

Securities Depository Center

Introduction

The Securities Depository Center (SDC) is a public utility institution established in Jordan by virtue of the Securities Law. The SDC commenced operation in May 1999 and is the only entity in Jordan that is legally empowered to manage the following responsibilities:

- Registration, safekeeping and transfer of securities.
- Deposit securities.
- Clearance and settlement of securities.

SDC Governance

The SDC is governed by a seven member board of directors and a full time chief executive officer. Four members of the board of directors are elected by the SDC general assembly and three are appointed by the Jordan Securities Commission (JSC). The board's elected members serve for a term of three years. The daily management and operations of the SDC are the responsibility of the chief executive officer.

SDC Members

Membership in the SDC shall be mandatory for the following entities:

1. The public shareholding company.
2. The Broker.
3. The Custodian.
4. Any other entity determined by the Board.

International Numbering

The SDC is the sole national numbering agency in Jordan authorized by the Jordan Securities Commission (JSC) and the Association of National Numbering Agencies (ANNA) for allocating (International Securities Identification Number– ISIN) and (Classification of Financial Instruments– CFI).

SDC Address

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Website: www.sdc.com.jo

Supervision & Control

The SDC is subject to the monitoring and supervision of the JSC. The JSC is entitled to make inspections and audits of the SDC documents, records and registers.

Electronic Systems

The SDC uses a proprietary bilingual electronic system called

**“Securities Central Operation Registry
Processing & Information Online
(SCORPIO)®”**

SCORPIO consists of a number of systems and modules that provide a complete solution

for registration, depository, clearing and settlement. SCORPIO complies with international standards.

Given the importance of the SDC to perform the responsibilities assigned to it by virtue of the Securities Law under any circumstances, in addition to the importance of safekeeping all the SDC's information and data especially related to the ownership of securities, and in accordance with international standards and requirements in this regard and ensuring the storage of these information and retrieving them speedily in emergency cases. The SDC implement Business Continuity and Disaster Recovery Plan, which includes developing and updating the infrastructure of the main server's site located in the Capital Market Building and Business Continuity Site. In addition to construct Disaster Recovery Site according to the requirements of the International Standards.

Depository System

If an investor wishes to invest some of his/her savings in buying stocks and bonds on the stock exchange, then the investor must deal through a broker. The broker identifies and establishes an account for the investor through SCORPIO System before executing any trades on behalf of the investor. The investor must provide the necessary identification documents to the broker such as the national ID card or the passport.

If the investor wishes to sell the securities owned by him, the broker must transfer the securities from the registry to the broker-maintained client account.

The investor should receive from the broker a statement of account which illustrates all the trades executed through that broker. If the investor then wishes to sell these securities, the investor may sell them through the same broker or through another broker.

The depository system is a centralized system through which securities are held via book entries. The system allocates an account for each investor in which it registers the securities owned by him. The accounts may be maintained in the SDC's registry or in the investor's account with the broker.

The investor may request a statement of account from the SDC similar to the statement which the investor receives from the bank. This statement illustrates all the transactions made on the securities owned by the investor.

How can the investor benefit from the depository system?

The depository system reduces the risks for the investor when its safe keeps the securities via book entry. This eliminates risks of loss, forfeiture, theft, damage and forgery associated with physical certificates.

It also reduces the cost of investment in securities since there are no longer any certificates and if the investor loses his securities statement or ownership notice, this does not mean that he has lost his securities since the purpose of the depository is to maintain securities in electronic records with the aim of strengthening the confidence of investors and improving the efficiency and transparency in the Jordan capital market.

What is the proof of the legal ownership of securities?

All certificates of securities are deemed cancelled upon being deposited at the SDC. The securities are held via book-entry. If the investor's ownership is registered in the depository, he is the legal the owner of securities and may exercise his full rights as an owner which includes the right to sell, receive dividend, attend general assembly meetings and pledge securities.

How can an investor make sure his securities are deposited at the SDC?

