



Saudi Stock Exchange (Tadawul)

Procedures of Dealing with Center Accounts When a Custody Member Ceases or
Intend to Cease its Activities

*Approved by the Board of The Capital Market Authority Pursuant to its Resolution
number (1-105-2019) dated 02/02/1441 corresponding to 01/10/2019*

Arabic is the official language of the Saudi Stock Exchange

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1. General Provisions

- 1.1. These Procedures aim to determine the mechanism to deal with the Center Accounts and the securities deposited therein when the Custody Member ceases or intend to cease its activities and terminate its connection with the Depository and Settlement System.
- 1.2. Unless the contrary intention appears, terms and expressions in these Procedures shall have the meaning given to them in the Glossary of Defined Terms Used in the Exchange Rules
- 1.3. These Procedures apply once the Custody Member ceases or intends to cease its activities.
- 1.4. The Center shall notify Custody Members and announces to the public when these Procedures start applying on the Custody Member who ceases or intends to cease its activities.
- 1.5. The Custody Member (who submits a securities transfer request) in accordance with these Procedures shall pay the relevant fees to the Center for securities transfers.
- 1.6. The Center may request the Center Member to take any additional action to ensure the termination of its connection to the Depository and Settlement System does not affect the interests of investor and the Exchange.
- 1.7. The Center Member shall – when it ceases or intends to cease its activities - take necessary actions to close relevant Center Accounts after transferring the securities deposited in them.
- 1.8. These Procedures does not contradict the provisions contained within the Capital Market Law, its implementing regulations and Exchange Rules, and its execution shall not impact the responsibilities and obligations of the Custody Members imbedded within the relevant laws and regulations.
- 1.9. The Centre may, after obtaining the Authority's approval, waive any requirement in these Procedures either based on a request from the relevant person or on its own initiative.
- 1.10. Without prejudice to the provisions of Capital Market Laws and its implementing regulations - with the exception of a serious or an intentional default -, the Centre shall not be held liable for any losses or damages incurred by the relevant Custody Members or its clients which may arise directly or indirectly as a result of any order, instructions or actions, or any lack or inaccuracy of information related to the execution of these Procedures.
- 1.11. These Procedures shall be effective as per its approval resolution.

2. Custody Member Defaulting

2.1. The implementation of this procedure shall take effect upon the issuance of the Authority's instructions.

2.2. The defaulting Custody Member shall notify its clients upon the implementation of this procedure.

2.3. Situation One:

The Custody Member is still able to take actions and procedures for Centre Accounts opened by such member, based on that the custody member shall execute the following:

2.3.1. Terminate all pending procedures and actions in the Depository and Settlement System entered by the Custody Member in accordance with the Exchange Rules.

2.3.2. Transfer the securities of every client to a Center Account under another Custody Member as per the client request, and under the name of the same client.

2.3.3. Adhere to the following in relation to registered restrictions on securities:

2.3.3.1. If the restrictions were registered by the Custody Member, the Custody Member shall lift the restrictions by taking the necessary procedures based on the restriction type, and notify the Custody Member whom the securities will be transferred to about these restrictions, so the latter would impose the restriction after the securities are transferred and without delay, and shall not allow the client to take any actions that would violate these restrictions.

2.3.3.2. If the restrictions were registered by the Centre, the Custody Member shall submit a request to the Centre to transfer the securities without executing a transaction to a Centre Account for the client at another Custody Member based on the client's request. The Centre in this case the center shall take necessary procedures to transfer the securities and keep the restrictions. To execute these requests by the Centre the Custody Member shall provide the following after obtaining the approvals and signatures of its clients on the securities transfer forms:

a) A letter signed by the authorized person by the Custody Member.

b) An electronic file - in the format specified by the Centre - contains the following information (for one or more clients):

1. Client Identification Number.
2. The number of Center Account securities will be transferred from.
3. The number of Center Account securities will be transferred to.
4. The securities company code.

