



BOTSWANA STOCK EXCHANGE LIMITED MEMBERS RULES

(Version 1 – Approved by the Non-Bank Financial Institutions Regulatory Authority on 18th March 2021)

Document Name	Version	Revision Date
Botswana Stock Exchange Limited Members Rules	1	

Contact Information

Physical Address:

Plot 70667, Fairgrounds, Gaborone, Botswana

Postal Address:

Private Bag 00417

Gaborone, Botswana

Tel: +267 367 4400

Fax: +267 318 0175

Email: corporate@bse.co.bw

Contents

Chapter 1: Definitions	5
Chapter 2: General Provisions	13
Scope of Chapter	13
2.10 Powers exercisable by the Board	14
2.20. Admissions and Disciplinary Committee	14
2.30 Rules	15
2.40 Transactions subject to provisions of the Act and the rules	15
2.50 Interpretation of the rules	15
2.60 Proposals for amendment of the rules	15
2.70 BSE not responsible for any losses	16
2.80. Indemnification	16
2.90 Central Securities Depository Company of Botswana	17
2.100 Imposition of levies	17
2.110. Publication of data	17
2.120. Notice to members by the BSE	17
2.130. Fees, levies, charges, penalties and subscriptions	17
CHAPTER 3: Authorizations and approvals	18
Scope of Chapter	18
3.10. Authorisation by the BSE	19
3.20. Membership requirements	19
3.30. Specific conditions of membership	20
3.40. Special membership Requirements	21
3.50. Application process	21
3.60. Changes in control of a member	22
3.70. Voluntary termination of membership	22
3.80. Involuntary termination of membership	22
3.90. Provisional termination of membership	23
3.100. Members' duty to furnish information	23
3.110 Name of a member	24
3120. Association with other parties	24
Chapter 4: Management and control	25
Scope of Chapter	25
4.10 Fit and proper requirements	26
4.20. Consent required for employment of certain persons	27
4.30. Compliance officers	27
4.40. Settlement officers	28
4.50. Control of offices	28
4.60. Internal control and risk management	29
Chapter 5: BSE Automated Trading System	31
Scope of Chapter	31
5.10. Use of the BSE Automated Trading System	32
5.20. Trading times	33
Chapter 6: Market conduct	34
Scope of Chapter	34

6.10.	Prevention and detection of market abuse	35
Chapter 7: Conduct of business		36
Scope of Chapter		36
7.10.	General standards of conduct	37
7.20.	Marketing and advertising	39
7.30.	Unsolicited calls	41
7.40.	Personal account trading	41
7.50.	Inducements	42
7.60.	Client acceptance and maintenance procedures	42
7.70.	Transactions	43
7.80.	Best execution	44
7.90.	Members' commissions and fees	44
7.100.	Contract notes	44
7.110.	Management of corporate actions	46
7.120.	Client statements	46
CHAPTER 8: Client assets		48
Scope of Chapter		48
8.10	Separation of client assets	49
8.20	Borrowing or lending of client assets	49
Chapter 9: Complaints and disputes		50
Scope of Chapter		50
9.10.	Client complaints	51
9.20.	Internal complaint handling procedures	51
9.30.	Timeous response to complaints	52
9.40.	Redress	52
9.50.	Recording of complaints	52
9.60.	Unresolved client complaints	52
9.70.	Applicability of dispute resolution rules	53
9.80.	Reporting of a dispute	53
9.90.	Declaration of a dispute	53
9.100.	Limitation of liability	54
9.110.	Member complaints against the BSE	54
Chapter 10: Supervision and enforcement		55
Scope of Chapter		55
10.10.	Surveillance and investigation by the BSE	56
10.20.	Reporting and assistance by the BSE	57
10.30.	Use of information obtained by the BSE and referral to another authority	57
10.40.	Improper conduct	57
10.50.	Disciplinary procedures	58
10.60.	Procedure and evidence – Disciplinary Matters	59
10.70.	Disciplinary matters – Penalties	60
10.80.	Involuntary termination of membership – Supervision and control	62
10.90.	BSE's powers of publication	63
Chapter 11: Default		64
Scope of Chapter		64
11.10.	Default of a member	65
11.20.	Consequences of default	65
11.30.	Settlement of open transactions in securities	66
11.40.	Return of client assets	67

11.50. Recovery of losses or costs by the BSE68

CHAPTER

1

Chapter 1: Definitions

- 1.10 Unless inconsistent with the context, the singular shall include the plural.
- 1.20. The words defined in the Act bear the same meaning in these Rules.
- 1.30. Chapter headings and sub-headings shall not be taken into account in the interpretation of any of the rules.
- 1.40. In the rules –

“Act”	means the Securities Act No. 26 of 2014;
“Admissions and Disciplinary Committee”	means the committee appointed in terms of the BSE Constitution;
“agency office”	means an office which does not undertake any of the functions of a branch office but is set up to perform only certain specific functions as approved by the BSE;
“alternate settlement officer”	means an employee of a member appointed by such a member, fulfilling the function of the settlement officer in the settlement officer’s absence;
“authorised user”	means any licensed market participant;
“beneficial owner”	<p>means, in respect of securities, the person in whom the benefits of the bundle of rights attaching to securities vest, which is typically evidenced by one or more of the following –</p> <ul style="list-style-type: none"> i) the right or entitlement to receive any dividend or interest payable in respect of those securities; ii) right to exercise or cause to be exercised in the ordinary course of events, any or all of the voting, conversion, redemption or other rights attached to those securities; iii) the right to dispose or direct the disposition of those securities, or any part of a distribution in respect of those securities, and to have the benefit of the proceeds; and iv) whose securities are held in the name of a registered owner acting as a nominee for that person;
“branch office”	means an office of a member, other than its primary or head office, which can perform trading services and investment services;
“BSE”	means BSE Limited, a company duly registered and incorporated with limited liability under the company laws of the Republic, licensed to operate an exchange under the Act;

“BSE Automated Trading System”	means the computer system or systems and associated network or networks operated or used by the BSE for the purpose of providing a market for the trading of securities;
“BSE Management”	means the Chief Executive Officer and such other officials of the BSE as the Chief Executive Officer and Chairperson of the Board may from time to time designate;
“BSE X-News”	means the news Acronym for Exchange News Service, the BSE regulatory news distribution service. (This is what it says in the Equity Rules)
“BSE listed securities”	means those listed securities included in the list of securities kept by the BSE;
“BSE settlement system”	means the computer system or systems and associated network or networks operated or used by the BSE for the purpose of settling transactions in securities;
“BSE year”	means the financial year of the BSE which shall end on the last day in December in each year or such other date as the BSE may determine;
“central securities depository”	has the same meaning as that contained in the Act;
“Chairperson”	means the person appointed by the Board as the Chairperson of the Board;
“Chief Executive Officer”	means the person appointed by the Board as the Chief Executive Officer of the BSE;
“client”	means any person to whom a member provides securities services in terms of the rules, and includes a person that acts as an agent for another person in relation to those services in which case it will include the agent or exclude the other person if the contractual arrangement between the parties indicates this to be the intention;
“client assets”	means BSE authorised investments safeguarded by a member on behalf of clients;

“Companies Act”	means the Companies Act of Botswana
“compliance officer”	means the person appointed by a member in terms of the rules to assist the board of directors of the member in ensuring compliance by the member with the Securities Act, the rules and the directives;
“contract note”	means, in respect of trades executed on the BSE Automated Trading System by a member on any particular day – on behalf of a client, a confirmation from the member to the client in respect of such trades; and on behalf of a member’s house account, the aggregate trades executed on such account;
“controlled client”	means a client or an account holder on whose behalf a client is acting;
“controlled client account”	means an account reflecting the securities of a controlled client;
“controlling body”	means the board of directors of the BSE which is the governing body managing the affairs of the BSE;
“corporate action”	means an action taken by an issuer or any other entity or third party, which affects the registered owner and the beneficial owner of securities in terms of an entitlement;
“CSDP”	means a central securities depository participant that has been accepted by the CSDB as a participant in that respect;
“CSDB”	means Central Securities Depository Company of Botswana Limited, a public company licensed as a central securities depository in terms of the Act;
“custody services”	means the services provided by a custody services provider on behalf of its clients or another member and that member’s clients, in relation to the exercising of control over uncertificated securities and funds intended for the purchase of securities, held by a member on behalf of controlled clients
“custody services provider”	means a member which has been authorised by the regulator to perform custody services in terms of the rules;

“dematerialisation”	means the process of converting a certificated equity security into an uncertificated equity security;
“employee”	means an individual engaged by a member whose function relates to the provision of regulated services;
“Exco”	means the members of Management of the BSE as convened by the CEO;
“failed trade”	means a transaction in securities which the CSDB deems to be a failed trade on the basis that neither the client, the member nor the CSDB is able to ensure that such transaction will settle on the settlement date or any revised settlement date;
“Financial Intelligence Act”	means the Financial Intelligence Act,2019;
“house account”	means a CSDB account reflecting the securities of a member;
“investment business”	shall be defined to include services in securities exchange, securities dealer, asset management, investment advisor, credit finance, custodian services, factoring, pension fund administrators and pension scheme management;
“investment services”	means the services provided by an investment services provider to its clients, and includes: <ul style="list-style-type: none"> i) exercising discretion in the management of BSE authorised investments on behalf of clients; and ii) providing advice to a client in respect of BSE authorised investments;
“investment services provider”	means a member which has been authorised by the BSE to perform investment services in terms of the rules;
“ISP”	means an investment services provider;
“member”	means an entity, which is a category of authorised user admitted to membership of the BSE under these rules;

