



# Depository Rulebook

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## 1 Definitions

### 1.1 Defined Terms

Capitalised terms have the following meaning, unless the context requires otherwise:

**Account Operator;** a System Member which is authorised by SECDEX as an Account Operator and which, among others, is responsible for:

- (i) setting up and maintaining securities accounts with the Settlement System;
- (ii) communicating settlement instructions, including Corporate Action instructions of the holders of securities accounts to SECDEX;
- (iii) maintaining and monitoring cash and securities obligations of account holders in the Settlement System; and
- (iv) mediating other services provided by SECDEX in accordance with the applicable law and agreement with SECDEX.

**Applicant;** an entity which has applied to become a Member of SECDEX;

**Business Day** has the meaning ascribed to it in the Schedule Business Days;

**Cash Agent;** a System Member that is authorised by SECDEX as a Cash Agent and that is responsible for guaranteeing and providing funds for the settlement of the Member's cash leg of the securities transfer and Corporate Action proceeds in any Settlement System;

**Central Bank Money (CeBM)** means the liabilities of a central bank, in the form of either banknotes or bank deposits held at a central bank, which can be used for settlement purposes;

**Commercial Bank Money (CoBM)** means the liabilities of credit institutions that take the form of deposits or other funds held at a credit institution which can be used for settlement purposes;

**Conditional Securities Delivery (CoSD);** a settlement procedure in which the final securities and/or cash booking is dependent on the successful completion of an additional action or event outside the settlement system (e.g. registration of shares);

**Corporate Action;** any corporate action or event related to a security held within the Settlement System of SECDEX which is recognised as a Corporate Action pursuant to Section 8.2.2 of these Rules;

**Corporate Action Distribution Account** has the meaning ascribed to it in Section 8.5.7.2 and Section 8.5.7.3 of the Rules;

**Corporate Action Standards;** Market Standards for Corporate Actions Processing developed by The Corporate Actions Sub-group (CASG)<sup>1</sup>, as may be amended from time to time;

**Contractual Documents** of SECDEX any contractual arrangement between (i) the Member and SECDEX, (ii) the account holder and SECDEX where SECDEX has exercised the right to take over relationship between the Account Operator and the account holder under the applicable law (iii) the Issuer, the Issuer Agent or Fund Administrator, on the one hand, and SECDEX, on the other hand, including but not limited to the participation agreement, account agreement or issuer services agreement;

**CSD;** A central securities depository (CSD) is a financial organisation that specialises in holding securities;

**CSD System;** a set of hardware, software and other technical infrastructure components through which SECDEX provides securities clearing, settlement and other services;

**Customer;** any Member, Issuer or other user of SECDEX's services which has acceded to these Rules. A holder of securities account is treated as a Customer if in accordance with the applicable law SECDEX has exercised the right to take over contractual relationship between the accountholder and the Account Operator;

**Default Event** has the meaning ascribed to in Section 5.2.1.15 of the Rules;

**Delivery versus Payment (DvP);** a securities settlement mechanism which links a securities transfer and a funds transfer in such a way as to ensure that delivery occurs if and only if the corresponding payment occurs;

**External Cash Account;** a cash account opened in the books of a credit institution or CSD which is authorised to provide banking-type ancillary services and designated by the Cash Agent or SECDEX and used for managing of discharging of cash obligations of the Member, the Issuer or SECDEX;

**FATCA;** Foreign Account Tax Compliance Act enacted by the United States of America;

**Free of Payment (FoP);** delivery of securities with no corresponding payment;

**Force Majeure;** circumstances beyond the reasonable control of the non-performing party, including, without limitation an element of nature or an act of God, earthquake, fire, flood, war, terrorism, civil, industrial or military disturbance, sabotage, labour strike or lock-outs, pandemic, epidemic, riot, loss or malfunctioning of utilities or communication services, court order, act of civil or military authority, or governmental, judicial or regulatory action;

**Financial Services Authority (FSA);** The Republic of Seychelles Financial Services Authority;

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<sup>1</sup><https://www.ecb.europa.eu/paym/target/t2s/governance/html/casg.en.html>

**Fund Administrator;** a System Member that is authorised by SECDEX as a Fund Administrator based on it being regulated and licensed in Seychelles or an equivalent Recognised Jurisdiction and that is responsible for, among others, issuance, distribution and redemption of units in open-ended investment fund;

**GUI;** Graphical User Interface;

**Insolvency Event** is the commencement or occurrence of any collective measure, either to wind up a legal person or to reorganise it, or a decision of a competent authority where such measure or decision involves the suspending of, or imposing limitations on, transfers of securities or payments;

**Intended Settlement Date (ISD)** is the date on which the parties to a securities transaction agree that settlement is to take place;

**International Securities Identification Number (ISIN)** is the number assigned by the National Numbering Agency which uniquely identifies a security;

**Issuance Account** is the securities account that is used for issuance of the securities of the same ISIN;

**Issuer** is a person, who has subscribed to the Issuer Services provided by SECDEX under the Rules or any duly authorised person acting on behalf of such person;

**Issuer Agent** is a Member that is authorised by SECDEX as an Issuer Agent and that is responsible for, among others, servicing of the Issuer of securities and distributing of securities to investors during the initial offering of the Securities Issue;

**Issuer CSD** is a CSD which holds a primary deposit in the relevant financial instruments;

**Issuer Services** are the services offered by SECDEX as provided in the Section "Issuer Services" of the Service Description;

**International financial sanction** means any international sanction that has been decided by the European Union, the United Nations, another international organisation or the Government of the Republic of Seychelles, and that fully or partially prevents a subject of the sanction from using and disposing of financial means or giving thereof to its possession;

**Investor CSD;** a CSD that holds a financial instrument for which it is not the/an Issuer CSD;

**National Central Bank (NCB);** is Central Bank of Seychelles

**Operating Manual** is the operating manual of SECDEX which establishes requirements and procedures for the functioning of, and interaction with, the CSD System and the Settlement System;

**Operational Account** has the meaning ascribed to it in Section 8.4.5 of the Rules;

**Member** any the parties referred to in Section 7.1 of the Rules that have been assigned the status of a Member by SECDEX;

**Paying Agent** any of the following:

- (i) Depository designated by the Issuer as a processor of Corporate Action proceeds;
- (ii) Account Operator designated by the Issuer to represent the Issuer in dealings with SECDEX related to processing of Corporate Action proceeds which is responsible for ensuring that the required amount of Corporate Action proceeds is made available to SECDEX on time;

**Pledge account** means any of Member pledge account or owner pledge account;

**Potential Event of Default** means any event which, with the giving of notice or the lapse of time or both, would constitute a Default Event. Potential Event of Default means a condition or event that, after notice or lapse of time or both would constitute a Default Event;

**Recognised Jurisdiction** means the countries and territories set out in the Second Schedule of the Securities Act 2007, Seychelles;

**Rules or Rulebook** has the meaning ascribed to it in Section 3;

**SECDEX** means SECDEX Depository Limited as per Section 2;

**Securities Issue** are securities that are issued by the same issuer that belong to the same type and class, and that have the same features and which are identified by the same ISIN;

**Service Description** is any description of services offered by SECDEX and published on the website of SECDEX;

**Settlement Day** is a day on which settlement on the CSD System operated by SECDEX takes place according to the daily processing schedule;

**Settlement System** means any system which is operated by SECDEX, including the procedures and related functionality which (i) enables the settlement of transfer orders relating to transfers of securities and/or transfers of cash in relation to DVP transaction and Corporate Action payments, and (ii) any matter related or ancillary to processing of transfer orders.

**System Member** is an entity that is assigned a status of a Member in a Settlement System;

**Transfer Order** has the meaning ascribed to it in Article 2(i) of the Settlement Finality Directive;





**User Guide** means the guidelines of SECDEX describing access to, and use, one or more services provided by SECDEX.

## 1.2 Definitions interpretation and construction

- 1.2.1 Capitalised terms used herein and not defined herein shall have the meaning usually given to them in the English language.
- 1.2.2 Unless the context otherwise requires, words in the singular shall include the plural and vice versa.
- 1.2.3 Unless otherwise stated, references to any Rule are to those contained in this Rulebook.
- 1.2.4 Headings are for convenience only and shall not affect the interpretation of this Rulebook.
- 1.2.5 References to statutes, statutory instruments, decrees and rules of a regulatory
- 1.2.6 authority or provisions thereof shall be construed as references to any of the foregoing as the same may be amended, extended, varied or replaced from time to time.
- 1.2.7 A reference to a time shall mean a reference to Seychelles time unless otherwise stated.
- 1.2.8 The Rules, Procedures, Schedules and Circulars shall form part of this Rulebook, notwithstanding that they may be referred to separately.

## 2 SECDEX legal status

### 2.1 Legal Status

SECDEX Depository Limited ("SECDEX"), company number 8427250-1, is registered and incorporated under the Companies Act of the Republic of Seychelles;

### 2.2 Authorisation

SECDEX is licensed and regulated by The Seychelles Financial Services Authority ("FSA") as a Securities Facility.

### 2.3 Governing Law and Jurisdiction

2.3.1 Law - This Rulebook and any dispute or claim arising out of or in connection with this Rulebook or its subject matter (including non-contractual disputes or claims) shall be governed by and construed in accordance with Seychelles Law.

2.3.2 Jurisdiction - SECDEX and each Member hereby irrevocably agree that the courts of the Seychelles shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Rulebook or its subject matter (including non-contractual disputes or claims).

2.3.3 Service of Process Agent - Where applicable in respect of a Member (as determined by SECDEX), the Member hereby irrevocably appoints the person identified as its service of process agent in its application pack to receive on its behalf service of proceedings in respect of all proceedings in the courts of the Seychelles. Nothing contained in this provision shall affect SECDEX's right to serve process in any other manner permitted by law.

## 3 Rulebook

### 3.1 Scope

- 3.1.1 The Rulebook sets out the terms and conditions which apply to Membership of SECDEX. These rules apply to all Members. Each Member shall be bound by and comply with this Rulebook, and its associated Schedules and Procedures, the Membership Agreement, as amended from time to time by SECDEX.
- 3.1.2 Failure by a Member to comply with the latest version of the Rulebook, and its associated Schedules and Procedures, the Membership Agreement or any decision of SECDEX made pursuant to the Rulebook shall constitute a breach of these Rules.
- 3.1.3 These Rules govern the rights and obligations of SECDEX, the Member and the Issuer in connection with the provision of the Registry services, central maintenance services, settlement services and other ancillary CSD services described in the Service Description or provided pursuant to Contractual Documents referred to in 3.1.1.

