



مركز إيداع الأوراق المالية
Securities Depository Center

Overview

Establishment and Responsibilities

The Securities Depository Center (SDC) of Jordan is a public utility institution established by virtue of the Securities Law which separated the supervisory and legislative functions from the executive functions by creating the Jordan Securities Commission (JSC), the Amman Stock Exchange (ASE) and the Securities Depository Center (SDC) which are legal entities with financial and administrative autonomy.

The SDC commenced operations in May 1999 and is the only entity in Jordan that is legally empowered by virtue of Securities Law No. (18) of 2017 to oversee the following responsibilities:

- Registration, safekeeping and depositing of securities.
- Transferring of the ownership of securities
- Clearing and settlement of securities.
- Imposing and releasing the ownership restrictions upon deposited securities.

Vision

Distinguished institution for providing and developing securities services which contributes in enhancing safe, stable and attractive environment for investment

Mission

Safekeeping, transfers, and clearance and settlement of securities in compliance with international standards and best practices, and improving the level of services, relying on qualified human resources, advances technology and a culture of excellence.

Core Values

- Integrity and Rule of Law.
- Transparency.
- Security and Confidentiality of Information.
- Excellence in Performance.
- Accuracy.
- Professionalism

Goals

1. Enhance the confidence of investors in securities and enable them to follow-up their investments easily.
2. Reduce risks related to settlement of trading transactions executed through the market.

SDC Management

The SDC's governance structure consists of a board of directors which establish the SDC's general policy to guarantee the management and development of its operations and activities, and establish the necessary internal by-laws and instructions to direct the SDC's affairs. An audit committee, which is a permanent committee, was emerged from the Board as an oversight body to supervise and control of accounting and auditing affairs at the SDC, and to discuss the annual plan of the Internal Audit Department before the approval by the Board of Directors. The term of the Board of Directors shall be three years. No member shall be

appointed or elected for more than two consecutive terms.

The SDC's Board of Directors is composed of:

- Three private sector members with expertise in legal, financial and economic fields, appointed by the Board of Commissioners of the Jordan Securities Commission.
- One member representing public shareholding companies.
- One member representing brokers and custodians.

Beside the Board of Directors, the Chief Executive Officer is responsible for all the administrative, financial and technical affairs of the SDC including follow up the implementation of the Law, by-laws, instructions and resolutions issued pursuant thereto, execute the Board of Director's resolutions, follow up the due operations of the SDC and the performance of its employees and administrative body, and pursue all the powers and further activities assigned to him by the Board of Directors.

The SDC conducts its operations through different departments and sections based on transparent institutional methods with the application of the international standards and best practices.

Membership

The SDC's membership is mandatory for the following entities:

1. Public shareholding companies which include the following sectors:
 - Banks Sector.
 - Insurance Sector.
 - Service Sector.
 - Industrial Sector.
2. Brokers.
3. Custodians.
4. Any other entity determined by the JSC.

SDC's Membership in the Regional and International Organizations

- **Association of National Numbering Agencies (ANNA)**
This association is fully committed to proactively promoting, implementing, maintaining and making available, standards for securities and related financial instruments, in a uniform and accurate structure for the benefit of their home markets and of the securities industry as a whole. It is considered as registration and maintenance authority of international standards, the International Securities Identification Number – ISIN (ISO 6166), Classification of Financial Instruments - CFI (ISO 10962), and Financial Instrument Short Name – FISN (ISO 18774) that are enacted according to rules and regulations set out by the International Organization for Standardization (ISO).

The SDC is a member in the (ANNA) since 2004 and has been recognized as the sole numbering agency in Jordan for the assignment of (ISIN), (CFI) and (FISN).

- **Africa & Middle East Depositories Association (AMEDA)**
A non-profit organization aims mainly to be the forum for the exchange of information and experience where among its members, the central depositories in various parts of

Africa and the Middle East, the SDC is considered as one of the association's founders and represented in the association by a full membership.