“member trading application”	means any system, software or program operated by a member which submits data to and receives data from the BSE Automated Trading System;
“non-controlled client”	means a client or an account holder on whose behalf a client is acting, who has appointed his own CSDP to settle transactions in securities on his behalf;
“off book trade”	means a transaction in securities negotiated off the central order book and submitted by a member to the BSE Automated Trading System and excludes off-market trades;
“officer”	in relation to a member, includes any director, compliance officer, settlement officer or alternate settlement officer thereof or any other officer;
“order”	means an instruction from a client to buy or sell securities or an instruction to amend or cancel a prior instruction to buy or sell securities;
“participant”	has the same meaning as that contained in section 2 of the Act;
“professional client”	in relation to a member, means – <ul style="list-style-type: none"> i) another authorised user; ii) a bank; iii) a long-term or short-term insurer registered as such; iv) a person outside the Republic who – <ul style="list-style-type: none"> a) as a regular feature of the person’s business, renders a service similar to a “securities service” as defined in the Securities Act or conducts the business of a bank or a business referred to in paragraph (c); and b) is registered, licensed, recognised, approved or otherwise authorised to render the service or conduct the business referred to in paragraph (d) (i) by a foreign regulator with functions similar to those of the regulator and Bank of Botswana; c) any person who is mandated to manage assets and who has confirmed to the satisfaction of the member that the market value of the assets managed by the person will exceed BWP 1 billion at all times during the rendering of securities services to the person; d) any other client, who has confirmed to the

satisfaction of the member that they will have assets of which the net asset value will exceed BWP 20 million at all times during the rendering of securities services to the client, but who is not

–

- a natural person;
- a pension fund organisation;
- a friendly society;
- a medical scheme;

“registered owner”	means a person or entity which appears on the share register of an issuer kept in terms of the Companies Act;
“registered securities dealer”	means an employee of a member, registered with the BSE and who is authorised by such member to enter and execute orders through, and report trades to, the BSE Automated Trading System on behalf of such member;
“regulated services”	means those securities services and other activities which are regulated by the BSE and which the BSE authorises members to perform, namely – i) trading services; ii) market making services; iii) investment services;
“the Regulator”	means the Non-Bank Financial Institutions Regulatory Authority;
“relevant authority”	means any other authority, other than the regulator whose regulatory purview applies to a member or special member in terms of these rules;
“Republic”	means the Republic of Botswana;
“securities”	has the same meaning as that contained in the Securities Act;
“securities business/services”	has the same meaning as that contained in the Securities Act;
“settlement agent”	means a CSDP or other member appointed by a member in terms of directive to assist the member in managing the settlement of transactions executed by the member on behalf of non-controlled clients;

“settlement date”	means, in respect of a transaction in securities, the date on which the transaction is due to be settled;
“settlement officer”	means an employee of a member or an employee of a member’s CSDP or settlement agent, appointed by that member in terms of the rules to manage the member’s obligations in relation to the settlement of transactions in securities effected by that member;
“special member	means a special member which is a category of authorised user admitted to membership of the BSE under these rules Special membership may be granted by the BSE to any entity to offer regulated services for specific BSE authorised securities;
“trading services”	means the execution of transactions in securities by a member – for the member’s own account; and with or on behalf of a client;
“trading services provider”	means a member which has been authorised by the BSE to perform trading services in terms of the rules;
“TSP”	means a trading services provider;
“uncertificated securities”	means securities that are not evidenced by a certificate and are transferable by book entry without a certificate;
“unsolicited call”	means any first communication made to a person by a member or an employee of a member, without an express or tacit invitation from such person.

CHAPTER

2

Chapter 2: General Provisions

Scope of Chapter

- 2.10 Powers exercisable by the Board
- 2.20. Admissions and Disciplinary Committee
- 2.30 Rules
- 2.40 Transactions subject to provisions of the Act and the Rules
- 2.50 Interpretation of the rules
- 2.60 Proposals for amendment of the rules
- 2.70 BSE not responsible for any losses
- 2.80. Indemnification
- 2.90 Central Securities Depository Company of Botswana

2.10 Powers exercisable by the Board

2.10.1 Under the provisions of the Act, an entity which desires to become a member of the BSE must apply for admission. Such application must comply with these Rules. The Board is the competent authority responsible for:

2.10.1.1 the list of Members of the BSE authorized to provide regulated services on the BSE;

2.10.1.2 applications by entities for Membership of the BSE; and

2.10.1.3 the annual revision of the list.

2.10.2 Subject to the provisions of the Act the Board has the power:

2.10.2.1. to prescribe from time to time the minimum requirements with which an applicant shall comply before their application for membership can be approved;

2.10.2.2. to prescribe from time to time the minimum rules with which a Member shall comply to remain a member in good standing;

2.10.2.3. subject to the Rules, to grant, review and suspend or terminate Membership;

2.10.2.4. to suspend, alter or rescind a rule and to prescribe additional rules from time to time by way of amendment to these Rules;

2.10.2.5. to prescribe the circumstances under which a Membership shall or may be suspended or terminated;

2.10.2.6. to prescribe the standards of conduct, disclosure and corporate governance that Members and their officers (including directors) and agents shall meet;

2.10.2.7. to prescribe such fines, penalties and/or other remedies for any contravention of or failure to comply with the Members Rules;

Nothing contained in this chapter shall be deemed to limit the powers of the BSE to the Rules contained herein, and the Board may at any time exercise any further powers granted to it.

2.20. Admissions and Disciplinary Committee

2.20.1. In accordance with the BSE Board Charter and Constitution, the Board delegated its powers described herein to the Admissions and Disciplinary Committee.

2.20.2 The functions of the Admissions and Disciplinary Committee are to -

2.20.2.1 review and as applicable approve applications for membership and for the provision of regulated services in accordance with these Rules;

- 2.20.2.2 terminate membership on a voluntary basis following notice from the member to do so, in accordance with these Rules;
- 2.20.2.3 provisionally or finally terminate membership on an involuntary basis in accordance with these Rules;
- 2.20.2.4 withdraw the authority of a member to perform a regulated service; and
- 2.20.2.5. Make rulings with respect to ongoing compliance with these Rules.

2.30 Rules

2.30.1 Purpose of the Rules

The purpose of the Rules is to achieve the objects of the BSE as set out in its Constitution by providing the procedures necessary to establish and regulate fair and efficient markets and to ensure that the business of the BSE is carried out in an orderly manner.

2.30.2. Rules are binding

- 2.30.2.1. The rules are binding on members and their employees.
- 2.30.2.2. The rules are binding on any person utilising the services of a member or who concludes a transaction with a member in the course of that member's business.

2.40 Transactions subject to provisions of the Act and the rules

Every transaction in securities entered into by a member must be concluded on the specific condition that the transaction is entered into subject to the Act and the rules.

2.50 Interpretation of the rules

The interpretation and enforcement of the rules vests on the Board.

2.60 Proposals for amendment of the rules

- 2.60.1 Any person may propose in writing any amendment of the rules.
- 2.60.2 The BSE will consider the proposed amendment of the rules and if adopted, notify the public, by all BSE channels, of its intention to amend the Rules. The public shall be invited to send written comments to the BSE regarding the amendment within 30 days.
- 2.60.3 Once the comments have been taken into account, Exco shall submit the amendment, together with the public comments, to the Admissions and Disciplinary Committee for review and recommendation for approval by the Board.

- 2.60.4 If the amendment is approved by the Board, the proposal for amendment shall then be submitted to the Regulator for approval.
- 2.60.5 If the Regulator upholds the decision of the Board to adopt a proposal to amend the Rules, the proposed amendment will take effect immediately.

2.70 BSE not responsible for any losses

The BSE shall not be responsible or liable to any person for any loss or damage resulting from -

- 2.70.1 negligence, on the part of the BSE or on the part of any employee or agent of the BSE;
- 2.70.2 any act of omission on the part of any third party;
- 2.70.3 incorrect, inaccurate, defective or misleading information furnished or supplied by the BSE or any employee or agent of the BSE or any third party;
- 2.70.4 equipment breakdown or the breakdown, interruption, suspension, termination or failure of or defect in any system, including but not limited to any trading system, or service rendered by or on behalf of the BSE;
- 2.70.5 computer system malfunction, the interruption or failure of communications links, power failure, the failure of or defect in any software or hardware, whether owned by, licensed or leased to the BSE, the loss or destruction of any data and any loss or damage caused by natural disaster, riot, insurrection, acts of vandalism, sabotage or similar cause; and
- 2.70.6 the termination, for any reason, of any licence or other agreement to which the BSE is a party.

2.80. Indemnification

Members of the Board, Admissions and Disciplinary Committee and employees of the BSE, shall be indemnified by the BSE out of the funds of the BSE against any liability, loss or damage incurred or suffered as a result of any *bona fide* or negligent, but not grossly negligent or wilful, act or omission in the execution of their duties. For the purposes of this rule, such member or employee shall not be regarded as having been grossly negligent or having acted in wilful breach of duty or trust if the act or omission resulted from incorrect information supplied to such member, trustee or employee by a source from which the member or employee would normally accept the information as correct and which can be expected to provide the correct information.

2.90 Central Securities Depository Company of Botswana

The BSE operates a settlement system through its subsidiary, the Central Securities Depository Company of Botswana (CSDB). All members of the BSE are required to be participants of the CSDB. The CSDB prescribes –

- 2.90.1. procedures and requirements with which members must comply when using its settlement systems; and
- 2.90.2. the fees payable by the members for the use of such settlement systems.

