

Dubai Central Securities Depository Rules

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Definitions

In the application of these Rules, the following words and phrases shall have the meanings cited against each, unless the context otherwise indicates:

UAE means the United Arab Emirates.

Authority means the Securities and Commodities Authority of the United Arab Emirates (SCA)

Automated Clearing and Settlement System (ACSS) means the automated system for clearing and settlement established and operated by Clearing House for carrying out transactions relating to clearing and settlement of trades.

Broker means a Trading Member who is authorized in accordance with the relevant provisions of the laws of the UAE to carry out brokerage business on the Market.

Business Days means weekdays from Sunday to Thursday (inclusive) or as may be determined by the Authority from time to time, but excluding official government holidays in the UAE or holidays approved by the Authority.

Buyer Account means the Investor's Trading Account with the Broker through which he may buy his securities.

Central Securities Depository and Registry System (CSDR System) means the system that handles depository, safekeeping and central register of Securities and their legal owners, and related evidences of pledging or other rights on Securities established and operated by Dubai CSD.

Central Securities Register means the register of Securities maintained by the Depository.

Clearing Member means a legal entity admitted to the Clearing House who is responsible for the settlement of trades and related obligations.

Custodian A corporate person licensed by the Authority to exercise the activity of Safe Custody of securities

Depository Account means an account within Central Securities Depository and Registry System that records ownership, deliveries and receipts of Securities for investors.

Depository means Dubai CSD LLC, or in any other name as may be amended from time to time, as the licensed Depository Centre.

Depository Member means an entity approved by the Depository as a member to access the Central Securities Depository and Registry System directly via electronic means.

Depository Procedures means any manual containing policies and operating procedures issued by the Depository from time to time.

Dual-listing Depository Center means the agency that accepts deposit or withdrawal of Securities from or to another depository center, for registration in its dual-listing register.

Investor Number or NIN means the unique number the Depository allocates to each investor in the CSDR system.

Investor means any person who makes a practice of selling, buying or moving Securities in his name and for his account, and has been given a number by the Depository directly or through a Broker.

Joint Account means a joint account between two investors with the Depository, wherein ownership of Securities is common between them.

Mandate Account means the investor's account with the trustee, through which the investor's own Securities are sold through the Broker and Securities are transferred to in the case of buying.

Market means DFM operating its function as a securities market licensed in the State by the Authority.

Open Contractual Positions means the netted obligation of a Clearing Member to receive payment or make payment and the gross position of a Clearing Member to receive or deliver securities

Pledgee means a bank or financial institution licensed in the State or any other authorities as may be prescribed by the from time to time.

Procedures means any document containing policies and procedures for the Depository Member.

Rules means regulations issued by the Depository concerning the functioning of a central securities depository and registry.

Registrar means the agency assigned by the listed company or agency to undertake safekeeping, management and responsibility of the Shareholders' Register.

Regulated Market means the normal securities market for the buying and selling of deposited securities.

SLB Participant means a Borrower, Lender, Agent Lender, or Clearing Member acting for a Borrower or Lender or Agent Lender

Shareholders' Register means the listed company's register containing data of owners of Securities and the ratios of their ownership.

Securities Transfer means transfer of ownership of Securities from existing to new owner.

Securities means shares, bonds and bills issued by joint stock companies, bonds and bills issued by the Federal Government, local governments or public corporations and institutions listed in the Market and any other financial instruments accepted by the Authority.

Seller Account means the Investor's trading account with the Broker through which he may sell his own securities

Settlement Bank means the designated bank or banks approved by the Clearing House that carry out financial settlements in relation to the activities on the Clearing House.

Settlement Day means the day, excluding Fridays, Saturdays and Clearing House declared holidays, an Market Transaction is due for cash and securities settlement which is currently fixed at T+2.

Trading Account means an account, opened by the Depository in the CSDR Registry System for an investor with a Broker for the purpose of using such account exclusively for entering trading orders into Automated Trading System.

The Company (or the listed agency) means the issuer of the Securities.

The letter "T" means the date of execution of a trade (T+0), hence "T+2" means two business days after date of execution of the trade.

1. CHAPTER ONE - DEPOSITORY SERVICES

1.1. General Provisions

- 1.1.1. These Rules shall govern the maintenance of Central Securities Depository and registry of securities.
- 1.1.2. These Rules shall apply to all Depository Members and Investors and operate as a binding contract between the Depository and each Member, the Depository and each Investor, between a Member and any other Member.
- 1.1.3. The Depository may delegate, assign or grant authority to exercise any of its rights, powers, authorities and discretions under these Regulations, including any right to enforce these Rules, to such person or entity as it may determine in its sole discretion, without consent from any Member or Investor.
- 1.1.4. The Depository exercises the activities contained in these Rules according to non-discriminatory methods and on the basis of these Rules and generally defined (organizational and/or operational) Procedures, issued from time to time.
- 1.1.5. The Depository employs and maintains information systems and organizational and operational procedures that permit the physical and logical safeguarding of data relating to the Central Securities Depository and Registry System.
- 1.1.6. The Depository also employs and maintains recovery, re-activation, and restoration procedures for data processing that ensure the continuity of these services.

1.2. Electronic Environment

- 1.2.1. The Depository operates a fully electronic share book systems pursuant to the Authority's Regulations without the use of material securities in the following environment:
 - 1.2.1.1. Trading;
 - 1.2.1.2. Clearing and settlement; and
 - 1.2.1.3. Central securities depository and registry.

- 1.2.2. No physical securities shall be issued unless otherwise stated procedures manual issued from time to time.
- 1.2.3. As a precondition to the listing, issuers of Securities shall hand over their securities' registries and the lists of owners of Securities, to the Depository. From then on, changes in ownerships of Securities, whether resulting from trading in the Market, or those exempted by the Market or the Authority, from trading on the Market, are effected electronically.

1.3. Tasks and Functions of the Depository

- 1.3.1. The Depository shall perform the following functions:

- 1.3.1.1. Central Securities Depository and Registry Tasks:

- 1.3.1.1.1. Organize, manage and maintain records of all listed Securities in the Central Securities Register and link all Registrars of listed Securities, Brokers and Custodian trustees with the Central Securities Depository and Registry System in accordance with the procedures issued from time to time; and
 - 1.3.1.1.2. Execute instructions for book entry transfers and other transactions of Securities:
 - a. received from the Automated Clearing and Settlement System;
 - b. received from Clearing Members regarding Off-Exchange trades; and
 - c. received pursuant to Chapter 5.

2. CHAPTER TWO – CENTRAL SECURITIES DEPOSITORY AND REGISTRY SYSTEM

2.1. The Central Securities Register

- 2.1.1. The Depository operates the Central Securities Depository and Registry System (CSDR System) which runs the Central Securities Register, an electronic securities ownership register acting as the central database that holds records of ownership of Securities of the shareholders of all listed Securities. The Investor on whose name the Security is registered in the Central Securities Register shall be the legal owner of such Security.
- 2.1.2. The Central Securities Register shall include all details and ownership data of listed Securities and shall also establish third party rights such as pledges and any other rights arising from Securities.
- 2.1.3. Transfer of ownership of securities and establishment of third party rights in the Central Securities Register shall be legally binding to all concerned parties and shall be acknowledged as evidence against third parties
- 2.1.4. Transfer of ownership of Securities in addition to establishment of third party rights in the Central Securities Register shall be the exclusive task of the Depository.
- 2.1.5. The Depository shall organize, maintain and manage the Central Securities Register on behalf of issuers or Registrars of securities.