AMEDA is a member in the Central Securities Depositories Association which is a non-profit organization aims to exchange of information and experience, and promote mutual cooperation among its members, regional CSDs, through implementing the international standards and best practices in the fields of depositing, clearing and settlement, and risk management.

- **Federation of Euro-Asian Capital Markets (FEAS)**

This federation aims to reduce the barriers between the members' countries and enhance the cooperation between them to trade across borders. The membership of the SDC in the federation is as a partner.

FEAS funds training courses among its members to exchange information and expertise between the capital market institutions in order to develop the services provided and upgrade them.

SDC's Main Responsibilities

The SDC undertakes the following main responsibilities:

- ✓ **Registering, depositing, and safekeeping the ownership of securities**

Securities have been registered at the SDC pursuant to the Securities Law and the Instructions of Registration, Deposit and Settlement of Securities for the year 2017.

The SDC registers the shares issued by all public shareholding companies; the SDC also registers all treasury bonds and treasury bills issued by the Government of Jordan, the Central Bank of Jordan, and various public institutions. The SDC additionally registers all corporate bonds issued by the companies for public.

- ✓ **Transferring the ownership of securities**

Ownership of deposited securities is transferred from the selling investor's account with the selling broker to the buying investor's account with the buying broker via book-entries in accordance with the daily trading file delivered to the SDC by the ASE where the sold securities are debited from the seller's account and credited to the buyer's account and remain suspended in the buyer's account until the fulfillment of the settlement measures and payment of their value. No transfer or pledge is permitted during this period.

In order to enhance the procedures of control, risk management and data accuracy in the trading process, the SDC-ASE tight coupling was implemented to improve the technical environment of institutions of the Capital Market. The procedures of risk management are conducted by exchanging information between ASE and SDC and direct verification of selling/ buying orders in term of securities ownership percentages, account ownership and investors and brokers data.

- ✓ **Clearing and settlement**

The SDC implemented the clearing and settlement on the basis of Delivery versus Payment

(delivery of sold securities is against payment of funds). This principle is considered an important international standard applied in capital markets and enhance the effectiveness and efficiency of the market and protect the investors in securities.

Financial settlements between brokers and custodians are conducted through the SDC by money transfers from the brokers' and custodians' accounts to SDC Settlement Account at the Settlement Bank. Consequently, the SDC transfers those funds to the brokers and custodians who should receive funds. The Central Bank of Jordan was chosen as the Settlement Bank and the SDC was an indirect member of the Real Time Gross Settlement System (RTGS-JO). However, since 26/05/2015, the SDC has joined the Society for Worldwide Interbank Financial Telecommunication (SWIFT); thus, the SDC has become a direct member for Real Time Gross Settlement System (RTGS-JO).

The SDC conducts the clearing process to determine the amounts that the broker must pay or receive in accordance with all the trading contracts executed by the concerned broker and the settlement contracts accepted by the custodians. This is done by subtracting the total amount of buying trading contracts and selling settlement contracts from the total amount of selling trading contracts and buying settlement contracts for the trading day. The amount that the broker must pay is divided into:

- The Liquidity Reserve amount that is paid on (T+1).
- The settlement amount, which represents the difference between the net to pay and the Liquidity Reserve amount that is paid on (T+2).

Whereas the SDC conducts the clearing process to determine the amounts that the custodian must pay or receive in accordance with all the settlement contracts accepted by the concerned custodian by subtracting the total amount of selling settlement contracts from the total amount of buying settlement contracts for the trading day.

The broker and Custodian are notified electronically of the amount due to be paid or received by him. If the broker or Custodian does not pay the Liquidity Reserve amount or the settlement amount within the specified timeframes, he is considered in breach of his obligations and the SDC takes the necessary measures to fulfill the financial settlement through the Settlement Guarantee Fund.

