

Decision No. (5/2011)
Issuing Clearance and Settlement Regulation

Pursuant to the Capital Market Law promulgated by Royal Decree No. 80/98; and
Royal Decree No. 82/98 establishing Muscat Depository and Securities Registration Company;
and
Royal Decree No. 72/2010 amending the name of Name of Muscat Depository and Securities
Registration Company; and
The Executive Regulations of the Capital Market Law issued by Ministerial Decision
No.1/2009; and
The Resolution based on decision of the Board of Directors of the Capital Market Authority on
24th October 2010

In the interest of the public

It has been decided

Article (1): The provisions of the attached regulation shall be applicable on clearance and
settlement.

Article (2): Anything that violates this decision or contradicts its provisions shall be repealed.

Article (3): This decision shall be published in the Official Gazette and shall come into force
after two months from the date of publication.

Issued on : 11th Shaban 1432H
Corresponding to: 13th July 2011

Saad Mohammed Said Al Mardhouf Al Saadi
Chairman of the Capital Market Authority

Notes:

- 1- *The Arabic prevails.*
- 2- *This regulation was published in the official gazette volume no 940 dated 1st August 2011.
Accordingly it is effective 1st October 2011.*

Clearance and Settlement Regulation

Chapter One Definitions and General Provisions

Article (1): In the application of the provisions of this Regulations, the words and expressions shall have the meaning assigned to them in the Capital Market Law and the Executive Regulation and the following expressions shall have the meaning shown along with them unless the context otherwise requires:

Company: Muscat Clearance and Depository Company SAOC

Member: Any company operating in the field of securities, licensed to carry out brokerage activity and any other company licensed to operate in the field of securities approved by the Committee.

Fund: Settlement Guarantee Fund.

Committee: The Committee constituted to manage the Fund.

Settlement Bank: The bank in which financial settlements are carried out based on securities trading transactions.

Settlement Account: The account with the Central Bank of Oman from which the funds are paid out and in which the funds are deposited as result of obligations arising out of trading in securities.

Member's account: The account which the member is obliged to open with a commercial bank licensed to operate in the Sultanate for the purpose of clearance and settlement.

Day: Trading day (T).

Article (2): For the purpose of clearance and settlement pursuant to the provisions of this Regulation, the rights and obligations between the seller and buyer of securities traded on the market shall be considered from the date of transaction registered with the market.

Article (3): The Company shall carry out clearance and settlement of trading transactions to determine the net rights and obligations of the members, complete settlement of financial positions arising from such transaction and transfer the ownership in securities pursuant to the provisions of this regulation.

Settlement of trading transactions in respect of the securities deposited with the company shall be on the basis of delivery versus payment.

Article (4): Settlement term of the traded securities shall end on (T+1) for bonds and (T+3) for shares.

Article (5): the Company may, when necessitated, after approval from the Market, do the following:

1. Postpone or bring forward the date of settlement among the brokers prior to or after the term specified in the previous Article provided the shares settlement procedures shall be linked to cash settlement.
2. Allow carrying out cash settlement procedures outside the settlement account on request by the parties to the transaction and the documents required by the company shall be attached with the request.

Article (6): For the purpose of completing the cash settlement resulting from trading of securities in the trading system, every member shall open an account with any licensed commercial bank to be named the “member’s account” and authorize the commercial bank to transfer the net obligations and withdraw from the account or deposit therein the amounts in the settlement obligations statement issued by the Company for the transactions the member has executed. The member’s account shall be under the disposal of the bank for the transactions executed by the member. The member’s account shall be under the disposal of the bank according to the form approved by the Company.

Article (7): The Company shall have the right, in the event of detecting error in the transfer of settlement amount to the member’s account, notify the bank to rectify the error directly, without referring to the member in accordance with the procedures specified by the Company.

Article (8): The Company shall be obliged to:

1. Open an account with the Central Bank of Oman for the purpose of daily cash settlements among the members to be named the “settlement account”, with a zero

balance at the end of each day in accordance with the agreement between the Company and the settlement bank.

2. Maintain confidentiality of the trading information received from the market, such information shall not be disclosed or used except for the purpose for which it is received.
3. Insure the risks arising out of errors in clearance and settlement processes.

Chapter Two

Shares Settlement

Article (9): 1. The market shall provide the company with daily trading information electronically, including all the transactions executed in the market immediately after the end of the trading session and containing all the information specified by the company.

2. The company shall contact the market in case of shortage or error in the information or violation of the applicable laws and regulations.

The information shall be deemed final including any facts after correction.