5. The amount of securities required to transfer.

2.3.4. The Centre shall execute the securities transfer requests referred to in paragraph (2.3.3.2) and distribute them in accordance with a prepared plan prepared taking into consideration the number of requested transfer transactions.

2.4. Situation Two:

The Custody Member is not able to take actions and procedures, based on that the custody member shall execute the following:

2.4.1. The client shall submit a securities transfer request through the Custody Member whom the securities shall be transferred to. In case the client does not have a Centers Account, the client must open a Centre Account at another Custody Member to transfer securities to that account.

2.4.2. The Custody Member whom the securities will be transferred to shall submit a request to the Centre to transfer the securities without executing a transaction.

2.4.3. To execute securities transfer requests by the Centre, the Custody Member whom the securities will be transferred to a client account at shall take the following actions:

2.4.3.1. Obtain the approvals and signatures of its clients on the securities transfer forms.

2.4.3.2. Obtain an undertaking from its clients that no unregistered obligation of the relevant securities exist.

2.4.3.3. Provide the Centre with the following:

- a) A letter signed by the authorized person by the Custody Member whom the securities will be transferred to that the conditions stated in paragraphs (2.4.3.1) (2.4.3.2) are satisfied.
- b) A electronic file - in the format specified by the Centre - contains the following information (for one or more clients):

1. Client Identification Number.

2. The number of Center Account securities will be transferred from.

3. The number of Center Account securities will be transferred to.

4. The securities company code.

5. The amount of securities required to transfer.

2.4.3.4. In case of restrictions on the securities, The Centre shall transfer the securities keep the restrictions imposed on it.

2.4.4. The Centre shall execute the securities transfer requests referred to in paragraph (2.4.3) and distribute them in accordance with a prepared plan prepared taking into consideration the number of requested transfer transactions.

3. Custody Membership Cancellation By The Centre or By Instructions from the Authority

3.1. The implementation of this procedure shall take effect upon the Custody membership cancellation by the Centre or the issuance of the Authority's instructions to cancel the membership.

3.2. The Custody Member whose membership is cancelled shall notify its clients upon the implementation of this procedure.

3.3. The Centre shall announce to the public the cancellation of the relevant Custody Member membership.

3.4. The following procedures shall be taken upon a request submitted by the Custody Member whom the securities will be transferred to a client account at:

3.4.1. The client shall submit a securities transfer request through the Custody Member whom the securities shall be transferred to. In case the client does not have a Centers Account, the client must open a Centre Account at another Custody Member to transfer securities to that account.

3.4.2. The Custody Member whom the securities will be transferred to shall submit a request to the Centre to transfer the securities without executing a transaction.

3.4.3. To execute securities transfer requests by the Centre, the Custody Member whom the securities will be transferred to a client account at shall take the following actions:

3.4.3.1. Obtain the approvals and signatures of its clients on the securities transfer forms.

3.4.3.2. Obtain an undertaking from its clients that no unregistered obligation of the relevant securities exist.

3.4.3.3. Provide the Centre with the following:

a) A letter signed by the authorized person by the Custody Member whom the securities will be transferred to that the conditions stated in paragraphs (3.4.3.1) (3.4.3.2) are satisfied.

b) An electronic file - in the format specified by the Centre - contains the following information (for one or more clients):

1) Client Identification Number.

2) The number of Center Account securities will be transferred from.

- 3) The number of Center Account securities will be transferred to.
 - 4) The securities company code.
 - 5) The amount of securities required to transfer.
- 3.4.3.4. In case of restrictions on the securities, The Centre shall transfer the securities keep the restrictions imposed on it.
- 3.4.4. The Centre shall execute the securities transfer requests referred to in paragraph (3.4.3) and distribute them in accordance with a prepared plan prepared taking into consideration the number of requested transfer transactions.

