



BOTSWANA STOCK EXCHANGE

PUBLIC NOTICE

INVITATION FOR COMMENTS – PROPOSED AMENDMENTS TO THE BSE AUTOMATED TRADING SYSTEM (ATS) EQUITY TRADING RULES AND RULES REGULATING MARKET MAKERS

27 April 2022: Botswana Stock Exchange Limited (BSE) has seen it necessary to make amendments to the BSE ATS Equity Trading Rules (<https://www.bse.co.bw/wp-content/uploads/2020/09/BSE-ATS-Equity-Trading-Rules-Version-2-NBFIRA-Approved-180320.pdf>) and the Rules Regulating Market Makers (<https://www.bse.co.bw/wp-content/uploads/2020/09/Rules-Regulating-Market-Makers-Version-2-NBFIRA-Approved-180917.pdf>) as detailed in **Annexure 1** below.

Market participants and the public are invited to access the aforementioned rules and submit written comments, suggestions and feedback on the proposed amendments to the BSE at the email address below on or before **Wednesday 18 May 2022**.

All communication must be emailed to listings@bse.co.bw.

For More Information, Contact Listings and Trading Department T +267 367 4400

A. PROPOSED AMENDMENTS TO THE BSE AUTOMATED TRADING SYSTEM EQUITY TRADING RULES (THE RULES) TO ALLOW FOR EFFICIENT AND TIMEOUS OPERATION OF THE MARKET.

Background

1. The BSE has reviewed the Automated Trading System (ATS or the System) Rules for Equity Securities (the Rules) in order to amend certain clause relating to daily operational matters of the ATS
2. The clauses of concern deal with the Trading and System Operation Sessions and times and in line with the Bond Trading Rules which were approved by NBFIRA in 2021, we are updating the Rules accordingly.
3. The amendment is necessary to allow efficient and timeous operation of the Market.
4. The proposed amendments to Sections 1.2 and 1.4 (c) of the BSE ATS Equity Trading Rules on Trading and System Operations Sessions are summarised in the table below.

The Rules Ref.	Proposed Amendment. (New wording in italics, bold and underlined)
<p>1.2</p>	<ul style="list-style-type: none"> • Deletion of first paragraph of Section 1.2 and Trading and System Operation Sessions Table • Deletion of reference to the Table in the Second paragraph of Section 1.2 so that it reads as follows <p>The trading sessions consist of auctions and continuous trading sessions. The purpose of having both auctions and continuous trading sessions is to cater to the different trading requirements and strategies of stockbrokers and investors in order to improve liquidity.</p> <p>The BSE may at any time, as it deems fit <u>add or remove the trading sessions</u>, the time for a session or the sequence of the sessions.</p> <p>N.B. the remainder of the subsections 1.2.1 to 1.2.6 remain unchanged.</p>
<p>1.4 (c)</p>	<ul style="list-style-type: none"> • Deletion of first sentence of Section 1.4(c) thus removing operating hours of the ATS from the Rules. The section shall now read as follows: <p><u>The operating hours may be changed by the BSE at its discretion if market conditions or a technical issue in the ATS so warrants.</u></p>

B. PROPOSED AMENDMENTS TO THE BSE RULES REGULATING MARKET MAKERS (THE MARKET MAKING RULES) TO REMOVE THE REQUIREMENTS FOR MMS TO BE BOTSWANA REGISTERED COMPANIES ONLY, AND TO REMOVE REQUIREMENTS FOR MMS TO BE CSDB PARTICIPANTS.

Background

1. The BSE has put in place the Rules Regulating Market Makers (RRMM or the Rules) in order to regulate Market Makers whose purpose on the BSE is to provide liquidity in listed securities by submitting both bids and offers for a designated security during the designated Market Making sessions.
2. As the BSE commenced the implementation of a Market Making system following the approval of the Rules by NBFIRA, it was found that the Market was slow in responding to the innovation and as a result, the BSE has seen it fit to propose to the Board, the introduction of a Fee Incentive Programme (FIP) for the benefit of MMs who meet the minimum obligations of the Market Making Agreement (MMA) entered into with the BSE.
3. The FIP as described in the Market Making Guidelines and FIP Manual shall enable the CEO to decide, based on performance parameters set in the MMA, to award the MM up to 100% waiver of BSE Transaction Fees.
4. Further, and based on the realisation that there may not be a deep enough capital market locally to entice many local companies to enter the Market Making business activity, the BSE found it fit to amend certain clauses of the Rules Regulating Market Makers on the BSE to remove the requirement for MMs to be Botswana registered companies only,
5. The amendment is also aimed at removing a clause which requires that the MMs must be admitted to be CSDB participants. This is not necessary since not all MMs have to directly execute and settle their transactions, but may also choose to execute through Members of the BSE, as it's currently the case with ETF MMs.
6. The proposed amendments to Sections 3.1 and 3.5 of the RRMM are summarised in the table below.

The Rules Ref.	Proposed Amendment. (New wording in italics, bold and underlined.)
3.1	<ul style="list-style-type: none"> Make amendments to Section 3.1 of the RRMM to remove the requirement for MMs to be Botswana registered companies only, so that it reads as follows <u>Any entity incorporated and registered as a company under the Companies Act or a foreign company registered under the laws of its jurisdiction</u> company registered in Botswana may apply to the BSE to be registered as a Market Maker for any designated security...
3.5	<ul style="list-style-type: none"> Deletion of Section 3.5 of the RRMM which requires that the MMs must be admitted to be CSDB participants. “3.5 A market maker must also apply and be admitted to be a CSDB participant and comply with CSDB Rules for transactions entered into as a result of their market making role.”