### 3.2 Framework

These Rules are composed of:

- 3.2.1 This Rulebook;
- 3.2.2 The Membership Agreement; and
- 3.2.3 Associated Schedules as detailed in Appendix 1

The rules and schedules together are referred to as the "Rules" or "Rulebook";

### 3.3 Rulebook Amendments

- 3.3.1 Subject to the prior regulatory approval of the FSA, if any, and without prejudice to a Member's right to terminate its participation, and subject to the other provisions of this Rule, SECDEX may in its absolute discretion introduce new Rules, Schedules, or Procedures and/or amend, extend, vary and /or supplement the Rulebook.
- 3.3.2 Amendments to Rules shall be subject to the approval of the FSA including amendments that relate to fees and charges.
- 3.3.3 Any amendment to the Rulebook shall be notified to Members by way of:
- i. Circular sent to Members electronically via e-mail (to the email address notified by the Member to SECDEX from time to time), and
  - ii. posting on the SECDEX website.
- 3.3.4 SECDEX will not be required to consult with Members in relation to any change in the Rulebook which is:
- i. required in order to enable SECDEX to comply with Applicable Law;
  - ii. in the opinion of SECDEX required to be made as an emergency;
  - iii. desirable in order to allow SECDEX to maintain its status as a central securities depository;
  - iv. in the opinion of SECDEX necessary to prevent a material disruption in the operation of SECDEX and/or the SECDEX CSD System.
- SECDEX will notify Members of such change(s) in the Rulebook and/or related Schedules. No minimum notification period shall apply, and notification may occur after the Rulebook change has taken effect.
- 3.3.5 SECDEX may correct spelling mistakes and other obvious inaccuracies which do not affect the content of the Rules without complying with the procedure prescribed for the amendment in Section 3.3. SECDEX shall make corrected Rules available to the Members without delay.
- 3.3.6 In the case of changes in the Rulebook which SECDEX acting in good faith determines to be non-material Members shall be notified of such non-material changes at least 5 Business Days prior to the effective date thereof.
- 3.3.7 In the case of material amendments to the Rulebook and upon FSA approval (other than those made pursuant to Rule 3.3.3), SECDEX shall give Members no less than thirty 30 Business Days' notice of such amendments and such amendments shall then become effective.

- 3.3.8 In relation to fees and charges, including interest paid or charged on Collateral deposited, SECDEX shall give Members no less than thirty 30 Business Days' notice of such amendments and such amendments shall then become effective;
- 3.3.9 SECDEX will inform Members of the intent of any proposed rule change and the likely impacts it will have on Members.
- 3.3.10 Wherever practicable SECDEX will invite all or a limited group of Members to submit comments on any proposed amendments to the Rulebook.
- 3.3.11 SECDEX will include transitional provisions where possible.
- 3.3.12 SECDEX will be mindful of the costs of compliance of Members.
- 3.3.13 SECDEX may provide notice of the amendments made pursuant to Rule 3.3.4 to a limited group of Members where SECDEX determines that such amendments only affect that limited group of Members.
- 3.3.14 If any amendment to the Rulebook materially adversely affects the rights or obligations of a Member, that Member may within 30 Business Days of being notified of such amendment, resign its Membership and cease to be a Member by giving notice in writing SECDEX.

## 3.4 Hierarchy

- 3.4.1 In case of conflict between the Rules and associated Schedules the Operating Manual, the Rules prevail to the extent of such conflict.
- 3.4.2 In case of conflict between the Operating Manual and any Service Description or any document or part thereof incorporated by reference in the Operating Manual, the Operating Manual prevails to the extent of such conflict.
- 3.4.3 In case of conflict between two or more provisions included in two or more documents with the same rank in the hierarchy as defined in Sections 2.4.1 - 2.4.3, the most recent provision made available on the SECDEX website prevails to the extent of such conflict.

## 4 General Provisions

### 4.1 Business continuity

4.1.1 If the services provided by SECDEX in connection with its Settlement System are interrupted for any reason, including as a result of a software error, telecommunications outage or Default Event of the Member(s), SECDEX shall use all reasonable efforts to minimise the duration of any interruption of the functioning of CSD System for the Members and shall be entitled, on its own initiative to apply the following contingency measures:

- i. changing the schedule for data processing and settlement activities, including temporary suspension of such activities, extraordinary extension of the working time of the Settlement System(s) and postponing of the settlement dates of affected Transfer Orders;
- ii. temporary restriction of access to the Settlement System or certain functionalities thereof;
- iii. forwarding Transfer Orders and other instructions issued for performing CSD activities of SECDEX through alternative communication channels and, if necessary, manual processing of Transfer Orders and instructions so forwarded; and
- iv. other measures foreseen in the disaster recovery, business continuity or other similar plan of SECDEX notified to the Members.

4.1.2 SECDEX shall immediately notify (via email and by posting on its website) the affected Members as well as the FSA about the following regarding any material interruption:

- i. summarised description of the malfunction causing the interruption;
- ii. any measure it has taken or shall take to limit the adverse consequences of such interruption and the predicted duration of such interruption; and
- iii. where possible, other information, recommendations and instructions necessary for restoring the regular functioning of the affected Settlement System.

4.1.3 Upon the request of SECDEX within reasonable time before the commencement of testing, the System Member shall be obliged to participate in the testing of the recovery plan of the relevant Settlement System.

## 4.2 Record Keeping

4.2.1 SECDEX shall maintain, for a period of at least seven years or longer period if such is applicable to particular Settlement System(s), all its records on the services and activities so as to enable the relevant FSA to monitor SECDEX's compliance with the relevant national laws.

The policies and procedures of SECDEX are designed to ensure that all record keeping requirements under the relevant national laws are complied with and that record keeping system meets all the following conditions:

- (i) each key stage of the processing of records by SECDEX may be reconstituted;
- (ii) the original content of a record before any corrections or other amendments may be recorded, traced and retrieved;
- (iii) measures are put in place to prevent unauthorised alteration of records;
- (iv) measures are put in place to ensure the security and confidentiality of the data recorded;
- (v) a mechanism for identifying and correcting errors is incorporated in the record keeping system;
- (vi) the timely recovery of the records in the case of a system failure is ensured within the record keeping system.



## 5 Responsibilities and Obligations under the Rulebook

### 5.1 SECDEX Ongoing Obligations

- 5.1.1 SECDEX shall provide its services and perform its duties in accordance with these Rules, Schedules, Contractual Documents of SECDEX, Operating Manual and any other procedures or rules adopted by SECDEX pursuant to these Rules and the applicable law.
- 5.1.2 Without prejudice to the provisions of these Rules regarding the liability of SECDEX, SECDEX shall act fairly, diligently and professionally, with due diligence when meeting its duties under Section 0 and any other provision of these Rules.

### 5.2 Members Ongoing Obligations

- 5.2.1 The Member will:
- 5.2.1.1 Comply with the Rules, Contractual Documents of SECDEX and applicable law;
  - 5.2.1.2 observe good practice in the financial sector considering the Members participation in the Settlement System(s) and activities for which it has applied or subscribed for, and to that effect maintain, among others, at all times operational capacity, financial resources, legal powers, risk management expertise, compliance, operational and technical arrangements that are adequate to prevent the occurrence of risk for the investors, SECDEX, other Members and the Issuer;
  - 5.2.1.3 considering the Members, participation in the Settlement System(s) and activities for which it has applied or subscribed for, ensure a connection(s) to the CSD System or, other IT systems or platforms that meet at all times the IT security and other technical requirements established by SECDEX under these Rules;

- 5.2.1.4 ensure that, by means of appropriate administrative, technical and IT security measures information communicated to SECDEX by the Member and information available from SECDEX or its Settlement Systems to the Member, including information recorded with regard to securities accounts, is protected against unauthorised access and processing, including use, destruction or alteration;
- 5.2.1.5 verify correctness and compliance with applicable legal and regulatory requirements of information and instructions communicated to SECDEX, preserve the documents related to the underlying orders of the account holders as required by the applicable law, and upon request provide copy of such documents to SECDEX;
- 5.2.1.6 ensure that all instructions, including Transfer Orders and instructions to open Operational Account(s) or instructions to pledge or block securities, are entered into the Settlement Systems soon as possible but not later than by the deadlines provided in the Operating Manual or following the receipt of the client instruction, as a case may be, in compliance with Operating Manual and Technical Documentation.
- 5.2.1.7 have proper credit and liquidity management arrangements other systems and controls in place:
- i. to ensure and facilitate the settlement of Transfer Orders entered into Settlement Systems of SECDEX on or before the ISD, and where possible, promote early settlement of Transfer Orders on the ISD;
  - ii. to minimize liquidity risks to SECDEX and other Members from its settlement activities;
  - iii. to avoid settlement fails to the extent possible;
- 5.2.1.8 where applicable, make and maintain accurate and timely securities accounting records in its books in accordance with these Rules and the applicable law;
- 5.2.1.9 comply with FATCA and other similar international tax compliance reporting and information exchange requirements;

- 5.2.1.10 provide to SECDEX any information, including about Members' clients and their settlement activities, that is relevant for SECDEX to identify, monitor, and manage any risks associated with tiered participation arrangements, unless and insofar as mandatory law provides otherwise;
- 5.2.1.11 upon reasonable request of SECDEX, attend to and provide assistance to any task, procedure, routine, check and control, including special-purpose audit(s), established by SECDEX in the Operating Manual, or requested on an event-driven basis and manner, to ensure integrity of the Securities Issue;
- 5.2.1.12 shall be obliged to pay the service fees, charges, interests and fines in accordance with the Schedule: Fees and Charges in Appendix 1;
- 5.2.1.13 notify any change in the information provided by it to SECDEX as part of its Member application which is material for the assessment of the compliance of the Member with the admission and eligibility conditions;
- 5.2.1.14 immediately notify SECDEX about any inaccuracy in the information within the Settlement System(s) or any erroneous credit or debit to any securities account or Cash Settlement Account of which it becomes aware, unless these Rules expressly provide for a longer term;
- 5.2.1.15 promptly notify SECDEX of any and all circumstances that may cause a situation where a Member is not, due to its solvency, change in legal status, technical interruption or restrictions on its activity established against it, able to perform its obligations in connection with its participation in the Settlement System(s) of SECDEX;
- 5.2.1.16 provide any information requested by SECDEX and shall allow on-site inspections to be carried out by SECDEX if and to the extent it is necessary to ensure or to verify the Member's compliance with the Rules and it does not conflict with mandatory law.