The investor must authenticate all the information and data related to him in the shareholder registers in which the investor /shareholder owns securities. The information and data that must be authenticated include the following:

1. Full name of the investor/shareholder as stated in the identification documents.
2. Nationality of the investor/shareholder.
3. SDC No. of the investor/shareholder.
4. Full address of the investor/shareholder.

The owner of securities may obtain detailed information about his ownership on any date through obtaining the notification of securities' ownership.

Can an investor transfer his securities from one broker to another?

Yes, the depository system allows the investor to transfer securities between different accounts and from one broker to

another. The securities owned by the investor may be transferred as follows:

1. The securities may be transferred from the investor's central registry account to the broker-maintained investor account.
2. The securities may be transferred from the broker-maintained investor account to the investor's central registry account.

Can an investor know all transactions executed on his account?

Yes, by obtaining statement of securities' account that shows all transactions executed on his securities.

Can an investor transfer his securities from his account maintained by broker to his account maintained by other broker?

Yes, the securities are transferred as follows:

1. From an investor account maintained by broker to his account at the central registry.
2. From an investor account at the central registry to his account maintained by another broker.

What are the transactions exempted from trading?

- Transactions exempted from trading through the market that include:
 1. Inheritance transfers.
 2. Family transfers that occur between ascendants and descendants and between spouses.

3. Transfers for the purpose of dividing the joint ownership of securities.
 4. Donating securities to religious, charitable or social associations registered at the competent authorities.
 5. Waqf of securities whether charitable or descendentary.
 6. Securities contained in wills.
 7. Transfers that occur in accordance with the Law of the Government's Acquisition of Monies that Reach Limitation.
 8. Transfers in accordance with decisions of courts and execution departments.
 9. Transfers of Founders' Shares.
- Transfer of the ownership of "Non-Traded Securities" that include:
 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.

How can an investor be sure of the validity of his securities balance?

The depository system is subject to the internal control systems of the SDC to safeguard the validity and soundness of the securities balance accounts, and ensuring rights of all investors.

The SDC's internal audit department conducts manual and computerized auditing. In addition, registry and depository systems have their own backup and recovery systems and all SDC systems have regular backup cycles. (daily, weekly and monthly).

Securities Registry System

Definition

The registry system is the automated shareholder registers maintained by the SDC.

Objectives of the Registry System

1. Adopt a uniform system for maintaining Shareholders' Registers.
2. Facilitate access to securities information by shareholders and concerned parties.
3. Facilitate corporate action services.

Services provided by the Registry System

1. Bookkeeping and maintaining shareholder registers on behalf of securities issuers.
2. Issue statistics and reports on deposited securities.
3. Enforce corporate action resolutions adopted by the issuers including mergers, stock splits and stock dividends.
4. Provide additional services to the investors such as portfolio valuations, mark-to-market services and using smart communication.

Confidentiality of Data and Information

1. The owners of securities deposited at the SDC have the right to view the data related to them or their ownership of securities and obtain statements or documents regarding their ownership.
2. The issuer of securities has the right to view the information, data and records maintained by the SDC related to such

issuer or the owners of its securities and is entitled to obtain a copy of them.

3. The broker or custodian has the right to view the information, data and records maintained by the SDC related to such broker or custodian or any of its clients and insofar as these information, data or records concern it.
4. The JSC has the right to view the data, information and records which enables it to perform its responsibilities.
5. The SDC 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.
6. The SDC 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.

The SDC is permitted to publish statistical data in an accumulated statistical method without infringing the confidentiality of any information.

The SDC is governed in this regard by the "Instructions on the Disclosure of Information, Data and Records of the SDC" which is available on its website.

Corporate Actions

The general assemblies of the companies may adopt resolutions that have an impact on the shareholder registers. These include corporate action resolutions such as:

1. Capital increase and/or decrease.
2. Mergers.
3. Stock splits.

Payment of Dividend and Other Securities Revenue

The SDC may distribute invitations to general assembly meetings and the annual report; in addition to services related to cash dividend distribution and payment of interest and the value of bonds as of the due date on behalf of the issuer of the security.