2.100 Imposition of levies

- 2.100.1. The BSE may, in addition to the subscriptions, fees and charges prescribed by the rules, impose upon every member, a levy which must be paid to the BSE or any of its funds on such conditions as the BSE may decide.
- 2.100.2. In circumstances as determined by the BSE, a member may recover such levy from the clients of the member.

2.110. Publication of data

- 2.110.1. The publication and distribution of BSE data are the prerogative of the BSE and are effected in such manner as the BSE deems fit.
- 2.110.2. The BSE may enter into such agreements for the publication and distribution of data as it deems necessary.
- 2.110.3. Save with the consent of the BSE, no member may distribute data to persons other than clients of such member.

2.120. Notice to members by the BSE

- 2.120.1. Any notice given by the BSE in terms of the rules shall be in writing.
- 2.120.2. A notice may be delivered by means of an electronic delivery mechanism or by hand or by registered post.

2.130. Fees, levies, charges, penalties and subscriptions

- 2.130.1. A member must pay to the BSE such fees, levies, charges, penalties or subscriptions as may be prescribed by the BSE.
- 2.130.2. Any fees, levies, charges, penalties or subscriptions to be paid or which may be imposed in terms of the rules must be paid within such period as may be determined by the BSE. The membership of a member who fails to make such payment when due may be provisionally terminated in terms of these rules.

CHAPTER

3

CHAPTER 3: Authorizations and approvals

Scope of Chapter

- 3.10. Authorization by the BSE
- 3.20. Membership requirements
- 3.30. Specific conditions of membership
- 3.40. Special member requirements
- 3.50. Application process
- 3.60. Changes in control of a member
- 3.70. Voluntary termination of membership
- 3.80. Involuntary termination of membership
- 3.90. Provisional termination of membership
- 3.100. Members' duty to furnish information
- 3110. Name of a member
- 3120. Association with other parties

3.10. Authorisation by the BSE

- 3.10.1. The BSE is authorised in terms of the Constitution to provide for –
 - 3.10.1.1. categories of membership;
 - 3.10.1.2. the requirements for admittance as a member;
 - 3.10.1.3. the exclusion of members; and
 - 3.10.1.4. the requirements for a member to perform regulated services.
- 3.10.2. An applicant for membership –
 - 3.10.2.1. must apply for authorisation to perform at least one of the following regulated services;
 - 3.10.2.2. trading services; or
 - 3.10.2.3. market making services.
- 3.10.3. For the purpose of the rules –
 - 3.10.3.1. a member who is authorised to perform trading services will be referred to as a trading services provider (“TSP”); and
 - 3.10.3.2. a member who is authorised to perform market making services will be referred to as a market making services provider (“MMSP”).

3.20. Membership requirements

To be admitted as a member and to remain a member, an applicant or a member, respectively, must -

- 3.20.1. be incorporated and registered as a company under the Companies Act or a foreign company registered under the laws of its jurisdiction;
- 3.20.2. only appoint executive and non-executive directors who comply with the fit and proper requirements of these Rules;
- 3.20.3. ensure that a shareholder who is a natural person and who directly or indirectly holds in excess of 10% of the issued shares of the applicant or member complies with the fit and proper requirements of these Rules;
- 3.20.4. appoint a stock broker who shall be an individual possess a Degree in a relevant field with at least 5 years of relevant experience in investment business (of which 3 years must have been served with a Stockbroking Firm or a Securities Exchange, with 1 (one) year served as a Dealer) and must have passed the relevant examinations prescribed by the BSE from time to time.
- 3.20.5. appoint an authorised securities dealer who shall be an an individual possessing a Degree in a relevant field and at least **2 years** of relevant experience in investment business (of which 1

year must have been served with a Stockbroking Firm or a Securities Exchange).

- 3.20.6. appoint a compliance officer in terms of these Rules who complies with the fit and proper requirements set out in these Rules;
- 3.20.7. appoint a settlement officer and an alternate settlement officer in terms of these Rules who complies with the fit and proper requirements set out in these Rules;
- 3.20.8. meet the specific conditions of membership.
- 3.20.9.

Pay the applicable Fees as per the BSE Members Rules Fees Schedule, as may be amended from time to time, and published on the BSE website.

3.30. Specific conditions of membership

The specific conditions of membership set out in this rule represent the minimum conditions which an applicant for membership and a member are required to satisfy in order to be granted and to retain membership and to be authorised to perform regulated services.

3.30.1. Resources, procedures and systems

3.30.1.1. A member must employ adequate resources, procedures and systems that are necessary for:

3.30.1.1.1. the effective performance of the regulated services that it provides;

3.30.1.1.2. ensuring compliance with the Act and the rules that are relevant to the performance of such regulated services; and

3.30.1.1.3. ensuring compliance with the Financial Intelligence Act.

3.30.1.2. A member must ensure that its employees are suitable, adequately trained and properly supervised.

3.30.2. Business activities

3.30.2.1. The dominant business activity of a member must be the performance of regulated services. The scope of a member's business activities may also include the management of investments or provision of advice in relation to other financial products, subject to the member having been granted the appropriate license to conduct such activity in terms of the relevant acts.

3.30.3. Financial resources

3.30.3.1. A member must on admittance and at all times ensure that it maintains adequate financial resources to meet its

business commitments and to withstand the risks to which its business is subject.

- 3.30.3.2. A member must on admittance and at all times thereafter hold adjusted liquid capital which complies with the minimum requirements calculated in accordance with Appendix 1, sufficient to meet its base requirement.
- 3.30.3.3. The base requirement of a member is the higher of –
 - 3.30.3.3.1. an amount determined in accordance with the Rules as being adequate to meet a member's fixed expenditure for a period of 3 months; or
 - 3.30.3.3.2 BWP220 000.
- 3.30.3.4. Once admitted, a member must also meet its minimum risk requirement which includes the sum of the member's position, counterparty, foreign exchange, custody and large exposure requirements as applicable and as determined in accordance with the CSDB Rules and the Regulatory Authority.

3.40. Special membership Requirements

To be admitted as a special member and to remain a special member, an applicant must -

- 3.40.1 be incorporated and registered as a company under the Companies Act or a foreign company registered under the laws of its jurisdiction;
- 3.40.2 appoint a compliance officer in terms of these Rules who complies with the fit and proper requirements set out in these Rules;
- 3.40.3 appoint a settlement officer and an alternate settlement officer in terms of these Rules who complies with the fit and proper requirements set out in these Rules;
- 3.40.4 special members may be exempt from compliance with these rules where the rules do not apply to their membership or where they demonstrate compliance with any other regulator;

3.50. Application process

- 3.50.1. An applicant for membership and special membership must apply to the BSE in the form and manner prescribed by the BSE. The application must be accompanied by a non-refundable application fee as per the BSE Members Rules Fees Schedule, as may be amended from time to time, and published on the BSE website.
- 3.50.2. The BSE may require the applicant to provide further information and may institute an investigation to verify information submitted by the applicant in support of an application. The investigation

may include a request for one or more representatives of the applicant to be interviewed by the BSE.

- 3.50.3. The Admissions and Disciplinary Committee has the sole discretion to accept or reject the application, or to accept an application subject to certain conditions being met.
- 3.50.4. The BSE must notify the applicant in writing of the decision of the Admissions and Disciplinary Committee and of any conditions that are required to be met.

3.60. Changes in control of a member

- 3.60.1. A member wishing to effect a change in control of the member must notify the BSE in writing and may, at the discretion of the BSE, be required to re-apply for membership in terms of the Rules.

3.70. Voluntary termination of membership

- 3.70.1. A member or special member may voluntarily terminate its membership by giving the BSE at least 60 days' written notice.
- 3.70.2. The Admissions and Disciplinary Committee, in its sole discretion, may –
 - 3.70.2.1. accept such termination unconditionally; or
 - 3.70.2.2. terminate the membership subject to the conditions on provisional termination of membership as provided for in these Rules.

3.80. Involuntary termination of membership

- 3.80.1. The Admissions and Disciplinary Committee may provisionally or finally terminate membership if -
 - 3.80.1.1. the member or special member is placed in liquidation, whether provisional or final, or if any other judicial proceeding or court application for an insolvency proceeding is initiated, or the company files a resolution to such effect or has an insolvency administrator appointed to it;
 - 3.80.1.2. a Disciplinary process terminates membership in terms of these Rules;
 - 3.80.1.3. the member or special member defaults in terms of these Rules;
 - 3.80.1.4. the member fails to meet the membership requirements in terms of these Rules; or
 - 3.80.1.5. the member or special member fails to make payment of any fees, levies, charges, penalties or subscriptions in terms of these Rules.
- 3.80.2. The BSE must notify the member or special member in writing of

the decision of the Admissions and Disciplinary Committee to finally terminate the membership of a member.

3.90. Provisional termination of membership

- 3.90.1. The purpose of provisional termination of membership is the postponement of the effective date of termination of membership to ensure that –
 - 3.90.1.1. all obligations to clients have been met; and
 - 3.90.1.2. all transactions have been settled.
- 3.90.2. The Admissions and Disciplinary Committee will determine the period of provisional termination and the effective date of termination of membership and may prescribe any conditions that it considers necessary to achieve the conditions of provisionally or finally terminating membership as set out these Rules
- 3.90.3. During the period of provisional termination of membership, the member or special member retains all of the obligations of membership.

