

Jordanian Central Securities Depository and Registry System
Based on USAID provided software
A Concept Paper by Bill Gorman
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Introduction

The overall business objectives of the Securities Depository Company (SDC) for the Jordanian Capital Market are:

1. To simplify the process of transferring ownership of securities;
2. To increase public confidence in the securities market;
3. To raise the Jordanian securities market to the standards of international capital markets;
4. To increase the liquidity of the marketplace.

In order to achieve these goals, the SDC will implement systems to automate the clearance and settlement of the trades executed on the Amman Stock Exchange (ASE) and Registration of Jordanian securities. USAID has a suite of programs to support the SDC function and will custom tailor these programs to suit the unique requirements of the ASE and the Jordanian Capital Markets. This suite of programs will be linked to ASE's automated trading system independent of which system ASE implements.

We are proposing to modify, to meet Jordanian requirements, the Depository, Clearance and Settlement (DCS) computerized transaction and inquiry system currently in use in Romania. The DCS system offers logical work flows for data retrieval, data input, and transaction processing. There are also many safety features incorporated into the DCS system to protect processed data and ensure accurate and complete input of information.

This concept paper is designed to provide the SDC, the ASE and the Jordan Securities Commission (JSC) with an explanation of how the essential business functions and operations of the SDC is addressed by the USAID provided systems. It lists only the more important functions. A full explanation can be found in the DCS User Manual.

Depository Functions

The Depository, Clearance and Settlement system:

- Permits users to perform ownership transfers "from street name", "sub-account" and "account transfers".
- Maintains the current and historical data of the securities ownership transfers.
- Allows viewing and printing of the account position statements in detail or summary for any selected period.
- Allows execution of the Clearing and Settlement functions in batch or on-line mode.
- Provides viewing of the Clearance and Settlement functions on-line such as closing price, funds adjustments.
- Facilitates printing of the reports.

- Provides on-line information on daily trades and funds adjustments.

DCS's Role in the Depository:

The DCS system enables the user to perform the functions noted above in an efficient and effective manner. Required information is entered into pre-formatted entry fields. Current and historical data is captured in the DCS database for easy inquiry.

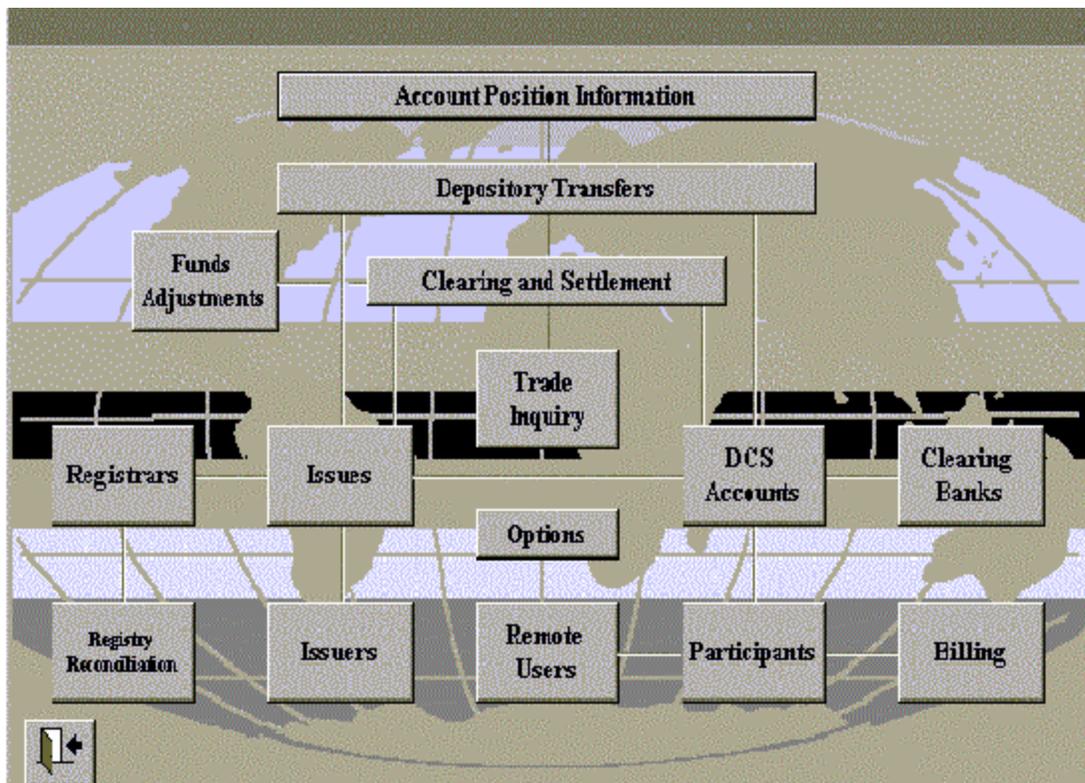
Screens are accessible and printable, and the report options have been designed to meet users needs. The DCS system has data protection and data access security features incorporated.