2.2. Securities Issue Registration and Application Details

- 2.2.1. Any company applying for listing its Securities in the Market and trading through the Automated Trading System shall register such Securities within the Central Securities Register.
- 2.2.2. The issuing company or the agency of securities approved for listing on the market shall provide to the Depository with a statement or list containing the following details and data or as may be amended in accordance with the procedures issued from time to time:
 - 2.2.2.1. Name of the registration office or the source of the Securities;
 - 2.2.2.2. Type and category of the Securities;
 - 2.2.2.3. Date of issue of the Securities;
 - 2.2.2.4. Date of maturity of the Securities (if applicable);
 - 2.2.2.5. The nominal value of the Securities;
 - 2.2.2.6. The overall size of the issue;
 - 2.2.2.7. Interest rate (if applicable);
 - 2.2.2.8. The full amount of the issue;
 - 2.2.2.9. List of names of the company's board of directors, their relatives to the first degree and their addresses, passport numbers, family registration number, telephone numbers and the number of securities they own in the parent company or any associate, affiliate or allied company (if any);
 - 2.2.2.10. Founders list; and
 - 2.2.2.11. Authorized signatories list.
- 2.2.3. Within one week from date of receipt of the instruction of approval of listing of its Securities, the issuing company or agency shall provide the Depository with an accurate updated Shareholders' Register, in an electronic format, containing the following information and data:
 - 2.2.3.1. Full name of the shareholders (including Arabic name where applicable which is mandatory) and the name of his legal guardian if underage, or interdicted, in the case of natural persons, and the name and business address of the juridical person and name of his authorized signatory;
 - 2.2.3.2. Nationality;
 - 2.2.3.3. The number of Securities owned by each shareholder;
 - 2.2.3.4. Passport number in the case of a natural person and number of the trade license or the commercial registration certificate in the case of a juridical person;
 - 2.2.3.5. Family Registration number (for UAE nationals);
 - 2.2.3.6. Telephone numbers;
 - 2.2.3.7. Mailing address;
 - 2.2.3.8. Total number of issued Securities;
 - 2.2.3.9. Total number of shareholders;
 - 2.2.3.10. Gender;
 - 2.2.3.11. Client type;
 - 2.2.3.12. National ID Number
 - 2.2.3.13. Life status; and
 - 2.2.3.14. The company also need to identify any pledge cases and provide the Depository with supporting documents and an official

instruction to apply pledge on these quantities.

- 2.2.4. The Depository shall have the right to require any other details or data relating to Securities if deemed necessary.

2.3. Exclusion of Liability

- 2.3.1. Issuer shall be liable for the accuracy and correctness of the updated Shareholders' Register information and data provided to the market according to Rule 2.2.3 of this Chapter.
- 2.3.2. The Depository (and its respective officers, employees) shall have no liability whatsoever to any person arising out of or in respect of the registration of securities on the basis of Shareholders' Register which did not meet the eligibility criteria for the information, formats and data at the Registration according to Rule 2.2.3 of this Chapter and according to the Depository Procedures, issued from time to time for that purpose.

2.4. Registration of Ownership Procedure

- 2.4.1. Upon receipt of an instruction approving its listing on the Market, the company shall proceed as follows:
- 2.4.1.1. Update the Shareholders' Register in respect of all outstanding transfers received prior to date of approval of listing; and
 - 2.4.1.2. Hand over a soft copy of the updated Shareholders' Register in the prescribed format to the Depository, including the data stated in Rule 2.2.3 of this Chapter, within the prescribed period from date of receipt of the approval instruction.
- 2.4.2. Listing of Securities on the Market shall not be completed except after receipt of a soft copy of the updated Shareholders' Register, containing the data referred to in Rule 2.2.3 of this Chapter, within the period prescribed in Rule 2.4.1.2 of this Chapter.
- 2.4.3. The Depository, shall provide an electronic connection or access for the company, agency or its Registrar to the Depository electronic system at the company, agency or the Registrar's office within 1 week from listing date to enable access the Shareholders' Register for queries, within the authorizations granted.
- 2.4.4. The Depository, upon request, will train staff of the company, agency or its Registrar on the use and procedures of the Central Securities Depository and Registry System and issue the relevant procedures from time to time.

2.5. Services Rendered to Investors

- 2.5.1. Services of the Depository rendered to investors shall be services for running and maintaining accounts within the Central Securities Register, including but not limited the following:
- 2.5.1.1. Regulate, issue, update and maintain Investor Numbers or NINs;
 - 2.5.1.2. Receive deposited Securities;

- 2.5.1.3. Keep Securities of an investor who do not wish to use them in trading, in his registry account and not through Broker's or Clearing Member's accounts;
- 2.5.1.4. Book-entry delivery of securities, in relation to securities settlements including late confirmation transfers or buyins executed by the Clearing House, or otherwise;
- 2.5.1.5. Issue various Securities statements upon investor's request;
- 2.5.1.6. Generate and send balance statements in the agreed notification format via agreed means of communication to investors who subscribed to this service;
- 2.5.1.7. Generate and send annual balance statements to all investors listed in the Central Securities Depository and Registry System and are allocated Investor Numbers who are registered for this service;
- 2.5.1.8. Disseminate trading information to investors via agreed means of communication;
- 2.5.1.9. Issue proof of Securities ownership upon request of the investor, an agency authorized to such effect or a judicial authority in the State;
- 2.5.1.10. Issue/cancel Securities Powers of Attorney certified by the Market and certify Powers of Attorneys issued by Notary Public;
- 2.5.1.11. Change and update data of owners of Securities in the Central Securities Depository and Registry System as per request of the investor, his duly authorized representative or the listed company or agency;
- 2.5.1.12. Transfer Securities owned by the investor from the registry account to his account with the Broker, upon the investor's request;
- 2.5.1.13. Transfer Securities owned by the investor from his account with a Broker to his account with another Broker, upon the investor's request;
- 2.5.1.14. Transfer Securities owned by the investor to any other person, in case of transfers exempted from trading on the Automated Trading System as per provisions these Rules, or as per resolutions of the Authority, or as may be approved by the Director General or the Chairman of the Board;
- 2.5.1.15. Freeze or unfreeze Securities upon request of the investor, a Broker, a listed company and any agency authorized to such effect, or a judicial authority in the State;
- 2.5.1.16. Maintain and manage Securities in the banking pledges register; and
- 2.5.1.17. Respond to investors' queries and provide necessary information upon request.
- 2.5.1.18. Issue 'To whom it may concern' letter upon request;
- 2.5.1.19. Issue audit confirmation letter upon request;
- 2.5.1.20. Provide e-services;
- 2.5.1.21. Execute deposit and withdrawal requests for dual listed securities;
- 2.5.1.22. Securities borrowing and lending transactions including transfers of securities for collateral purposes in accordance with the

- securities borrowing and lending regulations; and
- 2.5.1.23. Maintain and manage securities in the pledge account in favor of courts, the Authority or any other legal institution.