## 5.3 Issuer's Ongoing Obligations

### 5.3.1 The Issuer shall:

- 5.3.1.1 comply with the Rules, Contractual Documents of SECDEX, any document adopted by SECDEX in accordance with these Rules and the applicable law considering the Settlement System used for the initial recording of securities and services to which the Issuer has applied or subscribed for;
  - 5.3.1.2 ensure that the information provided to SECDEX in the course of initial recording of securities is true, correct, complete and up to date;
  - 5.3.1.3 facilitate compliance with Corporate Action Standards and to that effect ensure submission of correct information (including any changes to, or confirmation of, such information) to SECDEX about any Corporate Action affecting any attributes of securities and its issue or the rights or obligations of the holders of securities as soon as the Issuer has publicly announced the Corporate Action. The list of such Corporate Actions and information to be submitted to SECDEX is provided in 8.2.3;
  - 5.3.1.4 make available Corporate Action proceeds in the account designated by the Paying Agent at the start of the payment date of the Corporate Action proceeds;
  - 5.3.1.5 be liable to SECDEX, Members and holders of securities for damage caused by failure to comply with 5.3.1.1 – 5.3.1.3;
  - 5.3.1.6 make available to SECDEX such information, document and records as SECDEX may from time to time reasonably request for the purposes of providing the Issuer Services under these Rules, monitoring the Issuer's compliance with these Rules, facilitating compliance with Corporate Action Standards, or ensuring the integrity of Securities Issue;
  - 5.3.1.7 be obliged to pay the service fees, charges, interests, contractual penalties and fines in accordance with the Schedule: Fees in Appendix 1.
- 5.3.2 An Issuer has the right to appoint an agent (Issuer Agent or the Fund Administrator) authorised to act on behalf of the Issuer in connection with the obligations listed in Section 5.3.1.1- 5.3.1.7 and relevant provisions under these Rules.

5.3.3 An Issuer has to designate an Account Operator or SECDEX as its Paying Agent for each Corporate Action. The Account Operator acting as Paying Agent or, in case SECDEX is acting as Paying Agent, the Issuer is responsible for ensuring that the required amount of Corporate Action proceeds is made available to SECDEX on the designated cash account and by the time set out in Section 5.3.1.4.

## 5.4 Liability of SECDEX

5.4.1 Unless mandatory provisions of the applicable law or the terms of this Section 5.4 provide otherwise, SECDEX is only liable for any damage, loss or expenses of any kind or nature (“Liabilities”) resulting from its negligence, fraud or wilful misconduct and incurred by:

- i. the Member as a result of its holding of securities accounts, its participation or transactions in the Settlement System;
- ii. the account holder for Liabilities as a result of maintenance of securities accounts in Settlement System(s) of SECDEX;
- iii. the Issuer, and, where applicable, the Issuer Agent or the Fund Administrator, as a result of its use of Issuer Services.

5.4.2 Unless mandatory provisions of applicable law provide otherwise, the damaged party shall only be entitled to claim compensation from SECDEX for Liabilities for which SECDEX is liable under the Rules, if the damaged party notifies its claim to SECDEX within a period of (i) 12 months from the date on which it has or should have become aware of the event or circumstance giving rise to such claim or (ii) the applicable prescription period, whichever period is longer, except in case of fraud or wilful misconduct of SECDEX, in which case no contractual limitation shall apply.

5.4.3 Notwithstanding Sections 5.4.1 to 5.4.2, SECDEX is not liable for:

- i. any action or omission in the event and to the extent that such action or such omission arises due to Force Majeure;
- ii. any indirect liability for losses, including loss of clients, loss of profits or savings, and reputational damage;
- iii. any act or omission of third parties, other than acts or omissions of (i) sub-contractor, and (ii) credit institution which is used by SECDEX for holding funds for the benefit of the Member, Issuer or account holder as provided in Section 5.4.4;
- iv. any Liabilities resulting from the failure by any Member, Issuer or any other person to comply with any procedures or requirements stipulated in the Rules or from a fraudulent or abnormal use of the Settlement System(s) of

SECDEX by any Member, issuer or any other person. For the purposes of this Section 5.4.3 (iv) “abnormal use of the Settlement System” means the use of the Settlement System in a manner which is deviating from the ordinary or expected use of its functionalities and which has caused losses to another Member or Issuer;

- v. any Liabilities to the extent the Member or the Issuer failed to take reasonable and practical measures to mitigate the amount of Liabilities it may incur by reason of the act or omission of SECDEX.

5.4.4 Notwithstanding Sections 5.4.1 to 5.4.3 SECDEX is liable for the Liabilities incurred as a result of an act or omission of a credit institution (e.g. insolvency of the credit institution or suspension of one or more of its services) in which SECDEX holds funds for the benefit of the Member, Issuer, or account holder in connection with the provision of CSD services only if, and to the extent that:

- i. SECDEX has been negligent in the selection of the credit institution in which the funds are held. It is understood that SECDEX shall not be considered to be negligent in the selection of the credit institution if the competent authority has approved the use of the credit institution in connection with the services provided by SECDEX; and
- ii. SECDEX has recovered any amount from a credit institution, and in such case the total liability of SECDEX against all the injured Members and Issuers is limited to the recovered amount after deduction of any reasonable expenses SECDEX has incurred in recovering or attempting to recover any amount from the credit institution.

5.4.5 If a Customer has incurred losses as a result of an act or omission of a credit institution in which SECDEX holds funds for the benefit of the Member, Issuer, or account holder in connection with the provision of CSD services, SECDEX takes reasonable steps to recover such amounts from the credit institution, where such recovery is feasible under the applicable law and the contractual arrangements with the respective credit institution, and provides a reasonable assistance to the damaged Customer in recovering such amounts from the credit institution if the damaged Customer is able to preliminary substantiate to SECDEX his claim for losses.

## 5.5 Liability of the Member and the Issuer

- 5.5.1 Unless otherwise provided by mandatory provisions of the applicable law, each Member compensates SECDEX any Liabilities incurred by SECDEX in connection with the Member's participation or with the Member's holding securities with SECDEX arising from the action and omissions of such Member, including any breach by the Member of these Rules, any failure to comply with the applicable law, or as a result of SECDEX's reliance on information provided by the Member.
- 5.5.2 Unless otherwise provided by mandatory provisions of the applicable law, each Issuer compensates SECDEX any Liabilities incurred by SECDEX in connection with the Issuer's use of the Issuer Services arising from the actions and omissions of such Issuer, including any breach by the Issuer of these Rules, any failure to comply with the applicable law, or as a result of SECDEX's reliance on information provided by the Issuer.
- 5.5.3 Notwithstanding Sections 5.5.1 and 5.5.2, the Member and the Issuer are not liable for:
- i. any action or omission in the event and to the extent that such action or such omission arises due to Force Majeure;
  - ii. any indirect Liabilities, including loss of clients, loss of profits, and reputational damage;
  - iii. any Liabilities to the extent SECDEX failed to take reasonable and practical measures to mitigate the amount of Liabilities it may incur by reason of the act or omission of the Member or the Issuer.

## 5.6 Fees, other charges and expenses

- 5.6.1 The Customer of SECDEX shall pay to SECDEX such fees, charges, fines and default interest or late payment interest, contractual penalty or other charges as set out in:
- i. these Rules and the Schedule Fees in Appendix 1; and/or
  - ii. an agreement or other contractual arrangement entered into between the Customer and SECDEX; and/or
  - iii. applicable law.

- 5.6.2 The Customer shall compensate to SECDEX any taxes, duties, interest, fines, penalties and other extraordinary expenses (including reasonable legal counsel fees) imposed on, paid by, charged to, suffered by or incurred by SECDEX in connection with the provision of CSD services to the Customer, unless such taxes, duties, interest, fines, penalties and other extraordinary expenses are incurred by SECDEX as a result of its fraud, wilful misconduct or failure to provide CSD services to the Customer in accordance with the Rules. Whenever objectively possible, SECDEX makes reasonable efforts to inform the Customer on the pending expenses set out in this Section and to obtain its consent prior to incurring such expenses. SECDEX shall obtain a prior consent of the Customer before incurring legal counsel fees which under this Section are compensated by this Customer.
- 5.6.3 Without prejudice to SECDEX's right to suspend or terminate the participation of the Member pursuant to, or to terminate the contractual relationship with the Issuer as per applicable law, in case the Member or the Issuer does not pay on time to SECDEX any amount due under these Rules, SECDEX may charge late payment interest or similar contractual penalty provided in the Schedule Fees in Appendix 1 or an agreement with SECDEX without having to send any notice to this effect.

## 5.7 Confidentiality

- 5.7.1 Except as and to the extent otherwise provided by the applicable law or the terms of a contract between SECDEX and the Customer, SECDEX shall take all reasonable steps to ensure confidentiality of information relating to Customer as well as debits, credits and other entries made to securities accounts.
- 5.7.2 Internal procedures of SECDEX shall ensure that:
- 5.7.2.1 disclosure of information covered by Section 5.7.1 shall only be made if and to the extent permitted by the applicable law;
  - 5.7.2.2 access to the information covered by Section 5.7.1 is granted to the employees or contractors of SECDEX only in cases and to the extent warranted by normal exercise of such employment or contractual duties provided that the recipient of the access acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable for illegal disclosure of confidential information; and
  - 5.7.2.3 disclosure or provision of access to information covered by Section 5.7.1 is necessary for the provision of CSD services of SECDEX in accordance with these Rules or for the protection of the rights and interests of SECDEX (e.g. in court proceedings).



## 5.8 Data protection

5.8.1 SECDEX and its Members shall comply with the provisions of the Data Protection Act 2002 and a re-enactment in that regard.

## 5.9 Administrative Actions, Sanctions, Complaints

5.9.1 All investigations into a Member's conduct or following a Member's complaint are run by SECDEX Group's Appeal Committee, which is composed of the following individuals: SECDEX's Chairman and two independent non-executive Directors. The protection and grievance resolution mechanism for Member and Clients of Members is elaborated in Appendix 3.

## 5.10 Risk Management Framework and Policies

5.10.1 SECDEX's risk management framework and policies are established by the SECDEX Group Board of Directors and is supported by SECDEX Group's Risk Management Committee. In turn, the Risk Management Committee reviews the framework and policies and makes recommendations to their application and implementation to the SECDEX Group Board.

