlement Limit for transactions allocated to each Custody Member to whom it is connected to, such limit must be entered in the Depository and Settlement System
4. The Settlement Member may adjust the Cash Settlement Limit in accordance with the Depository Centre Procedures.
5. The Settlement Member must ensure its ability to pay the Cash Settlement Limit which has been entered in the Depository and Settlement System.
6. The Settlement Member and the Custody Member to whom it is connected to shall be jointly and severally liable for the settlement of the cash of all transactions allocated to the relevant Custody Member's Accounts up to the maximum Cash Settlement Headroom. With respect to any transactions allocated to the relevant Custody Member in excess of the maximum Cash Settlement Limit, the Custody Member shall be solely liable for the settlement of the cash for such transactions.

#### **Article 17**

Before the termination of the Settlement Member connectivity with the Custody Member, the Settlement Member must ensure the cash settlement of all pending transactions allocated to that Custody Member's Cash Accounts and which have not been canceled in accordance with Article 14 of these Rules.

## CHAPTER IV: CCP MEMBERSHIP

### Article 18

1. For the purpose of clearing securities, a CCP shall be responsible for the following:
  - (a) Generating, amending, and cancelling all settlement instructions arising from its clearing function to the Depository Centre, which shall include:
    - 1) instructions relating to settlement between a CCP settlement pool account and the Exchange Member settlement pool account;
    - 2) where relevant, instructions relating to settlement between the Exchange Member settlement pool account, and the Exchange Member's client settlement pool account. Such instructions shall not include allocation of Securities and cash between clients of a clearing member whose Securities and cash are comingled; and
    - 3) where relevant, instructions relating to direct settlement between Exchange Members settlement pool accounts in relation to transactions where the CCP is not a direct party. Such settlement instructions may extend to associated settlement instructions between the Exchange Member settlement pool account and the Exchange Member's client settlement pool account.
  - (b) The Depository Centre shall implement all settlement instructions received by a CCP in accordance with sub-paragraph (a) of paragraph (1) of this Article.
2. The CCP may hold, release, and Request to Cancel Settlement Instructions in accordance with the Depository Centre Procedures.
3. The Depository Centre shall connect the CCP to the Depository and Settlement System to perform its responsibilities in accordance with this Article.

## CHAPTER V: Suspension of Connectivity to the Depository and Settlement System and Cancellation of Membership

### Article 19

1. The Depository Centre may suspend the connectivity of the Depository Centre Member to the Depository and Settlement System, and notify the Depository Centre Member in writing of the suspension, in any of the following cases:
  - (a) if the Depository Centre Member no longer satisfies any of the technical, technological and security requirements which are necessary for its connectivity to the Depository and Settlement System;
  - (b) if any error occurs in the systems of the Depository Centre Member which affects the safety of its connectivity to the Depository and Settlement System and the actions executed through it;
  - (c) if the Depository Centre Member breaches any of its obligations under these Rules or the membership agreement;
  - (d) if the continuation of the Depository Centre Member connectivity to the Depository and Settlement System is a threat to the safety of the Exchange, the interests of Investors, the safety of a CCP or the interests of clients of such Depository Centre Member; or
  - (e) if the Depository Centre Member fails to pay any applicable fees to the Depository Centre.
2. Prior to the suspension of the connectivity of the Depository Centre Member to the Depository and Settlement System, the Depository Centre may, at its discretion, request the Depository Centre Member to take any necessary remedial actions within a specified period of time.
3. In addition to the cases listed in Paragraph 1 of this Article, the connectivity of the Depository Centre Member to the Depository and Settlement System shall be suspended based on instructions issued by the Authority.
4. Without prejudice to Article 20 of these Rules, the connectivity of the Depository Centre Member to the Depository and Settlement System shall remain suspended until the cause for the suspension is resolved. The Depository Centre Member may request the Depository Centre to lift the suspension upon the absence of its causes and provide evidence that supports such absence. The Depository Centre may, after reviewing the request, lift the suspension or sustain it.
5. The Depository Centre Member, whose connectivity to the Depository and Settlement System has been suspended, must not process any actions through such system with the exception of the necessary actions for transferring the Securities deposited in its Custody Member Accounts to the accounts of another Custody Member.
6. Upon receiving a notice of suspension from the Depository and Settlement System, the Depository Centre Member must comply with the following:

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- (a) where it is a Custody Member, it must immediately notify its clients in writing of the suspension of its connectivity to the Depository and Settlement System and the fact that they are no longer able to execute transactions. Any of such clients shall have the right to request the transfer of their deposited securities to another Custody Member Account. In such case, the suspended Depository Centre Member shall take the necessary actions to complete such transfer without delay.
  - (b) where it is a Settlement Member, it must immediately notify in writing all Custody Members, to whom it is connected to, of the suspension of its connectivity to the Depository and Settlement System. Each of such Custody Members must, within (10) days upon its knowledge of the suspension of the connectivity, connect to a substitute Settlement Member. In all cases, no transactions may be executed for the relevant Custody Member Accounts from the date of suspending the connectivity of the Settlement Member until a substitute Settlement Member has been connected to.
7. Without prejudice to Paragraph 5 of this Article, during the suspension of its connectivity to the Depository and Settlement System, the Depository Centre Member must not provide any services associated with its membership or otherwise holds itself as being capable of providing such services.
8. The Depository Centre shall not be liable for any damages that could be incurred by the Depository Centre Members, their clients or any third party when enforcing the provisions of this Article.
9. In relation to a CCP who obtained a Depository Centre Membership in accordance with the provisions of these Rules, the Depository Centre will not suspend its connectivity to the Depository and Settlement System without obtaining prior approval from the Authority.
10. The Depository Centre will immediately notify the Authority and SAMA, where the relevant Depository Centre Member is a Local Bank, of suspensions of Depository Centre Members' memberships in accordance with paragraphs (1) or (3) of this Article.

