

## Draft Amendments to the Exchange Rules

### a) Introduction:

The Securities Clearing Centre (Muqassa) and Securities Depository Centre (Edaa) are committed to involve all concerned and interested parties to participate and share their views on the regulatory framework, Securities Clearing Centre (Muqassa) and Securities Depository Centre (Edaa) announce the publishing of the draft amendments to the Exchange Rules. The Draft Amendments to the Exchange Rules will be published for public consultation for a period of (14) calendar days ending on (25\02\2026G) corresponding to (08\09\1447H).

### b) Objective of the Draft Amendments:

These amendments of Post Trade Project (phase 2.1) aim to enhance the efficiency and attractiveness of the financial market. The amendments also include regulatory changes that allow for the extension of the OTC Settlement framework to unlisted debt instruments, supporting the development of the debt market.

### c) Receive Public Views:

We would be pleased to receive your feedback and views on the proposed amendments of the Exchange Rules through the following email:

[Public.Consultation@tadawulgroup.sa](mailto:Public.Consultation@tadawulgroup.sa)

Your feedback shall be considered and assessed during the process of issuing the final versions of the amendments.

d) Proposed Amendments on the Glossary of Defined Terms Used in The Exchange Rules compared to the current provisions:

	Current Provisions	Provisions after proposed Amendments
1.	<b>Securities borrowing and lending transaction or SBL transaction:</b> a transaction in the form specified in paragraph (b) of Article 3 of the SBL Regulations and entered into in accordance with the conditions set out in the SBL Regulations.	<u>Bilateral</u> <b>Securities borrowing and lending transaction or SBL transaction:</b> a transaction in the form specified in paragraph (b) of Article 3 of the SBL Regulations and entered into in accordance with the conditions set out in the SBL Regulations.
2.	<b>Derivatives Register:</b> means a register that shows all Derivatives cleared by the Clearing House.	<u>Transactions</u> <del>Derivatives</del> <b>Register:</b> means a register that shows all Derivatives <u>and OTC Transactions</u> cleared by the Clearing House.
3.	New term	<u>Intermediated Securities borrowing and lending transactions or ISBL transactions:</u> a transaction in the form specified in paragraph (a) of article 10 of the SBL Regulations and entered into in accordance with the conditions set out in the SBL Regulations.
4.	New term	<u>ISBL Lending Pool Account:</u> a virtual Lending pool account created by the Depository and Settlement System to enable custody Members to view the available securities for ISBL transactions in accordance with Part 3 of SBL Regulations.
5.	<b>Lending Agent:</b> a Custody Member or Broker entering into an SBL transaction as a lending agent in accordance with paragraph (a) of Article 9 of the SBL Regulations.	<b>Lending Agent:</b> a Custody Member or Broker entering into a <del>an</del> <u>Bilateral</u> SBL transaction as a lending agent in accordance with paragraph (a) of Article 9 of the SBL Regulations.
6.	<b>Onward Lending:</b> a transfer of borrowed Securities from a Broker or Custody Member or Foreign Financial Institutions (lender) to its client (borrower) for any of the purposes stipulated in subparagraph (3) of paragraph (b) of Article (3) of the	<b>Onward Lending:</b> a transfer of borrowed Securities from a Broker or Custody Member or Foreign Financial Institutions (lender) to its client (borrower) for any of the purposes stipulated in subparagraph (3) of paragraph (b) of Article (3) of the Securities Borrowing and Lending

	Securities Borrowing and Lending Regulations, using any type of agreements that complies with the minimum requirements for SBL agreement stipulated in Annex (1) of the Securities Borrowing and Lending Regulations.	Regulations, using any type of agreements that complies with the minimum requirements for <u>Bilateral SBL agreement stipulated in Annex (1) or the ISBL authorization form for lending and borrowing stipulated in paragraph (a) of Article (14)</u> of the Securities Borrowing and Lending Regulations.
7.	<b>OTC Derivatives Transactions:</b> means an OTC derivatives originally entered into between two Clearing Members, a Clearing Member and a Client or two Clients, and that is submitted for registration with the Clearing House in accordance with the Securities Clearing Centre Rules.	<b>OTC <del>Derivatives</del>—Transactions:</b> means an OTC <u>Transactions</u> <del>derivatives</del> —originally entered into between two Clearing Members, a Clearing Member and a Client or two Clients, and that is submitted for registration with the Clearing House in accordance with the Securities Clearing Centre Rules.
8.	<b>New term</b>	<u><b>Sponsor Access:</b> means access the Client of a General Clearing Member to the services and transactions determined by the Clearing House, through such General Clearing Member which is responsible for the Client.</u>
9.	<b>New term</b>	<u><b>Sponsored User:</b> means the Client of the General Clearing Member who benefits from the services provided by the Clearing House, which is one of the following categories:</u> <ol style="list-style-type: none"> <li><u>1) Financial institutions.</u></li> <li><u>2) Capital Market Institutions.</u></li> <li><u>3) Companies, which includes financial and not financial companies.</u></li> <li><u>4) The Clearing House may assess the eligibility of the applicant for the sponsored access, in accordance with the relevant</u></li> </ol>

[regulations, in order for the applicant to become a Sponsored User.](#)

e) **Proposed Amendments on the Securities Clearing Centre Rules compared to the current Provisions:**

	Current Provisions	Provisions after proposed Amendments
1.	<p><b>Article 9. Additional conditions to become a General Clearing Member</b></p> <p>a) An Applicant that wishes to apply for General Clearing Membership must also have the necessary operational capacity required to perform any intended clearing transactions on behalf of Non-Clearing Members, which include:</p> <ol style="list-style-type: none"> <li>1) employing sufficient, well qualified, personnel who should be able to monitor the transactions being cleared by its Non-Clearing Members, the credit worthiness of its Non-Clearing Members and the arrangements it has in place to mitigate its credit exposure to such Non-Clearing Members; and</li> <li>2) having information technology systems that allow continuous monitoring of the transactions and collateral being provided by its Non-Clearing Members.</li> </ol>	<p><b>Article 9. Additional conditions to become a General Clearing Member</b></p> <p>a) An Applicant that wishes to apply for General Clearing Membership must also have the necessary operational capacity required to perform any intended clearing transactions on behalf of <del>Non-Clearing Members</del><a href="#">its Clients</a>, which include:</p> <ol style="list-style-type: none"> <li>1) employing sufficient, well qualified, personnel who should be able to monitor the transactions being cleared by its <del>Clients</del><a href="#">Non-Clearing Members</a>, the credit worthiness of its <del>Clients</del><a href="#">Non-Clearing Members</a> and the arrangements it has in place to mitigate its credit exposure to such <del>Clients</del><a href="#">Non-Clearing Members</a>; and</li> <li>2) having information technology systems that allow continuous monitoring of the transactions and collateral being provided by its <del>Clients</del><a href="#">Non-Clearing Members</a>.</li> </ol>

2.	<p><b>Article 24. Mandatory terms applicable between Clearing Members and Clients</b></p> <p>a) Prior to offer clearing services to its Clients, a Clearing Member shall:</p> <ol style="list-style-type: none"> <li>1. enter into a Client Clearing Agreement with each Client, which shall set out the terms which will govern the clearing relationship between the Clearing Member and such Client. Where the Client is a Non-Clearing Member, the Client Clearing Agreement must satisfy the conditions set out in paragraph (b) of this Article;</li> <li>2. require the Client to provide collateral to support the Back-to-Back Obligations which has at least the same value (after the application of any appropriate Haircut by the Clearing Member) as the Margin which the Clearing House has determined with respect to the corresponding Cleared Transactions entered into by the Clearing Member;</li> <li>3. the Client Clearing Agreement must provide that the collateral provided pursuant to sub-paragraph (2) of paragraph (a) of this Article is only limited to cover the determined Margin; and</li> <li>4. ensure that any acts or omissions of the Client shall not prevent it from complying with these Rules.</li> <li>5. ensure that Clearing Member has the right to close-out the related Open Position where the Client cannot provide sufficient collateral pursuant to sub-</li> </ol>	<p><b>Article 24. Mandatory terms applicable between Clearing Members and Clients</b></p> <p>a) Prior to offer clearing services to its Clients, a Clearing Member shall:</p> <ol style="list-style-type: none"> <li>1. enter into a Client Clearing Agreement with each Client, which shall set out the terms which will govern the clearing relationship between the Clearing Member and such Client. Where the Client is a Non-Clearing Member, the Client Clearing Agreement must satisfy the conditions set out in paragraph (b) of this Article;</li> <li>2. require the Client to provide collateral to support the Back-to-Back Obligations which has at least the same value (after the application of any appropriate Haircut by the Clearing Member) as the Margin which the Clearing House has determined with respect to the corresponding Cleared Transactions entered into by the Clearing Member;</li> <li>3. the Client Clearing Agreement must provide that the collateral provided pursuant to sub-paragraph (2) of paragraph (a) of this Article is only limited to cover the determined Margin; and</li> <li>4. ensure that any acts or omissions of the Client shall not prevent it from complying with these Rules.</li> <li>5. ensure that Clearing Member has the right to close-out the related Open Position where the Client cannot provide sufficient collateral pursuant to sub-paragraph (2) of paragraph (a) of this Article by the time specified in Clearing Documentation</li> </ol>
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<p>paragraph (2) of paragraph (a) of this Article by the time specified in Clearing Documentation</p> <p>b) Where the Client is a Non-Clearing Member, the Client Clearing Agreement must also satisfy the following conditions:</p> <ol style="list-style-type: none"> <li>1. require the General Clearing Member to clear all transactions concluded by the Non-Clearing Member on the Exchange which are below the Non-Clearing Member Trading Limit set for such Non-Clearing Member;</li> <li>2. where a Non-Clearing Member submits a transaction for clearing which is accepted by the Clearing House and is below the Non-Clearing Member Trading Limit set for such Non-Clearing Member, a Cleared Transaction shall be created between the Clearing House and the General Clearing Member, with a corresponding Back-to-Back Obligation automatically being deemed between the General Clearing Member and such Non-Clearing Member;</li> <li>3. provide that the Non-Clearing Member shall be obliged to settle all Cleared Transactions which relate to it on behalf of the General Clearing Member, and any settlement of a Cleared Transaction by the Non-Clearing Member shall be deemed to satisfy the obligations of the Non-Clearing Member under the corresponding Back-to-Back Obligation; and</li> <li>4. agree on the arrangements to be put in place to monitor the ability of a Non-Clearing Member to promptly satisfy its obligations to settle all Cleared</li> </ol>	<p>b) Where the Client is a Non-Clearing Member, the Client Clearing Agreement must also satisfy the following conditions:</p> <ol style="list-style-type: none"> <li>1. require the General Clearing Member to clear all transactions concluded by the Non-Clearing Member on the Exchange which are below the Non-Clearing Member Trading Limit set for such Non-Clearing Member;</li> <li>2. where a Non-Clearing Member submits a transaction for clearing which is accepted by the Clearing House and is below the Non-Clearing Member Trading Limit set for such Non-Clearing Member, a Cleared Transaction shall be created between the Clearing House and the General Clearing Member, with a corresponding Back-to-Back Obligation automatically being deemed between the General Clearing Member and such Non-Clearing Member;</li> <li>3. provide that the Non-Clearing Member shall be obliged to settle all Cleared Transactions which relate to it on behalf of the General Clearing Member, and any settlement of a Cleared Transaction by the Non-Clearing Member shall be deemed to satisfy the obligations of the Non-Clearing Member under the corresponding Back-to-Back Obligation; and</li> <li>4. agree on the arrangements to be put in place to monitor the ability of a Non-Clearing Member to promptly satisfy its obligations to settle all Cleared Transactions which relate to it on behalf the General Clearing Member</li> </ol> <p>c) <u>Where the Client is a Sponsored User, the Client Clearing Agreement must also satisfy the following conditions:</u></p>
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	<p>Transactions which relate to it on behalf the General Clearing Member</p> <p>c) The Provision of sub-paragraph (2) of paragraph (a) of this Article shall only apply on Margin requirements arising from positions related to Client Collateral Account.</p>	<p><u>1. provide that the Sponsored User shall be obliged to settle all Cleared Transactions which relate to it on behalf of the General Clearing Member, and any settlement of a Cleared Transaction by the Sponsored User shall be deemed to satisfy the obligations of the Sponsored User under the corresponding Back-to-Back Obligation; and</u></p> <p><u>2. agree on the arrangements to be put in place to monitor the ability of a Sponsored User to promptly satisfy its obligations to settle all Cleared Transactions which relate to it on behalf the General Clearing Member.</u></p> <p>e)d) The Provision of sub-paragraph (2) of paragraph (a) of this Article shall only apply on Margin requirements arising from positions related to Client Collateral Account.</p>
3.	Chapter III: Non-Clearing Members	Chapter III: <del>Non-Clearing Members</del> <u>The Clients of General Member</u>
4.	New proposed Article	<p><u>Article 26. Sponsored User</u></p> <p>a) <u>The Sponsored User may only access clearing at the Clearing House by applying to become a Sponsored User, and the Clearing House has the right to accept or deny.</u></p> <p>b) <u>The Applicant shall have in place all the require agreements that the Clearing House considers necessary.</u></p> <p>c) <u>The Clearing House shall assess eligibility of the Applicant to be a Sponsored User, and to determine which type of transaction is allowed to execute.</u></p> <p>d) <u>if such Sponsored User offers services to its clients, it must:</u></p>