## 6 CSD Services

### 6.1 Range of Services

- 6.1.1 SECDEX provides initial recording of securities ("Registry service"), maintaining of securities accounts and settlement services ("settlement services")<sup>2</sup>
- 6.1.2 Considering, among others, the application or availability of the following procedures and features in accordance with these Rules:
  - 6.1.2.1 technical netting with optimization;
  - 6.1.2.2 DvP settlement in CeBM through DCAs in case of DvP instructions;
  - 6.1.2.3 partial settlement;
  - 6.1.2.4 CoSD settlement;
  - 6.1.2.5 tolerance matching;
  - 6.1.2.6 priorities management;
  - 6.1.2.7 hold and release of settlement instructions; and
  - 6.1.2.8 linking of Transfer Orders.

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<sup>2</sup>See also: [https://www.ecb.europa.eu/paym/t2s/pdf/csd\\_FA/T2S\\_Framework\\_Agreement\\_Schedules.pdf](https://www.ecb.europa.eu/paym/t2s/pdf/csd_FA/T2S_Framework_Agreement_Schedules.pdf).

## 7 Membership

### 7.1 Types of Member

The Member of SECDEX is a legal entity that has the right to participate (right of participation) in one or several Settlement Systems of SECDEX with one or more of the following statuses:

1. an Account Operator;
2. a Cash Agent;
3. an Issuer Agent; and
4. a Fund Administrator.

### 7.2 Eligible entities

7.2.1 An application for Membership will only be considered if the Applicant meets the following Eligibility Criteria:

7.2.2 Licensed in the Seychelles as a Market Member in accordance with the Securities Act 2007; or as a foreign institution recognised by the FSA, and

7.2.3 The Applicant must not be subject to an Insolvency Event or a Stay or Licensing Event.

### 7.3 Admission procedure

7.3.1 The Applicant must have executed and delivered to SECDEX all the agreements and required documents specified in the Membership Documentation (including, among others, the Membership Application Form, the Membership Agreement, the Security Documentation, the Applicant's risk management procedures, anti-money laundering policies, disaster recovery and business continuity procedures.), which must be in full force and effect, and the Member must be in full compliance with all the provisions of the agreements and Rules in the Membership Documentation.

7.3.2 An Applicant for Membership shall provide SECDEX with, among others:

7.3.2.1 A completed, duly executed Membership Application Form accompanied by the information and documentation specified in this form;

7.3.2.2 Two duly executed Membership Agreements and Security Documentation;

7.3.2.3 The membership application fee as specified in the Schedule Fees in Appendix 1;

7.3.2.4 Certified true copies of the relevant licenses.

7.3.3 Whilst an application is pending, the Applicant must notify SECDEX in writing of any changes in relation to any of the statements made in the Membership Documentation, any changes in the legal or financial information in relation to the Applicant or the occurrence of any event which would be an Default Event or Potential Event of Default if the Applicant were at that point a Member and not an Applicant.

7.3.4 Whilst considering an application SECDEX shall be entitled to:

7.3.4.1 Make such enquires about the Applicant, its business, its shareholders and its connected persons as SECDEX shall deem appropriate and without limitation such enquires may include the Applicant's regulator(s) and other exchanges, trading venues and clearing houses;

7.3.4.2 Require the Applicant to provide such additional information as SECDEX shall deem relevant to the application;

7.3.4.3 Take such steps as SECDEX shall deem necessary to verify information provided by and/or in respect of the Applicant;

7.3.4.4 Conduct one or more due diligence visits to the Applicant's premises in order to assess the Applicant's ability to meet the Eligibility Criteria.

7.3.5 After considering an application SECDEX shall be entitled to:

7.3.5.1 Approve an application and inform the Member promptly in writing or via email; or reject the application promptly outlining the reason for doing so to the Applicant in writing or via email in addition to informing the FSA. In the event a Member is not satisfied by the explanation, a Member has a right of appeal to the Appeal Committee as outlined in the Protection and Grievances Mechanism for Members and Clients of Members as outlined in Appendix 3. Members also have recourse to lodge complaint with the FSA if they don't feel that the SECDEX conclusion has addressed their original complaint.

## 7.4 Resignation, Suspension and Termination

7.4.1 A Member may resign its Membership and cease to be a Member by giving no less than 30 Business Days prior notice in writing to SECDEX (or such shorter period as may be required to comply with Applicable Law). SECDEX may in its absolute discretion waive some or all of the notice period. SECDEX will provide a full explanation of such actions to the Member. In the event a Member is not satisfied by the explanation, a Member has a right of appeal to the Appeal Committee as outlined in the Protection and Grievances Mechanism for Members and Clients of Members as outlined in Appendix 3. Members also have recourse to lodge complaint with the FSA if they don't feel that the SECDEX conclusion has addressed their original complaint.

- 7.4.2 A Member's Membership may be suspended or terminated. In addition, SECDEX may immediately suspend a Member or the Member's authorised representatives' access to the SECDEX CSD System or any part of the SECDEX CSD System or refuse to accept a Transaction, if SECDEX considers such action to be necessary to preserve the security or integrity of the SECDEX CSD System, to prevent a breach of Applicable Law or to protect other Members from fraud or a computer virus.
- 7.4.3 In the event of the resignation, suspension or termination of a Member's Membership:
- 7.4.3.1 SECDEX shall be entitled to take all measures necessary to prevent the Member from entering into new Transactions on the SECDEX CSD System; and may take such other action as set out in the Rules.
  - 7.4.3.2 The Member shall continue to comply with the Rulebook and take such actions as SECDEX deems necessary.
  - 7.4.3.3 SECDEX shall forthwith notify the FSA of such resignation, suspension or termination.
- 7.4.4 SECDEX will publish the resignation, suspension or termination of a Member's Membership on the public and/or Members' only section of the SECDEX Website.
- 7.4.5 Resignation, suspension or termination of a Member's Membership shall be without prejudice to any obligation of a Member under any provision of the Rulebook that expressly or by implication is designed to come into effect or to continue after the resignation suspension or termination of the Membership including without limitation Rules which shall survive such resignation or termination of the Membership and endure through any suspension.
- 7.4.6 There will be no refunding of any fees paid by the Member to SECDEX in case of resignation, termination or suspension of the Membership.
- 7.4.7 In case of termination or resignation of a Member, SECDEX, after having transferred the Member's Balances and Positions and calculated any pending liabilities, fees or charges due to SECDEX, shall refund the Member its net remaining Collateral and any other applicable assessments and optional payments made by the Member.

## 7.5 Rules of business conduct and participation discipline

- 7.5.1 The Member shall act fairly, diligently and professionally, with due diligence when meeting its duties under 5.2 and any other provision of these Rules.

- 7.5.2 The Member shall participate in all the tests requested by SECDEX. SECDEX shall inform the Member of the planned test within reasonable time before the date of the test.
- 7.5.3 Without prejudice of SECDEX's right to take any other measure or remedy provided in these Rules, where the Member breaches these Rules, SECDEX may, in respect of every such breach:
- 7.5.3.1 request the elimination of the breach by the deadline specified by SECDEX;
  - 7.5.3.2 impose daily contractual penalty as per the Schedule Fees in Appendix 1, per day for each day exceeding the deadline specified under (i) above;
  - 7.5.3.3 reprimand the Member;
  - 7.5.3.4 impose contractual penalty of up to ten times the amount of the annual participation fee for the breach that is material and recurring;
  - 7.5.3.5 suspend the Member;
  - 7.5.3.6 unilaterally terminate the participation agreement(s).
- 7.5.4 Whenever the infringement consists of a failure to perform a duty, the application of a sanction does not exempt the Member from its performance, unless SECDEX's decision explicitly provides otherwise.
- 7.5.5 It is understood that SECDEX will not impose a contractual penalty on the Member for the breach of its obligation under these Rules if the FSA has imposed a monetary penalty on the Member for the violation of the same obligation arising under the law.
- 7.5.6 It is understood that SECDEX will not impose a contractual penalty on the Member for the breach of its obligation under these Rules if the FSA has imposed a monetary penalty on the Member for the violation of the same obligation arising under the law.

- 7.5.7 SECDEX provides the Member with an opportunity to be heard before imposing any penalty within a reasonable deadline established by SECDEX in the notice to the Member unless: (i) the urgency of the matter requires SECDEX to take prompt action or (ii) in the reasonable opinion of SECDEX the exercise of the right to be heard would not be practical in the given circumstances. The exercise of the right to be heard does not prejudice the right of SECDEX to take any measure provided in these Rules or the applicable law with a view to remedy or mitigate the effect of the breach of the Member.
- 7.5.8 In determining the amount of contractual penalty SECDEX is guided by the gravity of the breach or its existing or potential consequences, the principle of good faith and the principle of proportionality. The amount of the contractual penalty is determined with a view not only to penalise the Member for the breach but also to deter from repeated breach of these Rules. The contractual penalty shall be paid in addition to any compensation of SECDEX's losses resulting from the breach of the Member. The contractual penalty provided in Sections 7.5.3.2 and 7.5.3.4 will not be imposed cumulatively.
- 7.5.9 Unless the applicable law provides otherwise, any disputes between the Member and SECDEX regarding application of any measure referred to in Section 7.5.3 to the Member are to be settled in accordance with Sections 5.9.



## 8 Registry Services

### 8.1 Admission of securities

- 8.1.1 SECDEX shall provide initial recording of securities through the Units of SECDEX and admit such securities to the Settlement System specified by the Issuer provided that securities for which admission is requested comply with the following general admission criteria and other provisions of the Rules:
- 8.1.1.1 law under which the securities are constituted allows in the securities to be represented in book-entry form subsequent to a direct issuance in dematerialised form;
  - 8.1.1.2 law under which the securities are constituted does not prohibit securities to be validly issued and transferred in the Settlement System to which admission is requested; and
  - 8.1.1.3 all securities of the same issue are fungible.
- 8.1.2 SECDEX shall decide whether to initially record and admit securities to the Settlement System specified by the Issuer upon a standard application form at the latest within three months, unless shorter deadline is provided by applicable law.
- 8.1.3 SECDEX has the right to request any additional information and documents within 15 Business Days as of the date of submission of the application if:
- 8.1.3.1 information provided in the application or supporting documentation is inaccurate, misleading or incomplete;
  - 8.1.3.2 additional information or documentation is necessary to assess compliance with the requirements and admission criteria prescribed for in the Rules or to fulfil the obligations of SECDEX in accordance with the applicable law;
  - 8.1.3.3 In case of admission request from the foreign Issuer SECDEX shall have the right to request the Issuer to provide at its own expense a reasoned and independent legal opinion from a reputable law firm or attorney-at-law in the form and substance acceptable to SECDEX demonstrating and establishing that possible conflict of laws issues would not jeopardize compliance with admission criteria listed under Section 8.1.1.

