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COMPLIANCE OF SDC BY-LAWS
WITH
INTERNATIONAL BEST PRACTICE

Final Report

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Data Page

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- Disclosure, Confidentiality
- Membership
- Registry, Depository, Clearing, Settlement
- Depository

Abstract

This report articulates the findings of our review of the SDC proposed and adopted Member Commitment and By-Laws, documenting the relationship between the SDC and its present and eventual Members, under international standards applicable to securities depository, clearing and settlement activities.

These standards aim at strengthening capital markets by reinforcing the mutual obligations between market players arising from a securities transaction, and between them and the depository, clearing and settlement agency. They address legal risks present in all depository and settlement activities.

To minimize such legal risks, it is first recommended as essential the relationship between such agency and its members be documented. Secondly, it must clearly specify respective and fair rights and obligations of the parties to become and remain members of the agency and when using its services, thereby preventing time-consuming and costly litigation standing in the way of efficient settlement, and enabling market players to operate under common, predictable and standardized processes. Thirdly, the documentation must be enforceable: parties must be compelled to abide by it, and it must be upheld if tested by the law, preferably under all circumstances including Member insolvency and bankruptcy.

We have reviewed the SDC documentation (actual and proposed Membership Commitment and By-Laws):

- Internal Bylaws
- Membership and Business Ethics
- Securities Depository Center's Proceeds for 2004
- Instructions on the Disclosure of Information Data and Records for 2003
- Registration, Deposit and Settlement for 2004
- Settlement Guarantee Fund for 2004

Our general comments on the SDC documentation are found in the Report, and our comments on specific provisions are found among those provisions of the documentation reproduced in the Appendices.

This review indicates the SDC documentation generally meets such standards, for all current services provided by SDC. We have outlined a few areas in the documentation, pertaining to both the structure and substance, the SDC may wish to revisit in due course.

Particularly from the time of their inception, such documents can be expected to change to reflect experience, practices, adjustments and changes in existing services and the introduction of new ones, and new policies, international standards and best practices. It is our opinion the SDC, with the support of its regulator, is best positioned to determine when further revisions to its documentation are appropriate.

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EXECUTIVE SUMMARY

Background:
The clear, complete and well-conceived documentation of the relationship between a central securities depository and settlement agency with its Members, is crucial for two main reasons. It protects it from the huge financial liabilities it can face in providing depository and settlement services. It also affords market participants and regulators the transparency and predictability of the agency's operations, to clearly know the rights and responsibilities of SDC and market professionals.

The Group of Thirty (G-30), the Bank for International Settlements (BIS), the International Securities Services Association (ISSA) and the International Organization of Securities Commissions (IOSCO) – constantly release and update recommendations of best practices on documenting this unique relationship. Their purpose is to improve the efficiency of such services, and to minimize their risks and costs, in order to increase investor confidence and a capital market's attractiveness.

Findings:
Subject to appropriate eventual improvements mentioned below, and in light of best international practices, we found from our review of both adopted and proposed SDC Member Commitment and By-Laws governing the SDC-Member relationship, that these SDC documents adequately address the relationship between SDC and its Members for all current services in all important respects.

Suggested actions:
Based on SDC's own determination of the appropriateness, for the Jordan capital market, of applying the various international standards and best practices, and at the proper time, and with its Members's cooperation, SDC may wish to consider certain existing aspects of their relationship that, if modified, should be reflected in the SDC documentation.

Suggested adjustments to the documentation could include:

- the consolidation of all By-Laws into a single and uniform comprehensive document, once all By-Laws have been adopted, approved by the regulator, implemented, and given a period of time to ascertain their appropriateness, (see an illustration of such consolidation into a single document, with the proposed table of contents of consolidated by-laws, in Appendix H);
- the allocation of responsibilities between Members, and the non-liability of SDC;
- more stringent fines, to deter from mistakes, delinquent practices;
- the possible "formalization" into an advisory group of SDC service users, of the current "corporate governance" practice of consultation between SDC and its Members, on existing and proposed By-Laws and operations;
- the possible delegation by the Board of Directors to a specialized Audit Committee of the Board, constituted of three of its Board members, to review and dedicate their time and attention, and make recommendations to the full Board regarding audit, insurance, legal and other risk matters;

- capturing "due process" procedures to safeguard the rights of SDC and Members when taking actions affecting membership (amending By-Laws, suspension, SGF);
- additional discretion to SDC management in utilizing the SGF.

1. Purpose of this Report

In order to assist the Securities Depository Center (SDC) establish itself as a globally recognized Central Securities Depository (CSD), AMIR Jordan engaged the Consultant to ensure that the bylaws which govern the SDC adhere to regional and international standards. The Consultant reviewed existing SDC bylaws that have been translated to English, and provided written comments on the compliance of these bylaws with best international practice.

The objective of this consultancy is to deliver a report on compliance of SDC's bylaws to international standards.

Prior to his field visit, the Consultant read and commented the Jordan Securities Law, 2002, and reviewed and commented the following SDC By-Laws:

- Internal Bylaws
- Membership and Code of Conduct
- Instructions on the Disclosure of Information Data and Records for 2003
- Securities Depository Center's Proceeds for 2004
- Settlement Guarantee Fund for 2004

and initially submitted in draft form such comments, to be considered as preliminary until a better understanding of the actual context is gathered during the field visit.

In Jordan, between July 25 and August 2, the Consultant received a draft of and reviewed and commented on the following new document:

- Registry, Depository and Settlement for 2004

The Consultant also interviewed the following individuals to better understand in context the work specified under this consultancy, and to report on his findings and seek feedback:

- Mr. Samir Jaradat, Executive Manager of the SDC
- Ms. Lana Gharaibeh, SDC Legal Department
- Messrs. Khush Choksy and Mike Salik, respectively Leader and IT Consultant of the AMIR Program – Financial Markets Development Component;
- Messrs. Donald L. Richardson and Jamal Al Jabiri, respectively Senior Private Sector Advisor and Project Management Specialist-Private Sector, of the Economic Opportunities Office of USAID.

The Consultant's comments in this report can be considered as final. This report evaluates the SDC bylaws against best international practice, taking into account the status of Jordan's capital market.

2. International Best Practices

International standards applicable to clearing, settlement, depository and registry agencies are numerous: they have initially been set forth some fifteen years ago, and are periodically revised, as markets around the world and technology evolve.

The main sources of such standards are:

- the Group of Thirty (G-30, at www.group30.org)
- the International Organization of Securities Commissions (IOSCO, at www.iosco.org)
- the Bank for International Settlements (BIS, at www.bis.org),
- the International Securities Services Association (ISSA, at www.issanet.org), and to some extent
- Rules 17f-5 and 7 of the U.S. Securities and Exchange Commission (under the Investment Companies Act, governing U.S. mutual funds in selecting a foreign securities depository as their custodian, at www.aspenpublishers.com/secrules.asp).

Their standards, based on their scope, can be categorized into two sets. One set of those standards pertains to external and internal services the agency should provide and perform.

The other set addresses the documentation governing the relationship between the agency itself, in this instance the SDC, and its Members. This set has two purposes: protect the agency by limiting the potentially huge liability the agency can incur in providing clearing and settlement services, and clarify the respective obligations and rights of the Agency and its Members to avoid any conflict and support the smooth functioning of the clearing, settlement, depository and registry system in the country. These risks are commonly referred to as the "legal risks", as distinct from the "operational risks", "financial risks", "credit risks" and "systemic risks" facing depositories and settlement systems.

Since this review pertains to SDC's written corporate and service documentation, our review focuses essentially on that set of standards applicable to the "legal risks" or the SDC's documentation that is currently found in its above-mentioned By-Laws. However, when our review of the documentation reveals the need to align a service or a policy with an international standard, mention of it is made.

The essential principles of this set of standards, applicable to documenting the relationship agency-Members, can be summarized in 10 standards that require, as much as possible, the documentation (and in certain specific instance the laws as well) to:

1. foster the prompt and accurate clearance and settlement of trades; the safeguarding of securities and funds in the custody of the agency; cooperation with entities involved with the clearance and depository system; the protection of the public and investors;

2. include a signed written contract, in standard form, governing the relationship between the agency and its Members;

3. bring succinctly to the attention of the Member, and preferable in the contract rather than in the rules, its main responsibilities, such as contributing to a guarantee fund, loss allocations, pledge and other financial obligations, netting of funds and securities, and novation of contractual obligations and of the parties to a trade, when applicable;

4. set forth which entities are eligible to become members, and membership standards;

5. set forth the standards and policies establishing the relationship, clearly and unambiguously, to bring transparency and predictability to the processes, operations, the respective roles and responsibilities of the agency and its Members, and timeframes;

6. specify the assets in the custody of the agency are subject only to the Member's or investor's instructions, and to the agency's reasonable care, prudence and diligence;

7. ensure there are no rights of the agency over the assets in the agency's custody (lien, pledge), other than in favor of the agency but only to secure the Member's financial obligations to the depository, clearing and settlement systems only, not for the benefit of SDC itself (e.g. its fees);

8. give Members a reasonable opportunity to have input at the proper levels, in the decisions of the agency, in policies and operational processes, to also be documented, and compliance with which must be assured by the agency through a proper disciplining process, fines and sanctions;

9. be legally enforceable, which requires that it be entered into by parties who have proper authority, and supported by legislation that serves, not contradict, the provisions of the documentation and the purpose and objective of a capital market's clearing, settlement, depository and registry system, particularly vulnerable in a situation of Member insolvency and bankruptcy;

10. ensure Members are treated fairly and equally, and bear responsibility and be charged fees, but limited to only the services they actually use.

3. Comments on By-Laws:

Detailed comments on the provisions of the documentation reviewed are found in the Appendices to this report. General notes and comments follow immediately below.

A. Internal Bylaws

The corporate by-laws of a depository do not substantially differ from those of any other corporation, as they deal essentially with the internal governance by Members, the Board of Directors and its Committees. There are two exceptions to this statement.

First, as a keeper of funds and securities of Members and investors (and eventually issuer payment funds), the by-laws could set forth the creation, composition and mandate of an Audit Committee of the Board of Directors. The Board will retain its full control and discretion over audit, insurance, legal and other risk-related matters. The Board merely assigns to the Committee, which becomes a specialized body of the Board, the responsibility to dedicate appropriate time and attention to review and consider audit and other risk matters, and to report its findings and conclusions to the full Board of Directors to take appropriate decisions. The Audit Committee would be formed of three of the Board members, among those Board members not employed by the SDC. This ensures the integrity of recommendations of the Audit Committee, who as Board members represent Members who elected them, and protects SDC executives from allegations of wrong doings, inaction or other criticism.

Secondly, it is a prime role of a securities depository to service all markets, and the entire industry, not specific groups. The by-laws could be even more specific in reflecting the composition of its Membership, or the representation of its industry groups in the decision making process. We propose a revised quorum provision under Article 16 F- in the Appendices, that ensures Board members present at a meeting represent all groups of Members. In this instance, provision is made to ensure at least one broker Board member is present at a meeting.

These by-laws, with respect to Membership, raise potential varying interpretations because they must be read and interpreted in conjunction with the Internal By-laws of the Membership. The by-laws on membership, not the internal by-law, is the appropriate one to deal with admission and suspension of Members, independently of or harmonized with the “Internal By-laws of the Membership”.

This issue of interpretation likely results from the dual capacity of a Member, and the fact membership is mandatory: one must separate the rights of “membership”, entitling to vote at a general assembly of the SDC, from those “membership” permitting the use of SDC depository, registry, clearing and settlement services.

B. Membership and Business Ethics

The Membership by-laws could deal specifically with “membership” as permitting the use of SDC services, separately form the rights of a Member to vote.

The By-Laws could also provide for the creation of a user advisory committee to address operational matters, to ensure enhanced representation of Members in the Center's self governance, and to provide SDC some level of assurance the decisions are for the benefit of the entire system , the market and the Members. This is current practice at SDC, and since it constitutes excellent "corporate governance", it would deserve to be documented.

Additional detailed provisions could also be added, namely as they would pertain to "due process", to ensure fair and equal treatment when dealing with an important decisions affecting the rights and interests of SDC and its Members, or those of a single Member. We would suggest the procedure to suspend a Member be devised and documented: it could be taken by management, subject to appeal by the Member to the Board of Directors and the right to be heard. The fact the legislator made membership mandatory is an indication of how important it is market players use the services of, and contribute to the decision making and development process of SDC, in general assembly or otherwise. Suspension from membership is therefore a very serious decision, and deserves to be handled in full respect and fairness to a Member, to all Members, to SDC, and to the national depository, registry, clearing and settlement system as a whole.

This point is also discussed below, under E-Settlement Guarantee Fund for 2004.

SDC and its Members may wish to consider whether a Member in default or who has been suspended from a service should still retain the right to vote at a general meeting and continue participating in the decision-making processes of SDC.

C. Instructions on the Disclosure of Information Data and Records for 2003

These provisions on the secrecy of information kept by the SDC are an excellent initiative to maintain investor confidence, and preserve both the system and market integrity.

The principle underlying confidentiality is the depository includes in its documentation what it and its Members consider confidential and proprietary or not, in addition to what the law may prescribe as a minimum.

There are four sources of confidential information handled by SDC that deserve to be considered, declared confidential or not, and then be documented to facilitate compliance with such requirements:

a) *Investor Information*: the investor's financial, account and personal information known by SDC must be treated like information known by banks, and must be protected as does "bank secrecy";

b) *Intermediary Member information*: the information provided by broker-dealer and Members generally, or concerning them, belongs to Members: Members' clients identity is a valuable asset of Members worth being kept confidential from competing Members. In addition, SDC may obtain investor information from Members: all investor and Member information deserves to be regarded as

belonging to investors, or being under the control of its Members, as principals or investors' agents.

c) *Issuer Member information*: issuers disclose to the SDC information that may be considered confidential, such as a Government or central bank issuer of securities regarding their operations and statistics, or when issuers coordinate securities issues or transactions and related operations with the Depository (underwriting or pre-issue of securities, mergers and acquisitions, take-over or exchange bids, that could affect trading volumes and price fluctuation, and other insider information).

d) *Depository information*: proprietary and licensed information or data, such as in-house and licensed software, hardware configurations, or the location of computer processing facilities and certificate vaults, for license or security purposes, and internal procedures such as disaster recovery and business resumption plans, require their secrecy and confidentiality to be declared as such in the By-Laws.

The documentation could benefit from:

- Additional provisions to address routine disclosure matters without requiring prior approvals;
- Stricter provisions protecting privacy of information;
- Provisions granting protection to SDC's own confidential information, and
- The SDC obligation of confidentiality towards investors and Members.

D. Securities Depository Center's Proceeds for 2004

Fee structure and policy are often overlooked, but constitute one of the more important considerations when examining the role and functioning of a depository and clearing and settlement agency. These become regulatory considerations as well.

From a regulator and market perspective, the depository, clearing and settlement agency must be viable, to ensure it will always be servicing the market place, and a proper fee structure and policy will guarantee it the necessary revenues to operate and improve services and technology to the market place.

At the same time, the role of such an agency is to work at lowering costs of doing business in the securities industry for increased market competitiveness. This is clearly specified in the SDC documentation as well, since it operates on a not-for-profit basis.

The agency must be self-sustained, so as not to suddenly require Members to contribute large amounts of funds or pay substantial fee increases to finance specific needs of the agency (e.g., large capital expenditures such as redevelopment of software, replacement or additions of computer equipment, new services and systems, additional personnel, and new or expanded premises), as this could otherwise adversely impact the financial stability of Members.

The SDC fee schedule is well detailed: it covers entrance fees, maintenance or periodical fees, and transactions fees, for all its Members, in all its current services.

Because it currently operates on a not-for-profit basis, we believe that its fee structure is currently adequate and not excessive. In time, the SDC may consider alternative fee structures.

In addition, when the SDC matures and reaches a level of certain financial stability, the By-Law could include a provision for "rebates" to Members on service fees, when revenues have exceeded budget and fee policy (contingency fund and other reserves have been satisfied). Until then, the provision made for contingencies is a safe and sound policy, and should be maintained and funded. Should the policy of "rebates" be eventually adopted, distributions should only take place after contingencies and reserves and all the anticipated needs of SDC have been adequately addressed, in addition to its then current operational needs.

A depository, clearing and settlement agency must also maintain a balance of fairness, equity and reasonable allocation among its members, of the costs of providing a service and the fees it charges them. The entrance fee is currently determined by capitalization. But for instance, SDC could be processing, for a broker with the minimum capitalization, the highest number of transactions in its system.

Also, eventually, SDC could specify that for a specific category of Members, such as a Government entity, an investment fund, fund manager or custodian bank, the value of assets under custody will serve as the basis for the calculation of their entrance fee, since Government entities are not capitalized, or their capitalization is irrelevant to the volume of value of business they generate and process through SDC.

More importantly, an agency must keep in mind brokers are users of services of clearing, settlement, and transfer of ownership, while custodians are users of the depository service to maintain securities in client accounts. Fees should be levied on custodian positions in accounts, otherwise the cost of operating the agency is borne only or mostly by brokers, and custodians do not pay their fare share of the use of the agency although they profitably retail their custody services to individual and institutional investors.

Fees should be reasonably allocated and based on costs (in light of the Center's pricing policy, which must include reserves, etc.) and paid by the users of the services. The various services of an agency should be identified, costed, priced and charged separately only for the actual use of a service. This would also assist in containing Members' responsibilities to those services they actually use.

Fees can also be based on transactions, rather than on value of trades. It is a more objective criteria, as the cost of settling a trade remains the same for all trades, irrespective of their value. Consideration should be given to the fact a bond trader's profit margin is usually minimal, and an additional cost based on the value of a bond transaction is usually detrimental to the business of a bond dealer, and therefore to the development of a secondary bond market.

A transaction-based fee may also be particularly helpful when market prices are "down". Generally, a review of the history of market values and transactions will assist an agency in selecting a fee structure that will ensure a steady source of revenues, particularly in "bad times".

We find the existing fines adequate, but we would suggest to consider increasing them to serve as a better deterrent from delinquent practices, and maintain discipline in the depository and settlement processes. This benefits to all Members and the market, as it reduces risks of delayed settlement, and it compensates SDC for having burdened its personnel to handle Member failures and distracting them from their normal day-to-day activities dedicated to perform timely settlements. On a "buy-in" for instance, is it not uncommon for a depository to impose a flat one time penalty of 50 to 100 % of the value of the transaction, in addition to the purchase price and transaction fees. This is aimed at preventing such incident from happening again. A heavier penalty than the existing one of 1% per day would certainly be justified in the extreme case of having to resort to the Settlement Guarantee Fund.

Fines can also be used by the SDC to achieve its goals towards meeting market and regulatory needs, or implementing international standards, such as imposing heavier penalties on late settlements at the time SDC will deem appropriate to move to the shorter T+1 settlement date.

E. Registration, Deposit and Settlement of Securities for 2004

This section of SDC's documentation is more of an operational nature than a statement of policies of the relationship between SDC and its Members and users.

We would suggest these provisions ensure Members be notified, prior or at the time of taking of SDC having to take important actions.

The detailed steps taken by SDC to make final and irrevocable settlement could be further detailed, although a good number of details are already present. Our Recommendations below provide detailed suggestions.

It would be useful to include a statement to the effect SDC assets held or recorded at SDC are subject to the instructions of beneficial owners and Members, and that SDC will carry out such instructions, subject to the By-Laws and user guides, in order to ascertain SDC has no rights of ownership or management in such assets.

Articles 48 and 59 could eventually be reconsidered, as most markets are re-aligning their laws to the international standard that specifies the date of ownership as being no longer the date of execution of the trade on the Exchange, but the settlement date, and registration of the new owner in the security holders' registers also as of that date.

F. Settlement Guarantee Fund for 2004

The terms and conditions of the Settlement Guarantee Fund are adequately described in the By-Laws.

We generally find the SDC puts itself under undue pressure in the manner it is required to use Member contributions in order to complete settlement. It should be given broader discretionary authority.

Because of a Member default, the SDC would find itself having to complete settlement within a few hours. This By-Law should grant SDC the discretionary ability to select how it may use available resources to complete settlement in the simplest and cost effective manner. In other words, the Fund should be considered as a sum at the disposal of SDC, not as numerous segregated Member contributions. The SDC should have authority to use any one single contribution that will enable it to complete settlement, otherwise numerous bank transactions risk being time consuming and costly. The SDC could eventually liquidate the defaulter's position and reimburse the innocent Member whose contribution was used.

In our specific comment under this By-Law, we suggest SDC be given the right to pledge or transfer all contributions. This would be useful for SDC to put in place an arrangement with its banker whereby the bank would provide SDC an immediate cash advance upon request, on the guarantee of the contributions held by the bank.

Similarly, when using a Member's contribution to the Settlement Guarantee Fund, by reason of its default, specific steps of the summary procedure to do so should be documented, to ensure the Member is treated fairly, is fully notified of its default, and is given a last opportunity to remedy a default, although we recognize the need for this procedure to remain simple and very quick to ensure the integrity of the settlement system. We have proposed such a summary procedure in our specific comments under the SGF By-Laws.

As mentioned above, the current daily 1% penalty on accessing the SGF could be much higher in order to deter any Member form being so negligent as to having to resort to the SGF.

4. Recommendations:

Our comments above contain suggestions we propose to SDC for consideration in an eventual revision of its documentation. A few points deserve special attention.

1. SDC liability:

The SDC constitutes a pillar of Jordan's capital market, which explains why SDC is regulated. The market cannot not bear any interruption in the services SDC provides to the market, either because of a computer failure or otherwise, and especially not because of financial difficulties that could be avoided.

To maintain its integrity, SDC deserves to be protected from a one-time large or numerous small but cumulative financial "shocks". For this and other reasons explained here, the SDC should not have any liability, and that should be specified in the By-Laws.

This is consistent with the fact SDC does not have the capacity to absorb financial losses, as it is required to operate on a not-for-profit basis, and its mission is to keep

lowering costs to Members, and therefore revenues to SDC. Under these circumstances, the liability of SDC is an illusion. Because it is prevented from having sufficient financial resources to pay claims and awards of damages to Members granted by judgments, any such payment would require SDC to obtain money from its Members, either by raising it fees, or pursuant to the Securities Law that requires Members make good a financial deficit of the SDC. Why ask the SDC to pay damages to Members and their clients, if those funds come from the Members themselves. It is not acceptable to Members to be required to pay damages to a competing Member or its client.

Our point is not to modify the Securities Law on allocating SDC financial losses to Members, as the current provision is fully justified and meets an international best practice: it ensures the SDC would survive a financial disaster it cannot avoid. The point is to extend this policy not only to financial losses of the SDC, but to also cover losses attributable to SDC operations. SDC must be exonerated from any liability. Through their representation on the Board of Directors, Members oversee the management and operations of SDC. It is therefore Members' individual and collective responsibility to ensure SDC makes no mistake. If a mistake is made by SDC in handling a Member's transaction, that individual Member must absorb it - from its own profit-making ability – and not claim from SDC. The Board of Directors and management must see to it SDC takes appropriate corrective measures not to repeat a mistake. It is the responsibility of Members to assist and work with SDC in this task.

There are numerous precedents supporting such a non-liability policy: many depositories – including very mature and large ones – exclude or limit to a strict minimum their responsibility, whether for a mistake or an omission, be it voluntary or accidental, willful or negligent. A copy of a rule of a world-leading depository exonerating it from liability is found in Appendix G.

The purpose of such a policy is to render the depository more robust, from a financial risk aspect, as it should be from financial, operational and IT aspects as well.

2. Central Counterparty:

The recent trend among depositories is to become a "central counterparty", enabling them to fully assume the settlement obligations of their members, irrespective of their operational or financial conditions at settlement time: a trade is guaranteed to settle. Achieving this requires a strong infrastructure, solid documentation, and readily available financial resources from Members. When business needs indicate to SDC it is time to move towards becoming a central counterparty, Members will have to assist it in putting in place the infrastructure and providing SDC all the financial support it requires to fulfill its mandate under the Law. SDC would have to include in its documentation articulate provisions on "netting" of funds and securities, and "novation" (concepts already existing in civil law) that will enable SDC to substitute itself to act both as the buyer and the seller in the course of settlement, so as to assume the obligation of, and guarantee, making and accepting payments and deliveries of securities, irrespective of a Member default.

One test of true Delivery versus Payment is that settlement take place in "central bank funds". Settlement banks are selected based on their history of financial and operational performances, to ascertain their integrity and financial stability. But a risk remains that any commercial bank can "fail" in meeting its payment obligations. Banks' final financial obligations are those calculated at the end of every banking day by the central bank, to determine their respective obligations to and from other banks in the country's banking and payment system. It is only when those obligations are paid by all banks, through the central bank payments' system, that payments can be said to be "final and irrevocable", and meet the Delivery versus Payment standard. A central bank, contrary to a commercial bank, cannot fail. This is why "central bank funds" settlement achieve finality and irrevocability of a securities settlement system. The settlement of funds by SDC is only final and irrevocable when the central bank confirms all commercial banks have met their final daily obligations. In some countries, the central bank will even perform a special settlement cycle during the day to accommodate the securities settlement system to ensure Delivery versus Payment.

Central banks are reluctant, for obvious risk reasons, to open accounts for brokers and for depositories as well, although certain mature markets do so to achieve DvP. If SDC were not permitted to open an account at the central bank, it could require its Members and the banks to authorize the central bank to accept SDC instructions to the central bank to credit and debit in the accounts banks maintain at the central bank, the payments owed and received, and confirm to SDC such debits and credits have been made, pursuant to methods and times determined jointly by the central bank and SDC in written procedures.

The steps and conditions imposed on Members and SDC to implement true Delivery versus Payment would also have to be very specifically and clearly detailed: 1) Members are under the obligation to ensure payment and delivery are final, irrevocable, 2) Members will not instruct their banks to cancel or stop a payment, 2) securities and funds are not credited until respective credits and debits are made, confirmed by the central bank; 3) settlement cannot be unwound, 4) there are provisions setting forth the time and event at which settlement is considered final and irrevocable (for example, the issue of a certain report to Members, the making of specific entries).

In order to ensure nothing would stand in the way of SDC to complete settlement by utilizing available and carefully planned and calculated contributions and guarantees, it would be prudent to ensure the documentation will be enforceable in a situation of bankruptcy and insolvency. We would suggest SDC and the regulator perform a review of the specific wording of their existing Securities Law and bankruptcy and insolvency laws, in light of the G30, IOSCO and BIS standards on these points, and a comparison of similar laws in other markets (namely with those of the United States, Canada, and Mauritius with which we are more familiar and found in Appendix I). Extracts of these laws are found in the Appendices to highlight how detailed and specific the provisions should be, thereby meeting the international standard prescribed to avoid any litigation and settlement delays.

5. Conclusion:

The SDC, on its own initiative and that of its regulator, has dedicated its resources to complete substantial work and an important aspect of a depository and settlement agency: the documentation of its relationship with its Members, users, and of its operations. This meets international standards.

We have outlined certain possible modifications and improvements to it, in the near and long-term.

We were also positively impressed by the Executive Manager's approach to this effort, and his understanding of the business philosophy of a depository and settlement agency, and the support he receives from SDC's Legal Transfers Department. We have witnessed in many markets the challenge, in the early days of the agency, of being a leader as is SDC, in improving the market and moving it towards the implementation of international standards, to standardize operations and make the market infrastructure more robust and competitive, to attract domestic and foreign investors.

We would suggest considering giving the SDC all the necessary authority and financial and operational means it requires in order to fulfill its crucial mandate of protecting investors and the market by ensuring timely settlement.

For instance, Article 100 should provide the Chief Executive Officer more liberal discretion in his ability to determine a "delayed" settlement, when necessary for the protection of the SDC. The CEO already understands the seriousness of not performing timely settlement, and subjecting or limiting his decision to "exceptional circumstances" implies his decision could be challenged at the improper moment.

Article 68 is another good illustration of why SDC needs to have all the necessary resources. Cancellation of a trade is against international standards: it undermines confidence in the Exchange and the market, and penalizes the innocent party to a trade. SDC must not be put in such a situation. It must be given the operational and financial means to settle the transaction to never have to resort to trade cancellation.

It is reasonable to expect Members would be supportive of this approach, as it is to their benefit, and assist SDC in doing so by contributing their experience, market knowledge and resources.

APPENDICES

A. Detailed comments - Internal By-Law of SDC 2004

B. Detailed comments – Internal By-Law of the Membership and Code of Conduct 2004

C. Detailed Comments – Instructions on the Disclosure of Information Data and Records for 2003

D. Detailed Comments – Securities Depository Center's Proceeds for 2004

E. Detailed Comments - Registration, Deposit and Settlement of Securities for 2004

F. Detailed Comments - Settlement Guarantee Fund for 2004

G. Non-liability rule - Canadian Depository for Securities (June 2004)

H. Samples of Table of Contents of SDC services documentation

I. Excerpts from bankruptcy laws of the USA, Canada, Mauritius

J. Sample Audit Committee mandate

K. Sample User Advisory Committee provisions

L. Sample wording of a transferable and irrevocable standby letter of credit

M. Draft "Initiation Package for Members of the Board of Directors"

Appendix G. Non-liability rule - Canadian Depository for Securities (June 2004)

4.2. CDS LIABILITY AND INDEMNITY

4.2.1 No Liability of CDS Except to Participants

In no event shall CDS be liable to any Person other than a Participant with respect to the operation of the Services (including any client or customer of a Participant, any Person on whose behalf a Participant was acting in any capacity, or any other Person claiming through or against such Persons).

4.2.2 Insurance

CDS shall maintain insurance in the amounts and providing the coverage determined by the Board of Directors (not including the Executive Committee). The insurance policies or contracts pursuant to which such insurance is provided shall be open to inspection by any Participant at the registered office of CDS during normal office hours on any day that is a Business Day at the location of the registered office. If there is a reduction in the amount or coverage of the insurance, which CDS considers material, CDS shall give notice to Participants of the reduction.

4.2.3 CDS Liability for Participant Loss

CDS shall be liable to its Participants for any Participant Loss, subject to the limitations set out in Rules 4.2.5 and 4.2.9. A "Participant Loss" means any loss, damage, cost, expense, liability or claim suffered or incurred by a Participant, other than a Loss of Securities, which arises from a Participant's participation in a Service, but only to the extent such was caused or contributed to by any act or omission of CDS or of any director, officer, employee, contractor or agent of CDS done while acting in the course of office, employment or service or made possible by information or opportunities afforded by such office, employment or service. Neither DTC nor NSCC shall be considered to be an agent of CDS for purposes of this Rule 4.2.3. Notwithstanding the foregoing acceptance of liability, CDS shall not be liable to a Participant for any Participant Loss in respect of which that Participant is required to make indemnification pursuant to Rules 4.1, 10.2 or 10.5.

4.2.4 CDS's Liability for Loss of Securities

This Rule 4.2.4 applies only to CDSX and does not apply to the Cross-Border Services. On request by a Participant, CDS shall deliver to the Participant the Securities held by CDS for the Participant as shown in the records of CDS for the Participant's Securities Accounts. The obligation of CDS to deliver Securities to a Participant is subject to the terms of issue of the Securities and to any restrictions, constraints or conditions on withdrawals imposed in accordance with the Rules, to the security interests granted pursuant to the Rules and to the rights of a Surety to the transfer of Securities from the Participant.

CDS shall be liable to its Participants for a Loss of Securities, subject to the limitations set out in Rules 4.2.5 and 4.2.9. A "Loss of Securities" means any circumstance in

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which CDS would be unable to deliver in accordance with the foregoing to all Participants all Securities held by CDS for them, including:

(a) the theft, destruction or mysterious disappearance of any certificate or other instrument evidencing Securities;

(b) the determination that any Security is a Defective Security; or

(c) the determination that the registration of any Security in the name of CDS, a Nominee, a Custodian or a nominee of a Custodian, is invalid, improper, defective, subject to any adverse claim or privilege or cannot be effectively and rightfully transferred.

Notwithstanding the foregoing acceptance of liability, CDS shall not be liable to any Participant for any Loss of Securities in respect of which that Participant is required to make indemnification pursuant to Rule 4.1.

4.2.5 Limitation of Participant Recovery

The maximum total amount payable by CDS to all Participants for any Participant Loss or Loss of Securities shall be the net amount recovered by CDS from its insurers or any other Person in respect of the Participant Loss or Loss of Securities. In the event of a Participant Loss or Loss of Securities, CDS shall make a claim under any applicable policy of insurance and against any Person responsible for the Participant Loss or Loss of Securities, if CDS considers it commercially reasonable to make such a claim.

4.2.6 Payment from Reserves

If the payment made by CDS to Participants pursuant to Rule 4.2.5 is less than the amount required to make good the total Participant Loss or Loss of Securities suffered by Participants, then the Board of Directors in its absolute discretion may elect to allocate all or any portion of the retained earnings and contingency reserves of CDS to make good all or part of the Participant Loss or Loss of Securities. The Board of Directors shall make such determination taking into consideration the best interests of CDS and of all Participants, and the need to preserve the integrity of all the Services. If more than one Participant is affected by a Participant Loss or Loss of Securities, the net amount allocated by CDS shall be allocated to each Participant in the same proportion that each Participant's own share of the Participant Loss or Loss of Securities is of the total Participant Loss or Loss of Securities.

4.2.7 Date and Time of Loss

In the event of any Participant Loss or Loss of Securities, CDS shall calculate each Participant's proportionate share of the total loss. The Board of Directors, acting reasonably in the best interest of CDS and of Participants generally, shall fix the effective time on the effective date for the determination of the amount of the Participant Loss or Loss of Securities and for the calculation of proportionate shares.

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4.2.8 Proportionate Share of Loss

(a) Generally

If more than one Participant is affected by a Participant Loss or Loss of Securities, the net amount recovered by CDS shall be pro-rated so that the amount payable to each Participant shall be in the same proportion to the total amount payable to all Participants that each Participant's own Participant Loss or Loss of Securities is of the total Participant Loss or Loss of Securities.

