



Saudi Stock Exchange (Tadawul)

Securities Depository Centre Rules

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SECTION ONE
Preliminary Provisions

Article 1

1. These Rules aim to regulate the Centre's activities including specifying the conditions and requirements for the Centre membership as well as the procedures of (i) depositing Securities; (ii) settlement and clearing of transactions; (iii) registration of Securities ownership restrictions; and (iv) opening Centre Accounts.
2. All persons dealing with the Centre shall be subject to these Rules including Issuers, Investors and Centre Members.
3. Unless the contrary intention appears, terms and expressions in these Rules shall have the meaning given to them in the Glossary of Defined Terms Used in the Exchange Rules.

Article 2

1. The Centre shall provide the services required to (i) deposit Securities; (ii) register and transfer Securities ownership and the rights attached thereto; (iii) settle and clear executed transactions on the Securities and their values. The Centre may take any action or implement any procedure to provide these services.
2. In addition to the services stipulated in the Capital Market Law, the Centre may provide any other service to Issuers, Centre Members and Investors, after obtaining the Authority's approval.
3. The Centre may provide any of its services, in accordance with guidelines proposed by the Center and approved by the Authority.
4. The Centre may enter into agreements that it deems appropriate with the beneficiaries of its services.
5. The Centre may apply fees for any of its services, and determine the persons whom are required to pay such fees.

Article 3

The Centre may, after obtaining the Authority's approval, waive any requirement in these Rules either based on a request from the relevant person or on its own initiative.

SECTION TWO
Centre Membership

Chapter I: Obtaining the Membership

Article 4

1. The Centre Membership is comprised of the following categories:
 - (a) **Custody category:** this category shall be granted to an Authorized Person which provides custody services to clients, with respect to their deposited Securities; and
 - (b) **Settlement category:** this category shall be granted to a legal person which provides the necessary services to perform the Cash Settlement of Transactions.
2. A person who wishes to obtain Centre membership must submit an application to the Centre using the form prescribed for this purpose.

Article 5

The Applicant for Center membership must satisfy the following conditions:

1. Meet the technical, technological and security requirements, that the Centre determines, which are required to connect to the Depository and Settlement System.
2. Have qualified employees, who meet the criteria determined by the Centre, to access the Depository and Settlement System.
3. Where the applicant is applying for Custody category Membership, it must be licensed by the Authority to carry out the activity of Securities custody.
4. Where the Applicant is applying for Settlement category Membership, it must be a participating member of the Payment System.
5. Any other conditions proposed by the Centre and approved by the Authority.

Article 6

1. In the course of reviewing the membership application, the Centre may take any of the following actions:
 - (a) request the attendance of the Applicant's representative to address or clarify any queries that the Centre may have in relation to the membership application;
 - (b) verify that the Applicant has satisfied the technical, technological and security requirements that are required to connect it to the Depository and Settlement System. The Centre may take any action that it deems fit for this purpose;
 - (c) verify the information and documents submitted by the Applicant;

- (d) request any information from any party related to the Applicant; and
 - (e) request any additional information from the Applicant.
2. The Centre may apply fees for reviewing the membership application.
 3. The Centre may reject the membership application if the Applicant (i) has not cooperated to enable the Centre to take any of the actions referred to in Paragraph 1 of this Article; or (ii) has not paid the applicable fees to the Centre for reviewing the membership application.
 4. The Centre shall issue its decision on the membership application within a period not exceeding (30) days from submitting a completed application and satisfying all of its requirements. The Centre's decision in relation to the membership application may be to approve, conditionally approve or reject the membership application. The Centre shall notify the Applicant in writing of the decision and, where the decision is to reject the application, the reasons thereof.
 5. Upon the issuance of the Centre's approval on the membership application, the Applicant must sign a membership agreement with the Centre and pay the applicable membership fees.
 6. Prior to obtaining the Centre membership and completing the connectivity to the Depository and Settlement System, the Applicant, or any other person, shall refrain from holding themselves as a Centre Member or take any actions that imply that this is the case.

Article 7

The Centre Member shall be connected to the Depository and Settlement System once it has signed the membership agreement with the Centre and paid the applicable fees in accordance with Paragraph 5 of Article 6 of these Rules.

Article 8

The Centre Member must comply with the following:

1. continue to satisfy the technical, technological and security requirements that are required to connect it to the Depository and Settlement System.
2. immediately notify the Centre in writing upon its knowledge of the occurrence of any technological error in its systems or any security issues that may affect its connectivity to the Depository and Settlement System or the actions executed through it. Such notice must identify the steps taken to resolve the situation and the time necessary to do so.
3. develop, implement and maintain business continuity plans as specified by the Centre.

Article 9

1. The Centre Member must submit an application to the Centre, in the form prescribed by the Centre, to obtain a username for each of its employees who use the Depository and Settlement System.
2. The employees referred to in Paragraph 1 of this Article must be qualified to use the Depository and Settlement System. The Centre may, at its own discretion, require such employee to complete any training or obtain any certificate.
3. With respect to each employee who has obtained a username, the Centre Member must notify the Centre in writing no later than (5) days prior to (i) terminating their service; or (ii) changing their role, specifying the date of termination or change. The Centre shall take all necessary actions to stop the username granted to such employee upon the termination of the service or changing the role.
4. If the Centre Member has no advance knowledge of the termination of the employee's service or the change to the employee's role, in accordance with Paragraph 3 of this Article, it must notify the Centre immediately upon the occurrence of the termination or the change in role. The Centre shall take all necessary actions to stop the username granted to such employee.
5. The Centre Member shall be responsible for all actions and procedures entered into the Depository and Settlement System through the username granted to any of its employees.