2.6. Services Rendered to Listed Companies & Registrars

- 2.6.1. Services of the Depository rendered to listed companies and Registrars shall be services for running and maintaining lists and registers of securities owners (share book), including but not limited to the following:
- 2.6.1.1. Receive Securities Registers;
 - 2.6.1.2. Register Securities data in the Central Securities Depository and Registry System;
 - 2.6.1.3. Organize, manage and maintain register of deposited Securities, electronically;
 - 2.6.1.4. Update register of deposited Securities, electronically;
 - 2.6.1.5. Prepare and provide updated lists of the register of Securities owners in the Central Securities Depository and Registry System, at any time and upon request;
 - 2.6.1.6. Provide electronic linkage between the Central Securities Depository and Registry System and the listed company or its Registrar;
 - 2.6.1.7. Execute corporate actions on the register of the listed company's shareholders register as per provisions of Chapter 6 of these Rules;
 - 2.6.1.8. Receive share certificates and prepare a registration letters for the listed company or the registrar to confirm the validity and unfreeze the shares;
 - 2.6.1.9. Provide subscription service in number of reports;
 - 2.6.1.10. Issue 'To whom it may concern' letter upon request;
 - 2.6.1.11. Enable Registrars to shift and transfer Securities from "frozen" status to "Available for Trading" status in the case of outstanding Securities certificates; and
 - 2.6.1.12. Respond to Registrars' queries and provide necessary information upon request.
 - 2.6.1.13. Payment of dividends.
 - 2.6.1.14. Notify investors of Depository transactions via agreed communication means.
 - 2.6.1.15. Management of general meetings.

2.7. Equality (Fungibility) of Securities

- 2.7.1. Securities deposited in the Central Securities Register are considered equal, i.e., any Security is considered equal to any other Security of the same class or type of the same issuer.
- 2.7.2. The Depository is under no obligation to keep any Securities separately from other Securities, except in the case of: restrictions on the ownership of the Securities previously determined by local laws, the company's Articles of Association or the Depository Rules as may be issued from time to time. The listed company or agency shall specify such restrictions in its listing application.

2.8. Investor Number and Investor Accounts

- 2.8.1. The Investor Number shall be issued after filling-in an “Investor Data Entry” form, to which all necessary documents specified by the Depository are attached.
- 2.8.2. Each investor shall have only one Investor Number or “INs”. No more than one Investor Number may be issued to a single investor or a single agency unless otherwise approved by the Depository.
- 2.8.3. Unless otherwise approved by the Depository in its procedures prescribed from time to time, the Depository alone shall undertake the opening and updating of particulars for Investor Numbers.
- 2.8.4. Investor Numbers can be either be in single names or joint names and shall be opened for owners of Securities, being natural or juridical persons, companies, government or private agencies. Each Investor Number shall have a unique identification number containing all data relating to the beneficial owner(s).
- 2.8.5. All balances of listed Securities owned by the investor shall be maintained in under the Investor Number, in addition to establishment of third party rights such as pledging, attachments and other rights arising from the Securities registered under the Investor Number.

2.9. Classification of Investor Accounts

- 2.9.1. Types of Depository Account: The Depository will open the following accounts for investors under their Investor Number in addition to other account types as may be prescribed by the Depository from time to time –
 - 2.9.1.1. Depository Account - this is the custody account of investors for safekeeping of securities. Balances under this account can only be moved by the investor and cannot be used for trading purposes.
 - 2.9.1.2. Trading Account – a Trading Account is a Depository Account opened by the investor with a Broker. Securities balances under this account (with the exception of Trading Account for investors using a Custodian) can be used for trading purposes.
 - 2.9.1.3. Agent Account – an inventory account opened under a Custodian NIN. Securities balances in this account can be used for trading.
 - 2.9.1.4. Pledged Securities Account – a Securities Account for holding pledged securities.
 - 2.9.1.5. Court Reservation Account – a Securities Account for holding reserved securities as per court or legal institution order.
 - 2.9.1.6. And any other account types as may be prescribed by the procedures from time to time.

2.10. Compliance with Rules

- 2.10.1. Every investor assigned an Investor Number shall comply with the relevant provisions of these Rules and procedures prescribed by Market from time to time whether in this part or otherwise, where they purport to apply to him,

directly or indirectly.

2.11. Authorisation

- 2.11.1. The Depository shall be authorized by the investor to perform and discharge all services rendered to the investor made for and on behalf of the investor:
- 2.11.1.1. Upon the written instructions of the investor in such a manner as may be prescribed by the Depository;
 - 2.11.1.2. Where an trade has been initiated and conducted through the Market for which the relevant type of Investor's Depository Account is to be used for the settlement, upon the instructions of the Clearing House in accordance with the Rules of the Clearing House regarding trade settlements.

2.12. Deposit of Securities Certificates Mechanism

- 2.12.1. Companies or their Registrars may unfreeze or lodge their respective Securities (certificates) at the Depository following receipt thereof from owners directly, through original ownership certificates.
- 2.12.2. Owners of Securities may hand over and deposit Securities share certificates at the Central Securities Depository and Registry System directly, or deputize representatives to deposit their Securities share certificates on their behalf at the company or agency, or the Depository.
- 2.12.3. Companies or Registrars, or Market in the case where owner of Securities deposit securities certificate directly, shall verify the validity and soundness of the Securities and ensure that all Securities surrendered in the form of ownership certificates are valid and legal. Receipt of the Securities by the Depository shall not be construed as relinquishment of the latter's right to demand that companies and Registrars must ensure validity and legality of the deposited Securities.
- 2.12.4. Companies or their Registrars, shall directly transfer the received Securities to the owners' Depository account.
- 2.12.5. Ownership of the Securities shall be changed from the Freeze status to the Available status in the owner's account immediately upon unfreezing thereof in the Central Securities Depository and Registry System, and shall never be recovered in the form of ownership certificates.
- 2.12.6. Deposited Securities shall be available for sale, transfer, pledging, disposal or any other operations relating to entry of data, without actual use of the certificates.
- 2.12.7. Central Securities Depository and Registry Services shall be available to all persons and agencies that own the Securities deposited with the Depository.
- 2.12.8. Central Securities Depository and Registry Services shall also be available to the agencies approved by the Depository as guardians, trustees or disposers acting on behalf of owners of the Securities.

3. CHAPTER THREE - MEMBERSHIP

3.1. Legal persons admitted to the Depository as a Member

- 3.1.1. Applicant to be a Member of the Depository shall be
- 3.1.1.1. Trade Member with any Market;

- 3.1.1.2. Clearing Member of a Clearing House;
- 3.1.1.3. Settlement Agents of a Clearing House;
- 3.1.1.4. Banks licensed under the UAE Central Bank; or
- 3.1.1.5. any such other institution or person approved by the Depository from time to time.

3.2. Requirements for Membership to the Depository

- 3.2.1. To be admitted as a member of the Depository, legal persons must:
 - 3.2.1.1. Comply with the rules and procedures of the Depository; and
 - 3.2.1.2. Possess the required license from the relevant authority to deal with securities.
 - 3.2.1.3. Possess an organizational structure and technological and information technology systems to support dealing with securities
 - 3.2.1.4. Have professionally trained staff available.
- 3.2.2. Legal persons applying for membership to the Depository, must forward a request of services and the relevant documentation to the Depository. Depository shall notify the outcome of the application within one month of the receipt of the completed documentation, stating the grounds for any rejected application. Where additional examination becomes necessary, the Depository may prolong the duration of the application for a maximum term of one month and notifying the applicant of the grounds for such an extension.

