



Securities Depository Centre Company

Instructions for International Central Securities Depositories

Approved by the Board of the Capital Market Authority Pursuant to its Resolution

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Arabic is the official language of the Securities Depository Centre Company

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First: General Provisions

- a. These Instructions aim to regulate the linkage of International Central Securities Depositories with the Depository Centre.
- b. The International Central Securities Depository must comply with the provisions of the Capital Market Law and its Implementing Regulations (where applicable), the relevant Exchange Rules, these Instructions, and all the terms and conditions set out in the Linkage Agreement.
- c. The International Central Securities Depository may appoint a Depository Centre member, who has obtained the membership of custody category, as an Account Operator in the event of a direct linkage, and must notify the Depository Centre with the name of the appointed member. The appointment of an Account Operator by the International Central Securities Depository does not reduce the International Central Securities Depository obligations and tasks stipulated in these Instructions and the Linkage Agreement.
- d. The International Central Securities Depository must appoint a Depository Centre member who has obtained the membership of settlement category as the International Central Securities Depository settlement bank in the event of a direct link.
- e. Expressions and terms in these Instructions have the meanings which they bear in the “Glossary of Defined Terms Used in the Exchange Rules”, and for the purpose of implementing these Instructions, the following expressions and terms shall have the meaning they bear as follows, unless the contrary intention appears:
 - ❖ **International Central Securities Depository (ICSD):** an international central securities depository established and authorized abroad and that is subject to a foreign country laws, which established a link with the Depository Centre in accordance with the provisions of these Instructions and the terms and conditions set out in the Linkage Agreement, for the purpose of depositing the securities of its Clients.
 - ❖ **International Central Securities Depository (ICSD Client):** a non-Saudi and non-resident in the Kingdom legal or natural person who is a client or, an underlying customer of a client, of the International Central Securities Depository to whom the International Central Securities Depository provides services related to the securities deposited in the Omnibus Foreign Nominee Account.
 - ❖ **Omnibus Foreign Nominee Account (OFN Account):** a special account opened by the International Central Securities Depository directly or through a Custody Member with the Depository Centre, by submitting an application to the Centre under the International Central Securities Depository’s name, for the purpose of depositing non-convertible debt instruments and Exchange Traded Fund units for its Clients.
 - ❖ **Linkage Agreement:** an agreement between the International Central Securities Depository and the Depository Centre, which includes the terms and conditions of the linkage and any other related provisions.
 - ❖ **Account Operator:** a Depository Centre member, who has obtained the membership of custody category, appointed by the International Central Securities Depository, for the purpose of conducting fully or partially the operations on behalf of the International Central Securities Depository in accordance with a written agreement between the Depository Centre Member and the International Central Securities Depositories, provided that the agreement does not breach any of the Custody Member’s obligations mentioned in the relevant Exchange Rules.
- f. These Instructions shall be effective upon their publication.

Second: Linkage Conditions

An applicant wishing to establish a link with the Depository Centre must satisfy the following:

- a. be a licensed organization as a central security depository by a regulatory authority (or otherwise subject to its regulatory oversight), and must be incorporated in a jurisdiction that applies regulatory and monitoring standards similar to those of the Authority and the Depository Centre;
- b. appoint a Custody Member authorized to conduct the activity of custody in the Kingdom in the event of indirect linkage; and
- c. any other conditions suggested by the Depository Centre and approved by the Authority.

Third: Linkage Application Process

- a. An applicant must submit a written application to the Depository Centre in the form prescribed by the Depository Centre for this purpose.
- b. The International Central Securities Depository must, before submitting the application in accordance with paragraph (a) of this Article, obtain a non-objection from the Authority on the linkage.
- c. In the course of reviewing the linkage application, the Depository Centre may take any of the following actions:
 1. request the attendance of the Applicant's representative to address or clarify any queries that the Depository Centre may have in relation to the linkage application;
 2. verify that the Applicant has satisfied the technical, technological and security requirements that are required to connect it to the Depository and Settlement System (where applicable). The Depository Centre may take any action that it deems fit for this purpose;
 3. verify the information and documents submitted by the Applicant;
 4. request any information from any involved party in the linkage related to the Applicant; and
 5. request any additional information from the Applicant.
- d. The Depository Centre may apply fees for reviewing the linkage application.
- e. The Depository Centre may reject the linkage application if the Applicant (i) has not cooperated to enable the Depository Centre to take any of the actions referred to in Paragraph (c) of this Article; or (ii) has not paid the applicable fees (if any) to the Depository Centre for reviewing the linkage application.
- f. The Depository Centre shall issue its decision on the linkage 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 linkage application may be to approve, conditionally approve or reject the linkage application.
- g. After the issuance of the Depository Centre's approval on the linkage application, the Applicant must sign a Linkage Agreement with the Depository Centre and pay the applicable linkage fees (if any).
- h. Prior to completing the linkage with the Depository Centre, the Applicant, or any other person, shall refrain from holding themselves as an International Central Securities Depository who has an account within the Depository Centre or take any actions that imply that this is the case.