CHAPTER II: Custody Members

Article 10

With respect to deposited Securities, the Custody Member shall provide custody services which include the following:

1. identifying its clients in the Depository and Settlement System as set out in Article 41 of these Rules;
2. opening Centre Accounts for its clients;
3. safeguarding deposited Securities in the Custody Member Accounts;
4. transferring deposited Securities and executing any other actions performed on it in accordance with these Rules;
5. providing any necessary information to the relevant Exchange Member for verification purposes as set out in Article 29 of these Rules;
6. rejecting transactions in accordance with Article 14 of these Rules;
7. carrying out appropriate actions to resolve failed settlements where the Custody Member is responsible for settlement of the transaction; and

8. taking any appropriate actions to facilitate the settlement of corporate actions in respect of deposited Securities as specified by the Centre.

Article 11

1. The Custody Member must safeguard deposited Securities owned by its client in a Centre Account opened by such member in the name of that client.
2. The Custody Member must at all times ensure the segregation of deposited Securities owned by any of its clients from its own Securities and Securities owned by other clients.
3. The Custody Member must ensure the correctness and the validity of transactions and actions executed in the Custody Member Accounts.
4. Without prejudice to Article 14 of these Rules, and in respect of all transactions executed which the Custody member is responsible for its settlement, the Custody Member must take all necessary actions to perform the settlement of those transactions in accordance with the mechanism and settlement cycles referred to in Chapter II of Section Three of these Rules, and must also take all necessary actions with respect to failed transactions in accordance with the settlement failure provisions referred to in Chapter III of Section Three of these Rules.

Article 12

The Custody Member must at all times be connected to a Settlement Member in accordance with these Rules. The Custody Member must not terminate its connectivity to the Settlement Member prior to taking the necessary actions to be connected to an alternative Settlement Member. In all cases, the Custody Member must obtain the Centre's prior approval before changing the Settlement Member to whom it is connected to.

Article 13

1. The execution of transactions for the Custody Member Accounts shall be through an Exchange Member in accordance with the provisions of the relevant Exchange Rules.
2. A Custody Member may facilitate the settlement of:
 - (a) transactions in deposited Securities which it executes on behalf of its client, as an Exchange Member, in accordance with the Exchange Rules; and/or
 - (b) transactions in deposited Securities which are executed on behalf of its client by another Custody Member, acting as an Exchange Member in accordance with the Exchange Rules.

Article 14

1. Where an Exchange Member executes a transaction for a client which is allocated to another Custody Member for settlement and such Custody Member rejects the transaction in accordance with Paragraph 2 of this Article, the Exchange Member, in its capacity as a Custody Member, shall settle such transaction as if it had executed the transaction for its own account.

2. Where a client transaction has been allocated to a Custody Member for settlement by an Exchange Member pursuant to Paragraph 2(b) of Article 13 of these Rules, that Custody Member must reject the settlement of such transaction in the manner prescribed and within the timelines specified by the Centre if:
 - (a) such Custody Member does not receive a matched settlement instruction from the client, within the deadline prescribed by the Centre for the rejection of the transaction; or
 - (b) such Custody Member, in the case of a sell transaction, determines that the client will not have sufficient deposited Securities on its intended settlement date.
3. Where a transaction has been rejected by a Custody Member on account of the reason specified in Paragraph 2(a) of this Article, if the client provides late confirmation of such transaction in the manner prescribed by that Custody Member and the Exchange Member, to whom the rejected transaction was allocated in its capacity as Custody Member, accepts such late confirmation:
 - (a) in the case of a sell transaction, the Custody Member who rejected the original transaction shall transfer the relevant deposited Securities from the Centre Account of the client to the rejection account of the Exchange Member to whom the rejected transaction was allocated as specified by the Centre. Following such transfer, the Custody Members shall facilitate the transfer of the cash amount received under the underlying rejected transaction to the client's Cash Account; or
 - (b) in the case of a purchase transaction, the Exchange Member, in its capacity as a Custody Member, shall transfer the relevant deposited Securities from its trade rejection account to the Centre Account of the client as specified by the Centre. Following such transfer, the Custody Members shall facilitate the transfer of the cash amount received under the underlying rejected transaction to the Exchange Member's Cash Account.

CHAPTER III: Settlement Members

Article 15

1. The Centre shall connect the Settlement Member to the Depository and Settlement System to perform Cash Settlement of transactions, in accordance with the provisions of Chapter II of Section Three of these Rules, as well as performing all other functions related thereto.
2. The Settlement Member may engage with one or more Custody Members for the purpose of performing Cash Settlement of transactions effected on such Custody Members Accounts.

Article 16

1. The Settlement Member must take all necessary actions to perform the Cash Settlement, in accordance with the mechanism and settlement cycles referred to in

Chapter II of Section Three of these Rules, for all transactions executed for the Custody Members Accounts to whom it is connected to.