		<p><u>1. have in place an agreement with its clients setting out the terms which govern the clearing relationship between the Sponsored User and its client, which shall include details as to how the exposure between a Sponsored User and its client is created; and</u></p> <p><u>2. maintain books and records segregating the positions of its clients which are subject to clearing, along with the collateral provided by such clients.</u></p> <p><u>e) The Clearing House may permit a Sponsored User to access certain services directly, and assumes that all actions of the Sponsored User are authorised by its General Clearing Member, as provided in the Sponsored User Agreement.</u></p> <p><u>f) A Sponsored User shall not, in such capacity, have a requirement to contribute Default Fund Contributions or Margin to the Clearing House, and all such requirements remain obligations on its General Clearing Member.</u></p>
5.	<p><b>Article 26. Submission of OTC Derivatives Transaction for Clearing</b></p> <p>a) Where an OTC Derivatives Transaction is accepted by the Clearing House for clearing in accordance with Article 27 it will result in the novation of the original OTC Derivatives Transaction and the formation of two Cleared Transactions in its place. The parties to each Cleared Transaction shall be bound by its terms.</p> <p>b) Where the original OTC Derivatives Transaction is between two Clearing Members, separate Cleared Transactions will be created between each Clearing Member and the Clearing House as principal. Under each of these Cleared Transactions the rights and obligations of each Clearing Member will be the same as under the</p>	<p><b>Article <del>26</del>27. Submission of OTC <del>Derivatives</del>–Transaction for Clearing</b></p> <p>a) Where an OTC <del>Derivatives</del>–Transaction is accepted by the Clearing House for clearing in accordance with Article <del>27</del>28 it will result in the novation of the original OTC <del>Derivatives</del> Transaction and the formation of two Cleared Transactions in its place. The parties to each Cleared Transaction shall be bound by its terms.</p> <p>b) Where the original OTC <del>Derivatives</del>–Transaction is between two Clearing Members, separate Cleared Transactions will be created between each Clearing Member and the Clearing House as principal. Under each of these Cleared Transactions the rights and obligations of each Clearing Member will be the same as under the original OTC <del>Derivatives</del>–Transaction</p>



	<p>original OTC Derivatives Transaction except that the original counterparty will be replaced by the Clearing House.</p> <p>c) Where two Cleared Transactions are created in accordance with paragraph (<b>Error! Reference source not found.</b> of this Article, the rights and obligations of the parties in relation to the original OTC Derivatives Transaction will be automatically discharged, save for any amounts which are due and payable (or deliverable) by one party to the other prior to the registration of the transaction by the Clearing House pursuant to the terms of the original OTC Derivatives Transaction.</p> <p>d) Where the original OTC Derivatives Transaction was entered into by a Client and is replaced with a Cleared Transaction between the Clearing Member that provides clearing services to such Client and the Clearing House, the relevant Clearing Member shall automatically be deemed to enter into an equal and opposite Back-to-Back Obligation with the Client. Under each Back-to-Back Obligation the rights and obligations of each Clearing Member will be the same as the Clearing House under the Cleared Transaction (except that the Clearing House will be replaced by the Clearing Member).</p>	<p>except that the original counterparty will be replaced by the Clearing House.</p> <p>c) Where two Cleared Transactions are created in accordance with paragraph (<b>Error! Reference source not found.</b> of this Article, the rights and obligations of the parties in relation to the original OTC <del>Derivatives</del> Transaction will be automatically discharged, save for any amounts which are due and payable (or deliverable) by one party to the other prior to the registration of the transaction by the Clearing House pursuant to the terms of the original OTC <del>Derivatives</del> Transaction.</p> <p>d) Where the original OTC <del>Derivatives</del> Transaction was entered into by a Client and is replaced with a Cleared Transaction between the Clearing Member that provides clearing services to such Client and the Clearing House, the relevant Clearing Member shall automatically be deemed to enter into an equal and opposite Back-to-Back Obligation with the Client. Under each Back-to-Back Obligation the rights and obligations of each Clearing Member will be the same as the Clearing House under the Cleared Transaction (except that the Clearing House will be replaced by the Clearing Member).</p>
6.	<p><b>Article 27. Acceptance for Clearing of OTC Derivatives Transactions</b></p> <p>a) Clearing Members may submit OTC Derivatives Transactions to the Clearing House for clearing in accordance with the Clearing Procedures.</p>	<p><b>Article <del>27</del>28. Acceptance for Clearing of OTC <del>Derivatives</del> Transactions</b></p> <p>a) Clearing Members may submit OTC <del>Derivatives</del> Transactions to the Clearing House for clearing in accordance with the Clearing Procedures.</p>

<p>b) In order to qualify for clearing, an OTC Derivatives Transaction must satisfy the Eligibility Requirements applicable to such OTC Derivatives Transaction.</p> <p>c) The Clearing House may at any time reject any OTC Derivatives Transaction submitted for clearing if:</p> <ol style="list-style-type: none"> <li>1. an Event of Default has occurred, or in the Clearing House's reasonable discretion is likely to occur, in relation to the relevant Clearing Member;</li> <li>2. the OTC Derivatives Transaction does not satisfy the applicable Eligibility Requirements;</li> <li>3. the Clearing Member does not have enough Collateral at the time when the transaction is received by the Clearing House to cover its Margin requirement, or does not fulfil the Collateral requirement within a specified timeframe defined by the Clearing House in the Clearing Procedures;</li> <li>4. if the OTC Derivatives Transaction were to be cleared, the Clearing Member would be in breach of any relevant Risk Limit; or</li> <li>5. the Clearing Member in whose name such OTC Derivatives Transaction would be registered is not in compliance with the requirements of these Rules.</li> </ol> <p>d) If the Clearing House determines that an OTC Derivatives Transaction is acceptable for clearing, such OTC Transaction Derivatives will be cleared upon registration of the Cleared Transactions in the Derivatives Register in accordance with Article 77 of these Rules.</p>	<p>b) In order to qualify for clearing, an OTC <del>Derivatives</del> Transaction must satisfy the Eligibility Requirements applicable to such OTC <del>Derivatives</del> Transaction.</p> <p>c) The Clearing House may at any time reject any OTC <del>Derivatives</del> Transaction submitted for clearing if:</p> <ol style="list-style-type: none"> <li>1. an Event of Default has occurred, or in the Clearing House's reasonable discretion is likely to occur, in relation to the relevant Clearing Member;</li> <li>2. the OTC <del>Derivatives</del> Transaction does not satisfy the applicable Eligibility Requirements;</li> <li>3. the Clearing Member does not have enough Collateral at the time when the transaction is received by the Clearing House to cover its Margin requirement, or does not fulfil the Collateral requirement within a specified timeframe defined by the Clearing House in the Clearing Procedures;</li> <li>4. if the OTC <del>Derivatives</del> Transaction were to be cleared, the Clearing Member would be in breach of any relevant Risk Limit; or</li> <li>5. the Clearing Member in whose name such OTC <del>Derivatives</del> Transaction would be registered is not in compliance with the requirements of these Rules.</li> </ol> <p>d) If the Clearing House determines that an OTC <del>Derivatives</del> Transaction is acceptable for clearing, such OTC <del>Derivatives</del> Transaction will be cleared upon registration of the Cleared Transactions in the <del>Derivatives</del> <u>Transaction</u> Register in accordance with Article <del>77</del> <u>78</u> of these Rules.</p>
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	<p>e) The Clearing House may, in its discretion, apply any other conditions to the clearing of an OTC Derivatives Transaction as it sees fit.</p> <p>f) In the event that an OTC Derivatives Transaction is not accepted for clearing, the Clearing House will notify the relevant Clearing Member(s) of its decision.</p> <p>g) Any OTC Derivatives Transaction that fails to be accepted for clearing shall remain in full force and effect as between the two original parties to such OTC Derivatives Transaction pursuant to the terms therein.</p>	<p>e) The Clearing House may, in its discretion, apply any other conditions to the clearing of an OTC <del>Derivatives</del>-Transaction as it sees fit.</p> <p>f) In the event that an OTC <del>Derivatives</del>-Transaction is not accepted for clearing, the Clearing House will notify the relevant Clearing Member(s) of its decision.</p> <p>g) Any OTC <del>Derivatives</del>-Transaction that fails to be accepted for clearing shall remain in full force and effect as between the two original parties to such OTC <del>Derivatives</del>-Transaction pursuant to the terms therein.</p>
7.	<p><b>Article 39. Settlement Failure</b></p> <p>a) Where the Clearing Member fails to deliver Securities on the settlement date in accordance with paragraph (c) of Article 37 of these Rules, the Clearing House shall initiate a mandatory buy-in process on behalf of the Exchange Member in accordance with the Clearing Procedures.</p> <p>b) If the Clearing House is unable to resolve the settlement failure by using the measure set out in Paragraph (a) of this Article, it shall substitute the original Open Position with cash payment in accordance with the Clearing Procedures.</p> <p>c) The Clearing House will impose a late settlement fee owed by the Defaulting Clearing Members and will pay the affected Clearing Member in cash, and instruct the such failed Clearing Defaulting Clearing Member to remit the payment. The Clearing House shall, thereafter, distribute the collected fee to</p>	<p><b>Article <del>39</del><sup>40</sup>. Settlement Failure</b></p> <p>a) Where the Clearing Member fails to deliver Securities on the settlement date in accordance with paragraph (c) of Article <del>37</del><sup>38</sup> of these Rules, the Clearing House shall initiate a mandatory buy-in process on behalf of the Exchange Member in accordance with the Clearing Procedures.</p> <p>b) If the Clearing House is unable to resolve the settlement failure by using the measure set out in Paragraph (a) of this Article, it shall substitute the original Open Position with cash payment in accordance with the Clearing Procedures.</p> <p>c) The Clearing House will impose a late settlement fee owed by the <u>Defaulting</u> Clearing Members <del>and will pay the affected Clearing Member in cash,</del> and instruct <del>the failed Clearing</del> <u>such Defaulting Clearing</u> Member to <u>remit the payment.</u> <u>The Clearing House shall,</u></p>

	the affected Clearing Members, in accordance with the Clearing Procedures.	<a href="#">thereafter, distribute the collected fee to the affected Clearing Members,</a> in accordance with the Clearing Procedures
8.	<p><b>Article 50. Margin</b></p> <p>..</p> <p>d) Notwithstanding paragraph (a) of this Article, when determining Initial Margin the Clearing House shall ensure that such Initial Margin should meet at a minimum an established single-tailed confidence level of:</p> <p>1. 99% with respect to the estimated distribution of future exposure in relation to Exchange traded transactions on the basis of an appropriate close-out period which shall be no less than two days; and</p> <p>2. 99.5% with respect to the estimated distribution of future exposure in relation to OTC Derivatives Transactions on the basis of an appropriate close-out period which shall be no less than five days.</p>	<p><b>Article <del>50</del>51. Margin</b></p> <p>..</p> <p>d) Notwithstanding paragraph (<b>Error! Reference source not found.</b> of this Article, when determining Initial Margin the Clearing House shall ensure that such Initial Margin should meet at a minimum an established single-tailed confidence level of:</p> <p>1. 99% with respect to the estimated distribution of future exposure in relation to Exchange traded transactions on the basis of an appropriate close-out period which shall be no less than two days; and</p> <p>2. 99.5% with respect to the estimated distribution of future exposure in relation to OTC <del>Derivatives</del> Transactions on the basis of an appropriate close-out period which shall be no less than five days.</p>
9.	<p><b>Article 51. Collateral</b></p> <p>..</p> <p>b) Without prejudice to paragraph (<b>Error! Reference source not found.</b> of this Article, as a condition to clearing (which will constitute an Eligibility Requirement with respect to each OTC Derivatives Transaction and an Open Offer Eligibility Criteria with respect to each Exchange traded transaction), each Clearing Member shall be required to</p>	<p><b>Article <del>51</del>52. Collateral</b></p> <p>..</p> <p>b) Without prejudice to paragraph (<b>Error! Reference source not found.</b> of this Article, as a condition to clearing (which will constitute an Eligibility Requirement with respect to each OTC <del>Derivatives</del> Transaction and an Open Offer Eligibility Criteria with respect to each Exchange traded transaction), each Clearing Member shall be required to deliver sufficient Collateral to cover the Margin requirements for such Cleared Transaction.</p>

	deliver sufficient Collateral to cover the Margin requirements for such Cleared Transaction.	
10.	<p><b>Article 77. Derivatives Register</b></p> <p>The Clearing House shall maintain a register of all Derivatives transactions cleared by the Clearing House (whether Exchange traded or OTC derivatives). The register shall record:</p> <ul style="list-style-type: none"> <li>a) the identity of the Clearing Member party to such Cleared Transaction, and whether such Cleared Transaction has been allocated to such Clearing Member's House Position Account, Individual Client Position Account or Omnibus Client Position Account; and</li> <li>b) the underlying to which such Cleared Transaction relates</li> </ul>	<p><b>Article <del>77. Derivatives</del> 78 Transaction Register</b></p> <p>The Clearing House shall maintain a register of all Derivatives <u>and OTC</u> transactions cleared by the Clearing House (whether Exchange traded or OTC derivatives). The register shall record:</p> <ul style="list-style-type: none"> <li>a) the identity of the Clearing Member party to such Cleared Transaction, and whether such Cleared Transaction has been allocated to such Clearing Member's House Position Account, Individual Client Position Account or Omnibus Client Position Account; and</li> <li>b) the underlying to which such Cleared Transaction relates</li> </ul>