Article (10): The Company shall be obliged, after receipt of the final trading information, to provide every member the information pertaining to the transactions executed by him before the end of the trading day in accordance with the applied mechanism. The Company shall also be obliged to provide the custodian the information pertaining to his clients in accordance with the applied mechanism.

The custodian shall confirm acceptance of the executed transaction in accordance with the procedures agreed with the company and approved by CMA latest by 9 AM on the day next (T+1) for bonds and 9:30 AM on the second day (T+2) for shares. Non confirmation shall be deemed acceptance of the executed transactions.

Article (11): The member may request rectification of the statements of executed transactions on (T) in consideration of payment of RO 20 to the Company for each transaction at a maximum of RO 200 for each security. The request shall be made latest by the end of (T+1) for shares and 10AM on (T+1)for bonds.

The Company shall make the required rectification in accordance with the rules set out by the Market and approved by CMA.

Article (12): Ownership of securities shall be registered in accordance with the final trading data received from the Market, provided the buyer member shall pay the price of the purchased securities on the specified time.

Chapter Three Pending Transactions

Article (13): The transaction shall be deemed pending in case of non-completion or non-settlement in any of the following cases:

- a. Deficit in the balance of traded securities:
 1. If the number of securities registered in the account of the seller client on execution of the transaction is insufficient to execute the sale transaction.
 2. If the sold securities are pledged or attached or there are any restrictions that prevent disposal thereof.
 3. If the securities are sold prior to authorization.
 4. Transactions rejected by the custodian.
- b. If the transaction violates the laws and regulations pertaining to the ownership percentage for non-Omanis or exceeding the prescribed ownership limits.
- c. Any other reasons that lead to non-completion of the executed transaction.

Article (14): The Company shall notify the member of his pending transactions at the end of (T) on the prescribed form. The member shall rectify the reasons of pending latest by (T+1) for bonds and (T+2) for shares.

Article (15): 1. If the transaction is pending due to deficit in the balance of traded securities the member shall take the required procedures to cover the deficit in his client's balance during the term specified in Article 14 of this regulation.

2. Where the member fails to cover the deficit in accordance with the previous clause the company shall, on request by the Fund, take the required procedures to cover the deficit immediately within 7 trading days from the date of the pending transaction.

3. The transaction shall be deemed cancelled if the Fund failed to cover the deficit in securities on behalf of the selling member within the term specified in the previous Clause and the amount shall be refunded to the buying member on behalf of this client. The selling member shall be obliged to compensate the buying member for the damages

resulting from such cancellation in accordance with the rules set out by the Market and approved by CMA.

4. The selling member shall bear the amount of the purchased securities and any resulting difference in prices, commissions and any other expenses. It shall also bear all the damage the buying member incurs including dividends or bonus securities for any deprivation of subscription rights or any other rights. The selling member has a right of recourse against the client to recover such funds.
5. The company may charge the selling member the following:
 - (a) Price differences which represent deficit in the value of coverage from the value of sale.
 - (b) An amount of 1% of the market value on T day for the number of securities required to be covered at not less than RO 50 and not more than RO 2,000 for each security.

Article (16): If the transaction is suspended for exceeding the statutory ownership percentage in the security pursuant to the law or the articles of association of the company, the buying member shall dispose of the excess securities.

Article (17): Subject to the provisions of Article 15 of this regulation, where rectification of the pending transaction is not possible within seven days, the Director General of the Market shall cancel the transaction without prejudice to the rights of the concerned parties.

Article (18): The Company shall charge the member who causes the pending transaction, RO 10 per day for each pending transaction as from T until rectification of the reasons of pending of the transaction.

Article (19): The member shall pay the financial claims of the company pertaining to the pending transactions within a maximum of 15 working days from the date of the claim. In case of delay in payment during such term, the claim amount shall be increased by 1% for each day of delay of the principal amount of claim at a maximum of 15 days. Thereafter, the company may request the market to stop providing services to the member.

Chapter Four

Cash Settlement

Article (20): Cash settlement aims at ensuring execution of financial obligations of trading transaction of the securities registered in the Market for all trading transactions on the settlement day through the company.

Article (21): The Company shall provide the member and the commercial bank with the cash settlement in accordance with the applicable mechanism by statement specifying the net obligations in terms of payments and receipts for each member for the transactions carried out on the T day, prior to trading on (T+1) as per the prescribed form.

Article (22): 1. The member shall deposit the settlement amount through the commercial bank in the settlement account at the time the Company determines.