The Settlement Guarantee Fund

The Settlement Guarantee Fund was established by virtue of the Securities Law. Its objectives include:

1. Covering the cash deficit of a Fund member in connection with his purchases of securities.
2. Covering the deficits in the securities account of a Fund member in connection with his sales of securities on the market.

The Fund has a legal personality with financial autonomy. The fund may own and dispose of properties and may perform all legal actions to achieve its objectives.

The Fund's Members

Its members include brokers and dealers.

Contributions of the Fund's Members

1. The member's association fees
2. The member's annual subscription fees.
3. Cash contributions.
4. Bank guarantees.

Management of the Fund

The fund is managed by a board of directors and the SDC chief executive officer in accordance with the fund's by-law.

The chief executive officer manages all the administrative, financial and technical affairs of the fund and he is responsible before the fund's board of directors.

Settlement Guarantee Fund Mechanisms

▪ Cash Default

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 substitutes the broker to fulfill those obligations where the chief executive officer undertakes the necessary measures to settle the trade including transferring the amount that the broker did not pay from the fund's account to the settlement account.

▪ Securities Default

Since the Tight Coupling was implemented between SDC's systems and the ASE's electronic trading system that in turn, prevent the execution of any sell orders; include a deficit, as the system checks the sufficiency of securities in the seller's account, which are necessary to complete the order before passing it through the electronic trading system.

The Fund's Revenues and Investment

The fund's money is invested as deposits at banks and in government securities. The fund's revenues 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 JSC Board of Commissioners.

The fund's accounts and registers are maintained separately from the SDC's accounts and registers; in addition, the fund's assets are separate from the SDC's assets. The SDC's assets are not used to fulfill any settlement obligations on behalf of any broker.

An external auditor is appointed by the fund's board of directors.

Ownership Restrictions

Definitions

Ownership restrictions are restrictions that prevent any disposal of the securities. Ownership restrictions include:

1. Pledge.
2. Lien.
3. Freezing.

Pledging Deposited Securities

Since 2005 the SDC is the only authorized entity, placed and released pledge on the deposited securities based on the pledge applications that are duly submitted to the SDC by pledgor and pledgee also release of pledge applications that are duly submitted by the pledge. Therefore, the SDC developed a special electronic system specifically for pledgee banks called the "Pledge System". This system enables the pledgee to impose pledge restrictions to their benefit on securities owned by their clients or to release such pledges directly using the system, in addition to enable them to monitor pledge transactions through the system and inquire about all details, thus enable them to serve their clients quickly and accurately.

Objective of offering the service of securities pledge

The SDC undertakes this service in order to provide security and guarantee for each of the creditor/pledgee and debtor/pledgor with the objective of encouraging the banks and investors to do lending and borrowing backed by securities and this will eventually activate

trading at the stock exchange.

Lien of Securities

Since 2005 the SDC, as the only authorized entity, placed and released lien restrictions on deposited securities based on the decisions issued by the official competent authorities whereas, the issuer (public shareholding company) is still responsible to place/ release lien restrictions on the non-deposited securities.

Freezing Securities

The owner of securities may freeze the deposited securities owned by him in the central registry by submitting the freezing securities form. If the freezing restriction is authenticated, no disposal of the securities is permitted in any form, whether by the owner or others.

The owner is obligated not to dispose of the securities until the freezing restriction is lifted by the SDC by virtue of an application submitted to the SDC by the owner to unfreeze the securities.

Electronic Services

The SDC provides various electronic services through its website (www.sdc.com.jo) which include:

Electronic Initial Public Offering (e-IPO)

This service enables the investor to subscribe in the companies' public offerings available through this service by filling the subscription

forms electronically and printing them, saving time and effort and attaining accuracy in the subscription forms.

Online Account Viewing

This service enables investors to follow up with their portfolios and view deposited securities' balances and all the transactions executed thereto, this service is provided at the level of the investor's account maintained by his concerned broker.