(b) Loss Of Securities

As provided by Rule 6.4.6, Securities held for Participants and identified by the same Security Identifier form a fungible bulk, such that any unit of such Security is the functional equivalent of any like unit of that Security. For the purpose of determining a Participant's proportionate share of a Loss of Securities, each Participant shall be deemed to have at the effective time on the effective date an interest in each registration, certificate or other instrument evidencing any Security held in the Depository Service equivalent to the interest the Participant then has in all registrations, certificates or other instruments that evidence Securities in the Depository Service identified by the same Security Identifier. Therefore, each such Participant shall be similarly affected by any Loss of Securities that is connected to any registration, certificate or other instrument. Such interest shall be in the same proportion to the interests of all Participants as the quantity of that particular Security held for the Participant by CDS in the Depository Service at the time on the effective date fixed by the Board bears to the total quantity of that particular Security held for all Participants in the Depository Service at that time.

4.2.9 Exclusion of CDS Liability

CDS shall not be liable to any Participant for any loss of opportunity, profit, market, goodwill, interest or use of money or Securities, or any other special, indirect or consequential loss, damage, cost, expense, liability or claim (in this Rule, a "consequential loss") suffered or incurred by any Participant arising from any Service, including a consequential loss arising from or associated with a Participant Loss or a Loss of Securities. CDS shall not be liable to any Participant for any loss, damage, cost, expense, liability or claim suffered or incurred by a Participant, which arises from any action taken by CDS in accordance with a lawful direction given by a Regulatory Body having jurisdiction over CDS. The amount payable by CDS for any Participant Loss or Loss of Securities shall be limited to the amount payable pursuant to Rule 4.2.5 and shall not exceed that amount in any circumstances, including a Participant Loss or Loss of Securities arising from or in any way connected with a breach (including a fundamental breach) of the Legal Documents, or a Participant Loss or Loss of Securities arising from or in any way connected with any negligent or reckless act or omission of CDS or any fraudulent, negligent, reckless or wilful act or omission or any director, officer, employee, agent or contractor of CDS, whether or not the possibility of

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such Participant Loss or Loss of Securities was disclosed to or reasonably could have been foreseen by CDS.

4.2.10 Exclusion of Liability of Individuals

A Nominee, or a partner, director, officer, employee or agent of CDS or a Nominee, shall have no personal liability to a Participant for any act or omission in relation to the Services other than liability for a fraudulent act of the individual concerned. The foregoing exclusion of individuals' personal liability shall not affect CDS's liability for a Participant Loss or a Loss of Securities.

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Appendix H. Samples of Table of Contents of SDC services documentation

SDC Legal Documentation of Services

I Membership Commitment

Master Membership Commitment for all Services, in standard common form

Schedules:

- *Selection of Services*
- *Participant Profile*
- *Certified copy of Applicant's Board resolution*
- *Direction to Regulator to access records*
- *List of Authorized Signatories*
- *Entrance fees calculation and payment instructions*

II Service Rules

1 General Rules

1.1 Scope of Application
1.2 Definitions
1.3 Interpretation
1.4 Admission of Participants
1.5 Suspension and Termination
1.6 Operation of the Services
1.7 Records and Reports
1.8 Procedures and User Guides
1.9 Amendment of Rules
1.10 Fees Policy and Charges
1.11 Confidentiality

2 Registry Service Rules

Rule 2.1 Registry Service

2.1.1 Service description
2.1.2 Conversion
2.1.3 Deposit
2.1.4 Accuracy of Issuer data
2.1.5 New issue
2.1.6 Allocation
2.1.7 Corporate actions
2.1.8 Data to Issuer
2.1.9 Update of register
2.1.10 Issuer bound by data

Rule 2.2 Ancillary Services

2.2.1 Keeping registers
2.2.2 Coupon and Entitlements
2.2.3 Security holders communications
ISIN number agency (specific contract)

Rule 2.3 **Pledge of Securities**
Pledge Transaction.
Free Delivery.
Types of Pledges.
Pledge Accounts.
Foreclosure.
Release or Removal.
Obligation of SDC

3 Depository Service Rules

Rule 3.1 **Service Description and Eligibility**
Eligibility.
Security Eligibility.
Transaction Eligibility.
Finality and Irrevocability.

Rule 3.2 **Delivery of Securities**
Procedure.
Record-entry delivery.
Constructive Delivery.
Settlement Delivery.
Inter-Account Transfers.

Rule 3.3 **Securities Lending and Borrowing**
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Client's Authorization.
Borrowing Procedure.
Deposit of Money with Lender.
Marking to market.
Repayment.
Lender's right to entitlements.

4 Clearing and Settlement Service Rules

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Participant Eligibility
Security Eligibility
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Rule 4.2 **Settlement Cycle**
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Consent
Transaction Feed
Clearing Processes
Clearance Selection
Override

No Restriction
Rolling Settlement Periods
Settlement Date Report
Finality of Settlement

Rule 4.3 **Contractual Clearing Service**
Reporting.
Correction.
Depository Allocation.
Reconciliation.
Confirmation.
Netting by Novation: contract and substitution
Settlement Report.
Payment.
SDC Guarantee as Central Counterpart
Delivery versus Payment.
Net Payment.
Failed Trades.

Rule 4.4 **Trade-for-Trade Clearing Service**
Reporting
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Depository Allocation
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5 Risk Management Rules

Participant Representations, Indemnity and Liability
Premises and network Authorizations and Access
Smart cards
Risk Management Committee
SDC Insurance, Liability and Indemnity
Liquidity reserve
Trading limit
Settlement Guarantee Fund
Collateral
Buy-in
Audit
Back-up

III Operational Procedures and User Guide

IV Notices to Participants

Appendix I. Excerpts from bankruptcy laws of the USA, Canada, Mauritius

U.S. Liquidation Laws

Sec. 546. Limitations on avoiding powers (continued)…

- **(e) Notwithstanding sections 544, 545, 547, 548(a)(1)(B), and 548(b) of this title, the trustee may not avoid a transfer that is a margin payment, as defined in section 101, 741, or 761 of this title, or settlement payment, as defined in section 101 or 741 of this title, made by or to a commodity broker, forward contract merchant, stockbroker, financial institution, or securities clearing agency, that is made before the commencement of the case, except under section 548(a)(1)(A) of this title.**

Sec. 547. Preferences (continued)

- **(A) on or within 90 days before the date of the filing of the petition; or**
- **(B) between ninety days and one year before the date of the filing of the petition, if such creditor at the time of such transfer was an insider; and**
- **(5) that enables such creditor to receive more than such creditor would receive if -**
- **(A) the case were a case under chapter 7 of this title;**
- **(B) the transfer had not been made; and**
- **(C) such creditor received payment of such debt to the extent provided by the provisions of this title.**

Sec. 547. Preferences…….

- **(b) Except as provided in subsection (c) of this section, the trustee may avoid any transfer of an interest of the debtor in property -**
  - **(1) to or for the benefit of a creditor;**
  - **(2) for or on account of an antecedent debt owed by the debtor before such transfer was made;**
  - **(3) made while the debtor was insolvent;**
  - **(4) made -**

- **(c) The trustee may not avoid under this section a transfer -**
  - **(1) to the extent that such transfer was -**
    - **(A) intended by the debtor and the creditor to or for whose benefit such transfer was made to be a contemporaneous exchange for new value given to the debtor; and**
    - **(B) in fact a substantially contemporaneous exchange;**
  - **(2) to the extent that such transfer was -**
    - **(A) in payment of a debt incurred by the debtor in the ordinary course of business or financial affairs of the debtor and the transferee;**
    - **(B) made in the ordinary course of business or financial affairs of the debtor and the transferee; and**

- **(C) made according to ordinary business terms;**

Sec. 548. Fraudulent transfers and obligations

- **(a)**
  - **(1) The trustee may avoid any transfer of an interest of the debtor in property, or any obligation incurred by the debtor, that was made or incurred on or within one year before the date of the filing of the petition, if the debtor voluntarily or involuntarily -**

    - **(A) made such transfer or incurred such obligation with actual intent to hinder, delay, or defraud any entity to which the debtor was or became, on or after the date that such transfer was made or such obligation was incurred, indebted; or**

- **(b)**
    - **(i) received less than a reasonably equivalent value in exchange for such transfer or obligation; and**
    - **(ii)(I) was insolvent on the date that such transfer was made or such obligation was incurred, or became insolvent as a result of such transfer or obligation;**
  - **(II) was engaged in business or a transaction, or was about to engage in business or a transaction, for which any property remaining with the debtor was an unreasonably small capital; or**

  - **(III) intended to incur, or believed that the debtor would incur, debts that would be beyond the debtor's ability to pay as such debts matured.**

- **(c) Except to the extent that a transfer or obligation voidable under this section is voidable under section 544, 545, or 547 of this title, a transferee or obligee of such a transfer or obligation that takes for value and in good faith has a lien on or may retain any interest transferred or may enforce any obligation incurred, as the case may be, to the extent that such transferee or obligee gave value to the debtor in exchange for such transfer or obligation.**

- **(d)**
  - **(1) For the purposes of this section, a transfer is made when such transfer is so perfected that a bona fide purchaser from the debtor against whom applicable law permits such transfer to be perfected cannot acquire an interest in the property transferred that is superior to the interest in such property of the transferee, but if such transfer is not so perfected before the commencement of the case, such transfer is made immediately before the date of the filing of the petition.**

    - **(B) a commodity broker, forward contract merchant, stockbroker, financial institution, or securities clearing agency that receives a margin payment, as defined in section 101, 741, or 761 of this title, or settlement payment, as defined in section 101 or 741 of this title, takes for value to the extent of such payment;**

Sec. 555. Contractual right to liquidate a securities contract

The exercise of a contractual right of a stockbroker, financial institution, or securities clearing agency to cause the liquidation of a securities contract, as defined in section 741of this title, because of a condition of the kind specified in section 365(e)(1) of this title shall not be stayed, avoided, or otherwise limited by operation of any provision of this title or by order of a court or administrative agency in any proceeding under this title unless such order is authorized under the provisions of the Securities Investor Protection Act of 1970 or any statute administered by the Securities and Exchange Commission. As used in this section, the term "contractual right" includes a right set forth in a rule or bylaw of a national securities exchange, a national securities association, or a securities clearing agency.

Canadian Liquidation Laws

R.S., c. B-3, s. 45.

- **Certain rights limited**
  - **65.1 (1) Where a notice of intention or a proposal has been filed in respect of an insolvent person, no person may terminate or amend any agreement with the insolvent person, or claim an accelerated payment under any agreement with the insolvent person, by reason only that**
    - **(a) the insolvent person is insolvent; or**
    - **(b) a notice of intention or a proposal has been filed in respect of the insolvent person.**

R.S., c. B-3, s. 45. (continued)

Idem

- **(2) Where the agreement referred to in subsection (1) is a lease or a licensing agreement, subsection (1) shall be read as including the following paragraph:**
  - **"(c) the insolvent person has not paid rent or royalties, as the case may be, or other payments of a similar nature, in respect of a period preceding the filing of**
  - **(i) the notice of intention, if one was filed, or (ii) the proposal, if no notice of intention was filed."**

- **(3) Where a notice of intention or a proposal has been filed in respect of an insolvent person, no public utility may discontinue service to that insolvent person by reason only that**
  - **(a) the insolvent person is insolvent;**
  - **(b) a notice of intention or a proposal has been filed in respect of the insolvent person; or**
  - **(c) the insolvent person has not paid for services rendered, or material provided, before the filing of**
  - **(i) the notice of intention, if one was filed, or**
  - **(ii) the proposal, if no notice of intention was filed.**

Certain acts not prevented

- **(4) Nothing in subsections (1) to (3) shall be construed**
  - **(a) as prohibiting a person from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided after the filing of**
  - **(i) the notice of intention, if one was filed, or**
  - **(ii) the proposal, if no notice of intention was filed; or**
  - **(b) as requiring the further advance of money or credit.**

Provisions of section override agreement

- **(5) Any provision in an agreement that has the effect of providing for, or permitting, anything that, in substance, is contrary to subsections (1) to (3) is of no force or effect.**

Powers of court

- **(6) The court may, on application by a party to an agreement or by a public utility, declare that subsections (1) to (3) do not apply, or apply only to the extent declared by the court, where the applicant satisfies the court that the operation of those subsections would likely cause it significant financial hardship.**

Eligible financial contracts

- **(7) Subsection (1) does not apply**
  - **(a) in respect of an eligible financial contract; or**
  - **(b) to prevent a member of the Canadian Payments Association established by the Canadian Payments Association Act from ceasing to act as a clearing agent or group clearer for an insolvent person in accordance with that Act and the by-laws and rules of that Association.**

Definitions

- **(8) In subsections (7) and (9),"eligible financial contract" «contrat financier admissible» "eligible financial contract" means**
  - **(a) a currency or interest rate swap agreement,**
  - **(b) a basis swap agreement,**
  - **(c) a spot, future, forward or other foreign exchange agreement,**
  - **(d) a cap, collar or floor transaction,**
  - **(e) a commodity swap,**
  - **(f) a forward rate agreement,**
  - **(g) a repurchase or reverse repurchase agreement,**
  - **(h) a spot, future, forward or other commodity contract**
  - **(i) an agreement to buy, sell, borrow or lend securities, to clear or settle securities transactions or to act as a depository for securities,**
  - **(j) any derivative, combination or option in respect of, or agreement similar to, an agreement or contract referred to in paragraphs (a) to (i),**

- **(k) any master agreement in respect of any agreement or contract referred to in paragraphs (a) to (j), (k.1) any master agreement in respect of a master agreement referred to in paragraph (k),**
- **(l) a guarantee of the liabilities under an agreement or contract referred to in paragraphs (a) to (k.1), or**
- **(m) any agreement of a kind prescribed; "net termination value" «valeurs nettes dues à la date de résiliation» "net termination value" means the net amount obtained after setting off the mutual obligations between the parties to an eligible financial contract in accordance with its provisions.**

Application of paragraphs 69(1)(a) and 69.1(1)(a)

- **(9) For greater certainty, where an eligible financial contract entered into before the filing in respect of an insolvent person of**

R.S., c. B-3, s. 72.

Avoidance of preference in certain cases

- **95. (1) Every conveyance or transfer of property or charge thereon made, every payment made, every obligation incurred and every judicial proceeding taken or suffered by any insolvent person in favour of any creditor or of any person in trust for any creditor with a view to giving that creditor a preference over the other creditors is, where it is made, incurred, taken or suffered within the period beginning on the day that is three months before the date of the initial bankruptcy event and ending on the date the insolvent person became bankrupt, both dates included, deemed fraudulent and void as against the trustee in the bankruptcy.**

When view to prefer presumed

- **(2) Where any conveyance, transfer, charge, payment, obligation or judicial proceeding mentioned in subsection (1) has the effect of giving any creditor a preference over other creditors, or over any one or more of them, it shall be presumed, in the absence of evidence to the contrary, to have been made, incurred, taken, paid or suffered with a view to giving the creditor a preference over other creditors, whether or not it was made voluntarily or under pressure and evidence of pressure shall not be admissible to support the transaction.**

Exception

- **(2.1) Subsection (2) does not apply in respect of a margin deposit made by a clearing member with a clearing house.**

Definitions

- **(3) In this section, "clearing house" «chambre de compensation» "clearing house" means a body that acts as an intermediary for its clearing members in effecting securities transactions;**

- **"clearing member" «membre»"clearing member" means a person engaged in the business of effecting securities transactions who uses a clearing house as intermediary;**

- **"creditor" «créancier» "creditor" includes a surety or guarantor for the debt due to the creditor;**

- **"margin deposit" «dépôt de couverture»"margin deposit" means a payment, deposit or transfer to a clearing house under the rules of the clearing house to assure the performance of the obligations of a clearing member in connection with security transactions, including, without**

- **limiting the generality of the foregoing, transactions respecting futures, options or other derivatives or to fulfil any of those obligations.**

R.S., 1985, c. B-3, s. 95; 1997, c. 12, s. 78.

Extended period

- **96. Where the conveyance, transfer, charge, payment, obligation or judicial proceeding mentioned in section 95 is in favour of a person related to the insolvent person, the period referred to in subsection 95(1) shall be one year instead of three months.**

R.S., 1985, c. B-3, s. 96; 1997, c. 12, s. 79.

Protected transactions

- **97. (1) No payment, delivery, conveyance, transfer, contract, dealing or transaction to, by or with a bankrupt made between the date of the initial bankruptcy event and the date of the bankruptcy is valid, except the following, which are valid if made in good faith, subject to the foregoing provisions of this Act with respect to the effect of bankruptcy on an execution, attachment or other process against property, and subject to the provisions of this Act respecting settlements, preferences and reviewable transactions:**

  - **(a) a payment by the bankrupt to any of the bankrupt's creditors;**
  - **(b) a payment or delivery to the bankrupt;**
  - **(c) a conveyance or transfer by the bankrupt for adequate valuable consideration; and**

- **(d) a contract, dealing or transaction, including any giving of security, by or with the bankrupt for adequate valuable consideration.**

Definition of "adequate valuable consideration"

- **(2) The expression "adequate valuable consideration" in paragraph (1)(c) means a consideration of fair and reasonable money value with relation to that of the property conveyed, assigned or transferred, and in paragraph (1)(d) means a consideration of fair and reasonable money value with relation to the known or reasonably to be anticipated benefits of the contract, dealing or transaction.**

Law of set-off to apply

- **(3) The law of set-off applies to all claims made against the estate of the bankrupt and also to all actions instituted by the trustee for the recovery of debts due to the bankrupt in the same manner and to the same extent as if the bankrupt were plaintiff or defendant, as the case may be, except in so far as any claim for set-off is affected by the provisions of this Act respecting frauds or fraudulent preferences.**

R.S., c. B-3, s. 45. (continued)

- **(a) a notice of intention, or**
- **(b) a proposal, where no notice of intention was filed, is terminated on or after that filing, the setting off of obligations between the insolvent person and the other parties to the eligible financial contract,in accordance with its provisions, shall be permitted, and if net termination values determined in accordance with the eligible financial contract are owed by the insolvent person to another party to the eligible financial contract, that other party shall be deemed, for the purposes of paragraphs 69(1)(a) and 69.1(1)(a), to be a creditor of the insolvent person with a claim provable in bankruptcy in respect of those net termination values.**

Canadian Payment Clearing and Settlement Act

…….

- **8. (1) Notwithstanding anything in any statute or other law of Canada or aprovince,**
  - **(a) the settlement rules of a designated clearing and settlement system are valid and are binding on the clearing house, the participants, a central counter-party and the Bank and any action may be taken or payment made in accordance with the settlement rules;**
  - **(b) the obligation of a participant, a clearing house or a central counter-party to make payment to a participant and the right of a participant, a clearing house or a central counter-party to receive**

payment from a participant, a clearing house or a central counter-party shall be netted and a net settlement or close-out amount shall be determined in accordance with the settlement rules, if they so provide; and

- **(c) where the settlement rules of a designated clearing and settlement system provide that the settlement of a payment obligation through an entry to or a payment out of an account of a participant, a clearing house or a central counter-party at the Bank is final and irrevocable, the entry or payment shall not be required to be reversed, repaid or set aside.**

- **Payments not subject to set aside provisions**

- **(2) An entry to or a payment out of the account of a participant, a clearing**
- **house or a central counter-party at the Bank to settle a payment obligation in a**
- **designated clearing and settlement system shall not be the subject of any**
- **provision or order that operates as a stay of that activity.**

- **Rights, etc., not subject to stay**

- **(3) The rights and remedies of a participant, a clearing house, a central**
- **counter-party or the Bank in respect of collateral granted to it as security for**
- **a payment or the performance of an obligation incurred in a designated clearing**
- **and settlement system may not be the subject of any stay provision or order**
- **affecting the ability of creditors to exercise rights and remedies with respect**
- **to the collateral.**

Payments not subject to set aside provisions

- **(2) An entry to or a payment out of the account of a participant, a clearing house or a central counter-party at the Bank to settle a payment obligation in a designated clearing and settlement system shall not be the subject of any provision or order that operates as a stay of that activity.**

Rights, etc., not subject to stay

- **(3) The rights and remedies of a participant, a clearing house, a central counter-party or the Bank in respect of collateral granted to it as security for a payment or the performance of an obligation incurred in a designated clearing and settlement system may not be the subject of any stay provision or order affecting the ability of creditors to exercise rights and remedies with respect to the collateral.**

….. Netting Agreements

Termination

- **13. (1) Notwithstanding anything in any law relating to bankruptcy or insolvency or any order of a court made pursuant to an administration of a reorganization, arrangement or receivership involving insolvency, where a financial institution or the Bank is a party to a netting agreement, the financial institution or the Bank may terminate the agreement and determine a net termination value or net settlement amount in accordance with the provisions of the agreement and the party entitled to the net termination value or settlement amount is to be a creditor of the party owing the net termination value or net settlement amount for that value or amount.**

Interpretation…...

"net termination value" «reliquat net»

- **"net termination value" means the net amount obtained after setting off or otherwise netting the obligations between the parties to a netting agreement in accordance with its provisions;**

"netting agreement" «accord de compensation»

- **"netting agreement" means an agreement between two or more financial institutions or between the Bank and one or more financial institutions that is**
  - **(a) an eligible financial contract within the meaning of section 22.1 of the Winding-up and Restructuring Act, or**
  - **(b) an agreement that provides for the netting or set-off of present or future obligations to make payments against the present or future rights to receive payments.**

Bankruptcy Provisions of Mauritius

14. Non-application of provisions of bankruptcy and company liquidation

(1) Subject to subsection (2), where by virtue of the provisions of the Companies Act or the Bankruptcy Act or any other enactment in relation to bankruptcy or company liquidation it is provided that -

(a) any disposition of the property of a company after commencement of a winding up shall be void, unless the Court orders otherwise; or

(b) any disposition of the property of a person who is adjudged bankrupt after presentation of the petition for a bankruptcy order and before vesting of the bankrupt's estate in the Official Receiver shall be void unless done with

the consent or ratification of the Court, those provisions shall not apply to any disposition of deposited securities.

(2) Where the Court is satisfied that a party to the disposition, being a party other than the CDS, had notice that a petition had been presented for the winding up or bankruptcy of the other party to the disposition, it may award damages against that party on such terms as it thinks equitable or make such other order as the Court thinks fit, including an order for the transfer of deposited securities by that party but not an order for the rectification of the Depository Register.

15. Set-off

(1)The CDS may terminate its agreement to clear or settle securities transactions or to act as a depository for securities, with an insolvent participant or with a participant in respect of which insolvency or bankruptcy proceedings are taken, whether such proceedings are voluntary or involuntary.

(2) Upon terminating its agreement under subsection (1), the CDS may set off obligations between the insolvent participant and the CDS, in accordance with the provisions of the agreement, and if on termination there is a net termination sum owed to the CDS by the insolvent participant, the CDS shall be deemed to be a creditor of the insolvent participant in respect of that net termination sum.

(3) The CDS may, notwithstanding any other enactment, realise assets of the insolvent or bankrupt participant pursuant to a pledge in favour of the CDS or pursuant to the rules of the CDS or guarantees established by the CDS in accordance with its rules.

16. Non - application of the section 13 of the Companies Act

(1) Subject to subsection (2), section 13 of the Companies Act, insofar as it provides that a transfer or contract of sale of shares or debentures in contravention of the section shall be void, shall not apply to any disposition of deposited securities.

(2) The Court may, on being satisfied that a disposition of deposited securities would in the absence of subsection (1), be void, on the application of the Registrar of Companies or any person, order the transfer of the shares acquired in contravention of section 13 of the Companies Act.

17. Charging or pledging of securities

(1) Where a deposited security is charged or pledged by a depositor (in this section referred to as "chargor" or "pledgor") in favour of any person (in this section referred to as "chargee" or "pledgee"), the CDS or a participant, with or through whom the securities account of the depositor is maintained, shall on a request in writing made by the depositor, chargee or pledgee, as the case may be, transfer or cause to be transferred such security into the securities account of the chargee or pledgee, as the case may be, maintained for such purpose.

(2) Where a request is made by a chargee or pledgee as provided under subsection (1), such request shall be supported by documents evidencing such charge or pledge in his favour.

(3) The securities account maintained by the chargee or pledgee pursuant to subsection (1) shall be designated as the "Pledged Securities Account".

(4) Where a charge or pledge over a deposited security has been discharged or released, the CDS or participant, as the case may be, shall, upon receipt of a notice in writing from the chargee or pledgee confirming the same, transfer the deposited security into the securities account of the chargor or pledgor.

(5) The provisions relating to the transfer or withdrawal of deposited securities shall apply, mutatis mutandis, to securities in the "Pledged Securities Account".

(6) Where a pledge of a security is effected in terms of subsection (1), the entries in the records of the CDS constitute-

(a) the endorsement of the security for the purpose of Article 2076 of the Civil Code; and

(b) registration of the pledge of the security in the records of the issuer for the purpose of Article 2077 of the Civil Code.

Appendix J. Sample Audit Committee mandate

The main difference between all three versions proposed below are the responsibility to also address risk management and insurance coverage.

Version 1 - The Audit Committee

The Audit Committee reviews, reports and, where appropriate, approves or provides recommendations to the Board on: the annual and interim consolidated financial statements (including the related management discussion and analysis) and the integrity of the financial reporting of the Corporation; processes for identifying and managing risk; the adequacy of its internal control system; the adequacy of its processes for complying with laws and regulations; the appropriateness of, and compliance with, the policies and practices of the Corporation relating to business ethics; the adequacy of the Corporation's insurance program, policies and coverage; the appointment, terms of engagement, independence and proposed fees of the shareholders' auditor; the appointment and mandate of the internal auditor; the relationship between related entities' audit committees and that of the Corporation; and the relationship between the Audit Committee, other standing committees of the Board of Directors and management. The Audit Committee has direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate.

Version 2 - Audit Committee

In accordance with the Corporation's By-Laws, the board of directors annually elects an audit committee, whose mandate stipulates that it consists of four directors who are not officers or employees of the Corporation, and that none of the directors is a member of the shareholder group.

The committee's responsibilities are as follows:

- review all audited financial statements;
- review on an ongoing basis the risk management and insurance programs; and
- review management's recommendation for the appointment of the external auditor.

Meetings are scheduled five times each year. Special meetings can be held at the request of management, the chief auditor, the external auditors or any member of the Audit Committee.

Version 3 - Audit Committee

The primary role of the audit committee is to provide assurance to the Board of Directors that the company has the appropriate culture and the policies, systems and controls are in place to safeguard corporate assets and to accurately report financial information to internal and external users. The preparation of the financial statement and related communications are the responsibility of the company's management and the Board of Directors. The independent auditor's role is to report on the fairness of the presentation of the company's financial statements, to identify potential internal control problems and to provide advice and counsel to management and the audit committee on technical and other matters. The independent auditor is ultimately accountable to the board of directors and the audit committee.

The specific activities of the audit committee will vary depending on the size, complexity, and industry of the company and needs of the Board of Directors. The primary responsibilities of the audit committee should include the following:

- Preparation and maintenance of a written charter.
- Adherence to membership requirements.
- Open communication between the audit committee, financial management and the auditor(s).
- Review of internal accounting controls to safeguard assets.
- Oversight of the quality and timeliness of financial reporting.
- Oversight of the annual audit process
- Reporting to the Board of Directors.
- Required proxy disclosures
- Selecting the auditor(s).

Version 4 - The Board of Directors' Audit Committee

Objective:
The primary role of the audit committee is to provide assurance to the Board of Directors that SDC maintains adequate and effective control environment, policies, systems and procedures to ensure:

- Reliability and confidentiality of information pertaining to SDC and its participants;
- Safeguarding of SDC assets and securities and funds of its participants;

- Economy, effective and efficient utilization of resources allocated to SDC;

- Compliance with applicable laws and regulations,

- Achievement of SDC objectives in accordance with approved plans, policies and budgets;

The active participation of the audit committee of the Board of Director will promote the independence of internal as well as external auditors, especially when the audit committee selects the external audit firm and the director of the Internal Audit department (IAD).

Therefore, this active participation shall insulate the auditors from influences that may affect their independence and objectivity. Moreover, the audit committee will serve as a mediator of disputes between the auditors and management.

Formation:

The Board of Directors will form an audit committee ranging from 3-5 non-executive members of the Board of Directors. Members of the audit committee should be financially literate. In other words, audit committee members will be able to read and understand financial statements, including SDC balance sheet, statements of income and cash flows or, otherwise, will become able to do so within a reasonable period of time after becoming members of the audit committee.

In addition, at least one member of the audit committee will have past employment experience in finance or accounting.

Members of the audit committee will be independent. To maintain independence members elected for the audit committee will not be:

- An employee of SDC or any of its affiliates for the current year or for any of the past three years.
- A partner, controlling shareholder or executive officer of a business organization that has a business relationship with SDC.
- An individual with a direct business relationship with SDC.
- Buyer/seller of securities, a spouse or a parent of a minor who buys or sells securities unless obtained approval of SDC's B.O.D.

Responsibilities:

The audit committee responsibilities will encompass the following:

1. Select external auditors and review the audit fee and the engagement letter
2. Review draft annual and interim financial statements
3. Review results of external audits (e.g. qualified audit opinions, management letter with audit findings and recommendations)
4. Review the internal audit annual plans, work schedules, budgets, reports, etc.
5. Meet regularly with the IAD's director

6. Review evaluations of internal control
7. Review the SDC accounting, financial, and operating controls
8. Review policies on unethical and illegal procedures and fraud investigations
9. Review statutory reporting to regulatory agencies
10. Review complaints to the B.O.D.
11. Participate in the selection of accounting policies.
12. Review the impact of new or proposed legislation or governmental regulations
13. Review the SDC's risk management plans and insurance program.
14. Review the external auditor's management letter.

Appendix K. Sample User Advisory Committee provisions

Draft Proposed Resolution

Operations Advisory Committee

BE IT RESOLVED

THAT a committee of user Members of the Corporation's services, to be known as the Operations Advisory Committee, be and is hereby established in accordance with the directions of the Board of Directors;
The Committee meet regularly and as required by the Corporation, and appoint sub-committees to appropriately deal with specialized matters;
The Director of Operations [insert proper title] of the Corporation be acting as the chairperson at all such meetings; and
The minutes of such meetings be distributed and presented to the Board of Directors or a committee thereof by the Executive Manager of the Corporation or the designated representative thereof,

AND THAT the mandate of the Operations Advisory Committee be to:
1) advise the Corporation with respect to the provision and use of its services and proposed services;
2) advise the Corporation on the pricing of its services; and
3) review and make recommendations on all operational procedures and manuals of the Corporation and amendments thereto, prior to their implementation by the Corporation, provided that such review not be necessary when, in the opinion of the Corporation, circumstances require prompt or immediate action or if such procedures or other manuals or amendments are of a routine and inconsequential nature.

AND FURTHER THAT the Operations Advisory Committee be comprised of a maximum number of thirteen (13) members to include:
1) a maximum number of five (5) employees of the Corporation, appointed by the Executive Manager, and the Director of Operations who has a casting vote; and
2) a maximum number of seven (7) employees who are knowledgeable with daily operations of the Member with the Corporation and its processes, who are selected from among Members of the Corporation to represent the various Member groups and aspects of their business in the following proportions and appointed by their respective professional association or each such group:

[for illustration only]

Custodian Banks	two (2) representatives
Brokers	three (3) representatives
Issuers	two (2) representative

* * * * *

Appendix L. Sample wording of a transferable and irrevocable standby letter of credit

(under the International Chamber of Commerce (ICC) Uniform Customs and Practice for Documentary Credits (UCP) available at www.iccwbo.org of from banks in Amman)

Note: The wording of this sample letter of credit should be examined under recent releases and interpretation of ICC's UCP 500 and Uniform Rules for Demand Guarantees, and the acceptability to Jordanian banks of the final letter eventually drafted by SDC.

See next page.

S G F - Sample Letter of Credit (standby, irrevocable, transferable) to be Issued by a Bank Approved by SDC

DRAFT

Name of Issuing Bank:

IRREVOCABLE DOCUMENTARY CREDIT *Number:*

Place and Date of Issue:

Expiration Date: 14:00 hours, local time on *****
Place for Presentation of Documents:

Applicant:

(the "Member")

Beneficiary:
Securities Depository Center
[address]

Amman JORDAN

Amount:
_____JD JORDANIAN DINARS

.---

Credit available with Nominated Bank:
by payment at sight against the documents detailed herein and Beneficiary's draft

---

Advice for the beneficiary:

This is a transferable credit. We hereby undertake to pay to you or your transferee upon the first demand of each drawing, notwithstanding any contestation of Applicant Member and up to the aggregate amount stated above, on which you or your transferee may draw. Any demand may be made prior to the expiry date stated above or the extended date of this letter. It may be drawn to the extent required to cover current and anticipated obligations of Member to you, SDC, under your Settlement Guarantee Fund Instruction, as they are defined in your By-Laws and Instructions (the "SGF Instruction"). Partial drawings hereunder are permitted.

Drawings under this credit will be made by delivery by you or your transferee at our said branch of:

1) a signed written statement from you or your transferee that, in your opinion or in the opinion of your transferee, either:
   - a- the amount drawn constitutes the amount of Member's current or anticipated obligation under SGF Instruction, as determined by you; or
   - b- Member has not, after the tenth (10th) business day prior to the expiration date of this letter of credit, substituted this letter and deposited with you the required contribution to the SGF in the amount and form satisfactory to you;

together with

2) this letter of credit, for endorsement by us whenever a partial amount is drawn on this credit, or for cancellation by us where the full amount of this credit has been drawn.

We have issued the Irrevocable Documentary Credit as detailed above. It is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision, International Chamber of Commerce, Paris, France, Publication No. 500) and engages us in accordance with the terms thereof. The number and the date of the Credit and the name of our bank must be quoted on all drafts required. If the Credit is available by negotiation, each presentation must be noted on the reverse side of this advice by the bank where the credit is available.