DCS Software and Hardware Required:

Users of DCS can access the system using Pentium PC's with 32 MB RAM, Windows 95 operating system, DCS software, printer etc.

Operating DCS

The DCS Main Menu lists the basic functions provided.



The DCS Main Menu consists of the menu bar, toolbar and 15 icons representing the DCS database and an Exit icon. The DCS icons are:

Account Positions Information - Allows users to inquire on positions by account or symbol, position breakdown and history, record date holders and account statements.

Depository Transfers - Allows users to view detail information on transfers and enter new transfer requests.

Funds Adjustments - Allows users to view and enter adjustments of participant's penalties, late charges etc. Only JSC personnel may make funds adjustments.

Clearing Settlement - Allows users to view and execute requests related to clearing and settlement. Batch controls and reports, securities settlement, funds settlement and closing market prices are available from this function.

Trade Inquiry - Allows users to view their trades.

Registrars - Allows users to view detail information on registrars and contacts and allows JSC personnel to enter new information.

Issues - Allows users to view detail account information by symbol, position breakdown, account position history, and enter new issue information.

DCS Accounts - Allows users to view detail information on their accounts, sub-accounts and positions in their accounts.

Clearing Banks - Allows users to view detail information on banks including contact data and enter new banks to the DCS System.

Options - Allows users to view detail information on all the DCS options.

Registry Reconciliation - Allows users to view out-of-balance positions with registries and import the latest positions reported to update the reconciliation process.

Issuers - Allows users to view detail information on issuers including issues by issuer, registrar for issuers, contact information and enter new issuers to the DCS System.

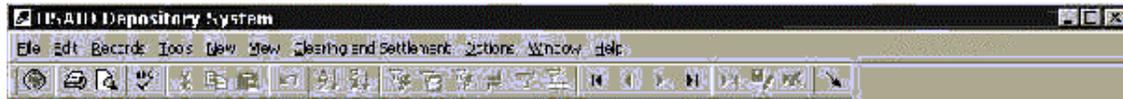
Remote Users - Allows users to view detail information on remote users including all user log-on id's by individual and organisation and enter new remote users to the DCS System.

Participants - Allows JSC users to view detail information on participants including account and sub-account positions and enter new remote users to the DCS System.

Billing - Allows users to request either detail or summary billing report request.

Exit DCS - Allows users to exit the DCS system.

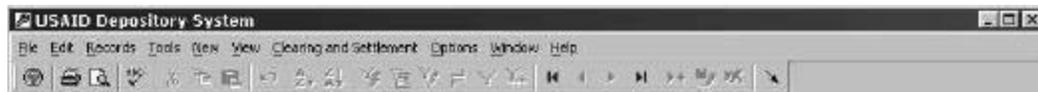
Using Pull Down Menus



To select a sub-options from one of the main options, click on the main option you want to select. The sub-options will be displayed in a pull down menu. Select the sub-option you want to execute by clicking on the option.

Locating Information within the DCS System

Use the toolbar options SORT and FILTER to locate or find information within the DCS System.