3.100. Members' duty to furnish information

A member or special member must immediately advise the BSE in writing of –

- 3.100.1. any change in their name or address of any office, and of any change in their telephone or facsimile numbers or electronic mailing addresses;
- 3.100.2. the granting of an application for, or the revocation of, any registration, authorisation or license which may bear upon or be associated with its business as a member or special member of the BSE;
- 3.100.3. any of the circumstances referred to under the provisions of involuntary termination of membership arising;
- 3.100.4. the prosecution of or the conviction of the member or special member for any offence under legislation relating to banking, other financial services, companies, insolvency, insurance and pension and provident funds, or for any offence involving fraud or dishonesty;
- 3.100.5. any change to the appointment of a compliance officer, a settlement officer or an alternate settlement officer or any person becoming or ceasing to be a director of a member or special member;
- 3.100.6. any person ceasing to be a registered securities dealer of a member or special member;
- 3.100.7. any change to the appointment of a person in control of a place of business of a member as set out under the provisions for internal control and risk management.

- 3.100.8. any event or circumstance which has or may have any bearing on whether an officer or a shareholder who is a natural person and who directly or indirectly holds in excess of 10% of the issued shares of the member, fails to meet the fit and proper requirements as stipulated in under the fit and proper requirements; or
- 3.100.9. the dismissal of an employee for committing or attempting to commit an act which is dishonest or fraudulent.

3.110 Name of a member

The BSE may refuse an application for membership or the approval of a name change of a member if the BSE in its sole discretion deems the name under which the member proposes to operate to be inappropriate or unacceptable for any reason.

3120. Association with other parties

Membership of the BSE provides specific safeguards and protections to clients of members. Accordingly, a member or special member must ensure that in its business relationships with other parties it does not facilitate such other parties holding out or in any way representing that all or part of their activities are part of the business activities of the member or special member or are subject to the rules, directives or regulation of the BSE.

CHAPTER
4

Chapter 4: Management and control

Scope of Chapter

- 4.10 Fit and proper requirements
- 4.20 Consent required for employment of certain persons
- 4.30 Compliance officers
- 4.40 Settlement officers
- 4.50 Control of offices
- 4.60 Internal control and risk management

4.10 Fit and proper requirements

- 4.10.1. An officer or non-executive director of a member, or a shareholder who is a natural person and who directly or indirectly holds in excess of 10% of the issued shares of a member, must, subject to any waiver by the BSE –
 - 4.10.1.1 be of full legal capacity;
 - 4.10.1.2 not be an un-rehabilitated insolvent; and
 - 4.10.1.3 comply with such criteria of good character and high business integrity as the BSE deems fit.
- 4.10.2. In determining whether a person complies with such criteria of good character and high business integrity as the BSE deems fit, the BSE will take into account, *inter alia*, whether the person has been –
 - 4.10.2.1 convicted of an activity constituting a criminal offence involving fraud, theft, dishonesty or market abuse, whether in the Republic or elsewhere;
 - 4.10.2.2 held civilly or administratively liable for, *inter alia*, fraud, theft, dishonesty or market abuse, whether in the Republic or elsewhere;
 - 4.10.2.3 declared to have contravened legislation in respect of market abuse, money laundering or terrorism or related activity, with or without the imposition of an administrative penalty, whether in the Republic or elsewhere;
 - 4.10.2.4 disqualified by a court from acting as a director of a company;
 - 4.10.2.5 the subject of a formal investigation by any regulatory or government agency;
 - 4.10.2.6 expelled, whether as an authorised user or otherwise, from any exchange or external exchange;
 - 4.10.2.7 employed by or associated with an authorised user of any exchange or external exchange, which authorised user was expelled from that exchange and where the person has, in the opinion of the BSE, contributed to the circumstances leading to the expulsion;
 - 4.10.2.8 declared a defaulter on the BSE or any other exchange or external exchange;
 - 4.10.2.9 refused entry to or expelled from any profession or vocation or been dismissed or requested to resign from any office or employment, or from any fiduciary office or similar position of trust; or
 - 4.10.2.10 refused approval or had approval involuntarily withdrawn in respect of any status granted by a regulatory authority.
- 4.10.3. Dishonesty or a deliberate omission in an application to the BSE will result in immediate disqualification of a person's fit and proper status.

4.20. Consent required for employment of certain persons

- 4.20.1. No member may without the written consent of the BSE take into or retain in its employment in any capacity in any business carried on by it as a member –
 - 4.20.1.1. any person who was an officer of a member expelled from the BSE;
 - 4.20.1.2. any person refused approval to operate as a securities services provider in terms of the Act;
 - 4.20.1.3. any person expelled, whether as an authorised user or otherwise, from any other exchange; or
 - 4.20.1.4. any person who is an un-rehabilitated insolvent or has been declared a defaulter by the BSE or has been convicted of theft, fraud, forgery, or any other crime involving dishonesty.
- 4.20.2. The consent of the BSE may be given to a member for a limited period for the employment of a person referred to above and may be withdrawn at any time, provided that the BSE gives the member one calendar months' notice of its intention to withdraw such consent.

4.30. Compliance officers

- 4.30.1. A member must appoint a compliance officer to assist the board of directors of the member in ensuring compliance by the member with the Act, the rules and all relevant legislation. The person to be appointed as a compliance officer must have obtained a pass in the compliance officer examination prescribed by the BSE and, if required, be able to evidence to the BSE that he has subsequently maintained an adequate knowledge of the Act, the rules and all relevant legislation.
- 4.30.2. A compliance officer must –
 - 4.30.2.1. with the necessary support and guidance from the board of directors of the member, implement the resources, systems and procedures required to promote and monitor compliance by the member and its employees with the Act, the rules and the relevant legislation;
 - 4.30.2.2. report to the BSE any breaches by the member of the Act, the rules and the relevant legislation or any other issue considered by the compliance officer to be irregular.
- 4.30.3. The appointment of a compliance officer must be made simultaneously with an application to the BSE to be admitted as a member.
- 4.30.4. In the absence of a duly appointed compliance officer or where a compliance officer post has become vacant, a senior employee must temporarily assume the responsibilities of the compliance

officer for no longer than three months or such other period as the BSE may approve.

4.40. Settlement officers

- 4.40.1. A member or special member must appoint a settlement officer to manage their obligations in relation to the settlement of transactions in securities effected by them. The person appointed as a settlement officer must have obtained a pass in the settlement officer examination prescribed by the CSDB and, if required, be able to evidence to the CSDB that he has subsequently maintained an adequate knowledge of the CSDB settlement rules.
- 4.40.2. A settlement officer must, in respect of the settlement of transactions in securities, be responsible for –
 - 4.40.2.1. dealing with all queries by the CSDB in relation to settlement;
 - 4.40.2.2. ensuring that appropriate procedures are implemented and the necessary action is taken to facilitate the settlement of all transactions in securities in accordance with the rules;
 - 4.40.2.3. advising the CSDB of any issue that may potentially impact on the settlement of a transaction; and
 - 4.40.2.4. cooperating with the CSDB to ensure the efficient and timeous settlement of all transactions.
- 4.40.3. A member or special member must appoint an alternate settlement officer who must act in the absence of the settlement officer in all matters for which the settlement officer is responsible in terms of the rules. The person to be appointed as an alternate settlement officer must also meet the requirements set out above.
- 4.40.4. The appointments of a settlement officer and their alternate must be made simultaneously with an application to the BSE to be admitted. Notwithstanding these appointments, such member or special member will retain overall responsibility for ensuring compliance with the rules relating to the settlement of transactions in securities.
- 4.40.5. Except where the CSDB may otherwise direct, a member or special member may not at any time conduct its business in the absence of a duly appointed settlement officer or alternate settlement officer.
- 4.40.6. Notwithstanding a member having appointed a settlement agent to effect settlement of transactions in securities on its behalf, the member retains the responsibility for ensuring that the settlement of transactions in securities takes place.

4.50. Control of offices

- 4.50.1. The primary place of business of a member must be under the

control of a stockbroker who must be an executive director of the member.

- 4.50.2. A branch office of a member must be under the control of a stockbroker in the full-time employ of the member.
- 4.50.3. An agency office of a member may be under the control of a stockbroker in the full-time employ of the member. Alternatively, the member must appoint a person who has obtained a pass in the compliance officer examination in terms of these rules as part of the staff complement of such office.
- 4.50.4. Where the position of a stockbroker or a compliance officer appointed in terms of these rules becomes vacant, such position must be filled within three months of it having become vacant or, upon application by a member, within such further time period as the BSE may determine.
- 4.50.5. The person in control of a place of business of a member must be resident in the area where the place of business is located.

4.60. Internal control and risk management

- 4.60.1. A member or special member must employ the resources, procedures and technological systems necessary for the effective conduct of its business.
- 4.60.2. The system of internal control employed by the member must be designed to ensure that –
 - 4.60.2.1. the relevant business can be carried on in an orderly and efficient manner;
 - 4.60.2.2. financial and other information used or provided by the member is reliable;
 - 4.60.2.3. all transactions and financial commitments entered into by the member are recorded and are within the scope of authority of the member or the employee acting on behalf of the member;
 - 4.60.2.4. there are procedures to safeguard the assets of the member and assets belonging to any other person for which the member is accountable, and to control liabilities; and
 - 4.60.2.5. there are measures, so far as is reasonably practicable, to minimize the risk of loss to the member or the clients of the member which results from any irregularity, fraud or error and to detect any irregularity, fraud or error should they occur so that prompt remedial action may be taken by the member or the management of the member;
- 4.60.3. A member must adopt sound risk management principles and procedures appropriate to its business activities.
- 4.60.4. The principles and procedures of risk management must be designed to ensure that the records of the member are maintained

in such a manner as to promptly disclose financial and business information that will enable the member or the management of the member to –

- 7.60.4.1. identify, quantify, control and manage the risk exposures of the member;
 - 4.60.4.2. make timely and informed business decisions;
 - 4.60.4.3. monitor the performance and all aspects of the business of the member;
 - 4.60.4.4. monitor the capital of the member to ensure compliance with the capital adequacy requirements imposed in terms of the rules; and
 - 4.60.4.5. monitor the quality of the member's assets.
- 4.60.5. A member must be able to describe and demonstrate the objectives and operation of such systems, principles and procedures referred to herein to its auditor and to the BSE.