2. Prior to connecting to any Custody Member, the Settlement Member must submit a letter of guarantee to the Centre, in the form prescribed by the Centre, to guarantee the settlement of the cash of all transactions allocated to the relevant Custody Member Accounts. The Centre may impose alternative guarantee requirement, as it deems fit.
3. The Settlement Member connected to a Custody Member shall be obliged to carry out cash settlement of all transactions which have been allocated to that Custody Member, regardless of whether the settlement of the transactions breaches the Cash Settlement Limit of the Custody Member, and to provide any relevant cash amounts owed by that Custody Member pursuant to Article 32 and Article 33 of these Rules.
4. The Settlement Member must set a maximum Cash Settlement Limit for each Custody Member to whom it is connected to, such limit must be entered in the Depository and Settlement System.
5. The Settlement Member may adjust the Cash Settlement Limit which has been entered in the Depository and Settlement System.
6. The Settlement Member must ensure its ability to pay the Cash Settlement Limit which has been entered in the Depository and Settlement System.
7. The Settlement Member and the Custody Member to whom it is connected to shall be jointly and severally liable for the settlement of the cash of all transactions allocated to the relevant Custody Member's Accounts.

Article 17

Before the termination of the Settlement Member connectivity with the Custody Member, the Settlement Member must ensure the cash settlement of all transactions allocated to that Custody Member's Cash Accounts and which have not been rejected in accordance with Article 14 of these Rules.

CHAPTER IV: Suspension of Connectivity to the Depository and Settlement System and Cancellation of Membership

Article 18

1. The Centre may suspend the connectivity of the Centre Member to the Depository and Settlement System, and notify the Centre Member in writing of the suspension, in any of the following cases:
 - (a) if the Centre Member no longer satisfies any of the technical, technological and security requirements which are necessary for its connectivity to the Depository and Settlement System;
 - (b) if any error occurs in the systems of the Centre Member which affects the safety of its connectivity to the Depository and Settlement System and the actions executed through it;

- (c) if the Centre Member breaches any of its obligations under these Rules or the membership agreement;
 - (d) if the continuation of the Centre Member connectivity to the Depository and Settlement System is a threat to the safety of the Exchange or the interests of Investors; or
 - (e) if the Centre Member fails to pay any applicable fees to the Centre.
2. Prior to the suspension of the connectivity of the Centre Member to the Depository and Settlement System, the Centre may, at its discretion, request the Centre Member to take any necessary remedial actions within a specified period of time.
 3. In addition to the cases listed in Paragraph 1 of this Article, the connectivity of the Centre Member to the Depository and Settlement System shall be suspended based on instructions issued by the Authority.
 4. Without prejudice to Article 19 of these Rules, the connectivity of the Centre Member to the Depository and Settlement System shall remain suspended until the cause for the suspension is resolved. The Centre Member may request the Centre to lift the suspension upon the absence of its causes and provide evidence that supports such absence. The Centre may, after reviewing the request, lift the suspension or sustain it.
 5. The Centre Member, whose connectivity to the Depository and Settlement System has been suspended, must not process any actions through such system with the exception of the necessary actions for transferring the Securities deposited in its Custody Member Accounts to the accounts of another Custody Member.
 6. Upon receiving a notice of suspension from the Depository and Settlement System, the Centre Member must comply with the following:
 - (a) where it is a Custody Member, it must immediately notify its clients in writing of the suspension of its connectivity to the Depository and Settlement System and the fact that they are no longer able to execute transactions. Any of such clients shall have the right to request the transfer of their deposited securities to another Custody Member Account. In such case, the suspended Centre Member shall take the necessary actions to complete such transfer without delay.
 - (b) where it is a Settlement Member, it must immediately notify in writing all Custody Members, to whom it is connected to, of the suspension of its connectivity to the Depository and Settlement System. Each of such Custody Members must, within (10) days upon its knowledge of the suspension of the connectivity, connect to a substitute Settlement Member. In all cases, no transactions may be executed for the relevant Custody Member Accounts from the date of suspending the connectivity of the Settlement Member until a substitute Settlement Member has been connected to.
 7. Without prejudice to Paragraph 5 of this Article, during the suspension of its connectivity to the Depository and Settlement System, the Centre Member must not

provide any services associated with its membership or otherwise holds itself as being capable of providing such services.

8. The Centre shall not be liable for any damages that could be incurred by the Centre Members, their clients or any third party when enforcing the provisions of this Article.

Article 19

1. The Centre may cancel the membership of Centre Members and terminate their connectivity to the Depository and Settlement System if the Centre Member's connectivity to the Depository and Settlement System remained suspended, pursuant to Article 18 of these Rules, for (180) days without resolving the cause of the suspension
2. In addition to the case referred to in Paragraph 1 of this Article, the Centre shall cancel the membership of any of the Centre Members based on instructions issued by the Authority.
3. The membership shall be cancelled if the Centre Member no longer satisfies the conditions of Paragraphs 3 or 4 of Article 5 of these Rules, as applicable.
4. The Centre Member may request to cancel its membership and terminate its connectivity to the Depository and Settlement System by submitting an application to the Centre in the form prescribed for this purpose. The Centre may, at its discretion, reject the application if the cancellation of the membership may result in damages to the interests of Investors and other Centre Members to whom such Centre Member is connected to.
5. The Centre Member shall be notified in writing of the cancellation of its membership upon the issuance of the cancellation decision by the Centre.
6. The Centre member shall, upon receiving the notice of the membership cancellation, comply with the following:
 - (a) where it is a Custody Member, it must immediately notify its clients in writing of the cancellation of its membership, and take all necessary actions, without delay, to transfer the Securities deposited in its Custody Member Accounts to the Centre Accounts of other Custody Members in accordance with the instructions issued by its clients in this regard. In all cases, no transactions may be executed for the relevant Custody Member Accounts from the date of issuing the membership cancellation decision.
 - (b) where it is a Settlement Member, it must immediately notify in writing all Custody Members, to whom it is connected to, of the cancellation of its membership. Each of such Custody Members must, within (10) days from its knowledge of the cancellation, connect to a substitute Settlement Member. In all cases, no transactions may be executed for the relevant Custody Member Accounts from the date of cancelling the membership of the Settlement Member until a substitute Settlement Member has been connected to.

