

## **Bylaws of the Securities Clearing Center Company (Muqassa)**

### **Article 1: Incorporation**

In accordance with provisions of the Companies Law and the regulations thereto and this Bylaws of a single-person Saudi joint stock company wholly owned by the Saudi Tadawul Group Holding Company shall be established as follows:

### **Article 2: Company Name**

Securities Clearing Center Company (a single person closed joint stock company).

### **Article 3: Company Purpose**

The purposes of the company include clearing Saudi securities. It may engage in any other activity related thereto in accordance with the Capital Market Law and to achieve its objectives stated therein.

### **Article 4: Participation and Ownership in Companies**

The company may own stocks and shares in other existing companies or merge therewith. The company has the right to participate with others in establishing joint-stock or limited liability companies after fulfilling the requirements of the regulations and instructions followed in such regard. The company may also dispose of this stocks or shares, provided that it shall not include broker in such stocks or shares trading.

### **Article 5: The Company's Head Office**

The company's head office is located in the city of Riyadh in the Kingdom of Saudi Arabia. It may establish branches, offices or deputies inside or outside the Kingdom of Saudi Arabia upon a resolution from the company's board of directors.

### **Article 6: Term of the Company**

The company's term is (ninety-nine) Hijri years starting as of the date of its registration in the commercial register. This period may always be extended for a similar period or periods upon the decision of the owner of the capital at least one year prior to its expiry.

### **Article 7: Capital**

The company's capital was set at (600,000,000) six hundred million Saudi riyals, divided into (60,000,000) sixty million nominal stocks of equal value, the value of each shall be (10) ten Saudi riyals, all of which are common stocks.

### **Article 8: Subscription to stocks**

The owner subscribed to the entire capital shares amounting to (600,000,000) six hundred million Saudi riyals. The value of (600,000,000) six hundred million Saudi riyals of which was paid.

### **Article 9: Sale of Stocks**

The owner of the capital shall not sell part or all his stocks, except upon issuing financial statements for two financial years, each of which is not less than twelve months from the date of the company's association. The owner is also obligated to inform the Ministry of his intention to sell.

**Article 10: Capital Increase**

The owner of the capital may decide to increase the company's capital provided that the capital has been paid in full. It shall not require that the capital has been paid in full if the unpaid part of the capital is related to stocks issued in exchange for converting debt instruments or financing instruments into stocks, as long as the specified period for converting them into stocks is not expired.

**Article 11: Capital Reduce**

The owner of the capital may decide to reduce the capital if it exceeds the company's needs or it suffers losses. In the latter case only, the capital may be reduced below the limit stipulated in Article (Fifty-Four) of the Companies Law. The reduction decision shall not be issued except upon reciting a special report prepared by the auditor on the reasons necessitating thereof, the obligations of the company, and the effect of the reduction on such obligations.

If the capital reduction is a result of exceeding the company's needs, the creditors shall be invited to express their objections thereon within sixty days from the date of publishing the reduction decision in a daily newspaper distributed in the region in which the company's head office is allocated.

If one of the creditors objects and submits his documents to the company on the aforementioned date, the company shall pay him his debt if it falls due, or provide him with sufficient guarantee to satisfy their debt when it falls due in the future.

**Article 12: Company Management**

The company shall be managed by a board of directors consisting of seven members elected by the shareholders' ordinary general assembly - upon obtaining the approval of the Board of the Capital Market Authority - for a period not exceeding three years.

**Article 13: Expiry of Board Membership**

Board membership shall expire at the end of its term or at the expiration of the member's authority according to any law or instruction enforced in the Kingdom. However, the owner of the capital may at any time dismiss all or some of the members of the Board of Directors, without prejudice to the right of the dismissed member towards the company to demand compensation if such dismissal occurred for an unacceptable reason or at an inappropriate time. A member of the Board of Directors may retire, provided that it shall be done at an appropriate time, otherwise he shall be liable to the company for any damages resulting from his retirement.