✓ **Settlement Guarantee Fund**

The Settlement Guarantee Fund was established by virtue of Article (88) of the Securities Law No. (18) of 2017. Its objectives include:

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

The Fund has a legal personality with financial autonomy and is managed by the SDC Board of Directors and the chief executive officer. Its members include financial brokers and custodians. The Internal By-Law of the Settlement Guarantee Fund became effective as of

31/12/2004 where the Settlement Guarantee Fund is considered the legal and factual successor of the Financial Brokers' Guarantee Fund.

✓ **Placing/ Releasing ownership restrictions**

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

As well as, the SDC is the only authorized entity, to place and release pledge on the deposited securities based on the pledge applications that are duly submitted by pledger and pledgee, and in the case of releasing pledge applications are duly submitted by the pledgee.

Also, the SDC provides the service of freezing securities where the investors can freeze their shares in the SDC's central registry; thus, preventing any SDC member from transferring these shares or conducting any transaction on it.

✓ **Transfers exempted from trading through the market**

The SDC executes the following transfers of ownerships:

1. Transactions exempted from trading through the market which includes:

Inheritance transfers, family transfers, transfers for the purpose of dividing the joint ownership of securities, securities contained in wills, donating securities to religious, charitable or social associations registered at the competent authorities, Waqf of securities whether charitable or descendentiary, transfers that occur in accordance with the Law of the Government's Acquisition of Monies that Reach Limitation, transfers in accordance with the JSC's decisions, transfers in accordance with decisions of courts and execution departments, and transfers that occur between the Founders of an issuer in accordance with the relevant Laws and/or authorities decisions during the period of lock-up of the founding shares.

2. Transfer of the ownership of "Non- Traded Securities".

✓ **Issuing ownership notifications and account statements**

The SDC provides investors with services that enable them to obtain ownership notices that show their ownership balance in securities between different accounts for a specific date. The investor could also obtain accounts statements that show all transactions executed on his securities.

✓ **Corporate actions processing**

The SDC executes the necessary changes to the registered securities and updates the shareholders' registers as a result of different corporate actions including increase or decrease of capital or merger.

✓ **International Numbering**

The SDC is the National Numbering Agency in Jordan authorized by the Association of National Numbering Agencies (ANNA) and the Jordan Securities Commission (JSC) for allocating codes for financial instruments issued in Jordan.