Name and signature of the Issuing Bank

_____

* Letters expire on the earliest of the date of the first business day of March and September.

Appendix M. Draft "Initiation Package for Members of the Board of Directors"

[English and Arabic versions]

Note: This document was prepared for the depository and settlement agency in Egypt, regulated and governed by laws and by-laws other than those applicable in Jordan, and should be revised accordingly.

It is provided as an illustration of a possible initiative of the Jordan SDC.

The Initiation Package also contains Annex I and Annex II in English only.

SECTION I – MISR FOR CENTRAL CLEARING, DEPOSITORY AND REGISTRY

Board of Directors' Initiation Package

The Board of Directors of Misr for Central Clearing, Depository and Registry (MCDR) wishes to extend to you its warmest congratulations on becoming a member of this Board. We invite you to read this initiation package to familiarize yourself with MCDR and with the performance standards required of our Board members.

A. Role of MCDR

MCDR, as Egypt's national depository and clearing and settlement organization, is a "post-trade" facility, processing the securities and money required to complete a trade reported by the Cairo and Alexandria Stock Exchange (CASE). MCDR is a unique business organization in Egypt for three reasons:

1. Along with the Capital Market Authority (CMA) and CASE, MCDR is one of the three pillars of the securities market infrastructure in this country.

2. MCDR is regulated and supervised by the CMA, which ensures compliance with the Capital Market Law and the Central Securities Depository and Registry Law.

3. Bank and broker shareholders of MCDR, who elect the Board of Directors, are also MCDR participants; because the clients of MCDR are also the owners, MCDR is the only true market organization in Egypt.

B. The Director's Role: Performance Standards

The Board of Directors appoints and exercises general supervision over those charged with day-to-day management of MCDR. Therefore, directors must select competent senior management, establish institutional norms and procedures, review management-formulated strategy, and carefully monitor performance of senior management and of the enterprise.

The Board of Directors must perform the above responsibilities with care, diligence and skill, and in accordance with the law of fiduciary duty. In so doing, directors safeguard MCDR's regulated status and business license.

C. To Whom a Director Owes Duties

Directors owe a fiduciary duty because the property they manage is not theirs. A director is required to exercise independent judgment for the overall benefit of the corporation and all of its shareholders, even if elected by a group of shareholders or a controlling shareholder.

D. Fiduciary Duty

The fiduciary duty owed to MCDR requires all members of its Board to "act honestly and in good faith" and to make decisions based on "the best interest of MCDR," not on any personal interest or that of the shareholder group represented by the Board member.

Some members of the Board are directors nominated by one of MCDR's present two shareholder groups — banks and brokers. Those members of the Board should exercise their judgment in the interests of MCDR, and not subordinate them to those of the shareholder group they represent. These directors have been appointed to bring to the MCDR Board their own expert knowledge and experience of the sector of the securities industry they represent.

When a director has an interest in a contract or a proposed contract that is important to MCDR, the director is required to declare this interest. A member of the Board has an interest when he or she is a party to that contract, or the firm from which the director stands to obtain some benefit is a party to that contract. (Please see the attached "Disclosure of Interest" form).

Directors will also abstain from voting on any contract, unless they have ensured that there exists no conflict of interest and that the contract is reasonable and fair to MCDR at the time it is approved. However, a director is not required to refrain from voting on contracts between MCDR and the shareholders a director represents if those shareholders are not affiliated.

Directors must not take personal advantage of an opportunity learned of through their relationship with MCDR.

Where the judgment of a director on a specific matter would not be perceived as objective, it may be necessary for that director to be absent from the vote and from the discussion.

E. Care, Diligence and Skill

A director must exercise the "care, diligence and skill" of a reasonably prudent person. Where a director devotes the necessary time and attention to be able to bring his or her own judgment to bear on the matter and make an informed decision, the duty of "care" is discharged. Directors of MCDR are invited to read the material sent with the Board agenda and keep informed generally about MCDR activities and the industry in order to assess management's goals and strategies and management's ability to achieve them.

"Diligent" directors will ask for, and be entitled to receive, all information they believe is necessary or important to make careful decisions. (Please note, however, that information pertaining to MCDR participants should remain confidential.) A director may dissent from any decision of the Board and is entitled to have such dissent recorded in meeting minutes. For this reason in part, attendance at all directors' meetings is central to the fulfillment of a Board member's responsibilities. At meetings as elsewhere, directors should ensure that MCDR's affairs are managed in accordance with its constitution.

The "skill" required from a Board member is not predetermined but rather based on individual ability, education, experience and training employed in a reasonably prudent manner. Beyond this, there are practical guidelines to enable directors to fulfill their duty:

1. *Take your time*. Avoid haste in decision-making; major decisions should be made only after all directors have had a full opportunity to digest all available important information. If a subject needs extended debate, all members must have the opportunity to fully express their views and listen to the views of others.

2. *Prepare*. Pertinent information is sent to you as early as possible in advance of the meeting. Directors should consider materials provided before they act. If a director needs input form an inside or outside expert, he or she should request the input sufficiently in advance of the meeting to allow MCDR to arrange for appropriate presentations.

3. *Ask questions*. Directors should participate actively in every decision they are called upon to make. They must test and probe the information to make sure it is accurate and reliable, and to understand it fully.

4. *Make a record*. Take the time to read the minutes of the previous meeting to ensure it has been properly recorded and corrected.

5. *Review all materials*. Although it is not necessary that directors approve a final draft of a document, they must understand its main terms. MCDR will provide relevant materials (e.g. contracts) to you for your review, and an MCDR expert will review with you the relevant and important provisions of such documents. As a director, you should consider the following:

    - Is the expert knowledgeable with respect to the contents of the report?

- Is the person recognized in the field or from a reputable firm?
- Are questions answered sensibly?
- Do circumstances exist that make the result reached in the report to be unusual?
- Are the assumptions made in the report realistic?
- Is the method underlying the report generally accepted?
- Does the report make sense?

F. Special Duty to Preserve the Regulatory Status of MCDR

MCDR deals only with regulated entities, and is itself a regulated institution under CMA supervision. MCDR Board members will regularly be called upon to make corporate decisions that will impact them directly, or the bank or broker shareholder group with which they are associated. More generally, all of the capital market players — including banks, custodians, brokers, dealers, bookkeepers and issuers — will be affected by the Board's decisions.

Board members should become fully familiar with special considerations set forth in the Central Securities Depository and Registry Law, paying special attention to the following:

- MCDR's license may be revoked by the CMA for a violation of the Central Securities Depository and Registry Law and its Decrees, or if a violation causes harm to the capital market or threatens its stability (Art. 41).

- The appointment and discharge of any Board member is subject to CMA notification or resolution (Art. 46, 47).

- Board members and their families must not deal in securities without approval of the Board of MCDR (Art. 10).

- MCDR must treat all its participants equally and fairly, and the fees it charges must also be fair and equal among them and not exceed set limits (Art. 21, 24, 40).

- Participants must be legally bound to MCDR by a contract, under which rules must be adopted, enforced and sanctioned (Art. 22, 23); this implies that MCDR must also ensure that provisions of contracts and rules governing its operations have a solid legal basis and are legally enforceable against participants, especially when they are under insolvency.

- MCDR must keep, maintain and preserve the only official computerized records of ownership in securities; this implies the records must be accurate, secure and confidential. A director is prohibited from disclosing such information (Art. 3, 25, 49).

- MCDR is the only entity licensed to perform the settlement of all and every securities transactions (Art. 14). The capacity of MCDR to safely and timely process and handle of all such transactions must be carefully considered to constantly meet the needs of the market place without disruption.

- As the custodian of securities certificates and funds for its participants, the security of its premises and of those of the institutions it utilizes for these purposes and their auditing is a prime consideration (Art. 43).

- MCDR clearing and settlement systems and operations must be prompt, safe and accurate because ownership in a security is transferred upon settlement (Art. 4).

- Settlement must meet the standard of Delivery versus Payment and meet settlement periods, varying from T+3 to T+0, which the Board must ensure can be implemented as they are subject to change (Art. 15).

- As the expert and leader of the Egyptian capital market in matters of clearance and settlement, management of risks is an essential consideration of the business of MCDR (Art. 16).

To assist you to fulfill your duties as a director of MCDR, you are invited to familiarize with the internationally recognized guidelines for clearing and settlement operations.

G. The Director's Statutory Liability

A Director of MCDR, may face other responsibilities under other laws applicable to MCDR or to them, such as the Company Law, Labor Law, Tax Law, the Criminal Code and other laws of regular application.

H. Indemnities and Insurance

There are no indemnities or insurance coverage to protect members of the Board of Directors of MCDR except as follows:
[MCDR to complete]

I. Administrative Matter

MCDR's Board normally meets ……. times each year, and the annual shareholders' meeting is usually held in May at a hotel in Cairo. Although the executive office is in Cairo, Board meetings alternate between Cairo and Alexandria.

In compensation for their time and effort as directors of MCDR, the corporation will pay for business class travel, first class hotel accommodation and all other out-of-pocket expenses incurred by them when attending meetings. To ensure prompt payment, our audit procedures require that original receipts be submitted to MCDR with the attached detailed expense report.

J. Attachments

The following attachments are included for your review and consideration.

Organizational Information

- Mission Statement
- Articles of Association
- By-laws
- Code of Conduct
- Organization Chart
- Description of Services
- List of Directors and Officers
- Latest Financial Report
- Mandate of Board Committees
- Minutes of the Last Two Board and Committee Meetings
- Agenda for Upcoming Board Meeting

General Information

- Capital Market Law No. 95 of 1993
- Central Securities Depository Law No. 93 of 2000

Forms

- Confidentiality Agreement
- Disclosure of Interest
- Employee Code of Conduct
- Compliance with Article 135/4 of the Capital Market Law Executive Regulations
- Detailed Expense Report

SECTION II

موجز عن الدور والمهام التى يضطلع بها
عضو مجلس إدارة شركة مصر للمقاصة والتسوية والحفظ المركزى

ومجموعة قواعد الدخول فى العضوية

السيد / _____

يتشرف مجلس إدارة شركة مصر للمقاصة والتسوية والحفظ المركزى بان تتقدم إليكم بخالص التهانى لتعيينكم عضواً بمجلس إدارة الشركة.

وبهذه المناسبة نرجو من سيادتكم التفضل بقراءة هذه المجموعة من القواعد التالية للتعرف على الشركة وعلى معايير الأداء التى يقرها القانون على أعضاء مجلس الإدارة.

دور شركة مصر للمقاصة والتسوية والحفظ المركزى

تعتبر شركة مصر للمقاصة إحدى المؤسسات الاقتصادية الفريدة فى مصر ويرجع ذلك إلى ثلاثة أسباب: أولا: تعد الشركة أحد الدعائم الثلاثة للبنية الأساسية لصناعة الاوراق المالية فى مصر والذى يتضمن الهيئة العامة لسوق المال وبورصتى القاهرة والاسكندرية. ثانيا: الدور الرئيسى الذى تلعبه شركة مصر للمقاصة حيث أنها تخضع للرقابة والإشراف من قبل الهيئة العامة لسوق المال وهى تضمن بدورها التزام الشركة بقانون سوق المال وقانون الإيداع والحفظ المركزى. ثالثا: إن مساهمى البنوك لشركات السماسرة المساهمة بالشركة والذين ينتخبوا مجلس إدارتها هم أيضاً مشاركين بها، حيث أن عملاء شركة مصر للمقاصة يعدوا مالكيها وتعتبر الشركة المؤسسة الوحيدة العاملة فى السوق المصرى بالمفهوم الصحيح.

إن شركة مصر للمقاصة باعتبارها المؤسسة القومية المصرية للمقاصة والتسوية والإيداع فهى لذلك تسمى "جهة ما بعد التداول" حيث تقوم بالإدارة المركزية للأوراق المالية والاموال المطلوبة لاستكمال عملية التداول التى يتم الإبلاغ عنها عن طريق بورصتى القاهرة والاسكندرية التى تسمى "جهة التداول".

الدور الذى يلعبه عضو مجلس الإدارة: معايير الأداء

يتولى عضو المجلس إدارة شركة مصر للمقاصة، ونظرا لعدم قدرة الأعضاء على إدارة الأنشطة اليومية التى تحدث داخل الشركة فإنهم يقوموا بتكليف أعضاء الإدارة بهذه المهمة وفى المقابل يتعين على هؤلاء العمل تحت إشراف مجلس الإدارة أو توجيهاته.

ومن ثم، يتعين على المجلس الاهتمام باختيار الإدارة العليا التى تتمتع بالكفاءة وإرساء الأعراف والإجراءات المؤسسية ومراجعة استراتيجيات الإدارة العليا والقيام بالمراقبة المستمرة والدقيقة لأداء الإدارة العليا وأداء الشركة ككل.

يجب على مجلس إدارة الشركة الاهتمام بالمعايير الثلاثة الآتية: المعياران اللذان أقرهما قانون المسئولية القانونية والخاص بالعناية الواجبة والمهارة. أما المعيار الثالث فينبع من خضوع الشركة للرقابة، ويبقى لدى المجلس مسئولية إضافية أخرى تتمثل فى حماية خضوع الشركة للإشراف وحماية الترخيص الذى تحصل عليه لمزاولة النشاط.

مبدأ تولى كل عضو مسئوليته:

يضطلع كل عضو من أعضاء مجلس الإدارة "بمسئولية قانونية" حيث أن الممتلكات التى تقع تحت إدارتهم لا تعتبر من أملاكهم الشخصية. ويتعين على كلٍ منهم أن تكون أحكامه مستقلة تفيد المؤسسة وجميع مساهميها حتى لو تم اختياره من قبل مجموعة من المساهمين أو أحد هؤلاء المساهمين من ذوى السيطرة.

معايير المسئولية القانونية

إن هذه المسئولية القانونية الواجبة على الشركة تُلزم أعضاء مجلس الإدارة العمل بأمانة وحسن نية واتخاذ قرارات تُراعى فيها مصلحة الشركة وليست أى مصلحة شخصية سواء للعضو أو لمجموعة المساهمين الذين يمثلهم هذا العضو. أما أعضاء مجلس الإدارة فلديهم مصالح وانشطة أخرى قد ربما تخلق نوع من تضارب المصالح.
وبعض أعضاء مجلس الإدارة يتم ترشيحهم من قبل إحدى مجموعتين المساهمين الحالية (البنوك أو السماسرة)، ويجب على هؤلاء الرجوع إلى أحكامهم التى من شأنها أن تخدم مصالح الشركة وألا يُقدموا مصالح مجموعة المساهمين التى يقوموا بتمثيلها على مصلحة

الشركة. فإن تعيين هؤلاء الاعضاء يقوم على أساس استفادة الشركة بخبرتهم فى مجال نشاط الاوراق المالية الخاصة بمجموعة المساهمين التى يقوموا بتمثيلها. وهناك التزام لهؤلاء الأعضاء تجاه المجموعة التى يمثلوها وهذا يكمن فى لفت انتباههم عند حدوث خطأ من جانبهم.

يجب أن ينأى كل اعضاء مجلس الإدارة بأنفسهم عن تضارب المصالح:

- عندما ترتبط مصالح العضو بعقد مبرم مع الشركة او من المقترح إبرامه معها مما له أهمية عند الشركة يجب على هذا العضو أن يعلن عن تلك المصلحة، وتأتى هذه المصلحة عندما يكون هذا العضو / العضوة طرفاً فى هذا التعاقد أو لدى الشركة .....ونفيدكم علما بأنه قد تم إرفاق نموذج "الإفصاح عن المصالح" ضمن هذه القواعد ولذا نرجو من السادة الاعضاء التوقيع عليه وإعادته لشركة مصر للمقاصة.

- كما يمتنع العضو عن التصويت على أى تعاقد إلا بعد تأكده من عدم وجود تضارب فى المصالح وأن هذا العقد ملائم وعادل للشركة حين الموافقة عليه. ومع هذا لا يجب على العضو الإحجام عن التصويت على العقود المبرمة بين الشركة والمساهمين الذين يمثلهم هذا العضو فى حالة عدم وجود صلة له بهم.

- لا يجب على العضو ان يحقق استفادة شخصية من اى فرصة قد تتأتى للشركة وعلم بها عن طريق علاقاته الشخصية مع الشركة.

ويعد هذا موجز عام عن القواعد المقتصرة على العقود المبرمة او المقترحة ولا يرجح أن تتناول هذه القواعد اى خلافات أو صراعات اخرى محتملة كالتقاضى مثلاً. وعلى الرغم من ذلك يجب ان تؤخذ هذه القواعد دائماً فى الاعتبار كما يجب على اعضاء مجلس الإدارة مراعاة ما إذا كان هناك تضارب فى المصالح فعلياً ام محتملاً والخطوات التى يجب أن تؤخذ فى هذا الصدد. وأينما كان الحكم الذى يصدره العضو على أية قضية أو مسالة مطروحة غير موضوعيا فمن الضرورى امتناع هذا العضو عن التصويت وعدم مشاركته فى النقاش.

معيار المهارة والعناية الواجبة

ويلزم هذا المعيار الثانى عضو مجلس الإدارة بممارسة قواعد العناية الواجبة والرعاية والمهارة الواجبة على كل شخص يتمتع بالحكمة ودقة الأداء.

وعندما يكرس العضو من وقته واهتمامه فى بحث أىٍ من الأمور وإصدار الحكم عليه واتخاذ القرار المطلع بشأنه فإنه بذلك يمارس ما يسمى "واجب العناية". وفى هذا الصدد ندعو أعضاء مجلس إدارة شركة مصر للمقاصة التفضل بقراءة المستندات التى تم إرفاقها مع جدول أعمال المجلس والإطلاع بوجهٍ عام على ما تقوم به الشركة من أعمال وأنشطة حتى يتسنى لهم تقييم أهداف واستراتيجيات الإدارة وقدرتها على تحقيقهما.

ومن حق ذلك العضو الذى يتوافر لديه مبدأ "العناية الواجبة" الحصول على كافة المعلومات التى يراها ضرورية او هامة فى اتخاذه قرارات دقيقة (مع مراعاة السرية التامة لكل المعلومات المرتبطة بالمشاركين التابعين لشركة مصر للمقاصة والتى يحصل عليها العضو). بل يجوز للعضو معارضة أى قرار يتخذه المجلس ويحق له طلب تسجيل تلك المعارضة فى محضر اجتماعات مجلس الإدارة. ويعد حضور كل اجتماعات مجلس الإدارة أمراً رئيسياً لقيام عضو مجلس الإدارة بمسئولياته. كما يجب التحقق، إن أمكن، من أن كل شئون شركة مصر للمقاصة تتم وفقاً لما يقره دستورها.

أما معيار "المهارة أو البراعة" الواجب على كل عضو من اعضاء مجلس الإدارة فلا يعنى توافر المهارة المسبقة ولكن يُقصد به ان يتم توظيف ما يتمتع به هذا العضو من إمكانات شخصية ومستوى تعليم وخبرة وتدريب كأى شخص آخر فى ظروفٍ مماثلة.

وفيما يلى بعض الدلائل الاسترشادية العملية التى تمكن العضو / العضوة من الالتزام بمعيار العناية الواجبة:

أولا: التمهل عند اتخاذ القرارات مع تجنب اتخاذ قرارات سريعة، فالقرارات الهامة لا تؤخذ إلا فى ظل التفهم للمعلومات الهامة المتاحة. وإذا تطلب أحد الموضوعات المزيد من البحث والنقاش يجب ان يتاح للأعضاء فرصة التعبير الكامل عن آرائهم والاستماع إليها.

ثانياً: الإعداد، يجب أن ترسل إليك كافة المعلومات المتعلقة بالموضوع فى وقت سابق على الاجتماع، كما يجب على الاعضاء بحث المستندات المتاحة أمامهم قبل البت فى اى شيء وإذا كان أحد الاعضاء بحاجة إلى مدخلات أخرى من أحد الخبراء سواء داخل الشركة ام خارجها فمن حقه أن يطلب إرسال هذه المعلومات لديه بالكامل قبل انعقاد اجتماع مجلس الإدارة حتى يتيح للشركة فرصة إعداد العرض المناسب للمعلومات.

ثالثاً: التوجه بالأسئلة، يتعين على كل عضو ان يشارك فى اتخاذ أى قرار يُدعى إليه مشاركة فعالة وآلا يرضى بمجرد قبول المعلومات التى تصب عنده. فمن واجبه اختبار صحة هذه المعلومات والبحث فيها كى يتأكد من دقتها وصحة الاعتماد عليها، كما يتعين عليه استيعابها بالكامل.

رابعاً: إعداد سجل خاص بجميع محاضر الاجتماعات السابقة للتأكد من دقة تسجيلها وتصحيحها ولذا يجب الاستفادة من الوقت المتاح.

خامساً: مراجعة كل المستندات والمواد المكتوبة وسوف ترسل شركة مصر للمقاصة المستندات المتاحة إليك كى يقوم العضو بمراجعتها. وإذا لم تكن هذه المستندات متاحة يقوم أحد المستشارين أو الخبراء بمراجعة أهم هذه الشروط ذات الصلة مع أعضاء مجلس الإدارة، وليس من الضرورى قيام الأعضاء باعتماد "المسودة النهائية للمستند، لكن يتعين عليهم فهم الشروط الرئيسية للعقد او المستند الذين هم بصدده. وعند اعتماد العضو على أحد الخبراء يجب ان يستفسر عن الآتى:

- هل هذا الخبير على دراية بمحتوى هذا التقرير؟
- هل ينتمى هذا الخبير لشركة أو مؤسسة تتمتع بالسمعة الطيبة؟
- هل تُقدم إجابات معقولة ومناسبة للتساؤلات المطروحة؟
- هل هناك أى ظروف تؤثر على طبيعة النتائج التى يتم التوصل إليها بالتقرير؟
- هل تعد الافتراضات التى بُنى عليها التقرير واقعية؟
- هل يعد الأسلوب الذى يبنى عليه التقرير مقبولاً بوجه عام؟
- هل هذا التقرير مفهوم وواضح؟

الواجب الخاص بالحفاظ على وضع شركة مصر للمقاصة كجهاز رقابى

يقتصر تعامل شركة مصر للمقاصة على الكيانات الخاضعة للرقابة وهى بذاتها تمثل مؤسسة مراقبة وتخضع لإشراف الهيئة العامة لسوق المال. ومن المرجح أن يتم استدعاء أعضاء مجلس الإدارة بصورة منتظمة للمشاركة فى اتخاذ القرارات التى من شانها التأثير عليهم بصورة مباشرة أو التأثير على مجموعة البنوك أو المساهمين ذوى الصلة بهم. بل إن جميع الأطراف الرئيسية التى تتعامل فى السوق سوف تتأثر بتلك القرارات، ومن بينها البنوك وجهات الإيداع والسماسرة والتجار وشركات إمساك السجلات والشركات المصدرة.

ويجب ان يتعرف أعضاء مجلس الإدارة بالكامل على بعض الاعتبارات التى نص عليها قانون الإيداع والحفظ المركزى، بل على مجلس الإدارة الاهتمام بالالتزامات التالية:

- أنه يجوز للهيئة العامة لسوق المال إلغاء الترخيص الممنوح لشركة مصر للمقاصة عند مخالفة قانون الإيداع والحفظ المركزى والقرارات المتعلقة به، أو حدوث مخالفة قد يضر بسوق المال أو يهدد استقراره. (المادة 41).

- يتم تعيين أى عضو من أعضاء مجلس الغدارة أو الاستغناء عنه بناءً على إخطار للهيئة أو قرار منها بذلك (المادة 41).

- لا يسمح لأعضاء مجلس الإدارة وذويهم التعامل فى الأوراق المالية دون موافقة مجلس إدارة شركة مصر للمقاصة.

- يتعين على شركة مصر للمقاصة أن تعامل جميع المشاركين التابعين لها على أساس من العدل والمساواة كما يجب أن تكون الرسوم التى تتقاضاها الشركة منهم عادلة ولا تزيد على الحد المسموح به (المواد 21، 40،24)

- يلتزم المشاركون التزاما قانونياً بناءً على العقد المبرم مع الشركة بالقواعد التى تم إقرارها والالتزام بها والموافقة عليها (المادة 22 و23)، وهذا يتضمن أن تقوم الشركة كذلك بالتأكد من جميع نصوص عقودها وأن القواعد المنظمة لعملياتها لها أساس قوى وثابت وانها تسرى على جميع المشاركين خاصة فى حالة إعسارهم.

- يجب على الشركة ان تحتفظ بالسجلات الالكترونية الرسمية الوحيدة الخاصة بملكية الأوراق المالية، مما يعنى مراعاة الدقة الكاملة والسرية التامة لهذه السجلات، ولا يسمح لأىٍ من الأعضاء الإفصاح عن هذه المعلومات (المادة 3 و25 و49).

- إن شركة مصر للمقاصة هى الجهة الوحيدة المرخص لها بمزاولة تسوية جميع عمليات تداول الأوراق المالية (المادة 14). إن قيام شركة مصر للمقاصة بمتابعة عمليات التداول فى وقتها المناسب وبصورة آمنة يجب أخذها فى تمام الاعتبار للإيفاء بمتطلبات السوق على الوجه الاكمل.

- تأمين مقار الشركة باعتبارها جهة إيداع الشهادات والأموال الخاصة بالأوراق المالية للمشاركين وتأمين جميع المؤسسات التى تستخدمها لهذه الأغراض ومراجعتها.

- ويجب ان تُراعى السرعة والدقة والتأمين لكافة عمليات الشركة وأنظمتها الخاصة بالمقاصة والتسوية لأن تحويل ملكية الاوراق المالية يعتمد على التسوية (المادة 4).

- يجب ان تستوفى عمليات التسوية معايير التسليم مقابل الدفع وأن نراعى الفترات المحددة للتسوية التى تتراوح من (اليوم الثالث بعد التداول إلى يوم التداول) والتى يضمن مجلس الإدارة تنفيذها حيث إنها يمكن تغييرها (المادة 15).

- مع اعتبار أن شركة مصر للمقاصة هى المؤسسة الرائدة وذات الخبرة بالأمور التى تتعلق بالمقاصة والتسوية داخل سوق المال المصرى فإن إدارة المخاطر تعتبر من أهم اعتبارات العمل داخل الشركة (المادة 16).

وندعو سيادتكم التفضل بقراءة موجز معايير المقاصة والتسوية الذى نقوم حالياً بإعداده والذى يستعرض بعض الخطوط الاسترشادية العريضة والمطبقة دولياً التى سوف تساعدكم على القيام بواجباتكم التى يفرضها العمل بالشركة كأحد اعضاء مجلس إدارتها.

المسئولية القانونية لعضو مجلس الإدارة

فضلاً عن جميع المسئوليات القانونية لعضو مجلس الإدارة التى يفرضها عليه قانون الشركات وقانون العمل وقانون الضرائب والقانون الجنائى والقوانين الأخرى السارية فإن العضو يواجه كذلك بعض المسئوليات المحددة التى تفرضها عليه الشركة ذاتها.

(قانون سوق المال)
(سرد القوانين ونصوصها)

التأميـــن والتعويض

تتضمن اللائحة الأساسية لشركة مصر للمقاصة والتسوية والحفظ المركزى تعهد لتعويض جميع الأعضاء الحاليين والسابقين تحت أى من الظروف شريطة أن يكون أداء العضو متمشياً مع معياري الاداء اللذان تم ذكرهما آنفاً.

كما تبسط الشركة حمايتها على كافة أعضاء مجلس الإدارة عن طريق التعاقد على وثيقة تأمين على مسئولية الأعضاء والمديرين بقيمة .....مليون جنيه مصرى.

مجموعة قواعد الدخول فى عضوية مجلس الإدارة

التعرف على قواعد شركة مصر للمقاصة:

ولمساعدة أعضاء مجلس الإدارة على استيفاء معايير الأداء المحددة مرفق مع هذه القواعد المستندات اللازمة التى يستطيع خلالها عضو مجلس الإدارة الجديد التعرف بشكل دائم على مهام ومسئوليات الشركة:

1. ملف خاص بمهام شركة مصر للمقاصة والتسوية والحفظ المركزى.
2. النظام الأساسى (الميثاق)
3. اللائحة الأساسية
4. الهيكل التنظيمى
5. وصف لخدمات الشركة
6. موجز عن المعايير الدولية للمقاصة والتسوية (يُجرى إعداده).
7. قائمة بالمديرين والمسئولين
8. أحدث التقارير المالية والسنوية
9. مهام ومسئوليات لجان مجلس الإدارة (وفى الوقت الحالى لا يوجد سوى لجنة المراجعة).
10. محاضر آخر اجتماعين لمجلس الإدارة واللجان.
11. جدول أعمال اجتماع مجلس الإدارة التالى، إذا كان متاحاً.
12. اتفاقية مبدأ السرية (يتم استكمالها عند التعيين كعضو بمجلس إدارة الشركة).
13. نموذج الإفصاح عن مصالح عضو مجلس الإدارة (يتم استكمالها عند الخاصة).
14. قانون سوق المال رقم 95 لسنة 1993 وتعديلاته.
15. قانون الإيداع المركزى رقم .....لسنة 2000.

مسألـــة إداريـــــة

يجتمع مجلس إدارة شركة مصر للمقاصة ..... مرة سنوياً أما الاجتماع السنوى للمساهمين فعادة ما يُعقد فى مايو فى أحد فنادق القاهرة، ويوجد مقر المكتب التنفيذى للشركة فى القاهرة ولكن تُعقد الاجتماعات بالتبادل بين القاهرة والاسكندرية.

وسوف تقوم الشركة بتعويض الأعضاء عما يبذلوه من الوقت والجهد حيث تتحمل الشركة تكاليف رحلات الطيران على درجة رجال الأعمال والإقامة فى الفنادق على الدرجة الاولى وكذلك أى مصاريف أخرى يتحملها العضو عند حضور الاجتماعات.
ولضمان سرعة تسوية هذه المبالغ النقدية تتطلب إجراءات المراجعة داخل الشركة تقديم جميع إيصالات الدفع وتقرير مفصل عن بنود هذه المبالغ فى النموذج المرفق.

إلى: رئيس مجلس الإدارة
أو إلى نائب رئيس مجلس الإدارة (فى حالة قيام الرئيس بالإفصاح)
شركة مصر للمقاصة والتسوية والحفظ المركزى
4 شارع طلعت حرب، الدور الثانى،
القاهرة

وإلى: أعضاء مجلس إدارة الشركة

الإفصاح عن مصالح أعضاء مجلس إدارة الشركة

يقر عضو الشركة الموقع أدناه بما يلى:

1. عن أى مصلحة لديه فى أى عملية تداول أو عقد مبرم بين الشركة ومؤسسة
_____يذكر اسم المؤسسة حيث يشغل العضو منصب
_____يذكر منصب العضو بالمؤسسة

2. أن تسجل محاضر اجتماع مجلس إدارة الشركة طبيعة ومدى هذه المصالح المتعلقة بعضو مجلس الإدارة فى أى عملية تداول أو عقد مبرم.

3. أن يُرفق هذا الخطاب ويُحفظ مع محضر الاجتماع الذى تم فيه مناقشة عملية التداول أو العقد فى بادئ الأمر.

بتاريخ _____

توقيع عضو مجلس الإدارة _____

اسم العضو بالحروف المطبوعة _____

Annex I

Pledge of Confidentiality

I, _____, of the City of _____, do *solemnly declare* that:

(1) I am a member of the Board of Directors of MCSD or its successor ("MCSD");

(2) I will, during and after my tenure with MCSD, maintain and safeguard in confidence all data, systems and information concerning MCSD, its members, participants and clients, their respective affairs and any confidential or proprietary information declared as such by MCSD of which I become aware while employed by MCSD;

(3) I will not, without the prior written consent of an authorized representative of MCSD:

a) Disclose or communicate or allow to be disclosed or communicated to any person any data, systems or information concerning MCSD, its members, participants and clients, their respective affairs and any confidential or proprietary information declared as such by MCSD of which I become aware; or

b) I will not allow any person to inspect or have access to any books or documents concerning MCSD, its members, participants and clients, their affairs and any confidential or proprietary information declared as such by MCSD without the prior written consent of the Chairman of the Board of MCSD.

_____

Signature of the member of the Board of Directors

Declared before me in the City of Cairo,
In the Governorate of Cairo
This day of 200

_____

Signature of the witness

ANNEX II

Disclosure of Director's Interest

TO: The Chairman of the Board of Directors
(or to the Deputy Chairman, if the Disclosure is by the Chairman)
Misr for Central Clearing, Depository and Registry ("MCDR")
4, Talaat Harb Street, 2nd Floor
Cairo

CC: The Directors of MCDR

The undersigned Director of MCDR hereby:

1. Declares having an interest in any transaction or contract between MCDR and **[name of firm]** of which the Director is **[Director's title in firm]**

2. Requests that the nature and extent of that interest be recorded in the minutes of any MCDR Board of Directors meeting at which a transaction or contract with the above firm is discussed

3. Requests that this letter be appended to and kept with the minutes of the meeting at which the transaction or contract is first discussed

Dated this _____ day of _____, 200_.

_____
Director's signature

_____
Name in Print

Appendix A. Detailed comments - Internal By-Law of SDC 2004

The Internal By-Law of the Securities Depository Center for the Year 2004

Issued Pursuant to Article (78) of the Securities Law No. (76) for the Year 2002

Contents

		Page
Chapter One	**Definitions**	
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Chapter Six	**The Center's Fiscal Year And Revenues**	
Chapter Seven	**General Provisions**	

The Internal By-Law of the Securities Depository Center for the Year 2004

Issued Pursuant to Article (78) of the Securities Law No. (76) for the Year 2002

Article (1) This By-Law shall be called the "Internal By-Law of the Securities Depository Center for the Year 2004" and shall come into effect as of 11 /4/2004**.**

Chapter One

Definitions

We note these definitions are duplicated in all By-Laws.