3.3. Resignation from Membership

- 3.3.1. A member intending to resign from the membership of the Depository may do so by submitting a request to the Depository in a prescribed format.
- 3.3.2. The Depository shall accept the resignation request once it is satisfied that the member has no outstanding obligation towards the Depository or Authority or any other member or Investor.
- 3.3.3. The Depository shall notify the outcome of the request and in case of rejection stating the grounds for any rejected application. Where additional examination becomes necessary, the Depository may request for additional information from the member.
- 3.3.4. The confirmation of resignation shall be communicated by fax, and confirmed by registered mail with return receipt to the Member.

3.4. Suspension and Termination of Membership

- 3.4.1. The Depository reserves the right to suspend a member and notifying the Authority, in the case of any of the below where:
 - 3.4.1.1. A Member fails to fulfill any of the membership requirements;
 - 3.4.1.2. A Member has delayed payment or failed to pay amounts due from it;
 - 3.4.1.3. A Member has failed to comply with the Depository's rules and/or procedures;
 - 3.4.1.4. In the case of the Member of the Market or Clearing House cessation of effect of the membership agreement with the Market or Clearing House due to disciplinary action.

- 3.4.2. The act of suspension shall be communicated by fax, and confirmed by registered mail with return receipt to the Member.
- 3.4.3. The Depository shall also have the right to take disciplinary measures against the Member, consistent with the Regulation issued by the Authority.
- 3.4.4. The Depository may also cancel the membership in case of continuation of the breaches mentioned Rule 3.4.1 above.

4. CHAPTER FOUR – CENTRAL SECURITIES REGISTER

4.1. Securities Ownership

- 4.1.1. The person whose name the Securities are registered in the Central Securities Register shall be the legal owner of such Securities.

4.2. Securities Statement Request

- 4.2.1. Owners of Securities shall have the right to apply for a statement of their Securities accounts, showing all balances of their Securities and any other transfers effected in the Central Securities Register. All listed companies and Registrars shall also have the right to apply for similar detailed statements of the company's Securities. Applications shall be submitted to the Depository in the manner prescribed in the procedures for such purpose.
- 4.2.2. The Depository shall issue the requested Securities statement during a period not exceeding two business days from date of receiving a completed application.
- 4.2.3. A Court of Law, a related government authority and the Authority may request a statement of an investor's account, showing all balances of its Securities, transactions and any other transfers executed by the Market, if such is required for judicial proceedings related to such investor.
- 4.2.4. In the case of accounts opened with Custodians, clients shall have the right to apply for a statement regarding their Securities position with the Custodian, showing balances of their Securities and any other transfers effected with the Custodian. Application shall be submitted to the Custodian for that purpose.

4.3. Updating Investor Information in the Central Securities Register

- 4.3.1. Each investor shall be responsible for ensuring that the Central Securities Register contains updated investor data at all times.
- 4.3.2. The Depository shall not be responsible and liable for acting on investor data of the Central Securities Register which may not be updated by the investor.
- 4.3.3. Updates shall be effected in case the investor, the listed company or agency or its Registrar lodged an application (amendment of investor data) to such effect. The updating may also occur pursuant to a court order or as per instructions from any official agency in the State authorized to do so.

4.4. Accessing the Central Securities Depository and Registry System and the Automated Clearing and Settlement System

- 4.4.1. No person is permitted to access the Central Securities Depository and

- Registry System unless authorized to do so.
- 4.4.2. The right to access and review the Central Securities Register shall be restricted to the persons authorized by the Depository in order to ensure confidentiality of the information relating to details of ownership and transactions. Any violation to this right shall render the offender subject to prosecution.
- 4.4.3. The Depository staff alone may execute amendments and updates to the Central Securities Register, within their respective responsibilities and authorizations unless otherwise determined by the procedures issued from time to time.
- 4.4.4. Listed companies and their Registrars may view their respective Securities Registers, but cannot execute any amendments, updates or entries to this register unless otherwise determined by the procedures issued from time to time.
- 4.4.5. Monitors shall be allocated for listed companies or Registrars to use the Central Securities Depository and Registry System for enquiries about their respective electronic registers only.

4.5. Authority of the Registrar of a Listed Company in the Central Securities Depository and Registry System

- 4.5.1. A listed company or agency or its Registrar may access the system to change the status of the Securities from “frozen” to “available for trading” only if the Securities are in the form of ownership certificates. Having ensured that the investor has obtained an Investor Number, the listed company or its Registrar, must proceed as follows:
- 4.5.1.1. Receive the original ownership certificates from the owner;
 - 4.5.1.2. Issue a receipt to the investor showing the number of Securities it owns, as per the surrendered certificates; and
 - 4.5.1.3. Un-freeze the Securities in respect of which certificates have been surrendered.
 - 4.5.1.4. Comply with any other procedures as may be issued by the Depository from time to time.

5. CHAPTER FIVE – SECURITIES TRANSFERS

5.1. General Provisions and Amendment to the Central Securities Register due to Trading and Transfers

- 5.1.1. Trading in Securities outside the Automated Trading System (hereinafter referred as: off exchange transfers) is strictly prohibited unless otherwise approved by the Authority and/or the Depository as may be prescribed in the procedures issued from time to time.
- 5.1.2. Listed companies or Registrars shall not introduce to their respective Securities Registers any changes to the names of investors or any other changes which are in conflict with the Central Securities Register.

5.2. Transfers within the Central Securities Register

- 5.2.1. Any transfers and respective orders of Securities owners for:
- 5.2.1.1. transfers of Securities between accounts of same owner (intra member movements);
 - 5.2.1.2. transfers of Securities to the account of new Securities owner (transfers), which also includes transfers of title of ownership in the case of settlement of Exchange Transactions;
 - 5.2.1.3. entries or releases of third party rights on Securities, such as pledge or similar rights;
 - 5.2.1.4. transfers of Securities upon execution of exchange trades;
 - 5.2.1.5. transfer of securities from the client's account with the custodian to the client's account with another custodian upon the request from the client; and
 - 5.2.1.6. transfers in relation to DVP rejections; and
 - 5.2.1.7. any other types of transfers as may be approved by the Depository or from the Authority from time to time.

shall be executed through the accounts within the Central Securities Register by Depository. Entries and transfers on the basis of Securities owner's orders for allocated transactions may be entered and posted into the Central Securities Register only by Depository unless otherwise determined in the procedures issued from time to time.

- 5.2.2. Since the Depository acts as an authorized agent for the issuer of the Securities in updating the Central Securities Register, completion of any transfers for Exchange Transactions is construed as a legal transfer of ownership of Securities.

5.3. Amendment of Securities Balances – Off Exchange Transfers

- 5.3.1. The owner of Securities may transfer his Securities from accounts(s) opened with one Depository Member to another by completing the form prepared for this purpose or in accordance with procedures prescribed by the Depository from time to time.
- 5.3.2. Before approving the transfer, the Depository shall ensure that the application carries the signature and seal of the first (transferring) Depository Member. Investors using Custodians shall be exempted from the transfer requirements prescribed in this section. In respect of such investors, the Rules referred to in Rule 8.1 of these Rules shall apply.