**Article 14: Vacant Position in the Board**

If the position of a member of the Board of Directors becomes vacant, the owner of the capital may appoint a member to the vacant position, provided that he is one of those who possess experience and competence. The Ministry shall be notified thereof within five working days from the date of appointment. The new member shall complete the term of his predecessor. If the necessary conditions are not met for a Board of Directors to convene due to the number of its members is less than the minimum number stipulated in the Companies Law or this Bylaws, the owner of the capital shall, within sixty days, appoint the necessary number of members.

**Article 15: Authorities of the Board**

Subject to the authority assigned to the General Assembly, the Board of Directors shall have the broadest authorities to manage the company in order to achieve its purposes, and to supervise its affairs. In order to carry out its duties, the Board shall have the right to exercise all authorities to carry out all actions and procedures that company has the right to perform under this Bylaws, the articles of incorporation, or otherwise, except for acts or procedures that are excluded by a special provision that fall within the jurisdiction of the General Assembly. The Board of Directors has the authority to establish subsidiary companies, purchase, rent and lease lands and real estate, buy, sell, mortgage and release the mortgage of assets and movables in favor of the company and on its behalf, along with sign ownership instruments and contracts related thereto, and to receive and pay the price according to the interest of the company. The Board shall have the authority to appoint and dismiss employees and workers, determine their wages, request and issue visas, residency permits, and work permits, recruit employees and workers, transfer their services, and issue financial and administrative regulations, and all required regulations for the company's operation. The Board shall have the authority to sign all types of contracts, instruments and documents, including - but not limited to - article of incorporation for companies in which the company participates therein along with all the amendments, appendices and amended resolutions thereto, sign agreements and contracts, in addition to the authority to sell, buy and mortgage real estate, transfer of title and accept thereof, receive and deliver thereto, rent and provide for renting, receive and pay, open bank accounts inside and outside the Kingdom, open and settle letter of credits, withdrawing and depositing from the company's accounts at banks, issuing bank guaranties of all kinds, sign all papers, documents, checks and all banking transactions. The Board shall have the authority to conclude commitments, loans, or financial facilities, whatever their duration. The Board of Directors has the right, in cases it deems appropriate, to discharge the company's debtors.

The Board of Directors has the right - within the limits of its authority - to authorize one or more of its members or a third party to undertake a specific work or tasks. However, the Board of Directors has no right to donate any of the company's funds except within the limits stipulated in the laws and regulations enforce in the Kingdom.

**Article 16: Remuneration for Board Members**

The remuneration of a member of the Board of Directors and all the benefits that he obtains - if any - shall be as approved by the Ordinary General Assembly in accordance with the official decisions and instructions issued in this regard, within the limits of what is stipulated in the Companies Law and the regulations thereto. The Board of Directors' report to the General Assembly shall include a comprehensive statement of all that the members of the Board of Directors received during the fiscal year in terms of remunerations, allowances, and other benefits. It shall also include a statement of what members of the Board of Directors received in their capacity as employees or administrators, or what they received in return for technical, administrative, or consulting work. It shall also include a statement of the number meetings of the Board

and the number of meetings attended by each member as of the date of the last General Assembly meeting.

**Article 17: The Authority of Chairperson, Vice Chairperson, Managing Director and Secretary**

The Board of Directors shall appoint from among its members a Chairperson and Vice Chairperson and may appoint a Managing Director. The position of Chairperson of the Board of Directors may not be combined with any executive position in the company.