**f) Proposed Amendments on the Cash Market Clearing Procedures compared to the current Provisions:**

	Current Provisions	Provisions after proposed Amendments
1.	<p><b>6. Fees, Payment and Invoice</b></p> <p><b>6.1.</b> The Clearing House will submit invoices to Members on a periodic basis and defines deadline for payment accordingly.</p> <p><b>6.2.</b> The Clearing House shall publish all fee types and their calculation method at the Clearing House's website.</p>	<p><b>6. Fees, Payment and Invoice</b></p> <p><b>6.1.</b> The Clearing House will submit invoices to Members on a periodic basis and defines deadline for payment accordingly.</p> <p><b>6.2.</b> The Clearing House shall publish all fee types and their calculation method at the Clearing House's website.</p>

	<p><b>6.3.</b> The Clearing House shall notify Members, at least 30 Calendar days before imposing new fees or changing the fees stipulated in Paragraph (6.2) of these Procedures.</p>	<p><del>6.3. The Clearing House shall notify Members, at least 30 Calendar days before imposing new fees or changing the fees stipulated in Paragraph (6.2) of these Procedures.</del></p>
2.	<p><b>9. Accounts Structure and Accounts Types</b></p> <p>..</p>	<p><b>9. Accounts Structure and Accounts Types</b></p> <p>..</p> <p><u>9.3. Dedicated accounts will be opened for ISBL Transactions to reflect such transactions in the Depository and Settlement System. These accounts are as follows:</u></p> <p><u>9.3.1. House Trading and Position account shall be opened for ISBL Transactions involving Deposited Securities, to reflect such transactions executed in the Depository and Settlement System for the Member.</u></p> <p><u>9.3.2. Individual Client Trading and Position Account shall be opened for ISBL transactions involving Deposited Securities to reflect such transactions executed in the Depository and Settlement System for an individual Client.</u></p> <p><u>9.3.3. Omnibus Client Trading and Position account shall be opened for ISBL transactions involving Deposited Securities to reflect such transactions executed in the Depository and Settlement System for multiple Clients.</u></p>

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~~9.4.~~9.5. The following Collateral Accounts can be opened to identify, value and evaluate Collateral provided by Clearing Members to meet Clearing House Collateral requirements:

9.5.3. Omnibus Client Margin requirements account is used to book Collateral of multiple Clients. The Collateral at this account shall only be used to cover the Margin requirement calculated for the Open Positions in the Omnibus Client settlement Position Account

9.5.3.1. Omnibus Client Margin Requirement Sub Account created based on the Member's request "Client Sub Account": Client Sub Account is used to segregate individual Client's cash and security balances, and such Individual's Margin requirements within the Omnibus Client Margin Requirement Account. The collateral at this account shall only be used to cover the margin requirement calculated for the positions of the respective individual client.

9.5.3.2. Clearing Members shall be responsible for transferring collaterals from the Omnibus Client Margin Requirement Account to the Client Sub Accounts.

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~~9.10.~~9.11 Direct Clearing Member will have the following accounts opened as part of the Standard Account Structure:

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~~9.10.4.~~9.11.4. Collateral Accounts:

~~9.10.4.1.~~9.11.4.1. House Margin requirement account;

9.11.4.2. Omnibus Client Margin requirement Account;

~~9.10.4.2.~~9.11.4.3. Default Fund Account;

~~9.10.4.3.~~9.11.4.4. Free cash account;

~~9.10.4.4.~~9.11.4.5. Intraday funding account; and

~~9.10.4.5.~~9.11.4.6. Extra Margin account.

9.11.5. ISBL accounts, subject to the member's request:

9.11.5.1. Individual Client Trading and Position Account.

9.11.5.2. Omnibus Client Trading and Position Account.

9.11.5.3. House Trading and Position account.

.....

~~9.11.~~9.12. General Clearing Member acting as an Exchange Member will have the following accounts opened as part of the standard account structure:

~~9.11.4.~~9.12.4. Collateral Accounts:

~~9.11.4.1.~~9.12.4.1. House Margin requirement Account;

9.12.4.2. Omnibus Client Margin requirement Account;



		<p><del>9.11.4.2.</del><a href="#">9.12.4.3.</a> Client Margin requirement account for each of his Non-Clearing Members;</p> <p><del>9.11.4.3.</del><a href="#">9.12.4.4.</a> Default Fund Account;</p> <p><del>9.11.4.4.</del><a href="#">9.12.4.5.</a> Free cash account;</p> <p><del>9.11.4.5.</del><a href="#">9.12.4.6.</a> Intraday funding account; and</p> <p><del>9.11.4.6.</del><a href="#">9.12.4.7.</a> Extra Margin account.</p> <p><a href="#">9.12.4.8. The following Margin requirement accounts will be opened for each of his Non-Clearing Members:</a></p> <p><a href="#">9.12.4.8.1. House Margin requirement account; and</a></p> <p><a href="#">9.12.4.8.2. Omnibus Client Margin requirement account</a></p> <p><del>9.11.5.</del><a href="#">9.12.5.</a> The following accounts will be opened for each of his Non-Clearing Members:</p> <p><a href="#">9.12.5.3. ISBL accounts, subject to the member's request:</a></p> <p><a href="#">9.12.5.3.1. Individual Client Trading and Position Account.</a></p> <p><a href="#">9.12.5.3.2. Omnibus Client Trading and Position Account.</a></p> <p><a href="#">9.12.5.3.3. House Trading and Position account.</a></p> <p><del>9.12.</del><a href="#">9.13.</a> General Clearing Member – not acting as an Exchange Member will have the following accounts open:</p>
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		<p>...</p> <p><del>9.12.4.9.13.4.</del> Collateral Accounts:</p> <p><del>9.12.4.1.9.13.4.1.</del> House Margin requirement account;</p> <p><del>9.12.4.2.9.13.4.2.</del> Client Margin requirement Account for each of his Non-Clearing Member;</p> <p><u>9.13.4.3. Omnibus Client Margin requirement Account;</u></p> <p><del>9.12.4.3.9.13.4.4.</del> Default Fund Account;</p> <p><del>9.12.4.4.9.13.4.5.</del> Free cash account;</p> <p><del>9.12.4.5.9.13.4.6.</del> Intraday funding account; and,</p> <p><del>9.12.4.6.9.13.4.7.</del> Extra Margin account.</p> <p><u>9.13.5. ISBL accounts for each of his Non-Clearing Members.</u></p> <p><u>9.13.5.1. Individual Client Trading and Position Account.</u></p> <p><u>9.13.5.2. Omnibus Client Trading and Position Account.</u></p> <p><u>9.13.5.3. House Trading and Position account.</u></p>
3.	<p><b>10. Standard Settlement Instructions</b></p> <p>10.1. Clearing House shall configure Standard Settlement Instructions on settlement Position Accounts to facilitate</p>	<p><b>10. Standard Settlement Instructions</b></p> <p>10.1. Clearing House shall configure Standard Settlement Instructions on settlement Position Accounts to facilitate settlement of related Open</p>

<p>settlement of related Open Positions by transmitting Settlement Instructions through the Depository Centre.</p> <p>10.2. Clearing House shall configure Standard Settlement Instructions on Collateral Accounts to facilitate settlement of Collateral withdrawal requests by transmitting Settlement Instructions through the Depository Centre for Securities and through SAMA for cash.</p> <p>10.3. Members are responsible for providing Standard Settlement Instructions related information to the Clearing House for every settlement Position Account and Collateral Account opened in the Clearing House System.</p> <p>10.4. Member acting as an Exchange Member shall provide Exchange Member Settlement Pool Account and Exchange Member Clients Settlement Pool Account numbers at the Depository Centre.</p> <p>10.5. For each Collateral Account, Clearing Member shall provide IBAN and the Depository Centre account with Identification Number of the Collateral provider. Provided Identification Number shall be the same for Collateral provider's Depository Centre Account and corresponding Collateral Account.</p>	<p>Positions by transmitting Settlement Instructions through the Depository Centre.</p> <p>10.2. Clearing House shall configure Standard Settlement Instructions on Collateral Accounts to facilitate settlement of Collateral withdrawal requests by transmitting Settlement Instructions through the Depository Centre for Securities and through SAMA for cash.</p> <p>10.3. Members are responsible for providing Standard Settlement Instructions related information to the Clearing House for every settlement Position Account and Collateral Account opened in the Clearing House System.</p> <p>10.4. Member acting as an Exchange Member shall provide Exchange Member Settlement Pool Account and Exchange Member Clients Settlement Pool Account numbers at the Depository Centre.</p> <p>10.5. For each Collateral Account, Clearing Member shall provide IBAN and the Depository Centre account with Identification Number of the Collateral provider. Provided Identification Number shall be the same for Collateral provider's Depository Centre Account and corresponding Collateral Account.</p> <p><u><a href="#">10.6. The Clearing Member must submit the ISBL accounts creation forms for ISBL transactions to the Clearing House. These forms will enable the Depository Centre members to execute ISBL transactions in the Depository Centre and linking their ISBL transaction to a Clearing Member.</a></u></p>
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		<p><u>10.7. Positions related to ISBL transactions will be subject to changes resulting from Corporate Actions on the underlying ISBL securities in the Depository Centre. The manufactured payment related settlement instruction shall be created in the Depository Centre from the ISBL Borrower to the ISBL Lender and will be reflected in the Clearing House as cash market settlement position on the Corporate Actions payment date. Any failures in manufactured payment Settlement instructions resulting from Corporate actions on underlying ISBL Securities will be subject to Cash market fails management process.</u></p> <p><u>10.8. The Clearing House will create ISBL Omnibus Client Trading and Position Account based on the Clearing Member's request, all individuals accounts eligible for ISBL transactions at Depository Center will be linked to the Clearing member Trading and Position account to process related ISBL transaction.</u></p> <p><u>10.9. The Clearing House will create ISBL house/individual client Trading and Position account based on the Clearing Member's request, and link a specific security account at the Depository and Settlement system to the house/individual client account to process related ISBL transaction.</u></p>
4.	<p><b>13. Open Position Management</b></p> <p>13.1. The Clearing House will determine Open Positions obligations for both Members to End-Client and Members to the Clearing House for cleared trades and Physical Delivery of the Underlying Asset of Derivatives or Member to Member and Member to End-Client obligations for trades subject to Pass-</p>	<p><b>13. Open Position Management</b></p> <p>13.1. The Clearing House will determine Open Positions obligations for both Members to End-Client and Members to the Clearing House for cleared trades, <u>ISBL transactions</u> and Physical Delivery of the Underlying Asset of Derivatives or Member to Member and Member to End-Client obligations for trades subject to Pass-Through Service,</p>

<p>Through Service, by aggregating receivables/deliverables to receive/deliver Securities (Quantity) and/or receive/pay cash (Settlement Amount) for captured trades given the following criteria:</p> <p>13.1.1. Security;</p> <p>13.1.2. Transaction date;</p> <p>13.1.3. Settlement date;</p> <p>13.1.4. Open Position type, which is:</p> <p>13.1.4.1. Gross for the Open Positions below:</p> <p>13.1.4.1.1. Member to Member Open Positions;</p> <p>13.1.4.1.2. Member to End-Client Open Positions resulting from trades allocated to gross Trading Account; and</p> <p>13.1.4.1.3. Open Positions resulting from trades with T+0 settlement date.</p> <p>13.1.4.2. Net for Open Positions resulting from all the other trades if the below is matched;</p> <p>13.1.4.2.1. Settlement Position Account; and</p> <p>13.1.4.2.2. Counterparty.</p>	<p>by aggregating receivables/deliverables to receive/deliver Securities (Quantity) and/or receive/pay cash (Settlement Amount) for captured trades given the following criteria:</p> <p>13.1.1. Security;</p> <p>13.1.2. Transaction date;</p> <p>13.1.3. Settlement date <a href="#">except for ISBL transaction</a>;</p> <p>13.1.4. Open Position type, which is:</p> <p>13.1.4.1. Gross for the Open Positions below:</p> <p>13.1.4.1.1. Member to Member Open Positions;</p> <p>13.1.4.1.2. Member to End-Client Open Positions resulting from trades allocated to gross Trading Account; and</p> <p>13.1.4.1.3. Open Positions resulting from trades with T+0 settlement date.</p> <p>13.1.4.2. Net for Open Positions resulting from all the other trades if the below is matched;</p> <p>13.1.4.2.1. Settlement Position Account; and</p> <p>13.1.4.2.2. Counterparty.</p> <p>13.2. For each trade with the unique set of attributes stipulated in paragraph (13.1) a new Open Position will be generated, otherwise the</p>
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13.2. For each trade with the unique set of attributes stipulated in paragraph (13.1) a new Open Position will be generated, otherwise the existing relevant Open Position will be updated if the trade has the same attributes.

13.3. Clearing House shall be responsible for transmitting the Settlement Instructions related to obligations resulting from Open Positions to the Depository Centre. The Settlement Instruction shall indicate that settlement shall take place in the designated Settlement Pool Account in the Depository Centre. Exchange Member shall be responsible for providing all the information necessary to settle Open Position in accordance with Exchange Rules and Securities Depository Centre Rules.

existing relevant Open Position will be updated if the trade has the same attributes.