CHAPTER

5

Chapter 5: BSE Automated Trading System

Scope of Chapter

- 5.10 Use of the BSE Automated Trading System
- 5.20 Trading times

5.10. Use of the BSE Automated Trading System

- 5.10.1. All transactions in listed securities by a member or a special member must be conducted through the central order book of the BSE Automated Trading System, unless the transaction meets the criteria set out in the Act for an off market trade.
- 5.10.2. A person who seeks to be registered with the BSE as a registered securities dealer must satisfy the fit and proper requirements of these Rules and must have obtained a pass in the registered securities dealer examination prescribed by the BSE.
- 5.10.3. Despite any other provision of the rules, the BSE may –
 - 5.10.3.1. decide that the market or segments of the market in securities be paused, suspended, halted or closed if it is of the opinion that a fair and realistic market does not exist. A fair and realistic market may be deemed not to exist after consideration of the percentage of members not able to access the BSE systems and their contribution to price formation and value traded;
 - 5.10.3.2. reduce or extend the hours of operation of the BSE Automated Trading System for any particular business day;
 - 5.10.3.3. without prior notice to any person, pause, suspend, halt or close the BSE Automated Trading System for trading at any time and for any period; and
 - 5.10.3.4. take such other steps as may be necessary to ensure an orderly market.
- 5.10.4. Despite any other provision of the, the BSE may –
 - 5.10.4.1. if there has been any failure of the BSE systems, for any reason, or if the BSE systems have been paused, suspended, halted or closed, declare that a transaction effected through or by the BSE Automated Trading System is void. Such declaration shall bind a member or special member and a client of a member or special on behalf of or with whom the transaction was effected; and
 - 5.10.4.2. exercise such further powers and take such further action as may be exercised or taken by the BSE in terms of the rules, and as may be necessary to resolve any issue which may arise from the pausing, suspension, halt, closure or failure of the BSE systems.
- 5.10.5. Members or special members accessing BSE systems must at all times –
 - 5.10.5.1. maintain and enforce appropriate security procedures which are designed to prevent unauthorised persons from having access to any BSE systems, member trading applications or client applications; and
 - 5.10.5.2. have the necessary resources to ensure that any data

sent to or received from BSE systems does not interfere with the efficiency and integrity of the market or the proper functioning of the BSE systems.

- 5.10.6. The BSE may instruct a member or special member to immediately discontinue using a member or client application or may restrict the usage by a member of any or all components of a member or special member or client application.

5.20. Trading times

- 5.20.1. Subject to these Rules, the BSE Automated Trading System will operate on every business day at the times as specified in the BSE Trading Rules.

CHAPTER

6

Chapter 6: Market conduct

Scope of Chapter

6.10 Prevention and detection of market abuse

6.10. Prevention and detection of market abuse

- 6.10.1. A member or special member must give consideration to the circumstances of orders placed by clients before entering such orders in the BSE trading system and must take reasonable steps to satisfy itself that such orders and any resultant trades will not result in a breach of prohibited trading practices.
- 6.10.2. A member or special member must ensure that all of its employees who are involved in the receipt of orders from clients and the execution of transactions in securities on the BSE trading system are familiar with the market abuse provisions in the Act and that those employees receive adequate training and guidance to enable them to recognise and avoid entering into any transaction on behalf of the member or special member or its clients which will result in, or is likely to result in, a breach of those provisions.
- 6.10.3. A member's or special member's compliance monitoring procedures must specifically include procedures to monitor orders entered into, and transactions executed on, the BSE trading system by the member or special member and its employees, with the objective of identifying and taking appropriate action in relation to orders or trades that, in the reasonable opinion of the member or special member, may constitute a breach of the provisions of the Act.
- 6.10.4. In formulating and implementing the compliance monitoring procedures referred to above, a member or special member is not expected to monitor every order entered into, and every trade executed on, the BSE trading system by the member, or special member for the purpose of identifying potential market abuse. Nevertheless, whilst members are encouraged to implement monitoring procedures to detect any activity undertaken by the member's or special member's employees or its clients which may constitute a breach of the provisions of the Act, the procedures should, as a minimum, aim to detect activity which, to a reasonable person observing or reviewing such activity, would constitute a blatant breach of the provisions of the Act taking into account all relevant factors such as:
 - 6.10.4.1. the identity of the parties to the transaction;
 - 6.10.4.2. the perceived intention of the parties to the transaction;
 - 6.10.4.3. the frequency and pattern of transactions over a period of time;
 - 6.10.4.4. the effect of the transaction on market prices or volumes;
 - 6.10.4.5. the size and timing of the transaction; or
 - 6.10.4.6. a combination of two or more of these factors.

CHAPTER

7

Chapter 7: Conduct of business

Scope of Chapter

- 7.10. General standards of conduct
- 7.20. Marketing and advertising
- 7.30. Unsolicited calls
- 7.40. Personal account trading
- 7.50. Inducements
- 7.60. Client acceptance and maintenance procedures
- 7.70. Transactions
- 7.80. Best execution
- 7.90. Members' commissions and fees
- 7.100. Contract notes
- 7.110. Management of corporate actions
- 7.120. Client statements

7.10. General standards of conduct

This rule provides for the general standards of conduct which members or are required to observe in their dealings with clients and the BSE.

7.10.1. Standards of integrity

A member must, in the conduct of its business, observe high standards of integrity and fair dealing. It must –

- 7.10.1.1. not knowingly circulate information which is false or misleading;
- 7.10.1.2. not knowingly countenance any attempt to manipulate the market, nor to influence persons for such a purpose;
- 7.10.1.3. conduct its activities in a manner that is compatible with the objects of the Act and with full respect for the reputation of the BSE; and
- 7.10.1.4. not participate in any dealings with other members, clients, the media or other persons which may be of such a nature as to defame the BSE or any of its officers or employees.

7.10.2. General conduct towards clients

In its dealings with clients, a member must –

- 7.10.2.1. act honestly and fairly;
- 7.10.2.2. act with due skill, care and diligence, and in the interests of clients;
- 7.10.2.3. exercise independent professional judgement;
- 7.10.2.4. act promptly on and in accordance with the instructions of a client, and exercise any discretion in a responsible manner; and
- 7.10.2.5. avoid conflicts of interest and when they cannot be avoided, ensure fair treatment to clients by disclosure, confidentiality or declining to act. A member must not unfairly place its interests above those of its clients.

7.10.3. Disclosure to clients

7.10.3.1. In rendering a service to a client, any representations made and information provided by a member –

- 7.10.3.1.1. must be factually correct;
- 7.10.3.1.2. must be provided in plain language, avoid uncertainty or confusion and not be misleading;
- 7.10.3.1.3. must be adequate and appropriate in the circumstances of the particular service, taking into account the factually established or reasonably assumed level of knowledge of the client;

7.10.3.1.4. must, as regards all amounts, sums, values, charges, fees, remuneration or monetary obligations mentioned or referred to therein, be reflected in specific monetary terms, provided that where any such amount, sum, value, charge, fee, remuneration or monetary obligation is not reasonably pre-determinable, its basis of calculation must be adequately described;

7.10.3.1.5. need not be duplicated or repeated to the same client unless material or significant changes affecting that client occur, or the relevant service renders it necessary, in which case a disclosure of the changes must be made to the client without delay.

7.10.3.2. A member –

7.10.3.2.1. must disclose full and accurate information about the fees and any other charges that may be levied on clients;

7.10.3.2.2. may not disclose any confidential information acquired or obtained from a client about such client, unless the written consent of the client has been obtained beforehand or disclosure of the information is required to further the objects of the Act or is required under any law;

7.10.3.2.3. must advise a client in advance of any restrictions or limitations that may affect the access of that client to their assets.

7.10.4. Maintenance of client records

7.10.4.1. A member or special member must maintain proper, complete, accurate and secure records in relation to the services rendered to its clients.

7.10.4.2. A member or special member must have appropriate procedures and systems in place to store and retrieve, in a manner safe from destruction, a record of all –

7.10.4.2.1. communications relating to a service rendered to a client, including instructions given by the client to the member;

7.10.4.2.2. transaction documentation relating to clients;

7.10.4.2.3. contractual arrangements between the member and its clients, including mandates prescribed by the rules; and

7.10.4.2.4. client particulars required to be provided in

terms of the rules or which are necessary for the effective operation of client accounts.

7.10.4.3. The client records referred to above may be kept in printed, electronic or voice- recorded format.

7.10.4.4. Members or special member need not hold the records referred to above themselves but must be capable of making such records available for inspection within seven days.

7.10.4.5. All instructions given by clients to execute transactions must be kept for a period of 8 years after the relevant transactions and all other client records in these rules must be kept for at least 8 years after the rendering of the services concerned.

7.10.5. Contact with the member

A member must provide for the necessary resources and functionality to ensure that clients are able to readily contact the member.

7.10.6. Waiver of rights

A member may not request or induce in any manner a client to waive any right or benefit conferred on the client by or in terms of the rules, or recognise, accept or act on any such waiver by the client, and any such waiver is void.