Fourth: Depository Centre Accounts

- a. The International Central Securities Depository shall open a Special Account with the Depository Centre called Omnibus Foreign Nominee Account directly or through a Custody Member by submitting an application to the Depository Centre, for the purpose of depositing non-convertible debt instruments and Exchange Traded Fund units for its Clients.
- b. In case the International Central Securities Depository is connected directly to the Depository and Settlement System of the Depository Centre, the International Central Securities Depository must meet the technical, technological, and security requirements for connecting to the Depository and

Settlement System set out in the Securities Depository Centre Rules, unless determined otherwise in the Linkage Agreement.

- c. The International Central Securities Depository Client may transfer the relevant securities from its account at the Depository Centre to the Omnibus Foreign Nominee Account and vice versa or to another Omnibus Foreign Nominee Account at the Depository Centre without executing a Transaction.
- d. Settlement of a Transaction will be considered final and irrevocable upon transferring the relevant Securities to the Centre Account of the buyer and transferring the relevant outstanding amount (if any) to the Settlement Member of the seller as specified in the relevant Exchange Rules.

Fifth: The Applicability of the Securities Depository Centre Rules on the International Central Securities Depository

- a. In case that the Omnibus Foreign Nominee Account is opened through a Custody Member, any reference to the term Investor or Client in the following Articles of the Securities Depository Centre Rules is a reference to the International Central Securities Depository. (However, the International Central Securities Depository shall not be considered in any case as an Investor pursuant to the definition of the term “Investor” under the Glossary of Defined Terms Used in the Exchange Rules):
 - Article 40.
 - Article 41 except for paragraph (4) of the same Article.
 - Article 42.
 - Article 43.
 - Article 44 except for sub-paragraphs (a), (b), (d) and (e) of paragraph (1) of the same Article.
- b. In case that the Omnibus Foreign Nominee Account is opened directly with the Depository Centre, the Depository Centre may apply additional obligations on the International Central Securities Depository as specified in the Linkage Agreement.

Sixth: Reports

- a. The International Central Securities Depository must provide the Depository Centre with the following:
 1. detailed periodic report on the holder of securities listed in the Kingdom, that are deposited in the Omnibus Foreign Nominee Account;
 2. periodic report on settled transactions mentioned under Article 8 of these Instructions;
 3. any additional information or reports included in the Linkage Agreement; and
 4. any information or reports requested by the Authority for the purpose of implementing the relevant laws and regulations.
- b. The scope, details and frequency of the reports mentioned in sub-paragraphs (1) and (2) of paragraph (a) of this Article will be detailed in the Linkage Agreement.
- c. After obtaining the Authority’s approval, the Depository Centre may exempt the International Central Securities Depository from providing the reports mentioned in sub-paragraphs (1) and (2) of paragraph (a) of this Article.

Seventh: Suspension or Cancellation of the International Central Securities Depository Linkage

- a. The Depository Centre may suspend or cancel the linkage of the International Central Securities Depositories with the Depository Centre, if it violates any of the provisions set out in these Instructions or the Linkage Agreement, after it has been granted with a sufficient time to deal with the violation within the period specified in the Linkage Agreement.
- b. In addition to the case listed in paragraph (a) of this Article, the Depository Centre may suspend or cancel the International Central Securities Depository linkage with the Depository Centre based on instructions issued by the Authority, after it has been granted with a sufficient time to deal with the violation.

Eighth: Transactions

The International Central Securities Depository may execute internal settlement transactions on behalf of its underlying Clients, within the International Central Securities Depository books, as determined in the Linkage Agreement.

Ninth: Assets ownership

- a. The International Central Securities Depository shall not register any rights or entitlement to securities deposited in the Omnibus Foreign Nominee Account at the Depository Centre for its creditors in the Depository Centre's books.
- b. Creditors of the International Central Securities Depository shall not have any claim or entitlement to securities deposited in the Omnibus Foreign Nominee Account at the Depository Centre.

Tenth: General Powers

The Depository Centre shall establish the necessary technical procedures, as it deems appropriate, to implement the provisions of these Instructions and in alignment with the Linkage Agreement.