2. The company shall be obliged to complete the cash settlement process latest by 11AM on T+1 for bonds and T+3 for shares by debiting the settlement account and crediting the relevant members accounts.

Article (23): The member shall be deemed to be defaulting on his funds obligation, if he fails to pay the amounts due to the settlement account at the specified time. The company shall inform the Fund immediately and the Fund shall discharge such obligations on behalf of the member.

The Fund shall transfer the amount the member failed to pay to the settlement account.

Chapter Five

Settlement Guarantee Fund

Article (24): A fund named “ Settlement Guarantee Fund” with juristic personality and financial and administrative independence with the aim of concluding timely settlements of trading transactions shall be established. The membership of the Fund shall comprise all licensed companies to carry out brokerage business. The Committee may grant membership of the Fund to other companies licensed to carry out business in the field of securities.

Article (25): The responsibility of the Fund shall be limited to discharging the obligations arising out of dealing in securities which their clearance and settlement procedures are carried out by the company as follows:

1. Cover the cash deficit resulting where the buying member defaults payment.
2. Cover the deficit in securities where selling member defaults delivery.

Article (26): a. The Fund shall be managed by a Committee supervising its affairs to be constituted by the General Manager of the Company and to be chaired by a representative of the company along with following members:

- CMA representative.
 - MSM representative.
 - Another representative of the Company.
 - Two members representing the companies operating in securities to be named by the Association of the companies.
- b. The Committee shall be formed for three renewable years and the decision shall determine the Deputy Chairman and Secretary. The Deputy Chairman shall take the place of the Chairman during his absence and determine remuneration and sitting fees of the members and the Secretary.
- c. The Committee shall hold its meeting on request by the Chairman and the Secretary shall give notices to meetings and record the minutes, prepare communication and follow up implementation of its resolutions in addition to any other works assigned by the Chairman.
- d. The meetings of the Committee shall only be valid if attended by at least three members including the Chairman or Deputy Chairman. The Committee shall adopt resolutions by simple majority. In case of tie vote the Chairman shall have a casting vote.

Article (27): Terms of reference of the committee:

1. Approve the general policy of the Fund management.
2. Ensure the use of Fund's money in purposes for which the fund is established and invest them in the ways specified herein
3. Open bank accounts in the name of the fund to deposit fund's money and delegate authority upon such accounts on behalf of the Fund.
4. Procure insurance policy against the risks of the fund if sees fit.
5. Instruct the banks where the Fund's monies are deposited to withdraw amounts from the Fund's accounts to conclude financial settlements among members.
6. Follow up the collection of Fund 's receivables with members and other parties.
7. Sale or liquidation of Fund's assets for the Fund's interest.
8. Borrow or obtain credit facilities to pay for settlements using Fund's assets as a guarantee and each member shall bear his cost in such loans.

9. Provide any proposal its sees expedient for the fund's work and submit for the concerned authorities for approval.
10. Recruitment of qualified staff to run the fund.
11. Pay operation expenses of the executive body of the Fund.
12. Identify charges and fees to be paid by defaulting members on whose behalf the Fund has covered.

The Committee may delegate any of its powers to the Chairman or any member and may seek the assistance of experts to discharge its function with the exception of supervision of the fund.

Article (28): Every member of the Fund shall be obliged by the following:

1. To contribute in the capital of the Fund by 5% of its paid up capital at not less than RO 45,000 (Forty Five Thousand) and not more than RO 135,000 (One Hundred Thirty Five Thousand). In the event of increase of the member's capital the contribution shall be increased accordingly.
2. Additional contribution to be determined by the Committee.

Article (29): The Committee shall review and evaluate the capital adequacy of the fund every three months in view of the risks of each member in accordance with the standards and controls set out by the Committee and approved by CMA.

Article (30): If the amount paid by the Fund on behalf of the defaulting member pursuant to Article 23 of this Regulation is equal to or less than his contribution to the Fund, the total amount shall be deducted from the member contribution to the Funds.

If the amount is more than the member's contribution to the Fund, the Fund shall take the following procedures:

1. Deduct the amount paid on behalf of the member from his contribution to the Fund
2. The Fund shall hold the securities the member has bought and failed to pay in accordance with the statements and documents provided by the Fund.

Article (31): 1. The Fund shall inform the defaulting member that the Fund has paid his obligations by covering the deficit in cash or securities and claim cover in favour of the Fund latest by 9 AM on the day following the day of payment.