SDC's Electronic Environment

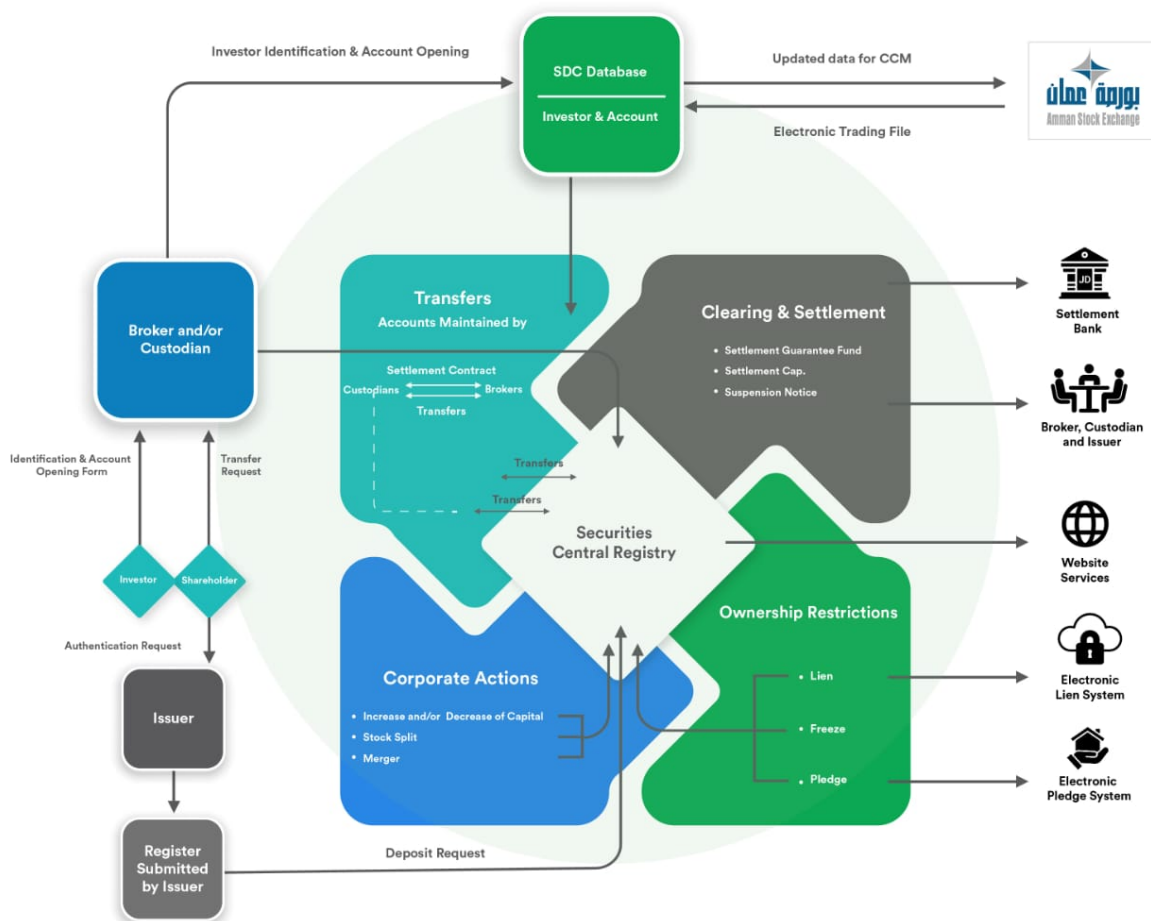
✓ Securities Central Operation Registry Processing & Information Online (SCORPIO®)

The SDC has undertaken a number of initiatives to build and strengthen its infrastructure, implement world-class state-of-the-art systems and achieve its goal of true DVP. The SDC developed a system named the

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

SCORPIO, an SDC-designed and implemented system, is a bilingual system that is a complete solution for the registration, deposit, safe-keeping, transfer, clearing and settlement of securities ownership and imposing and releasing the ownership restrictions upon deposited securities. SCORPIO consists of a number of systems and modules which provides a mechanism for risk management.

The SDC technology and systems meet the international standards of IOSCO's Technical Committee, the Bank for International Settlement's Committee on Payment & Settlement Systems (CPSS), the Group of 30, International Federation of Stock Exchanges (FIBV), the International Securities Services Association (ISSA), and the World Federation of Exchanges (WFE).



✓ **SDC's Website (www.sdc.com.jo)**

Based on the SDC continuous seek to enhance transparency and disclosure, the SDC publishes all the information that matter to the investors through its website on the Internet (www.sdc.com.jo) including information related to its members, securities issued by them, names of the Board members and representatives, ownerships and trading of the public shareholding companies' board of directors members and shareholders who own significant percentage of their share capital, financial ratios, and information of restricted securities. In addition to the service of search in corporate actions that enable the users to get aggregated or detailed data and statistical data. The SDC also provides a variety of electronic services including electronic initial public offering (e-IPO), e-Portfolio, member's area, and web services for extracting statistical data.

✓ **Electronic Infrastructure**

The SDC has developed many projects concerning the SDC's electronic infrastructure, mainly, investment in the three sites of data centers (main site, business continuity site, and disaster recovery site) through developing related hardware and software and ensuring the harmonization among sites to the fullest.

The SDC has updated its disaster recovery site and business continuity site in order to facilitate fully data retrieval from the systems and services through the synchronous operations between the sites to save and protect data from the disasters according to the best International standards. In addition to the actual implementation of the disaster recovery plan by conducting several tests to ensure its readiness. Moreover, the SDC has been providing a special system for monitoring systems and communication networks to ensure continuity of its operations in all circumstances.