DCS System Options :

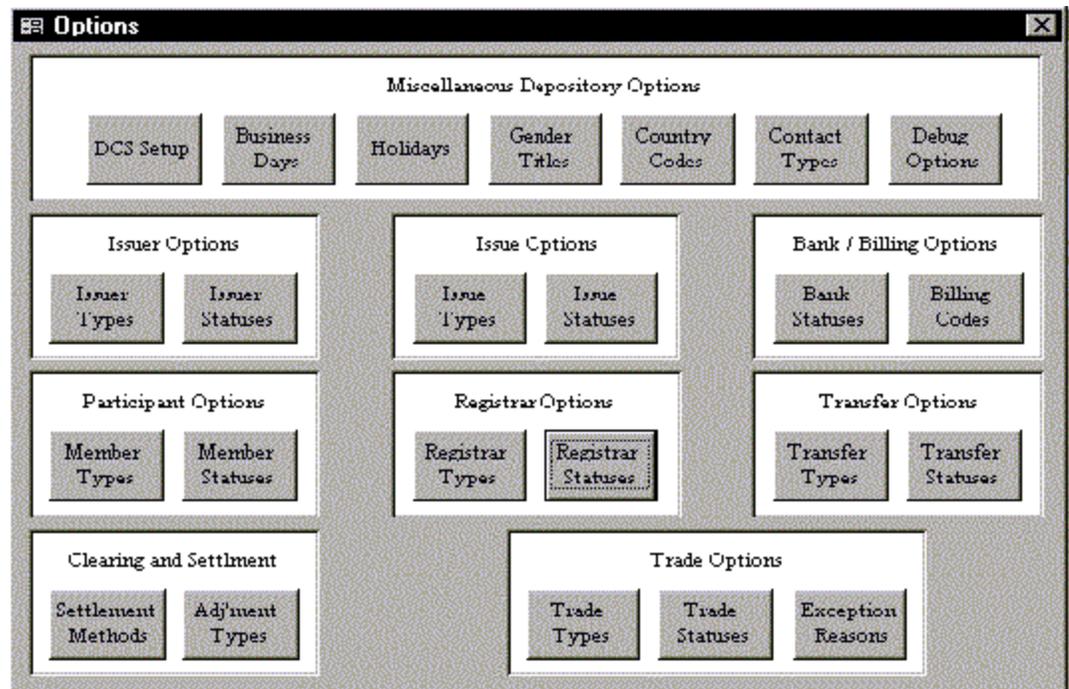
What are DCS Options?

DCS options allows users to customise certain categories, such as type or status of an item, to meet their specific needs. This flexibility eliminates the need for system modifications whenever a new category needs to be added.

Who Uses DCS Options?

The DCS supervisor or manager is responsible for maintaining the options. **Some options are system generated and cannot be changed.**

From the DCS Main Menu click the Options icon. DCS displays the Options screen.



These options are grouped in nine major categories. They are:

- | | |
|--------------------------|-----------------------|
| Miscellaneous Depository | Issuer |
| Issue | Bank/Billing |
| Participant | Registrar |
| Transfer | Clearing & Settlement |
| Trade | |

Miscellaneous Depository Options

DCS Setup Contains Depository organization information such as address, telephone numbers as well as type of settlement and the cut-off time for the settlement. Only one Depository organization per system can be defined.

Business Days Allows the users to select the normal business days the SDC open for business.

Holidays Allows the users to enter data and description about the holidays.

Gender Titles Allows the users to assign gender prefixes to identify customers.
Example: 1 = Mr. or 2 = Mrs.

Country Codes Allows the users to assign country codes to be used by the system Example:
JO - Jordan

Contact Types Allows the users to assign type codes to different contacts within a corporation. Example: Accounts Payable

Debug Options Used by System Administrator.