7. The Centre may request the Centre Members to take any actions or comply with any requirements to ensure that the cancellation of the membership does not affect the Exchange or the interests of Investors.
8. The Centre shall not be liable for any damages that could be incurred by the Centre Members, their clients or any third party when enforcing the provisions of this Article.

SECTION THREE
Deposited Securities

CHAPTER I: Securities Depository

Article 20

The following Securities shall be deposited in the Depository and Settlement System:

1. Listed Securities, in accordance with the provisions of Article 22 of these Rules; and
2. Unlisted Securities, in accordance with the provisions of Article 23 of these Rules.

Article 21

Depositing any Securities in the Depository and Settlement System shall result in the following:

1. The Centre becoming responsible for the management of the Securities Ownership Register by depositing it in the Depository and Settlement System, updating it and electronically registering all actions and transactions executed, after the depository date, on the Securities subject of the register. Such electronic register shall be considered as conclusive evidence of the ownership of the relevant Security and any associated rights. No other documents shall be recognized for this purpose.
2. Settling and clearing the transactions executed on the Securities subject of the relevant Securities Ownership Register, after the depository date, and their values, electronically through the Centre Members in accordance with the provisions of these Rules.

Article 22

1. Once the Issuer has obtained all necessary approvals to list its Securities, it shall submit an application to the Centre, in the form prescribed for that purpose, to deposit its Securities.
2. The Issuer must satisfy the following requirements prior to depositing its Securities:
 - (a) sign the necessary agreements with the Centre for depositing the Securities in the Depository and Settlement System;
 - (b) provide the Securities Ownership Register in accordance with the mechanism specified by the Centre. The Securities Ownership Register is not required where the Securities subject to depository are tradable rights; and
 - (c) any other requirements determined by the Centre.
3. The Issuer must satisfy the requirements referred to in Paragraph 2 of this Article in accordance with the mechanism specified by the Centre.

4. The Issuer must pay to the Centre any applicable fees for depositing its Securities pursuant to the provisions of this Article.
5. This Article shall not apply to depositing Securities if they are issued as a result of one of the cases where the Securities Ownership Register shall be updated in accordance with Article 25 of the Rules.

Article 23

1. An Issuer (or Offeror, where it is different from the Issuer), wishing to deposit its unlisted Securities, must submit an application to the Centre, in the form prescribed for that purpose.
2. Once the Centre receives the unlisted Securities depository application, it may request any additional information or documents.
3. The Centre shall review the application and notify the Applicant of its decision in writing within (15) days of receiving all relevant documents, or within (15) days of receiving any additional information or documents requested by the Centre pursuant to Paragraph 2 of this Article.
4. The Centre may at its discretion approve or reject the application.
5. If the Centre approves the application, the Applicant must, before depositing its Securities, satisfy the following requirements:
 - (a) sign the necessary agreements with the Centre for managing the Securities Ownership Register and depositing the Securities in the Depository and Settlement System;
 - (b) provide the Securities Ownership Register in accordance with the mechanism specified by the Centre;
 - (c) pay applicable fees; and
 - (d) any other requirements determined by the Centre.
6. This Article shall not apply to depositing Securities if they are issued as a result of one of the cases where the Securities Ownership Register shall be updated in accordance with Article 25 of the Rules.

Article 24

1. The transactions on deposited Listed Securities shall be executed in the trading system and through Exchange Members in accordance with the provisions of the relevant Exchange Rules.
2. The transactions on deposited unlisted Securities shall be executed Over The Counter and through Exchange Members in accordance with the provisions of the Exchange Rules and relevant instructions.

Article 25

1. The Securities Ownership Register shall be updated to reflect any event that requires updating of the information in the register. Such events include, but not limited to, the following:
 - (a) transfer of deposited Securities subject of the register as a result of a transaction;
 - (b) transfer of any of the Securities subject of the register pursuant to Article 36 and Article 37 of these Rules;
 - (c) registration of a restriction on any of the Securities subject of the register;
 - (d) any change in the number or nominal value of any of the Securities subject of the register; and
 - (e) any update or amendment in the information of the owners of any of the Securities subject of the register.
2. The Securities Ownership Register shall be updated, pursuant to Paragraph 1(a) of this Article, upon the electronic transfer of Securities subject of the register from the Centre Account of the seller to the Centre Account of the buyer.
3. The Securities Ownership Register shall be updated, pursuant to Paragraph 1(b) of this Article, after transferring the Securities in accordance with Article 36 or Article 37 of these Rules.
4. The Securities Ownership Register shall be updated, pursuant to Paragraph 1(c) of this Article, after the complete registration of a restriction in accordance with Chapter IV of this Section.
5. With the exception of exchange traded funds, the Issuer must take the following actions to update the Securities Ownership Register pursuant to Paragraph 1(d) of this Article:
 - (a) notify the Centre in writing of all details of the event resulting in changing the number of Securities or their nominal value at least (3) days prior to the occurrence of such event.
 - (b) notify the Centre in writing immediately after the occurrence of the event, with a confirmation that all legal procedures necessary for the event to take effect have been completed, and providing the necessary information to update the Securities Ownership Register.
 - (c) pay applicable fees to the Centre.
6. Updating the information of the owners of the Securities shall be through Custody Members in regards to their clients.
7. The Centre may, at its discretion, update the Securities Ownership Register directly.

