Clearing and Settlement

The Securities Depository Center (SDC) implements settlement on "Delivery Versus Payment" DVP basis where trading contracts are settled electronically on T+2. The SDC assumes the role of a clearing house as part of implementing automated settlement.

The transfer of ownership of deposited securities from the Seller's account to the Buyer's account is conducted via Book Entry as a result of the daily trading files submitted by the Amman Stock Exchange to the SDC. Securities remain suspended in the Buyer's account until the completion of the settlement process and full payment for their value. No transfer or pledge activity is permitted during this period.

Trading contracts have a status of accepted or suspended. The trading contract will be suspended if the number of securities registered in the Seller's account maintained by the broker is insufficient to execute the sale or the sold securities are subject to any ownership restriction. The broker is informed of suspended trading contracts and is required to correct the reasons for the suspension by T+1. The SDC suspends the amount that represents the value of suspended trading contracts until the broker corrects the reasons for the suspension. In cases where the Seller's Broker does not correct the reason for the suspension, the SDC will take appropriate measures to rectify the default and will initiate the buy-in procedures.

The SDC undertakes the clearing process to calculate the broker's Net to Pay or Net to Receive in accordance with all the trading contracts executed by subtracting the total value of the broker's purchases of securities for the trading day from its total sales for that trading day. The amount that the broker must pay is divided into:

- Liquidity Reserve Amount which has to be paid by 9:00AM on T+1 to the SDC's Liquidity Reserve Account.
- Settlement amount to be paid by the broker by 9:00AM on T+2 which represents the difference between the Net to Pay amount and the Liquidity Reserve Amount.

If the broker does not pay the Liquidity Reserve Amount or the settlement amount within the specified timeframe, then the broker is considered in breach of its obligations and the SDC accordingly takes all the necessary measures to effect the financial settlement through the Settlement Guarantee Fund.

Financial settlements are conducted between brokers, through the SDC, via money transfers from the brokers accounts to the SDC Settlement Account at the Central Bank of Jordan which was adopted as the Settlement Bank. Subsequent to money transfers credited to the SDC Settlement Account, the SDC will transfer these amounts to the brokers which are Net to Receive and the SDC will transfer the ownership of the securities concerned from the Seller's account maintained by his

broker to the Buyer's accounts maintained by his broker.
The Settlement Guarantee Fund was established under the jurisdiction of the SDC to cover the buying member's cash default and the selling member's securities default in addition; buy-in and sell out procedures have been established to minimize settlement risk. Lending and borrowing arrangement will be implemented in the future.

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