## **Article 20**

1. The Depository Centre may cancel the membership of Depository Centre Members and terminate their connectivity to the Depository and Settlement System if the Depository Centre Member's connectivity to the Depository and Settlement System remained suspended, pursuant to Article 19 of these Rules, for (180) days without resolving the cause of the suspension
2. In addition to the case referred to in Paragraph 1 of this Article, the Depository Centre shall cancel the membership of any of the Depository Centre Members based on instructions issued by the Authority.
3. The membership shall be cancelled if the Depository Centre Member no longer satisfies the conditions of Paragraphs 3 or 4 of Article 5 of these Rules, as applicable.

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4. The Depository Centre Member may request to cancel its membership and terminate its connectivity to the Depository and Settlement System by submitting an application to the Depository Centre in the form prescribed for this purpose. The Depository Centre may, at its discretion, reject the application if the cancellation of the membership may result in damages to the interests of Investors and other Depository Centre Members to whom such Depository Centre Member is connected to.
5. The Depository Centre Member shall be notified in writing of the cancellation of its membership upon the issuance of the cancellation decision by the Depository Centre.
6. The Depository Centre member shall, upon receiving the notice of the membership cancellation, comply with the following:
  - (a) where it is a Custody Member, it must immediately notify its clients in writing of the cancellation of its membership, and take all necessary actions, without delay, to transfer the Securities deposited in its Custody Member Accounts to the Depository Centre Accounts of other Custody Members in accordance with the instructions issued by its clients in this regard. In all cases, no transactions may be executed for the relevant Custody Member Accounts from the date of issuing the membership cancellation decision.
  - (b) where it is a Settlement Member, it must immediately notify in writing all Custody Members, to whom it is connected to, of the cancellation of its membership. Each of such Custody Members must, within (10) days from its knowledge of the cancellation, connect to a substitute Settlement Member. In all cases, no transactions may be executed for the relevant Custody Member Accounts from the date of cancelling the membership of the Settlement Member until a substitute Settlement Member has been connected to.
7. The Depository Centre may request the Depository Centre Members to take any actions or comply with any requirements to ensure that the cancellation of the membership does not affect the Exchange or the interests of Investors.
8. The Depository Centre shall not be liable for any damages that could be incurred by the Depository Centre Members, their clients or any third party when enforcing the provisions of this Article.
9. In relation to a CCP who obtained a Depository Centre Membership in accordance with the provisions of these Rules, the Depository Centre will not cancel its membership and connectivity to the Depository and Settlement System without obtaining prior approval from the Authority.

## **SECTION THREE Deposited Securities**

### **CHAPTER I: Securities Depository**

#### **Article 21**

The following Securities, except derivatives, shall be deposited in the Depository and Settlement System:

1. Listed Securities, in accordance with the provisions of Article 23 of these Rules; and
2. Unlisted Securities, in accordance with the provisions of Article 24 of these Rules.

#### **Article 22**

Depositing any Securities in the Depository and Settlement System shall result in the following:

1. The Depository Centre becoming responsible for the management of the Securities Ownership Register by depositing it in the Depository and Settlement System, updating it and electronically registering all actions and transactions executed, after the depository date, on the Securities subject of the register. Such electronic register shall be considered as conclusive evidence of the ownership of the relevant Security and any associated rights. No other documents shall be recognized for this purpose.
2. Settling the transactions executed on the Securities subject of the relevant Securities Ownership Register, after the depository date, and their values, electronically through the Depository Centre Members in accordance with the provisions of these Rules.

#### **Article 23**

1. Once the Issuer has obtained all necessary approvals to list its Securities, it shall submit an application to the Depository Centre, in the form prescribed for that purpose, to deposit its Securities.
2. The Issuer must satisfy the following requirements prior to depositing its Securities:
  - (a) sign the necessary agreements with the Depository Centre for depositing the Securities in the Depository and Settlement System;
  - (b) provide the Securities Ownership Register in accordance with the mechanism specified by the Depository Centre. The Securities Ownership Register is not required where the Securities subject to depository are tradable rights; and
  - (c) any other requirements determined by the Depository Centre.
3. The Issuer must satisfy the requirements referred to in Paragraph 2 of this Article in accordance with the mechanism specified by the Depository Centre.
4. The Issuer must pay to the Depository Centre any applicable fees for depositing its Securities pursuant to the provisions of this Article.

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5. This Article shall not apply to depositing Securities if they are issued as a result of one of the cases where the Securities Ownership Register shall be updated in accordance with Article 26 of the Rules.

#### **Article 24**

1. An Issuer (or Offeror, where it is different from the Issuer), wishing to deposit its unlisted Securities, must submit an application to the Depository Centre, in the form prescribed for that purpose.
2. Once the Depository Centre receives the unlisted Securities depository application, it may request any additional information or documents.
3. The Depository Centre shall review the application and notify the Applicant of its decision in writing within (15) days of receiving all relevant documents, or within (15) days of receiving any additional information or documents requested by the Depository Centre pursuant to Paragraph 2 of this Article.
4. The Depository Centre may at its discretion approve or reject the application.
5. If the Depository Centre approves the application, the Applicant must, before depositing its Securities, satisfy the following requirements:
  - (a) sign the necessary agreements with the Depository Centre for managing the Securities Ownership Register and depositing the Securities in the Depository and Settlement System;
  - (b) provide the Securities Ownership Register in accordance with the mechanism specified by the Depository Centre;
  - (c) pay applicable fees; and
  - (d) any other requirements determined by the Depository Centre.
6. This Article shall not apply to depositing Securities if they are issued as a result of one of the cases where the Securities Ownership Register shall be updated in accordance with Article 26 of the Rules.