Article 26

1. Where the deposited Securities are Listed, their depository shall be cancelled upon the cancellation of their listing.
2. Where the deposited Securities are unlisted, their depository may be cancelled by the Centre or the Issuer – where applicable – in any of the following cases:
 - (a) the occurrence of an event that resulted in, or will result in, cancellation of Securities including, but not limited to, the maturity of the relevant Securities or the dissolution of the Issuer as result of its liquidation, merger, end of its term or any other reason. In any such event, the Issuer shall submit a declaration to the Centre in the form prescribed.
 - (b) Issuer's failure to pay any applicable fees to the Centre.
3. The Issuer may submit an application to the Centre, in the form prescribed for that purpose, to cancel the depository of its unlisted Securities. The Centre shall cancel the depository of such Securities after receiving the necessary information and documents, and shall notify the Issuer in writing upon completing the cancelation process.
4. The depository of the Securities may not be cancelled unless the restrictions on such Securities have been cancelled.
5. In addition to the cases referred to in this Article, the Centre shall cancel the depository of any Securities pursuant to instructions issued by the Authority.

CHAPTER II: Settlement

Article 27

The Centre shall, after obtaining the Authority's approval, specify the settlement cycle of transactions. The Centre may specify different settlement cycles depending on the category and type of the relevant Securities, the status of the Securities' listing or the type of transaction.

Article 28

1. The Securities that are subject of a transaction shall be electronically transferred in the Depository and Settlement System from the Centre Account of the seller to the Centre Account of the buyer, within the relevant settlement cycle.
2. The Custody Member, who holds the Centre Account of the buyer, must verify the transfer of the Securities subject of the transaction to the Centre Account of its client (the buyer) within the relevant settlement cycle.

Article 29

A Custody Member shall provide the relevant Exchange Member responsible for the execution of a transaction with all necessary information required to carry out verification checks, prior a client being permitted by that Exchange Member to enter into a transaction to

purchase Securities, as specified in relevant Exchange Rules. In so doing, the Custody member shall have regard to the following requirements at a minimum:

1. the settlement of the transaction shall not cause the adjusted settlement limit of the Custody member to be exceeded, where the client is:
 - (a) legal person;
 - (b) investment fund; or
 - (c) client of a person authorized by the Authority to conduct managing activities provided that:
 1. the Authorized Person has been appointed as an investment manager on terms which enable it to make a decision to enter into the purchase transaction on behalf of its client without obtaining prior approval from that client; and
 2. the decision to enter into the purchase transaction was made by the Authorized Person on behalf of its client.
2. where the client is a natural person, such client must have in its cash account sufficient cash to settle the transaction provided that the settlement of the transaction does not cause the adjusted settlement limit of the Custody member to be exceeded.

Article 30

1. Cash settlement of transactions shall be effected in accordance with the relevant settlement cycle.
2. Cash settlement shall be conducted as follows
 - (a) The Settlement Member shall pay or receive (as applicable) the net cash amount due on it through the Payment System. For the purposes of this Paragraph, the net cash amount due on the Settlement Member shall mean: the total outstanding amounts of all purchase transactions to be settled and which have been allocated to the Custody Member Accounts of the Custody Members to whom Settlement Member is connected to, minus the total outstanding amounts of all sale transactions to be settled and which have been allocated to the same Custody Member Accounts. The net cash amount due on each Settlement Member shall be calculated according to the Centre's data and the mechanism prescribed by the Centre.
 - (b) The Settlement Member shall deposit or withdraw (as applicable) the net cash amount due to each Custody Member, to whom it is connected to, in the Cash Accounts specified by the relevant Custody Member. For the purposes of this Paragraph, the net cash amount due to Custody Member shall mean: the total outstanding amounts of all sale transactions to be settled and which have been allocated to the Custody Member Accounts of the relevant Custody Member, minus the total outstanding amounts of all purchase transactions to be settled and which have been allocated to the same Custody Member Accounts.

- (c) The Custody Member shall ensure that the net cash amounts due to each of its clients have been deposited or withdrawn (as applicable) in the Cash Account of the relevant client. For the purposes of this Paragraph, the net cash amount due to the client shall mean: the total outstanding amounts of all sale transactions to be settled and which have been executed for the Centre Account of the relevant client, minus the total outstanding amounts of all purchase transactions to be settled and which have been executed for the same account.
- 3. The Custody Member and the Settlement Member shall be jointly and severally liable for the completion of the cash settlement in accordance with the provisions of this Article subject to:
 - (a) the Settlement Member remains obliged to pay the relevant net cash amount, in accordance with Paragraph 2(a) of this Article, even if the Settlement Member has not been able to withdraw the relevant cash amount from the relevant Custody Member under Paragraph 2(b) of this Article; and
 - (b) the Custody Member remains obliged to pay the relevant net cash amounts, in accordance with Paragraph 2(c) of this Article, even if the Custody Member has not received the relevant cash amount from the Settlement Member to whom it is connected under Paragraph 2(b) of this Article.

Article 31

Settlement of a transaction will be considered final upon transferring the relevant Securities to the Centre Account of the buyer and transferring the relevant outstanding amount (if any) to the Settlement Member of the seller in accordance with the provisions of Article 30 of these Rules.