5.4. Pledged Securities

- 5.4.1. Pledge on Securities shall be considered as the right of pledgee as a creditor to receive compensation from the value of pledged securities upon default of payment of the obligation, secured by the pledge when due before any other creditors of the pledger.
- 5.4.2. Pledge of Securities shall be executed and effective by appropriate account entries to the securities accounts within the Central Securities Register.
- 5.4.3. Entry of pledge of Securities shall be entered in the Central Securities Register according to these Rules on the basis of Pledge Instruction, issued by the owner of securities (pledger).

- 5.4.4. The pledgee must send an official instruction including Pledge Instruction to the Depository, and showing among other details, the following:
- 5.4.4.1. Name of the owner whose Securities are pledged in favor of the bank;
 - 5.4.4.2. The investor's "NIN" with the Depository;
 - 5.4.4.3. Name of the issuer or agency and number of pledged Securities;
 - 5.4.4.4. Pledging period (if any);
 - 5.4.4.5. Effective Date of Pledge;
 - 5.4.4.6. The party entitled to profits, whether the investor or the Pledgee bank; and
 - 5.4.4.7. Attachment of the following documents:
 - 5.4.4.7.1. True copy of the pledging contract signed by the Pledgee bank and the investor (if any);
 - 5.4.4.7.2. Instruction from the investor authorizing the bank to place its Securities under lien, indicating name of the issuer company or agency, number of the pledged Securities and entitlement to profits (Pledge Instruction); and
 - 5.4.4.7.3. Payment of pledging fees calculated in the manner specified in the table of fees.
- 5.4.5. After ensuring validity and accuracy of the details mentioned in Rule 5.4.4 of this Chapter, the Depository shall open a special account for the bank under the Investor Number of the investor wherein all pledged Securities shall be kept, so that the pledging investor may not dispose of them without approval of the Pledgee bank.
- 5.4.6. If the Securities are registered and available in the Central Securities Register, Depository shall send a pledging confirmation instruction to the Pledgee bank within two business days from date of receipt of the pledging instruction.
- 5.4.7. If the investor and the Pledgee bank wish to dispose-off the pledged Securities, the Pledgee bank shall send an official instruction to the Depository, as per the form and content approved by the Depository, advising of the wish and agreement of the two parties, i.e. the Pledgee bank and the investor, to transfer the pledged Securities to the investor's account with a Broker (upon whom both the investor and the Pledgee bank shall agree beforehand – also referred as Pledgee Broker) for the purpose of selling them in the Market. A special account for the transfer of Securities must be opened with the selected Pledgee Broker for the disposal.
- 5.4.8. The Depository shall transfer the pledged securities to the investor's account with the Broker named in the Pledgee bank's instruction. The Depository shall also send a formal instruction informing the Broker of the transfer and the need to transfer receipts of sale of the pledged Securities to the investor's account with the Pledgee bank. The Broker shall be fully responsible for this process.
- 5.4.9. The Depository shall also send a formal instruction to the Pledgee bank confirming the transfer of the pledged securities to the broker for sale.
- 5.4.10. The Depository shall transfer the pledged securities to the investor's account with the Broker named in the Pledgee bank's instruction. shall send a formal instruction to the Pledgee bank confirming the transfer of the pledged

- securities to the broker for sale.
- 5.4.11. The Pledgee bank shall issue a sell order (for the pledged securities) to the Broker agreed upon, and the latter shall in turn sell those Securities and transfer the sale receipts to the investor's account with the Pledgee bank directly. The Depository should be notified within five days from date of execution of the transaction.
- 5.4.12. In the case of release of the pledge, the Pledgee bank shall officially notify the Depository via an instruction advising of release of the pledge and the number of pledged Securities in order to release the pledge.
- 5.4.13. If the investor failed to pay value of the pledge to the Pledgee bank, or declined to sign the sale instruction in favor of the Pledgee, the latter shall request the Depository to issue an official instruction addressed to the court, indicating name of the investor, its investor number, the issuer of the Securities, and the number of Securities pledged in favor of the Pledgee bank in the Central Securities Register. If the court ruled in favor of the Pledgee bank, the Depository shall coordinate with the concerned bank and the Broker for the purpose of selling the Securities in favor of the pledgee bank.
- 5.4.14. In the case of bonus shares issued for pledged Securities, the Securities shall be added on the basis of entitlement to returns as agreed beforehand between the Pledgee and the investor. In other words, the bonus shares shall be deposited in the investor's account with the Pledgee bank if the latter is entitled to returns or directly in the investor's account with the broker if the investor is entitled to returns.
- 5.4.15. Pledged securities are subject to Court reservation if the Depository is so directed by the Courts.

5.5. Transfer of Securities Exempted from Trading on the Automated Trading System

- 5.5.1. The following off-exchange transfers, or those approved by the Authority, shall be exempted from trading through the Automated Trading System and shall be submitted directly to the Depository which would, in turn, undertake transfer of ownership of the Securities:
- 5.5.1.1. Family transfers between spouses and relatives to the second degree;
 - 5.5.1.2. Transfers in the case of inheritance or will;
 - 5.5.1.3. Transfers carried out pursuant to a court order;
 - 5.5.1.4. Transfers in case of gifts or donations made, without recompense, to official charity organization in the State;
 - 5.5.1.5. Transfers from Company to Partner or vice versa
 - 5.5.1.5.1. *Transfer from Company to subsidiary or vice versa*
 - 5.5.1.5.2. *Transfer from Company to another company (same partners)*
 - 5.5.1.5.3. *Transfer from Individual to Joint Account or vice versa*
 - 5.5.1.5.4. *Merger of Sole-proprietorship and Individual accounts.*
 - 5.5.1.6. Transfer from Founder to another Founder (before unfreeze);
 - 5.5.1.7. Transfers in the case of amicable settlement with a financial

- institution;
 - 5.5.1.8. Transfers between persons whose names appear on one single certificate of ownership or between partners;
 - 5.5.1.9. Transfers ensuing from sale of Securities by public auction;
 - 5.5.1.10. Transfers initiated and executed by the Depository for the purpose of settlement of Buy-in transactions according to the Clearing House Rules or procedures;
 - 5.5.1.11. Special Deals;
 - 5.5.1.12. Transfers in relation to DVP late confirmation;
 - 5.5.1.13. Transfers from a company to a Board member;
 - 5.5.1.14. Transfers between a company's Board members;
 - 5.5.1.15. Transfers of securities from a listed company's account to accounts of employees; and
 - 5.5.1.16. Other transfers approved by the Depository or by the Authority from time to time.
- 5.5.2. Upon receipt of transfer instruction, in the form as prescribed by the Depository, signed by the transferor, and receipt of all documents required for the transfer and any applicable fees from the transferor, the Depository shall proceed as follows:
- 5.5.2.1. Reconfirm the exemption from trading on the Automated Trading System, which must be one of the reasons stated in Rule 5.5.1 of this Chapter;
 - 5.5.2.2. Update and allocate Investor Numbers to the transferor and the beneficiary if one or both of them do not already have an Investor Number;
 - 5.5.2.3. Open the registry account for the transferor and beneficiary, in the case one or both are not holders of such account; and
 - 5.5.2.4. Transfer Securities.
- 5.5.3. Registry account shall mean investor's account maintained in the Central Securities Depository and Registry System with the following properties:
- 5.5.3.1. It may be opened and closed only by the Depository; and
 - 5.5.3.2. It is maintained directly by the Depository.
- 5.5.4. Only the following entries may be executed by debiting the registry account:
- 5.5.4.1. Entries on the basis of acts or decisions of national authorities;
 - 5.5.4.2. Entries due to transfer of Securities by crediting the client account or house account, opened with a Broker; and
 - 5.5.4.3. Entries due to its universal legal successor.
 - 5.5.4.4. Entries by Custodians to credit the Agent Account.
- 5.5.5. In the following cases, it is permitted to execute only the transfer of Securities by crediting the registry account:
- 5.5.5.1. The entries on the basis of acts or decisions of national authorities;
 - 5.5.5.2. At Securities issue, executed pursuant to the procedure for Securities issue;
 - 5.5.5.3. On the basis of universal legal succession, by debiting the account of the investor that ceased to exist; and
 - 5.5.5.4. Due to closing of investor's account maintained with a Broker