Article (2) A- The following words and expressions used in this By-Law shall have the meanings ascribed thereto hereunder unless the context indicates otherwise:-

The Law	:	The Securities Law in force.
The Commission	:	The Securities Commission.
The Board	:	The Board of Commissioners of the Commission.
The Center	:	The Securities Depository Center.
The Board of Directors	:	The Center's Board of Directors.
The Executive Manager	:	The Center's Executive Manager.
The Market/Stock Exchange	:	The Amman Stock Exchange or any trading market in securities licensed by the Commission.
The Broker	:	The juristic person licensed as a financial broker or dealer.
The Custodian	:	The legal person licensed by the Commission to provide safe custody for securities.
The Public Issuer	:	The Issuer who has filed a prospectus that has become effective with the Commission.
The Member	:	The Center's member.

B- The words and expressions not defined in this By-Law shall have the meanings assigned to them in the Law unless the context indicates otherwise.

Chapter Two

The Center's Objectives And Responsibilities

Article (3)

A- A Center called the (Securities Depository Center) shall be established in the Kingdom. Its headquarter shall be in Amman.

B- The Center shall be a non- profit public utility entity.

C- The Center shall have a legal personality with financial and administrative autonomy. As such, it may acquire and dispose of movable and immovable property, and perform all legal acts to realize its objectives, including entering into contracts in its own name. The Center shall have the right to sue and be sued, and to appoint any attorney to represent it in legal proceedings.

D- The Center shall be subject to the Commission's monitoring and supervision. The Commission shall have the right to audit its records.

Article (4)

The Center aims, in particular, to achieve the following objectives:

1. Enhance the confidence of investors in securities and enable them to follow-up their investments in securities with ease by establishing a central registry to safe-keep the ownership of securities.
2. Reduce risks related to settlement of trading transactions executed through the Market by implementing by-laws, instructions and procedures that are fair, fast and safe.

Article (5)

A- The Center shall undertake the necessary functions and responsibilities to achieve its goals including:

1. Register, safe-keep and transfer ownership of securities.
2. Deposit securities.
3. Clear and settle securities.
4. Supervise and monitor the professional activities related to the Center's operations pursued by its Members, preparing and implementing special rules related to the use of the Center's utilities and facilities and the utilization of its services.
5. Provide opinion on legislations related to the Center's operation and any amendments thereto, proposing such legislations and the measures necessary to protect the investors, owners of securities.
6. Issue reports and publish information and statistics regarding the Center's activities.
7. Establish cooperation relations with Arab, regional and international depository centers, associations and organizations in the fi~~l~~eld of securities and concluding agreements in service of the Center's objectives.
8. Acquire, rent, possess and dispose of any moveable or immoveable property and any rights including intellectual property rights that the Center deems necessary or suitable to perform its functions.
9. Establish and manage the Settlement Guarantee Fund.

B- The Center shall be the only entity in the Kingdom authorized to perform the functions and responsibilities specified in Paragraph (A) of this Article.

This provision exceeds the competence of the Center, as it cannot unilaterally "appoint" itself as the only such permissible entity in the Kingdom. It duplicates the Securuties Law.

Article (6)

A- The Center shall be the only entity in the Kingdom authorized to issue codes for securities and the issuing companies according to the method specified by the Center.

Same comment as under Article 5 B-.

B- The registration and ownership transfer of securities and the price settlement of such securities shall be by means of entries in the Center's records.

Internal corporate by-laws cannot govern third parties, and such a general provision would not be held valid. Only the law can stipulate transfers of property can be effected in the public records of the Center.

C- Entries shall be recorded in the Center's registers. These records shall be maintained either manually or electronically by computer.

D- Unless otherwise proven, the entry records and the accounts maintained by the Center, whether manually or electronically, as well as any document issued by the Center, shall constitute *prima facie* legal evidence of ownership, registration, transfer of ownership and settlement of the securities, at the price and on the date stated in those records, accounts or documents.

Same comment as under B-.

Chapter Three

The General Assembly

Article (7) Membership in the Center shall be mandatory for the following entities:

These by-laws and the "Internal by-laws of the Membership" create two aspects to being a Member: member in services, and member entitled to vote at a General Assembly of the SDC. However there is no link between the two by-laws regarding membership. This should be either reflected in these by-laws as well, or the concepts of corporate "Member" and "service user" rectified. Also, issuers are users but not Members.

One suggestion would be to modify this clause as follows:
"Membership in the Center if mandatory for the following entities that have been accepted as Members by the Board of Directors pursuant to the provisions of the Internal By-Law of the Membership."

Provisions on termination of "corporate" Membership in the Center, as opposed to services user of the Center, are currently absent. This implies a Member could be terminated as a Member for defaulting in the services, but could remain a Member of the SDC and attend and vote at the General Assembly.

Independently of this, perhaps the SDC should have the right to expel a Member based on its conduct in the affairs of the Center, as distinct from his conduct in the services of the Center pursuant to the Internal By-Law of the Membership.

For instance, why could a Member not continue using the services if it fulfills all its obligations, but be expelled as a voting Member if it does not pay its annual subscription fees?

A- Public shareholding companies.
B- Public Issuers.
C- Legal persons licensed -as Financial Brokers or Dealers.
D- Custodians.
E- Any other entity determined by the Board.

This Article is duplicated by Membership by-law Article 2 A-.
Such a provision would only be appropriate if it determined who can be a Member (internal by-laws), in contrast to who can use the services of the Center ("external" by-laws or service documentation), and set forth different criteria. Criteria for Members as service users should be base don the ability to fulfill their obligations in the services.

Article (8) The Center's General Assembly shall consist of the Members that have paid the Center's associations membership fees and the annual subscription membership fees. Each Member shall have one vote at the General Assembly's meetings.

This provision proves the point made above, as it does not require a Member to fulfill all its obligations in the services of the Center to become or remain a Member. For instance, and at the opposite side, if a Member does not settle trades or pay its service fees, should it be entitled to attend and vote at the General Assembly meeting?

Article (9) The powers of the Center's General Assembly in its annual ordinary meeting shall be to consider all issues related to the Center, discuss and pass suitable resolutions thereto, including the following:

A- Discuss the Board of Director's report regarding the Center's operations and future plan.
B- Listen to the report of the Center's auditor regarding the balance sheet, final accounts and financial status.
C- Discuss the Center's annual balance sheet, revenues and expenses accounts and cash flows for the previous fiscal year and look into approving it.
D- Elect the members of the Board of Directors in accordance with this By-Law.
E- Any other matter falling within the Center's functions presented to the General Assembly by the Chairman of the Board of Directors upon the resolution of the Board of Directors or suggested by the General Assembly itself by the majority of the Members present.

Article (10) A- The Center's General Assembly shall be invited to an annual ordinary meeting upon invitation by the chairman of the Board of Directors, upon the resolution of the Board of Directors, before the end of March.

B- The Center's General Assembly shall hold an extraordinary meeting when necessary to consider certain issues upon the invitation of the chairman of Board of Directors upon a resolution by the Board of Directors.

C- The majority of the Members of the General Assembly may request the chairman of the Board of Directors to hold an extraordinary meeting at any time.

D- The chairman of the Board of Directors shall invite the General Assembly for the extraordinary meeting requested by the Center's Members in accordance with Paragraph (C) of this Article within a maximum of one month from the date of notifying the Board of Directors the request to convene the meeting. If the Board of Directors does not comply or refuses to comply with the request, the Commission shall invite the General Assembly for the meeting upon the Center's expense.

E- The invitation for the General Assembly's meeting and the agenda shall be sent by registered mail or delivered by hand against signature at least fifteen days before the date of the meeting.

F- An invitation to the Commission shall be delivered for its representative to attend the General Assembly's meeting.

G- The General Assembly's meetings shall be presided over by the chairman of the Board of Directors or, if absent, by the deputy chairman, or by the person designated by the Board of Directors in case both are absent. If this is not possible, then the meeting shall be presided over by the person appointed by the Commission.

Article (11)

A- The General Assembly's meeting shall be considered legal if attended by the majority of the Members of the General Assembly.

B- If the quorum shall not be met in the General Assembly's ordinary meeting within an hour from the designated time for the meeting, the meeting shall be postponed for a second meeting. The second meeting shall be held within fifteen days from the date specified for the first meeting. The Members shall be notified of the meeting three days in advance of the meeting. The second meeting shall be considered legal with the number of attendants.

C- If the quorum shall not be met in the General Assembly's extraordinary meeting within an hour from the designated time for the meeting, the General Assembly shall be invited for a second meeting within ten days from the date specified for the postponed meeting. The Members shall be notified in accordance with the notification measures specified in this By-Law subject to the invitation being sent at least a week in advance from the date specified for the second meeting. The second meeting shall be considered legal with the attendance of (40%) of the Members. If the quorum is not met in the second meeting, the meeting is cancelled regardless of its reasons.

D- Election of the Board of Directors may be conducted in an extraordinary meeting of the General Assembly and in this case Paragraph (B) of this Article shall apply regarding the legal quorum of the meeting.

E- The Member shall be represented in the General Assembly's meetings by a natural person. The representative shall be:

1. The chairman or any member of the board of directors, the general manager or one of the executive managers by virtue of an official letter for public shareholding companies.
2. The chairman or any member of the managers' committee or the general manager in other companies.

F- The General Assembly's resolutions are taken by the majority of the votes represented at the meeting. The resolutions are obligatory to the Board of Directors and all Members of the General Assembly.

G- Voting at the General Assembly's meetings shall be by raising hands unless the majority of the attending Members request a secret ballot.

Article (12)

A- A list of all the Members of the General Assembly present is prepared and **signged** by each Member.

B- The chairman of the General Assembly's meeting shall appoint a clerk to record the number and names of the attendants, the events of the meeting and the resolutions taken therein. He shall also appoint two observers to collect the ballot and count the votes.

C- The chairman of the General Assembly's meeting shall, for the purposes of electing members of the Board of Directors, appoint a committee, one of its members to be the chairman and another two non-candidate member to supervise the ballot and announce the results.

D- The minutes of the General Assembly's meeting shall be signed by the chairman of the meeting and the clerk. A copy of the minutes of the meeting shall be sent to the Commission.

Chapter **Four**

The Board of Directors

Article (13)

A- The Center shall be managed by a Board of Directors consisting of seven members.

B- The Board of Directors shall consist of the following:

1. Two members representing Brokers and companies licensed to perform custodial activities.
2. Three members representing the rest of the Center's Members not included in Sub-Paragraph (1) of Paragraph (B) of this Article and not licensed as Financial Brokers, Dealers or Custodians.
3. Two members of the private sector with experience in legal, financial and economic fields appointed by the Board.

C- The members of the Board of Directors referred to in Sub-Paragraphs (1) and (2) of Paragraph (B) of this Article shall be elected by the General Assembly by the majority of the votes by secret ballot.

D- The Board of Directors shall, in its first meeting, elect a chairman and deputy chairman from among the members appointed by the Board.

E- No person shall serve both as a member of the Center's Board of Directors and a member of a Market's board of directors.

F- The term of the Board of Directors shall be three years. No member shall be elected or appointed for more than two consecutive terms

G- The Executive Manager shall attend the meetings of the Board of Directors and participate in the discussions without having the right to vote.

H- The Board of Directors shall appoint a secretary from among the Center's employees, specify his obligations and remuneration for this task.

Article (14)

The Member shall be represented in the Board of Directors by a natural person who must meet the following conditions:

A- Have the required conditions to represent the Member in the General Assembly's meetings.

B- Enjoy full legal capacity.

C- Be at least thirty years old.

D- Have the first university degree at least.

E- Have not been convicted of any crime, misdemeanor, punitive penalty involving moral or trust, or his service in any post has been ended or terminated for such reasons. The Board may take all necessary measures to ensure the fulfillment of this condition and its resolution in this regard is considered final.

Article (15)

A- The nomination for the membership of the Board of Directors shall be in the name of the Member.

B- The nomination for the membership of the Board of Directors shall be opened before fifteen days from the date of the General Assembly's meeting specified for the elections and the nomination shall be closed a week before that date.

C- Each Member who wishes to be nominated for the Board of Directors' membership shall fill the Center's nomination form and return it to the Board of Directors at least seven days before the General Assembly's meeting. The form is to be signed by the authorized signatory of the Member.

D- Each Member which presents its nomination and wishes to withdraw it shall notify the chairman of the Board of Directors in writing.

E- The chairman of the Board of Directors shall distribute a list of the member candidates to the Members before three days at least from the date of the General Assembly's meeting.

F- The ballot paper shall be divided into two lists, the voter shall name in one of them two candidates at the most to represent the Broker and Custodian and in the other list, the voter shall name three candidates at the most to represent the rest of the Center's Members who are not licensed as Brokers, Dealers or Custodians.

G- The ballot paper which contains more names than the number of seats of the Board of Directors for any of the two categories referred to in Sub-Paragraphs (1) and (2) of Paragraph (B) of Article (13) shall be cancelled

H- The candidates who obtain the highest votes in each category shall be considered the elected members of the Board of Directors, if more than one candidate of the same category obtains the same number of votes, re-election is carried out between those members and if the number of votes is the same in the second time, then a lot shall be cast between them.

Article (16)

A- The chairman of the Board of Directors is the Center's official representative vis-a-vis all authorities. The chairman shall perform the powers assigned to him in accordance with the by-laws, instructions and resolutions issued by the Board of Directors. He may delegate any of his powers to his deputy or any member of the Board of Directors.

B- The deputy chairman of the Board of Directors shall assume the powers of the chairman of the Board of Directors when the latter is absent or his position becomes vacant. If the chairman of the Board of Directors and his deputy are absent or their positions become vacant, the Board of Directors shall designate one of its members to assume the powers of the chairman of the Board of Directors.

C- The Board of Directors shall hold its meetings at the Center's headquarters unless the invitation for the meeting specifies otherwise.

D- The Board of Directors shall meet upon the invitation of its chairman at least once a month. The chairman shall invite the Board of Directors for a special session upon a written request of three or more of its members within a week of submitting the request. The request is to contain the issues to be discussed in that meeting.

E- The chairman of the Board of Directors may in emergency cases that require holding an urgent session forward an invitation verbally or by phone. In this case, the meeting must be held within twenty-four hours at the most.

F- The quorum of the Board of Directors shall be considered legal if attended by*:*
a) at least five of its members. The chairman or the deputy chairman in the absence of the chairman must be present***, and***
b) among which ~~.~~one member representing Brokers and companies licensed to perform custodial activities, and one member representing the rest of the Center's Members, are present.

[Note: because no decision should be taken without representation from every group of users/Members. Current provisions could be seen as not fair and equitable to brokers who are not included in the quorum.]

G- The resolutions of the Board of Directors are taken by the majority of the members present and if the votes are equal, the side with which the chairman of the meeting votes shall prevail.

H- The deliberations of the Board of Directors shall be recorded in the minutes of meeting of the session and its resolutions shall be recorded in a special register and signed by all the attending members. Each member opposed to any res*o*l~~o~~ution~~s~~ adopted by the Board of Directors shall record his objection in the minutes of meeting ~~-~~of the session and in ~~-~~the register of the Board of Directors' resolutions.

I- The chairman of the Board of Directors may invite any individual with certain experience to attend any of the Board of Directors' sessions. Such an individual shall not have the right to vote.

Article (17)

A- The services of the representative of any member in the Board of Directors shall be terminated upon a resolution of the Board of Directors in any of the following cases:-

1. The assumption of a ministerial post or any other official post in any governmental agency.
2. The failure to attend three consecutive meetings of the Board of Directors without an excuse accepted by the Board of Directors or the failure to attend five consecutive meetings regardless of the reasons.
3. The loss of his legal capacity or his inability to perform his work.
4. The termination of his services with the Member.
5. His conviction of any crime, misdemeanor or punitive penalty involving moral or trust.
6. The declaration of his bankruptcy.
7. The loss of any membership condition by the Member ~~that~~ he represents.

B- Paragraph (A) of this Article, with the exception of Sub-Paragraphs (4) and (7), shall apply to the members appointed by the Board. The resolution of the Board of Directors shall be subject to the Board's approval. The Board shall have the right to terminate the membership of any of the members appointed by it.

C- The membership of the Member in the Board of Directors shall be suspended if the ~~company~~***Member he represents*** ~~-~~is suspended from conducting its operations for a maximum period of three months. If the period exceeds that, then the position of this company shall be considered vacant.

D- The membership of the Member in the Board of Directors shall terminate if the Member submits its written resignation or permanently suspends its operations for any reason whatsoever.

Article (18)

A- If a Member wishes to replace its representative in the Board of Directors at any time within its membership period or if its representative dies or his services are terminated for any reason whatsoever before the end of the membership period of the Member, the Member shall appoint a substitute that fulfills the membership conditions.

B- If the position of any elected member of the Board of Directors becomes vacant before the end of its membership period for any reason whatsoever, the Board of Directors shall appoint a substitute. This alternate shall be presented to the General Assembly in the forthcoming meeting for approval or to elect another member to occupy this vacancy. If the position of the members appointed by the Board becomes vacant, an alternate shall be appointed in the same way in which he was appointed.

C- The chairman and the members of the Board of Directors shall continue to exercise their duties after the end of their term until new members are elected to replace them and for a period not exceeding six months.

Article (19)

The Board of Directors shall assume the following authorities and responsibilities:

A- Establish the Center's general policy to guarantee the management and development of its operations and activities including the following:

1. Adopt all the necessary measures to observe the implementation of the Law in relation to the Center's operations, the by-laws, instructions and relevant resolutions issued pursuant thereto.
2. Monitor the operations of the Center to achieve its objectives.
3. Approve the Center's budget and supervise its execution.
4. Prepare and present the balance sheet and financial statements to the General Assembly.
5. Establish rules regulating the assistance of the necessary experts for the due operation of the Center.
6. Establish the training policy for the Center's employees.
7. Appoint ***one or more*** ~~an~~ external auditor***s*** to audit the Center's accounts and determine his fees .
8. Appoint ***at least*** ~~a~~***one*** lawyer ~~or more~~ for the Center and determine his fees
9. Borrow the necessary funds to manage the Center and with the approval of the Board.

B- Establish the necessary internal by-laws and instructions to direct the Center's affairs under the Board's approval including those related to the following:

1. The procedures for registration of securities, transfer of their ownership, and clearance and settlement of the trading contracts related thereto.
2. Specification of the rights and obligations of the parties involved in the securities clearing, settlement and ownership transfer processes.
3. The time of the vesting of rights of creditors of the parties to securities trades, including rights with respect to both the cash or cash equivalents and the securities involved, as a result of the process of sale, purchase or ownership transfer.
4. Information, data, and records that are considered confidential and the persons authorized to have access thereto, by virtue of their job.
5. Information, data and records that the Center must disclose and the information, data and records that are accessible to the public for viewing and copying.
6. Standards of professional conduct applicable to the members of the Center, members of the Board of Directors, to the Executive Manager and the Center's employees.
7. Determination of the remuneration for the members of the Board of Directors.

8. Determination of transportation and travel allowance for the members of the Board of Directors, the Executive Manager and the Center's employees.
9. Organizational structure, employees by-law, financial by-law, purchases by-law, the employees' housing and provident funds and the internal by-law of the Center's proceeds.

Article (20)

A- The appointed members of the Board of Directors and the representatives of the elected members shall disclose to the Commission and the Center of all the Jordanian securities and any other contributions or shares in any Financial Services Company owned by them or their relatives and any change that occurs thereto within seven days from the date of the change.

B- The elected members of the Board of Directors shall disclose to the Commission and the Center of the contributions or shares owned by them in any Licensed Person, Member of the Center, who is not a bank and any change that occurs thereto within seven days from the date of the change.

C- The chairman, the members of the Board of Directors and any representative must conduct their work for the interest of the Center. They are restricted especially by the following:
1. Disclosure of any interest that concerns them in relation to any subject presented to the Board of Directors for discussion. In such a case the concerned member must leave the session and must not participate in the voting when the resolution is taken.
2. Maintain the Center's confidential information and not to disclose such information to any other party.
3. Not exploit any information obtained by virtue of their membership or representation in the Board of Directors for their own benefit or for the benefit of any other party.

D- The chairman and members of the Board of Directors shall be responsible for every violation committed by the Board of Directors to the legislations in force.

E- The responsibility mentioned in Paragraph (D) of this Article shall not include any member who proved his objection in writing in the minutes of meeting of the Board of Directors' in which the resolution that violated the legislations in force was taken.

Chapter Five

The Executive Manager

Article (21)

A- The Board of Directors, with the approval for the Commission, shall appoint a full time Executive Manager by a contract for a specified period which contains his remuneration, benefits and other financial rights. The Board of Directors may end the services of the Executive Manager in the same way.

B- The Executive Manager shall not engage in any other activity or be partner, shareholder, or representative of any Licensed Person.

C- The Executive Manger shall perform his responsibilities in accordance with the internal by-laws and instructions in force at the Center and performs any other responsibilities specified by the Board of Directors.

Article (22)

The Executive Manager shall be chosen from among experienced and efficient individuals in the financial and economic fields. He must:

A- be Jordanian

B- enjoy full legal capacity.

C- have an experience of at least fifteen years in the economic and financial fields.

D- have obtained his first university degree at least.

E- have not been convicted of any crime, misdemeanor or a punitive penalty involving moral or trust or his service in any post has terminated for such reasons.

Article (23)

A- The Executive Manager pursues all the administrative, financial and technical affairs of the Center. He is responsible before the Board of Directors thereof as well as of the following
1. Follow up the implementation of the Law, by-laws, instructions and resolutions issued pursuant thereto.
2. Execute the Board of Director's resolutions.

3. Sign all the relevant documents and correspondences necessary for the Center's operations in accordance with the policies determined by the Board of Directors.
4. Appointing employees at the Center pursuant to the provisions of the Employees' By-Law and the resolutions of the Board of Directors.
5. Follow up the due operations of the Center and the performance of its employees and administrative body.
6. Prepare the draft annual budget and present it to the Board of Directors before the 30th of November of each year.
7. Present the quarterly financial statements to the Board of Directors.
8. Present the bi-annual financial statements audited by the auditor to the Board of Directors.
9. Present the balance sheet and the financial statements for the previous fiscal year audited by the auditor to the Board of Directors before the end of February of the following year.
10. Pursue all the powers and further activities assigned to him by the Board of Directors.
11. Provide the Commission with copies of the resolutions of the General Assembly and the Board of Directors.

B- The Executive Manager may delegate any of his powers to a high ranking employee at the Center with the approval of the Board of Directors. The delegation must be written and specific.

C- The Board of Directors shall appoint a deputy for the Executive Manager to manage the Center' affairs in case the Executive Manager is absent or his position becomes vacant.

Article (24)

A- The Executive Manager and any of the Center's employees shall disclose to the Board of Directors and the Commission of any securities owned by him or at his disposal immediately upon assuming his post and any change that occurs in that regard.

B- The Executive Manager and the Center's employees shall not be a partner, shareholder, or representative of any Licensed Person or any of the Center's Members.

C- With regard to Paragraph (B) of this Article, the Executive Manager and any of the employees of the Center are subject to the instructions issued by the Board regulating the possession and trading of any securities by them.

Article (25)

A- The Executive Manager and the employees of the Center are prohibited, subject to legal liability, from:
1. Exploiting any information acquired by virtue of their work at the Center for financial or moral profit whether directly or indirectly.
2. Disclosing any confidential information acquired by virtue of their work at the Center to any other party not authorized to view such information.
3. Violating the intellectual property rights of the Center's electronic systems.

B- The Executive Manager and the Center's employees shall maintain confidential documents in a safe place where no person can view them.

C- The Center's employees shall inform the Executive Manager of any fault or improper use of the Center's systems or the possibility of the existence of any programs that may affect the information and data maintained in those computers and programs.

Article (26)

The Executive Manager and the Center's employees shall take all the necessary measures and precautions to safeguard the Center's computers and electronic systems and shall not permit any unauthorized person to use its computers and systems.

Chapter Six

The Center's Fiscal Year And Revenues

Article (27)

The Center's fiscal year shall begin on the first day of January of each year and shall end on the 31st of December of the same year.

Article (28)

The revenues of the Center shall consist of:

A- Associations membership fees, annual subscription membership fees collected from its Members and the registration fees, commissions, fees, charges and fines stipulated by the Center's internal by-laws

B- Proceeds of the Center's property, returns from its funds and sale of its assets.

C- Contributions, grants, aids and donations that are approved by the Board.

Article (29) The Center shall deposit its funds at a bank or more in the Kingdom pursuant to the bases and resolutions of the Board of Directors.

Article (30) The Center shall maintain the following:

A- Accounting records and books organized in accordance with internationally adopted accountancy standards.

B- The books and records necessary to conduct its operations in accordance with its internal by-laws and instructions issued by the Center.

Article (31)

A- The Center shall maintain a general reserve for the Center's annual surplus in every fiscal year.

B- Any deficit in the revenues and expenditures account of the Center for any fiscal year shall be covered from the general reserves. If the general reserves are insufficient to cover the deficit, it shall be covered by equal payments from the Center's Members, such payments shall be credited for Members against net future revenues.

C- Notwithstanding what is stated in Paragraph (A) of this Article, the Center's Board of Directors may, subject to Board approval, borrow the amount sufficient to cover part or all of the deficit .

D- Upon termination of its legal personality whether by dissolution, liquidation or termination in any manner, the Center's property shall be transferred to the Public Treasury.

Chapter Seven

General Provisions

Article (32) The Center's funds and rights against others shall be deemed as domanial property, to be collected in accordance with the provisions of the Collection of Domanial (State) Property Law in force.

Article (33) The Internal By-Law of the Securities Depository Center issued by the Board of Commissioners of the Securities Commission on the 12/8/1999 shall be cancelled.

Appendix B. Detailed comments – Internal By-Law of the Membership and Code of Conduct 2004

The Internal By-Law of the Membership and Code of Conduct
for the Year 2004

Issued Pursuant to Articles (80) & (83/A) of the Securities Law No. (76) for the Year 2002

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The Internal By-Law of the Membership and Code of Conduct for the Year 2004

Issued Pursuant to Articles (80) & (83/A) of the Securities Law No. (76) for the Year 2002

Article (1) This By-Law shall be called the "Internal By-Law of the Membership and Code of Conduct for the Year 2004" and shall come into effect as of 12/5/2004.

Chapter One
Definitions

Article (2) A- The following words and expressions used in this By-Law shall have the meanings ascribed thereto hereunder unless the context indicates otherwise:

The Law	:	The Securities Law in force.
The Commission	:	The Securities Commission.
The Board	:	The Board of Commissioners of the Commission.
The Center	:	The Securities Depository Center.
The Board of Directors	:	The Center's Board of Directors.
The Executive Manager	:	The Center's Executive Manager.
The Market/Stock Exchange	:	The Amman Stock Exchange or any trading market in securities licensed **by the Commission** ***(this implies a foreign exchange cannot become a member: e.g. a foreign depository could not open an account at the Depository)*****.**
The Broker	:	The juristic person licensed **by the Commission** ***(no foreign broker?)*** as a financial broker or dealer.
The Custodian	:	The juristic person licensed **by the Commission** ***(no foreign custodian?)*** to provide safe custody for securities.
The Public Issuer	:	The Issuer who has filed a prospectus that has become effective **with the Commission** ***for any of its Securities (this definition currently precludes a foreign issuer). It could also exclude the Government or an issuer of exempted securities.***
The Member	:	The Center's Member.

B- The words and expressions not defined in this By-Law shall have the meanings assigned to them in the Law unless the context indicates otherwise.

Chapter Two
Membership

Article (3) A- Membership in the Center

Membership could be broken down by services: registry service Members, depository service Members, clearing and settlement service Members.

shall be **mandatory** for the following entities:

Current wording prevents other entities from becoming voluntary members.

Also precludes a foreign depository from opening an account at the Center unless it becomes a Member and votes at the General Assembly: is this desirable?

1. The public shareholding company.
   How does it differ from a " Public Issuer " ?
2. The Public Issuer.
3. The Broker.
4. The Custodian.

5. Any other entity determined by the Board.

The Board of Directors alone should not be authorized to determine who can and cannot become a Member. All the Board should do is adopt standards for Membership. This should be agreed to by Members also, via the By_Laws, who need to be protected and who, like when in a General Assembly, constitute the supreme authority of the SDC. It is these by-laws only that must set forth eligibility, standards and requirements to become a Member, and should not be delegated to the discretion of the Board. The current provision above should be deleted.

Membership may eventually be extended to regulated domestic and foreign entities, such as banks (at least for pledge and custody), portfolio managers (for eventual third party access), financial institutions such as mutual funds and insurance companies, a foreign securities depository or clearing house, the central bank of Jordan …. The membership policy could be revisited for future market needs and accommodate institutions who could benefit from the services of SDC, and that would also benefit the market.

B- The entities referred to in Paragraph (A) of this Article shall fulfill the Center's membership conditions and requirements in accordance with this By-Law and the instructions issued by the Center.

International standards require the filing with SDC of the written acknowledgement, in the case of statutory and mandatory membership, of a commitment or statement of major rights and liabilities of the Member, such as contributions to a settlement guarantee fund, the loss allocation mechanism, the funding of SDC in case of financial deficit, the pledge of assets, etc.. We have provided a sample Membership Commitment for consideration by SDC's legal department. The Commitment should preferable be duly signed by the Chairman of the Board and the Chief Financial Officer of the Member using SDC services.

C- The Board of Directors shall issue, upon the recommendation of the Executive Manager, its decision accepting or refusing the membership within a month from the submission of the membership application subject to the rejection decision specifying the reasons for the rejection.

E- The Center's by-laws and instructions shall be binding upon its Members and the clients of those Members who are Licensed Persons.

Article (4)

A- The Center's employees authorized in writing by the Executive Manager may, in respect of the Center's functions, ***and with prior notice to the Member who shall assist such employees,*** inspect, and make copies of, the documents and records of any ~~of its~~ Member~~s~~ *on its premises*~~, either with or without prior notice~~, provided any such inspection shall be conducted ~~only~~ during ***Member's*** business hours.

This is to facilitate SDC personnel's duties.

B- Allowing authorized Center's employees to carry out the tasks provided for in Paragraph (A) of this Article shall be a condition for membership in the Center.

Article (5)

A- It shall be prohibited to access the Center's electronic systems and its database except by the authorized Member pursuant to this By-Law and the instructions issued by the Center.

B- The Member shall bear the responsibility that results of the use of the Center's electronic systems and any information or data obtained through these systems.

C- The Member shall bear the responsibility as a result of the access to the Center's electronic systems by any of its employees, staff or others by using the password designated to that Member.

D- The Member shall maintain his own password to access the Center's electronic systems and shall be prohibited from providing that password to any person not authorized to use the systems.

E- The Member shall bear the responsibility of maintaining the safety and confidentiality of the Center's electronic systems to avoid any misuse. The Member shall inform his employees of the necessity and importance of maintaining the safety and confidentiality of the systems and the matters related to it.

F- The Member shall inform the Center upon its knowledge of any misuse of the Center's electronic systems.

Proposed alternate or additional clauses (please discuss their validity with SDC IT and internal audit departments):

A Member using the Center's electronic and communications systems shall ensure:

) the use of terminals that can access the Center's data communications network is restricted to its personnel and on its own network and premises;

) its network has no dial access or switched component authorized to access the Center's data communications network;

) every individual, who can access Member's terminals or other equipment, is specifically and confidentially identified by its log-on identification and password; and

) its auditors confirm to the Center, upon its request, that Member and its employees using the Center's systems comply fully with these requirements.

Article (6) The Member shall ***prove to the satisfaction of the Center it meets all conditions and requirements to become a Member, and shall*** provide the Center with any documents, information or data requested by the Center and in the manner the Center deems appropriate during the specified period.

This by-law should set forth a procedure for the appeal of a decision to reject the application, or for a decision to terminate a Member.
Membership is sufficiently important – especially since it is made mandatory by the Law – that it should be dealt with in all proper care, fairness and diligence, respecting the right to be informed of reasons for the decision, the right of Member to be heard, and the right to appeal to SDC. We suggest SDC management be the first instance to make a recommendation to the Board, who decides, and subject to appeal to the full Board of Directors by a Member.

Section One

Public Shareholding Companies and Securities' Issuers

Article (7) A- The public shareholding company shall, within two weeks of the date of obtaining the right to commence business, inform the Center in writing and submit an application for the Center's membership and provide it with the following documents and data:
Must applicant or Member do so to register new or additional Security issues?

1. The company's name and legal status.
2. The company's headquarter address.
3. The company's registration certificate at the Ministry of Industry and Trade.
4. The letter that authorizes the company to commence its business.
5. The decision of the Board approving the registration of the company's capital and any change that occurs thereto.
6. The memorandum and articles of association authenticated by the Controller of Companies before two weeks at the most from submitting the application.
7. The names of the members of the board of directors, the date of their election, their terms and the number of securities owned by each.
8. The name of the general manager and date of his appointment.
9. The postal address for the Center's correspondences.

10. The name of the liaison officer with the Center subject to that officer being a high-ranking executive in the Company.

11. The applicant should be required to provide the Center with:
a certified security holders' list as of a specific date;
types of securities issued and their rights;
the ISIN or other ID number; and
permission from the Commission to issue those securities

B- The public shareholding company shall inform the Center immediately in writing of any change that occurs to the information and data mentioned in Paragraph (A) of this Article.

Article (8) The conditions for the acceptance of the membership***, and the continuation thereof,*** of the public shareholding company at the Center shall be:

This addition makes it clear those standards must be maintained to remain a Member, and are not merely applicable at the time of acceptance of Membership.
It would also be prudent to set forth reasons for not accepting or postponing membership, even though an applicant qualifies.

A- The registration of its securities at the Center in accordance with the instructions issued by the Center.

B- Provide the Center with a written commitment confirming its undertaking to comply with the Center's by-laws, instructions and decisions issued by the Center and pursuant to the form specified by it.

C- Provide the Center with a written commitment to fulfill its financial obligations to the Center upon request.

