

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 of securities.
- Depositing securities.
- Transfer of securities ownership.
- Safekeeping securities.
- Clear and settle trades.

SDC Governance

The SDC is governed by a seven member board of directors and the chief executive officer. Five members of the board of directors are elected by the SDC general assembly and two are appointed by the Jordan Securities Commission (JSC). The daily management and operations of the SDC are the responsibility of the chief executive officer.

ISIN Allocation

The SDC is the sole numbering agency in Jordan for the assignment of international security identification numbers (ISIN). All securities are numbered according to the ISIN numbering scheme. ISINs allocated by the SDC are available on the SDC website.

SDC Address

Capital Market Building Al – Mansour Bin
Abi Amer Street Al-Abdali Area Al- Madina
Al-Riadiya District
P.O.Box: 212465 Amman 11121 Jordan
Tel: +962 6 5672788
Fax: +962 6 5672590
E-mail: info@sdc.com.jo
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.

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 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.

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.

How are the securities owned by the investor transferred to his heirs after the death of the investor?

Ownership of the deceased's securities are transferred to his rightful heirs through the SDC using the "Inheritance System". All the necessary documents have to be submitted to the SDC which conducts the transfer of

ownership in accordance with the applicable rules.

The SDC also executes family transfers, wills, courts and execution departments decisions and other exempted transfers.

Can an investor pledge his securities?

Yes, the investor can pledge his deposited securities by submitting the pledge form to the SDC in accordance with the provisions of the rules of the SDC in the manner that safeguards the rights of both the pledgor and pledgee.

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 ensure the 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 shareholder 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 his 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 the 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 is a fund containing contributions from its member participants/brokers. It was established under the jurisdiction of the SDC by virtue of the Securities Law.

The members' contributions constitute the fund's capital according to a formula based on the volume of activities of the capital market members during a specified period of time.

The fund's purpose is to cover any default in securities or cash in connection with sales and purchases of securities through the stock exchange. The fund has a separate 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 Objectives

1. To cover the cash deficit of fund members in connection with their purchases of securities;
2. To cover the deficits in the securities account of fund members in connection with sales of securities on the stock exchange.

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 his 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

If a deficit occurs in the sold securities, the concerned broker must correct the reasons of the deficit within (T+1) and if the broker does not cover the deficit in the securities within the specified period, the fund substitutes that broker and on its behalf takes the necessary measures to initiate buy-in procedures.

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 fees.
2. The member's annual subscription fees.
3. The brokers' contributions
4. The fund's investment proceeds.
5. The delay charges.
6. 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 securities.

Ownership restrictions include:

1. Pledge.
2. Lien.
3. Freeze.

Pledging Deposited Securities

The SDC undertakes the task of placing or releasing a pledge against deposited securities in accordance with the conditions specified in the SDC rules.

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 both banks and investors to provide lending and borrowing services backed by securities and this will eventually activate trading at the stock exchange.

Pledging Deposited Securities

Pledge restrictions are validated and placed against deposited securities in accordance with an application submitted to the SDC and signed by both the pledgor and the pledgee. The pledge form should contain the required information and data.

The SDC authenticates the pledge restriction after it ascertains the investor's ownership of the securities that will be subject to the pledge and in case the free balance is sufficient, then the SDC authenticates the pledge to the concerned securities.

No pledge restriction is considered effective unless registered and authenticated in the registers of owners of securities deposited at the SDC.

In the case of a stock split of the pledged securities, a pledge will be authenticated upon the number of securities that result from the stock split.

In case of a decrease in the number of securities due to decrease in the capital of the issuer, the number of securities subject to the pledge are decreased according to the same percentage.

Release of Pledge

The SDC will release the pledge after an application to release the pledge is submitted to the SDC.

Lien Restrictions on Deposited Securities

The SDC undertakes the responsibility of authenticating lien restrictions in its registers on securities deposited at the SDC only. The issuer remains responsible for placing lien restrictions on non-deposited securities.

The SDC authenticates lien restrictions on the date the SDC receives the decision to impose

the lien and after the completion of the ownership transfer of securities and ascertaining that the owner of securities who will be subject to the lien is identified on the SDC database as owning the deposited securities.

Release of Lien Restriction

The SDC releases the lien restriction against deposited securities only upon receiving a decision to that effect from the competent authorities. The issuer remains responsible for releasing such restrictions on 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.