13.3. Clearing House shall be responsible for transmitting the Settlement Instructions related to obligations resulting from Open Positions to the Depository Centre. The Settlement Instruction shall indicate that settlement shall take place in the designated Settlement Pool Account in the Depository Centre. Exchange Member shall be responsible for providing all the information necessary to settle Open Position in accordance with Exchange Rules and Securities Depository Centre Rules.

13.4. In case of ISBL transactions The Depository Center shall be responsible for transmitting the Settlement Instructions related to obligations resulting from Open Positions to the Clearing House. The Settlement Instruction shall indicate that settlement shall take place in the designated Settlement Pool Account in the Depository Centre. Exchange Member shall be responsible for providing all the information necessary to settle Open Position in accordance with Exchange Rules and Securities Depository Centre Rules.

13.5. In case of a new ISBL transaction executed and settled in the Depository Centre, the Clearing House shall create an ISBL transaction to open the Position for the executed ISBL transaction. In this case, the ISBL Borrower will appear as a short position as if the ISBL Borrower has executed a sell transaction and the ISBL Lender will appear as a long position as if the ISBL Lender has executed a buy transaction.

		<p><u>13.6. In case of ISBL Lender's recall or ISBL Borrower's return for an already existing ISBL position, the Clearing House shall create a reverse transaction to close the Open Position for the ISBL transaction. In this case, the ISBL Borrower will appear as a short position as if the ISBL Borrower has executed a buy transaction, and the ISBL Lender will appear as if the ISBL Lender has executed a sell transaction, thereby reducing their respective ISBL Open Position.</u></p> <p><u>13.7. If the ISBL Lender recalls the securities and is replaced by a new ISBL Lender, the Clearing House shall reverse the original ISBL Lender's transaction and create a new buy ISBL transaction for the new ISBL Lender or Lenders.</u></p> <p><u>13.8. If an ISBL transaction is partially settled in the Depository and Settlement System either through an ISBL Lender recall or by early ISBL Borrower return, the Clearing House shall reverse the original ISBL transaction and create a new ISBL transaction for the remaining quantity of securities, referencing the original ISBL transaction.</u></p> <p><u>13.9. If the ISBL Lender requests the recall of the lent securities, the ISBL Borrower must return the securities within three days from the recall date -which mean within (T+3)-. If the ISBL Borrower fails to return the lent securities, the Open Position shall be subject to the provisions of paragraph (17-12) of these Procedures.</u></p>
5.	<p><b>14. Trade Management</b></p> <p>.....</p>	<p><b>14. Trade Management</b></p> <p>.....</p>

		<a href="#"><u>14.14. ISBL transaction will not be eligible for Trade Management activities.</u></a>
6.	<b>17. Fails Management</b>  ....	<b>17. Fails Management</b>  ....  <a href="#"><u>17.17. ISBL failed transactions will be subject to cash compensation as set out in paragraphs (17.5) and (17.12), and will not be subject to the buy-in process set out in paragraph (17.8).</u></a>
7.	<b>19. Trading Limit</b>  ....	<b>19. Trading Limit</b>  ....  <a href="#"><u>19.2. ISBL Transactions shall not be subject to Trading Limits, and shall be subject to OTC Transaction Eligibility Requirements in accordance with the Securities Clearing Centre Rules.</u></a>
8.	<b>28. Default Fund</b>  28.1. The Clearing House shall establish and maintain the Default Fund in accordance with Article 60 of the Securities Clearing Centre Rules to support the obligations of the Clearing House with respect to the Relevant Transaction Type to which such Default Fund relates and reduce systemic risk in the market.	<b>28. Default Fund</b>  28.1. The Clearing House shall establish and maintain the Default Fund in accordance with Article <del>60</del> <a href="#"><u>61</u></a> of the Securities Clearing Centre Rules to support the obligations of the Clearing House with respect to the Relevant Transaction Type to which such Default Fund relates and reduce systemic risk in the market. <a href="#"><u>The Clearing House shall determine and announce from time to time the asset classes and associated Relevant Transaction Type for which separate Default Funds are maintained.</u></a>



	<p>28.2. The Clearing House determines the size of the Default Fund at every last day of a calendar month. The Clearing House can recalculate the Default Fund on ad hoc basis.</p> <p>28.3. Upon every resizing of Default Fund, Clearing Members are notified to cover their contribution amount within three Days; otherwise, they are subject to the same process applicable for end of day margin call.</p> <p>28.4. Clearing Members' contribution to the Default Fund are determined proportionally by reference to the average daily Initial Margin requirement of the relevant Clearing Member during the 30 days preceding the calculation.</p> <p>28.5. Minimum contributions to Default Fund from General Clearing Members and Direct Clearing Members are 750,000 Saudi Riyals and 250,000 Saudi Riyals respectively.</p>	<p>28.2. The Clearing House determines the size of the Default Fund at <u>every the last Business Day of the month, which will be effective on the third Business Day upon resizing</u><del>last</del> day of a calendar month. The Clearing House can recalculate the Default Fund on ad hoc basis.</p> <p>28.3. Upon every resizing of Default Fund, <u>The Clearing House will issue an end of day Margin call one day prior to the effective day of the resizing for Clearing Members' accounts which do not maintain sufficient collateral to cover their Default Fund requirements.</u><del>Clearing Members are notified to cover their contribution amount within three Days; otherwise, they are subject to the same process applicable for end of day margin call.</del></p> <p>28.4. Clearing Members' contribution to the Default Fund are determined proportionally by reference to the average daily Initial Margin requirement of the relevant Clearing Member during the 30 days preceding the calculation.</p> <p>28.5. Minimum contributions to Default Fund from General Clearing Members and Direct Clearing Members are 750,000 Saudi Riyals and 250,000 Saudi Riyals respectively.</p>
9.	<p><b>31. Deposit of Securities Collateral</b></p> <p><b>31.1.</b> A Clearing Member shall deposit Securities Collateral to a designated Collateral Account opened by the Clearing House at the Depository Centre.</p>	<p><b>31. Deposit of Securities Collateral</b></p> <p><b>31.1.</b> A Clearing Member shall deposit Securities Collateral <u>either By Way of Title Transfer</u> to a designated Collateral Account, <u>or By Way</u></p>

		<a href="#">of Security Interest towards a designated Collateral Account</a> opened by the Clearing House at the Depository Centre.
10.	<b>32. Withdrawal of Collateral</b>  32.1. Clearing Member may request to withdraw Collateral by transmitting an instruction to the Clearing House System.  32.2. For every Collateral withdrawal request, Clearing House conducts a post-withdrawal margin and collateral evaluation.	<b>32. Withdrawal of Collateral</b>  32.1. Clearing Member may request to withdraw Collateral by transmitting an instruction to the Clearing House System.  32.2. For every Collateral withdrawal request, Clearing House conducts a post-withdrawal margin and collateral evaluation.  <a href="#">32.2.1. Withdrawals from the Omnibus Margin Requirement Account shall only be allowed up to the amount unallocated to Client Sub Accounts as long as an overall collateral deficit is not created.</a>
11.	<b>33. Internal Transfer of Cash Collateral</b>  33.1. Clearing Member may transmit instruction to Clearing House System to transfer cash Collateral between Collateral accounts under the same Clearing Member by submitting a request to the Clearing House System.  33.2. Internal Collateral transfers shall not be allowed from Client Collateral Account to any Member's other Collateral Account.	<b>33. Internal Transfer of Cash Collateral</b>  33.1. Clearing Member may transmit instruction to Clearing House System to transfer cash Collateral between Collateral accounts under the same Clearing Member by submitting a request to the Clearing House System.  33.2. Internal Collateral transfers shall not be allowed from Client Collateral Account to any <del>Member's</del> other Collateral Account.
12.	<b>37. Collateral Evaluation</b>  37.1. Collateral evaluation is the process of comparing the value of the provided Collateral valued within the limits specified	<b>37. Collateral Evaluation</b>  37.1. Collateral evaluation is the process of comparing the value of the provided Collateral valued within the limits specified under

	<p>under Section (35) and (36) of these Procedure, against the value of the required Collateral, i.e. Margin or Default Fund Requirement.</p> <p>37.2. The evaluation process runs at pre-determined intervals as determined and communicated by the Clearing House and ad hoc when the Clearing House deems it necessary.</p> <p>37.3. Where there is a minimum cash Collateral requirement, as specified by the Clearing house, this requirement will be compared with the deposited cash Collateral within the related account during the evaluation process.</p> <p>37.4. If the evaluated Collateral value is less than the total Margin requirement for an account, that account may be subject to a margin call.</p> <p>37.5. If the cash Collateral balance is less than the minimum cash requirement, a Margin call for cash may be issued, to be met by cash Collateral.</p>	<p>Section (35) and (36) of these Procedure, against the value of the required Collateral, i.e. Margin or Default Fund Requirement.</p> <p>37.2. The evaluation process runs at pre-determined intervals as determined and communicated by the Clearing House and ad hoc when the Clearing House deems it necessary.</p> <p>37.3. Where there is a minimum cash Collateral requirement, as specified by the Clearing house, this requirement will be compared with the deposited cash Collateral within the related account during the evaluation process.</p> <p>37.4. If the evaluated Collateral value is less than the total Margin requirement for an account, that account may be subject to a margin call.</p> <p>37.5. If the cash Collateral balance is less than the minimum cash requirement, a Margin call for cash may be issued, to be met by cash Collateral.</p> <p><a href="#">37.6. Margin and Collateral evaluation by the Clearing House for the Omnibus Margin Requirement Account will consider margin and collateral allocated to Client Sub Accounts.</a></p> <p><a href="#">37.7. Client collateral deficits at Client Sub Accounts will be aggregated as gross to the Omnibus Client Collateral account.</a></p>
13	<b>38. Default Management</b>	<b>38. Default Management</b>

38.1. In the default of a Clearing Member, Clearing House shall use the resources in the following order:	38.1. In the default of a Clearing Member, Clearing House shall use the resources in the following order:
38.1.1. First, collateral provided by defaulting Clearing Member against Margin requirement. Clearing House shall not be entitled to use the assets of the Clients of such defaulting Clearing Member;	38.1.1. First, collateral provided by defaulting Clearing Member against Margin requirement. Clearing House shall not be entitled to use the assets of the Clients of such defaulting Clearing Member;
	<u>38.1.1.1. Clearing House shall use Collateral provided by defaulting Clearing Member by way of security interest</u>

**g) Proposed Amendments on the Derivatives Clearing Procedures compared to the current Provisions:**

	Current Provisions	Provisions after proposed Amendments
1.	<b>Physical Delivery of Underlying Asset:</b> means the term in Option Contracts which requires the Underlying Asset to be delivered upon the specified delivery date.	<b>Physical Delivery of Underlying Asset:</b> means the term in <del>Option</del> <u>SSO and SSF</u> Contracts which requires the Underlying Asset to be delivered upon the specified delivery date.
2.	<b>New term</b>	<u><b>Underlying Asset Price of SSF Contract:</b> means the price of the Underlying Asset of an SSF contract as specified in the Listed Derivatives Product Specification.</u>
3.	<b>6. Fees, Payment and Invoice</b>  6.1. The Clearing House will submit invoice to Clearing Members on a periodic basis and define deadline for payment accordingly.	<b>6. Fees, Payment and Invoice</b>  6.1. The Clearing House will submit invoice to Clearing Members on a periodic basis and define deadline for payment accordingly.

	<p>6.2. The Clearing House shall publish all fee types and their calculation method at the Clearing House's website.</p> <p>6.3. The Clearing House shall notify Clearing Members, at least, 30 days before imposing new fees or changing the fees stipulated in (6.2).</p>	<p>6.2. The Clearing House shall publish all fee types and their calculation method at the Clearing House's website.</p> <p><del>6.3. The Clearing House shall notify Clearing Members, at least, 30 days before imposing new fees or changing the fees stipulated in (6.2).</del></p>
4.	<p><b>8. Account Structure and Account Types</b></p> <p>8.1. The Clearing House shall implement a standard account structure to process trades, positions, margin requirements, collateral and default fund requirement.</p> <p>8.2. Members will have House - Trade and Position Account - to trade and keep related position for their own transactions. House Market Maker -Trade and Position Account – can be opened for Members for market making activities.</p> <p>8.3. Clearing Members should have House Collateral account to cover the margin requirement calculated for their positions at House -Trade and Position Accounts.</p> <p>8.4. Members can have two types of Client -Trade and Position Account-:</p> <p>8.4.1. Net Client -Trade and Position Account- where positions taken on the same contract with opposite sides will be closed automatically by the Clearing House. Net Margining is applied for these accounts.</p>	<p><b>8. Account Structure and Account Types</b></p> <p>8.1. The Clearing House shall implement a standard account structure to process trades, positions, margin requirements, collateral and default fund requirement.</p> <p>8.2. Members will have House - Trade and Position Account - to trade and keep related position for their own transactions. House Market Maker -Trade and Position Account – can be opened for Members for market making activities.</p> <p>8.3. Clearing Members should have House Collateral account to cover the margin requirement calculated for their positions at House -Trade and Position Accounts.</p> <p>8.4. Members can have two types of Client -Trade and Position Account-:</p> <p>8.4.1. Net Client -Trade and Position Account- where positions taken on the same contract with opposite sides will be closed automatically by the Clearing House. Net Margining is applied for these accounts.</p>