7.10.7. Co-operation with regulators

A member shall deal with the BSE as its regulator in an open and co-operative manner and keep the BSE promptly informed of anything concerning the BSE which might reasonably be expected to be disclosed to it. A member shall also provide reasonable co-operation to any other regulatory body or any law enforcement agency in respect of any matters which are the subject of an investigation by such body or agency relating to an alleged contravention of the Act, or any equivalent foreign legislation or any other law governing the activities of the member.

7.20. Marketing and advertising

Advertising

7.20.1. A member may advertise its services to the public provided such advertising –

7.20.1.1. is carried out with a due sense of responsibility to the profession and to the public;

7.20.1.2. is consistent with the dignity of the profession, is in good taste both as to content and presentation and does not make odious comparisons or belittle BSE products or services or products offered by others, whether members

or not, either by claiming superiority for the services or performance of a particular member or otherwise; and

- 7.20.1.3. conforms with the accepted norms of legality, decency, honesty and truthfulness and does not contain testimonials or endorsements.
- 7.20.2. The BSE shall have the discretion to make judgment over advertisements that do not comply with these rules or are inappropriate in the BSE's view and request that such advertisements should be recalled from the public sphere.
- 7.20.3.
- 7.20.4. Advertising material of a member –
 - 7.20.4.1. must provide accurate, complete and unambiguous information about any BSE regulated service or any other service rendered by the member;
 - 7.20.4.2. must emphasise the risk of loss and uncertainty of future results;
 - 7.20.4.3. must discern fact from opinion; and
 - 7.20.4.4. may not be comparative in relation to another member.
- 7.20.5. An advertisement by a member –
 - 7.20.5.1. may not contain any statement, promise or forecast which is fraudulent, untrue or misleading;
 - 7.20.5.2. must, if it contains performance data (including awards and rankings), include references to their source and date;
 - 7.20.5.3. must, if it contains illustrations, forecasts or hypothetical data –
 - 7.20.5.3.1. contain support in the form of clearly stated basic assumptions (including, but not limited to, any relevant assumptions in respect of performance, returns, costs and charges) with a reasonable prospect of being met under current circumstances;
 - 7.20.5.3.2. make it clear that they are not guaranteed and are provided for illustrative purposes only; and
 - 7.20.5.3.3. also contain, where returns or benefits are dependent on the performance of underlying assets or other variable market factors, clear indications of such dependence;
 - 7.20.5.4. must, if it contains a warning statement about the risks involved in buying or selling a BSE authorised service, prominently display such statement; and

- 7.20.5.5. must, if it contains information about past performances, also contain a warning that past performances are not necessarily indicative of future performances; and
- 7.20.5.6. must, if the investment value of a BSE authorised service mentioned in the advertisement is not guaranteed, contain a warning that no guarantees are provided.

Use of name and logo

7.20.6. A member shall not use in publicity, promotional or advertising material, or on its professional stationery, or on its name plates, or on its office premises, any designation other than that designation recognised by the BSE and shall record the fact that it is a "member of the BSE".

Market recommendation – disclaimer

7.20.7. No member shall publish or circulate any written comment which relates to the trading results of a listed company or which may influence the price of the securities of any company unless such comment is accompanied by the name of the person or persons who compiled it.

7.20.8. Where a newsletter, circular or other publication carries an expression of opinion on a listed company and the member has an interest (other than a casual or arbitrage interest) in that company, the existence of such an interest without specifying names and amounts shall be disclosed in such newsletter, circular or other publication and if a director of the member is a director of the company that shall also be disclosed.

7.30. Unsolicited calls

A member may enter into a transaction with or on behalf of a person where the transaction is as a result of an unsolicited call, provided that the member has complied with the requirements set out in these rules with respect to disclosures to client.

7.40. Personal account trading

7.40.1. A member must establish and maintain controls and procedures in relation to transactions executed for the direct or indirect benefit of employees of the member, in order to avoid such transactions conflicting with the interests of the member's clients, whether such transactions are executed by the member or by another member.

7.40.2. The controls and procedures in relation to the transactions referred to above should, as a minimum, make provision for the review by the member of those transactions, in order to identify any transactions which are in conflict with the interests of the member's clients.

7.50. Inducements

- 7.50.1. A member must take reasonable steps to ensure that it and any person acting on its behalf does not offer, give, solicit or accept any incentive, remuneration, consideration, commission, fee or brokerage ("valuable consideration") as an inducement if it is likely to conflict with any duty that the member owes to its clients in respect of regulated services provided to those clients or any duty that the recipient of the inducement owes to its clients.
- 7.50.2. Without limiting the generality of the above rule, any valuable consideration offered, given, solicited or accepted as an inducement by a member or any person acting on its behalf, in terms of an agreement with a third party or a client which relates to the provision of regulated services by the member to one or more clients, and which does not directly relate to, and assist in the provision of, such services to such clients or does not otherwise directly benefit the clients of the recipient of such valuable consideration, shall constitute an inducement prohibited in terms of these rules.
- 7.50.3. A member who, in terms of an agreement with a third party, directly or indirectly accepts any valuable consideration as an inducement in respect of a regulated service rendered to a client, or for which the member may become eligible, must disclose to the client in writing before the rendering of such service –
 - 7.50.3.1. the existence of the agreement;
 - 7.50.3.2. the nature, extent, value and frequency of receipt of such valuable consideration to the extent that such information is known prior to the rendering of the service; and
 - 7.50.3.3. the identity of the other person providing or offering the valuable consideration.

7.60. Client acceptance and maintenance procedures

- 7.60.1. Every member shall ensure that it obtains and maintains sufficient information on each client account and each account operated by a client so as to be able to identify –
 - 7.60.1.1. the client;
 - 7.60.1.2. the account holder of a controlled client account if the account holder is not a client of the member but is a person on whose behalf a client is acting as agent; and
 - 7.60.1.3. the person or persons responsible for placing instructions on the account, subject to the provisions of this section.
- 7.60.2. As a minimum, the member shall obtain the following information in respect of each client and the account holder of each controlled client account if the account holder is not a client of the member but is a person on whose behalf a client is acting as agent -

- 7.60.2.1. full name; and
 - 7.60.2.2. identity number or registration number, as the case may be.
- 7.60.3. In addition to the above rule, the member shall also obtain the following information in respect of each client -
- 7.60.3.1. physical and postal address;
 - 7.60.3.2. telephone number; and
 - 7.60.3.3. legal status of the client, identifying whether they are a –
 - 7.60.3.3.1. private individual;
 - 7.60.3.3.2. company;
 - 7.60.3.3.3. close corporation;
 - 7.60.3.3.4. private trust;
 - 7.60.3.3.5. partnership;
 - 7.60.3.3.6. joint venture;
 - 7.60.3.3.7. syndicate;
 - 7.60.3.3.8. investment club;
 - 7.60.3.3.9. pension or provident fund;
 - 7.60.3.3.10. mutual fund or collective investment scheme;
 - 7.60.3.3.11. government agency;
 - 7.60.3.3.12. public utility; or
 - 7.60.3.3.13. religious, educational or welfare organisation.
- 7.60.4. Unless the client is a bank or a financial services provider or the foreign regulated equivalent of such entities, the information referred to in this section shall also be obtained in respect of the person or persons responsible for placing instructions on a client account if the person placing the instructions is not the individual in whose name the account is held or the account is not in the name of an individual.
- 7.60.5. The information referred to in rules in this section, together with any bank account details provided by the client, shall be confirmed by the client in writing and the member shall maintain a record of such confirmation. Any changes to the said information shall be advised by the client in writing to the member as soon as practicable.
- 7.60.6. Before undertaking to execute any transaction for a new client, a member shall, as a minimum, authenticate the identity of such client and maintain a record of the means of such authentication.

7.70. Transactions

- 7.70.1. Every member shall transact its business in a just and equitable manner and every transaction, whether for the account of the member effecting it or for the account of a client, must be fulfilled according to the Act and the rules.
- 7.70.2. A member represents and warrants to the BSE and to persons with or on behalf of whom the member executes transactions in securities, that any person employed by the member to deal with such persons in relation to such transactions, has full authority to act on the member's behalf.
- 7.70.3. A member or special member may record any telephone conversation between the member, one of its employees and any client or potential client. Such tape recordings or transcripts may be submitted in evidence to the BSE in any disciplinary proceedings involving the member or one of its employees.

7.80. Best execution

- 7.80.1. When acting for a client in the purchase or sale of securities, a member must at all times adhere to the best execution principle taking reasonable care to obtain the result which is the best available for the client, provided that the member or special member must at all times act in accordance with the terms and conditions of the agreed mandate from the client.
- 7.80.2. To support the best execution principle, all transactions in listed securities by members or special members must be conducted through the central order book of the BSE trading system, unless the execution of an off book trade, which qualifies as such in terms of the BSE Trading Rules, is in the best interests of the client.
- 7.80.3. A member may only deal as principal with a client if the member has obtained the prior consent of the client.

7.90. Members' commissions and fees

- 7.90.1. A member may charge for different categories of transactions and–
 - 7.90.1.1. in respect of an agency transaction in BSE authorised services, may charge as per the commission structure published on the BSE website.
- 7.90.2. in respect of a transaction in BSE authorised services where a member has dealt as a principal, may charge a fee as per the commission structure published on the BSE website.
- 7.90.3. A member may not make a profit in respect of an agency transaction other than the BSE approved commission structure.