D- Pay the association membership and annual subscription membership fees to the Center.

E- And the undertaking to treat the holders of its Securities entered in the records of the Center as the rightful owners of such Securities.

Article (9) The membership of the public shareholding company at the Center shall terminate in any of the following cases:

See our comment above on the procedure for rejection, suspension, termination, and appeal.

A- The issuance of a final decision to terminate its status as a public shareholding company.

B- The issuance of a decision of the voluntary liquidation of the company or an irrevocable decision of compulsory liquidation.

C- The termination of its juristic personality.
A default under Articles 3, 5, 6 and 8 should also be specified as ground for termination.

Article (10) The Government or public institutions upon issuing any securities shall not be considered as Members at the Center. The Center shall register their securities in accordance with the instructions issued by it.

Article (11) The provisions of this Section shall apply to the Public Issuer, with the exception of the Government, public institutions or public shareholding companies, upon issuing any securities through a public offering or upon the listing of any of its securities in the Market.

There are benefits to the securities market having these exempt entities also be users of the Center, if not Members. This policy could be revisited by the Center.

Section Two

Brokers

Article (12) A- The Broker shall apply for the Center's membership and provide it with the following documents and data:

1. The company's name and legal status.
2. The company's headquarter address.
3. The authorized, subscribed and paid in capital.
4. The Board's decision approving the license.
5. The company's registration certificate at the Ministry of Industry and Trade.
6. The letter that authorizes the company to commence its business for public shareholding companies.

7. The memorandum and articles of association authenticated by the Controller of Companies before two weeks at the most from submitting the application.
8. A statement of the names of the partners and their shares in the company if it is a limited liability company to date.
9. The names of the members of the board of directors or the managers' committee (as the case maybe) and the general manager.
10. The names of the authorized signatories on behalf of the company and a sample of their signatures
11. The names of the Registered Persons
(not a defined expression)
working with
(or employed by?)
the Broker.
12. The name of the liaison officer with the Center subject to that officer being a high-ranking executive in the Company.
13. The postal address for the Center's correspondences.

14. There should be a requirement to attest Member's:
registration as a member of the exchange (Market), and in
"good standing" (no violation of the law or rules, etc), as of the date of application, with both the Commission and the Market (no suspension, cease-trading, fine or sanction).

B- The Member Broker shall inform the Center immediately in writing of any change that occurs to the information and data mentioned in Paragraph (A) of this Article.

Article (13) The conditions for the acceptance of the membership of the Broker at the Center***, and for the continuation thereof,*** shall be:

A- Open bank accounts for the purpose of paying and receiving payment of the amounts that represent the value of securities in accordance with the by-laws and instructions issued by the Center.

B- Pay its contribution in the Settlement Guarantee Fund specified in the By-Law issued for this purpose.

C- Provide the Center with a written commitment confirming its undertaking to comply with the Center's by-laws and instructions in accordance with the form specified by the Center.

D- Provide the Center with a written commitment confirming its undertaking to pay his financial obligations to the Center and the Settlement Guarantee Fund upon request.

E- Pay the association membership and annual subscription membership fees to the Center.

F- A default under some provisions of Articles 3, 5, 6 and 12 should also be a reason for termination.
Suspension by the Market should be a reason for termination (preferable suspension) at the Center also.

Article (14) The Broker shall be prohibited from engaging in the business as a financial broker and dealer until after a decision by the Board of Directors to accept its membership is issued.
This seems to exceed the authority of the Center who cannot restrict the broker's right to do business, under such a right granted by the license issued by the Commission. He may simply have to use a clearing broker in order to have access to the services of the Center. Please consider the deletion of this provision, unless otherwise justified or clarifying a point.

Article (15) The Broker shall:

A- Abide by all the administrative and regulatory procedures issued by the Center.

B- Provide the Center with the Board's approval of the renewal of the license.

Article (16)

A- The relationship between the Broker and its client is subject to the written agreement concluded between them.

B- The Broker shall not identify any person and establish a securities' account for him unless the Broker:
1. is authorized in writing by its client.
2. has obtained all the identification papers necessary to identify its client and establish a securities' account for him in accordance with the instructions issued by the Center.

Article (17)

A- The Center may suspend or restrict any activities, functions, responsibilities, operations or any of the services that it provides to the Broker and inform the related entities in any of the following cases:

1. If the Broker does not fulfill its financial obligations during the specified period in accordance with this By-Law and the instructions issued by the Center.
2. If the Broker los~~s~~es its required ***personnel***, ***financial***, operational or technical capability specified in the by-laws and instructions issued by the Center.
3. If the Broker becomes unable to fulfill its ~~financial~~ obligations to the Center.
4. If the Broker does not fulfill its obligations specified in the By-Law of the Settlement Guarantee Fund.
5. In execution of the Law, by-Laws, instructions or resolutions issued pursuant thereto.

B- In cases where any of the above measures is taken in accordance with Paragraph (A) of this Article, the concerned Broker shall be obligated to settle all the suspended transactions to which it is a party thereto and if it fails to do so, the Center shall take the necessary measures to settle the suspended transactions as it deems suitable and in a manner that fulfills the interest of other related parties without holding the Center responsible thereto.

Article (18)

A- The membership of the Broker at the Center shall terminate in any of the following cases:

1. Cancellation of its license to perform his licensed functions.
2. Cancellation of its membership at the Market.
3. Declaration of its bankruptcy or the issuance of a decision to liquidate it.

   The Center should have the right to terminate (preferably suspend) and cease servicing a broker whom the Center has reasons to believe is experiencing or is about to experience financial, personnel, operational, IT or other difficulties, even before a declaration of insolvency. The Center must minimize letting risks enter its system and membership, for the benefit of Members and the market.

   A public issuer does not pose a similar financial threat (it does not default on settlement, for instance).
4. Termination of its juristic personality.
   Please consider making certain Defaults under the Code of Conduct ground for suspension or termination. Otherwise, what is the validity of a Code if its violation cannot be fined, sanctioned or reprimanded.

B- In case the membership of the Broker terminates, the operations of the Broker related to the Center shall be settled in accordance with the measures specified by the Center for this purpose.

Section Three
Custodians

Article (19)

A- The Custodian shall apply for the Center's membership and provide it with the following documents and data:

1. The company's name and legal status.
2. The company's headquarter address.
3. The authorized, subscribed and paid in capital.
4. The Board's decision approving the license.
   If a custodian is a bank, the Center should also require the bank regulator's attestation of license to operate as a bank and the entity's "good standing".
5. The company's registration certificate at the Ministry of Industry and Trade.
6. The letter that authorizes the company to commence its business for public shareholding companies.
7. The memorandum and articles of association authenticated by the Controller of Companies before two weeks at the most from submitting the application.
8. The names of the members of the board of directors and the general manager.
9. The names of the authorized signatories on behalf of the company and a sample of their signatures
10. The name of the liaison officer with the Center subject to that officer being a high-ranking executive in the Company.
11. The postal address for the Center's correspondences.

B- The Custodian shall inform the Center immediately in writing of any change that occurs to the information and data mentioned in Paragraph (A) of this Article.

Article (20) The conditions for the acceptance of the membership of the Custodian at the Center shall be:

A- Provide the Center with a written commitment confirming its undertaking to comply with the Center's by-laws, instructions and resolutions issued by it and in accordance with the form specified by the Center.

B- Provide the Center with a written commitment to fulfill its financial obligations to the Center upon request.

C- Pay the association membership and annual subscription membership fees to the Center.

Article (21) The Custodian shall:

A- Abide by all the administrative and regulatory procedures issued by the Center.

B- Provide the Center with the Board's approval of the renewal of the license.

Article (22) A- The relationship between the Custodian and its client is subject to the written agreement concluded between them.

B- The Custodian shall not identify any person and establish a securities' account for him unless he:

1. is authorized in writing by its client.
2 has obtained all the identification papers necessary to identify its client and establish a securities' account for him.

Article (23) The procedures issued by the Center shall specify all the matters related to the following issues:

A- The cases of suspension or restriction of any activities, tasks, responsibilities, operations or any of the services provided by the Center to the Custodian and the measures undertaken by the Center in such cases.

The circumstances under which the Center may suspend or restrict activities, as is the case for termination, must be set forth in these by-laws.

B- The obligations of the Custodian to the Center.

Article (24) A- The membership of the Custodian shall terminate at the Center in any of the following cases:

1. Cancellation of its license to engage in the business of providing safe custody.
   Or cancellation of its bank license, for instance.
2. Declaration of its bankruptcy or the issuance of a decision to liquidate it.
   Same comment as for the brokers: the Center must have the right to cease servicing an entity it believes poses or is threatened by a risk of default.
3. Termination of its juristic personality.
   Default under the preceding articles, and Code of Conduct.

B- In case the membership of the Custodian terminates, the operations of the Custodian related to the Center shall be settled in accordance with the measures specified by the Center for this purpose.

Chapter Three

Code of Conduct

Article (25) The Member shall abide by the Law, by-laws, instructions and resolutions issued pursuant thereto including the by-laws, instructions and resolutions in force at the Center.

This repeats Article 20 A-.

Article (26) It shall be prohibited under legal liability for any Member:

A- To spread or promote rumors or provide misleading or incorrect ***instructions***, information, data or declarations in relation to the Center's operations and its Members.

B- To behave in any manner which might harm the reputation of the Center or any other Member or to degrade it .

C- Use the securities of the clients in safe custody for his personal benefit or gain.

D- Disclose secrets of shareholders or clients ***that are known to a Member to be secret and not otherwise publicly available*.**

Article (27) The Member shall provide the financial, technical, human and financial resources necessary to execute and organize its activities and operations in accordance with the Law, by-laws, instructions and decisions issued pursuant thereto including the by-laws and instructions in force at the Center.

Article (28) It shall be prohibited for any Member to include in any of the agreements it concludes any provision that restricts its obligations imposed by virtue of the Law, by-laws, instructions and resolutions issued pursuant thereto.

Article (29) The management of the Member, ***acting as principal or as an agent or for the account of a client,*** shall bear the full responsibility of the actions of its employees that violate the provisions of the Law, by-laws, instructions and resolutions issued pursuant thereto.

So that a Member cannot seek an excuse by the fact he is acting as an agent. The SDC's recourse should be against the Member, and SDC should not have to claim against the principal (the Member's client). The Member introduced the client in the SDC system, and thus the Memebr should, as a licensed professional, assume that responsibility. This policy leads most depositories to provide in tehri rules that if a client takes action against the depository, the Member is responsible to indemnify the depository against legal and court fees and damages that may be awarded. The SDC should not be drawn into disputes between the Memebr and its clients. The SDC services the Member, and the Memebr services the client. The SDC has no relationship with the client (except when providing a registry service, and this may be debated as well, as considering the issuer a Member who provides services to the client_security holder).

Article (30) The Members shall protect the information related to each of them that enables them to access the Center's electronic systems and not to use any software until after making certain of its safety and that it does not affect the Center's electronic systems.

Network protection already dealt with above.

Article (31) The Members shall inform the Center upon the occurrence of any violation of the intellectual property rights of the Center's electronic systems or any default or misuse of the Center's systems or the possibility of the existence of any software that might influence the information and data maintained in those computers or software.

Article (33) To the extent of its knowledge of such matters, a Member shall report to SDC;

- ***A- a violation of SDC by-laws, rules and services;***
- ***B- an error regarding any data;***
- ***C- fraud, criminal and unauthorized activity, access or use committed or suspected to be committed in connection with a service; and***
- ***D- the negligence or omission by another Member or SDC staff.***

Appendix C. Detailed Comments – Instructions on the Disclosure of Information Data and Records for 2003

~~Instructions~~ *Rule* on the Disclosure of Information, Data and Records ~~of~~ *at* the Securities ~~es~~ Depository Center for the Year 2003

Issued Pursuant to Article (83/A) of the Securities Law No. (76) for the Year 2002

~~Reviewer's Note and Recommendation~~

~~These provisions on the secrecy of information kept by the SDC are an excellent initiative to maintain investor confidence and preserve system and market integrity.~~

~~Principle:~~

~~It is not to a Depository to instruct what is secret or not: investors and members, whose information they entrust with a Depository, instruct it what information they authorize to release, under what circumstances, at which conditions.~~

~~There are four sources of confidential information handled by a Depository: 1- investors, 2- members, 3- issuers or other providers, 4- the Depository.~~

~~Investor Information:~~ ~~the investor's financial, account and personal information known by a Depository must be treated like information known by banks, and must be protected by banking secrecy~~

~~Intermediary Member information:~~ ~~the information provided by broker-dealer and fund members, or concerning them, belongs to members: member's client lists are a valuable asset worth being kept confidential. On its own, a Depository has no investor information under its control: all investor and member information must be regarded as belonging to, or being under the control of, its members as principals or investors' agents.~~

~~Issuer Member information:~~ ~~issuers disclose to the Depository information considered confidential, such as Government or central bank securities operations and statistics, or when issuers coordinate operations with the Depository (pre-issue, M & A, take-over bid).~~

~~Depository information:~~ ~~proprietary and licensed information, such as software, hardware configurations, or the location of computer processing facilities and certificate vaults, for security purposes, and internal procedures such as disaster recovery and business resumption plans, require secrecy.~~

~~Recommendations:~~

~~Instructions could instead be Rules that bind both members and the Depository;~~
~~Provision could be made for routine disclosure;~~
~~Privacy of information could be protected by stricter rules;~~
~~The depository's own confidential information, and its obligation of confidentiality, could also be protected.~~

Article (1) **~~These Instructions~~*This Rule* shall be called the "~~Instructions~~ *Rule* on the Disclosure of Information, Data and Records *at~~of~~* the Securities Depository Center for the Year 2003" and shall come into effect as of 5/10/2003.**

Article (2) A- The following words and expressions used in ~~these Instructions~~*this Rule* shall have the meanings ascribed thereto hereunder unless the context indicates otherwise: -
"Rule" could be used to replace By-Law or Instruction, to indicate the "consensual" aspect of the provisions,* p*articularly since Issuers are not Members, and can hardly be bound by a By-Law.

The Law	:	The Securities Law in force.
The Commission	:	The Securities Commission.
The Board	:	The Board of Commissioners of the Commission.
The Center	:	The Securities Depository Center.
The Market/Stock Exchange	:	The Amman Stock Exchange or any trading market in securities licensed by the Commission.
The Board of Directors	:	The Center's Board of Directors.
The Executive Manager	:	The Center's Executive Manager.
The Members	:	A public shareholding company, public issuer, broker, custodian and any entity determined by the Board.

B- The words and expressions not defined in ~~these Instructions~~*this Rule* ~~-~~shall have the meanings assigned to them in the Law unless the context indicates otherwise.

Article (3) A- The following information, data and records *are~~shall be~~* ~~considered~~ confidential, *unless otherwise publicly available~~ by virtue of their its nature~~*:

"Are" indicates a definite character of confidentiality.
"Unless…" will serve as a defense to SDC, if confidential information is released but such information was public at the time the breach took place (in newspaper, press communique, commonly known, released by the issuer, etc.).

1. The registers of owners of securities deposited at the Center, any data regarding the owners of securities, the amount of their ownership and the restrictions imposed thereto.
   Note: when SDC registers become by law the public registers of ownership and other rights in securities, they should be publicly accessible, under written request at specific conditions, to verify securities ownership, pledges, etc.. (Artic le 9). We understand the law requires only the issuer to disclose this information. Care should be taken the information released by the issuer is the exact same one as that in the records of SDC, and there is no discrepancy, particularly if the issuer is not diligent in updating its records after it receives the information from SDC. Perhaps there should be an obligation in the By-Laws on issuers to refer persons to consult the SDC records only, which records are the most up-to-date at any time.
2. The information and data received by the Center from the Market regarding the details of the trading transactions executed through the Market.

3. The information and data regarding the transfer of ownership transactions executed directly by the Center.
4. The information and data regarding cash settlement of trading transactions conducted by the Center.
5. The information and data regarding ~~clients of~~ the Center's Members ~~that are licensed as financial brokers, dealers or custodians~~, their securities accounts, balances and movements executed thereto.~~.~~
6. The information, data and records ***expressly*** ~~**that are considered**~~ ***declared*** confidential~~ by their nature~~ and ~~that are~~ viewed by ~~the~~ authorized employees of the Center while performing inspections of the Members' records.

   Otherwise it is impossible to ascertain the confidentiality of information and is subject to interpretation and debate. One cannot impose an obligation when the violation is not specific and subject to varying interpretation.
7. The information, data, records and documents provided to the Center by governmental entities, the Commission, the Market, the Members, or ***by*** any other entity ***and that***~~which~~ **are** ~~**considered**~~ ***expressly declared*** confidential by that entity.

   Same comment as above. This obligation is too general, and most documents filed with Government agencies are of a public nature.
8. The Board of Directors' deliberations and decisions.
   Should this not be considered as an "internal" matter, to be addressed by the corporate by-laws instead, as it does not relate to Depository "services" and only Board members, the Secretary of SDC, upper management and its employees who are in the position to release such information to Members or the public? Some decisions must be released in order to be implemented.

B- Notwithstanding the provisions of Paragraph (A) of this Article, the following entities shall be authorized to view the information, data and records stated in Paragraph (A) of this Article.

1. The Board of Directors in respect of any information and data related to any matter included in its meeting's agenda, ***to the extent required to*** ~~which~~ enable the Board of Directors to ***perform their duties***~~take the~~ ~~**appropriate decision**~~ **regarding that matter.**
   Even Board members should not be entitled to any SDC information: it should be made accessible to all Board members or members of a Board Committee, not to individual Board members, and only when necessary.
2. The Executive Manager~~nd~~ and the Center's employees authorized by him to ***the extent required to*** enable them to perform their tasks and duties.
   The respective external auditors of SDC and its Members, including information
3. ***of or under other Members' management, to the extent required to perform their professional duties.***
   [The central bank of Jordan to enable it to fulfill its function as fiscal agent] (if
4. ***Government securities are on deposit or cleared at SDC).***
   We consider these additions necessary.

C- The Board of Directors ~~upon the Executive Manager's recommendation~~ may, ***by an amendment to this Rule***, ~~-~~consider any other information, data or records confidential or lift the confidentiality of any information, data or records mentioned in Paragraph (A) of this Article.

Any information declared confidential must be specified in order to inform those under the obligation of confidentiality. ~~.~~

Article (4) The Commission, ***a Member's regulator, and a judicial or administrative court or tribunal*** **shall**, ***upon a written order of a court, tribunal, the Commission or a Member's regulator pursuant to a specific provision of the law, or upon a request of the Commission, a Member or security***

holder regulator, or of a public entity (such as the central bank of Jordan) pursuant to a previously executed written agreement with it, have the right to view the data, information and records mentioned in Paragraph (A) of Article (3).

~~which enables it to perform its responsibilities in accordance with the provisions of the Law.~~

Article (5) ***Prior to disclosing any information under Article (4), or as soon as practicable thereafter, the Executive Manager shall notify the Member concerned of the order or request, unless specifically prohibited to do so by the law, agreement, court, tribunal, Commission, regulator or public entity.***~~**The Executive Manager or whomever he authorizes in writing may directly provide confidential information and data to the competent judicial authorities in relation to any existing case following a court decision to this effect.**~~

Article (6) ~~The Executive Manager or whomever he authorizes in writing may provide any information or data regarding owners of securities to the Controller of Companies at the Ministry of Industry and Trade following a written request.~~

Article (7)

A- The issuer of securities shall have the right to view the information, data and records maintained by the Center related to such issuer or the owners of its securities and is entitled to obtain a copy of them ***as of a specified date***.

B- The broker or custodian shall have the right to view the information, data and records maintained by the Center related to such broker or custodian or any of its clients and insofar as these information, data or records concern it.

C- The owners of securities deposited at the Center shall have the right to view the data related to them or their ownership of securities and obtain statements or documents regarding their ownership.

D- ***Any person shall have the right to view or obtain the necessary information regarding the owners of a specified Security concerning the influence of the votes of Security holders, an offer to acquire or exchange Securities, or any other matter related to the affairs of the Issuer of such a Security.***

[In the case of a take over bid, for instance, mergers and acquisitions, a shareholder resolution, etc.]

Article (8)

A- The Executive Manager or whomever he authorizes in writing may publish the following information and data:

1. The names of the Center's Members and their addresses.
2. The securities registered at the Center, their status, numbers, figures and ISINs allocated by the Center.
3. The Center's annual financial statements audited by the Center's auditor.
4. The statistical data related to corporate actions.

B- The Executive Manager or whomever he authorizes in writing may disclose the information and data mention in Sub-Paragraphs from (1) to (5) in Paragraph (A) of Article (3) of ~~**these Instructions**~~***this Rule*** in an accumulated statistical method provided that such disclosure should not infringe the confidentiality of those information and data.

Article (9) The Executive Manager or whomever he authorizes in writing, and as part of performing his responsibilities and duties, may provide any other entities linked with it or the entities that have entered into an agreement with the Center with information or data that is considered confidential for the purposes of performing the duties assigned to such entities but subject to the public interest requirements.

Article (10)

A- The public may view the information and data mentioned in Article (8) of ~~**these Instructions**~~***this Rule*** and may obtain a copy in return for a fee.

B- ***[As it stands, we consider this provision*** ~~***The Executive Manager or whomever he authorizes in writing may provide the Market or any Arab or foreign institution specialized in the capital market with the information requested by it, in the framework of mutual coordination and cooperation but subject to the public interest requirements.***~~***much too broad, and already adequately covered in the above provisions]***

Article (11) The Executive Manager or whomever he authorizes in writing may disclose information and data which he is authorized to disclose by virtue of ~~**these Instructions**~~***this Rule*** and publish them in the way he deemed appropriate including publishing on the Center's website or any other information network and the Center may cooperate with any other institution to publish such information and data.

Article (12)

A- The Board of Directors, their representatives, the Executive Manager, the Center's employees, the legal advisor, the Center's auditors or any other person or entity are prohibited from:

1. Disclosing information, data and records that are considered confidential by virtue of ~~**these Instructions**~~***this Rule*.**
2. Taking advantage of any information and data referred to in Sub-Paragraph (1) of Paragraph (A) of this Article to gain any material or moral gains for himself or for others under legal responsibility according to the laws, regulations and instructions in force.

B- The prohibition stated in Paragraph (A) of this Article shall remain valid even after the termination of the membership of a member of the Board of Directors or after any person mentioned in Paragraph (A) of this Article has left his job.

Article (13) The Board of Directors may issue the necessary decisions to implement ~~these Instruction~~*this Rule*~~s~~.

Recommendation on means of implementation:

- ***a pledge of confidentiality be signed by all employees, as a condition of their continued employment – we can provide a sample***
- ***a written periodical (semi-annual) reminder to all employees of their obligation of secrecy by the Executive Manager.***

It is important SDC takes appropriate active measures to ensure compliance with this obligation of confidentiality. If an employee breaches the rule, at least SDC may not be blamed if it took appropriate measures to remind its employees of their obligation.

Appendix D. Security Depository Center's Proceeds for 2004

The Internal By-Law of the Securities Depository Center's Proceeds for the Year 2004

Issued Pursuant to Article (84) of the Securities Law No. (76) for the Year 2002

Article (1) This By-Law shall be called the (Internal By-Law of the Securities Depository Center's Proceeds for the Year 2004) and shall come into effect as of 1/1/2004.

Article (2) A- The following words and expressions used in this By-Law shall have the meanings ascribed thereto hereunder unless the context indicates otherwise:-

The Law	:	The Securities Law in force.
The Commission	:	The Securities Commission.
The Board	:	The Board of Commissioners of the Commission.
The Center	:	The Securities Depository Center.
The Board of Directors	:	The Center's Board of Directors.
The Market/Stock Exchange	:	The Amman Stock Exchange or any Trading Market in Securities licensed by the Commission.
The Broker	:	The judicial person licensed as a financial broker or dealer.

The Member : A public shareholding company, public issuer, broker, custodian and any entity determined by the Board.

This comment pertains to the Membership By-Law, but provision should be made to include the opening of an account by a foreign regulated securities depository.

The introduction of any member, or user of SDC services poses a risk, and should be addressed by the legal documentation, even if it is stipulated it will be by way of an agreement with the other entity.

At the opposite end, ithe documentation should give SDC the authority to enter into an agreement with another securites depository where it wishes to open an account to service its Members.

Such provisions are meant to set standards acceptable to SDC and Members, and to minimize SDC's liability.

In addition, SDC should consider a provision waiving its entrance and annual flat fees for a foreign Depository who wishes to open an account for cross-border settlements and who is willing to grant reciprocity to the Center in waiving its own fees as well. This is common procedure.

B- The words and expressions not defined in this By-Law shall have the meanings assigned to them in the Law unless the context indicates otherwise.

Article (3)

A- The Center collects the commissions, fees and other charges specified in this By-Law and the attached Schedule.

B. The Center's revenues include the following:

1. The association fees for the Center's membership.
2. The annual subscription fees for the Center's membership.
3. The registration fees for government bonds, bonds issued by public institutions and municipalities and corporate bonds and shares and investment units issued by closed mutual funds.
4. The charges and fees for -services provided by the Center.
5. The commissions for trading and ownership transfer of securities.
6. The fines imposed by the Center on its members and securities' issuers in accordance with this By-Law and the Instructions issued by the Center.
7. Any commissions, fees or charges specified by the agreements concluded with the Center.
8. Any commissions, fees or other related charges determined by the Board of Directors with the approval of the Board.

Association Membership Fees

Article (4)

A- The Center shall collect association membership fees from its members and for one time only of (0.0005) five per ten thousand of the subscribed capital with a minimum of (1000) one thousand Dinars and a maximum of (5000) five thousand Dinars.

This fee structure, as an alternative, could also take into consideration other bases on which to calculate the entrance fee, such as the value of securities under management, depending on the nature of the business or structure of a financial institution, like a mutual fund.

A one time fee is most appropriate: new Members should "buy" their participation in the services, huge benefits and adavantages of SDC, in part owed to the collective contribution of SDC and all Members in "improving" the systems and contribution to its development and acquisition of assets and equipment.

B- Notwithstanding the provision of Paragraph (A) of this Article, the member whose membership has been previously terminated for any reason and resumes its membership at the Center shall not pay any new membership fees.

There is no compelling reason to exempt a Member who has been terminated (and caused the burdening of SDC resources) from paying the regular entrance fee: this fee could assist the Center in recovering time spent on delinquency, at the expense of other Members. This could be considered an incentive to remain a "good" Member, and a sanction on delinquent ones.

Annual Subscription Membership Fees

Article (5)

The Center shall collect from its members annual subscription membership fees in accordance with the following:-

It would be helpful to indicate the purpose of such fees, and the basis for their calculation.

A- (500) Five hundred Dinars from the broker.

B- (500) Five hundred Dinars from the custodian.

C- (1250) One thousand two hundred and fifty Dinars from the public shareholding company and the private shareholding company, the Member, before the transfer of its Shareholders' Registers to the Center.

D- After the transfer of the Shareholders' Registers of the public shareholding companies and private shareholding companies to the Center, the Center shall collect an amount of (0.0005) five per ten thousand of the subscribed capital -with a minimum of (1250) one thousand two hundred and fifty Dinars and a maximum of (10000) ten thousand Dinars, in substitute of the fees mentioned in Paragraph (C) of this Article.

Article (6)

The Center shall collect annual registration fees for registering government bonds, bonds issued by public institutions and municipalities and corporate bonds and shares and investment units issued by closed mutual funds in accordance with the following:

This and the following provisions must indicate from whom the fees are collected: e.g., the issuer, the security holder?

A- Registration fees before the transfer of the owners' registers of (500) five hundred Dinars for each issue.

B- Registration fees after the transfer of the owners' registers of (0.0003) three per ten thousand of the nominal value of each issue with a minimum of (500) five hundred Dinars and a maximum of (2000) two thousand Dinars.

Article (7)

A- The Center shall collect annual subscription membership fees when the issuer of the security increases its capital and securities' registration fees upon the issuance of new securities in accordance with the amounts and percentages mentioned in Articles (5) and (6) of this By-Law for the remaining period of the year in which the issue was made.

B- If the owners of securities' registers are transferred at any time during the year, the issuer has to pay the annual subscription membership fees and the securities' registration fees after the transfer of the owners of securities' registers specified in this By-Law for the remaining period of the year.

Securities Ownership Transfer Commission

SDC could consider whether its fees could be based on transactions, number of accounts, etc., rather than value. Please see comment in the Report. The basic principle of pricing is the cost to the Center of rendering the service, plus the resources SDC may need now and in the future, as well as any contingency fund and reserves (pricing policy).

Article (8)

A- The Center shall collect a trading commission for the transfer of the ownership of securities traded at the Market (with the exception of government bonds, bonds issued by public institutions and municipalities and corporate bonds) of (0.0004) four per ten thousand of the market value of securities and from each party of the contract.

Please specify from whom the fee is collected. An indication of the purpose and basis for calculation would be appropriate.

B- The Center shall collect a trading commission for the transfer of the ownership of government bonds, bonds issued by public institutions and municipalities and corporate bonds traded at the Market of (0.0001) one per ten thousand of the market value and from each party of the contract.

Same comment as to specifying who pays such fees.

Article (9)

A- The Center shall collect a commission for the transfer of the ownership of securities (with the exception of government bonds, bonds issued by public institutions and municipalities and corporate bonds) for transactions excluded from trading through the Market of (0.0015) fifteen per ten thousand of the market value and from one party with a minimum of (250) two hundred and fifty fils in the following cases:-

Same comment.

1. Inheritance transfers.
2. Waqf of securities whether charitable or descendentiary.
3. Wills in securities.
4. Transfers that occur in accordance with the Law of the Government's Acquisition of Monies that Reach Limitation.
5. Transfers in accordance with decisions of courts and execution departments.

B- The Center shall collect a commission for the transfer of the ownership of securities (with the exception of government bonds, bonds issued by public institutions and municipalities and corporate bonds) of (0.002) two per one thousand of the market value and from one party with a minimum of (250) two hundred and fifty fils in the following cases:-

1. Family transfers that occur between ascendants and descendants and between spouses.
2. Donating securities to religious, charitable or social associations registered at the competent authorities.
3. Transfer of ownership of securities from a joint account or margin account to an independent account.
4. Transfer of ownership of securities from an independent account to a margin account.

C- The Center shall collect a commission for the transfer of the ownership of government bonds, bonds issued by public institutions and municipalities and corporate bonds for transactions excluded from trading through the Market of (0.0001) one per ten thousand of the market value of the contract and from one party with a minimum of (250) two hundred and fifty fils.

Same comment.

Article (10)

A- The Center shall collect a commission for the transfer of the ownership of "non-traded securities" in the Market (with the exception of government bonds, bonds issued by public institutions and municipalities and corporate bonds) of (0.0014) fourteen per ten thousand of the market value and from each party of the contract with a minimum of (1) one Dinar for each party, including:

Please see comment on proceeds in the Report, on the appropriateness of charging a commission based on value, for bond transactions.

1. Transfer of securities suspended from listing.
2. Transfer of securities suspended from trading.
3. Transfer of non- listed and non-traded securities through the Market.

B- The Center shall collect a commission for the transfer of the ownership of government bonds, bonds issued by public institutions and municipalities and corporate bonds in the cases mentioned in Paragraph (A) of this Article of (0.0001) one per ten thousand of the market value and from each party of the contract with a minimum of (1) one Dinar for each party.

C- The market value mentioned in Paragraphs (A) and (B) of this Article is calculated based on the last closing price of the security or the agreed upon price whichever is higher. In case where there is no closing price, the market value is calculated based on the nominal value of the security or the agreed upon price whichever is higher.

Article (11) The Center shall collect, from the broker, commissions in exchange for conducting financial settlements of trading transactions executed through the Market that represent the fees that the Center pays to the Settlement Bank for the issued transfers in addition to (500) five hundred fils for each transfer.

The SDC has an obligation to satisfy itself the Settlement Bank fees it charges its Members are reasonable. Some Boards require management to request bids from various acceptable and qualified commercial banks.

Other Revenues

Article (12) The selling broker shall pay the fines for the sale without a balance or any deficit therein and the differences in the prices in accordance with the following:-

A- The differences in prices which represent the difference in minus between the cover price and the sale price.

B- The fines for the sale of securities in deficit of (10%) ten percent of the market value of the securities in deficit and in any case the fine shall not be less than (2) two Dinars for each transfer deed.

C- The fines for the sale of securities in deficit shall not be due if the sale of securities in deficit transaction resulted from:

1. a mistake by the company *[not a defined term]*, issuer of the security, subject to the mistake being documented.
2. a mistake by the Amman Stock Exchange subject to the mistake being documented.
3. a mistake by the Center.
4. the sale of securities subject to a pledge or a lien and the pledge or lien restriction is released on the date of the sale.

Article (13)

A- The issuer of the security shall pay fines for not returning the transfer deeds in which securities in deficit were sold for more than two business days from the date of receiving these deeds of (5%) five percent of the market value of the securities in deficit as in the concerned transfer deed and with a minimum of (10) ten Dinars.

B- The issuer of the security shall pay the delay fines for not returning the transfer deed to the Center that has not fulfilled the conditions specified in the Law, by-laws and instructions for more than two business days from the date of receiving the transfer deed of (10) ten Dinars for each deed.

Article (14) The Center provides the services of distributing cash dividends, interest and the value of bonds or corporate bonds as of the due date on behalf of the issuer of the security and in exchange for a service charge of (0.0005) five per ten thousand of the amounts that have been distributed on behalf of the issuer.

Article (15) The Center provides the services of distributing the invitations for general assembly meetings and the annual report on behalf of the issuer of the security in exchange for a service charge determined by the Board of Directors by virtue of an agreement between the parties.

Article (16)

A- The Center provides the issuer of the security with a statement of the owners of its securities for free once annually.