<p>8.4.2. Gross Client -Trade and Position Account- where positions taken on the same contract with opposite sides will be kept in the account until it is closed. Gross Margining is applied for these accounts.</p> <p>8.5. Members can have two types of Client Collateral Account.</p> <p>8.5.1. Individual Client Collateral Account is the account which is used to keep collateral of an individual Client. The collateral at this account shall only be used to cover the margin requirement calculated for the positions of the Client.</p> <p>8.5.2. Omnibus Client Collateral Account- is the account which is used to keep collateral of multiple Clients. The collateral at this account shall only be used to cover the margin requirement calculated for the positions of the same group of Clients.</p> <p>8.6. General Clearing Member will have separate Collateral Accounts for each Non-Clearing Member and separate Collateral Accounts if Non-Clearing Member has Client-Trade and Position Account.</p> <p>8.7. Clearing Members and Non-Clearing Members are obligated to segregate positions and collateral of each of their Clients in their books.</p>	<p>8.4.2. Gross Client -Trade and Position Account- where positions taken on the same contract with opposite sides will be kept in the account until it is closed. Gross Margining is applied for these accounts.</p> <p>8.5. Members can have two types of Client Collateral Account.</p> <p>8.5.1. Individual Client Collateral Account is the account which is used to keep collateral of an individual Client. The collateral at this account shall only be used to cover the margin requirement calculated for the positions of the Client.</p> <p>8.5.2. Omnibus Client Collateral Account- is the account which is used to keep collateral of multiple Clients. The collateral at this account shall only be used to cover the margin requirement calculated for the positions of the same group of Clients.</p> <p><u>8.5.2.1. Omnibus Client Collateral Sub Account based on the Member's request "Client Sub Account": Omnibus Client Collateral Sub Account is used to segregate individual Client's cash and security balances within the Omnibus Client Collateral Account. The collateral at the Client Sub Account shall only be used to cover the margin requirements calculated for the positions of the respective individual Client.</u></p> <p><u>8.5.2.2. Clearing Members shall be responsible for transferring collateral from the Omnibus Client Collateral Account to the Client Sub Accounts.</u></p>
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		<p>8.6. General Clearing Member will have separate Collateral Accounts for each Non-Clearing Member and separate Collateral Accounts if Non-Clearing Member has Client-Trade and Position Account.</p> <p>8.7. Clearing Members and Non-Clearing Members are obligated to segregate positions and collateral of each of their Clients in their books.</p>
5.	<p><b>16. Position Transfer</b></p> <p>.....</p> <p>16.8. If the collateral is sufficient, the Clearing House will process Position Transfer. The transfer will be processed by Clearing House.</p>	<p><b>16. Position Transfer</b></p> <p>.....</p> <p>16.8. If the collateral is sufficient, the Clearing House will process Position Transfer. <del>The transfer will be processed by Clearing House.</del></p>
6.	<p><b>22. Physical Delivery of Underlying Asset of SSO</b></p> <p>.....</p>	<p><b>22. Physical Delivery of Underlying Asset of SSO <u>and SSF</u></b></p> <p>....</p> <p><u>22.5. The Listed Derivatives Product Specification for the SSF contract shall specify whether such contract is eligible for Physical Delivery.</u></p>
7.	<p><b>New Article</b></p>	<p><b><u>24. Steps for the Physical Delivery of SSF:</u></b></p> <p><u>24.1. The Underlying Asset will be transferred between the Trading and Position Accounts of the Buyer and Seller assigned by the</u></p>

Clearing House at the Underlying Asset Price of the SSF Contract specified during the settlement cycle defined in the Listed Derivatives Product Specifications through the Custody Account in the Cash Market.

24.2. All open long positions and all open Short positions of the expired SSF contract will be obligated for physical delivery at the end of expiry date. The Long Position Holder will receive the Underlying Asset and the Short Position Holder is obligated to physically deliver the Underlying Asset at the end of day price of the Underlying Asset against payment.

24.3. When the Open Position of Long Position Holder of the SSF is not closed at the end of expiry date of the SSF, the Long position holder of expired SSF will receive the Underlying Asset against payment from the assigned Short position holder of same SSF

24.4. When the open position of Short Position Holder of SSF is not closed at the end of expiry date of SSF, the Short Position Holder of expired SSF will deliver the Underlying Asset against payment to the assigned Long Position Holder of same SSF.

24.5. In case of assignment of the Buyer and Seller on the expiry date of the SSF contract by the Clearing House, the Physical Delivery settlement obligations in the Cash Market are as follows:

24.5.1. Physical Delivery settlement for the Long Position Holder of the SSF:



		<p><a href="#">24.5.1.1. Receive Underlying Asset equivalent to SSF Contract size * Number of Open Positions of the SSF not closed at the end of expiry date.</a></p> <p><a href="#">24.5.1.2. Pay Amount: Underlying Asset Price of SSF * SSF Contract size * Number of Open Positions of the expired SSF contract.</a></p> <p><a href="#">24.5.2. Physical Delivery settlement for the Short position holder of the SSF:</a></p> <p><a href="#">24.5.2.1. Deliver the Underlying Asset equivalent to SSF Contract size * Number of Open Positions of the SSF not closed at the end of expiry date.</a></p> <p><a href="#">24.5.2.2. Receive Amount: Underlying Asset Price of SSF * SSF Contract size * Number of Open Positions of the expired SSF contract.</a></p> <p><a href="#">24.6. In case of Corporate Actions on the expiry date of the SSF contract, Physical Delivery settlement obligations will be updated by the Clearing House to reflect changes resulted from Corporate Actions.</a></p>
8.	<p><b>36. Securities Collateral</b></p> <p>36.1. A Clearing Member shall deposit securities Collateral to a designated Collateral Account opened by the Clearing House at the Depository Centre.</p>	<p><del>36</del><b>37. Securities Collateral</b></p> <p><del>36</del><b>37.1.</b> A Clearing Member shall deposit securities Collateral <a href="#">either By Way of Title Transfer</a> to a designated Collateral Account, <a href="#">or By Way</a></p>

	<p>36.2. The securities Collateral referred to in paragraph (36.1) will be dealt in accordance with the Securities Clearing Centre Rules, Cash Market Clearing Procedures and these Procedures.</p> <p>36.3. A Clearing Member may allocate deposited securities for Covered Call Options positions.</p>	<p><a href="#">of Security Interest towards a designated Collateral Account</a> opened by the Clearing House at the Depository Centre.</p> <p><del>36</del><a href="#">37</a>.2. The securities Collateral referred to in paragraph (<del>36</del><a href="#">37</a>.1) will be dealt in accordance with the Securities Clearing Centre Rules, Cash Market Clearing Procedures and these Procedures.</p> <p><del>36</del><a href="#">37</a>.3. A Clearing Member may allocate deposited securities for Covered Call Options positions.</p>
9.	<p><b>37. Withdrawal of Collateral</b></p> <p>37.1. Clearing Member can withdraw collateral from the Clearing House through the medium of communication Clearing House accepts.</p> <p>37.2. Cash collateral will then be transferred to the IBAN of the Clearing Member, and security collateral will be transferred to the Depository Centre Account provided by the Clearing Member.</p> <p>37.3. Collateral withdrawals are only allowed between times specified in the Notice.</p> <p>37.4. For every collateral withdrawal, the Clearing House shall conduct margin and collateral evaluation to see if the post-withdrawal collateral cover the total margin requirement.</p>	<p><del>37</del><a href="#">38</a>. <b>Withdrawal of Collateral</b></p> <p><del>37</del><a href="#">38</a>.1. Clearing Member can withdraw collateral from the Clearing House through the medium of communication Clearing House accepts.</p> <p><del>37</del><a href="#">38</a>.2. Cash collateral will then be transferred to the IBAN of the Clearing Member, and security collateral will be transferred to the Depository Centre Account provided by the Clearing Member.</p> <p><del>37</del><a href="#">38</a>.3. Collateral withdrawals are only allowed between times specified in the Notice.</p> <p><del>37</del><a href="#">38</a>.4. For every collateral withdrawal, the Clearing House shall conduct margin and collateral evaluation to see if the post-withdrawal collateral cover the total margin requirement.</p>

		<u>38.5. Withdrawals from the Omnibus Collateral Account shall only be allowed up to the amount unallocated to Client Sub Accounts as long as an overall collateral deficit is not created.</u>
10.	New Article	<p><u>41. Haircuts</u></p> <p><u>41.1. The Clearing House shall apply appropriate haircuts to acceptable Collateral in order to reflect the risk that the collateral value may decline in the event of liquidation.</u></p> <p><u>41.2. In determining the haircuts to be applied to the acceptable Collateral, the Clearing House shall use a confidence level of at least 99% and in addition will consider the following criteria:</u></p> <p><u>41.2.1. Type of asset and level of credit risk associated with such asset based upon an internal assessment carried out by the Clearing House;</u></p> <p><u>41.2.2. The maturity of the asset;</u></p> <p><u>41.2.3. A minimum of 10 years of historical data, where available;</u></p> <p><u>41.2.4. A holding period of at least 2 Days;</u></p> <p><u>41.2.5. Foreign exchange risk, if any.</u></p> <p><u>41.3. The Clearing House will announce the applicable haircuts on acceptable Collateral via a notice on its website.</u></p>
11.	New Article	<u>42. Collateral Valuation</u>

42.1. Collateral position is defined by the single Collateral instrument's amount on a single Collateral Account.

42.2. Collateral values are calculated based on the following calculation process, and the parameters of the calculation will be announced via a notice by the Clearing House:

42.2.1. Clearing House determines the Mark-to-Market value of a Collateral position;

42.2.2. Clearing House applies Haircuts on Mark-to-Market value of a Collateral position;

42.2.3. Clearing House applies individual Security limit by multiplying the limit by the market value of the total Collateral value after applying Haircut;

42.2.4. Clearing House takes the minimum of the market value of a Security after Haircut and the Security value after the individual Security limit;

42.2.5. Clearing House determines Collateral group values for each group defined by multiplying the limit with each Collateral group value in the step set out in paragraph 42.2.4 of these procedures.

42.2.6. Clearing House takes the minimum of the group value in the steps set out in paragraph 42.2.4 and 42.2.5 of these procedures as a single Collateral position Value.

		<p><a href="#">42.2.7. The aggregated value in the step set out in paragraph 42.2.6 of these procedures makes the total Collateral Value of the corresponding Collateral Account.</a></p> <p><a href="#">42.3. Parameters set out in paragraph 42.2 of these procedures is applied to each Collateral Account.</a></p> <p><a href="#">42.4. If a Clearing Member is an issuer of the Collateral posted, corresponding Collateral position will be valued as zero.</a></p> <p><a href="#">42.5. Clearing House will value non-eligible Collateral related Collateral positions as zero.</a></p> <p><a href="#">42.6. The Clearing House will announce individual Security limits, valuation group constituents and valuation group limits via a notice on its website.</a></p>
12.	New Article	<p><b><a href="#">43. Collateral Evaluation</a></b></p> <p><a href="#">43.1. Collateral evaluation is the process of comparing the value of the provided Collateral valued within the limits specified under Section (41) and (42) of these Procedure, against the value of the required Collateral, i.e. Margin or Default Fund Requirement.</a></p> <p><a href="#">43.2. The evaluation process runs at pre-determined intervals as determined and communicated by the Clearing House and ad hoc when the Clearing House deems it necessary.</a></p> <p><a href="#">43.3. Where there is a minimum cash Collateral requirement, as specified by the Clearing house, this requirement will be compared with</a></p>

		<p><a href="#">the deposited cash Collateral within the related account during the evaluation process.</a></p> <p><a href="#">43.4. If the evaluated Collateral value is less than the total Margin requirement for an account, that account may be subject to a margin call.</a></p> <p><a href="#">43.5. If the cash Collateral balance is less than the minimum cash requirement, a Margin call for cash may be issued, to be met by cash Collateral.</a></p> <p><a href="#">43.6. Margin and Collateral evaluation by the Clearing House for the Omnibus Collateral Account will consider margin and collateral allocated to Client Sub Accounts.</a></p> <p><a href="#">43.7. Client collateral deficits at Client Sub Accounts will be aggregated as gross to the Omnibus Client Collateral account.</a></p>
13.	<p><b>40. Default Fund</b></p> <p>40.1. The Clearing House shall establish and maintain the Default Fund in accordance with Article 60 of the Securities Clearing Centre Rules to support the obligations of the Clearing House with respect to the Relevant Transaction Type to which such Default Fund relates and reduce systemic risk in the market.</p>	<p><del>40</del><a href="#">44</a>. Default Fund</p> <p><del>40</del><a href="#">44</a>.1. The Clearing House shall establish and maintain the Default Fund in accordance with Article <del>60</del><a href="#">61</a> of the Securities Clearing Centre Rules to support the obligations of the Clearing House with respect to the Relevant Transaction Type to which such Default Fund relates and reduce systemic risk in the market. <a href="#">The Clearing House shall determine and announce from time to time the asset classes and associated Relevant Transaction Type for which separate Default Funds are maintained.</a></p>