CHAPTER III: SETTLEMENT FAILURE

Article 32

- 1. The Custody Member responsible for settlement of Securities under a sell transaction shall be obliged, where such settlement of Securities fails to occur on the intended settlement date, to:
 - (a) take the actions required under Article 33 of these Rules to resolve such settlement failure;
 - (b) pay the late settlement fee owed by that Custody Member on account of such failure as prescribed by the Centre; and
 - (c) reimburse the buyer for any distributions resulting from corporate actions that the buyer failed to receive as a result of such settlement failure.
- 2. The Centre shall pay any late settlement fee it receives pursuant to Paragraph 1(b) of this Article to the buyers of the relevant Securities. The Centre shall not be obliged to make any such payment to the buyers unless it has received the late settlement fee from the relevant Custody Member.

Article 33

Where the Custody Member fails to settle Securities under a sell transaction on the intended settlement date as described in Article 32, then it shall comply with the following:

1. continue to attempt to settle the Securities by attempting the following processes as specified by the Centre;
 - (a) initiating an optional buy-in process;
 - (b) entering into a SBL transaction;
 - (c) buying from the market;
 - (d) by using the Custody Member's own Securities; or
 - (e) in the case of a transaction which has been rejected in accordance with Article 14 of these Rules, by using the client's Securities as set out in Paragraph 3 of Article 14 of these Rules;
2. if the Custody Member is unable to resolve the settlement failure by using the measures set out in Paragraph 1 of this Article, the Centre shall attempt to source the outstanding Securities for the Custody Member, including through a separate mandatory buy-in process, in accordance with the processes and timeline specified by the Centre. The Centre reserves the right to recover any costs or fees associated with the performance of these actions from such Custody Member; and
3. if the Centre is unable to resolve the settlement failure as set out in Paragraph 2 of this Article, the transaction shall be settled by the following:
 - (a) transferring settled Securities that are subject to the transaction from the Centre Account of the Custody Member (or seller, as applicable) to the Centre Account of the buyer, as specified by the Centre; and
 - (b) paying a cash amount from the Custody Member to the buyer, in accordance with the membership agreement referred to in Article 7 of these Rules.

CHAPTER IV: REGISTERED RESTRICTIONS

Article 34

1. All restrictions on the ownership and on conducting any action on deposited Securities shall be registered in the Depository and Settlement System through Custody Members or directly by the Centre.
2. A pledge of deposited Securities shall be registered in accordance with Article 35 of these Rules.
3. Where an Issuer wishes to register a restriction imposed by a Regulatory Body or stipulated in its by-laws or in the terms and conditions of the relevant Security, the

Issuer must submit a request, in the form prescribed for that purpose, to the Centre requesting the registration of such a restriction.

4. The Authority may, when it deems appropriate, issue instructions to the Centre to register any restrictions imposed by judicial or Regulatory Bodies.
5. A restriction shall not be considered registered with the Centre, nor shall the relevant Securities be considered subject to that restriction, unless the registration of the restriction in the Depository and Settlement System has been completed.
6. Custody Members must not enable any action which violates a registered restriction.

Article 35

1. Registration of a pledge over deposited Securities shall be through the Custody Member who holds the Centre Account in which the relevant Securities are deposited in. Such Custody Member shall act as the "pledge agent".
2. The pledge agent shall be responsible for maintaining the pledge as well as its enforcement and cancellation in accordance with the (i) contractual terms and conditions agreed between the pledgee and the pledgor; and (ii) any applicable regulations or instructions.
3. A pledge shall not be considered registered with the Centre, nor shall the relevant securities be considered subject to that pledge, unless the registration of the pledge in the Depository and Settlement System has been completed.
4. The pledge agent must pay to the Centre any applicable fees for the registration of the pledge.
5. The owner of the Security may exercise all rights related to the Securities subject to the pledge, including exercising tradable rights.

CHAPTER V: Transfer of Securities Without Executing A Transaction

Article 36

1. Transfer of Listed deposited Securities without executing a transaction may only be carried out in accordance with the provisions of this Article.
2. Listed deposited Securities may be transferred without executing a transaction in the following cases:
 - (a) if the transfer is required for the distribution of inheritance or the execution of a will;
 - (b) if the transfer is between spouses or between parents and their children;
 - (c) if the relevant Securities are deposited in a Special Account provided that the purpose of such Special Account permits the transfer without executing a transaction;

- (d) if the transfer is for the purpose of making a donation to charity societies and organizations and/or endowments;
 - (e) if the transfer is an enforcement of a judicial verdict or instructions of a Regulatory Body provided that the Authority issues appropriate instructions to the Centre to implement such transfer;
 - (f) if the transfer is for the purpose of an SBL transaction; and
 - (g) any other case approved by the Authority.
3. For SBL transaction, Custody Members shall ensure that the SBL transaction is in accordance with the SBL Regulations.
 4. In all other cases set out in Paragraph 2 of this Article, the Custody Member, who holds the Centre Account where the relevant Securities are deposited in, must submit an application to the Centre, in the form prescribed for that purpose, requesting the transfer of the relevant Securities.
 5. The Custody Member must pay to the Centre any applicable fees for the transfer pursuant to the provisions of this Article.

Article 37

1. Unlisted deposited Securities shall be transferred without executing a transaction pursuant to a request submitted to the Centre in the mechanism specified by the Centre for that purpose.
2. The applicant shall pay any fees due for the transfer procedures in accordance with the provisions of this Article.

CHAPTER VI: CORPORATE ACTIONS

Article 38

The Centre shall carry out all necessary actions to effect corporate actions in respect of deposited Securities in accordance with the Exchange Rules and as specified by the Centre in this regard.