The Chairperson of the Board has the right to invite the Board to convene. He shall chair the meetings of the Board of Directors as well as the meetings of the general assemblies and represents the company in its relations with third party, the judiciary, government entities, the notary public, the courts, the Committee for Resolution of Securities Disputes, dispute resolution committees of various types, arbitration, civil rights entities, police departments, chambers of commerce and industry, private entities, companies and institutions of all kinds, individuals and companies, all governmental and private financing funds and institutions, Saudi and non-Saudi banks and financial houses. To issue legal powers of attorneys, appointing and dismissing attorneys and lawyers, pleading, defending, disputes, reconciliation, approval, arbitration, accepting and objecting to judgments on behalf of the company. Sign all types of contracts and documents, including, but not limited to, article of incorporation for companies that the company establishes or participates in establishing, along with all the amendments and appendices thereto. Sign agreements, instruments, the transfer of ownership before notaries and official authorities, loan agreements with government financing funds and institutions, banks, licensed persons, brokerage companies, financial houses, guaranties, bonds, and mortgages and release thereof, collecting the company's dues, paying its obligations, selling, buying, transferring titles and accepting thereof, receiving, delivering, renting, leasing, collecting, paying, entering into tenders, opening bank and investment accounts, letter of credits, withdrawal and deposit with banks, issuing bonds, checks, all commercial papers, appointing employees, contracting with them, determining their salaries, dismissing them from service, requesting visas, and bringing employees and workers from abroad, obtaining residence permits and work permits, transferring and waiving sponsorships. The Chairperson shall carry out all other tasks entrusted to him by the Board and this bylaws. The Chairperson of the Board has the right to appoint or delegate others to carry out a certain work or tasks within his authority, and the appointer or delegator has the right to authorize or empower others to carry out this tasks.

The Board of Directors shall appoint a secretary who is chosen from among its members or from others. He shall be responsible for recording the Board's deliberations and decisions, whereby the remuneration thereof shall be determined by a decision of the Board of Directors. The term of the Chairperson of the Board, his Vice, and the Secretary shall not exceed the term of each of them in the Board. They may be re-elected and the Board may dismiss all or any of them at any time, without prejudice to the right of the

dismissed person to compensation if such dismissal occurred for an unacceptable reason or at an inappropriate time.

**Article 18: Board Meetings**

The Board of Directors shall meet periodically according to what the Board deems appropriate, provided that such meetings are not less than four meetings per year upon the invitation of its Chairperson. The Chairperson of the Board shall call the Board to a meeting whenever two members request thereof.

**Article 19: Quorum for the Board meeting**

The Board meeting shall not be valid unless attended by at least half of the members, provided that the number attending are not less than three members. A member of the Board of Directors may delegate other members to attend Board meetings on his behalf according to what the Board determines.

The Board's resolutions shall be issued by a majority vote of the members present or represented therein. If votes are equal, the side with which the Chairperson of the meeting voted shall prevail. In urgent matters, the Board of Directors may issue resolutions by circulation by presenting them to members individually, unless one of the members requests the Board - in writing - to meet to discuss these resolutions. These resolutions are issued once adopted by the approval of the majority of Board members and are presented to the Board at its first subsequent meeting.

**Article 20: Board's Deliberations**

The deliberations and decisions of the Board of Directors shall be recorded in minutes signed by the Chairperson of the Board, the present members of the Board of Directors, and the Secretary. These minutes are recorded in a special register signed by the Chairperson of the Board of Directors and the Secretary.

**Article 21: Attending Assemblies**

The owner subscriber has the right to attend the constituent assembly, and he has the right to delegate another person on his behalf. He shall also have the right to attend the general assemblies. He shall have the right to delegate another person on his behalf, who is not a member of the board of directors or employees of the company, to attend the general assembly.

**Article 22: Incorporation Assembly**

The Incorporation assembly shall be held within forty-five days from the date of the Ministry's decision authorizing the establishment of the company. The presence of the owner or his representative is required for the validity of the meeting.

**Article 23: Competence of the Incorporation Assembly**

The incorporation assembly shall be concerned with the matters stipulated in Article (Sixty-Three) of the Companies Law.

**Article 24: Competence of the Ordinary General Assembly**

Excluding matters within the authority of the Extraordinary General Assembly, the Ordinary General Assembly shall have power over all matters related to the company. It shall be held at least once a year during the six months following the end of the

company's fiscal year. Other ordinary general assemblies may be called whenever the need arises.

**Article 25: Competence of the Extraordinary General Assembly**

The Extraordinary General Assembly has the authority to amend the company's bylaws, with the exception of matters prohibited from being amended by law. It may issue decisions on matters that originally fall within the jurisdiction of the Ordinary General Assembly, under the same terms and conditions established for the Ordinary General Assembly.