- 8.1.4 The term of the proceeding provided in Section 8.1.2 shall be suspended for the period between the request by SECDEX for additional information or documents pursuant to Section 8.1.3 and receipt of requested information or documents from the Issuer.
- 8.1.5 Subject to the execution of the securities registration agreement with SECDEX the securities shall be initially recorded through the Unit of SECDEX and admitted to the Settlement System under the International Securities Identification Number (ISIN) if securities comply with the admission criteria and SECDEX has not identified grounds of refusal specified under Section 8.1.6.
- 8.1.6 SECDEX shall refuse the admission of securities if:
- 8.1.6.1 information in the application or its supporting documentation was inaccurate, misleading or incomplete and such deficiencies were not rectified regardless of Depository's demand(s) under Section 8.1.3;
  - 8.1.6.2 securities do not meet the admission criteria listed under Section 8.1.1;
  - 8.1.6.3 admission of securities would subject SECDEX or its Members to requirements which, in the reasonable opinion of SECDEX, are incompatible with their existing technical capabilities, services that they provide, or risk tolerance criteria established under their risk management framework.

## 8.2 Ancillary services in connection with securities

- 8.2.1 SECDEX shall provide the following ancillary services in connection with securities that are initially registered with SECDEX and admitted or transferred to, or are expected to be admitted, to its Settlement Systems:
- 8.2.1.1 supporting the processing of Corporate Actions;
  - 8.2.1.2 services related to securities holders' registers;
  - 8.2.1.3 new issue services (initial public offerings etc.) of securities which the Issuer has requested to admit to any Settlement System;
  - 8.2.1.4 instruction routing and processing, fee collection, processing and reporting related to 8.2.1.1 - 8.2.1.3;
  - 8.2.1.5 providing information, data and statistics in connection with the above.

8.2.2 Unless Corporate Action Standards allow to process incomplete or unconfirmed information on Corporate Actions, any obligation of SECDEX to process Corporate Action affecting securities as well as its obligation to provide, forward or disclose information, data or statistics about such Corporate Action, shall only apply to the extent that SECDEX has received in a timely manner complete set of information, and when required by these Rules or Service Description(s), valid processing request (Issuer's application) and supporting documentation, from the Issuer, the Issuer Agent or the Fund Administrator.

8.2.3 SECDEX may process the following Corporate Actions only:

8.2.3.1 upon Issuer's application submitted on a standard application form or in a manner agreed with SECDEX, and

8.2.3.2 insofar as the applicable law allows the respective Corporate Action:

- i. voluntary reorganisation (e.g. registration of new shares in connection with the increase of share capital);
- ii. mandatory reorganisation (e.g. split or reverse split, redemption);
- iii. mandatory reorganisation with options (e.g. conversion);
- iv. cancellation of shares in connection with the reduction of share capital;
- v. any other cancellation of securities except as and to the extent otherwise provided by the applicable law;
- vi. cash distributions (e.g. interest payment, cash dividends);
- vii. Securities distributions (e.g. stock dividend, bonus issue).
- viii. distribution with options (e.g. optional dividend)

(each of the corporate actions and events set out in (i) to (viii) is referred to as a "Corporate Action").

8.2.4 SECDEX performs Corporate Action on flow (i.e. pending settlement transactions) transaction management in accordance with Corporate Action Standards.

8.2.5 Deadlines for submission of Issuer's application, description and processing of Corporate Actions shall be provided by applicable law or Service Description. Applicable law or Service Description may provide specific rules on determination of key dates (e.g. Ex date, payment date, the record date and deadline, prior to such record date, by which Issuer's application must be submitted to SECDEX).

## 8.3 Integrity of the Securities Issue

### 8.3.1 SECDEX has the right:

8.3.1.1 to request that Members or a particular Member apply specific event-driven reconciliation measure(s) in a manner specified by SECDEX; and

8.3.1.2 to subject Members or particular Member to audit control on the application of reconciliation measures.

8.3.2 Where the reconciliation process reveals an undue creation or deletion of securities, SECDEX may suspend the affected securities account or the securities issue for settlement pursuant to the Operation Manual until the undue creation or deletion of securities has been remedied.

### 8.3.3 SECDEX informs:

8.3.3.1 the Account Operator of the suspended securities account about such suspension without delay;

8.3.3.2 the Issuer of the suspended securities issue and the Members about the suspension of the securities issue without delay.

8.3.4 Where the reconciliation process reveals an undue creation or deletion of securities and SECDEX fails to solve it by the end of the following Business Day, SECDEX shall suspend the securities issue for settlement pursuant to the Operating Manual until the undue creation or deletion of securities has been remedied. SECDEX informs the Issuer of the suspended securities issue and the Members about the suspension of the securities issue without delay.

8.3.5 In case SECDEX cannot determine the recipient of the securities credited to SECDEX's omnibus account opened with the Issuer, SECDEX may credit these securities to, and hold them in, the default securities account until SECDEX discovers the recipient of such securities. SECDEX generates a Transfer Order to credit these securities to the recipient's securities accounts as soon as SECDEX discovers the recipient.

## 8.4 Central Maintenance

### 8.4.1 Maintaining securities accounts

8.4.2 This Section applies to providing and maintaining securities accounts by SECDEX with any Settlement System ("top tier securities accounts").

8.4.3 The Account Operator provide and maintain securities accounts in their own books ("lower tier securities accounts") in accordance with the contractual arrangements with the client and the applicable law. The provisions of this Section apply to providing and maintaining lower tier securities accounts insofar as it is necessary to ensure compliance of the Account Operator with the obligations prescribed in these Rules and the applicable law, including asset protection and reconciliation of securities account balances.

### 8.4.4 Operational Accounts and securities accounts

8.4.5 Operational Account is an account for consolidated accounting purposes of securities credited to securities accounts of the same type that is opened in the name of the holder of an Operational Account in one of more Settlement Systems in which the Account Operator of the Operational Account acts as a System Member ("Operational Account").

8.4.6 Securities account is a book entry of securities of the same ISIN in the name of the holder of an Operational Account in one or more Settlement System in which the Account Operator of the Operational Account acts as a System Member. Securities account for the securities of the same ISIN is created upon the first credit of the respective securities for the benefit of the holder of Operational Account.

8.4.7 Each securities account has a unique account number composed of the number of the Operational Account and ISIN of the securities credited for the benefit of the holder of Operational Account. Securities which are registered with SECDEX as Issuer CSD are held with the Settlement System in which the securities are registered.

## 8.5 Account types

8.5.1 SECDEX opens and keeps records of the following types of Operational Accounts that enable keeping corresponding securities accounts in the name of the Account Operator as an owner of securities in one or more Settlement Systems:

8.5.1.1 Member own account – an account that is registered in the name of the Account Operator and is used for holding securities owned by the Account Operator.

8.5.1.2 Member pledge account - an account that is registered in the name of the Account Operator and is used for recording financial pledge over the securities owned by the Account Operator and credited to this account.

8.5.2 SECDEX opens and keeps records of the omnibus Operational Account that enables keeping a corresponding omnibus securities account(s) in one or more Settlement Systems, in the name of an Account Operator for holding securities of the Account Operator's multiple customers.

8.5.3 SECDEX opens and keeps records of the following types of Operational Accounts that enable keeping corresponding individual client securities accounts in one or more Settlement Systems:

8.5.4 owner account - an account that is registered in the name of the customer (individual or legal entity) of the Account Operator and is used for holding securities owned by that customer;

8.5.5 segregated nominee account - an account that is registered:

- a) either in the name of an Account Operator and is used for holding securities for a single customer of the Account Operator, regardless of whether such customer is the end investor or acts as an intermediary in the securities holding chain; or
- b) in the name of a customer of the Account Operator who is an intermediary in the securities holding chain and is used for holding securities for a single customer of such intermediary, regardless of whether such intermediary's customer is the end investor or acts as an intermediary further down in the securities holding chain.

- 8.5.5.1 nominee account – an account that is registered in the name of a customer of an Account Operator and is used for holding securities of multiple clients of such customer, regardless of whether such clients are end investors or act as intermediaries in the securities holding chain.
- 8.5.6 In addition to owner Operational Account types, SECDEX opens and keeps records of the owner pledge Operational Account that enables keeping corresponding owner pledge account in one or more Settlement Systems, i.e. an account that is registered in the name of the Account Operator's customer which owns the securities and that is used for recording financial pledge over the securities credited to this account.
- 8.5.7 SECDEX opens and keeps records of the following technical accounts with the Settlement System:
- 8.5.7.1 issuance account - a securities account that is used for the issuance of securities of the same ISIN. The aggregate balance of issuance accounts (i.e. multiple ISINs) may be reflected in the Operational Issuance Account opened in the name of SECDEX;
  - 8.5.7.2 distribution account - a securities account that is registered in the name of the Issuer Agent and is used for distribution of securities of the same ISIN during the initial issuance or initial offering of securities. The aggregate balance of distribution accounts (i.e. multiple ISINs) is reflected in the Operational Distribution Account opened in the name of the Issuer Agent;
  - 8.5.7.3 corporate actions distribution account – a securities account that is used by Depository for distributing corporate action entitlements on behalf of the Issuer;
- 8.5.8 The set of data and other parameters are to be recorded by SECDEX and provided in the account opening request and for each type of Operational Account are set out in the Operating Manual. The Operating Manual may specify account type-specific validation or verification activities that have to be performed prior to providing account opening request to SECDEX. The Member that provided the account opening request shall notify SECDEX about any change in the set of data recorded by the latter in connection with the Operational Account.