B- Subject to the provisions of Paragraph (A) of this Article, the Center collects a charge in exchange for providing the issuer of the security with a statement that shows the names of the owners of its securities and the number of securities owned by each in accordance with the following:-

1. (5) Five Dinars in exchange for providing the issuer with a statement of its owners of securities on a soft copy.
2. (250) Two hundred and fifty fils for each page and with a minimum of (5) five Dinars if the issuer is provided with a statement of the owners of securities as a hard copy.

Article (17)

A- The Center provides the services of on line communication between the Center and its members and issuers of securities in exchange for the fees specified in the attached Schedule.

B- The Center does not charge any fees for on line communication between the Center and its members for the first Computer.

General Provisions

Article (18)

A- The annual subscription fees for the Center's membership and the registration fees for government bonds, bonds issued by public institutions and municipalities and corporate bonds and shares and investment units issued by closed mutual funds specified in this By-Law shall be due on the first day of January of each year.

B- Parts of the month shall be considered a whole month for the purposes of annual subscription fees for the Center's membership and the securities' registration fees mentioned in this By-Law.

C- Subject to the provisions of Paragraph (B) of this Article, the registration fees of government bonds, bonds issued by public institutions and municipalities and corporate bonds and shares and investment units issued by closed mutual funds that are registered for the first time shall be calculated from the date of registration at the Center until the 31/12 of the same year or the date of redemption whichever is less.

D- Subject to the provisions of Paragraph (B) of this Article, the annual subscription fees for the membership of new members of public shareholding companies and private shareholding companies shall be calculated as of its securities registration date at the Commission and until 31/12 of the same year.

Article (19)

The concerned person shall bear the stamp duties specified in the Stamp Duties Law in force for any transaction executed through the Center and where such duties are due.

The Stamp Duty Tax Law should simply be abrogated on securities transactions and operations handled through the SDC.

Article (20)

A- The member shall settle and pay the Center's claims of charges, fees or commissions due to the Center within two weeks from the date of the claim.

B- The Center shall have the right to refrain from providing any services to the Member who did not fulfill all its obligations to the Center.

Article (21)

The fees and fines specified in the attached Schedule, which is considered an integral part of this By-Law, shall be collected.

Article (22)

This By-Law shall replace the Internal By-Law of the Securities Depository Center's Proceeds issued with the approval of the Board on 4/7/2000.

Article (23)

The Board of Directors may issue the necessary decisions to implement this By-Law.

Securities Depository Center's Revenues Schedule
(Fees and Fines)

Number	Item	Amount in Dinar/Percentage
First : Fees:		
A-	Service fees paid by the Member	
1.	Fees for the issuance of transfer deeds in exchange for lost	(5) Five Dinars for each deed or statement.

	deeds or fees for the issuance of a statement of transfer deeds in exchange for lost statements.	
2.	Fees for updating the registers of the owners of securities as a result of distributing stock dividends, stock splits or merger or decrease of capital paid by the issuer of the security.	(100) One hundred fils for each shareholder.
3.	Fees for returned transfer deeds.	(1) One Dinar for each deed.
4.	Fees for correcting data of transfer deeds.	(5) Five Dinars for each transfer deed.
5.	Fees for account set-up on the Center's database paid once for each account paid monthly.	(250) Two hundred and fifty fils for each account.
B-	Service fees paid by the securities' owner	
1.	Fees for updating client data and information on the Center's database.	(250) Two hundred and fifty fils.
2.	Fees for freezing and unfreezing securities by the request of the client and paid by the client.	(5) Five Dinars for each transaction.
3.	Fees for placing a pledge on securities.	(5) Five Dinars for each transaction.
4.	Fees for the issuance of a statement of account for securities owned by the owner.	(1) One Dinar for each statement.
5.	Fees for the issuance of an ownership notice to the securities' owner.	(2) Two Dinars for each ownership notice.
Second : On line Communication Fees:		
1.	Fees for on line communication between the Center and the issuer of the security via leased line, dial up or ATM line as follows:	
	1- Fees paid for once upon linking the second computer.	(500) Five hundred Dinars
	2- Annual fees for the second computer.	(150) One hundred and fifty Dinars
2.	Fees for on line communication between the Center and the broker through the Market via leased line or fiber optic lines as follows:-	
	1- Fees paid for once upon communication for the second computer.	(750) Seven hundred and fifty Dinars
	2- Annual fees for the second computer.	(200) Two hundred Dinars.
Third : Fines: ***Non-compliant Members are a source of risk and instability to the system. Fines are a deterrent and should be much more stringent. Appropriate fines promote the maintenance of a healthy and well-functioning system and discourage bad behavior.***		
1.	Fines for the issuer of securities delay in registering the ownership transfer of securities in its registers for more than two days of receiving the transfer deed.	(1) One Dinar for each transfer deed and for each day of delay paid by the concerned issuer of the security.
2.	Fines of not returning the suspended transfer deeds' notice by the issuer of the security to the Center within two working days from receiving those notices.	(5) Five Dinars for each notice for each day of delay paid by the concerned issuer of the security.
3.	Fine for the broker not paying its financial obligations to the settlement within the specified time period.	(1%) One percent of the amount that should be paid for each day of delay paid by the broker who defaulted on the payment and with a maximum of 50%. ***We would suggest a one time 50% fine, with immediate suspension.***
4.	A fine for not transferring securities from the securities owner's account at the Center to his account with the concerned broker before the completion of the sale on the same trading day.	(10) Ten Dinars for each transfer transaction paid by the concerned broker. ***We would suggest a one time 50% fine, and suspension for non payment of the fine.***

		Non-settlement is the worst possible violation by a Member, and should be strongly punished. ***Mature depositories would a) suspend and terminate a Member, if they suspect a Member "is likely to default", and b) terminate a Member whose settlement guarantee fund contribution is used.***

As a not-for-profit entity, SDC By-Law could include a mechanism (rebate) to return to service Members the excess revenues, after all SDC funding requirements have been met. This usually would take the form of a credit allocated to Members, on the fees for the services used in then period following that during which "excess revenues" were made.

Appendix E. Detailed Comments - Registration, Deposit and Settlement for 2004

The Instructions on the
Registration, Deposit and Settlement of Securities For the Year 2004

Issued Pursuant to Article (83/A) of the Securities Law No. (76) for the Year 2002

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The Instructions on the

Registration, Deposit and Settlement of Securities For the Year 2004

Issued Pursuant to Article (83/A) of the Securities Law No. (76) for the Year 2002

Article (1) **These Instructions shall be called the (Instructions on the Registration, Deposit and Settlement of Securities For the Year 2004) and shall come into effect as of 1/8/2004.**

Chapter One

Definitions

Article (2) A- The following words and expressions used in these Instructions shall have the meanings ascribed thereto hereunder unless the context indicates otherwise:-

The Law	:	The Securities Law in force.
The Commission	:	The Securities Commission.
The Board	:	The Board of Commissioners of the Commission.
Center	:	The Securities Depository Center.
Board of Directors	:	The Center's Board of Directors.
Chief Executive Officer	:	The Center's Chief Executive Officer.
The Market/Stock Exchange	:	The Amman Stock Exchange or any Trading market in securities licensed by the Commission.
Trading	:	Selling and buying securities in the Market.
Trading System	:	Trading system used in the Market.
Trading Contract	:	The contract of buying and selling securities.
Transfer Contract	:	The form adopted by the Center to transfer securities from the transferor to the transferee.
Broker	:	The juristic person licensed as a financial broker or dealer.
Custodian	:	The legal person licensed by the Commission to provide safe custody for securities.
Issuer	:	Any legal person issuing or announcing the intention to issue securities.
Public Issuer	:	The Issuer who has filed a prospectus that has become effective with the Commission.
Member	:	The public shareholding company, the Public Issuer, the Broker, the Custodian and any other entity determined by the Board.
Center Number	:	The number issued by the Center to the investor.
Account Number	:	The client's account number verified and adopted by the Broker at the Center that is used for the purposes of Trading in securities for the benefit of the client.
Ownership Restrictions	:	Any restriction or limitation that prevents, ~~or~~ restricts ***or suspends*** the absolute disposal ***or the registration of rights of ownership and interests in*** ~~of~~ the security.
Depositing Securities	:	Verification of the ownership of registered securities, the data pertaining to its owners and any ownership restrictions at the Center in accordance with these Instructions.

Settlement Guarantee Fund	:	The Settlement Guarantee Fund established in accordance with the Law.
Clearing	:	The process of computing the net rights and obligations of Trading counter-parties arising from a Trading Contract, in order to deliver the securities or settle their price payments on the specified settlement date.
Settlement	:	The process by which a Trading contract is completed with the final, unconditional ***and irrevocable*** transfer of securities from the seller to the buyer and the final settlement of price payments in their respect.
Delivery Versus Payment	:	A method of settlement according to which the securities are delivered in exchange for price payment.
Settlement Bank	:	The bank designated by the Center for the purposes of receiving and ***making*** ~~paying~~ ***payments of the settlement*** ~~the~~ value of securities.
Settlement Account	:	The bank account that the Center opens in its name at the ~~s~~***S*****ettlement** ~~b~~***B*****ank** and which is used for the receipt of payment and disbursement of payment of the ***net settlement*** value***s*** of securities.
Liquidity Reserve Account	:	The bank account that the Center opens in its name at the Settlement Bank into which amounts due from Brokers, Center Members, are paid by them for the purposes of securities Settlement.
Settlement Day	:	The Day specified by the Center for the completion of Settlement.
Center's Database	:	The database that contains all the necessary information concerning issuers of registered and deposited securities at the Center in addition to the information concerning the Center Members, the owners of securities and any ownership restrictions.
Account	:	The securities account.
Day	:	The Center's official working Day.

B- The words and expressions not defined in these Instructions shall have the meanings assigned to them in the Law unless the context indicates otherwise.

Article (3) The Center shall undertake the following main functions

A- Registration of issued securities.
B- Depositing securities. ***(and cancellation of certificates?)***
C- Transfer of securities' ownership. ***(and maintenance of securities registers)***
D- Conducting Clearing and Settlement for securities transactions.
E- Authenticating ownership restrictions on deposited securities.
F- Registering and authenticating any changes initiated by the Issuer on the securities issued by it and verifying such changes on the Center's Database***, and, without limiting the generality of the foregoing,*** including the following:
   1. Increase or decrease in capital.
   2. Stock Split ***and consolidation***.
   3. Merger.
   [Name change of the issuer]

Article (4) The Center shall provide the following services to investors in accordance with these Instructions :

A- Issuance and updating the Center Number for the investor.
B- Freezing securities.
C- Issuance of an ownership notice for deposited securities.
D- Issuance of a statement of account for deposited securities.

E- Impose pledges on deposited securities.
F- Any other services determined by the Center.

The By-law should state that "with respect to pledged securities, the SDC will not act in accordance with the instructions of the investor pledgor, but only in accordance with the instructions of the pledge, until such time as the securities are released from the pledge".

Article (5) The Center shall maintain a special register for the necessary information and data related to the following:

A- ~~Center's~~ Members.
B- ~~Securities'~~ Issuers.
C- Securities registered at the Center.
D- Securities deposited at the Center.
E- Owners of deposited securities.
F- Ownership restrictions placed on deposited securities and the rights of third parties related to deposited securities.
G- Transfer ***and pledges*** of securities' ownership.
H- Any other data that the Center deems necessary to maintain.

Article (6)

A- The depositing of securities, transfer of ownership and authenticating ownership restrictions shall be by records authenticated in the ~~concerned~~ ***appropriate*** **Accounts** at the Center.
B- Unless otherwise proven, the entry records and the accounts maintained by the Center, whether manually or electronically, as well as any document issued by the Center, shall constitute *prima facie* legal evidence of ownership, registration, transfer of ownership *and* S*ettlement* of the securities, at the price and on the date stated in *those* records, accounts or documents.

Article (7) It shall be prohibited for any person to access the Center's Database whereby such unauthorized access would enable that person to obtain information regarding the Accounts, its owners and any ownership restrictions related thereto unless authorized thereby by virtue of the Law, the By-Laws and Instructions issued by the Center.

You may wish to repeal this Article as it is covered by the By-Law on Disclosure and confidentiality.

Chapter Two

Registration and Deposit of Securities

Article (8) The public shareholding company shall, within two weeks from obtaining the right to commence its business, apply to the Center to register the securities issued by it in accordance with the form prepared by the Center and provide the Center with the following information and data in relation securities issued:

A- The type***, category and class*** -of securities. *(e.g., common shares, preferred shares class A, etc)*

B- The number ***or face value*** of securities. *(…to also cover bonds)*

C- The nominal ***or face*** value of the security.

D- The prospectus of the security***, including the complete description of the rights, privileges and obligations, attached to the security***.

E- A copy of the Commission's letter approving the registration of the securities.

F- ***A certified copy of t***~~T~~he register of the owners of its issued securities in accordance with the data, specifications,~~ and~~ method ***and as of the date*** specified by the Center. *[the date is important to determine as of when the SDC is responsible for entries in the register, so as not to be liable for entries made by the Issuer].*

Article (9)

A- The Issuer, upon registering any new securities with the Commission, shall apply to register those securities with the Center in accordance with the form prepared by the Center including:

1. A copy of the Commission's letter approving the registration of the securities.
2. The prospectus of the security.
3. The register of the owners of the issued securities in accordance with the data, specifications and method specified by the Center.

B- The provisions of Paragraph (A), above, shall not apply to bonds, corporate bonds and shares of a private shareholding company except in the following cases:

1. The issuance of the bonds, corporate bonds or shares of the private shareholding company through a Public Offer.
2. The decision of the Issuer to list it in the Market.
3. The request of the Issuer to register the securities with the Center.

C- It shall be prohibited to transfer the ownership of any bonds or corporate bonds except through the Center unless the Board approves the Trading of the bonds and corporate bonds outside the Market.

Article (10) The Issuer shall provide the Center with the register of the owners of its issued securities in accordance with the data, specifications and method specified by the Center.

Article (11)

A- The register of the owners of securities shall contain the following information and data for each owner:

1. The number of the owner assigned by the issuer (shareholder number).
2. The full name ***and I.D.*** of the owner.
3. The Center Number of the owner (if available).
4. The nationality of the owner.
5. The ownership balance.
6. The free balance.
7. Any restrictions on the ownership of securities and the number of securities subject to the restriction.
8. The date of the balance.
9. The address of the owner

B- The Issuer shall be responsible for the correctness, accuracy,~~ and~~ completeness ***and authenticity*** of the content of the register of the owners of securities submitted by it to the Center. The Center shall not bear any responsibility thereto.

C- The Center's receipt of the register of the owners of securities shall not constitute an acknowledgement on the part of the Center as to the ***authenticity,*** correctness, accuracy or completeness of its content or a presumption of such correctness, accuracy or completeness.

D- The Center shall not bear any ***liability nor*** responsibility that may occur as a result of the *lack of authenticity,* incorrectness, inaccuracy or incompleteness of the information and data provided to the Center by the Issuer related to the ownership of securities, its owners and any ownership restrictions related thereto***, nor for any omission nor for any entry, fact or event intentionally or unintentionally not recorded in the registry or not mentioned in the documentation provided to the Center by the Issuer.***

Article (12) The register of the owners of securities shall be divided into:

A- Authenticated and eligible for deposit securities which have fulfilled the conditions for being deposited but have not been deposited.

B- Non-authenticated and not eligible for deposit securities which have not fulfilled the conditions for being deposited.

Article (13)

A- Securities shall be considered authenticated and eligible for deposit if the Issuer provides the Center with the following information and data concerning each owner of the securities:

1. The Center Number.
2. The full name.
3. The nationality.
4. The address.
5. The ownership balance of securities.
6. Any ownership restrictions on the securities and the number of securities subject to the restriction (if available).

B- The information and data specified in Sub-Paragraphs from (1) to (3) of Paragraph (A) of this Article must be identical to the Center's Database.

Article (14)

A- The securities eligible for deposit shall be deposited -on the date of receiving the register of the owners of securities or any subsequent date. The Issuer shall be notified thereby.

B- The certificates of the ownership of securities shall be deemed cancelled upon the depositing of securities at the Center.

C- The records and registers of securities deposited at the Center shall substitute the records and registers of the securities' Issuers***, but for which the Center assumes no liability for anything done or omitted prior to the date specified in Article 8F, and whether the Center is aware of it or not.***

D- The ownership of securities deposited at the Center shall be authenticated in the concerned Accounts as records in its Database.

E- The securities deposited at the Center from the same type, category, issuance and currency shall be deemed equal in rights and obligations.

Article (15)

A- The Issuer shall maintain a register or more in which it shall record the names of the owners of non-deposited securities, the data related to them, the number of securities owned by each, the transfers that occur thereto, the ownership restrictions and any other data deemed necessary by the Center. The Issuer shall bear the full responsibility that may occur in this regard.

B- The Issuer shall update the registers of the owners of securities maintained by it or any data related thereto after ascertaining the correctness of the information and documents submitted to the Issuer in that regard.

C- The Issuer shall inform the Center immediately of any change that occurs to the registers of the owners of non-deposited securities including the following:

1. Any change that occurs to the data related to the owners of securities.
2. Any correction that occurs to the owners of securities balance.
3. The placement and release of lien (s).
4. The placement and release of pledge (s).
5. Any other cases determined material by the Center.

Article (16) The Issuer shall send a Statement of Account to the owner of non-deposited securities at least once a year to his/her address as authenticated by the Issuer***, as of the date of ….*** The statement shall include all the information and data of the owner and his/her ownership balance of securities.

[It would be useful to specify a date or dates, convenient to SDC, as of which the records will be made. Choosing one single date may require a difficult "production" effort for SDC, in light of the numerous issuers it services.]

Article (17) The Issuer shall complete the procedures for depositing the non-deposited part of the securities by virtue of a request to deposit those securities and provide the Center with the information and data specified in Article (13) for each owner of non-deposited securities in addition to the number of the owner assigned by the Issuer (shareholder number).

Article (18) The Issuer shall bear the full responsibility that may occur as a result of the following:

A- The incorrectness, inaccuracy or incompleteness of the information and data for each owner of deposited securities as specified in Article (13) of these Instructions.

B- Any data errors that occurred before the date of depositing securities at the Center that have affected the correctness of the ownership balance of any owner of deposited securities.

C- Not providing the Center with ownership restrictions related to any deposited securities.

Article (19)

A- The ownership of deposited securities shall be recorded in the Center's registers where only deposited securities will be subject to selling transactions, transfers, ownership transfers or any other transactions.

B- No sale, transfer, ownership transfer or pledging of any securities shall be permitted if procedures for their deposit have not been completed if any portion of those securities is deposited at the Center.

C- The provision of Paragraphs (A) and (B) of this Article shall not apply to ownership transfers of securities in the following cases:-

1. Inheritance Transfers.
2. Transfers that occur in relation to the Law of the Government's Acquisition of Monies that Reach Limitation
3. Transfers in execution of court and execution departments decisions.
4. Transfers in execution of wills involving securities.

Article (20)

A- The Center shall update the registers of the owners of deposited securities by virtue of the Issuer's decision that has fulfilled the official approvals in the following cases:-

1. Increase or decrease in the Issuer's capital.
2. Stock split (s).
3. Merger (s).
4. Any other cases determined by the Board of Directors in accordance with the Law.

B- The updating of the registers of the owners of non-deposited securities referred to in Paragraph (A) of this Article shall be the responsibility of the concerned Issuer.

Article (21)

A- The Center shall cancel the ownership of securities in its records and provide the concerned Issuers the registers of the owners of securities in the following cases:

1. The termination of the membership of the securities' Issuer at the Center.
2. Redemption of bond and corporate bond issues.
3. Any other cases determined by the Board of Directors in accordance with the provisions of the Law.

B- Notwithstanding what is stated in Paragraph (A), above, the Center shall maintain the historical movements and a copy of the ownership registers as on the date of delivering them to their Issuers.

Chapter Three
Investor Identification and Securities Account Set-Up

Article (22) The investor shall be identified and a securities Accounts established for him/her on the Center's Database through the Center's electronic systems.

Article (23)
A- The Center shall issue a special number for each investor upon being identified on the Center's electronic systems called the Center Number for the investor.
B- The same Center Number shall not be issued for more than one investor.

Article (24) The Center Number for the investor shall be as follows:-
A- The National Identification Number for a Jordanian natural person.
B- A unique number issued by the Center for other entities.

Article (25) The investor shall be identified on the Center's electronic systems upon his request and in any of the following ways:
A- Through the Center directly.
B- Through the Broker or Custodian.
[we understand an Issuer cannot perform that function in the SDC – no change required]

Article (26) The investor shall be identified through the Center in accordance with the following measures:
A- The investor shall submit a written application to be identified on the Center's electronic systems with the following documents and data attached:
1. For a natural person:-
   A- The identification document.
   B- The permanent address which includes the address, the postal address for correspondences, the telephone number, the fax number and e-mail (if available).
2. For a judicial person:-
   A- The registration certificate.
   B- The headquarters' address, the postal address for the correspondences, the telephone number, the fax number and e-mail (if available).

B- The Center shall issue the investor's Identification Notice which shall be signed by the concerned investor in acknowledgement of the correctness of the information and data therein.

Article (27) The investor shall be identified through the Broker or Custodian in accordance with the following measures:
A- The investor shall submit a written application to be identified on the Center's electronic systems with the documents and data referred to in Article (26) of these Instructions attached.
B- The Broker or Custodian shall identify the investor on the Center's Database through the Center's electronic system and retain and store the following data:-
1. The client's full name.
2. The Center Number.
3. The client type.
4. The client classification.
5. The type of account.
6. The number of the identification document.
7. The type of identification document.
8. The issuance date of the identification document.
9. The place of issuance of the identification document.
10. The termination of the identification document.
11. The title.
12. The gender.
13. The nationality of the client.
14. The postal address.
15. The full address of the client.
16. The number of the client's Account (consists of numbers only with a maximum of six digits).
17. The name of the agent, custodian, guardian, caretaker, receiver, trustee or liquidator (if available).
18. The name of the client's mother (for the natural person).

19. The client's date of birth (for the natural person).
20. The client's other nationalities (if available).
21. Any other information or data determined to be material by the Center.

C- The Broker or Custodian shall provide the Center with the identification application verified by the Broker or Custodian attached to the identification papers.

D- The Center, after receiving the identification application, shall verify the data entered by the Broker or Custodian and inform the Broker or Custodian electronically of the verification.

Article (28)

A- The Broker or Custodian shall bear the full responsibility that occurs or may occur as a result of identifying the Broker's or Custodian's client. The Broker or Custodian shall be considered responsible for the correctness of the information and data as entered to the client Account on the Center's electronic systems.

[this is why many depositories also maintain a Depository Participant Fund, to ensure their liabuility will be covered. You may wish to consider tying this liability to the SGF, i.e. enabling the use of the SGF to covr such a loss]

B- The Broker or Custodian shall obtain its client's signature on the identification notice issued by the Center's electronic system.

C- The Broker or Custodian shall retain the identification application and the identification notice referred to in Paragraph (B) of this Article. The concerned Broker or Custodian shall bear the responsibility of the authenticity and correctness of the signature of its client on the identification application and the identification notice.

D- The stamp and signature of the Broker or Custodian on the identification request shall be considered an acknowledgement by the Broker or Custodian of the correctness of the data and information specified therein unless the information is presented by the client and cannot be verified such as the client's address information. In such cases the Broker or Custodian shall not be considered responsible for such information.

E- The Broker or Custodian shall verify the correctness of its client's signature after ascertaining a client's identity and capacity to conclude agreements. The Broker or Custodian shall bear the responsibility of said signature.

F- The Center shall be not responsible for any inaccuracy, incorrectness or incompleteness of the investor identification data on the Center's Database.

Article (29)

A- A person who wishes to Trade in securities shall open an Account with a licensed Broker.

B- Before trading securities on behalf of a client, a Broker or Custodian shall verify a client's identification and establish an Account for the client on the Center's electronic system.

C- The Broker shall use the client Account number by including the said number in buying order or selling order entered onto the Trading System.

Article (30)

The ownership of deposited securities shall be registered on the Center's Database in the appropriate securities Accounts.

Article (31)

A- The Center shall maintain securities Accounts in its Database.

B- The securities Accounts referred to in Paragraph (A) of this Article shall include the following:-

1. The information and data related to the owner of the security.
2. The balance of securities deposited in the Accounts.
3. The movements related to the transfers and ownership transfers of securities.
4. Any ownership restrictions imposed on the deposited securities.

C- The person in whose name any number of securities is registered shall be considered the legal owner of those securities.

Article (32)

The Broker or Custodian shall access that portion of the Center's electronic systems it is authorized to access for the following purposes:-

A- Identify and establish Accounts for its clients in accordance with these Instructions.

B- Enter information and data related to the transfer of deposited securities between Accounts.

C- Inquire on the movements and balances of its clients deposited securities.

D- Any other information related to the Broker or Custodian or to the Broker's or Custodian's clients.

Article (33)

Investor Accounts established on the Center's Database shall be divided as follows:-

A- Accounts at the Center.

B- Accounts under the jurisdiction of the Center's Members.

Article (34)

Investor Accounts that may be opened on the Center's Database shall be divided as follows:

A- Independent Account: an Account that is opened for one person only (natural or judicial).

B- Margin Account: an Account opened by a Broker licensed by the Commission to provide margin financing for its clients.

C- Joint Account: an Account that can be opened for two persons or more where the ownership of securities shall be registered in the joint name. This Account shall be opened in accordance with the following conditions:

1. Identification of each investor of the investors that constitute the components of the Joint Account independently and in advance. The Type of Account for each investor shall be (Independent) in accordance with these Instructions.
2. Specification of the name of the Joint Account, identification of the type of client (Joint) and identification of the type of Account (Joint) and identification of the Account on the Center's electronic systems in accordance with these Instructions.
3. If the Broker is one of the components of the joint name, then the Broker shall use the Center Number assigned to it and its Account number at the Center for the purpose of opening Joint Accounts with its clients.
4. It shall not be permitted to open Joint Accounts except for the purposes of selling securities registered in the name of two persons or more, only.

D- Allocation Account: a principal Account in which sub-Accounts are connected and through which Account allocations for buying and selling transactions between the principle Accounts and the sub-Accounts are conducted. This type of Account is opened in accordance with the following:

1. Identification each investor of the investors that constitute the components of the Allocation Account, as Independent Accounts.
2. Designation of one of the Accounts referred to in Sub-Paragraph (1), above, and identification of this Account as the principal Account that allows allocation.
3. Use of the Allocation Account number to permit allocation of securities purchased and securities sold to the allocation components' Accounts.
4. The opening of Allocation Accounts is subject to the approval of the Center.

Article (35) The owner of deposited securities shall be permitted to transfer such securities or any part of such securities from the owner's Accounts at the Center to the owner's Account under the jurisdiction of a Broker or Custodian in accordance with these Instructions.

Article (36)

A- Deposited securities shall be transferred from the Account of the owner of securities at the Center to the Owner's Account under the jurisdiction of the Broker or Custodian according to the following conditions:

1. The client shall submit to the concerned Broker or Custodian an application to transfer a number of securities owned by the client from the client's Account at the Center to the client's Account at the concerned Broker or Custodian in accordance with the form designated for this purpose.
2. The Broker or Custodian shall enter the data of the transfer application in Sub-Paragraph (1), above, onto the Center's electronic system and provide the Center with the transfer application.

B- 1. Purchased securities shall be transferred directly from the client's Account at the Broker to the client's Account at the Custodian without the intervention of the Center.
2. Sold securities shall be transferred directly from the client's Account at the Custodian to the client's Account at the Broker without the intervention of the Center.

C- Securities shall be transferred from the Account of the owner of securities under the jurisdiction of a Broker or Custodian to the owner's Account at the Center according to the following measures:-

1. The client shall submit to the concerned Broker or Custodian an application to transfer a number of securities owned by the client to the client's Account at the Center in accordance with the form designated for this purpose.
2. The Broker or Custodian shall enter the data of the transfer application in Paragraph (C/1) of this Article on the Center's electronic system and post it.

Article (37)

A- The transfer application, referred to in Paragraph (A/2) of Article (36) of these Instructions, provided to the Center shall include the following minimum information and data:-

1. The name of the security to be transferred.
2. The number ***or face value*** of securities to be transferred.
3. The name of the owner of the securities to be transferred.
4. The Center Number of the owner of the securities to be transferred.
5. The Account Number to which the securities will be transferred to.

6. The date of the issuance of the transfer application.
7. Any other information or data specified by the Center.
8. The stamp and signature of the concerned Broker or Custodian.

B- The Broker or Custodian shall bear the full responsibility that occurs or may occur as a result of the transfer of securities from an Account at the Center to an Accounts under the Broker's or Custodian's jurisdiction in accordance with the transfer application referred to in this Article.

C- The stamp and signature of the Broker or Custodian on the transfer application shall be considered as an acknowledgement by the Broker or Custodian of the correctness of the data and information specified therein and that the Broker or Custodian is authorized by the owner of the securities to transfer those securities.

D- The Center shall not bear any responsibility as a result of the transfer of securities in accordance with the provisions of this Article.

Article (38) A Broker or Custodian shall not refuse the transfer of the securities of the client unless that are specific legal reasons for such a refusal. A Broker or Custodian shall bear the responsibility of the refusal or delay in the transfer, if such a delay occurs.

Article (39) The Center shall transfer deposited securities in accordance with written transfer applications provided to it and after the completion of the measures specified in Article (36) of these Instructions subject to the following:

A- The balance of securities being sufficient to conduct the requested transfer.

B- No legal reasons exist to prevent the transfer.

Article (40) The Center shall not accept any transfer of deposited securities if such a transfer decreases the balance of securities in the concerned Account to the extent that it becomes insufficient to fulfill its obligations to transfer securities on Settlement Day.

Article (41) If the membership of a Broker or Custodian who has fulfilled all its obligations to the Center and the rest of the Brokers or Custodians is terminated, the Center shall transfer the securities from the Accounts under the jurisdiction of the Broker or Custodian to the Main Accounts at the Center.

[Separately from this point, you may wish to consider giving the Investor the right to request moving his account from a Broker, with which the Investor is not pleased, or for any other reason, such as to consolidate his accounts, to another Broker indicated by the Investor. This would shelter the Investor from a Broker that does not cooperate or delays carrying out such Instructions of his dissatisfied Investor client. The regulator should be pleased with such a provision]

Article (42) The Broker or Custodian shall be subject to these Instructions until all its obligations towards the Center, its clients, other Brokers and Custodians are settled.

Article (43) The Center shall update the information and data of the owners of deposited securities by virtue of the owner's request and in accordance with these Instructions.

Article (44)

A- The Center shall update the information and data of the owners of deposited securities by virtue of the information and data issued by the competent official authorities and especially the following information and data:-

1. The change of the name of the owner of the security.
2. The change of the National Identification Number of the owner of the security.
3. The change of the nationality of the owner of the security.
4. The change of the identification documents of the owner of the security.
5. The change of the legal status of the owner of the security.

B- The Center shall change the address of the owner of deposited securities on the Center's Database by virtue of an application submitted by the concerned owner of the securities in accordance with the form designed at the Center.

Article (45)

A- The owner of deposited securities shall be entitled to obtain the following from the Center in exchange for the determined charges:

1. Any information related to his Account or Accounts.
2. A statement of his deposited securities Account which illustrates his balance of deposited securities, transfer transactions, ownership transfer and any other disposal or transactions that occurred to this Account.
3. An ownership notice of deposited securities owned by him.

B- The Statement of Account and ownership notice of deposited securities referred to in Paragraph (A) of this Article shall be considered legal proof of the ownership of the securities therein, as of the date of the statement of Account or the ownership notice of securities unless proven otherwise.

Article (46) An Issuer shall be entitled to obtain ***a cedrtified copy of the list of security holders, including the*** ~~the~~ names of the owners of deposited securities, issued by the Issuer, ~~and~~ their ownership ***and address, as of the date requested by the Issuer,*** in exchange for the determined charges or fees.

[this provision should be as specific as possible as to what will be provided to the Issuer that is helpful to it: I.D., telephone numbers, occupation, etc. – Issuers may wish to have as much information as possible about their shareholders, to better understand and service them, if not now, at least in the future. It could eventually be useful to their Investor Relations Department.]

Article (47)

A- An Issuer shall have the right to electronically access the Ownership Registers of securities issued by the Issuer and deposited at the Center for viewing purposes only. An Issuer shall not be permitted to make any changes or amendments to the Ownership Registers except in accordance with these Instructions.

B- An Issuer shall provide the Center with all the information and data necessary to deposit non-deposited securities.

Chapter Four
Securities Clearing and Settlement

Article (48) The rights and obligations between the seller of a security, the buyer of said securities and any other interested parties shall arise on the date of the execution of the Trading Contract in the Market.

Subject to what the law of Jordan provides, this provision could eventually be revised to consider the fact there are really three dates to consider:

- *Trade date is only the date of the contract; (like the signed and accepted offer to purchase a house)*
- *Around the world, Settlement date is becoming the date on which ownership is transferred, not Trade date; (like the closing date of a house, when the price is paid and the keys and "possession" is transferred)*
- *With respect to third parties, and especially the Issuer, the ownership of a security is recognized not as Trade date or Settlement date, but as the date of entry of the new owner in the register of security holders, which is the only official and public register upon which third parties can rely to recognize the real owner of a security (like the entry of new ownership in the public and official land registry at the courthouse or land registry office).*

Article (49) The Center shall conduct the clearing and settlement of executed Trading Contracts with the purpose of determining the net rights and obligations of the Brokers, completing the measures for the settlement of financial positions as a result thereto and transferring ownership in accordance with these Instructions.

Article (50) The Center shall settle the executed Trading Contracts for securities deposited at the Center on a Delivery Versus Payment basis.

Article (51) The settlement period for Traded securities shall mean the second Day after Trading Day (T+2). The Board of Directors with the approval of the Commission shall have the right to change the Settlement Cycle according to what it deems appropriate.

Article (52) A Broker shall provide sufficient and necessary funds to fulfill its financial obligations resulting from the securities' Trading in accordance with these Instructions.