2. Where the member fails to pay at the specified time and the client fails to pay the value of the securities transferred to the fund, the Market shall assign a member to sell the securities registered in the name of the Fund and pay the proceeds to the account of the Fund and the defaulting member shall bear any difference to the Fund and the Fund shall benefit from any

profits or proceeds from the sale transaction as well as any proceeds of the securities during the term of registration in the name of the Fund.

3. The defaulter member shall bear for each day of delay the obligations resulting from the deficit and determined by the Committee and approved by CMA. All such amounts shall be collected in favour of the Fund.

Article (32): Where the defaulter member fails to pay the amount due to the Fund on the specified time, the Market shall suspend the member from trading until payment of its obligations, the Fund may coordinate with the Company to stop providing its service to the defaulter member.

Article (33): Fund's money shall be invested in a way that maintains, develop and increase them in following investments:

1. Bank deposits.
2. Bonds.
3. Any other short and medium term and high liquidity investment instruments.

Investment decision shall be made by the Committee after reviewing all appropriate alternatives mainly focusing on liquidity and risk when selecting the available alternatives taking into consideration ensuring adequacy of liquidity in the Fund for payment of any claim.

Article (34): Financial statements of the fund shall be separate from those of the Company and shall be audited by external auditor to be appointed to audit the accounts of the Company.

Article (35): The financial year of the Funds shall commence on 1st January and end on 31st December every year.

Article (36): At the end of each financial year, distributions shall be made to the members of the Fund on pro rata basis and shall be added to the members contributions to the Fund.

The committee may decide to distribute yields if the financial status of the Fund allows.

Article (37): The Member may receive his net rights within 90 days of the termination of the membership in the Market after meeting all his obligations toward the Market, the Fund, CMA and the Company.

Chapter Six

Transfer of ownership of securities exempted from trading

Article (38): The company shall assume transfer of ownership of the securities for transactions exempted from trading:

1. Inheritance transmission.
2. Family transfers.
3. Transfer between accounts of the same person.
4. Internal transfers.
5. REPO transfers
6. Global Depository Receipts (ADR/GDR) transfers
7. Transfer of securities among custodians.
8. Dual listing transfers.
9. Transfers pertaining to enforcement of court judgments.
10. Transfers pertaining to division of jointly owned securities.
11. Transfers pertaining to rectifying subscription errors.
12. Transfers pertaining to endowment of securities to charities registered with the official authorities.
13. Transfers pertaining to securities legacy.
14. Transfers resulting from mergers.
15. Any other transfer executed outside the trading system, provided CMA approves the transaction.

Transfer shall be in accordance with the forms prescribed by the Company and includes the required statements and documents to finalize transfer process.

Article (39): Transfer of title of securities for exempted transfers shall not be effected except after ensuring ownership of the securities to be transferred.

Article (40): Inheritance transmission:

1. Such transmissions shall be limited to cases of transmission of ownership in securities from the deceased to the heirs in accordance with inheritance shares in the inheritance inventory documents to be submitted by the concerned or their legal representative.
2. Securities shall not be transferred from the account of the legator to a joint account except in case of opening new personal accounts for the heirs is not possible. Transactions in the joint account shall be limited to sale transactions.
3. The Company shall charge 0.0003 (0.03%) of the market value of the securities that devolved to the heirs and shall be charged to one party (the heirs) provided it shall not be less than RO 1 for each transmission transaction.

Article (41): Family transfers:

1. These transfers shall be limited to transfer of securities among the father, mother, children, husband and wife.
2. The Company shall charge 0.0005 (0.05%) of the market value of the securities and shall be charged to each party provided it shall not be less than RO 2 for each transmission transaction.

Article (42): Transfer among the account belonging to the same person:

1. These are transfer of securities between the accounts of shareholders and their accounts under trust accounts with the licensed companies in the Sultanate as well as transfer of securities between the accounts of the same person.
2. The Company shall charge the prescribed commission of RO 1 for each transfer transaction.

Article (43): Internal transfers:

1. These transfers are limited to transfer of securities between the sole trader and owner.
2. The Company shall charge a commission at 0.0015 (0.15%) of the market value of the transferred security provided it shall not be less than RO 2.5 from each party for each transaction.

Article (44): REPO transfers:

1. These are limited to transfer of title of Government Development Bonds between the accounts of commercial banks and the account of the Central Bank of Oman and to and from the accounts of commercial banks that pertain to REPO transactions of bonds.
2. The Company shall charge a commission at 0.00005 (0.005%) of the market value of the transferred bonds to be charged to the applicant at a maximum of RO 500 and not less than RO 5 for each transaction.