## 8.6 Opening of Securities Account

- 8.6.1 SECDEX opens in the name of the Account Operator or its customer an Operational Account that is eligible for holding securities in one or more Settlement Systems on the basis of a request of the Account Operator that is a Member of the respective Settlement System(s).
- 8.6.2 SECDEX opens the following Operational Accounts:
- 8.6.2.1 a Member own account on the basis of a complete application of the Account Operator who wishes to open an account;
  - 8.6.2.2 an owner account on the basis of a complete application of the person who wishes to open an account, which is submitted to SECDEX by the Account Operator that is a Member of the respective Settlement System(s) or, where the applicable law so provides, directly by such person;
  - 8.6.2.3 an omnibus account or a segregated nominee account in the name of the Account Operator on the basis of a complete application of the Account Operator; or
  - 8.6.2.4 a segregated nominee account or nominee account in the name of the customer of the Account Operator on the basis of a complete application of such customer, which is submitted to SECDEX by the Account Operator or, where the applicable law so provides, directly by such client.
  - 8.6.2.5 an issuance account on the basis of a complete application of the Issuer or the Fund Administrator;
  - 8.6.2.6 a distribution account on the basis of a complete application of the Issuer Agent;
  - 8.6.2.7 a pledge account on the basis of a complete application of the owner of securities, which is submitted to SECDEX by the Account Operator or, where the applicable law so provides, directly by the owner of securities.
- 8.6.3 The Operational Account is deemed to be opened at the moment when the account opening procedure is completed in CSD System.
- 8.6.4 The securities account is created in the Settlement System in accordance with Section 8.4.6.



## 8.7 General obligations of the Account Operator

### 8.7.1 The Account Operator shall:

- 8.7.1.1 comply with any applicable law regarding maintenance of the securities accounts, including securities accounting requirements, asset segregation, asset protection, and obligation to inform the clients on the risks and costs associated with each level of asset segregation;
- 8.7.1.2 mediate opening of securities accounts and provision of other central maintenance services of SECDEX, except where SECDEX provides the respective service directly;
- 8.7.1.3 ensure that the information necessary for the registration of the securities and Transfer Orders is communicated to SECDEX in compliance with these Rules, including data processing requirements and schedule;
- 8.7.1.4 communicate the Transfer Orders, information and inquiries of the account holders to SECDEX;
- 8.7.1.5 identify the person and verify the authority of the person that has submitted a Transfer Order regarding disposal of securities and record the time
- 8.7.1.6 of receipt of such order; and
- 8.7.1.7 verify the accuracy and correctness of information communicated to SECDEX and shall keep the documents related to the orders of the accountholders in compliance with the applicable law.

## 8.8 Account statements

8.8.1 SECDEX makes available to the Account Operator, the Issuer, the Issuer Agent, the Fund Administrator information, and a holder of owner account insofar as requested by the applicable law statements relating to the Operational Account, securities account, Issuance Account and the Distribution Account, respectively, at such times, by such methods and conditions as may be specified in the Operating Manual.

## 8.9 Orders of courts and other competent authorities or persons

8.9.1 Upon the request of a court, other competent authority or person("Order") and in other cases stipulated by the applicable law, SECDEX:

8.9.1.1 applies a restriction instruction in respect of a certain number of securities credited to a securities account or a securities account maintained in any Settlement System in order to prevent or control the movement or disposal of securities or to exercise rights arising under the securities, as may be required under the applicable law; and

8.9.1.2 refuses to process instructions of the Account Operator, requests of the Issuer, the Issuer Agent, the Fund Administrator in relation to such securities or securities accounts, or issuance accounts, if and to the extent that would violate the Order or the applicable law.

8.9.2 SECDEX checks only the formal validity of the Order. SECDEX is not liable to the Account Operator, the Issuer of the Issuer Agent or the Fund Administrator for any Liabilities incurred by the Account Operator, the Issuer, the Issuer Agent or the Fund Administrator as a result of executing restriction in respect of securities, securities account or an issuance account and is entitled to recover from the Account Operator, the Issuer, the Issuer Agent or the Fund Administrator any costs reasonably incurred by it in connection with such restriction.

## 8.10 Pledges and financial collaterals

8.10.1 Subject to the applicable law, SECDEX registers a pledge over securities and financial collateral over the securities or a securities balance of the pledge account of the holder of securities account in any Settlement System on the basis of the pledge arrangement or financial collateral arrangement between the pledgor and the pledgee.

8.10.2 A pledge and financial collateral over the securities held in the securities account maintained in the books of the Account Operator or a lower tier account provider is registered with the respective account provider in accordance with the applicable law and agreement between the parties.

8.10.3 SECDEX registers:

8.10.3.1a pledge (other than financial collateral pledge) over all or part of the securities in the pledgor's securities account held with the Settlement System (hereinafter referred to as "pledge over securities account balance" or "pledge"), where such pledge may be registered over securities held with the Settlement System under the applicable law, in accordance with Section 8.11;

8.10.3.2a financial collateral pledge over the securities credited from the pledgor's securities account to a special pledge account held with any Settlement System (hereinafter referred to as "financial collateral pledge over pledge account" or "financial collateral pledge") in accordance with Section 8.12.

8.10.4 Financial collateral under title transfer financial collateral arrangement is effected in accordance with provisions regarding securities transfer from the collateral provider's securities account to the collateral taker's securities account set out in Section 6.

## 8.11 Pledge over securities account balance

8.11.1 SECDEX registers a pledge over all or part of securities credited to the pledgor's securities account ("securities balance") in favour of the pledgee by blocking the pledged securities in the pledgor's securities account via an intra-position movement to restricted securities account sub-balance.

8.11.2 The pledge over securities account balance that is pledged under a pledge arrangement is deemed to be registered at the moment of the intra-position movement is recorded in the restricted securities account sub-balance.

## 8.12 Financial collateral pledge over pledge account

8.12.1 SECDEX registers a financial collateral pledge over the securities held in the pledge account in favour of the pledgee by FoP transfer of the pledged securities to a pledge account opened in the name of the pledgor. All the securities credited to the pledge account, including securities that are credited to the pledge account as Corporate Action entitlements are subject to a financial collateral pledge.

8.12.2 A financial collateral pledge over the securities credited to a pledge account is deemed to be registered at the moment the transfer of the securities to the pledge account is final in accordance with Section 6.6.1.

8.12.3 The same pledge account may be used for registering financial collateral pledge over securities of the same ISIN credited in this pledge account in favour of the same pledgee under different financial collateral pledge arrangements, but only if such arrangements do not differ from each other with respect to the pledgee's right of use. In other cases, pledges over securities that are pledged under different financial collateral pledge arrangements is registered by transferring securities to different pledge accounts.

## 8.13 Revisions to pledge and financial collateral pledge

8.13.1 SECDEX registers a pledge and financial collateral pledge and changes data entered into the securities account regarding pledging of securities on the basis of matching instructions of the Account Operator of the pledgor and the Account Operator of the pledgee. Subject to the requirements of the applicable law, SECDEX enters in the securities account the following information:

8.13.1.1 the pledgee;

8.13.1.2 in the case of a pledge over securities account balance, ISIN and the number of the pledged securities;

- 8.13.1.3 a restriction (prohibition) to transfer or otherwise dispose the pledged securities (other than securities subject to financial collateral pledge which according to default settings of the pledge account cannot be transferred or disposed without a prior written consent of the pledgee) to a third party without a prior written consent of the pledgee, if the parties have expressly so agreed;
  - 8.13.1.4 the pledgee's right to use the pledged securities in the manner provided in the pledge arrangement between the pledgor and the pledgee, if the parties have expressly so agreed; and
  - 8.13.1.5 the pledgee's right to enforce the pledge by means of appropriation.
- 8.13.2 SECDEX registers a change in the pledgee in the securities account on the basis of an instruction of the Account Operator of the pledgee.
- 8.13.3 SECDEX deletes:
- 8.13.3.1 a pledge on the basis of an instruction of the Account Operator of the pledgee;
  - 8.13.3.2 a financial collateral pledge on the basis of matching Transfer Orders of the Account Operator of the pledgee and the Account Operator of the pledgor for the transfer of the securities from the pledge account to the securities account of the pledgor.
  - 8.13.3.3 If the pledgee has not opened in its name a securities account with the Settlement System, the Account Operator chosen by the pledgee registers the data of the pledgee and submits an instruction to SECDEX for the registration of the pledge, changes to the data entered into the securities account, change in the pledgee or the deletion of the pledge.

## 8.14 Transfer and enforcement of pledges

- 8.14.1 Subject to a prior consent of the pledgee, SECDEX transfers the pledged securities to a third party (transferee) on the basis of matching Transfer Orders of the Account Operator of the transferor (pledgor) and the Account Operator of the transferee or, in case the transferor and the transferee use the same Account Operator, on the basis of a Transfer Orders of the respective Account Operator. SECDEX transfers the pledged securities to the transferee together with the pledge registered over the securities and any other terms entered in respect of the pledged securities in the securities account of the pledgor.

8.14.2 SECDEX registers a change in the pledgee in the securities account on the basis of an instruction of the Account Operator of the pledgee.

8.14.3 SECDEX deletes:

8.14.3.1 a pledge on the basis of an instruction of the Account Operator of the pledgee;

8.14.3.2 a financial collateral pledge on the basis of matching Transfer Orders of the Account Operator of the pledgee and the Account Operator of the pledgor for the transfer of the securities from the pledge account to the securities account of the pledgor.

8.14.3.3 If the pledgee has not opened in its name a securities account with the Settlement System, the Account Operator chosen by the pledgee registers the data of the pledgee and submits an instruction to SECDEX for the registration of the pledge, changes to the data entered into the securities account, change in the pledgee or the deletion of the pledge.

## 8.15 Transfer and enforcement of pledges

- 8.15.1 Subject to a prior consent of the pledgee, SECDEX transfers the pledged securities to a third party (transferee) on the basis of matching Transfer Orders of the Account Operator of the transferor (pledgor) and the Account Operator of the transferee or, in case the transferor and the transferee use the same Account Operator, on the basis of a Transfer Orders of the respective Account Operator. SECDEX transfers the pledged securities to the transferee together with the pledge registered over the securities and any other terms entered in respect of the pledged securities in the securities account of the pledgor.
- 8.15.2 If the pledgee exercises his right to use the pledged securities, SECDEX transfers such securities to a securities account designated by the pledgee on the basis of a Transfer Order of the Account Operator of the pledgee or, in case provided in Section 8.14.3.3, the Account Operator that registered data of the pledgee.
- 8.15.3 If the pledgee exercises his pledge right (enforces the pledge) by transferring the pledged securities to a third party (transferee), SECDEX transfers such securities to transferee on the basis of matching Transfer Orders of the Account Operator of the pledge or, in case provided in Section 8.14.3.3, the Account Operator that registered data of the pledgee, on the one hand, and the Account Operator of the transferee, on the other hand.
- 8.15.4 If the pledgee exercises his pledge right (enforces the pledge) by means of appropriation of the pledged securities, where such enforcement is allowed under the applicable law, SECDEX transfers such securities to the securities account designated by the pledgee on the basis of a Transfer Order of the Account Operator of the pledgee or, in case provided in Section 8.14.3.3, the Account Operator that registered data of the pledgee.