	<p>40.2. The Clearing House determines the size of Default Fund at every last day of a calendar month. Clearing House can recalculate Default Fund on ad hoc basis.</p> <p>40.3. Upon every resizing of Default Fund, Clearing Members are notified to cover their contribution amount within three days; otherwise they are subject to the same process applicable for end of day margin call.</p> <p>40.4. Required Upfront Default Fund Contribution for each Clearing Member is re-calculated at every new Default Fund period after the size is determined. Clearing Members' contribution to the Default Fund are determined proportionally by reference to the average daily Initial Margin requirement of the relevant Clearing Member during the 30 days preceding the calculation.</p> <p>40.5. Minimum contributions to Default Fund from General Clearing Members and Direct Clearing Members are 750,000 Saudi Riyals and 250,000 Saudi Riyals respectively.</p>	<p><del>40</del><u>44</u>.2. The Clearing House determines the size of Default Fund at every <u>Business Day of the month, which will be effective on the third Business Day upon resizing</u> <del>last day of a calendar month</del>. Clearing House can recalculate Default Fund on ad hoc basis.</p> <p><del>40</del><u>44</u>.3. Upon every resizing of Default Fund, <u>The Clearing House will issue an end of day Margin call one day prior to the effective day of the resizing for Clearing Members' accounts which do not maintain sufficient collateral to cover their Default Fund requirements</u>. <del>Clearing Members are notified to cover their contribution amount within three days; otherwise they are subject to the same process applicable for end of day margin call.</del></p> <p><del>40</del><u>44</u>.4. Required Upfront Default Fund Contribution for each Clearing Member is re-calculated at every new Default Fund period after the size is determined. Clearing Members' contribution to the Default Fund are determined proportionally by reference to the average daily Initial Margin requirement of the relevant Clearing Member during the 30 days preceding the calculation.</p> <p><del>40</del><u>44</u>.5. Minimum contributions to Default Fund from General Clearing Members and Direct Clearing Members are 750,000 Saudi Riyals and 250,000 Saudi Riyals respectively.</p>
14.	<p><b>41. Default Management</b></p> <p>41.1. In the default of a Clearing Member, Clearing House shall use the resources in the following order:</p>	<p><del>41</del><u>45</u>. <b>Default Management</b></p> <p><del>41</del><u>45</u>.1. In the default of a Clearing Member, Clearing House shall use the resources in the following order:</p>

<p>41.1.1. First, collateral provided by defaulting Clearing Member against margin requirement. Clearing House shall not be entitled to use the assets of the Clients of such defaulting Clearing Member;</p> <p>.....</p>	<p><del>41</del>45.1.1. First, collateral provided by defaulting Clearing Member against margin requirement. Clearing House shall not be entitled to use the assets of the Clients of such defaulting Clearing Member;</p> <p><u>45.1.1.1. Clearing House shall use Collateral provided by defaulting Clearing Member by way of security interest.</u></p> <p>.....</p>
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#### h) Proposed Amendments on the Securities Depository Centre Rules compared to the current Provisions:

	Current Provisions	Provisions after proposed Amendments
1.	<p><b>Article 25</b></p> <p>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.</p> <p>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.</p>	<p><b>Article 25</b></p> <p>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.</p> <p>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.</p>



	<p>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:</p> <p>(a) Investment Funds units; or</p> <p>(b) Securities which are not traded on the Exchange and safe kept at the Depository Centre.</p> <p>(c) Listed Debt Instruments.</p>	<p>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:</p> <p>(a) Investment Funds units; or</p> <p>(b) Securities which are not traded on the Exchange and safe kept at the Depository Centre.</p> <p>(c) <del>Listed</del> Debt Instruments.</p>
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**i) Proposed Amendments on the Depository Centre Procedures compared to the current Provisions:**

	Current Provisions	Provisions after proposed Amendments
1.	<p><b>4. Fees, Payment and Invoice</b></p> <p>4.1. The Depository Centre will submit invoice to the Depository Centre Members on a periodic basis and define deadline for payment accordingly.</p> <p>4.2. The Depository Centre shall publish all fee types and their calculation method on its website.</p> <p>4.3. The Depository Centre shall notify the Depository Centre Members, at least, 30 days before imposing new fees or changing the fees.</p>	<p><b>4. Fees, Payment and Invoice</b></p> <p>4.1. The Depository Centre will submit invoice to the Depository Centre Members on a periodic basis and define deadline for payment accordingly.</p> <p>4.2. The Depository Centre shall publish all fee types and their calculation method on its website.</p> <p><del>4.3. The Depository Centre shall notify the Depository Centre Members, at least, 30 days before imposing new fees or changing the fees.</del></p>

<p><b>2.</b></p> <p><b>9. Investors Identification</b></p> <p><b>9.1.</b> The Investors are identified by the Custody Member.</p> <p><b>9.2.</b> The Investor are identified by national identification or resident identification or commercial identification, and Country of residence and Investor type. 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. Upon the completion of the identification process, the Investor will be provided with a unique "Identification Number". The creation of the Identification Number shall be as follows:</p> <p><b>9.2.1.</b> The National Identification Number for Saudi individuals and resident Identification Number for resident individuals in the Kingdom (10-digits number beginning with 1 or 2) is used as Identification Number.</p> <p><b>9.2.2.</b> The commercial number for Saudi companies is used as Identification Number.</p> <p><b>9.2.3.</b> 14-digit serial numbers are used as Identification Number for other Saudi Investors.</p> <p><b>9.2.4.</b> 14-digit serial numbers are used as Identification Number for other foreign investors (which includes GCC) and the first two digits are as country code.</p> <p><b>9.2.5.</b> If there is a conflict between the national Identification Number for Saudi individual and the commercial number for the</p>	<p><b>9. Investors Identification</b></p> <p><b>9.1.</b> The Investors are identified by the Custody Member.</p> <p><b>9.2.</b> The Investor are identified by national identification or resident identification or <u>establishments unified number</u><del>commercial identification</del>, and Country of residence and Investor type. 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. Upon the completion of the identification process, the Investor will be provided with a unique "Identification Number". The creation of the Identification Number shall be as follows:</p> <p><b>9.2.1.</b> The National Identification Number for Saudi individuals and resident Identification Number for resident individuals in the Kingdom (10-digits number beginning with 1 or 2) is used as Identification Number.</p> <p><b>9.2.2.</b> The <u>establishments unified number</u> <del>commercial number</del> for Saudi companies is used as Identification Number.</p> <p><b>9.2.3.</b> 14-digit serial numbers are used as Identification Number for other Saudi Investors.</p> <p><b>9.2.4.</b> 14-digit serial numbers are used as Identification Number for other foreign investors (which includes GCC) and the first two digits are as country code.</p>
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	<p>Saudi companies, an additional code will be added to the Identification Number.</p> <p><b>9.2.6.</b> In case of Omnibus Account, a special Identification Number will be created by the Depository Centre.</p> <p><b>9.3.</b> The Identification Number cannot be changed after it's created.</p> <p><b>9.4.</b> The Custody Member may have separate records of Investors that allows having different addresses and contact details from other Custody Members using the same Identification Number. The Depository Centre shall notify Custody Members to confirm and update the provided addresses and contact details.</p> <p><b>9.5.</b> The Depository Centre may request any additional documents or information related to the Investors.</p>	<p><del>9.2.5. If there is a conflict between the national Identification Number for Saudi individual and the commercial number for the Saudi companies, an additional code will be added to the Identification Number.</del></p> <p><del>9.2.6.</del> <u>9.2.5.</u> In case of Omnibus Account, a special Identification Number will be created by the Depository Centre.</p> <p><b>9.3.</b> The Identification Number cannot be changed after it's created.</p> <p><b>9.4.</b> The Custody Member may have separate records of Investors that allows having different addresses and contact details from other Custody Members using the same Identification Number. The Depository Centre shall notify Custody Members to confirm and update the provided addresses and contact details.</p> <p><b>9.5.</b> The Depository Centre may request any additional documents or information related to the Investors.</p>
3.	<p><b>11. Cash Payment</b></p> <p><b>11.1.</b> The Depository Centre use The Payment Systems - SAMA for cash settlement.</p> <p><b>11.2.</b> The Depository Centre provides cash settlement services for the following activities:</p> <p><b>11.2.1.</b> CCP instructions related to Securities settlement;</p>	<p><b>11. Cash Payment</b></p> <p><b>11.1.</b> The Depository Centre use The Payment Systems - SAMA for cash settlement.</p> <p><u>11.2. Without prejudice to paragraph (11.1) of this Article, the Depository Centre may use the Local Banks for cash settlement.</u></p> <p><del>11.2.</del> <u>11.3.</u> The Depository Centre provides cash settlement services for the following activities:</p>

**11.2.2.** CCP instructions related to cash compensation;

**11.2.3.** CCP instructions related to cash substitution;

**11.2.4.** CCP instructions related to Default Management;

**11.2.5.** CCP instructions related to other Clearing activities;

**11.2.6.** The Depository Centre instructions related to corporate action claims;

**11.2.7.** The Depository Centre instructions related to tradeable rights; and

**11.2.8.** The Depository Centre instructions related to SBL.

**11.2.1, 11.3.1.** CCP instructions related to Securities settlement;

**11.2.2, 11.3.2.** CCP instructions related to cash compensation;

**11.2.3, 11.3.3.** CCP instructions related to cash substitution;

**11.2.4, 11.3.4.** CCP instructions related to Default Management;

**11.2.5, 11.3.5.** CCP instructions related to other Clearing activities;

**11.2.6, 11.3.6.** The Depository Centre instructions related to corporate action claims;

**11.2.7, 11.3.7.** The Depository Centre instructions related to tradeable rights; and

**11.2.8, 11.3.8.** The Depository Centre instructions related to SBL.

**15.3.** The following table specifies Settlement Instructions mechanism:

Transaction Type	Instructed by			Beneficial ownership change	Counter Party Account Mandate	Additional Rule Criteria
	The Depository and Settlement System	CCP	Custody Member			
TRAD (Trade)		X		Accept	No	Rejected if the instrument has Mecca/Medina flag set and delivering/receiving securities
BIYI (Buy-in)		X		Accept	No	

**15.3.** The following table specifies Settlement Instructions mechanism:

Transaction Type	Instructed by			Beneficial ownership change	Counter Party Account Mandate	Additional Rule Criteria
	The Depository and Settlement System	CCP	Custody Member			
TRAD (Trade)		X		Accept	No	<a href="#">Rejected if the investor's citizenship is not Saudi and the issuer has submitted an official request to</a>
BIYI (Buy-in)		X		Accept	No	

						account holder's citizenship is not Saudi.						<a href="#">prevent non-Saudis from investing in its shares.</a> <del>Rejected if the instrument has Mecca/Medina flag set and delivering/receiving securities account holder's citizenship is not Saudi.</del>
	SECB (Securities borrowing)			X	Accept	No	Rejected if the instrument has Mecca/Medina flag set and delivering/receiving securities account holder's citizenship is not Saudi.					
	SECL (Securities lending)			X	Accept	No						
	OTCLB (Settlement of listed Debt Instruments)			X	Accept	Yes						
	SECB (Securities borrowing)	X			X	Accept	No					<a href="#">Rejected if the investor's citizenship is not Saudi and the issuer has submitted an official request to prevent non-Saudis from investing in its shares.</a> <del>Rejected if the instrument has Mecca/Medina flag set and delivering/receiving securities account holder's citizenship is not Saudi.</del>
	SECL (Securities lending)	X			X	Accept	No					
	OTCLB (Settlement of <del>listed</del> Debt Instruments)				X	Accept	Yes					
5.	<b>15.9.</b> The Settlement Instructions related to the settlement of the listed Debt Instruments executed Over the Counter are generated as follows:						<b>15.9.</b> The Settlement Instructions related to the settlement of the <del>listed</del> Debt Instruments executed Over the Counter are generated as follows:					
	<b>15.9.1.</b> Creation of the Settlement Instructions: a buyer/seller wishes to initiate a bid/offer using the Over the Counter settlement for Listed Debt Instruments service ("Initiator") shall identify the transaction elements including: Security, quantity, amount, price, settlement date, account of the buyer/seller who received the bid/offer ("Receiver").						<b>15.9.1.</b> Creation of the Settlement Instructions: a buyer/seller wishes to initiate a bid/offer using the Over the Counter settlement for <del>Listed</del> Debt Instruments service ("Initiator") shall identify the transaction elements including: Security, quantity, amount, <del>price</del> , settlement date, account of the buyer/seller who received the bid/offer ("Receiver") <a href="#">and the settlement cycle is from T+0 to T+5.</a>					