that cancelled its membership or was excluded from the clearing membership (and consequently Securities accounts maintenance functions).

5.5.5.5. Transfers by Custodians from Agent Account.

5.5.6. If the investor wishes to dispose-off its Securities in its registry account, the investor must submit a transfer request to the Depository to transfer the securities in the registry account by debiting its registry account and crediting the indicated account maintained for the investor by such Broker.

5.5.7. Each holder shall have only one registry account unless otherwise approved by the Depository from time to time via its procedures manual.

5.6. Securities Transfers Arising from Settlement of Trades

5.6.1. All securities settlement shall be way of book-entry delivery unless otherwise approved by the Depository.

5.6.2. Notwithstanding that payment is settled on a net basis, the delivery of securities for settlement shall not be settled on a net basis.

5.6.3. Settlement of Novated Transactions and related Securities transfers in Securities (and consequently recorded in the Central Securities Register), shall be executed through the instructions received from the Automated Clearing and Settlement System.

5.6.4. The obligation of the Depository to make delivery of securities to a purchasing Clearing Member pursuant to settlement of a Novated Transaction on any Settlement Day shall be discharged by the purchasing Clearing Member irrevocably authorizing the Depository to credit such securities to the Depository Accounts of the purchasing Clearing Member or the Depository Accounts of the purchasing Clearing Member's clients on whose behalf the buying Clearing Member executed the relevant Exchange Transaction for settlement by the prescribed deadline on any Settlement Day.

5.6.5. The right of the Depository to receive securities on any Settlement Day from a selling Clearing Member pursuant to a Novated Transaction shall be satisfied by the selling Clearing Member irrevocably authorizing the Depository to debit such securities from the Depository Accounts of the selling Clearing Member or the Depository Accounts of the selling Clearing Member's clients on whose behalf the selling Clearing Member executed the relevant Exchange Transaction for settlement by the prescribed deadline on any given Settlement Day.

5.7. Post -Trading Securities Transfers

5.7.1. Sold Securities shall be debited from the Seller's Account to discharge the selling CM's obligation to deliver securities to the Clearing House and credited to the Buyer's Account to discharge the obligation of the Clearing House to deliver securities electronically according to the details of the transaction and no later than two working days (T+2) after the execution of the Exchange Transaction.

5.7.2. On the settlement day at the time, specified in the Procedures, Depository shall create and issue final instructions to transfer Securities in settlement thereof, on the basis of Open Contractual Positions.

5.7.3. The Depository shall execute final instructions on settlement day at the time

specified in the Procedures. The Securities are credited to the Clearing Member's buying Depository Accounts with the Central Securities Register and Depository is authorized to block such Securities on designated securities accounts until release.

- 5.7.4. In the case Depository on the settlement day (T+2) at the time specified in the Procedures establish that Clearing Member is not in default (insufficient cover on cash settlement account to meet its payment obligation), the Depository shall release Securities on designated Depository Accounts, blocked.

5.8. Reservation of Title

- 5.8.1. Until such time the Depository is satisfied that it has received payment in full with respect to any Securities delivered by the Depository in settlement of a Novated Transaction, title and property in such Securities shall not pass on delivery to the Clearing Member or to any recipient thereof in accordance with the Clearing Member's instructions unless otherwise specifically agreed in writing by the Depository.
- 5.8.2. For the avoidance of doubt. Title and property in any Securities which have been delivered for settlement of Novated Transactions and which have not been paid for by the purchasing Clearing Member due to receive the same, shall only pass when the purchasing Clearing Member or recipient thereof on the purchasing Clearing Member's instructions, is expressly permitted by the Depository to utilize them but at any time before then, the Depository shall be free to use or apply such securities to limit its liability resulting from such Clearing Member's failure to make payment to the Depository.

6. CHAPTER SIX – CORPORATE ACTIONS

6.1. Corporate Actions

- 6.1.1. Corporate actions means the decisions taken by the company's general assembly which result in rights for the company's shareholders until a specific date, such as share split, the right to subscribe to capital increases shares, bonus shares and other.

6.2. The Disclosures Required from Companies

- 6.2.1. Without prejudice to the provisions of the Articles, Rules and procedures relating to disclosure, listed companies shall be required to directly notify the Disclosure Department of the Market of all necessary information on corporate actions in the Market. Disclosure Department shall provide the Depository with copy of such correspondence immediately upon receipt thereof, for implementation purposes.
- 6.2.2. A listed company shall be required to notify the Market of its board of directors' proposal regarding any corporate actions before publication thereof in the media and before communication thereof to the shareholders.
- 6.2.3. A listed company shall have the right to determine the date of convening of its general assembly meeting, provided announcement thereof beforehand. Such announcement must include the shareholders' register closing date and the board of directors' proposals to the general assembly.

- 6.2.4. Owners of Securities who are registered on the Shareholders Register as per the Depository procedures issued from time to time are the ones who are entitled to vote in the general assembly of that company.
- 6.2.5. Those entitled to cash distributions or nominal value splits are the owners of Securities as at the 10th day following convening of the general assembly and in the course of which the distributions or the share split were decided or at any such day as may be specified in the procedures issued from time to time. The company shall be required to complete the distribution process within one month from due date.
- 6.2.6. Those entitled for a capital increase are owners of shares registered in the company's share register ten days before the date of subscription day, and the company needs to publish an announcement in this regard 15 days before the subscription day.
- 6.2.7. The Depository, shall provide the listed company, upon the latter's request, with an updated copy of the Shareholders Register for the purpose of sending invitations for the general assembly meeting.