Issuer Options

Issuer Types Allows the users to assign type codes to categorize Issuers.
Example: Corporation

Issuer Statuses Allows the users to assign status codes to identify issuer's condition.
Example: 1 = Normal

Issue Options

Issue Types Allows the users to assign type codes to securities.
Example: 1 = Common Stock

Issue Statuses Allows the users to assign status codes to securities.
Example: 1 = Restricted

Bank/Billing

Bank Statuses Allows the users to assign status codes to the settlement bank.
Example: 3 = Closed

Billing Codes Allows the users to assign event id codes to the billing description which is chargeable to the customer. Example: 3 = Trades-Cleared

Participant Options

Member Types Allows the users to assign type codes to the participants.
Example: 4 = Nominee

Member Status Allows the users to assign status codes to the participants.
Example: 3 = Active

Registrar Options

Registrar Types - Allows the users to assign type codes to the registrar.
Example: 2 = Issuer Managed

Registrar Statuses Allows the users to assign status codes to the registrars.
Example: 1 = Open

Transfer Options

Transfer Types - Allows the users to assign type codes to the transfer action.
Example: 4 = To Street Name

Transfer Status - Allows the users to assign status codes to the transfer action.
Example: 4 = Registry Rejected

Clearing and Settlement Options

Settlement Method Codes: Allows users to specify settlement type.
Example: 1= Trade-for-Trade Settlement (TFT)

Adjustment Types Allows the users to assign funds adjustment type codes.
Example: Penalty for Open Fail

Trade Options

Trade Types Allows the users to assign type codes to the unsettled trades.
Example: 1 = Market

Trade Statuses Allows the users to assign status codes to the unsettled trades.
Example: 1 = Confirmed

Exception Reasons Allows the users to assign reason codes to the trade exceptions.
Example: 1014 = Duplicate Trade ID

Registrar:

This option allows the users to maintain Registry information in the Depository system. It is possible to use a single central Registrar or to interface with multiple Registries from a the SDC. When a transfer from the Depository to the Registry is made, the system will use the Registry ID # to transfer information to the appropriate registry.

Registrar information can be accessed by clicking on the Registrar icon on the main DCS menu. System will display a list of all Registries.

This screen has three options:

View Detail: Provides detail information about the Registry

New: To add new Registry data, click on this button

Contacts: Use this button to view or add contact information about the Registry

View detail provides Registrar Detail information:

Name: Name of the Registry

ID#: Fiscal Code of Company

Type: Type of the Registry

2nd ID: CNVM ID Registry Identification Number
Status: Open or Closed
Address: Address where the Registry is located
City/Region: City and Region where the Registry is located
Postal Code: Postal Code for the Registry
Telephone#: Telephone # of the Registry
Country: Country name where the Registry is located
Facsimile#: Fax# for the Registry

Issuers:

The option on the DCS main menu allows adding and viewing of the Issuing companies. Click on the option to list the current Issuers.

Name: Name of the Issuer
ID#: Issuer's ID #, represents the Fiscal Code
Type: Type of company
Phone#: Issuer's phone number
Status: Company Status

Issues

The Issues option on the main DCS menu allows the users to view and add information about the securities. Issues must exist in the DCS system and must contain valid a 'Symbol' and an 'Issue ID' number. List of all securities in the DCS system can be obtained by clicking on the Issues icon.

Participants:

The Participant List screen provides the user with a list of all participants (broker/dealers & banks) at the Depository. To list all current Direct Users of the Depository system, click on the Participant icon of the DCS main menu.

DCS Accounts: To list or add clearing accounts for the direct user, click on the DCS accounts.

To enter a direct user's participant account number access the blank fields at the bottom of this screen. Input the following information: Bank account number, Clearing Bank (from pull down), free form description and Click on (auto number) to assign the next sequential account number.

Depository Transfers

To view all Depository Transfers; select the Depository Transfer icon from the DCS main menu.

A list of all transfers executed by the DCS System will be displayed.

Depository Transfer Detail Fields:

Transfer Type Identifies the five different types of transfers in the DCS system, of which, the first three are available to the Depository. The system will prompt for information related to the selected type. For example, if the credit account number is entered, the system will provide account information. A sample sub-account screen follows.

Sub-account: Transfer from one sub-account to another within the main account.

Free/Portfolio: Transfer from one direct user's account to another.

from Street Name: Transfer from direct user's account at Depository into the shareholders account at the Registry

The other two transfer types not allowed in the Depository system are;

to Street Name: Indicates transfer from Registry to Depository

Settlement: Indicates transfer of securities as a result of Trade-for-Trade movement. System will update this information when the transfer occurs in batch.