	<p><b>15.9.2.</b> The Depository and Settlement System will create the Settlement Instruction in accordance with the submitted instructions by the initiator's Custody Member with 'Unmatched' status and sent it to the receiver's Custody Member.</p> <p><b>15.9.3.</b> Settlement Instructions response: In case the receiver's Custody Member accepts, the Settlement Instructions status becomes 'Matched' and the Depository and Settlement System will settle the Settlement Instructions and send successful settlement notification to both relevant Custody Members. In case the receiver's Custody Member rejects the Settlement Instructions, the Settlement Instructions will be cancelled, and the initiator's Custody Member will be notified.</p>	<p><b>15.9.2.</b> The Depository and Settlement System will create the Settlement Instruction in accordance with the submitted instructions by the initiator's Custody Member with 'Unmatched' status and sent it to the receiver's Custody Member.</p> <p><b>15.9.3.</b> Settlement Instructions response: In case the receiver's Custody Member accepts, the Settlement Instructions status becomes 'Matched' and the Depository and Settlement System will settle the Settlement Instructions and send successful settlement notification to both relevant Custody Members. In case the receiver's Custody Member rejects the Settlement Instructions, the Settlement Instructions will be cancelled, and the initiator's Custody Member will be notified.</p>
6.	<p><b>23. Settlement</b></p> <p><b>23.1.</b> Each Settlement Instructions includes intended settlement date.</p> <p><b>23.2.</b> The released Settlement Instructions are settled at Depository and Settlement System between 07:00 AM to 16:10 PM. The Delivery Versus Payment (DvP) Settlement Instructions are settled at predetermined time (settlement batches).</p>	<p><b>23. Settlement</b></p> <p><b>23.1.</b> Each Settlement Instructions includes intended settlement date.</p> <p><b>23.2.</b> The released Settlement Instructions are settled at Depository and Settlement System between <del>07:00</del> 07:30 AM to <del>16:10</del> 16:00 PM. The Delivery Versus Payment (DvP) Settlement Instructions are settled at predetermined time (settlement batches).</p>
7.	<p><b>24. Free of Payment (FoP) Settlement</b></p> <p><b>24.1.</b> The Free of payment Settlement Instructions are settled continuously between 07:00 AM to 16:10 PM.</p>	<p><b>24. Free of Payment (FoP) Settlement</b></p> <p><b>24.1.</b> The Free of payment Settlement Instructions are settled continuously between <del>07:00</del> 07:30 AM to <del>16:10</del> 16:00 PM.</p>

8.	<p><b>SBL Agreement</b></p> <p><b>42.1.</b> The Depository Centre generates new Settlement instructions if the relevant SBL agreement is affected by Corporate Actions.</p>	<p><b>SBL <del>Agreement</del> <u>Transactions</u></b></p> <p><b>42.1.</b> The Depository Centre generates new Settlement instructions <u>or cancels the original Settlement Instructions with new Settlement Instructions</u> if <del>the relevant SBL agreement is</del> <u>securities lent under a Bilateral SBL transactions or Intermediate SBL transactions are</u> affected by Corporate Actions.</p>
9.	<p><b>Section 12: Securities Borrowing and Lending (SBL)</b></p> <p><b>44. SBL registration</b></p> <p><b>44.1.</b> Securities borrowing and lending transactions are created by custodians based on SBL Regulations. Settlement Instructions (Section 5) and Transfers (Section 8) procedures shall apply.</p> <p><b>44.2.</b> Lending Agents if any, or the Custody Members –where applicable- will be the main contact point of lenders/borrowers for the Centre.</p> <p><b>44.3.</b> Throughout the loan duration, the borrowed securities will be included in the lender’s ownership limit (individual and group), and the borrowed securities are included in the borrower’s ownership limit.</p> <p><b>44.4.</b> Registered SBL’s can be cancelled by custodians bilaterally between the parties, and the loan and Collaterals returns will be cancelled.</p>	<p><b>Section 12: <u>Bilateral</u> Securities Borrowing and Lending (SBL)</b></p> <p><b>44. <u>Bilateral</u> SBL registration</b></p> <p><b>44.1.</b> Securities borrowing and lending transactions are created by custodians based on SBL Regulations. Settlement Instructions (Section 5) and <u>Securities</u> Transfers (Section 8) procedures shall apply.</p> <p><b>44.2.</b> Lending Agents if any, or the Custody Members –where applicable- will be the main contact point of lenders/borrowers for the Centre.</p> <p><b>44.3.</b> Throughout the loan duration, the borrowed securities will be included in the lender’s ownership limit (individual and group), and the borrowed securities are included in the borrower’s ownership limit.</p> <p><b>44.4.</b> Registered <u>Bilateral</u> SBL<del>’s</del> can be cancelled by custodians bilaterally between the parties, and the loan and Collaterals returns will be cancelled.</p>

	44.5. The Securities borrowed by a Broker or Custody Member or Qualified Foreign Investor can be transferred to its Client with Onward Lending.	44.5. The Securities borrowed by a Broker or Custody Member or Qualified Foreign Investor can be transferred to its Client with Onward Lending.
10.	<p><b>45. Collateral</b></p> <p>45.1. SBL transactions may include Collateral transaction. Collateral can be cash or a specific instrument and asset class.</p> <p>45.2. Members can top up or withdrawal the Collateral during the agreement.</p>	<p><b>45. Collateral</b></p> <p>45.1. SBL transactions may include Collateral transaction. Collateral can be cash or a specific instrument and asset class.</p> <p>45.2. Members can top up or withdraw<del>al</del> <u>or substitute</u> the Collateral during the agreement.</p>
11.	<p><b>New proposed section</b></p>	<p><u><b>Section 13: Intermediated Securities Borrowing and Lending Transaction (ISBL)</b></u></p> <p><u><b>47. Intermediated Securities Borrowing and Lending Transaction</b></u></p> <p><u>47.1. Securities borrowing and lending transaction are created by the Depository Centre based on ISBL Regulations. Settlement Instructions (Section 5) and Securities Transfers (Section 8) procedures shall apply.</u></p> <p><u>47.2. The Depository Centre will be the main contact point of Lender/Borrower.</u></p> <p><u>47.3. The Securities borrowed by a Broker or Custody Member or Qualified Foreign Investor can be transferred to its Client with Onward Lending.</u></p>



#### 48. Transaction Initiation

48.1. An ISBL transaction request can be initiated in one of the following two ways:

48.1.1. The borrower's custody Member can manually initiate a borrowing request in the Depository and Settlement system.

48.1.2. The Depository and Settlement system automatically initiates a borrowing request for a member that is at risk of failing to settle a cash market trade due to insufficient securities.

48.2. The Depository centre will accept the borrowing request in accordance with the following:

48.2.1. The Depository and Settlement system will automatically allocate Lender(s) and reserves the required securities in the Lender's account before submitting the borrower's request for CCP approval.

48.2.2. Upon successful CCP approval the initial leg of the ISBL, the Depository Centre settled the transaction in the Depository and Settlement system.

#### 49. Borrowing Request Rejection or Expiration

49.1. A borrowing request may be declined by the Depository and Settlement system if the ISBL Lending Pool Account lacks

sufficient balances of the requested securities to fulfil the borrowing request, or if the request is rejected by the CCP.

49.2. Any borrowing request without a matching lender by end of day will be automatically cancelled by the Depository and Settlement system.

#### **50. ISBL Lender Recall**

50.1. The Lender has the right to recall the lent securities at any time after the initial leg of the trade has settled and the loan remains outstanding.

50.2. Upon receiving a recall request, the Depository and Settlement system attempts to identify a replacement Lender/s, provided the recalled securities are available in the ISBL Lending Pool Account.

50.3. If replacement Lender/s cannot be found by the end of the day, the Depository and Settlement system shall, on the day following the receipt of the request stipulated in paragraph (50.2) of these Procedures, initiate a recall request for the return of the lent securities from the borrower. The borrower shall return the lent securities no later than the end of the third day from the date of receiving the Depository Centre's request.

#### **51. ISBL Borrower Return**

51.1. The Borrower has the right to return the borrowed securities at any time after the initial leg of the trade has settled and the loan remains outstanding. To initiate the return, the Borrower may either

		<p><u>specify a return date or bring forward an existing one. the ISBL transaction will be closed on the designated return date in accordance with paragraph (52.1) of these procedures.</u></p> <p><b><u>52. Transaction Closure</u></b></p> <p><u>52.1. On the return date, the Depository and Settlement system settles the closing leg of the ISBL transaction, and the loaned securities are credited back to the lender's account.</u></p> <p><b><u>53. Return Settlement Failure</u></b></p> <p><u>53.1. If the return settlement fails, the Depository Centre will notify the CCP, and the CCP's fails management process will be triggered.</u></p>
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**j) Proposed Amendments on the Securities Borrowing and Lending Regulations compared to the current Provisions:**

	Current Provisions	Provisions after proposed Amendments
	<b>PART 2 Securities Borrowing AND LENDING TRANSACTIONS</b>	<b>PART 2 <u>BILATERAL</u> Securities Borrowing AND LENDING TRANSACTIONS</b>
<b>1.</b>	<p><b>Article 3 SBL transactions</b></p> <p><b>a.</b> An SBL transaction is a privately negotiated trade settled in Depository Centre accounts, under the terms of which:</p>	<p><b>Article 3 <u>BILATERAL</u> SBL transactions</b></p> <p><b>a.</b> A <u>Bilateral</u> SBL transaction is a privately negotiated trade settled in Depository Centre accounts, under the terms of which:</p>

<p>1) a lender temporarily transfers ownership of listed securities to a borrower; and</p> <p>2) the borrower commits to return equivalent listed securities as specified by the Depository Centre.</p> <p><b>b.</b> An SBL transaction must not be entered into unless all of the following conditions are met:</p> <p>1) the SBL transaction is entered into between eligible participants as specified in Article 4 of these Regulations;</p> <p>2) the SBL transaction is entered into in respect of eligible listed securities as specified in Article 5 of these Regulations;</p> <p>3) in relation to the borrower, the SBL transaction is entered into for one of the following purposes:</p> <p><b>i.</b> executing a short selling transactions pursuant to the Short Selling Regulations;</p> <p><b>ii.</b> relending Securities to the clients of the Broker, Custody Member, or Foreign Financial Institutions;</p> <p><b>iii.</b> the resolution of securities settlement failures;</p> <p><b>iv.</b> return of borrowed securities;</p> <p><b>v.</b> the creation of units of exchange traded fund; or</p>	<p>1) a lender temporarily transfers ownership of listed securities to a borrower; and</p> <p>2) the borrower commits to return equivalent listed securities as specified by the Depository Centre.</p> <p><b>b.</b> A <u>Bilateral</u> SBL transaction must not be entered into unless all of the following conditions are met:</p> <p>1) the <u>Bilateral</u> SBL transaction is entered into between eligible participants as specified in Article 4 of these Regulations;</p> <p>2) the <u>Bilateral</u> SBL transaction is entered into in respect of eligible listed securities as specified in Article 5 of these Regulations;</p> <p>3) in relation to the borrower, the <u>Bilateral</u> SBL transaction is entered into for one of the following purposes:</p> <p><b>i.</b> executing a short selling transactions pursuant to the Short Selling Regulations;</p> <p><b>ii.</b> relending Securities to the clients of the Broker, Custody Member, or Foreign Financial Institutions;</p> <p><b>iii.</b> the resolution of securities settlement failures;</p> <p><b>iv.</b> return of borrowed securities;</p> <p><b>v.</b> the creation of units of exchange traded fund; or</p>
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	<p>vi. other purposes determined by the Depository Centre from time to time;</p> <p>4) the SBL transaction complies with the minimum collateral requirement as specified in Article 6 of these Regulations;</p> <p>5) the parties of the SBL transaction have in place a binding written SBL agreement in compliance with the requirements of Article 7 of these Regulations;</p> <p>6) The borrower and the lender or its agent, if any, have suitable arrangements for custody and to execute the SBL transaction, either by being a Custody Member or appointing a Custody Member; and</p> <p>7) the Custody Members referred to in subparagraph (6) of paragraph (b) of this Article and the lending agent, if any, must ensure that securities lending and borrowing by the investors that are not Qualified Investors is according to paragraph (b) of Article 4 of these Regulations.</p> <p>c. The requirements set out in Article 43 except subparagraphs (1), and (2) of paragraph (j) of the Capital Market Institutions Regulations applies to the SBL transactions.</p>	<p><u>vi. conducting Market Making activities; or</u></p> <p><del>vi.</del><u>vii.</u> other purposes determined by the Depository Centre from time to time;</p> <p>4) the <u>Bilateral</u> SBL transaction complies with the minimum collateral requirement as specified in Article 6 of these Regulations;</p> <p>5) the parties of the <u>Bilateral</u> SBL transaction have in place a binding written SBL agreement in compliance with the requirements of Article 7 of these Regulations;</p> <p>6) The borrower and the lender or its agent, if any, have suitable arrangements for custody and to execute the <u>Bilateral</u> SBL transaction, either by being a Custody Member or appointing a Custody Member; and</p> <p>7) the Custody Members referred to in subparagraph (6) of paragraph (b) of this Article and the lending agent, if any, must ensure that securities lending and borrowing by the investors that are not Qualified Investors is according to paragraph (b) of Article 4 of these Regulations.</p> <p>c. The requirements set out in Article 43 except subparagraphs (1), and (2) of paragraph (j) of the Capital Market Institutions Regulations applies to the <u>Bilateral</u> SBL transactions.</p>
2.	<b>Article 4 Eligible participants</b>	<b>Article 4 Eligible participants</b>

	<p>a) Entering into an SBL transaction is limited to the Qualified Investors.</p> <p>b) Notwithstanding paragraph (a) of this Article, investors who are not Qualified Investors may enter into an SBL transaction as a lender or a borrower (where applicable) after satisfying the following:</p> <p>1) in case of entering the transaction as a lending party, it must appoint a Lending Agent in accordance with Article (9) of these Regulations.</p> <p>2) in case of entering the transaction as a borrowing party, it must borrow the securities as a client from its Custody Member or Broker.</p>	<p>a) Entering into a <del>a</del> <a href="#">Bilateral</a> SBL transaction is limited to the Qualified Investors.</p> <p>b) Notwithstanding paragraph (a) of this Article, investors who are not Qualified Investors may enter into a <del>a</del> <a href="#">Bilateral</a> SBL transaction as a lender or a borrower (where applicable) after satisfying the following:</p> <p>1) in case of entering the transaction as a lending party, it must appoint a Lending Agent in accordance with Article (9) of these Regulations.</p> <p>2) in case of entering the transaction as a borrowing party, it must borrow the securities as a client from its Custody Member or Broker.</p>
3.	<p><b>Article 5 Eligible listed securities</b></p> <p>An SBL transaction may only be entered into in respect of listed securities which the Depository Centre specifies, after notifying the Authority.</p>	<p><b>Article 5 Eligible listed securities</b></p> <p>A <del>a</del> <a href="#">Bilateral</a> SBL transaction may only be entered into in respect of listed securities which the Depository Centre specifies, after notifying the Authority.</p>
4.	<p><b>Article 6 Minimum collateral</b></p> <p>a. A borrower entering into an SBL transaction shall provide and maintain collateral as specified in the SBL agreement.</p>	<p><b>Article 6 Minimum collateral</b></p> <p>a. A borrower entering into a <del>a</del> <a href="#">Bilateral</a> SBL transaction shall provide and maintain collateral as specified in the <a href="#">Bilateral</a> SBL agreement.</p>