**Article 26: Invitation for Assemblies**

General assemblies shall be held upon the invitation of the Board of Directors. The Board of Directors shall invite the ordinary general assembly to convene if the auditor or the audit committee so requests. The auditor may invite the assembly to convene if the Board does not invite the assembly within thirty days from the date of the auditor's request. The invitation to convene the assembly shall be published in a daily newspaper distributed in the region where the company's head office is allocated, at least twenty-one days prior to the date specified for the meeting.

However, it is permissible to suffice with sending the invitation within the aforementioned time to all shareholders by registered letters. The invitation shall include the agenda, and a copy of the invitation and agenda shall be sent to the Ministry of Commerce within the period specified for publication.

**Article 27: Assemblies Attendance Register**

The owner or his representative shall be registered in the general assembly's attendance list at the company's main office.

**Article 28: Quorum for the Ordinary General Assembly Meeting**

The Ordinary General Assembly meeting shall not be valid unless the owner or his representative is present. In his absence, a second meeting shall be called within thirty days following the previous meeting.

**Article 29: Quorum for the Extraordinary General Assembly Meeting**

The extraordinary general assembly meeting shall not be valid unless the owner or his representative is present. In his absence, a second meeting shall be called within thirty days following the previous meeting.

**Article 30: Discussion in Assemblies**

The owner or his representative has the right to discuss the topics included in the assembly meeting agenda and direct questions in such regards to the members of the Board of Directors and the auditor. The Board of Directors or the auditor shall answer the questions to the extent that does not expose the company's interest for damage.

**Article 31: Chairing the Assembly and Preparation of Minutes**

General assembly meetings shall be chaired by the Chairperson of the Board of Directors or his Vice Chairperson in his absence, or whomever the Board of Directors delegates from among its members for that purpose in the absence of the Chairperson of the Board of Directors and his Vice. Minutes shall be drawn up at the assembly meeting that includes the names of the attendees, the decisions that were taken, and a comprehensive

summary of the discussions that took place at the meeting. The minutes are recorded on a regular basis after each meeting in a special register signed by the assembly's Chairperson and secretary.

**Article 32: Forming of the Committee**

An audit committee shall be formed upon a decision of the owner of capital. Its members shall not be less than three members and no more than five members who are not members of the Executive Board of Directors. The decision shall specify the tasks of the committee, the controls of its work, and the remuneration of the members thereof.

**Article 33: Quorum for the Committee Meeting**

For a meeting of the Audit Committee to be valid, the majority of its members must be present, and its decisions shall be issued upon the majority of the votes of those present. If votes are equal, the side with the Chairperson of the Committee voted shall prevail.

**Article 34: Competence of the Committee**

The Audit Committee shall be responsible for monitoring the company's operations. For this purpose, it shall have the right to review its records, documents, and request any clarification or statement from members of the Board of Directors or the Executive Management. It may ask the Board of Directors to invite the company's General Assembly to convene if the Board of Directors obstructs its work or the company is subject to gross damage or loss.

**Article 35: Committee Reports**

The Audit Committee shall review the company's financial statements, reports and notes submitted by the auditor, and express its views thereon, if any. It shall also prepare a report on its opinion regarding the adequacy of the company's internal control system and the other work it has undertaken that falls within the scope of its competence, and the Board of Directors before 21 days of holding the General Assembly, provide the owner of the capital with a copy thereof. The report shall be read out during the Assembly.

**Article 36: Appointing an Auditor**

The company shall have an auditor (or more) from the auditors licensed to work in the Kingdom. The Ordinary General Assembly shall appoint him annually, and determines his remuneration and the term of his work. The Assembly may also change him at any time without prejudice to his right to compensation if the change occurs at an inappropriate time, or for an unacceptable reason.

**Article 37: Authority of the Auditor**

The auditor may at any time review the company records and books and other documents. He may also request info and disclosures that he may deems necessary to obtain to validate the company assets and liabilities and other matters that falls within the scope of his work, whereby, the Chairperson shall enable him to perform his work. If, coincidentally, the auditor has difficulty in this regard, he demonstrated this in a report submitted to the Board of Directors. If the Board does not facilitate the work of the

auditor, he must ask the Board of Directors to invite the Ordinary General Assembly to consider the matter.