## 9 Settlement Services

### 9.1 General

- 9.1.1 This Section provides general provisions regarding settlement of transfers of securities which are held with any Settlement System.
- 9.1.2 Any settlement finality moment in the securities account is deemed to occur when the CSD System assigns a 'time stamp' in accordance with the CSD System technical module.

### 9.2 Processing of Transfer Orders

- 9.2.1 SECDEX processes only the Transfer Orders that are submitted by or through the Member and satisfy the conditions set out in the Operating Manual and the applicable law.
- 9.2.2 The Member has to use the means of communication provided in the Operating Manual for sending Transfer Orders to SECDEX.
- 9.2.3 The standard deadlines by which Transfer Orders must be received by SECDEX are set out in the Operating Manual. In exceptional circumstances, SECDEX may amend the standard deadlines when, in the reasonable opinion of SECDEX, it is required due to operational issues or in cases provided in Section 4.1. SECDEX informs the Member of such amendment without delay.
- 9.2.4 If the securities transaction (trade) is executed on any trading venue or in auctions conducted in alternative trading systems, the settlement instruction is either (i) submitted to CSD System by the relevant Member or (ii) auto generated by the CSD in case the relevant Member is using SECDEX's trade capture service in accordance with the Operating Manual.
- 9.2.5 SECDEX does not execute a Transfer Order if and as long as:
  - 9.2.5.1 the result of the provision check in the CSD System shows that securities or securities headroom or, in case of DvP or Payment free of delivery ("PFoD") settlement, cash balance and external guarantee headroom involved in the settlement are insufficient; and
  - 9.2.5.2 any lack of securities or securities headroom and cash balance and external guarantee headroom identified during the provision check cannot be solved by resorting to partial settlement process or auto-collateralisation process, respectively, where such process is available.



- 9.2.6 In case the Insolvency Event of the Member occurs, SECDEX handles Transfer Orders of the Member in accordance with the default procedure set out in Appendix II.
- 9.2.7 If the securities records are maintained by the Member in its securities accounting system, the Member makes book entries in such system only after SECDEX's confirmation of settlement finality is made available to the Member.

### 9.3 Moment of entry of Transfer Order

- 9.3.1 A Transfer Order is deemed to be entered into the Settlement System at the moment when the Transfer Order has been validated with the CSD System.
- 9.3.2 A Transfer Order may not be set aside due to the fact that Insolvency Event has occurred and continues in respect to a party to that Transfer Order, provided that the Transfer Order complies with Section 9.3.1 and such compliance occurred:
- 9.3.2.1 prior to the occurrence of the Insolvency Event, or
  - 9.3.2.2 after the occurrence of the Insolvency Event, on the same day but SECDEX did not know, and ought not to have known, about the occurrence of the Insolvency Event.

## 9.4 Moment of irrevocability of Transfer Order

- 9.4.1 Transfer Order is irrevocable from the moment at which the Transfer Order is given a status "matched", in the CSD System, i.e. the Transfer Order is or becomes incapable of being amended or cancelled in accordance with the CSD System procedures by a unilateral instruction of the Member, or any third party, who wishes to have the Transfer Order amended or deleted.
- 9.4.2 If the Member has entered in the CSD System a matched Transfer Order, the Transfer Order is irrevocable only from the moment at which the Transfer Order is given a status "matched", on the CSD System.
- 9.4.3 Without prejudice to Section 6.9.2, a Member or SECDEX on the request of any third party, including without limitation any insolvency administrator of a Member does not have a right to withdraw or revoke, or purport or attempt to revoke, any Transfer Order from the time at which it becomes irrevocable pursuant to Section 9.4.1. Any instruction for such revocation shall not have any legal effect, and SECDEX shall not process and disregard any such instruction.

## 9.5 Finality of settlement

- 9.5.1 The settlement of securities transfer is final as from the moment at which the securities are credited to the transferee's securities account and debited from the transferor's securities account on the CSD System. In case of DvP transfer of securities and PFoD transfer of Corporate Action proceeds, cash settlement is final according to Section 6.12.10.
- 9.5.2 As of the moment provided in Section 9.5.1 the transfer of securities to a securities account and, where applicable, transfer of cash to the cash account is unconditional, irrevocable, irreversible and enforceable.

## 9.6 Amendment and hold of Transfer Orders

- 9.6.1 The Account Operator may only amend such process indicators of Transfer Order as settlement priority, partial settlement indicator and linkage information, regardless of whether the Transfer Order is matched or unmatched.
- 9.6.2 The Member or SECDEX may set the settlement of the Transfer Order on hold until it is released by the respective Member or SECDEX, respectively, in accordance with the Operating Manual. The Transfer Orders on hold are not eligible for the settlement and are pending until they are released.

## 9.7 Cancellation of Transfer Orders

- 9.7.1 The Member may unilaterally cancel a submitted Transfer Order until the moment such instructions is matched with a corresponding instruction.
- 9.7.2 Matched Transfer Orders may only be cancelled bilaterally with the consent of both Members or upon request of authorised entity acting on their behalf.
- 9.7.3 SECDEX may enter the cancellation instruction in the CSD System upon the request of the Member, in respect of Corporate Actions and restrictions pursuant to Section 8.9 and in other cases provided in these Rules and applicable law.
- 9.7.4 The Members submit a cancellation instruction in the manner and according to the time schedule provided in the Operating Manual. The original settlement instructions are cancelled at the moment when the cancellation instructions are matched in the CSD System. If the original instructions are partly settled, only the outstanding unsettled amount is cancelled.
- 9.7.5 Transfer Orders that are not matched within the time schedule provided in the Operating Manual are not valid and are automatically cancelled in the CSD System.

## 9.8 Correction of erroneous credits and debits and reversals

9.8.1 Subject to applicable law and without prejudice to a claim the Member may have against SECDEX under these Rules, SECDEX may, without prior consultations with the Member correct or reverse any credit or debit to any securities account if:

9.8.1.1 the credit and/or debit is erroneous or made as a result of incorrect processing of a transaction; or

9.8.1.2 SECDEX is required to do so under the applicable law or an order of a competent authority

9.8.2 The Account Operator authorises SECDEX to generate the necessary instructions on its behalf in order to perform such corrections or reversals. SECDEX immediately notifies the Account Operator of corrections or reversals to securities account.

## 9.9 Application of restrictions by SECDEX

9.9.1 Insofar as permitted under the applicable law, SECDEX may take appropriate actions, including refusal to process Transfer Orders and/or blocking the securities and cash accounts:

if such action is necessary in connection with its custody operations, including withholding of tax, voting procedures, acceptance of conditional offers and exchange of securities or market claims; or upon occurrence of any event provided in Sections 7.4.2.

9.9.2 Insofar as permitted under the applicable law, SECDEX refuses to process Transfer Orders or take any other action in relation to the securities accounts and cash accounts if, and insofar as, such Transfer Order or action would violate the applicable law, any order notified by a competent authority to SECDEX or any agreement concluded between SECDEX and the Member.

## 9.10 Cash settlement

- 9.10.1 Cash leg is settled in CoBM via credit institution, as may be designated by SECDEX.
- 9.10.2 SECDEX may open in its name an External Cash Account for settlement of the cash leg for eligible securities, including Corporate Action proceeds. SECDEX does not maintain overnight cash balance of the Members or Issuers in such External Cash Accounts, except where these Rules provide otherwise.
- 9.10.3 SECDEX administers the cash credited to the External Cash Account on behalf of the Members or Issuers and keeps it separately from the cash held on its own account.
- 9.10.4 On the Settlement Day before the deadline set by SECDEX the Cash Agent, Issuer's Paying Agent or the Issuer transfers the required cash amount to SECDEX's External Cash Account.
- 9.10.5 the Issuer transfers the required cash amount to SECDEX's External Cash Account.
- 9.10.6 On the Settlement Day SECDEX settles the cash leg of DvPtransfer of eligible securities according to the following procedure:
- 9.10.6.1 after the receipt of a DvP Transfer Order, CSD System sends a FoP Transfer Order on Settlement Day.
  - 9.10.6.2 after SECDEX has received information that the Cash Agent has transferred the required cash amount to SECDEX's External Cash Account in accordance with Section 6.14.3, SECDEX makes sub-bookkeeping records in the CSD System as a result of which the cash amount is attributed to the cash receiving Member's Cash Agent and initiates a transfer of the respective amount from SECDEX's External Cash Account to the External Cash Account of the cash receiving Member's Cash Agent for the given currency.
  - 9.10.6.3 immediately after SECDEX has received a notification from the External Cash Account provider that SECDEX's External Cash Account is debited SECDEX initiates instruction release and the settlement of the securities transfer is completed.

- 9.10.7 On the Settlement Day but only after the required cash amount is transferred to SECDEX's External Cash Account SECDEX ensures the transfer of Corporate Action proceeds in respect of eligible securities according to the following procedure:
- 9.10.7.1 SECDEX makes sub-bookkeeping records in the CSD System as a result of which the cash amount credited to SECDEX's External Cash Account misattributed to the cash receiving Member's Cash Agent, the Issuer or the Paying Agent of the Issuer; and
  - 9.10.7.2 initiates a transfer of the cash amount that is attributed to the cash receiving Member's Cash Agent, the Issuer or the Paying Agent of the Issuer from SECDEX's External Cash Account to the External Cash Account of the cash receiving Member's Cash Agent, the External Cash Account of the Issuer or the External Cash Account of the Issuer's Paying Agent, respectively.
- 9.10.8 Notwithstanding any other provision of these Rules, as of the moment SECDEX has received a notification from the External Cash Account provider that the settlement amount is debited from SECDEX's External Cash Account the cash leg is deemed to be final and SECDEX ceases to be responsible for ensuring crediting of this amount to the cash account of the recipient.

## 9.11 Measures to prevent and address settlement fails

9.11.1 The Member takes all the necessary measures to ensure smooth and timely settlement of every securities transaction on the ISD. The Member shall send the instructions to the Settlement System as soon as possible in order to facilitate early matching by the CSD System.