7.100. Contract notes

- 7.100.1. In respect of a transaction in securities executed through the BSE trading system on behalf of or with a client, a member shall, before

- 1700Hrs on the business day following the transaction –
- 7.100.1.1. issue to the client a contract note; or
 - 7.100.1.2. transmit to the client via electronic means acceptable to the BSE, a confirmation of the transaction.
- 7.100.2. The contract note or electronic confirmation referred to above shall disclose –
- 7.100.2.1. the date and time of the transaction;
 - 7.100.2.2. the identification number of the transaction;
 - 7.100.2.3. the amount and nature of the member's charges in connection with the transaction;
 - 7.100.2.4. the price at which the transaction was executed and the total consideration due from or to a client;
 - 7.100.2.5. the settlement date of the transaction;
 - 7.100.2.6. whether the member acted as an agent or as a principal in the transaction.
- 7.100.3. Notwithstanding the provisions of the above rule, with the prior consent of a client, a member may allocate transactions executed for a client to a specifically designated suspense account, either –
- 7.100.3.1. in the name of the client; or
 - 7.100.3.2. in the name of an agent appointed by the client to transact on his behalf.
- 7.100.4. A designated suspense account in the name of a client, as referred to above, may be utilised if the member's client is placing instructions in respect of one or more underlying accounts controlled by the client. A designated suspense account in the name of an agent appointed by a client to transact on his behalf, as referred to above, may be utilised if a number of the member's clients have appointed an agent to transact on their behalf.
- 7.100.5. If the designated suspense accounts referred to in rules above are utilised, the member may allocate transactions in the same security on the same day to the accounts of the underlying beneficiaries, at an average price, based on the instructions of the client or the appointed agent respectively.
- 7.100.6. A member may issue contract notes or electronic confirmations reflecting average prices in respect of transactions allocated to the accounts of the underlying beneficiaries in terms of above rule, provided that such contract notes or electronic confirmations disclose the fact that the price is an average price and the member has notified the client or, if relevant, the agent appointed by the client that the prices and times of each transaction are available from the member on request.
- 7.100.7. If a member uses one or more suspense accounts for transactions executed on behalf of clients whose securities are managed by the member and allocates transactions to such clients at an average price, the member is not required to obtain the consent of the client

to allocate transactions at an average price in terms of the provisions on contract notes, nor are they required to notify the client that the prices and times of each transaction are available from the member in terms of above rule.

7.110. Management of corporate actions

The arrangement between a member and a controlled client regarding issues pertaining to corporate actions must be recorded in writing. The written arrangement must, as a minimum, incorporate the instructions from the controlled client and the terms and conditions which will apply to the following issues pertaining to corporate actions -

- 7.110.1. whether the client wishes to receive all company reports, proxy forms, notices, circulars, listing particulars and any other issuer communications, in respect of securities of which such client is a beneficial owner;
- 7.110.2. whether the member is entitled and obliged to utilise its discretion in electing particular options in respect of all or certain corporate action events which require such an election to be made;
- 7.110.3. whether the member may utilise its discretion in exercising voting rights on behalf of the client;
- 7.110.4. the means of communication between the member and the client if the member is not granted discretion to act in respect of the issues referred to in in terms of this rule. This will apply to the communication of the relevant issues to the client by the member as well as the client's response thereto;
- 7.110.5. the date and time by which the client is required to make an election, if applicable; and
- 7.110.6. the option which the member may elect if the client fails to advise the member of their election before the deadline specified in the above rule, if applicable. This could either be the default for election or the member may be entitled to utilise its discretion in electing a particular option.

7.120 Client statements

- 7.120.1 A member must provide a written statement to a client which complies with these rules.
- 7.120.2 Statements shall be provided to clients –
 - 7.120.2.1 at regular intervals which may not exceed three months, unless the client consents in writing not to receive the statements because they are able to access the information made available by the member through electronic means, such as the internet, on a continuous basis;
 - 7.120.2.2 monthly if the client's portfolio includes any transactions or positions in derivative instruments;

7.120.2.3 at such intervals of less than three months as the client requests, although the member shall not be obliged to provide statements more frequently than monthly; or

7.120.2.4 at such intervals as may be agreed between the member and a professional client.

7.120.3 The information may be provided to the client in separate statements either during the reporting period or as at the reporting date.

7.120.4 A client statement shall be provided either to the client or to an agent or third party nominated by the client in writing.

CHAPTER

8

CHAPTER 8: Client assets

Scope of Chapter

- 8.10. Separation of client assets
- 8.20. Borrowing or lending of client assets

8.10 Separation of client assets

8.10.1 A member must provide for –

8.10.1.1 the separation and identification of the assets of a client and the assets of the member; and

8.10.1.2 proper accounting for the assets of each client.

8.10.2 A member may not utilise the assets of clients to finance its business activities.

8.10.3 A member must open and maintain one or more trust bank accounts to ensure that any funds received by the member from a client are segregated from the member's own funds from the time that such funds are deposited. Unless otherwise agreed between the parties, any interest earned from clients' funds, must be transferred to the client.

8.20 Borrowing or lending of client assets

A member may not borrow or lend any client assets.

<p>CHAPTER</p> <p>9</p>

Chapter 9: Complaints and disputes

Scope of Chapter

- 9.10. Client complaints
- 9.20. Internal complaint handling procedures
- 9.30. Timeous response to complaints
- 9.40. Redress
- 9.50. Recording of complaints
- 9.60. Unresolved client complaints
- 9.70. Applicability of dispute resolution rules
- 9.80. Reporting of a dispute
- 9.90. Declaration of a dispute
- 9.100. Limitation of liability
- 9.110. Member complaints against the BSE

Complaints

9.10. Client complaints

- 9.10.1. For the purposes of Chapter 9 of the rules, a client complaint is defined as a complaint in relation to the provision of regulated services, in which the client alleges that he has suffered, or is likely to suffer, financial prejudice as a result of a member –
 - 9.10.1.1. contravening or failing to comply with any instruction given by the client, or any agreement or mandate entered into with the client;
 - 9.10.1.2. contravening or failing to comply with the rules and the directives;
 - 9.10.1.3. acting dishonestly, negligently or recklessly; or
 - 9.10.1.4. treating the client unreasonably or unfairly.
- 9.10.2. Every member must establish and maintain appropriate procedures for the handling of client complaints.

9.20. Internal complaint handling procedures

- 9.20.1. A member's internal complaint handling procedures must provide for –
 - 9.20.1.1. the receipt of oral or written complaints;
 - 9.20.1.2. the appropriate investigation of complaints;
 - 9.20.1.3. an appropriate decision-making process in relation to the response to a client complaint;
 - 9.20.1.4. notification of the decision to the client; and
 - 9.20.1.5. the recording of complaints.
- 9.20.2. A member's internal complaint handling procedures must be designed to ensure that –
 - 9.20.2.1. all complaints are handled fairly, effectively and promptly;
 - 9.20.2.2. recurring or systemic problems are identified, investigated and remedied;
 - 9.20.2.3. the number of unresolved complaints referred to the BSE are minimised;
 - 9.20.2.4. complaints are investigated by an employee of sufficient competence who, was not directly involved in the matter which is the subject of a complaint;
 - 9.20.2.5. the employee responsible for the resolution of complaints has the necessary authority to resolve complaints or has ready access to an employee who has the necessary

authority; and

9.20.2.6. relevant employees are aware of the member's internal complaint handling procedures and comply with them.

9.30. Timeous response to complaints

A member must respond to a client complaint within 4 weeks of receiving the complaint or, within such period, provide the complainant with an appropriate explanation as to why the member is not, at that time, in a position to respond and must indicate by when the member will respond.

9.40. Redress

9.40.1. Where a member decides that redress in the form of compensation is appropriate in resolving a complaint, the member must provide the complainant with fair compensation and must comply with any offer of compensation made by it which the complainant accepts.

9.40.2. Where a member decides that redress in a form other than compensation is appropriate in resolving a complaint, the member must provide the redress as soon as practicable.

9.50. Recording of complaints

9.50.1. A member must maintain a record of all client complaints. The record of each complaint must include –

9.50.1.1. the identity of the complainant;

9.50.1.2. the substance of the complaint; and

9.50.1.3. all correspondence in relation to the complaint.

9.50.2. The records referred to above must be retained by the member for a period of 5 years from the date of receipt of the complaint.

9.60. Unresolved client complaints

9.60.1. A client complaint will be deemed to be unresolved if the complainant is not satisfied with the resolution of the complaint proposed by the member.

9.60.2. A complainant may lodge an unresolved complaint, in writing, with the BSE, giving full particulars of the matter concerned.

9.60.3. In order for an unresolved complaint to be considered by the BSE, the complaint must be lodged within 4 weeks of the receipt by the complainant of the member's response and within 6 months of the conduct by the member giving rise to the complaint.

9.60.4. An unresolved complaint which is lodged later than the prescribed time frame, will be considered, provided that failure to lodge the complaint within the relevant period was through no fault of the client.

9.60.5. The BSE may request the member and the complainant to provide

copies of all relevant correspondence and documentation that is required to review the complaint.

- 9.60.6. The BSE will endeavour to facilitate a resolution of the complaint between the member and the complainant.
- 9.60.7. If the BSE is unable to facilitate a resolution of the complaint within 4 weeks of lodgement of the complaint with it, the unresolved complaint will be dealt with in terms of the dispute resolution rules contained herein.