Article (45): Transfer of Global Depository Receipts (GDR/ADR)

1. These are limited to transfer of title in securities to and from the entity that manage GDR/ADR trading transactions.
2. The Company shall charge the prescribed commission at 0.001 (0.1%) of the market value of the securities to be charged to the applicant provided it is not less than RO 1 and not exceeding RO 500 for each transaction.

Article (46): Transfer of securities among custodians:

1. These transfers shall be limited to transfer of title in securities among the accounts of the shareholder registered under custodian's account in the Sultanate to another custodian or from a custodian in the Sultanate to his personal name.
2. The Company shall charge a commission at 0.0006 (0.06%) of the market value of the securities from the applicant provided it shall not be less than RO 5 for each transaction.

Article (47): Dual listing transfers:

1. These transfers shall be limited to transfer of title in securities to and from the accounts of dual listing.
2. The Company shall charge the prescribed commission in accordance with dual listing agreement.

Article (48): Transfer pertaining to enforcement of judgments:

1. These transfers shall be limited to transfer of title in securities in accordance with the orders of enforcement judge from the account of the person against whom enforcement is requested to the account of the person who requested enforcement.
2. The Company shall charge a commission at 0.001 (0.1%) of the market value of the securities from one party (the party who requested enforcement) and shall not be less than RO 5 for each transaction.

Article (49): Transfers pertaining to division of jointly owned securities:

1. These transfers shall be limited to transfer of title in securities from the joint accounts to the personal accounts of shareholders.
2. The Company shall charge the prescribed commission at 0.0005 (0.05%) of the market value of the securities to be charged to one party and shall not be less than RO 5 for each transaction.

Article (50) : Transfers pertaining to rectifying subscription (IPOs) errors discovered after listing date:

1. These transfers shall be limited to transfer of title in securities for the purpose of rectifying subscription errors.
2. The Company shall charge the prescribed commission at 0.001 (0.1%) of the market value of the securities to be charged to the applicant and shall not be less than RO 5 for each transaction.

Article (51): Transfers pertaining to endowment of securities to charities registered with the official authorities:

These shall be limited to transfer of title in securities from the accounts of shareholders to the accounts of charities registered with the official authorities.

Article (52): Transfers pertaining to securities legacy:

1. These shall be limited to transfer of title in securities from the account of shareholders to the transferees in accordance with the legacy approved by the competent authority.
2. The Company shall charge the prescribed commission at 0.001 (0.1%) of the market value of the securities to be charged to the transferee and shall not be less than RO 5 for each transaction.

Article (53): Transfer resulting from mergers:

1. These are the transfers of title in securities between the accounts of the merging companies or the company resulting from the merger.
2. The Company shall charge the prescribed commission at RO 1 for each transaction.

Chapter Seven

Clearance and settlement among brokers and clients

Article (54): The buyer member shall issue purchase invoices prior to the next trading session and such invoices shall be handed to the clients in accordance with the account opening form and shall include the following:

1. Name of issuer of the security, number of purchased securities, price, total value, net value, interests on bonds and date of purchase.
2. Commission charged by the buyer member.
3. Serial number.

Article (55): 1. The buyer client shall pay the value of the purchased securities prior or during the settlement term by cheque or bank draft. Payment may be in cash if the value is not exceeding RO 200.

2. The buyer member shall issue receipt voucher in favour of the buyer client at the amount he received.
3. The buyer member shall not accept post-dated cheques drawn by the clients or endorsed by them or accept any other guarantees as payment for the executed transactions. He may not carry out financing operations in favour of the clients unless licensed to do so.
4. The buyer client shall not sell the purchased securities prior to payment of the value to the buying member except through the same buyer member.

5. The buyer member shall inform the Company and Settlement Guarantee Fund in case of any financial confusion in the names of investors whose cheques have bounced due to lack of balance in their bank accounts.

Article (56): The seller member shall issue sale invoiced prior to the next trading session and such invoices shall be handed to the clients in accordance with the account opening agreement and shall include the following:

1. Name of issuer of the security, number of sold securities, price, total value, net value, interests on bonds and date of sale.
2. Commission charged by the selling member.
3. Serial number.

Article (57): 1. The seller member shall pay the net price of the securities to the client directly or to his representative under official power of attorney by cheque or bank transfer at the net value of the sale invoice issued by him to be issued in the name of first beneficiary immediately after the settlement term.

The seller member may pay the net value of the sold securities in cash if the price is not more than RO 200.

2. The seller member may not issue post-dated cheques drawn or endorsed by him in favour of the client in consideration of the sold securities.