6.3. Cash Distributions & Bonus Shares

- 6.3.1. In case the general assembly approved cash distributions or bonus shares, the issuer company must proceed as follows:
 - 6.3.1.1. The company shall be required to notify the Market of the decisions taken by the general assembly and the predetermined date of closing the Shareholders' Register, on the same day of convening of the general assembly meeting or latest by the time, specified in the procedures on the business day following the meeting;
 - 6.3.1.2. In the case of cash distributions, the Depository shall, upon request of the company and in accordance with the Depository's established procedures issued from time to time, provide the listed company with a copy of the Shareholders' Register as at the date of closing the register, along with a report on pledged Securities within a timeframe as prescribed by the Market from time to time; and make cash dividend payments in accordance with procedures issued from time to time if authorized by the Registrar.
 - 6.3.1.3. In the case of distribution of bonus shares, the Depository shall determine the owners of Securities who are entitled to bonus shares after closing of the trading session coinciding with the last day for entitlement to the distributions (T+0) and hence, the company's decision to distribute bonus shares to shareholders shall be executed in the Central Securities Depository and Registry System on the date of closing of the Register (T+2 or as may be prescribed by the Depository from time to time) in accordance with the Depository's established procedures, whereby the bonus shares shall be added to the entitled shareholders' balance in the company's Shareholders Register generated on T+2 or as may be prescribed by the Depository from time to time.
 - 6.3.1.4. In case of applying both action for a company, the Depository will

provide two share books: one before the bonus distribution and one after together with the pledged shares report.

6.4. Corporate Actions Other Than Cash Distributions & Bonus Shares

- 6.4.1. In case the general assembly approved corporate actions other than distributions, the following procedures should be taken:
- 6.4.1.1. The company shall be required to notify the Market of the decisions taken by the general assembly on the same day of convening of the general assembly meeting or latest by the time, specified in the procedures prescribed from time to time;
 - 6.4.1.2. After obtaining necessary approvals from the Authority, the company must immediately notify the Market of the approved date of closing of the Shareholders Register;
 - 6.4.1.3. If the action relate to the splitting of the company's share, trading on the company's shares may be suspended a day before the date of closing the Shareholders Register (T+1) or settlement may be accelerated in order to ensure that there are no outstanding balances as per the Clearing House Rules or procedures;
 - 6.4.1.4. On the register closing day, and following implementation of the company's action on the Central Securities Depository and Registry System, the Depository upon request, shall send copy of the amended Shareholders' Register to the concerned company for checking;
 - 6.4.1.5. After receiving the company's written approval of the amendments, and latest by the time, specified in the procedures on the business day following date of the register closing, the Market shall proceed with actual implementation on the Central Securities Depository and Registry System and resume trading on the company's Securities;
 - 6.4.1.6. If the company failed to send its written approval on the specified timings, trading on the company's Securities shall be suspended pending receipt of the written approval;
 - 6.4.1.7. Following actual implementation on the Central Securities Depository and Registry System, the Depository shall send the updated Shareholders Register to the company;
 - 6.4.1.8. Upon official request of the listed company, the Depository shall send a securities statement to each shareholder, using the shareholders mailing address recorded in the Central Securities Depository and Registry System in accordance with the Depository's established procedures;
 - 6.4.1.9. Resumption of trading on the Securities shall be an hour before trading, or after the trading session or as may be determined by Market from time to time; and
 - 6.4.1.10. Share split procedures are subject to variation, depending on each company's case.

6.5. The Shareholders' Register

- 6.5.1. The Depository shall provide the company, only upon its request, with the Shareholders' Register for the purpose of sending out invitations for meeting of the general assembly. The Depository shall also send a report on the changes that will occur on the register until date of convening of the first general assembly meeting, within two business days before date of convening of the general assembly meeting and after closing of the trading session for that day, if the company so requested and in accordance with the Depository's established procedures.
- 6.5.2. In case of lack of quorum and hence postponement of the meeting, the Depository shall send a report on the changes that occur on the Shareholders' Register until convening of the postponed meeting of the general assembly, upon request of the company, and in accordance with the Depository's established procedures.

6.6. Dual Listings

- 6.6.1. Shareholders of dual-listed companies may move their Securities to and from their accounts with the Depository. A dual-listing depository agreement shall be executed between three parties, namely: the Depository, the listed company and the registrar of the listed company.
- 6.6.2. A shareholder of a dual-listed company may transfer Securities from his account with the company's main deposit center to the dual-listing Depository Center in the Depository and vice versa as follows:
 - 6.6.2.1. In case the investor wishes to transfer the Securities to the Depository: An official instruction in an approved communication medium shall be sent from the company's main deposit center to the dual-listing Depository Center in the Depository, advising of the investor's wish to transfer Securities to his account at the Depository. The said instruction should contain the following data:
 - 6.6.2.1.1. Investor name;
 - 6.6.2.1.2. Investor number;
 - 6.6.2.1.3. Name of the public shareholding company;
 - 6.6.2.1.4. Number of Securities to be transferred;
 - 6.6.2.1.5. Broker account details if the shares were required to be transferred to trading account directly; and
 - 6.6.2.1.6. Authorized signatures (if any).
 - 6.6.2.2. In case the investor wishes to transfer the Securities from the Depository: The investor shall send an official instruction to the dual-listing Depository Center in the Depository advising of his wish to transfer his Securities from the Depository to the company's main depository center. The said instruction should contain the following data:
 - 6.6.2.2.1. Investor name;
 - 6.6.2.2.2. Investor number;
 - 6.6.2.2.3. Name of the public shareholding company;
 - 6.6.2.2.4. Number of Securities to be transferred;
 - 6.6.2.2.5. Designation of the transferee;
 - 6.6.2.2.6. Account number and broker name in the other market; and

6.6.2.2.7. Investor signature.

- 6.6.3. Securities to be moved from the investor's registry account shall be transferred as per the instruction received from the investor, and by deducting the Securities from his registry account in the Central Securities Register. An instruction shall then be sent to the company's main deposit center advising of execution of the investor's request.
- 6.6.4. In case the Securities are with one of the Brokers, the form for transfer of Securities between the investor and the Broker shall be completed. The investor's request shall be sent to the concerned Broker to complete the procedures and transfer the Securities to the investor's Depository account and subsequently to complete the procedure described in Rule 6.6.3 of this Chapter. Securities intended for depository in the investor's account in the Central Securities Register shall be added to the account as per the instruction received from the main deposit center and a depository confirmation instruction shall be sent to the company's main deposit center.

7. CHAPTER SEVEN – COMMISSION, FEES AND PENALTIES

- 7.1. The Depository shall collect commissions and/or fees for its services.
- 7.2. The Depository shall be required to issue fees payment receipts for fees received from the various market members, as per the Depository Fees Table prescribed from time to time.
- 7.3. The Depository shall be authorized to deduct any amounts due to the Depository from the bank account of the Depository Member as the case may be.
- 7.4. All listed companies, Registrars, Investors, Brokers, Clearing Members and Custodians and other concerned parties shall be notified of the Depository's table of fees and any amendments thereto via procedures or circulars as may be issued from time to time.
- 7.5. All listed companies, Registrars, Investors, Brokers, Clearing Members and Custodians shall be required to pay the Depository the relevant commission and/or fees invoiced by the Depository by the deadline as may be prescribed by Market in its procedures or circulars from time to time.
- 7.6. The Depository shall have the right to levy fines in case listed companies, Registrars, Brokers, Clearing Members and Custodians fail to abide with Depository Rules.

8. CHAPTER EIGHT – MISCELLANEOUS PROVISIONS

8.1. Custodians

- 8.1.1. The Depository shall have the right to grant qualified banks and financial institutions the capacity to be Custodians by signing a Custodian Agreement with the Market.
- 8.1.2. The Depository shall have the right to grant Custodians access in accordance with the Depository procedures issued from time to time to Central Securities Depository System according to the request within the Custodian membership application to the Depository.
- 8.1.3. A Custodian shall be allowed to open an Investor Number [NIN] for his own balances of securities.
- 8.1.4. A Custodian may be permitted to assign NINs for its clients in the manner prescribed by the Depository from time to time. Securities accounts opened under Custodian NINs belong to the Custodian clients as legal owners.