#### **Article 25**

1. Subject to Paragraph 33 of this Article, the transactions on deposited Listed Securities shall be executed in the trading system and through Exchange Members in accordance with the provisions of the relevant Exchange Rules.
2. Subject to Paragraph 33 of this Article, the transactions on deposited unlisted Securities shall be executed Over The Counter and through Exchange Members in accordance with the provisions of the Exchange Rules and relevant instructions.
3. a Depository Centre Member may instruct the Depository Centre to settle such transaction in accordance with their instructions where the transactions are related to one of the following:

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- (a) Investment Funds units; or
- (b) Securities which are not traded on the Exchange and safe kept at the Depository Centre.

## **Article 26**

1. The Securities Ownership Register in respect of Deposited Securities shall be updated to reflect any event that requires updating of the information in the register. Such events include, but not limited to, the following:
  - (a) transfer of deposited Securities subject of the register as a result of a transaction;
  - (b) transfer of any of the Securities subject of the register pursuant to Article 36 and Article 37 of these Rules;
  - (c) registration of a restriction on any of the Securities subject of the register;
  - (d) any change in the number or nominal value of any of the Securities subject of the register; and
  - (e) any update or amendment in the information of the owners of any of the Securities subject of the register.
2. The Securities Ownership Register shall be updated, pursuant to Paragraph 1(a) of this Article, upon the electronic transfer of Securities subject of the register from the Depository Centre Account of the seller to the Depository Centre Account of the buyer.
3. The Securities Ownership Register shall be updated, pursuant to Paragraph 1(b) of this Article, after transferring the Securities in accordance with Article 36 or Article 37 of these Rules.
4. The Securities Ownership Register shall be updated, pursuant to Paragraph 1(c) of this Article, after the complete registration of a restriction in accordance with Chapter IV of this Section.
5. With the exception of exchange traded funds, the Issuer must take the following actions to update the Securities Ownership Register pursuant to Paragraph 1(d) of this Article:
  - (a) notify the Depository Centre in writing of all details of the event resulting in changing the number of Securities or their nominal value at least (5) days prior to the occurrence of such event.
  - (b) notify the Depository Centre in writing immediately after the occurrence of the event, with a confirmation that all legal procedures necessary for the event to take effect have been completed, and providing the necessary information to update the Securities Ownership Register.
  - (c) pay applicable fees to the Depository Centre.
6. Updating the information of the owners of the Securities shall be through Custody Members in regards to their clients.

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7. The Depository Centre may, at its discretion, update the Securities Ownership Register directly.

#### **Article 27**

1. Where the deposited Securities are Listed, their depository shall be cancelled upon the cancellation of their listing.
2. Where the deposited Securities are unlisted, their depository may be cancelled by the Depository Centre or the Issuer – where applicable – in any of the following cases:
  - (a) the occurrence of an event that resulted in, or will result in, cancellation of Securities including, but not limited to, the maturity of the relevant Securities or the dissolution of the Issuer as result of its liquidation, merger, end of its term or any other reason. In any such event, the Issuer shall submit a declaration to the Depository Centre in the form prescribed.
  - (b) Issuer's failure to pay any applicable fees to the Depository Centre.
3. The Issuer may submit an application to the Depository Centre, in the form prescribed for that purpose, to cancel the depository of its unlisted Securities. The Depository Centre shall cancel the depository of such Securities after receiving the necessary information and documents, and shall notify the Issuer in writing upon completing the cancellation process.
4. The depository of the Listed Securities may not be cancelled unless the restrictions on such Securities have been cancelled.
5. In addition to the cases referred to in this Article, the Depository Centre shall cancel the depository of any Securities pursuant to instructions issued by the Authority.

## CHAPTER II: Settlement

### Article 28

The Depository Centre shall, after obtaining the Authority's approval, specify the settlement cycle of transactions. The Depository Centre may specify different settlement cycles depending on the category and type of the relevant Securities, the status of the Securities' listing or the type of transaction.

### Article 29

1. The Securities that are subject of a transaction shall be electronically transferred in the Depository and Settlement System in the following cases:
  - (a) where the transaction involves a CCP account, Securities are transferred between the relevant CCP account and the Exchange Member settlement pool account;
  - (b) where the transaction is associated with an Exchange Member settlement pool account, Securities are transferred between the Exchange Member settlement pool account and the Exchange Member's client settlement pool account;
  - (c) where the transaction is registered to a CCP but it is not a party to such transaction, securities are transferred between the Exchange Member settlement pool account and the Exchange Member's client settlement pool account; and
  - (d) in all other cases, Securities are transferred from the Depository Centre Account of the seller to the Depository Centre Account of the buyer, in all cases, within the relevant settlement cycle.
2. With respect to transfers made in accordance with sub-paragraphs (a), (b) and (c)1(d) of paragraph (1) of this Article, all settlements shall be made in accordance with the settlement instructions issued by a CCP in accordance with Article 53.
3. With respect to transfers made in accordance with Paragraph (1) of this Article the Custody Member, who holds the Depository Centre Account of the buyer, must verify the transfer of the Securities subject of the transaction to the Depository Centre Account of its client (the buyer) within the relevant settlement cycle.

### Article 30

1. Settlement of transactions which involve a CCP account shall occur on the basis of multiple settlement cycles for batches of transactions:
  - (a) the first batch of any Day shall include the released settlement instructions of transactions, on the securities which are available in the relevant Exchange Members settlement pool accounts and the settlements effected being within the Cash Settlement Headroom of each relevant Depository Centre Member. Any instructions which are not settled are recycled for the next batch; and

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- (b) subsequent batches are conducted during the course of the Day, based on the outstanding instructions which have not been settled in previous batch settlement cycles. The Depository Centre shall use reasonable efforts to settle as many transactions as possible based on the new releases, the updated balance of securities which are available in the relevant Exchange Members settlement pool accounts and the updated Cash Settlement Limits of each relevant Depository Centre Member. To the extent any transactions have not been settled during the last settlement cycle of the Day, such transactions shall be rescheduled to be settled on the immediately following Day, subject to the settlement failure provisions referred to in Chapter III of Section Three of these Rules.
2. The Depository Centre transactions such as SBL transactions, and Subscription of Tradable Rights shall occur on the basis mentioned in paragraph (1) of this Article.