**Article 38: Fiscal Year**

The company's fiscal year shall begin on the first of January and ends at the end of December of each year, provided that the first fiscal year begins as of the date of its registration in the commercial register until the end of December of the following year.

**Article 39: Financial Documents**

1. The Board of Directors shall, at the end of each fiscal year of the company, prepare the company's financial statements, a report on its activity, and financial position for the past fiscal year. This report includes the proposed method for dividends. The Board places these documents at the disposal of the auditor forty-five days before the date set for the General Assembly to be held at least.
2. The Company's Chairperson of Board of Directors, Chief Executive Officer, and Chief Financial Officer must signs the documents referred to in Paragraph (1) of this Article, and copies thereof shall be deposited at the Company's head office at the disposal of the owner of the capital at least twenty-one days before the date set for the General Assembly to be held.

The Chairperson of the Board of Directors shall provide shareholders with the company's financial statements, the Board of Directors' report, and the auditor's report. He shall also send a copy of these documents to the Ministry at least fifteen days before the date of the General Assembly.

**Article 40: Distribution of Dividends**

The company's annual net profits are distributed - after deducting all general expenses and other costs - as follows:

1. (10%) of the net profits shall be retain to form the company's legal reserve. The Ordinary General Assembly may decide to stop such retain when the aforementioned reserve reaches (30%) of the paid-up capital.
2. The Ordinary General Assembly may decide to form other reserves to the extent that serves the interest of the company or ensures the distribution of fixed profits as much as possible to shareholders. The aforementioned assembly may also deduct amounts from the net profits to establish social institutions for the company's employees or to aid existing thereof.

From the remainder, a percentage of the company's paid-up capital will then be distributed to the owner in accordance with what the Ordinary General Assembly decides.

**Article 41: Entitlement to Profits**

The owner of the capital is entitled to his share in the profits according to the decision issued in this regard. The decision shall indicate the due date and the distribution date.

**Article 42: Company Losses**



1. If the losses of the joint-stock company reach half of the paid-up capital, at any time during the fiscal year, any company's officer or auditor shall immediately inform the Chairperson of the Board of Directors thereof. The Chairperson of the Board of Directors shall immediately inform the members of the Board. The Board of Directors shall within fifteen days of becoming aware of such, invite the owner of the capital to decide within forty-five days as of the date of becoming aware of the losses, either to increase or decrease the company's capital in accordance with the provisions of the Companies Law, to the extent that the percentage of losses decreases to less than half of the paid-up capital, or to dissolve the company before the deadline specified in this bylaws.
2. The company shall be deemed dissolved according to the Companies Law if the owner of the capital does not take a decision within the period specified in Paragraph (1) of this Article.

**Article 43: Liability Lawsuits**

The owner of the capital may file a lawsuit against the members of the Board of Directors for the liability prescribed for the company if the error committed by them resulted in particular damage thereto. The owner of the capital may not file the aforementioned lawsuit unless the company's right to file thereof still valid. The owner of the capital shall inform the company of his intention to file a lawsuit.

**Article 44: End of the Company**

Upon the end of the company, it shall enter the phase of liquidation. It shall maintain its legal personality to the extent necessary for liquidation. The voluntary liquidation decision is issued by the owner of the capital. The liquidation decision shall include the appointment of the liquidator, determine his powers and fees, the restrictions imposed on his powers, and the necessary period for liquidation. The period of voluntary liquidation shall not exceed five years and may only be extended further upon a judicial order. The authority of the company's board of directors shall end upon its dissolution. However, the members of the board of directors shall remain in charge of managing the company and are considered as liquidators in regards to others until the liquidator is appointed. The owner of the capital shall retain his competency during the liquidation that do not conflict with the competency of the liquidator.

**Article 45**

The Companies Law and its regulations shall apply to whatever not stipulated in this bylaws.

**Article 46**

This Bylaw shall be filed and published in accordance with the provisions of the Companies Law and the regulations thereto.