- 8.1.5. The Custodian shall ensure that he holds a power of attorney from the client to deal on his behalf in the Market to forward instructions for securities credits and debits on behalf of such clients.
- 8.1.6. A Custodian client shall have a duty to maintain sufficient Securities position at all times and is obligated to maintain enough unencumbered (free and clear with no pledge or any other rights) Securities to support securities settlement of Exchange Trades in accordance with the Rules on settlement of exchange Trades.
- 8.1.7. Movement of securities by a Custodian through the accounts under the IN referred to in Rule 8.1.5 of this Chapter are considered on behalf of and upon instructions of clients. Custodians shall be fully responsible for this.
- 8.1.8. The Custodian shall have the right to transfer Securities from the Depository account to an Agent Account. However, the Agent Account shall be used for the purpose of executing Exchange Transactions relating to Custodian clients, and Securities shall not be transferred to a trading account with the Broker.
- 8.1.9. The Broker shall receive orders directly from the Custodian client and the Exchange Transaction shall be executed by use of a Trading Account.
- 8.1.10. Market shall have full right to settle Exchange Transactions relating to Custodian clients with the Custodian directly instead of the Broker or its Clearing Member subject to an Undertaking Agreement in a manner prescribed by Market from time to time from the Broker or its Clearing Member, unless the Custodian rejects the trade for settlement according to the Clearing House Rules as per provisions of the settlement agreement concluded between the Custodian client and the Broker.
- 8.1.11. Where financial settlement is made by the Custodian on behalf of its clients, all amounts shall be settled with the Custodian directly and between client and the Custodian directly without any financial settlement through the Broker or its Clearing Member. The Broker shall receive the trading commissions from the Custodian directly. The net settlement amount shall be credited or debited as the case may be to the Custodian's settlement account with the Settlement Bank.
- 8.1.12. The Broker or Broker Clearing Member's bank guarantee is only affected by the value of Exchange Transactions he executes for his clients including Custodian clients if the Custodian is not a Clearing Member. In the case of where the Broker has agreed for Custodian clients to use a Custodian for settlements, the concerned Broker or the Broker's Clearing Member must provide a written undertaking to Market in the format as prescribed by Market from time to time.

8.2. Clearing House

- 8.2.1. A clearing corporation or a clearing house of stock exchange shall be admitted as a User on the Depository only if:-
 - 8.2.1.1. the clearing corporation or a clearing house of a stock exchange has adequate hardware and software systems to interact with the Depository as specified in the Business Rules;
 - 8.2.1.2. the Depository is satisfied that the clearing corporation or a clearing house of a stock exchange operates in such a manner that it ensures guarantee of settlement;
 - 8.2.1.3. the clearing corporation or a clearing house of a stock exchange

undertakes to cooperate at all times to redress the grievances of Clients and the Member in respect of its operation in relation to the Depository;

- 8.2.1.4. in the opinion of the Depository, the clearing corporation or a clearing house of a stock exchange has the operational capability to provide the services relating to clearing and settlement of transactions relating to the securities admitted to the Depository to be held in dematerialised form.

8.3. Liability

- 8.3.1. Depository Members shall be liable to the Central Depository for the timely and orderly fulfillment of their obligations in accordance with these Rules as well as for losses resulting from their violation.
- 8.3.2. In the event a Depository Member is prevented from providing orderly fulfillment of its obligations, (especially if due to technical disruptions), the Depository Member affected shall immediately inform Depository accordingly. The measures initiated by the Depository shall be binding on all Depository Members affected. Any liability of the Depository for such measures shall be excluded.
- 8.3.3. Any liability of Depository for losses arising due to circumstances outside of their control shall be excluded.
- 8.3.4. The Depository shall not be liable towards Depository Members for any losses, profits foregone or damages, unless such losses, profits foregone or damages have been caused by willful conduct or by gross negligence. Liability for consequential damages shall be excluded in all cases.
- 8.3.5. The Depository shall not be liable for any losses caused by a disruption of operations due to force majeure, revolt, war or natural catastrophes or due to other events or incidents for which it is not responsible (e.g. strikes, lawful lock-outs, traffic disruptions) or by acts of sovereign states.
- 8.3.6. Provisions of this section shall also apply to any damages suffered by Depository Members as a consequence of technical problems or due to the partial or complete inoperability of the computer systems used by the members, provided that said circumstances and damages are not caused by willful conduct or by gross negligence on the part of the Depository.

8.4. Indemnity

- 8.4.1. Members hereby undertakes to indemnify the Depository and any of its agent against all direct (but not any indirect) losses, costs, damages, expenses and liabilities whatsoever (“Losses”) incurred or suffered by the Depository or such agent (if any) where such Losses arose out of or in connection with.
- 8.4.1.1. Any breach by the Member of its obligations under these Regulations; or
- 8.4.1.2. Any willful, unlawful, reckless or negligent act or omission by the Member.
- 8.4.2. Without limitation to paragraph (1) above, if any legal proceedings, arbitration or other proceedings are brought to impose any liability on Depository or its agent for an alleged failure on the Depository’s part to prevent or to require action by a Member (the “Affected Member”) or any of its directors, officers,

employees or agents, such Affected Member hereby undertakes to indemnify the Depository and its agent against:

- 8.4.2.1. All expenses and reasonable legal fees reasonably incurred by the Depository and its agent (if any) in connection with the proceedings;
 - 8.4.2.2. Any payment made by the Depository or its agent (if any) in connection with any settlement of the proceedings; and
 - 8.4.2.3. Any payment made by the Depository or its agent (if any) as a result of any order or award made in the proceedings.
- 8.4.3. Unless otherwise prohibited by any applicable law, a Member shall not be required to indemnify the Depository or its agent under this Rule against Losses arising out of or in connection with fraud, willful default or gross negligence of the Depository or its agent (if any).

9. CHAPTER NINE – FINAL AND TRANSITIONAL PROVISIONS

9.1. Amendment to the Depository Rules

- 9.1.1. The Depository may, from to time, amend provisions of these Rules. In such cases, the Depository shall immediately notify all Depository Members (Brokers, listed companies, Registrars, Custodians and investors) or any parties the Depository deems concerned with such amendments.
- 9.1.2. The Depository may, from to time, issue policies and procedures regulating processes pursuant to these Rules. In such case, the Depository shall immediately notify all Depository Members (Brokers, listed companies, Registrars, Custodians and investors) or any parties the Depository deems concerned with such amendments.

9.2. Communications

- 9.2.1. All communications from the Depository to the Depository Members and investors pursuant to these Rules shall be addressed to the email addresses or in writing by registered mail with return receipt to the addresses, set forth in the respective Membership Agreement between the Depository and the Depository Members.
- 9.2.2. Compliance with the Rules
 - 9.2.2.1. All Depository Members and investors must comply with these Rules and any subsequent amendments thereto.

9.3. Entry into Force

- 9.3.1. These Rules shall be effective by the implementation date as specified in the Depository notice.
- 9.3.2. These Rules shall supersede all previous Rules issued by the Depository unless otherwise specified so.