### **Article 31**

1. Cash settlement of transactions shall be effected in accordance with the relevant settlement cycle. For the purposes of effecting cash settlement pursuant to Paragraph (2) of this Article, the Depository Centre shall:
  - (a) request the Payment System - SAMA to credit the Depository Centre Account, and the Depository Centre shall credit the Depository Centre Accounts of the relevant Settlement Members.
  - (b) the Payment System - SAMA may reject the request pursuant to sub-paragraph (a) of paragraph (1) of this Article, if the relevant Settlement Members has insufficient balance, and in the event of rejection pursuant to sub-paragraph (a) of paragraph (1) of this Article, The Depository and Settlement system will notify the Settlement Member and Custody Members in relation with the relevant Settlement Member, and The Depository and Settlement System will reset the relevant Cash Settlement Limit to zero, which shall be updated by the Settlement Members in accordance with paragraph (4) of Article 16 of these Rules.
2. Cash settlement shall be conducted as follows
  - (a) The Settlement Member shall pay or receive (as applicable) the net cash amount due on it through the Payment System - SAMA. For the purposes of this Paragraph, the net cash amount due on the Settlement Member shall mean: the total outstanding amounts of all purchase transactions to be settled and which have been allocated to the Custody Member Accounts of the Custody Members to whom Settlement Member is connected to, minus the total outstanding amounts of all sale transactions to be settled and which have been allocated to the same Custody Member Accounts. The net cash amount due on each Settlement Member shall be calculated according to the Depository Centre's data and the mechanism prescribed by the Depository Centre.
  - (b) The Settlement Member shall deposit or withdraw (as applicable) the net cash amount due to each Custody Member, to whom it is connected to, in the Cash

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Accounts specified by the relevant Custody Member. For the purposes of this Paragraph, the net cash amount due to Custody Member shall mean: the total outstanding amounts of all sale transactions to be settled and which have been allocated to the Custody Member Accounts of the relevant Custody Member, minus the total outstanding amounts of all purchase transactions to be settled and which have been allocated to the same Custody Member Accounts.

- (c) The Custody Member shall ensure that the net cash amounts due to each of its clients have been deposited or withdrawn (as applicable) in the Cash Account of the relevant client. For the purposes of this Paragraph, the net cash amount due to the client shall mean: the total outstanding amounts of all sale transactions to be settled and which have been executed for the Depository Centre Account of the relevant client, minus the total outstanding amounts of all purchase transactions to be settled and which have been executed for the same account.
3. The Custody Member and the Settlement Member shall be jointly and severally liable for the completion of the cash settlement in accordance with the provisions of this Article subject to:
- (a) the Settlement Member remains obliged to pay the relevant net cash amount, in accordance with Paragraph 2(a) of this Article, even if the Settlement Member has not been able to withdraw the relevant cash amount from the relevant Custody Member under Paragraph 2(b) of this Article; and
  - (b) the Custody Member remains obliged to pay the relevant net cash amounts, in accordance with Paragraph 2(c) of this Article, even if the Custody Member has not received the relevant cash amount from the Settlement Member to whom it is connected under Paragraph 2(b) of this Article.

### **Article 32**

1. Settlement of a Settlement Instructions related to Securities will be considered final upon transferring the relevant Securities to the account specified in Articles 29, 30, 36, and 37.
2. Settlement of Settlement Instructions related to cash will be considered final upon transferring the relevant outstanding amount (if any) to the Settlement Member in accordance with the provisions of Article 31 of these Rules.

## **CHAPTER III: SETTLEMENT FAILURE**

### **Article 33**

1. The Custody Member must take all necessary actions for settlement of Securities under a sell transaction, where such settlement of Securities fails to occur on the intended settlement date, the settlement failure process for the transactions between the Exchange Member and CCP shall occur in accordance with Securities Clearing Centre Rules.
2. The Depository Centre shall cancel Settlement Instructions in accordance with The Depository Centre Procedures.

## **CHAPTER IV: REGISTERED RESTRICTIONS**

### **Article 34**

1. All restrictions on the ownership and on conducting any action on deposited Securities shall be registered in the Depository and Settlement System through Custody Members or directly by the Depository Centre.
2. A pledge of deposited Securities shall be registered in accordance with Article 35 of these Rules.
3. Where an Issuer wishes to register a restriction imposed by a Regulatory Body or stipulated in its by-laws or in the terms and conditions of the relevant Security, the Issuer must submit a request, in the form prescribed for that purpose, to the Depository Centre requesting the registration of such a restriction.
4. The Authority may, when it deems appropriate, issue instructions to the Depository Centre to register any restrictions imposed by judicial or Regulatory Bodies.
5. A restriction shall not be considered registered with the Depository Centre, nor shall the relevant Securities be considered subject to that restriction, unless the registration of the restriction in the Depository and Settlement System has been completed.
6. Custody Members must not enable any action which violates a registered restriction.

### **Article 35**

1. Registration of a pledge over deposited Securities shall be through the Custody Member who holds the Depository Centre Account in which the relevant Securities are deposited in, and after both Custody Members agree to register the pledge if the relevant pledge is related to another Custody Member. Such Custody Member who holds the Depository Centre Account in which the relevant Securities are deposited in shall act as the "pledge agent".

