

INTRODUCTION OF THE SETTLEMENT GUARANTEE FUND

FOR IMMEDIATE RELEASE ON 17 MAY 2021: The public is hereby informed that Botswana Stock Exchange Limited, through its subsidiary, the Central Securities Depository Company of Botswana (CSDB), is in the process of introducing a Settlement Guarantee Fund (SGF) in terms of the Settlement Guarantee Fund Rules (the Rules). The Rules have been approved by the Non-Bank Financial Institutions Regulatory Authority.

SGF is a fund maintained by an exchange or a depository that will be used to settle any settlement defaults in the market.

The SGF process will operate like a self-insurance mechanism where participants themselves contribute to the fund.

The primary objective of the SGF is to guarantee the settlement of trades executed on the exchange trading platform thus reducing and/or eliminating counterparty risk.

In the event of a settlement participant failing to honor their obligations, the SGF will be used to fund the obligations and complete settlement without affecting the normal settlement process.

All settlement participants will be required to contribute to the SGF in the form of cash and/or securities from amongst a list of eligible securities as advised by the CSDB Board from time to time

The SGF is beneficial for the following main reasons:

- a. It provides confidence that settlement shall take place on time and completed irrespective of default by some members;
- b. It ensures stability and control of the market.

An implementation date of the SGF will be communicated in due course.

The Rules may be accessed on our website www.bse.co.bw

Should you require any further clarity please contact the Clearing and Settlement Department at csd@bse.co.bw or 3674400