4. Custody Members Merger and Acquisition

- 4.1. The implementation of this procedure shall take effect upon the issuance of the Authority's instructions of a merger or acquisition transaction of Custody Members.
- 4.2. Custody Members parties of the merger or acquisition shall notify their clients upon the implementation of this procedure.
- 4.3. Custody Members parties of the merger or acquisition shall conduct the following:
 - 4.3.1. Submit an application to the Centre in the form prescribed by the Centre.
 - 4.3.2. Terminate all pending procedures and actions in the Depository and Settlement System entered by the Custody Member who will dissolve as a result of the merger or acquisition, and in accordance with the Exchange Rules.
 - 4.3.3. Transfer all clients securities that are deposited in Centre Accounts under the Custody Member who will dissolve as a result of the merger or acquisition to Centre Account for these clients under the existing or the new Custody Member.

5. Custody Membership Cancellation By a Request from the Custody Member

- 5.1. The implementation of this procedure shall take effect upon the Centre's approval of the Custody Member request to cancel its membership.
- 5.2. The Custody Member who is applying for membership cancellation shall notify its clients upon the implementation of this procedure and after receiving the Centre's approval to cancel its membership.
- 5.3. The Custody Member who is applying for membership cancellation shall conduct the following:

- 5.3.1. Terminate all pending procedures and actions in the Depository and Settlement System entered by the Custody Member in accordance with the Exchange Rules.
- 5.3.2. Transfer the securities of every client to a Center Account under another Custody Member as per the client request, and under the name of the same client.
- 5.3.3. Adhere to the following in relation to registered restrictions on securities:
 - 5.3.3.1. If the restrictions were registered by the Custody Member, the Custody Member shall lift the restrictions by taking the necessary procedures based on the restriction type, and notify the Custody Member whom the securities will be transferred to about these restrictions, so the latter would impose the restriction after the securities are transferred and without delay, and shall not allow the client to take any actions that would violate these restrictions.
 - 5.3.3.2. If the restrictions were registered by the Centre, the Custody Member shall submit a request to the Centre to transfer the securities without executing a transaction to a Centre Account for the client at another Custody Member based on the client's request. The Centre in this case the center shall take necessary procedures to transfer the securities and keep the restrictions. To execute these requests by the Centre the Custody Member shall provide the following after obtaining the approvals and signatures of its clients on the securities transfer forms:
 - a) A letter signed by the authorized person by the Custody Member.
 - b) An electronic file - in the format specified by the Centre - contains the following information (for one or more clients):
 1. Client Identification Number.
 2. The number of Center Account securities will be transferred from.
 3. The number of Center Account securities will be transferred to.
 4. The securities company code.
 5. The amount of securities required to transfer.
- 5.3.4. The Centre shall execute the securities transfer requests referred to in paragraph (2.3.3.2) and distribute them in accordance with a prepared plan prepared taking into consideration the number of requested transfer transactions.

6. Suspension of Custody Member By The Centre or By Instructions from the Authority

- 6.1. The implementation of this procedure shall take effect upon the Custody membership suspension by the Centre or the issuance of the Authority's instructions to suspend the membership.
- 6.2. The Custody Member whose membership is suspended shall notify its clients upon the implementation of this procedure.
- 6.3. To execute securities transfer requests by the Centre, the suspended Custody Member shall provide the Centre with the following after obtaining securities transfer request from its client:
 - 6.3.1. A letter signed by the authorized person by the suspended Custody Member requesting the transfer of securities (and remove restrictions in case the Custody Member wishes to remove all or some restrictions).
 - 6.3.2. An electronic file - in the format specified by the Centre - contains the following information (for one or more clients):
 - 1) Client Identification Number.
 - 2) The number of Center Account securities will be transferred from.
 - 3) The number of Center Account securities will be transferred to.
 - 4) The securities company code.
 - 5) The amount of securities required to transfer.
 - 6) Securities status (keep or remove restrictions).
- 6.4. The Centre shall execute the securities transfer requests referred to in paragraph (6.3) and distribute them in accordance with a prepared plan prepared taking into consideration the number of requested transfer transactions.