2. The pledge agent shall be responsible for maintaining the pledge as well as its enforcement and cancellation in accordance with the (i) contractual terms and conditions agreed between the pledgee and the pledgor; and (ii) any applicable regulations or instructions.
3. A pledge shall not be considered registered with the Depository Centre, nor shall the relevant securities be considered subject to that pledge, unless the registration of the pledge in the Depository and Settlement System has been completed.
4. The pledge agent must pay to the Depository Centre any applicable fees for the registration of the pledge.
5. The owner of the Security may exercise all rights related to the Securities subject to the pledge, including exercising tradable rights.
6. Pledge securities deposited in the Depository Centre at the pledgor account can be transferred and safe kept at pledgee account.

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## CHAPTER V: Transfer of Securities Without Executing A Transaction

### Article 36

1. Transfer of Listed deposited Securities without executing a transaction may only be carried out in accordance with the provisions of this Article.
2. Listed deposited Securities may be transferred without executing a transaction in the following cases:
  - (a) if the transfer is required for the distribution of inheritance or the execution of a will;
  - (b) if the transfer is between spouses or between parents and their children;
  - (c) if the relevant Securities are deposited in a Special Account provided that the purpose of such Special Account permits the transfer without executing a transaction;
  - (d) if the transfer is for the purpose of making a donation to charity societies and organizations and/or endowments;
  - (e) if the transfer is an enforcement of a judicial verdict or instructions of a Regulatory Body provided that the Authority issues appropriate instructions to the Depository Centre to implement such transfer;
  - (f) if the transfer is for the purpose of an SBL transaction;
  - (g) if the transfer of Securities is subject to the pledge in accordance with the contractual terms and conditions agreed by the pledge agent with the pledgee and the pledger;
  - (h) if the transfer from or to the Nominee Account is for the purpose to enable the Depository Receipts owner to cancel the Depository Receipts and become a shares holder or to enable the shares holder to create Depository Receipts against the shares;
    - (i) if the transfer for the purpose of a Repo Collateral transfer;
    - ~~(j)~~ (i) without prejudice to sub-Paragraph (c) of paragraph (2) of this Article, if the transfer instructions have been issued by a CCP in connection with its clearing function, whether or not such transfer instructions relate to a CCP account or transfers between the Exchange Member settlement pool account and the Exchange Member's client pool account;
    - ~~(k)~~ (k) without prejudice to sub-Paragraph (c) of paragraph (2) of this Article, if the transfer instructions relate to collateral to support clearing activities which is transferred between (i) a CCP account and the Clearing Member collateral pool account or (ii) the Clearing Member collateral pool account and the Clearing Member's client collateral account; and

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~~(k)~~(l) any other case approved by the Authority.

3. Transfer of Listed deposited Securities in the Parallel Market without executing a transaction may only be to clients whom allowed to trade in the Parallel Market, unless the transfer is in accordance with sub-paragraph (a), (e), and (k) of paragraph (2) of this Article.
4. For each SBL transaction, the relevant Custody Member shall ensure that the SBL transaction is in accordance with the SBL Regulations.
5. In all other cases set out in Paragraph 2 of this Article, the Custody Member, who holds the Depository Centre Account where the relevant Securities are deposited in, must submit an application to the Depository Centre, in the form prescribed for that purpose, requesting the transfer of the relevant Securities.
6. The Custody Member must pay to the Depository Centre any applicable fees for the transfer pursuant to the provisions of this Article.

#### **Article 37**

1. Unlisted deposited Securities shall be transferred without executing a transaction pursuant to a request submitted to the Centre in the mechanism specified by the Centre for that purpose.
2. Without prejudice to Paragraph 1 of this article, unlisted deposited Securities shall be transferred without executing a transaction if the transfer instructions have been issued by a CCP, including transfers between the Exchange Member settlement pool account and the Exchange Member's client settlement pool account.
3. The applicant shall pay any fees due for the transfer procedures in accordance with the provisions of this Article.

## CHAPTER VI: CORPORATE ACTIONS

### Article 38

The Depository Centre shall carry out all necessary actions to effect corporate actions in respect of deposited Securities in accordance with the Depository Center Procedures and as specified by the Depository Centre in this regard.

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**SECTION FOUR**  
**Accounts**

**CHAPTER I: Depository Centre Accounts**

**Article 39**

1. The Depository Centre Account shall be opened through a Custody Member in accordance with the provisions of this Chapter.
2. The Depository Centre Account shall be used to deposit the Securities owned by the owner of the account; settle the transactions executed on such Securities; and register any restrictions imposed on such Securities.

**Article 40**

1. An Investor must satisfy the following conditions in order to open a Depository Centre Account:
  - (a) be permitted to own and deal in deposited Securities pursuant to relevant laws, regulations and instructions;
  - (b) has no legal restrictions which prevent the Investor from owning or dealing in deposited Securities;
  - (c) an Investor must fall within one of the following categories:
    1. natural persons;
    2. companies;
    3. charity and social organizations and foundations;
    4. endowments;
    5. investment funds;
    6. public organizations;
    7. government funds; and
    8. any other person permitted by the Capital Market Law and its implementing regulations to own and deal in Securities.
  - (d) be identified in the Depository and Settlement System in accordance with Article 41 of these Rules; and
  - (e) where the Investor is a natural person, an Investor must have reached the age of 18 years. By way of exception, a person may open a Depository Centre Account, after the approval of his/her guardian, once he/she reaches the age of 15 years and holds a national identification card. A guardian may also open a Depository Centre Account on behalf of a natural person below the age of 15 years or on

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behalf of a person who lacks the legal capacity to do so. The guardian shall be responsible for any action taken through the Depository Centre Accounts opened by him/her or with his/her approval.

2. The Custody Member, through whom the Depository Centre Account will be opened, shall be responsible for verifying that the relevant conditions have been satisfied.