Clearing & Settlement:

The Clearing & Settlement option provides the following functions: Batch Controls and Reports, Securities Settlements, Funds Settlements and Closing Market Prices.

Projected Settlement

This option reflects projected (prior to settlement date) net securities settlement data: Date, Account, Symbol, Shares to Settle, Funds to Settle and Settle Method. The information will also be on batch reports. This screen allows the user direct access to the Funds Settlement information.

Trade Inquiry List:

The purpose of this option is to facilitate on-line viewing of all trades. This option will be used mainly for research and inquiry purposes and to resolve conflicts in order to settle the unsettled trades.

Funds Adjustments:

This option allows the users to view any adjustments to the settlement funds. These adjustments are made by the Depository and typically include miscellaneous adjustments such as Depository fees, prepayment, penalties or any other adjustments. These adjustments are also reported on the 'Settlement Projection Report' after the settlement cycle.

Interfaces:

Types of interfaces;

The Depository, Clearance & Settlement system directly interfaces with Independent Shareholder Registry (RISR), Remote Depository (RDCS) and OTC systems. The interface to Remote Registry is through the main Registry (RISR) system.

Trading Systems:

When the trade import file containing today's trades and corrections are received, the DCS system is updated with the trade data. Any rejections are sent back to Trading System for corrections.

From Depository (DCS) to Registry (ISR)

Transfer types of "from street name" from the main Depository (DCS) directly and Remote Depository(RDCS) (via the main Depository (DCS)) go to the Registry(ISR). If rejected by the Registry (ISR), the transfers are sent back. If completed, the Reconciliation module in the main Depository (DCS) system is updated.

From main Registry

From the main Registry (ISR) directly and the Remote Registry indirectly (RISR), all "to street name" transfers go to the main Depository (DCS) system. If rejected, they come back to Registry. If completed, the Reconciliation module in the Registry is updated.

Out-of-balance Depository positions:

The reconciliation process is designed to provide users up-to-date information on Depository positions of security at all time by comparing the Registry system transfer activity to the Depository transfer activity. **If both sides are in agreement, the security will not be displayed on the reconciliation screen.** Otherwise, the system will display Registry counts vs. Depository counts for the security on the Reconciliation screen.

When transfers are made from the Depository to the Registry, the system updates counts for the DCS Position immediately. The automatic update of the Registry (ISR) position is scheduled for every morning. Manual updates can be executed any time during the day by clicking on the import button of the reconciliation screen.

Remote Access

The Remote Access feature of the Depository, Clearance and Settlement system provides the user the ability to set up 'system and security access' for brokers, dealers and banks who will be allowed to use the Remote Depository Clearance and Settlement system. The set ups done through this screen will be used to verify User ID and password for remote access and to confirm that the user is authorized to access this account during the transfer of the securities.

For remote access;

- The user firm must be set-up as organization in the DCS system.
- Organization must be linked to one or more accounts.
- All users within the organization must be set-up as valid users of the system.
- All the remote users must be linked to "only one account"

DCS REPORTS:

The Depository Clearing & Settlement system generates;

- manual as well as batch reports.
- manual reports provide the user the flexibility of selecting report period and in many cases account numbers.
- some reports, such as, Billing reports are interactive reports which the system updates information immediately. The settlement reports depend on the settlement cycles.
- all of the manual reports can be previewed by the user on-line before printing them.

The following reports are produced sub-option 'Batch Controls & Reports' under main option 'Clearing & Settlement' on the 'DCS main menu'.

- Trade Detail
- Settlement Projections by Member
- Funds Projections by Bank
- Actual Settlements by member
- Funds Settlements by bank
- Failed Settlements
- Trade Import Exception Report

The following reports are produced using the 'Billing' option on the 'DCS Main Menu'.

Billing Detail report

The following Statements/Reports are produced using the 'Account Position and Information' option on the 'DCS Main Menu'.

- Record Date
- Account Statement