Article (53) The Board of Directors may establish a maximum limit to the obligations of a Broker subject to the Clearing and Settlement procedures that are conducted through the Center as a result of securities' Trading in the Market.

Article (54)

A- The owner of deposited securities who wishes to sell such securities or any part of such securities shall transfer those securities from the owner's Account at the Center or under the jurisdiction of any of its Members to the owner's Account under the jurisdiction of the Broker through which the owner wishes to sell or ascertain that the securities are in his Account under the jurisdiction of the selling Broker in accordance with these Instructions.

B- The Broker, before entering any selling orders on behalf of a client into the Trading System, shall make certain that there are sufficient securities in the client's Account under the Broker's jurisdiction and that these securities are not subject to any pledge, lien or any other ownership restriction that prevents their unrestricted disposal.

Article (55)

A- The Market shall provide the Center with an electronic Trading file containing daily Trading transactions which includes all the Trades executed in the Market in the same Trading Day subject to this file containing the following minimum information and data for each Trading Contract:

1. The Trading date.
2. The number of the issuing entity.
3. The number of the security.
4. The number of the Account of the selling client.
5. The number of the selling Broker.
6. The number of the Account of the buying client.
7. The number of the buying Broker.
8. The number ***or face value*** of securities. *[for debt securities, like bonds]*

9. The market price of the security.
10. The total value of the Trading Contract.
11. The number of the Trade.
12. The execution time of the Trade.

B- The Center may return any of the Trading Contacts delivered to it by the Market and inform the Commission and the concerned Brokers in any of the following cases:
1. If the number of the Account of the selling clients or the buying client contained in the Trading Contract is not identified at the Center.
2. If the numbers of the Accounts of the selling client and the buying client are identical at the same Broker in the Trading Contract.
3. Any other cases determined by the Law, the by-laws, instructions or decisions issued pursuant thereto.

C- The Trading file referred to in Paragraph (A), above, of this Article shall be considered final with all the Trading file's contents, information and data. The finality of the Trading file excludes information related to Trading Contracts returned to the Market under Paragraph (B) of this Article.

Article (56)

A- Trading Contracts for Settlement purposes shall be divided as follows:-
1. Accepted Trading Contracts.
2. Suspended Trading Contracts.

B- A Trading Contract shall be suspended because of a deficit in the free balance of securities in any of the following cases:-
1. If the securities registered in the client's Account at the selling Broker are insufficient to execute the sale.
2. If the sold securities are subject to a pledge, lien or any other ownership restriction that prevents unrestricted disposal thereto.

C- The Center may withhold the amounts that represent the value of suspended Trading Contracts for the benefit of the Settlement Guarantee Fund until the selling Broker or the Settlement Guarantee Fund corrects the reasons of the suspension.

Article (57)

Subject to the provisions of Article (56) of these Instructions and after receiving the daily Trading file from the Market, the Center shall provide Brokers with information as specified below:
1. The date of the Trade.
2. The Issuer's name.
3. The type of security.
4. The Account number of the transferor/transferee (as the case may be).
5. The Center Number of the transferor/transferee (as the case may be).
6. The name of the transferor/transferee (as the case may be)
7. The name of the counter party Broker in the Contract and the Broker's short name.
8. The number of securities.
9. The market price of the security.
10. The total value of each Trading Contract.
11. The Trading number.
12 The execution time.

Article (58)

The Broker shall retain and store all the papers, documents, data and records that support the Trading Contracts executed by it.

Section One

Ownership Transfer of Securities Traded in the Market

Sub- Section One

Ownership Transfer of Non-Deposited Securities

Article (59)

A- The Center shall issue Transfer Contracts for non-deposited securities in accordance with this Sub-Section.

B- The date of the Transfer Contract shall be the date of the execution of the Trading Contract in the Market.
Here again, Settlement date is the date of execution of the contract. Trade date is the date of execution of the Trade. The transfer contract could eventually be stated as the date on which the contract is settled (securities against payment).

C- The Issuer of the non-deposited security shall transfer the ownership of the security in accordance with these Instructions.

Article (60)

A- Subject to the provisions of Paragraph (C) of Article (55) of these Instructions, the Center shall issue a statement which contains the data of the Transfer Contract.

B- The information and data related to the Transfer Contract shall be as follows:

1. The number of the Contract at the Center.
2. The name of security's Issuer.
3. The type of security.
4. The number of securities in the Contract.
5. The market price of the security.
6. The total value of the Contract.
7. The name of the selling Broker and the Broker's short name.
8. The number of the selling Broker.
9. The full name of the transferor.
10. The Center Number of the transferor.
11. The nationality of the transferor.
12. The address of the transferor.
13. The name of the buying Broker and the Broker's short name.
14. The number of the buying Broker.
15. The full name of the transferee.
16. The Center Number of the transferee.
17. The nationality of the transferee
18. The address of the transferee.
19. The date of the Contract.

C- The Broker shall bear the responsibility for the correctness of the data and information related to the information submitted by the Broker in the Transfer Contracts.

Article (61)

A- The Center will deliver a statement to the securities' Issuers which will contain the information and data of the Transfer Contracts. In exchange, the Center will receive the Issuers signature and stamp as proof of receipt.

B- The statements of Transfer Contracts shall contain all the information and data referred to in Paragraph (B) of Article (60) of these Instructions.

C- The Center shall issue a notice as to the suspension of a Transfer Contract in accordance with the form designated for this purpose. Such notice to be delivered to the security's Issuer with the statement of the suspended Transfer Contract in exchange of the Issuer's signature of receipt.

Article (62)

The stamp and signature of the Center on the statement of Transfer Contracts shall not imply that the Center is responsible for the correctness and soundness of the information and data contained therein.

Article (63)

A- The security's Issuer shall register the Transfer Contracts delivered to the Issuer by the Center and authenticate the ownership transfer in its registers within two Days, at the most, from the date of receipt unless:

1. The number of sold securities is more that the balance of securities registered in the name of the owner.
2. The sold securities are subject to pledge, lien or any ownership restriction that prevents disposal thereto.
3. The sale or transfer of ownership is in violation of the laws, by-laws, instructions or effective procedures.

B- The Issuer, upon approving any of the suspended Transfer Contracts, shall complete the notice referred to in Paragraph (C) of Article (61) and return it to the Center within two Days from the date of receipt specifying the reasons for the approval of that Contract. In the event that the Issuer does not comply with this requirement, the Issuer shall bear the responsibility of the delay including the fines specified for non-compliance.

Article (64)

A- The security~~'s~~ Issuer shall inform the Center of the Transfer Contracts in which the ownership transfer has not been completed in its registers if such Transfer Contracts have not fulfilled the conditions specified in the Law, by-laws and instructions. Such notification must be within two Days of receipt by virtue of a letter detailing the reasons for not completing the transfer of the ownership of the securities. The Issuer shall bear the responsibility of the delay including the fines specified for non-compliance.

B- The Transfer Contract shall be considered a returned Transfer Contract if the transfer of the ownership of securities specified therein has not been complicated. The Center shall be notified in writing by the security's Issuer in accordance with Paragraph (A) of this Article.

C- Subject to the provisions of Paragraph (A) of this Article, the security's Issuer shall authenticate the ownership transfer in its registers within two Days, at the most, from the date of receipt. In the event that the Issuer does not comply with this requirement, the Issuer shall bear the full responsibility. The securities shall be considered registered de jure two Days from the receipt of the security's Issuer's Transfer Contract confirming registration.

Article (65)

A- The Broker involved in the Transfer Contract procedure shall be officially notified of the returned Transfer Contract related to the involved Broker within a maximum of two Days from the date of receipt.

B- The involved Broker shall, within a maximum of two Days from being notified of the returned Transfer Contract, correct and remove the violations that prevented transfer by the Issuer of those securities.

C- The selling Broker shall bear all the damages incurred by the transferee in the returned Transfer Contract including distribution of cash dividends, distribution of stock dividends or the transferee's exclusion from a private subscription.

Article (66)

A- The Center shall collect the fees stated in the Internal By-Law of the Center's Proceeds for each returned Transfer Contract regardless of the reasons for the return with such fees being paid by the Broker responsible for the return.

B- The Center shall collect the fees stated in the Internal By-Law of the Center's Proceeds for each returned Transfer Contract connected with the original Transfer Contract referred to in Paragraph (A) of this Article with such fees being paid by the Broker responsible for the return.

C- The Broker responsible for the return of the Transfer Contract shall pay all the fees referred to in Paragraph (A) and (B) of this Article and shall not be entitled to charge his client.

Article (67)

If the Broker that sold the securities refuses to settle the returned Transfer Contract within the specified time in accordance with these Instructions, the Center shall undertake all the necessary measures to settle the returned Transfer Contract within two Days; otherwise the Commission shall be notified in writing to take the necessary measures.

Article (68)

If it is not possible to transfer the securities in the Transfer Contract and the rectification of the Transfer Contract is not possible, the Center, by a decision of the Chief Executive Officer, shall have the right to cancel the Transfer Contract without violating the rights of related parties.

A trade is a contract and a contract cannot be terminated, other than pursuant to an action in a court, or where both parties agree to do so. In the case of a Trade, its cancellation may affect third parties, market prices, and distort value. A Trade should not be cancelled. It could exceptionally be reversed at market price (a counter-trade on the Exchange). In any case, it should settle, and the role of SDC is to enforce settlement, not trade cancellation. The SDC must take all reasonable means to fulfill its mandate, such as utilizing the SGF, a "buy-in", etc. It must obtain sufficient means and resources to fulfill such mandate, and those means must come from the Regulator and the Members.

Article (69)

The securities' Issuers shall be prohibited from correcting any data on the statements of Transfer Contracts after their official receipt from the Center.

Article (70)

A- The correction of Transfer Contracts shall be made only by the approval of the Chief Executive Officer or whomever the Chief Executive Officer delegates in writing.

B- Correction on the Transfer Contract shall be made by stamping the section where the correction was made with the Center's stamp and the signature of the Chief Executive Officer or whomever the Chief Executive Officer delegates in writing.

Article (71)

A- The security's Issuer shall bear the responsibility as a result of the loss of any statement of Transfer Contracts officially delivered to the security's Issuer.

B- The Center, with the approval of the Chief Executive Officer, shall issue a substitute statement of Transfer Contract in exchange for the lost statement after conducting the necessary investigation and ascertaining the soundness and correctness of the issuance of the substitute statement of Transfer Contract.

Article (72) A substitute statement of Transfer Contract issued in exchange for a lost statement of Transfer Contract shall be issued according to the following measures:-

A- The entity which lost the statement of Transfer Contract shall inform the Center in writing of the loss of the statement of Transfer Contract and request the Center to issue a substitute statement of Transfer Contract in lieu of the lost one and provide the Center with the following information and data:

1. The circumstances of the loss.
2. Sufficient details as were contained in the lost statement of Transfer Contract.
3. Provide the Center with an acknowledgement of the Issuer's responsibility for the loss and agreement to inform the Center if the original Transfer Contract is found in order for the Center to take the appropriate measures.

B- The Center shall issue a substitute statement of Transfer Contract and state that the substitute statement of Transfer Contract is issued in lieu of the lost statement of Transfer Contract. The data in the Center's registers shall be considered legal proof of the Transfer Contracts and the basis on which the substitute statement of Transfer Contract has been issued.

Article (73)

A- The Center shall maintain ownership statements for the authenticated part of the owners of the non-deposited security in accordance with the Issuer's registers submitted to the Center.

B- The Center shall update the statements of the owners of authenticated securities referred to in Paragraph (A) of this Article in accordance with the following:-

1. Selling and buying of securities through the Market.
2. Ownership transfers conducted through the Center directly.
3. Pledges, liens and their release as notified to the Center by the security's Issuer.

C- The ownership statements referred to in this Article shall not be considered a substitute for the ownership registers maintained by the Issuer. Ownership registers maintained by a security's Issuer shall be the legal proof of ownership of securities and until the security is deposited at the Center.

D- The Center's maintenance of the ownership statements mentioned in this Article shall be for the purposes of illustrating the ownership balance, and any pledges, liens or any ownership restrictions imposed on the securities without any other obligation on the Center and without holding the Center responsible for the accuracy or correctness of this data.

The detailed steps, time, type of entries and release of which report that make settlement final and irrevocable, must be specified.

Sub-Section Two

Ownership Transfer of Deposited Securities

Article (74)

A- Subject to the provisions Paragraph C) of Article (55) of these Instructions, the transfer of the ownership of deposited securities shall be by virtue of the electronic Trading file of daily Trading delivered to the Center by the Market by virtue of electronic records recorded in the Accounts of the sellers and buyers under the control of the Center's Members and without obtaining the approval of the seller in order to transfer the ownership of securities from a seller's Account to a buyer's Account.

B- The Trading Contracts contained in the Trading file referred to in Paragraph (A) of this Article shall provide the Center with authoritative confirmation that a selling owner of securities has issued an order to the selling broker to transfer ownership of the concerned securities from the selling owner's Account to the Account of the concerned securities buyer.

C- The selling Broker shall bear the full responsibility that occurs or may occur as a result of the authorized sale of any securities on behalf of any of the selling Broker's clients without obtaining an order from its client to that effect. The Center shall not bear any responsibility as a result such transactions.

Article (75)

A- The sold securities shall be debited from the Account of the seller and credited to the Account of the buyer on Trade date in accordance with the Trading file delivered to the Center by the Market. The Center shall not bear any responsibility that may occur as a result such credits and debits.

B- The securities shall remain suspended in the Account of the buyer until the fulfillment of the buyer's Settlement responsibilities. It shall be prohibited to transfer those securities to the Center or between Accounts at the concerned Broker or to pledge them before fulfillment of the buyer's responsibilities.

C- Notwithstanding what is specified in Paragraphs (A) and (B) of this Article, the authentication of the transfer of the ownership of deposited securities shall be on Trade date, subject to the completion of Settlement responsibilities.

D- Transfer of the ownership of deposited securities to the buyer shall be subject to the buying Broker's payment of the value of those securities purchased within the specified timeframes.

E- All corporate actions such as cash dividends, stock dividends or other similar corporate actions shall be the right of the buyer and accrue to the buyer as of Trade date (T+0).

Sub-Section Three

Suspended Contracts

Article (76) The Center shall electronically notify the selling Broker of suspended Trading Contracts related to the selling Broker's transactions related to the selling Broker's transactions.

Article (77)

A- A selling Broker, having been duly notified by the Center of the suspended Trading Contracts, shall resolve the causes for the suspension of the Trading Contracts within the next Day, maximum, following Trade date. In the event the selling Broker, having been duly notified by the Center, fails to resolve the causes for the suspension of the Trading Contract, the Center shall have the right to take any of the following measures:

1. Inform the Commission and notify the Market to suspend the Broker from Trading and suspend the services provided by the Center to the concerned Broker.
2. Impose a lien on the securities owned by the concerned Broker for the benefit of the Settlement Guarantee Fund.
3. The Settlement Guarantee Fund shall substitute for the concerned Broker and on the concerned Broker's behalf shall take the necessary measures to buy the securities in deficit in accordance with the provisions and measures specified in the Internal By-Law of the Settlement Guarantee Fund.

B-

1. The concerned Broker shall bear the fines, fees and service charges specified in the Internal By-Law of the Proceeds issued by the Center for each suspended Trading Contract.
2. If the covering value is more than the sale value for the number of securities in deficit, the Broker shall bear the difference in the two values.
3. If the covering value is less than the sale value, the difference in the two values for the securities in deficit shall be transferred to the benefit of the Center.

C- If the Settlement Guarantee Fund cannot cover the securities in deficit on behalf of the defaulting Broker within one week at the most, the Center shall have the right to cancel the suspended Trading Contract which resulted in the sale of securities in deficit and return the value of the securities purchased to the buying Broker on behalf of its client. The Settlement Guarantee Fund shall indemnify the buying client for this cancellation in accordance with the Internal By-Law of the Settlement Guarantee Fund.

Article (78) The selling Broker shall be liable for all the damages incurred by the transferee in the suspended Trading Contract including cash dividends, stock dividends or the transferee's exclusion from a private subscription.

Article (79) The Center shall pay the value of the securities that have been previously withheld for suspended Contracts after the resolution of the reasons of the suspension and after deducting any expenses, costs, fines or fees that result from those suspended Contracts.

Section Two

Financial Settlements

Article (80)

A- Financial Settlements for the purposes of these Instructions shall mean the receipt and payment of the value of securities as a result of Trading Contracts executed in the Market.

B- The financial settlements of Trading Contracts shall be accomplished by one of the following methods:-
1. Financial Settlements that occur between Brokers directly.
2. Financial Settlements that occur through the Center.

Article (81) Financial Settlements of Trading contracts shall be conducted between Brokers directly unless the Center determines otherwise.

Sub-Section One

Financial Settlements Between Brokers Directly

Article (82)

A- Financial settlements shall be conducted between the concerned Brokers in accordance with the provisions of this Sub-Section on a direct and bilateral basis. The Center's role in this regard shall be confined to the issuance of statements to the Broker which establish the following .
1. The name of the concerned Broker.
2. The name of the counter-party Broker.
3. The selling Trades that were executed by the concerned Broker with the counter-party Broker and the total value of those Trades.
4. The buying Trades that were executed by the concerned Broker to the counter party Broker and the total value of those Trades.
5. The net value due by the concerned Broker to the counter party-Broker.

B- The concerned Broker shall deliver the statements referred to in Paragraph (A) of this Article to the counter-party Brokers in exchange for receiving cheques issued by the counter party Brokers to the order of the concerned Broker which represent the net amount of the statement.

C- The Brokers shall conduct the Financial Settlements referred to in this Article at the timeframes specified by the Center.

Sub-Section Two

Financial Settlements through the Center

Article (83) The Center shall determine the security that is subject to the financial Settlements of the Trading Contracts executed on that security through the Center. The Center shall inform the Commission, the Market and the Brokers thereby.

Article (84)

A- Receipt and payment of the value of securities from and to the Brokers shall be through the Liquidity Reserve Account and the Settlement Account in accordance with these Instructions.

B- The Center shall open a Liquidity Reserve Account where cash due from Brokers is deposited by the concerned Brokers at the specified time as a Liquidity Reserve in accordance with these Instructions.

Article (85)

A- Each Broker shall open one bank account for the purposes of financial Settlement in accordance with the conditions specified by the Center for this purpose and inform the Center of this account and any change that occurs thereto.

B- The Center shall have the right to view the bank account referred to in Paragraph (A) of this Article and obtain statements of the movements made on this account. The Broker shall authorize the Center to do so.

Article (86)

A- The Center for each Trading Day and for all Brokers shall calculate the net amounts due to be paid to/by the Broker on Settlement Day.

B- The amount referred to in Paragraph (A) of this Article shall be calculated by subtracting the total value of the purchases of the securities by the Broker for the Trading Day from the net value of sales of securities by the Broker for the same Day.

C- The net amount of the value of the securities' purchases by the Broker shall be by subtracting the value of the suspended Trading Contracts in accordance with these Instructions from the total value of the Broker's sales of securities.

Article (87)

A- The Broker shall deposit the amount due to be paid as a Liquidity Reserve in the Liquidity Reserve Account at the time specified for that.

B- The Center shall each Day, after the end of the Trading session and for each Trading Day, calculate the amount that the Broker shall pay as a liquidity reserve in accordance with the following formula:
The amount of the liquidity reserve = the amount due to be paid by the Broker calculated in accordance with Article (86) of these Instructions subtracted by half of the contribution of the Broker in the Settlement Guarantee Fund (the cash contributions + the bank guarantee).

C- The amount to be paid as a Liquidity Reserve referred to in Paragraph (A) of this Article shall be subtracted from the net amount that is to be paid by the Broker on Settlement Day.

D- The Center shall, on Settlement Day, transfer the total amounts in the Liquidity Reserve Account as calculated in accordance with Paragraph (A) of this Article to the Settlement Account.

E- The Broker shall pay the net amount due to be paid by the Broker on Settlement Day by depositing the amount in the Settlement Account at the time specified for this purpose.

F- The Center shall transfer the amount calculated by it and due to be paid by the Broker on Settlement Day from the Settlement Account to the account of the concerned Broker after the settlement of the amounts due to be paid by all the other Brokers.

Article (88)

A- The Center shall, on each Trading Day, transmit an electronic notice to each Broker through the computer connected with the Center stating the net amount due to be received or paid by the Broker.

B- The notice referred to in Paragraph (A) of this Article shall include the following information and data:

1. The date of the notice.
2. The time of the notice.
3. The number and name of the Broker.
4. The number of the notice (statement of account).
5. The date of the conclusion of the Trades (Trading Day).
6. The total value of sales.
7. The total value of purchases.
8. The total value of suspended Trading Contracts related to the Broker.
9. The net amount due to be received from or paid to the Broker (as the case may be)
10. The amount to be paid as a Liquidity Reserve (if available)
11. The amount that the Broker has to pay to the Settlement Account or receive from the Settlement Account (as the case may be).
12. The date specified for payment.
13. The account number of the settlement account of the Member.
14. The account number of the Liquidity Reserve Account.
15. The account number of the Settlement Account of the Center.
16. Any information or data that the Center deems necessary.

Article (89)

The Broker shall be notified ***(how and when? specify the specific name of the report and its time of release to the broker, and at which time settlement is considered done)***of the amounts that it has to pay as Liquidity Reserve by the computer transmission message. The message shall contain the following information and data:-

The detailed steps taken by the SDC, and at what time of the day, to verify the sufficiency of funds in the available account, and the sufficiency of securities in the available account, which will enable SDC to complete settlement, must be specified. In other words, it must describe what is done exactly by SDC to ensure DvP.

A- The date of the notice.
B- The time of the notice.
C- The number and name of the Broker.
D- The number of the notice (statement of account).
E- The date of the conclusion of the Trade (the Trade date)
F- The Liquidity Reserve amount.
G- The date of payment.
H- The account number of the Liquidity Reserve Account of the Center.
I- Any information or data that the Center deems necessary.

Article (90)

A- The notice sent to the Broker in accordance with Article (88) of these Instructions shall be considered final at three (3:00) P.M on the first Day after Trading Day (T+1) unless the Broker receives another notice which amends the first notice after that time.

B- The notice sent to the Broker concerning the Liquidity Reserve specified in Article (89) of these Instructions shall be considered final at three (3:00) P.M on the concerned Trading Day (T+0) unless the Broker receives another notice which amends the first notice after that time.

Article (91)

A- The Center shall send a notice to the Settlement Bank by three (3:00) P.M, maximum, on Trading Day (T+0) which contains the amounts that are required to be deposited in the Center's Liquidity Reserve Account.

B- The Center shall send a notice to the Settlement Bank by three (3:00) P.M., maximum, on the Day after the Trading Day (T+1) which contains the amounts that are required to be deposited in the Center's Settlement Account.

C- The notice referred to in Paragraphs (A) and (B) of this Article shall include the following information and data:-

1. The date of the notice.
2. The time of the notice.
3. The date of Settlement.
4. The number and name of each Broker.
5. The account number of the settlement account of each Broker.
6. The amounts that are required to be deposited in the Liquidity Reserve Account and the amounts that are required to be deposited in the Settlement Account (as the case may be).
7. The account number of the Center's Liquidity Reserve Account or the account number of the Center's Settlement Account (as the case may be).
8. The amount that each Broker has to pay to the Liquidity Reserve Account or the Settlement Account (as the case may be) and the total amounts required.
9. Any information or data that the Center deems necessary.

Article (92)

A- The Broker shall pay the amounts due to be paid by the Broker as Liquidity Reserve by nine (9:00) A.M. , maximum, on the first Day after Trading Day (T+1) by transferring the required amount from its account to the Center's Liquidity Reserve Account.

B- The Broker shall pay the amounts due to the Settlement Account by nine (9:00) A.M., maximum, on the second Day after the Trading Day (T+2) by transferring the required amount from its account to the Center's Settlement Account.

Article (93)

A- If the Broker does not pay the liquidity reserve amount referred to in Paragraph (A) of Article (92) of these Instructions by the specified time, the Center may take any of the following measures:-

1. Inform the Commission and notify the Market to suspend the Broker from Trading.
   The SDC should copy the Member on this letter to inform the Member.
2. Suspend all services provided to that Broker by the Center.
   And the Center should notify the Member of this also. Please refer to our comments in the SGF By-Law.

B- If the Broker does not pay the liquidity reserve amount by one (1:00) P.M. on the first Day after the Trading Day (T+1), the Center shall add that amount to the net amount that the Broker shall pay on Settlement Day whereby the Broker is required to pay both amounts on Settlement Day.

Article (94)

If the Broker does not pay the amounts due to be paid by the Broker to the Settlement Account on Settlement Day by nine (9:00) A.M., the Broker shall be considered in breach of its obligations and the Settlement Guarantee Fund shall substitute that Broker to fulfill those obligations. The Center shall take the following measures:-

A- Transfer the amount-that has not been paid-from the Settlement Guarantee Fund account to the Center's Settlement Account.

B- Inform the Commission and notify the Market to suspend the Broker from Trading and suspend the services provided by the Center to the concerned Broker.

C- Impose a lien on the securities owned by the Broker for the benefit of the Settlement Guarantee Fund.

D- Request the concerned Broker to pay all its obligations due to the Center and the Settlement Guarantee Fund including the delay charges and any expenses or costs incurred by the Center as a result of the Broker's breach of obligation.

We would suggest you move this provision to A, as the very first step.

Article (95)

The Settlement Guarantee Fund shall have the right to take possession of the securities bought by the Broker in default of payment and which have not been paid for and sell them in accordance with the Internal By-Law of the Settlement Guarantee Fund.

Article (96) The Center shall by two (2:00) P.M of Settlement Day issue payment orders to the Settlement Bank to pay the amount due to the concerned Brokers after the accumulation of sufficient funds in the Settlement Account equal to the amounts due to be paid to Brokers on Settlement Day.

Article (97) If a Broker does not fulfill its financial obligations on Settlement Date, said Broker is required to fulfill all these obligations within one Day after the date of the default on payment.

Article (98) If a Broker does not pay the required amounts due as a Liquidity Reserve or for Settlement, the Center shall have the right to debit the amounts due to the Broker in the Settlement Account, if available.

Article (99)

A- The Broker shall not resume operations and Trade in securities unless the Broker has paid all its obligations to the Settlement Guarantee Fund and to the Center.

B- Subsequent to a Broker's payment of all its obligations to the Settlement Guarantee Fund and to the Center, the Center shall decide to resume providing services to said Broker and inform the Commission and the Market of the Center's decision immediately.

Article (100)

A- The Center may, ***in the case of force majeure, or*** ~~**in exceptional**~~ ***as the*** ~~circumstances to be determined by the~~ Chief Executive Officer ***in his ablsolute discretion may determine taking into consideration the protection of the market and the Center***, delay Settlement in accordance with what the Chief Executive Officer deems appropriate. The Commission, the Market, the Settlement Bank and the concerned Broker shall be informed by the Center accordingly ***as soon as practicable***.

Exceptional circumstance could be interpreted very restrictively, and then the decision by the CEO could be challenged. The CEO should have full discretion to do what he deems best, in the time he has under the circumstances, and not be criticized.

B- If the Center decides to delay the Settlement time in accordance with the provision of Paragraph (A) of this Article, the Center shall re-calculate the amounts due to be paid by the Brokers or for their benefit. The concerned Brokers and the Settlement Bank shall be informed by the Center accordingly.

Article (101) All special transactions that occur in the special Trading session, according to the Trading System, shall be exempted from the provisions of Settlement specified in this Sub-Section. The financial Settlements of such transactions in securities shall be conducted directly between the concerned Brokers without the Center's intervention unless the Board of Directors decides otherwise.

Article (102) The concerned Trading Day (T) shall not be determined in the time calculations referred to in this Section.

Chapter Five
Transactions Excluded From Trading Through The Market

Article (103) The Center shall effect the ownership transfer of transactions excluded from Trading in accordance with these Instructions, including the following:

A- Inheritance Transfers which includes the transfer of securities from a deceased's Account to the Accounts of his rightful inheritors and the inheritance division for securities by transferring the securities registered in the Joint Account of the inheritors of a deceased to the Accounts of the rightful inheritors of those securities.

B- Family transfers that occur between ascendants and descendants and between spouses.

C- Transfers for the purpose of dividing the joint ownership of securities

D- Donating securities to religious, charitable or social associations registered at the competent authorities.

E- Waqf of securities whether charitable or descendentiary.

F- Securities contained in wills.

G- Transfers that occur in accordance with the Law of the Government's Acquisition of Monies that Reach Limitation.

H- Transfers in accordance with decisions of courts and execution departments.

Article (104)

A- The concerned party or their legal representative for transactions exempted from Trading though the Market shall submit an application to transfer the concerned securities and provide the following documents as the case may be:

1. The identification documents of the transferor and the transferee.
2. The identification documents for the deceased and the inheritors. If it is not possible to present an identification document for the deceased, then the death certificate will suffice.
3. The inheritance deed issued by the competent authorities for inheritance transfers.
4. A certificate of securities ownership or a written document issued before one month, maximum, from the date of the transfer from the concerned issuing entity that proves the deceased's ownership of non-deposited securities that are to be transferred and that said securities are not subject to any pledge or lien.
5. Any documents and information required by the Center or required by the laws and by-laws in force.

B- The transfer application shall be signed in the presence of authorized personnel at the Center.

C- The concerned person or the legal representative shall provide the identification documents referred to in Paragraph (A), above, duly authenticated.

Article (105)

A- The securities of the deceased shall be distributed to the inheritors in accordance with the inheritance shares specified in the inheritance deed.

B- The number of securities and its fractions representing the Trading unit in the inheritors' shares shall be rounded (if available) based on the assignment of one of the inheritors or more. If the assignment is made based on a Power of Attorney, then the Power of Attorney shall expressly specify that the designated agent is expressly entitled to assign.

C- The signature on the assignment of fractions or any number of securities shall be executed in the presence of authorized personnel at the Center or any other official competent entity.

Article (106) It shall be prohibited to transfer securities from the deceased's account to a Joint Account in the name of the deceased's inheritors unless it is not possible to provide the Center with valid identification documents for all the inheritors.

Article (107) Any disposal of the deceased's securities before executing an inheritance transfer shall be prohibited with the exception of the disposal by virtue of a decision from the officially competent authorities.

Article (108) The Center shall:-

A- Identify the deceased and the inheritors in accordance with the identification documents submitted to the Center and provide the inheritors with copies of the identification notice.

B- Distribute the securities owned by the deceased and calculate the share of each.

C- Transfer the securities from the deceased's Account to the Account of the inheritors.

D- Provide the inheritors with documents that illustrate the completion of the transfer of deposited securities.

Article (109) The concerned transferor or the transferor's legal representative shall submit an application to transfer the concerned securities from the transferor's Account to the Account of the transferee in accordance with the designated form attached to the following identification documents:

1. Identification documents for the transferor and the transferee.
2. The certificate of securities ownership or a written document issued within one month, maximum, from the date of the transfer from the concerned issuing entity that proves the transferor's ownership of non-deposited securities that are to be transferred and that these securities are not subject to any pledge or lien.
3. The Center Number for the transferor and the transferee.
4. Any documents and information required by the Center.

Article (110)

A- The Center shall identify the transferor and the transferee and establish Accounts for the them in the Center's electronic systems unless the concerned transferor and transferee are previously identified in the Center's Database and provide them with the identification notice.

B- The Center shall transfer the ownership of securities from the transferor's Account to the transferee's Account.

C- The Center shall provide the transferor and the transferee with documents that illustrate the completion of the ownership transfer of deposited securities.

Article (111)

A- The Center shall conduct the transfer of securities between Accounts in accordance with these Instruction including:

1. Transfer of the ownership of securities from a Joint Account to an Independent Account or more subject to the Independent Account being an element of the Joint Account.
2. Transfer of the ownership of securities from a Margin Account to an Independent Account subject to the Independent Account being an element of the Margin Account.
3. Transfer of the ownership of securities from an Independent Account to a Margin Account subject to the security being subject to margin financing.
4. The Center may suspend the transfers referred to in Sub-Paragraphs (2) and (3) of this Article for the deposited security.

B- The ownership transfer of securities between Accounts through the Center shall be in accordance with the following:-

1. The transferor and the transferee or the legal representatives of the transferor and the transferee shall submit an application to transfer the concerned securities attached to the identification documents of the transferor and the transferee in addition to the Center number for the concerned transferor and transferee and the certificate of securities ownership or a written document issued before one month, maximum, from the date of the transfer from the concerned issuing entity that proves the concerned person's ownership of non-deposited securities that are to be distributed and that these securities are not subject to any pledge or lien.
2. The financial Settlements between the transferor and the transferee shall be conducted directly between them without the intervention of the Center.

Article (112) The Chief Executive Officer, or whomever he authorizes, shall take the necessary measure to execute any decisions issued by the courts, execution departments or any official entities with regard to the transfer of securities' ownership.

Article (113) The Center shall issue statements of Transfer Contracts for non-deposited securities which shall be stamped and signed by the Chief Executive Officer or whomever he authorizes in writing and deliver said statements to the concerned securities' Issuers in exchange for signature of receipt.

Chapter Six

Transfer of Ownership of "Non-Traded Securities"

Article (114) The Center shall conduct the transfer of ownership of "non-Traded securities" in accordance with these Instructions, including:

A- Transfer of securities suspended from listing.
B- Transfer of securities suspended from dealing.
C- Transfers of non-listed and non-Traded securities through the Market.