#### **Article 41**

1. An Investor must be identified in the Depository and Settlement System prior to opening a Depository Centre Account under the Investor's name for the first time. An Investor may not be identified in the Depository and Settlement System more than once.
2. The identification of Investors shall be through Custody Members directly as set out in the Depository Centre Procedures.
3. The identification of Investors, other than those referred to in Paragraph 2 of this Article, shall be done directly at the Centre by the Custody Member submitting to the Centre an "investor identification" application, in the form prescribed for that purpose. The Centre may, at its own discretion, enable Custody Members to identify such Investors directly.
4. The identification of an Investor in the Depository and Settlement System shall be by entering the Investor's information, as determined by the Depository Centre, in the Depository and Settlement System. Upon the completion of the identification process, the Investor will be provided with a unique "Investor Identification Number (Investor ID)".
5. In order to identify the Investor in the Depository and Settlement System, the Investor must complete, at the Custody Member, the forms prescribed by the Depository Centre for such purposes and provide to the Custody Member the identification documents specified by the Depository Centre. The Custody Member must verify that the information necessary to identify its client and the relevant documents are accurate and complete.
6. The Investor must update its information with the Custody Member upon the occurrence of any change thereto.
7. The Custody Member must update the Investor's information in the Depository and Settlement System in accordance with the mechanism specified by the Depository Centre.
8. The Custody Member must provide any document requested by the Depository Centre in relation to identifying any of its clients.
9. Any reference to the term investor, under this Article, shall apply on the Depository Bank.

#### **Article 42**

1. An Investor may have more than one Depository Centre Account. Such accounts may be opened through one or more Custody Members.

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2. New Securities owned by an Investor shall be deposited in the following accounts:
  - a) the Depository Centre Account submitted by the Investor; or
  - b) the most recently opened account for the Investor, who has more than one Depository Centre Account with the same Custody Member.
3. The Depository Centre Account may not be registered in the name of more than one Investor.
4. An Investor may request the Custody Member to transfer the Securities deposited in its Depository Centre Account to another Depository Centre Account under its name. The Custody Member must process such request unless the relevant Securities are subject to a registered restriction.
5. With exception of paragraph (4) of this Article, any reference to the term investor, under this Article, shall apply on the Depository Bank.

#### **Article 43**

1. The Custody Member must complete the necessary procedures to open Depository Centre Accounts for its clients, supervise these accounts and verify the validity of the activities conducted on these accounts in accordance with the provisions of these Rules.
2. The Custody Member must deposit the cash distributions, generated from the deposited Securities in the Custody Member Account, in a Cash Account specified by the relevant Investor.
3. The Custody Member must pay to the Depository Centre any applicable fees for its Custody Member Accounts.
4. Any reference to the term investor under this Article, shall apply on the Depository Bank.

#### **Article 44**

1. The Custody Member must suspend the Depository Centre Account of an Investor (i) immediately upon becoming aware of its death; or (ii) if its information was not updated as legally required.
2. The Depository Centre shall suspend any Depository Centre Account pursuant to instructions issued by the Authority.
3. All actions and procedures conducted on a Depository Centre Account shall be suspended as a result of the suspension of the relevant Depository Centre Account, until the suspension is lifted, except for: (i) enforcement of a freeze order; (ii) judicial enforcement; (iii) liquidation by sale, distribution or transfer in accordance with the applicable provisions of inheritance and will; (iv) the operations resulting from corporate actions; (v) the transfer of ownership to enforce a registered restriction; and (vi) depositing Securities owned by certificates.

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4. Any reference to the term investor under this Article, shall apply on the Depository Bank.

#### **Article 45**

1. A Depository Centre Account shall be closed in the following cases:
  - (a) upon the Investor's request;
  - (b) after the liquidation of the Securities deposited in the Depository Centre Account of a deceased Investor, by sale, distribution or transfer in accordance with the applicable provisions of inheritance and will;
  - (c) upon cancellation of the membership of the Custody Member which holds the relevant Depository Centre Account;
  - (d) when the purpose of the account is concluded, in relation to Direct Account;
  - (e) the elapse of (5) years period without conducting any transaction, activity, action or procedure on that account; and
  - (f) upon instructions issued by the Authority.
2. The Custody Member shall be responsible for closing the Depository Centre Account in the cases referred to in (a), (b), (c) and (e) in Paragraph 1 of this Article, and closing the Depository Centre Account shall be through the Depository Centre directly in the cases referred to in (d) and (f) in Paragraph 1 of this Article. In all cases, Depository Centre Account may not be closed before the liquidation of the Securities deposited in it.
3. The Depository Centre may, in the cases that it deems appropriate, close the Depository Centre Account on behalf of the Custody Member, in relation to the case referred to in (c) in Paragraph 1 of this Article.
4. With exception of subparagraph (a), (b), (d), and (e) of paragraph (1) of this Article, any reference to the term investor, under this Article, shall apply on the Depository Bank.

#### **Article 46**

1. The Depository Centre may, upon a request from the Custody Member, transfer the Securities between the Depository Centre Accounts of a deceased Investor who holds more than one Depository Centre Account, for the purposes of liquidating Securities deposited in those accounts, by sale, distribution or transfer in accordance with the applicable provisions of inheritance and will.
2. With the exception of the Securities that are subject to a registered preventive restriction, the liquidation must include all Securities deposited in the Depository Centre Accounts of a deceased Investor, by sale, distribution or transfer in accordance with the applicable provisions of inheritance and will.

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## CHAPTER II: Special Accounts

### Article 47

Special accounts may be opened in accordance with this Chapter, and shall have special features in accordance with their purposes.

### Article 48

Special accounts include the following categories:

1. restricted account;
2. transfer account;
3. direct account;
4. issuance account;
5. settlement pool accounts;
6. CCP accounts;
7. Nominee Account; and
8. any other categories proposed by the Depository Centre and approved by the Authority.

### Article 49

1. A restricted account shall be opened for the purpose of depositing Listed Securities owned by a person who is restricted from trading in Listed Securities.
2. A restricted account shall be opened through the Custody Member by submitting an application to the Depository Centre in the form prescribed for that purpose.