9.11.2 SECDEX:

9.11.2.1 maintains a system that monitors settlement fails of securities transactions which enable SECDEX to identify and keep record of ISD and the status of settlement instructions entered in each Settlement System;

9.11.2.2 provides Members with access to tools that allow monitoring settlement cycle and to take action to prevent settlement fails.

9.11.3 In respect of each settlement instruction that fail to settle, SECDEX calculates and collects net amount of penalties to be paid by each Member and provides details of the penalties in accordance with the Operating Manual.

9.11.4 The Member transfers the net amount of penalties to the cash account designated by SECDEX by specific date of the respective month determined by SECDEX. SECDEX redistributes to the receiving Members that have suffered from the settlement fail the net amount of cash penalties by specific date of the respective month determined by SECDEX. SECDEX charges to the Members the costs of the penalty mechanism.

9.11.5 SECDEX shall be involved in supporting the application of buy-ins.

9.11.6 SECDEX applies settlement discipline measures provided in its Schedule Fees in Appendix 1.

## 10 Appendix 1: Associated Schedules

### 10.1 Schedule Business Days

S. No	Holiday	Date	Day
1.	New Year's Day	January 01,2020	Wednesday
2.	New Year Holiday	January 02,2020	Thursday
3.	New Year Holiday	January 03,2020	Friday
4.	Good Friday	April 10, 2020	Friday
5.	Easter Monday	April 13, 2020	Monday
6.	Labour Day	May 01, 2020	Friday
7.	Corpus Christi	June 11, 2020	Thursday
8.	Constitution Day	June 18, 2020	Thursday
9.	Independence (National) Day	June 29, 2020	Monday
10.	Assumption Day	August 15, 2020	Saturday
11.	All Saints' Day	November 01, 2020	Sunday
12.	All Saints' Day Holiday	November 02, 2020	Monday
13.	Immaculate Conception	December 8, 2020	Tuesday
14.	Christmas Day	December 25, 2020	Friday



## 10.2 Schedule Fees

<b>SECDEX Clearing</b>	
<b>Clearing fees</b>	
<b>Transaction</b>	<b>Clearing Fee</b>
<b>Not exceeding USD 100,000</b>	0.14%
<b>More than USD 100,000 but not exceeding USD 200,000</b>	0.12%
<b>More than USD 200,000 but not exceeding USD 500,000</b>	0.10%
<b>More than USD 500,000</b>	0.08%
<b>SECDEX Depository</b>	<b>USD</b>
<b>Annual Depository fee from Issuer</b>	2000.00

## 11 Appendix 2: Default Rules

### 11.1 General Provisions

11.1.1 These default rules prescribe the measures and procedure for managing the default of a Member in respect of Transfer Orders submitted for settlement in any Settlement System which are prepared in compliance with Article 41 of the CSDR and Collective Agreement (Default Rules).

11.1.2 The measures and procedures prescribed in these Default Rules do not prejudice the application of any other remedy prescribed by the Rules, including the right of SECDEX to impose a penalty or other sanctions, to initiate a buy-in, to suspend or terminate the Member's right of participation or to apply contingency measures.

### 11.2 Default Management

11.2.1 If the Insolvency Event of the Member has occurred, SECDEX:

11.2.2 rejects new Transfer Orders from the defaulting Member in accordance with Section 3.2 and blocks the communication means with CSD System available to the Member and/or revokes access of the users belonging to the defaulting Member to the system privilege to submit settlement instructions to CSD System;

11.2.3 handles the existing Transfer Orders of the defaulting Member that are submitted for settlement to SECDEX in accordance with Section 4; and suspends or terminates the Member's right of participation in accordance with the Rules.

11.2.4 SECDEX processes the Transfer Orders seeking to debit securities account that are impacted by the Insolvency Event of the Member in accordance with the default management procedures set out in these Default Rules and CSD System's functionalities.

### 11.3 Reject of new Transfer Orders

11.3.1 The Member undertakes that upon becoming aware of any event that could result in the Insolvency Event of the Member it will take all measures to prevent submission of Transfer Orders to SECDEX resulting in debiting securities from the securities account.

11.3.2 SECDEX rejects Transfer Orders that are entered in the Settlement System after SECDEX becomes aware of the occurrence of the Insolvency Event.

11.3.3 Notwithstanding Section 3.2 of the Default Rules, SECDEX accepts anew Transfer Order after occurrence of Insolvency Event that is submitted on behalf of the Member by the appointed insolvency administrator or another competent authority and processes it in accordance with the general processing rules of the Settlement System (i.e. the processing rules that would have applied had the Insolvency Event not occurred).

## 11.4 Handling of Existing Transfer Orders

11.4.1 All Transfer Orders that were entered into the Settlement System before the occurrence of Insolvency Event are processed in accordance with the Rules.

11.4.2 If a Transfer Order for the settlement on the same day was entered into the Settlement System after the moment the Insolvency Event has occurred and is matched before SECDEX becomes aware of the Insolvency Event, it is processed in accordance with the general processing rules only on the day when the Insolvency Event occurred and, if not settled at the end of that day, is cancelled by SECDEX.

11.4.3 If a Transfer Order for the settlement was entered into the Settlement System after the moment the Insolvency Event occurred and is matched before SECDEX becomes aware of the Insolvency Event but for the settlement on the day following the day when the Insolvency Event occurred, SECDEX immediately puts the Transfer Order on hold after it has become aware of the Insolvency Event and later cancels such Transfer Order, unless the Transfer Order has been already bilaterally cancelled by the parties.

11.4.4 If a Transfer Order was entered into the Settlement System after occurrence of Insolvency Event and was not matched by the time SECDEX becomes aware of the Insolvency Event, it is immediately cancelled by SECDEX.

## 12 Appendix 3: Protection and Grievances Resolution Mechanism for Members and Clients of Members ('Clients') - (jointly referred to as Investors)

### 1 General Introduction

SECDEX Clearing Limited (SECDEX) has in place mechanisms for the protection of Clients. These include:

- A Clearing Guarantee Fund for the integrity of markets;
- An Appeal Committee, inclusive of industry practitioners, to ensure all complaints, direct or indirect have an open hearing.

#### 1.1 SECDEX Guarantee Fund

The SECDEX Guarantee Fund ensures the financial integrity of the markets in the event of a Member default. The SECDEX Guarantee Fund operates to satisfy any open contracts received into the SECDEX Clearing system. This avoids the contagion of risk from one defaulting Member to another non-defaulting Member. SECDEX guarantees that trades will be settled among Members and thereby ensures the integrity of the markets it serves.

#### 1.2 Types of Complaint

We envisage 2 types of complaints: Direct and Indirect.

- Direct Complaints are those originating from SECDEX Members. These complaints will be addressed as per the SECDEX Clearing Rule Book, Section 17.3.
- Indirect Complaints are those originating from indirect users of SECDEX services, namely Clients of Members that have accessed the services of SECDEX through the use of a SECDEX Member.

### 2 Lodging a Complaint against SECDEX or a SECDEX Member

- 2.1. One of the core objectives of SECDEX is the protection of Clients' interests. In so doing, SECDEX ensures that Clients' complaints against SECDEX or SECDEX Members are adequately addressed.
- 2.2. If a Client of Member lodges a complaint against a SECDEX Member and/or SECDEX, with supporting evidence of market misconduct or any activity which may bring the market into disrepute, SECDEX will immediately acknowledge and address such a complaint by referring it to the Appeal Committee (the "AC").
- 2.3. If the dispute involves a breach of SECDEX rules and falls within the purview of SECDEX, SECDEX will conduct an investigation of that matter.
- 2.4. If the complaint is regarding a commercial dispute between a Client of Member and a SECDEX Member, the Client of Member will first be advised to lodge a complaint promptly with the SECDEX Member. If the Client of Member fails to receive a satisfactory response, after follow-ups with the SECDEX Member, it may lodge a complaint directly with SECDEX. If the matter is purely commercial, SECDEX will not intervene in the dispute. SECDEX will then inform the Client of the relevant contact details for the SECDEX Member's regulatory authorities.
- 2.5. If the complaint originates from a source that has not used a SECDEX service, then the complaint will not be entertained.
- 2.6. When filing a complaint, the following minimum information must be submitted to SECDEX, namely:
  - a. Name, address and contact numbers of the complainant;
  - b. The name of the SECDEX Member (and where possible the individuals at the firm with whom the complainant dealt);
  - c. A description of the alleged improper conduct and the date(s) when the improper conduct took place; and
  - d. Details relating to any related transactions including, but not limited to: contract note, ledger entries relating to any transaction, bank statement(s) and any correspondence exchanged with regards to disputed matter.

### **3 Appeal Committee (the 'AC')**

- 3.1. The AC:
  - a. Meets periodically, but not less than annually, to review all complaints. This includes all complaints both direct and indirect, and against both SECDEX Members and SECDEX itself.

- b. Acts as the escalation point for any complaints which have arisen and not been resolved to the complainant's satisfaction.
- 3.2. A dedicated email (complaints.clearing@secdex.net) has been allocated for ease of lodging such complaints with SECDEX.
- 3.3. The AC shall consist of not less than 3 people as set out below:
- a. Chairman of the Group
  - b. Independent Non-Executive Director 1
  - c. Independent Non-Executive Director 2

Details of actual AC members will be included in as attachment PART A to this policy and updated as necessary.

#### **4 Complaint Handling Procedure**

- 4.1 Once a written complaint is referred to the AC, an acknowledgement email will be dispatched to the complainant within 24 hours.
- 4.2 A meeting will be convened within 10 business days by the Appeal Committee, which will endeavour to issue a determination within 30 days.
- 4.3 If the AC is unable to satisfactorily resolve a complaint within 30 days, the provisions of clause 5 below will apply.

#### **5 Applicable Law and Jurisdiction**

5.1 The governing law shall be the laws of the Seychelles and SECDEX and the Member agree to submit themselves to the jurisdiction of the Seychelles Courts, save as set in Clause 5.2 below.

5.2 In any contractual relationship, if they jointly agree, SECDEX and the Member can (a) choose to apply UK law to any dispute between them and (b) choose arbitration, as a means of dispute resolution, in any one of the jurisdictions which has signed the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958).

#### **6 Record-keeping**

A copy of all documents and materials relating to Complaints sent to SECDEX will be maintained in complaint register. SECDEX will retain such documents and materials for a minimum of 7 years.

Part A:

AC Representatives

Effective from [dd/mmm/yyyy]

Chairman of the Group	tba
Independent Non-Executive Director 1	tba
Independent Non-Executive Director 2	tba