	<p><b>b.</b> The value of collateral provided by the borrower shall at all times be not less than 100% of the current market value of the borrowed securities.</p>	<p><b>b.</b> The value of collateral provided by the borrower shall at all times be not less than 100% of the current market value of the borrowed securities.</p>
5.	<p><b>Article 7 SBL agreement</b></p> <p><b>a.</b> The parties of an SBL transaction must enter into a binding written SBL agreement which, as a minimum, contains terms which govern the matters specified in Annex 1 of these Regulations.</p> <p><b>b.</b> The Depository Centre may prohibit any potential party to an SBL transaction, whether as agent or principal (where applicable), from entering into an SBL transaction where in its view the terms of the SBL agreement do not meet the requirements set out in these Regulations.</p> <p><b>c.</b> The Depository Centre is not obligated to review the relevant SBL agreement or verify its contents.</p>	<p><b>Article 7 SBL agreement</b></p> <p><b>a.</b> The parties of an <del>a</del> <a href="#">Bilateral</a> SBL transaction must enter into a binding written <a href="#">Bilateral</a> SBL agreement which, as a minimum, contains terms which govern the matters specified in Annex 1 of these Regulations.</p> <p><b>b.</b> The Depository Centre may prohibit any potential party to an <del>a</del> <a href="#">Bilateral</a> SBL transaction, whether as agent or principal (where applicable), from entering into an <del>a</del> <a href="#">Bilateral</a> SBL transaction where in its view the terms of the <a href="#">Bilateral</a> SBL agreement do not meet the requirements set out in these Regulations.</p> <p><b>c.</b> The Depository Centre is not obligated to review the relevant <a href="#">Bilateral</a> SBL agreement or verify its contents.</p>
6.	<p><b>Article 8 Return of borrowed securities and collateral</b></p> <p><b>a.</b> A lender of borrowed securities or its agent shall accept every return of equivalent securities from the borrower as specified in the SBL agreement, and re-deliver collateral corresponding to such return to the borrower as agreed in the SBL agreement.</p> <p><b>b.</b> Where there has been a failure to return the borrowed securities or the collateral in accordance with the terms of the SBL</p>	<p><b>Article 8 Return of borrowed securities and collateral</b></p> <p><b>a.</b> A lender of borrowed securities or its agent shall accept every return of equivalent securities from the borrower as specified in the <a href="#">Bilateral</a> SBL agreement, and re-deliver collateral corresponding to such return to the borrower as agreed in the <a href="#">Bilateral</a> SBL agreement.</p> <p><b>b.</b> Where there has been a failure to return the borrowed securities or the collateral in accordance with the terms of the</p>

	<p>agreement, the Custody Member entered into the SBL transaction shall notify the Depository Centre, and the Depository Centre will terminate the SBL transaction in accordance with the mechanism and controls prescribed by the Depository Centre from time to time.</p>	<p><u>Bilateral</u> SBL agreement, the Custody Member entered into the <u>Bilateral</u> SBL transaction shall notify the Depository Centre, and the Depository Centre will terminate the <u>Bilateral</u> SBL transaction in accordance with the mechanism and controls prescribed by the Depository Centre from time to time.</p>
	<p><b>PART 3 Lending agent</b></p> <p><b>Article 9 Lending agent</b></p> <p><b>a.</b> A person may enter into an SBL transaction as lending agent if it is a Custody Member or a Broker.</p> <p><b>b.</b> Each person who acts as a lending agent for a client who is a lender must ensure, before entering into SBL transactions on behalf of such client, that:</p> <p><b>7.</b></p> <ol style="list-style-type: none"> <li><b>1)</b> a binding written SBL agreement with the relevant counterpart which complies with the requirements of these Regulations is in place;</li> <li><b>2)</b> the terms on which the lending agent will act on behalf of the client are documented in writing; and</li> <li><b>3)</b> the terms on which the Custody Member will act on behalf of the Broker referred to in paragraph (a) of this article are documented in writing, where applicable.</li> </ol>	<p><b>PART 3 Lending agent</b></p> <p><b>Article 9 Lending agent</b></p> <p><b>a.</b> A person may enter into a <u>Bilateral</u> SBL transaction as lending agent if it is a Custody Member or a Broker.</p> <p><b>b.</b> Each person who acts as a lending agent for a client who is a lender must ensure, before entering into <u>Bilateral</u> SBL transactions on behalf of such client, that:</p> <ol style="list-style-type: none"> <li><b>1)</b> a binding written <u>Bilateral</u> SBL agreement with the relevant counterpart which complies with the requirements of these Regulations is in place;</li> <li><b>2)</b> the terms on which the lending agent will act on behalf of the client are documented in writing; and</li> <li><b>3)</b> the terms on which the Custody Member will act on behalf of the Broker referred to in paragraph (a) of this article are documented in writing, where applicable.</li> </ol>



	c. The lending agent may assign a third party to carry out any of its functions as specified in the SBL agreement.	c. The lending agent may assign a third party to carry out any of its functions as specified in the <a href="#">Bilateral</a> SBL agreement.
8.	<b>New proposed PART</b>	<p><b><u>PART 3 INTERMEDIATED SECURITIES BORROWING AND LENDING TRANSACTIONS</u></b></p> <p><b><u>Article 10 INTERMEDIATED SBL TRANSACTIONS</u></b></p> <p>a. <u>An Intermediated SBL transaction means, a service provided by the Depository Centre upon a request by the borrower on listed Securities deposited in the Depository Centre, under the terms of which:</u></p> <p>1) <u>The Depository Centre shall act as lending agent.</u></p> <p>2) <u>The Depository Centre shall temporarily transfer the ownership of listed securities to the borrower.</u></p> <p>3) <u>The borrower commits to return equivalent listed securities as specified by the Depository Centre.</u></p> <p>4) <u>The lender and borrower's Custody Member shall appoint a Clearing Member to carry out the clearing of such transaction.</u></p> <p>5) <u>The provisions of subparagraph (3) of paragraph (b) of Article (3), and Article (5) of these regulations shall apply on the ISBL transactions.</u></p>

6) if a Custody Member wishes to participate in lending activities, such Custody Member shall be required to establish a segregated account for each client wishing to lend.

7) The Depository Centre will enable a borrower's Custody Member to access the ISBL Lending Pool Account to view the securities available for borrowing through ISBL.

8) Upon receipt of a borrowing request from a borrower's Custody Member, the Depository Centre system shall identify and match suitable lender(s) from the securities available in the Lending Pool Account.

9) The Depository and Settlement system will automatically match borrowing requests on a fill-or-kill basis, meaning partial order matching will not be allowed.

10) The Custody Member shall pay any fees determined by the Depository Centre from time to time.

#### **Article 11 AVAILABLE SECURITIES FOR ISBL TRANSACTIONS**

a. The Custody Member of the lender shall transfer the listed securities that the investors seek to make available for borrowing to the segregated account specified in subparagraph (6) of paragraph (a) of article (10) of these regulations.

b. The Depository Centre shall restrict any settlement instruction except the borrowing and lending settlement instructions on the

securities referred to in paragraph (a) of this Article for the purpose of completing the transaction.

#### **Article 12 AUTO BORROWING FOR INTERMEDIATED SBL TRANSACTION**

To prevent securities settlement failures, the Depository Centre may -based on the Custody Member's prior authorization- initiate an automated Intermediated SBL transaction on behalf of the Exchange Member at the end of the settlement day. Such transaction shall be subject to the provision of Part 3 of these regulations.

#### **Article 13 RETURN OR RECALL OF BORROWED SECURITIES**

a. The lender may recall the lent securities, and the borrower may return the borrowed securities at any time during the loan period.

b. The lender shall accept every return of equivalent securities as specified in the Intermediated SBL authorisation form for borrowing and lending.

c. Partial recall or return of ISBL securities is not permitted. However, the Depository Centre during the settlement of a return or recall may settle the transaction partially based on the availability of the securities in accordance with the Depository Centre Procedures.

d. Upon recall, the lender shall receive the lent securities before the end of the fourth day from the date of the recall request in accordance with the Depository Centre Procedures. Should the

		<p><u>borrower fail to return the securities within this period, the CCP's fails management procedures shall be applied.</u></p> <p><b><u>Article 14 INTERMEDIATED SBL AUTHORIZATION FORM</u></b></p> <p>a) <u>The Custody Members shall, on behalf of their clients, submit the ISBL authorization form for lending and/or borrowing to the Depository Centre in accordance with the form prescribed for that purpose.</u></p> <p>b) <u>The Depository Centre may prevent any party from entering into an ISBL transaction if it fails to meet the requirements specified in these regulations.</u></p>
9.	<p><b>Article 11 Copy of the SBL agreement</b></p> <p>The Depository Centre may at any time require some or all Custody Members who entered into an SBL transaction, to submit a copy of the SBL agreement with the relevant counterpart to the Depository Centre in accordance with the mechanism and the controls prescribed by the Depository Centre from time to time.</p>	<p><b>Article <del>11-16</del> Copy of the <u>Bilateral</u> SBL agreement</b></p> <p>The Depository Centre may at any time require some or all Custody Members who entered into an SBL transaction, to submit a copy of the SBL agreement with the relevant counterpart to the Depository Centre in accordance with the mechanism and the controls prescribed by the Depository Centre from time to time.</p>
10.	<p><b>Article 15 Cancellation of SBL transaction</b></p> <p>In the event of listing cancellation of a lent security, the Depository Centre will cancel the related SBL transactions and Collateral.</p>	<p><b>Article <del>15-20</del> Cancellation of SBL transaction</b></p> <p>In the event of listing cancellation of a lent security, the Depository Centre will cancel the <del>related</del>-SBL transactions and <u>cancel the related</u> Collateral <u>(Where applicable)</u>.</p>

PART 7 ANNEX		PART 7 ANNEX	
ANNEX 1 Matters to be included in SBL Agreements		ANNEX 1 Matters to be included in <u>Bilateral</u> SBL Agreements	
11.	1. <b>Parties</b>	1. <b>Parties</b>	
	The names of all relevant parties of the SBL transaction including the borrower and the lender or any lending agent, as specified in paragraph (10) of this annex.	The names of all relevant parties of the SBL transaction including the borrower and the lender or any lending agent, as specified in paragraph (10) of this annex.	
	2. <b>Duration</b>	2. <b>Duration</b>	
	The SBL agreement period.	The SBL agreement period.	
	3. <b>Return of borrowed securities</b>	3. <b>Return of borrowed securities</b>	
	The provisions of the return of borrowed securities, including any related notice periods.	The provisions of the return of borrowed securities, including any related notice periods.	
	4. <b>Securities</b>	4. <b>Securities</b>	
	Unless the parties agree otherwise, the securities to be borrowed and any securities provided as collateral must be delivered to the other party free of any encumbrances or restrictions.	Unless the parties agree otherwise, the securities to be borrowed and any securities provided as collateral must be delivered to the other party free of any encumbrances or restrictions.	
	5. <b>Acceptable collateral</b>	5. <b>Acceptable collateral</b>	
	Arrangements for the delivery of collateral, the maintenance of margin and the substitution of collateral.	Arrangements for the delivery of collateral, the maintenance of margin and the substitution of collateral.	
	6. <b>Voting rights, distributions and corporate actions</b>	6. <b>Voting rights, distributions and corporate actions</b>	

	Determining the rights of the parties in respect of voting rights, distributions, and corporate actions relating to the borrowed securities and any securities provided as collateral.		Determining the rights of the parties in respect of voting rights, distributions, and corporate actions relating to the borrowed securities and any securities provided as collateral.
7.	<b>Recall right</b>	7.	<b>Recall right</b>
	The terms on which the lender has the right to recall the borrowed securities, if any, before the loan period end date.		The terms on which the lender has the right to recall the borrowed securities, if any, before the loan period end date.
8.	<b>Events of default</b>	8.	<b>Events of default</b>
	The rights and powers of either party in the event of a default by the other party, including with regard to collateral.		The rights and powers of either party in the event of a default by the other party, including with regard to collateral.
9.	<b>Notices</b>	9.	<b>Notices</b>
	The methods of sending notices between the parties.		The methods of sending notices between the parties.
10.	<b>SBL agreement annex (in case of appointing lending agent)</b>	10.	<b>SBL agreement annex (in case of appointing lending agent)</b>
	a. lending Agent name.  b. all lending agent client's names in the SBL agreement.		c. lending Agent name.  d. all lending agent client's names in the SBL agreement.