### Article 50

1. A transfer account shall be opened for any of the following purposes:
  - (a) the provision of financing, by appropriately authorized bodies, using deposited Securities;
  - (b) safeguarding the Securities relating to an employee incentive plan;
  - (c) the issuance of Exchange Traded Funds and the cancellation thereof;
  - (d) the execution of the Price Stabilization mechanism in accordance with The Instructions on the Price Stabilization Mechanism for Initial Public Offerings;
  - (e) the distribution of new issued securities to the relevant account, by the Depository Center;

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- (f) completing the buy and sell transaction on behalf of the Issuer's shares holder or the Depository Receipts holder and completing the transfer process from and to the Depository Bank account and from and to the Investor account in regards of the transactions related to the issuance and cancellation of Depository Receipts;

~~(g) Repo Collateral transfer; or~~

~~(h)~~(g) any other purposes determined by the Depository Centre.

2. Deposited Securities may be transferred from and to a transfer account without executing a transaction.
3. A transfer account shall be opened through the Custody Member by submitting an application to the Depository Centre in the form prescribed for that purpose.

#### **Article 51**

A direct account shall be opened directly by the Depository Centre and may be used for any of the following purposes:

1. depositing Securities owned by a person who does not have a Depository Centre Account based on instructions issued by the Authority; or
2. for any other purposes determined by the Authority.

#### **Article 52**

1. An issuance account shall be opened by the Depository Center for the purpose of issuance of a Security.
2. The issuance of a Security will debit this account, where withdrawal will credit this account.

#### **Article 53**

1. A settlement pool account shall be opened through the Custody Member by submitting an application to the Depository Centre.
2. A settlement pool account shall be opened for the purpose of settling transactions on Securities to effect clearing where:
  - (a) An "Exchange Member Settlement Pool Account" shall be opened by the Exchange Member through the Custody Member for the purpose of settling the Exchange Member own transactions on Securities to effect clearing.
  - (b) An "Exchange Member Client's Settlement Pool Account" shall be opened by the Exchange Member through the Custody Member for the purpose of settling the Exchange Member Clients transactions on Securities to effect clearing.



## **Article 54**

1. CCP account(s) shall be opened directly by a CCP, subject to adherence to any limitations imposed on CCP account(s) by the Depository Centre, and may be used for any of the following purposes:
  - (a) In case of CCP House account(s), it will be used to hold Securities owned by a CCP and cash of a CCP, whether such Securities and cash amounts are received form part of the capital of a CCP or otherwise;
  - (b) In case of CCP Collateral account(s), it will be used to hold Securities and cash received by way of collateral from its members; and
  - (c) In case of CCP settlement pool account(s), it will be used to effect the settlement of transactions cleared by a CCP, which will be credited upon delivery to a CCP of Securities and/or cash and debited to effect delivery to other Exchange Members of Securities and/or cash.
2. Without prejudice to the provisions of Paragraph (1) of this Article, a CCP may open multiple CCP House accounts and CCP settlement pool accounts to assist the identification and segregation of Securities and cash amounts held for different purposes.

## **Article 55**

1. A Nominee Account shall be opened through the Custody Member by submitting an application to the Depository Centre.
2. A Nominee Account shall be opened under the Depository Bank's name for the purpose of depositing the shares, on behalf of the Depository Receipts holders, against Depository Receipts issued out of the Kingdom.

## SECTION FIVE Ownership Controls

### Article 56

1. The provisions of this Article shall apply if The Authority or any other Regulatory Body –in accordance with the relevant Laws and Regulations-, from time to time, issue ownership controls with respect to Securities. Such ownership controls may apply, without limitation, to:
  - (a) Investor Ownership Limits;
  - (b) Investor restrictions;
  - (c) group of Investors Ownership Limits; and
  - (d) group of Investors Restrictions.
2. The Depository Centre shall identify violations of the Ownership Controls identified in Paragraph (1) of this Article at the end of each Business Day.
3. The Depository Centre, at the end of each Business Day, will report to the Custody Member- whom it custody the Securities that exceeded the Ownership Limits - of the violations related to Ownership Limits stipulated in sub-paragraph (a) and (c) of paragraph (1) of this Article, and immediately notify the Exchange of such violations.
4. The Custody Member, immediately after receiving the report specified in paragraph (3) of this article, reports to the relevant investor to correct it by the Investor in a period not exceeding (5) Business Days from the report date. The Exchange, if the violation resulted from a Transaction, shall report to the Exchange member - whom the order is transmitted through - to take any necessary precautions actions on the violating Investor.
5. If the violation is not corrected during the period specified in paragraph (4) of this Article, The Exchange will notify the Exchange Member - whom the order is transmitted through - at the end of the seventh Business Day. The Exchange Member must sell the Securities that exceeded Ownership Limits on behalf of its Client in accordance with paragraph (6) of this Article. The Exchange Member must, in the same day, allocate an account at the Depository Centre, and notify The Exchange and Custody Member - whom it custody the Securities that exceeded Ownership Limits – with the information of such account to transfer the Securities that exceeded Ownership Limits to it in accordance with paragraph (6) of this Article.
6. The Exchange Member must sell the Securities that exceeded Ownership Limits on behalf of its Client during the eighth Business day from the date of the committed violation. Where it has been aware that the violation, in the tenth Business Day from the date of the committed violation, has not been corrected, The Depository Centre will transfer the Securities that exceeded the Ownership Limits to the Depository Centre account specified in paragraph (5) of this Article. The Exchange Member must segregate such Securities from its own money and assets.
7. When transferring the Securities that exceeded Ownership Limits in accordance with the provisions of paragraph (6) of this Article, the Exchange Member must sell it

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immediately. The violating Investor earns any proceeds resulted from selling such Securities or proceeds resulted from corporate actions during the period it exists in its account. Securities resulted from corporate actions which leads to exceeding Ownership Limits, will be dealt with in accordance with the procedures stipulated in this Article.