SECTION FOUR
Accounts

CHAPTER I: Centre Accounts

Article 39

1. The Centre Account shall be opened through a Custody Member in accordance with the provisions of this Chapter.
2. The Centre account shall be used to deposit the Securities owned by the owner of the account; settle the transactions executed on such Securities; and register any restrictions imposed on such Securities.

Article 40

1. An Investor must satisfy the following conditions in order to open a Centre Account:
 - (a) be permitted to own and deal in deposited Securities pursuant to relevant laws, regulations and instructions;
 - (b) has no legal restrictions which prevent the Investor from owning or dealing in deposited Securities;
 - (c) an Investor must fall within one of the following categories:
 1. natural persons;
 2. companies;
 3. charity and social organizations and foundations;
 4. endowments;
 5. investment funds;
 6. public organizations;
 7. government funds; and
 8. any other person permitted by the Capital Market Law and its implementing regulations to own and deal in Securities.
 - (d) be identified in the Depository and Settlement System in accordance with Article 41 of these Rules; and
 - (e) where the Investor is a natural person, an Investor must have reached the age of 18 years. By way of exception, a person may open a Centre Account, after the approval of his/her guardian, once he/she reaches the age of 15 years and holds a national identification card. A guardian may also open a Centre Account on behalf of a natural person below the age of 15 years or on behalf of a person who lacks the legal capacity to do so. The guardian shall be

responsible for any action taken through the Centre Accounts opened by him/her or with his/her approval.

2. The Custody Member, through whom the Centre Account will be opened, shall be responsible for verifying that the relevant conditions have been satisfied.

Article 41

1. An Investor must be identified in the Depository and Settlement System prior to opening a Centre Account under the Investor's name for the first time. An Investor may not be identified in the Depository and Settlement System more than once.
2. The identification of Saudi Investors and non-Saudi resident Investors shall be through Custody Members.
3. The identification of Investors, other than those referred to in Paragraph 2 of this Article, shall be done directly at the Centre by the Custody Member submitting to the Centre an "investor identification" application, in the form prescribed for that purpose. The Centre may, at its own discretion, enable Custody Members to identify such Investors directly.
4. The identification of an Investor in the Depository and Settlement System shall be by entering the Investor's information, as determined by the Centre, in the Depository and Settlement System. Upon the completion of the identification process, the Investor will be provided with a unique "Identification Number".
5. In order to identify the Investor in the Depository and Settlement System, the Investor must complete, at the Custody Member, the forms prescribed by the Centre for such purposes and provide to the Custody Member the identification documents specified by the Centre. The Custody Member must verify that the information necessary to identify its client and the relevant documents are accurate and complete.
6. The Investor must update its information with the Custody Member upon the occurrence of any change thereto.
7. The Custody Member must update the Investor's information in the Depository and Settlement System in accordance with the mechanism specified by the Centre.
8. The Custody Member must provide any document requested by the Centre in relation to identifying any of its clients.

Article 42

1. An Investor may have more than one Centre Account. Such accounts may be opened through one or more Custody Members.
2. New Securities owned by an Investor, who has more than one Centre Account with the same Custody Member, shall be deposited in the Depository and Settlement System in the most recently opened account for the Investor, unless the Centre applies a different mechanism for that purpose.
3. The Centre Account may not be registered in the name of more than one Investor.

4. An Investor may request the Custody Member to transfer the Securities deposited in its Centre Account to another Centre Account under its name. The Custody Member must process such request unless the relevant Securities are subject to a registered restriction.

Article 43

1. The Custody Member must complete the necessary procedures to open Centre Accounts for its clients, supervise these accounts and verify the validity of the activities conducted on these accounts in accordance with the provisions of these Rules.
2. The Custody Member must deposit the cash distributions, generated from the deposited Securities in the Custody Member Account, in a Cash Account specified by the relevant Investor.
3. The Custody Member must pay to the Centre any applicable fees for its Custody Member Accounts.

Article 44

1. The Custody Member must suspend the Centre Account of an Investor (i) immediately upon becoming aware of its death; or (ii) if its information was not updated as legally required.
2. The Centre shall suspend any Centre Account pursuant to instructions issued by the Authority.
3. All actions and procedures conducted on a Centre Account shall be suspended as a result of the suspension of the relevant Centre Account, until the suspension is lifted, except for: (i) enforcement of a freeze order; (ii) judicial enforcement; (iii) liquidation by sale, distribution or transfer in accordance with the applicable provisions of inheritance and will; (iv) the operations resulting from corporate actions; (v) the transfer of ownership to enforce a registered restriction; and (vi) depositing Securities owned by certificates.

Article 45

1. A Centre Account shall be closed in the following cases:
 - (a) upon the Investor's request;
 - (b) after the liquidation of the Securities deposited in the Centre Account of a deceased Investor, by sale, distribution or transfer in accordance with the applicable provisions of inheritance and will;
 - (c) upon cancellation of the membership of the Custody Member which holds the relevant Centre Account;
 - (d) when the purpose of the account is concluded, in relation to Direct Account;

- (e) the elapse of (5) years period without conducting any transaction, activity, action or procedure on that account; and
 - (f) upon instructions issued by the Authority.
2. The Custody Member shall be responsible for closing the Centre Account in the cases referred to in (a), (b), (c) and (e) in Paragraph 1 of this Article, and closing the Centre Account shall be through the Centre directly in the cases referred to in (d) and (f) in Paragraph 1 of this Article. In all cases, Centre Account may not be closed before the liquidation of the Securities deposited in it.
 3. The Centre may, in the cases that it deems appropriate, close the Centre Account on behalf of the Custody Member, in relation to the case referred to in (c) in Paragraph 1 of this Article.