Article (115) The transfer of ownership of non-Traded securities through the Center shall be conducted in accordance with the following measures:

A- The transferor and the transferee or the legal representatives of the transferor and the transferee shall submit an application according to the designated form to transfer the concerned securities from the transferor to the transferee. The application must be signed by the transferor and the transferee or the legal representatives of the transferor and the transferee and attached to all the identification documents and papers and the certificate of ownership or a written documents issued before one month before, maximum, the date of the transfer from the concerned issuing entity that proves the concerned person's's ownership of non-deposited securities that are to be transferred and that said securities are not subject to any pledge or lien.
B- The Center shall identify the transferor and the transferee in the Center's electronic systems.
C- The Center shall insure that the balance of sold securities is sufficient to accommodate the transfer and that the securities involved are not subject to any pledge, lien or any ownership restrictions whatsoever in the account of the transferor.
D- The Center shall transfer the ownership of securities from the transferor's Account to the transferee's Account and shall inform the concerned parties of the transfer.
E- The financial Settlements between the transferor and the transferee shall be conducted directly between them without the intervention of the Center.

Article (116) The Center shall issue statements of Transfer Contracts for non-deposited securities which shall be stamped and signed by the Chief Executive Officer or whomever he authorizes in writing and deliver such statements to the concerned Issuers of the concerned securities in exchange for signature of receipt.

Chapter Seven
Ownership Restriction On Securities

Article (117) Ownership restrictions on deposited securities include the following:-

A- Pledge.
B- Lien.
C- Freeze.

Article (118)

A- Upon depositing any securities, the Issuer shall inform the Center in writing of the existence of any ownership restriction upon those securities.
B- Upon depositing securities, the Center shall authenticate ownership restrictions on those securities in its registers.
C- The ownership restrictions referred to in Paragraph (A) of this Article shall remain ~~authenticated~~ *valid* and in force in the Center's registers until the Issuer requests the Center to release such restrictions in writing.
D- The Issuer shall bear the responsibility resulting from the placement and release of ownership restrictions in accordance with Paragraphs (A) and (B) of this Article.
E- The relationship shall be directly between the pledgor, pledgee or the entity that imposed the lien and the Issuer in relation to the release of ownership restrictions referred to in this Article.
F- The Issuer shall maintain all the documents supporting the ownership restrictions referred to in this Article, including original pledge deeds or lien letters or decisions.

Article (119)

A- Only securities deposited at the Center shall be subject to pledge.
B- The pledge of deposited securities shall be of the first ~~degree~~ *rank* only.
C- The Center shall enforce the ownership restrictions on deposited securities only after their deposit and in accordance with the documents submitted to the Center and in accordance with the measures specified in these Instructions in exchange for the determined service charges or fees.
D- The pledge shall not be effective unless registered and authenticated in the registers of the owners of deposited securities at the Center.
E- It shall not be permitted to pledge the securities owned by a minor unless an authorization is obtained from the competent court.

Article (120)

A- The Issuer shall remain responsible for enforcing ownership restrictions in its registers by virtue of court decisions, execution departments and official related entities for non-deposited securities and until their deposit at the Center.
B- The Issuer shall not be permitted to authenticate the pledge restriction on any non-deposited securities if any number of the securities are deposited at the Center.
C- The Issuer shall remain responsible for the pledges imposed on non-deposited securities and the release of such pledges.

Article (121) The pledge shall be imposed on deposited securities by the Center in accordance with the following measures:-

A- The pledge of deposited securities request shall be submitted by the pledgor to the Center subject to being signed by the pledgor and the pledgee in accordance with the designated form and shall include the following minimum information and data:
   1. The full name of the pledgor.
   2. The Center Number of the pledgor.
   3. The full name of the pledgee.
   4. The Center Number of the pledgee.
   5. The name of the security to be pledged.
   6. The number ***or face value*** of deposited securities to be pledged.
B- The concerned party shall pay the determined service charges or fees.
C- The Center shall ascertain the balance of deposited securities in the Account of the pledgor and in case the balance is sufficient, the Center shall place the pledge on the securities in the Account related to its owner. The Center will inform all the concerned parties of the actions taken to place the pledge.

Article (122)

A- The Center shall release the pledge on the deposited securities after the submission of the application to release the pledge on securities by the pledgee in accordance with the form designated for this purpose. The application shall, at a minimum, include the following information and data:

1. The full name of the pledgor.
2. The Center number of the pledgor.
3. The full name of the pledgee.
4. The Center number of the pledgee.
5. The name of the security from which the pledge will be released.
6. The number of securities from which the pledge will be released.

B- The concerned party shall pay the determined service charges and fees.

C- The Center shall release the pledge on deposited securities in its registers and inform the concerned parties of the actions taken to release the pledge.

Article (123)

A- In case of a stock split on pledged securities, the pledge shall be authenticated on the securities that result from the split.

B- In case of the decrease of the number of deposited securities as a result of a decrease of the Issuer's capital, the pledged securities shall be decreased according to the same percentage. The Center shall inform the pledgor and the pledgee of the decrease at their addresses registered with the Center.

C- The pledge shall be authenticated on stock dividends unless the pledge deed states otherwise.

Article (124)

Ownership restrictions on deposited securities that have been dully authenticated shall be released against the concerned Accounts subsequent to the Center receiving authorized release documentation.

Article (125)

It shall not be permitted to transfer deposited securities that are subject to an ownership restriction, transfer the ownership of such securities or conduct any transaction thereto unless the ownership restriction is released in the Center's registers.

Article (126)

A- The lien decision shall contain the following:-

1. The following data and information concerning the owner of the security:
   - A- The full name of the owner of the security in accordance with his/her identification documents for a natural person or the certificate of registration at the competent authorities for a judicial person.
   - B- The Center Number of the owner of the security.
   - C- The nationality.
   - D- The name of the mother (for a natural person).
   - E- The date of birth (for a natural person).
2. The number of securities to be subject to the pledge, the Issuer's name and type of security.

B- If the lien decision does not contain the information and data required by Paragraph (A) of this Article, the Center shall inform the entities that are attempting to place the lien of the measures taken by the Center without holding the Center responsible thereto.

Article (127)

If a number of shareholders exist in the Center's Database that are similar in their names or data to the name in the lien decision, the lien shall be initially imposed on the deposited securities of all those shareholders until making enquires, on the same Day, of the entity that imposed the lien as to the identity of the the person whose securities are to be subject to the lien.

Article (128)

A- The Center shall place the lien on deposited securities in its registers on the date of the Center's receipt of the lien decision unless it is proven that the ownership of those deposited securities has been transferred before that date.

B- The Issuer shall place a lien or release a lien on non-deposited securities and inform the entities concerned of the actions taken by the Issuer.

Article (129)

Upon the Center receiving the lien decision from the official competent entities, the Center shall undertake the following measures after the completion of the transfer of ownership of securities measures for the Day on which the lien decision was received:

A- Ascertain that the owner of the securities to be subject to the lien is identified in the Center's Database.

B- Ascertain that the person whose securities to be subject to the lien owns the deposited securities according to the Center's records.

C- If the lien is imposed on the securities on the same Day as the sale of those securities by virtue of a Trading Contract, the Trading Contract shall be considered effective between its parties.

Article (130)

A- If the lien decision does not clearly illustrate the securities to be subject to the lien, its type and the name of the Issuer and the lien decision is limited to a certain amount, the lien shall be imposed on securities whose value is equal to the amount stated in the lien decision on any shareholding of the concerned person. The securities shall be calculated on the basis of the market value of the security on the date of imposing the lien and if there is no market value then it shall be calculated on the basis of the nominal value.

B- The following basis shall be utilized to execute the provisions of Paragraph (A) of this Article:-

1. The Center shall impose the lien on the Traded securities of the owner and if there are no Traded securities owned by the concerned owner or those securities are insufficient to cover the entire amount of the lien, the lien shall be imposed on the non-Traded securities of the owner.
2. The securities to be subject to the lien shall be chosen according to the numerical sequence of the companies adopted by the Center. The Center shall inform the entity that imposed the lien of the measures undertaken by the Center and if any shareholdings are subject to any ownership restrictions, the lien shall be imposed on the next shareholding.
3. If the free balance of the person is insufficient to accept the lien, the lien shall be completed in accordance with the following sequence:
   - A- The securities already subject to the lien with the exception of those securities subject to the lien for members of the board of directors.
   - B- Pledged securities.
   - C- Securities already subject to a lien for the benefit of the membership of the board of directors.
4. The Center shall not be responsible to any entity if the person whose securities are to be the subject of the lien does not, on the date of the lien request submitted to the Center, have any shareholdings that can be subject to such a lien or if those shareholdings are insufficient to cover the entire amount of the lien required for any reason whatsoever.

Article (131)

The right of others in any deposited securities shall arise upon the authentication of this right in the concerned securities Accounts.

Article (132)

A- Freezing securities shall mean the prevention of any disposal of securities, by any means whatsoever, by virtue of the request of the securities' owner.

B- The owner of securities shall have the right to freeze the securities owned by the owner by virtue of a written application submitted to the Center in accordance with the form designated for this purpose.

C- The freezing of securities shall be imposed on deposited securities and available at the Center only and after the payment of the determined service charges or fees.

D- The owner of securities that have been frozen in accordance with these Instructions shall not dispose of those securities until the release of the freeze by the Center upon the request of the concerned owner of the security.

E- The freezing status on securities shall be released by virtue of a written application submitted to the Center by the security's owner in accordance with the form designated for this purpose.

Chapter Eight

Corporate Actions and General Assembly Meetings

Article (133) Corporate actions for the purposes of implementing these Instructions shall***, without limiting the generality of the foregoing,*** ~~-~~includ~~eing~~ the following:

A- Increase or decrease in capital.

B- Stock split ***and consolidation***.

C- Merger.

A change in the name of the Issuer.

Article (134) A- If the Issuer decides to make any amendment to the securities issued by it in any of the methods specified in Article (133) of these Instructions, the Center must be informed in writing. The Issuer's written notification to the Center must be received by the Center a minimum of ten 10 Days at least prior to the effective date of the corporate action and is required to contain:

1. The amendments to be implemented.
2. The closing date of the shareholders' registers for the amendments.
3. The effective date of the amendments.

B- The Issuer shall pay all the applicable service charges as determined by the Center.

Article (135) The Center shall provide the Issuer with a shareholders statement which contains the names of the owners of deposited securities and the number of securities owned by each shareholder and any details that the security's Issuer wishes to obtain~~s~~ as o***f***~~n~~ the date of the closing of the shareholders' register.

Article (136) The Center shall make the necessary changes to the securities registered with the Center and the accounts of the owners of securities whether at the Center or under the jurisdiction of any of its Members by virtue of the Corporate Actions referred to in Article (133) of these Instructions.

Article (137) A public shareholding company shall inform the Center of the date of the General Assembly Meeting fifteen 15 Days before the meeting date by means of a written letter which is required to include the following:

A- The date of the General Assembly Meeting.

B- The date of the closing of the shareholders' register.

Article (138) The Center shall prepare the shareholders' register for deposited securities and provide it to the Issuer as on the date required by the Issuer.

Chapter Nine

General Provisions

Article (139) A security shall be considered deposited in accordance with these Instructions upon the deposit of any part of the security issue at the Center.

Article (140) Brokers shall submit to the Center the following daily statements in accordance with the designated forms on the specified dates unless the Center decides otherwise:

A- Detailed statements for buying and selling transactions executed through the Broker. Each statement to be signed and stamped by the Broker.

B- A commission statement for buying and selling transactions executed through it. Each statement to be signed and stamped by the Market.

Article (141)

A- The Center's Members shall be in approval and in agreement with the use of the electronic means adopted at the Center since its establishment.

B- The Center shall be considered the entity authorized to authenticate information, data, transactions and correspondences that occur through the electronic means used by it.

Article (142) The Members shall abide by the by-laws and instructions issued by the Center. The Center shall have the right to inspect its Members in matters related to the operation of the Center. The Members shall facilitate the task of the Center's personnel authorized to conduct inspections and provide the Center's authorized personnel with the documents and information that are deemed suitable to the perform of any such inspection.

This provision could be moved to the Membership By-Law.

Article (143) If the Issuer violates any of its obligations in accordance with the by-laws, instructions and procedures issued by the Center, the Center may take the necessary measures including the suspension of services provided to that Issuer with the approval of the Commission. The Center may also request the Commission to suspend Trading in any of the securities issued by ~~it~~*such Issuer*.

Article (144) The Member shall inform the Center of any information or data necessary to execute any record in the Center's registers upon its occurrence.

Article (145) The Center shall have the right to suspend any of the services it provides to a Member in the case where a Member defaults on the fulfillment of any obligations that result or may result by virtue of the by-laws, instructions and decisions issued by the Center, including the non-fulfillment of any of the Member's financial obligations to the Center.

Move to Membership By-Law to avoid duplication.

Article (146)

A- The Market shall notify the Center in writing and before the listing or re-listing of any security to ascertain that the Issuer of that security has fulfilled all the requirements of the Center.

B- The Market shall provide the Center with the required information and data, especially:

1. The date of the listing of any new securities.
2. The date of the listing of any additional securities for existing companies.
3. The date of transferring securities between different markets.
4. The securities that will be sold at public auction in the Market and the date of the execution of such a sale.
5. New Brokers that will be permitted to perform brokerage activities in the Market.

Article (147)

A- The Board of Directors, upon the recommendation of the Chief Executive Officer, in accordance with circumstances that the Chief Executive Officer deems appropriate, may change and amend the times specified in these Instructions from time to time. The Center shall notify the Commission, the Market and all the concerned entities of such changes.

B- The Chief Executive Officer in emergency cases may amend or change the times specified in these Instructions for a specific period of time. All related entities shall be informed accordingly.

Article (148) It shall be prohibited to execute any transfer or change of ownership to securities if said securities are subject to pledge, lien or any ownership restriction.

Article (149) If a Broker's or Custodian's systems communication with the Center's electronic system is interrupted for any reason, it may use the back-up computers assigned by the Center for emergency use for the purpose of the continuation of the operation of a Broker or Custodian.

Article (150) The Members shall adjust their situation in accordance with these Instructions including depositing securities by virtue of the decisions issued by the Board of Directors for this purpose.

Article (151) The following identification documents shall be acceptable to the Center subject to the documents being valid:-

A- The personal card, the passport and the family book containing the national identification numbers and issued by the Civil Status and Passport Departments in the Kingdom for a Jordanian natural person.

B- Certificate of Registration at the official competent authorities for the Jordanian judicial entity.

C- The passport for a non-Jordanian person.

D- The certificate of registration for the non-Jordanian judicial person duly certified.

Article (152)

A- The Center shall register non-Jordanian securities in accordance with the provisions of these Instructions and the agreements signed in relation thereto subject to those securities being registered at the Commission.

B- The Center shall conduct Clearing and Settlement for Trading Contracts executed in the Market for non-Jordanian securities in accordance with these Instructions.

Article (153) The Instructions on the Registration, Transfer of ownership of Securities and Price Settlement for the Year 2002 issued with the approval of the Board of Commissioners of the Securities Commission on 1/7/2002 shall be deemed repealed upon these Instructions becoming effective.

Article (154) The Board of Directors shall issue the necessary decisions to execute these Instructions.

Appendix F. Detailed Comments - Settlement Guarantee Fund for 2000

The Internal By-Law of the Settlement Guarantee Fund for the Year 2004

Issued Pursuant to Article (90) of the Securities Law No. (76) for the Year 2002

Article (1) This By-Law shall be called the "Internal By-Law if the Settlement Guarantee Fund for the Year 2004" and shall come into effect as of the date specified by the Board.

Article (2)

A- The following words and expressions used in this By-Law shall have the meanings ascribed thereto hereunder unless the context indicates otherwise:-

Most of the following definitions are duplicated in all Center documentation.

The Commission	:	The Securities Commission.
The Board	:	The Board of Commissioners of the Commission.
The Center	:	The Securities Depository Center.
The Fund's Board of Directors	:	The Center's Board of Directors.
The Executive Manager	:	The Center's Executive Manager
The Market/Stock Exchange	:	The Amman Stock Exchange or any trading market in securities licensed by the Commission.
The Broker	:	The juristic person licensed as a financial broker or dealer.
Settlement	:	The process by which a trading contract is completed with the final, unconditional transfer of securities from the seller to the buyer and the final settlement of price payments in their respect.
Settlement Bank	:	The bank assigned by the Center for the purposes of receipt and price payment of securities.
Settlement Account	:	The bank account that the Center opens in its name at the Settlement Bank and which is used for the receipt and price payment of securities.
The Fund	:	The Settlement Guarantee Fund.
Trading	:	Selling or buying securities.

B- The words and expressions not defined in this By-Law shall have the meanings assigned to them in the Securities Law in force, the by-laws and instructions issued pursuant thereto.

Article (3)

A- A fund known as (The Settlement Guarantee Fund) shall be established at the Center, and shall have a legal personality with financial autonomy, as such it may own and dispose of moveable and immoveable properties and perform all necessary legal actions to achieve its objectives including entering into contracts and agreements. It has the right to litigate and may authorize a lawyer to act on its behalf in legal proceedings.

B- The Fund shall be managed by the Fund's Board of Directors and the Executive Manager in accordance with this By-Law.

C- The Executive Manager shall manage all the administrative, financial and technical affairs of the Fund. He is responsible before the Fund's Board of Directors.

Article (4) In particular, the Fund shall have as its objectives the following:

A- Covering the cash deficit of a Fund member in connection with their purchases of securities;

B- Covering the deficits in the securities account of a Fund member in connection with sales of securities on the Stock Exchange.

Article (5)

A- Trading contracts of which financial settlements are conducted directly between the concerned Brokers in accordance with the instructions issued by the Center shall be exempted from the provisions of this By-Law.

We understand this exception is to address the fact such settlements take place outside SDC

B- The Center shall authenticate the ownership of securities subject to the trading contracts referred to in Paragraph (A) of this Article.
We understand a custodian default is not covered because custodians are not part of the clearing and settlement system.

Article (6) The Brokers, members of the Center, shall be deemed de jure members of the Fund.

Article (7)

A- The Broker's obligations towards the Fund shall be as follows:-

1. (250) Two hundred and fifty Dinars association fee and for one time only.
2. (350) Three hundred and fifty Dinars annual subscription fee.
3. **A*n un-*~~non~~ conditional *and transferable*** bank guarantee in the form accepted by the Fund's Board of Directors in the amount specified in accordance with this By-Law subject to the bank guarantee being payable upon request.
   Having transferable guarantees would enable SDC to pledge or transfer guarantees to its banker who could then advance SDC funds, under a simpler procedure than drawing on aletter of guarantee at a defaulting Member's bank.
4. A cash contribution in accordance with the provisions of this By-Law.

B- The Broker shall provide the bank guarantee and pay the cash contribution, referred to in Paragraph (A) of this Article, *upon its membership at the Center being accepted.*
While membership is mandatory under Article 6, it appears to be subject to Board approval.

C- The Fund's Board of Directors may approve the substitution of the bank guarantee referred to in Paragraph (A/3) of this Article with any other guarantee accepted by the Fund's Board of Directors and in accordance with the conditions specified by it.
All acceptable forms of guarantee should be set forth and described in this by-law. No substitutions should be allowed, unless the accepted instrument is one of those described in the By-laws.

Article (8)

A- The bank guarantee that the Broker should provide to the order of the Fund shall be calculated on the basis of the average net amounts due to be paid by the Broker in favour of the settlement as a result of its securities trading transactions through the Market for a period of twelve months with a minimum of (50,000) fifty thousand Dinars in accordance with the following formula:-

Amount of the bank guarantee (G): (A x P) x S ≥ (50,000) Dinars

Where A: is the daily average of the net amounts due to be paid by the Broker in favour of the settlement for ***twelve ?*** months.
P: is the percentage of days that the Broker had to pay amounts in favour of the settlement and is calculated by dividing the number of days that the broker had to pay amounts in favour of the settlement by the number of trading days within the period of twelve months.
S: is the ***number of days of the*** **settlement period**.

B- The cash contribution that the Broker should pay to the Fund shall be calculated on the basis of the net amounts due to be paid by the Broker in favour of the settlement as a result of trading in securities through the Market for the last month with a minimum of (25,000) twenty five thousand Dinars in accordance with the following formula:-

The cash contribution amount = { X x Y x S} – G ≥ (25,000) Dinars.

Where X: is the daily average net amounts to be paid by the Broker in favour of the settlement for the last month.
Y: is the percentage of days that the broker had to pay amounts for settlement for the last month and is calculated by dividing the number of days of the month in which the broker had to pay amounts in favour of the settlement by the number of trading days in that month.
S: is the ***number of days of the settlement*** **period**~~. of settlement.~~

G: represents the amount of the bank guarantee calculated in accordance with the provision of Paragraph (A) of this Article.

C- The trading contracts referred to in Article (5) of this By-Law shall be exempted from the net amounts due to be paid by the Broker in favour of the settlement referred to in Paragraphs (A) and (B) of this Article.

D- The amount of the bank guarantee and the cash contribution shall **be** ***rounded up to the next*** ~~calculated in increase to the approximate~~ (1,000) one thousand Dinars.

E- The amounts referred to in Paragraph (B) of this Article shall be credited to the cash contribution account of the concerned Broker.

Article (9)

A- The cash contribution amount for each Broker shall be re-calculated every month.

B- If the cash contribution amount calculated in accordance with Paragraph (A) of this Article is more than the amount of the Broker's cash contribution in the Fund, the Broker shall pay the amount that represents the difference within three business days from the date of receipt of the Center's claim to that effect; otherwise, the Center shall:

1. Inform the Commission and give notice to the Market to suspend the Broker from trading.
2. Suspend the services provided by the Center to the concerned Broker.

C- If the cash contribution amount calculated in accordance with Paragraph (A) of this Article is less than the amount of the Broker's cash contribution in the Fund, the Fund shall reimburse the difference to the Broker, if requested by it, within ***ten*** ~~three~~ business days, ***provided the Broker has fulfilled all its obligations pursuant to the Center's by-laws*****.**

[SDC should ensure all Member's obligations are fulfilled prior to refunding Member any excess contribution, and allow itself a reasonable period of 10 days to do so.]

Article (10)

A- The bank guarantee amount for all Brokers shall be re-calculated every twelve months.

B- If the amount of the bank guarantee calculated in accordance with Paragraph (A) of this Article is more than the amount of the guarantee provided by the Broker to the order of the Fund, the Broker shall provide a guarantee for the new amount within five business days from the date of receipt of the Fund's claim to that effect, otherwise the Center shall:

1. Inform the Commission and give notice to the Market to suspend the Broker from trading.
2. Suspend the services provided by the Center to the concerned Broker.

C- If the amount of the bank guarantee calculated in accordance with Paragraph (A) of this Article is less than the amount of the bank guarantee provided by the Broker to the order of the Fund, the Broker may keep the guarantee provided for the order of the Fund or substitute it with a new guarantee for the new amount.

Article (11)

The guarantees that should be provided by a new Broker, upon its membership at the Center being accepted, are calculated as follows:-

A- Cash contribution equal to the least cash contribution provided by any Broker.

B- Bank guarantee equal to the least bank guarantee provided to the Fund.

Article (12)

The Fund's Board of Directors, ***at its own initiative or*** upon ***the*** recommendation of the Executive Manager, may:

[The By-Laws cannot limit the powers of the Board of Directors to act on their own initiative]

A- Change, with the approval of the Board, the formula or method of calculation of the cash contribution and the bank guarantee specified in this By-Law.

B- Re-~~-~~calculate the cash contribution amount and the bank guarantee amount referred to in this By-Law for any Broker at any time.

C- Change the formula or method of calculation of the cash contribution and the bank guarantee amount if the Broker fails to fulfill any of its obligations for settlement that result of trading transactions through the Market.

Article (13)

A- If the Broker does not pay the due cash amounts to the Settlement Account within the period specified on settlement date, then the Broker is considered in breach of its obligations and the Fund shall substitute the Broker to fulfill those obligations where the Executive Manager shall undertake the following measures:

[We would suggest adding details to the existing provision to ensure "dues process" is followed:

1. ***Notify the broker of its default and details thereof, and require immediate payment;***
2. ***Failing such immediate payment, suspend the services provided by the Center to the concerned Broker;***~~Transfer the amount that the Broker did not pay from the Fund's account to the Settlement Account.~~
3~~2~~. Inform the Commission and give notice to the Market to suspend the Broker from trading;~~.~~
4~~3~~. ***transfer the amount that the Broker did not pay from the Fund's account to the Settlement Account;***
5. ***transfer the Securities purchased, to the account of the Center for realization;***
6. ***freeze the Securities account of the Broker, for realization or until such time as all of the Broker's obligations have been met; and*** ~~Suspend the services provided by the Center to the concerned Broker.~~
7~~4~~. Request the concerned Broker to pay all the due cash amounts to the benefit of the Fund including the delay charges and any expenses or costs incurred by the Fund as a result of that.

B- If the amount that the Fund paid on behalf of the Broker in accordance with Paragraph (A) of this Article equals or is less than the cash contribution of the Broker in the Fund, the total amount shall be debited from that Broker's account in the Fund.

C- If the amount that the Fund paid on behalf of the Broker in accordance with Paragraph (A) of this Article is less than the cash contribution and the bank guarantee and is more than the cash contribution of that Broker in the Fund, the Fund shall take the following measures:

Note: these measures are cumbersome and restrict the Center's ability to efficiently, and in no time, take appropriate measures. The Fund should have entire discretion as to what combination of cash contributions/guarantees it may use, and from any account: it could use the defaulter's cash contributions, if sufficient, or any other Member's cash in order to reduce the number of required operations and to timely effect settlement.

The entire Fund is there to effect timely settlement: management should not be restricted to determine sufficiency and appropriateness and link contribution specific to the defaulter, and be required to make numerous operations in sequence.

Management should only have to make one operation, select any one single contribution that will cover the entire default, and reimburse the contributor as soon as possible. The most important is for SDC to have the full ability and necessary means to fulfill its mandate and make settlement on time, without any disruption and at minimal costs to its Members..

1. Debit the entire cash contribution balance of the concerned Broker.
2. Take all the necessary and immediate measures to liquidate the bank guarantee of the concerned Broker who defaulted on payment.

D- If the amount that the Fund paid on behalf of the Broker in accordance with Paragraph (A) of this Article is more than the Broker's cash contribution and bank guarantee, the Fund shall take the following measures:

1. Debit the entire cash contribution balance of the concerned Broker.
2. Take all the necessary and immediate measures to liquidate the bank guarantee of the concerned Broker.

   See comment above. This risks taking too much time. Instead of this step and tehe next one in Article (13) D- 3, the Fund should have the ability to cover the remainder of the loss from other contributions to the Fund of non-defaulting members. The Fund would recover these contributions from the sale of the unpaid securities and reimburse the non-defaulting Members' contributions.
3. The Fund will ***own~~possess~~*** the bought securities whose value has not been paid for ***by the Broker*** with a percentage equaling with a percentage equaling 120% of the amount that exceeds the total of the Broker's cash contribution and the bank guarantee provided by it.

   It should not be restricted to 120%. The value of such securities may be less on the market on that day. The Fund should have a pledge on all Broker securities, paid and unpaid, and can sell all of them until the full amount of the loss is made good.

E- The Center ~~may impose~~***has*** a lien on the securities ~~owned~~ ***held for the*** ~~by~~ concerned Broker for the benefit of the Fund.

The specific steps taken to perfect this lien should be specified here. SDC should also have a lien on any funds to the credit of the Member. This, eand the effectiveness of the lien, are particularly important in a situation of Member bankruptcy.

Article (14)

A- If a deficit occurs in the sold securities, the concerned Broker shall correct the reasons of the deficit within (T+1).

B- If the concerned Broker does not cover the deficit in the securities within the specified period referred to in Paragraph (A) of this Article, the Fund shall substitute that broker and on its behalf shall take the necessary measures to purchase the securities in deficit outside the Market in accordance with the following:-

1. The Fund shall notify the Brokers through the Center's electronic systems of its desire to buy the number of securities in deficit and the Fund shall specify in its purchase request the date of settlement for the purchase transaction.
2. The Brokers shall present their offers through the Center's electronic systems to sell the securities referred to in Sub-Paragraph (1) of this Paragraph where the Broker shall specify in its sale offer the Center's Number of the client wishing to sell, the client's name, account number assigned by the Broker and the price on which it wishes to execute the sale.

3. In order for the Broker to submit the sale offer referred to in Sub-Paragraph (2) of this Paragraph, its client must own the concerned securities in the client's account maintained by the Broker with those securities not being subject to any pledge, lien or ownership restriction that prevents its disposal and the Broker must have an authorization from its client to sell those securities.
4. The Center shall buy the specified number of securities by choosing the least offered prices and the concerned Brokers shall be informed of that.
5. The sale and purchase transaction referred to in this Paragraph shall be added to the trading transactions that will be settled on the settlement date specified in Sub-Paragraph (1) of this Article and the Center shall re-calculate the financial settlements of the concerned Brokers

C- If the Fund cannot cover the securities in deficit on behalf of the concerned Broker within a maximum period of a week, the Center has, in this case, the right to *cancel the suspended trading contracts that resulted in the sale of securities in deficit and reimburse the value of the bought securities to the buying Broker on behalf of its client*. The Fund shall reimburse the buying client for this cancellation by (5%) of the market value of the securities in deficit for each business day and with a maximum of (25%).

Cancellation of a trade should by all means be avoided: it is damaging to the market and the reputation of the exchange, has an adverse effect on the innocent party to a trade, can have a domino effect on third parties leading to other failures in the settlement and financial system of the country, and undermines investor confidence. A trade is a legal contract and must be settled.
If it becomes a rule an innocent party is reimbursed an amount equal to a mark-to-market price adjustment of the undelivered securities, then such a substitution becomes a term and condition of a trade contract, and would not likely constitute a trade cancellation.

D- Subject to the provisions of the by-laws and instructions in force, the concerned Broker shall bear all the expenses and costs incurred by the Fund or the Center pursuant to this Article.
There should be a heavy penalty for a buy-in – at least 50% added to the amount owed by the defaulting broker, and the costs, payable to the SDC, in addition to the purchase price. A penalty is meant to deter Members from failing to deliver a security.

Article (15)

A- The Fund shall re-sell the securities that it possessed pursuant to this By-Law through the Market and deposit the return of the sale in the Fund.

B- The Fund shall have the right to sell the securities owned by the Broker as a guarantee for the fulfillment of all the Broker's obligations to the Fund.

The Fund should have a lien on the proceeds from sale and revenues to the Broker.

Article (16)

A- If the Fund pays any amount on behalf of its Broker members, the concerned Broker shall pay that amount in addition to a delay charge of (1%) of the amounts paid on its behalf for each day of delay and with a maximum of (50%) of the paid amount.

B- The Broker shall pay the delay charge within three business days from the date of receiving the Fund's claim.

Article (17)

A- The Broker shall not have the right to resume its operations and trade in securities unless it fulfills all its obligations to the Fund and the Center.

SDC may wish to consider whether a Member in default, suspended, or not in good standing with the ASE or the JSC should be entitled to assist or vote at a General Meeting of SDC.

B- After the Broker fulfills all its obligations to the Fund and the Center, the Center shall decide ***whether*** to resume providing services to that Broker and immediately inform the Commission and the Market.

Article (18)

A- The Center shall maintain the accounts and registers of the Fund which shall be completely separated from the accounts and registers of the Center.

B- The authorized signatory on behalf of the Fund in financial matters shall be determined by a decision of the Fund's Board of Directors.

Article (19)

A- The Fund's revenues shall consist of the following:-

1. The member's association and annual subscription fees.
2. The Brokers' contributions.
3. The Fund's investment proceeds.
4. The delay charges.
5. Any grants or donations provided to the Fund with the approval of the Board.

B- The funds of the Fund shall be invested as ***short-term*** deposits at banks and in ***short term*** government securities.

The SDC's prime concern in investing contributions is not return on investment, but rather safety and liquidity.

Article (20)

A- Subject to the provision of Article (13) of this By-Law, the Fund's liability for covering any deficit is limited to the total cash contributions of the Brokers and the bank guarantee of the concerned Broker.

B- The Fund's funds are separate of the Center's assets. The assets of the Center shall not in any case be used to fulfill the settlement obligations on behalf of any Broker.

Article (21)

A- The revenues of the Fund's investments shall be calculated and credited monthly in a special account in the Fund and shall be distributed at the end of the year to the Brokers' accounts, members of the Fund, each within its percentage of cash contribution in the Fund after deducting the administrative expenses and costs incurred by the Fund for the same period***, provided at the time of distribution the Broker has no outstanding obligation to the Fund or to SDC*.**

B- The delay charges paid by the member in accordance with Article (16) shall be credited in a special account in the Fund and shall not be distributed to the Brokers, members of the Fund.

Article (22)

A- The Fund's Board of Directors shall appoint an external auditor and determine its fee.

B- The Executive Manager shall prepare an annual report which contains the financial statements audited by the external auditor of the Fund and submit it to the Fund's Board of Directors for endorsement within a maximum period of three months after the end of the fiscal year.

Article (23) The Fund's Board of Directors may conclude an insurance contract against the risks that the Fund faces, ***at~~on~~*** the expense of the Fund~~, and~~ within the conditions it deems suitable***, provided such insurance is available at rates and premiums the Board determines are commercially reasonable.***

This is a good example of how Audit Committee members of the Board of Directors could assist the SDC Board in obtaining and analyzing relevant information, considering policies and coverage, and providing its recommendation to the SDC Board to assist it in making such a determination. ~~.~~

Article (24) The Broker, after thirty days of the termination of its membership at the Center and after ascertaining that all its transactions have been settled and all its obligations to the Fund and the Center have been fulfilled, shall have the right to:

A- Recover the balance of its cash contribution in addition to the net revenues to that date.

B- Recover the bank guarantee.

Article (25) The Brokers, members of the Fund, shall make adjustment to their status and fulfill their obligations to the Fund in accordance with this By-Law pursuant to the decisions of the Fund's Board of Directors in this regard.

Article (26) In case the Fund is liquidated, the funds in the Fund shall be returned to the Brokers each within its contribution and after deducting all expenses and financial obligations of the Fund.

Article (27) The Board of Directors may issue the necessary bases and decisions to implement this By-Law.

The Fund should have the ability to pledge the funds and letters of guarantee to its banks, in order to obtain immediate financing without having the obligation to cash the letters of guarantee or effect withdrawals.