8. The Exchange Member has the right to claim the violating Investor for any expenses, fees, or losses incurred resulting from the transfer or the sell. The Depository Centre, The Exchange, Exchange Member, and Custody Member shall not be held liable, with the exception of intentional or serious mistake, for any expenses, fees, or losses incurred by the violating Investor for the sale of the Securities that exceeded Ownership Limits when it occurs pursuant to the procedures stipulated in this Article.
9. The Depository Centre will provide the Issuer with a shareholder's register that shows details of the Securities that exceeded Ownership Limits, and notify the Issuer to ensure to take necessary actions to guarantee that voting rights of the Securities that exceeded Ownership limits are not exercised by the violating Investor. The Issuer must ensure to take necessary actions to guarantee it.
10. In all cases, the Exchange Member and Custody Member (each in its capacity) shall follow all necessary actions which guarantee their Clients' compliance with the restrictions and limits related to Ownership Controls stipulated in paragraph (1) of this Article, and to comply with any corrective actions taken by the Depository Centre and the Exchange to correct the violation. Registration of any pledges on the Securities that exceeded Ownership Limits during the correction period is prohibited.
11. The Depository and Settlement system will identify violations of ownership restrictions pursuant to sub-paragraphs (b) and (d) of paragraph (1) of this Article, and reject the related settlement instruction.
12. With respect to violation of the Ownership Controls identified in sub-paragraphs (b), and (d) of paragraph (1) of this Article, the CCP shall have the right to instruct the Depository Centre to settle the Securities to the account of the Exchange Member rather than the account of such Exchange Member's client.

## SECTION SIX General Provisions

### Article 57

1. An Issuer may submit a request to the Depository Centre, in the form prescribed for that purpose, to request a copy of its Securities Ownership Register.
2. A Custody Member may submit a request to the Depository Centre, in the form prescribed for that purpose, to request any information in relation to the Accounts held by that Custody Member and must share it with the Investor in relation to its Accounts upon request.
3. An Investor may submit a request to the Depository Centre, in the form prescribed for that purpose, to request a report in relation to the deposited Securities that the Investor owns at the date of submitting such request.
4. The Depository Centre may approve any request of information held by the Depository Centre other than those referred to in this Article, in accordance with guidelines set by the Depository Centre in this regard.
5. The Depository Centre may apply fees for providing any information pursuant to this Article.
6. The Depository Centre shall provide any of the information held by it to the Authority or any judicial body which is entitled to request any such information in accordance with the relevant laws and regulations upon its request.

### Article 58

1. Without prejudice to the provisions of the Capital Market Law and its implementing regulations, and with the exception of intentional or serious mistakes, the Depository Centre shall not be held liable for any losses or damages incurred by the Issuer, the Offeror, the Depository Centre Member or the Clearing Member or the Exchange Member or any of their clients which may arise directly or indirectly as a result of any procedures, orders, instructions or actions (including actions taken by the Depository Centre on behalf of Custody Members in respect of settlement failure), entered into the Depository and Settlement System or executed directly at the Depository Centre.
2. Without prejudice to the provisions of the Capital Market Law and its implementing regulations, the Depository Centre shall not be responsible before the Issuer, the Offeror, the Depository Centre Member or the Clearing Member or the Exchange Member or any of their clients for any damages including the damages arising from the following:
  - (a) procedures taken to deal with emergency situations;
  - (b) the Depository Centre Member usage of the Depository and Settlement System or its inability to do so;
  - (c) errors and defects in any of the systems, devices or programs used by the Depository Centre, Clearing House, Exchange or the Depository Centre Member;

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- (d) errors or defaults in the data processing; and
- (e) any defaults, slowness, delay or inaccuracy in the Depository and Settlement System.

#### **Article 59**

The Depository Centre may, in the cases that it deems appropriate, take any procedure in the Depository and Settlement System on behalf of the Depository Centre Member. The Depository Centre may impose any conditions or requirements in this regard as it deems fit.

#### **Article 60**

The Depository Centre shall maintain the information relating to deposited Securities for the period of their depository, and for a period of (10) years from the date of the cancellation of their depository. Where relevant Securities are subject to a dispute, the Depository Centre must maintain the information until such dispute is resolved, provided that the Depository Centre is notified of such dispute.

#### **Article 61**

1. The Depository Centre shall prescribe all forms referred to in these Rules, together with the information and documents that must accompany such forms.
2. All persons dealing with the Depository Centre, including Applicants, Depository Centre Members, Issuers and Investors, must ensure the correctness, accuracy and completeness of all information and documents submitted to the Depository Centre.

#### **Article 62**

1. Without prejudice to the provisions of the Capital Market Law and its implementing regulations, the Depository Centre may take the necessary actions to ratify any mistake in its registers.
2. A complaint in relation to the accuracy of any of the information maintained in the Depository Centre registers may be filed with the Depository Centre by any interested person.

#### **Article 63**

The Depository Centre shall maintain daily confirmation, reconciliation and reporting mechanisms as specified by the Depository Centre.

#### **Article 64**

Any decision or procedure taken by the Depository Centre may be appealed before the Committee.

#### **Article 65**

1. To ensure compliance with the provisions of these Rules, the Depository Centre may:

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- a. require persons subject to these Rules to undertake or refrain from undertaking certain activities within the scope of these Rules;
  - b. request information and reports relevant to the provisions of these Rules; and
  - c. request those who is subject to these Rules to appoint independent organizations, in accordance with qualification criteria determined by the Depository Centre, to validate their compliance with the provisions of these Rules.
2. The Depository Centre may establish necessary technical procedures, as it deems appropriate, to implement the provisions of these Rules.

#### **Article 66**

These Rules shall be effective as per its approval resolution.

**DRAFT**