Article 46

1. The Centre may, upon a request from the Custody Member, transfer the Securities between the Centre Accounts of a deceased Investor who holds more than one Centre Account, for the purposes of liquidating Securities deposited in those accounts, by sale, distribution or transfer in accordance with the applicable provisions of inheritance and will.
2. With the exception of the Securities that are subject to a registered preventive restriction, the liquidation must include all Securities deposited in the Centre Accounts of a deceased Investor, by sale, distribution or transfer in accordance with the applicable provisions of inheritance and will.

CHAPTER II: Special Accounts

Article 47

Special accounts may be opened in accordance with this Chapter, and shall have special features in accordance with their purposes.

Article 48

Special accounts include the following categories:

1. restricted account;
2. transfer account;
3. direct account;
4. short selling account;
5. rejection account; and
6. any other categories proposed by the Centre and approved by the Authority.

Article 49

1. A restricted account shall be opened for the purpose of depositing Listed Securities owned by a person who is restricted from trading in Listed Securities.
2. A restricted account shall be opened through the Custody Member by submitting an application to the Centre in the form prescribed for that purpose.

Article 50

1. A transfer account shall be opened for any of the following purposes:
 - (a) the provision of financing, by appropriately authorized bodies, using deposited Securities;
 - (b) safeguarding the Securities relating to an employee incentive plan;
 - (c) the issuance of Exchange Traded Funds and the cancellation thereof; or
 - (d) any other purposes determined by the Centre.
2. Deposited Securities may be transferred from and to a transfer account without executing a transaction.
3. A transfer account shall be opened through the Custody Member by submitting an application to the Centre in the form prescribed for that purpose.

Article 51

A direct account shall be opened directly by the Centre and may be used for any of the following purposes:

1. depositing fractions of shares resulting from the Issuer corporate actions;
2. depositing Securities owned by a person who does not have a Centre Account based on instructions issued by the Authority; or
3. for any other purposes determined by the Authority.

Article 52

A short selling account shall be opened through a Custody Member by a person eligible to enter into short selling transactions in accordance with the Short Selling Regulations and may be used only for the following purposes:

1. SBL transactions in accordance with the SBL Regulations (including transactions to return borrowed securities) related to short selling transactions; or
2. short selling transactions in accordance with the Short Selling Regulations (including transactions to buy back short sold securities).

Article 53

A trade rejection account shall be opened by a Custody Member who is also an Exchange Member for the purposes of receiving rejected transactions as described in Article 14 of these Rules.

SECTION FIVE

General Provisions

Article 54

1. An Issuer may submit a request to the Centre, in the form prescribed for that purpose, to request a copy of its Securities Ownership Register.
2. A Custody Member may submit a request to the Centre, in the form prescribed for that purpose, to request any information in relation to the Accounts held by that Custody Member.
3. An Investor may submit a request to the Centre, in the form prescribed for that purpose, to request any information in relation to the deposited Securities that the Investor owns.
4. The Centre may approve any request of information held by the Centre other than those referred to in this Article, in accordance with guidelines set by the Centre in this regard.
5. The Centre may apply fees for providing any information pursuant to this Article.
6. The Centre shall provide any of the information held by it to the Authority upon its request.

Article 55

1. Without prejudice to the provisions of the Capital Market Law and its implementing regulations, the Centre shall not be held liable for any losses or damages incurred by the Issuer, the Offeror, the Centre Member or the Exchange Member or any of their clients which may arise directly or indirectly as a result of any procedures, orders, instructions or actions (including actions taken by the Centre on behalf of Custody Members in respect of settlement failure), entered into the Depository and Settlement System or executed directly at the Centre.
2. Without prejudice to the provisions of the Capital Market Law and its implementing regulations, the Centre shall not be responsible before the Issuer, the Offeror, the Centre Member or the Exchange Member or any of their clients for any damages including the damages arising from the following:
 - (a) procedures taken to deal with emergency situations;
 - (b) the Centre Member usage of the Depository and Settlement System or its inability to do so;
 - (c) errors and defects in any of the systems, devices or programs used by the Centre, Exchange or the Centre Member;
 - (d) errors or defaults in the data processing; and
 - (e) any defaults, slowness, delay or inaccuracy in the Depository and Settlement System.

Article 56

The Centre may, in the cases that it deems appropriate, take any procedure in the Depository and Settlement System on behalf of the Centre Member. The Centre may impose any conditions or requirements in this regard as it deems fit.

Article 57

The Centre shall maintain the information relating to deposited Securities for the period of their depository, and for a period of (10) years from the date of the cancellation of their depository. Where relevant Securities are subject to a dispute, the Centre must maintain the information until such dispute is resolved, provided that the Centre is notified of such dispute.

Article 58

1. The Centre shall prescribe all forms referred to in these Rules, together with the information and documents that must accompany such forms.
2. All persons dealing with the Centre, including Applicants, Centre Members, Issuers and Investors, must ensure the correctness, accuracy and completeness of all information and documents submitted to the Centre.

Article 59

1. Without prejudice to the provisions of the Capital Market Law and its implementing regulations, the Centre may take the necessary actions to ratify any mistake in its registers.
2. A complaint in relation to the accuracy of any of the information maintained in the Centre registers may be filed with the Centre by any interested person.

Article 60

The Centre shall maintain daily confirmation, reconciliation and reporting mechanisms as specified by the Centre.

Article 61

Any decision or procedure taken by the Centre may be appealed before the Committee.

Article 62

These Rules shall be effective as per its approval resolution.