Disputes

9.70. Applicability of dispute resolution rules

- 9.70.1. The dispute resolution rules are intended to facilitate the equitable and expeditious settlement of disputes that –
 - 9.70.1.1. a client has with a member, in respect of an unresolved complaint;
 - 9.70.1.2. a member has with another member, in respect of transactions in securities; or
 - 9.70.1.3. a member has with a client, in respect of transactions in listed securities.
- 9.70.2. The dispute resolution rules only apply –
 - 9.70.2.1. where the amount in dispute is in excess of P2 000;
 - 9.70.2.2. where the dispute is not the subject of existing litigation;
 - 9.70.2.3. in the case of a dispute that a member has with another member, if the members are able to evidence to the satisfaction of the BSE that reasonable endeavours have been made by the said members to resolve the dispute.

9.80. Reporting of a dispute

- 9.80.1. A dispute between two members in respect of transactions in listed securities must be reported in writing, by either member, to the Company Secretary of the BSE within 1 week of the circumstance giving rise to the dispute having arisen.
- 9.80.2. A dispute that a member has with a client in respect of transactions in listed securities must be reported, in writing by, the member, to the Company Secretary of the BSE within 6 months of the circumstance giving rise to the dispute having arisen.
- 9.80.3. The Company Secretary of the BSE may, at any time, request any of the parties to a dispute to provide him/her with such further information relating to the dispute as may be required.

9.90. Declaration of a dispute

A dispute reported in terms of the rules will, subject to criteria set out in rule herein having been met, be declared a dispute by the Company Secretary and will be referred by the Company Secretary to a relevant authority for consideration.

9.100. Limitation of liability

No officer, employee or representative of the BSE or any member of the Board appointed in terms of these rules shall be liable for any loss sustained by, or damage caused to any person as a result of anything done or omitted by them in the bona fide or negligent performance of any function under or in terms of this rule 9.

9.110. Member complaints against the BSE

9.110.1. If a member wishes to lodge a complaint against the BSE in respect of the exercise by the BSE of any exchange functions in terms of the Act the member requires a written response to their complaint, the member should lodge the complaint in writing with the BSE Company Secretary.

9.110.2. If a member wishes to lodge a complaint against the BSE in respect of conduct by the BSE which, in the opinion of the member, evidences a failure by the BSE to avoid or otherwise appropriately manage a potential conflict between the BSE's regulatory functions and its commercial functions, the member should lodge the complaint in writing with the BSE Company Secretary for the attention of the Chairperson of the Admissions and Disciplinary Committee.

9.110.3. The BSE or the Chairperson of the Admissions and Disciplinary Committee will respond to a complaint received in terms of the rules within 4 weeks of receiving the complaint or, within such period, will provide the complainant with an appropriate explanation as to why they are not, at that time, in a position to respond and will indicate by when they will respond.

CHAPTER

10

Chapter 10: Supervision and enforcement

Scope of Chapter

- 10.10. Surveillance and investigation by the BSE
- 10.20. Reporting and assistance by the BSE– Financial Intelligence Act
- 10.30. Use of information obtained by the BSE and referral to another authority
- 10.40. Improper conduct
- 10.50. Disciplinary procedures
- 10.60. Procedure and evidence – Disciplinary Matters
- 10.70. Disciplinary matters – Penalties
- 10.80. Involuntary termination of membership – Supervision and control
- 10.90. BSE’s powers of publication

10.10. Surveillance and investigation by the BSE

10.10.1. Surveillance

The BSE may set up and maintain systems for:

- 10.10.1.1. monitoring compliance by members with the Act and the rules;
- 10.10.1.2. the surveillance of any matter relevant for the purposes of the Act and the rules; and
- 10.10.1.3. supervising compliance by members with the Financial Intelligence Act.

10.10.2. Investigation

10.10.2.1. The Chief Executive Officer of the BSE, and any other person designated by him/her, may –

- 10.10.2.1.1. investigate any BSE related activities of any person who at the relevant time was a member or an employee of a member;
- 10.10.2.1.2. investigate whether that member or any of its employees complies with the Act, the rules, the directives and the Financial Intelligence Act;
- 10.10.2.1.3. investigate whether the member is trading in such a manner that there is a danger that such member may not be able to meet its commitments to clients, other members or a settlement system;
- 10.10.2.1.4. investigate whether such member is conducting its business in a manner which could be detrimental to the interest, good name or welfare of the BSE or its members; and
- 10.10.2.1.5. require any person who is subject to the jurisdiction of the BSE and who is believed to be able to furnish any information on the subject of any investigation or to have in his or her possession or under his or her control any book, document, tape or electronic record or other object which has a bearing on the subject of the investigation, to produce such book, document, tape or electronic record or other object or to appear at a time and place specified, to be questioned by any of the abovementioned persons, to furnish such information or to produce such book, document, tape,

electronic record or other object, provided that the subject of the investigation has first been put to such person.

10.20. Reporting and assistance by the BSE

The BSE will report to the Director of the Financial Intelligence Authority any non-compliance by a member or its employees with the duties imposed on the member and its employees in terms of the Financial Intelligence Act if the BSE becomes aware of such non-compliance through the surveillance and investigation procedures undertaken in terms of the rules.

10.30. Use of information obtained by the BSE and referral to another authority

10.30.1. Any information, document, book, tape or electronic record or other object obtained by the BSE, whether by investigation or otherwise, may be used in evidence in any disciplinary proceedings contemplated in these rules and may be furnished by the BSE to any other body which may have jurisdiction over the matter under consideration, whether outside or within the Republic.

10.30.2. If the BSE becomes aware of any possible contravention of law by a person over whom the BSE does not have jurisdiction, the BSE may refer such matter to the appropriate authority or authorities, whether outside or within the Republic.

10.40. Improper conduct

The following acts and practices whether of commission or omission on the part of any person who at the time of the alleged act or practice was a member or employee of a member shall constitute improper conduct, provided that the acts and practices so specified are not intended to be a complete list of acts and practices which may constitute improper conduct:

10.40.1. committing or attempting to commit any act which is dishonest or fraudulent;

10.40.2. being a party to, or facilitating or conducting a transaction which is fictitious or has a dishonest or unlawful motive;

10.40.3. contravening, attempting to contravene, or failing to comply with any one or more provision of the Act, a rule or a directive;

10.40.4. negligently or recklessly conducting the business or affairs of the member in such a way that actual or potential prejudice is, or may be, caused to the BSE, any other member, a client of a member or the general public. The failure by a member to introduce appropriate and reasonable safeguards or controls to avoid such prejudice may be treated, where appropriate, as constituting either negligence or recklessness;

10.40.5. committing or attempting to commit any act which is detrimental to the interest, good name or welfare of the BSE or its members;

- 10.40.6. knowingly obstructing the business of the BSE or its members;
- 10.40.7. failing, when requested, to assist the BSE in the exercise of its duties, including but not limited to, failure without sufficient cause to provide information that is requested.

10.50. Disciplinary procedures

10.50.1. Conclusion of investigation

On conclusion of any investigation in terms of these rules and if, after having considered all the relevant information in his possession, the Head of Listings and Trading is of the opinion that there are grounds for an allegation of improper conduct, the Head of Legal Services and Board Secretary may write to a member or a special member requesting that they should show cause why disciplinary action should not be taken against them.

Where the member or special member fails to show cause why disciplinary action should not be taken against them, then the Head of Legal Services and Board Secretary shall proffer a formal charge against such person ("the respondent") setting out a brief statement of facts constituting the alleged offence. Such charge shall be referred to the Admissions and Disciplinary Committee, to be heard in terms of the rules. Such charge may further, make provision for an admission of guilt.

10.50.2. Referring charges to be heard by the Admissions and Disciplinary Committee

10.50.2.1. Where the Head of Legal Services and Board Secretary has referred a formal charge against a respondent, the charge sheet shall, in addition to the matters listed in rule above, be in a form prescribed by the Head of Legal Services, be signed by the Head of Legal Services, and be served on the respondent in such manner as the Head of Legal Services may determine.

10.50.2.2. Where the Head of Legal Services has decided to make provision for an admission of guilt, it shall stipulate:

10.50.2.2.1. the amount of the fine payable pursuant to the admission of guilt and any required contribution towards the BSE's costs as well as the period within which such amounts must be paid. In determining the amount of such fine and where the person has benefited financially as a result of the alleged transgression, the Head of Legal Services shall take such benefit into consideration. The admission of guilt may, in particular, provide for the fine to be suspended for a period;

- 10.50.2.2.2. the manner and time in which the admission of guilt may be made, which time shall not be a period in excess of 14 days from the date on which the charge sheet is served on the respondent; and
 - 10.50.2.2.3. whether the terms of the admission of guilt should be published in the media.
- 10.50.2.3.A respondent:
- 10.50.2.3.1. may, if the respondent is given an opportunity to sign an admission of guilt, admit guilt to such charges within the period set out in the charge sheet; or
 - 10.50.2.3.2. may within 14 days after receipt of the charge sheet request particulars to the charges, to which the Head of Legal Services must respond within 14 days after receipt of such request; and
 - 10.50.2.3.3. shall, if no admission of guilt is tendered by the Head of Legal Services or if the respondent decides not to admit guilt to the charges, file a defence to such charges on or before 21 days after the date on which the charge sheet was served on the respondent or within 14 days after the date on which the BSE has responded to the request for further particulars, whichever is later.
- 10.50.2.4. Thereafter the chairperson of the Admissions and Disciplinary Committee shall determine the date on which the charges shall be heard, which date shall not without good reason be later than six months after the charge sheet was served on the respondent.
- 10.50.2.5. No extension of the time periods, including the date for the hearing of the charges, shall be allowed without good reason. Furthermore, no such extension shall be allowed without the consent of the chairperson of the Admissions and Disciplinary Committee.

10.60. Procedure and evidence – Disciplinary Matters

10.60.1. Any charges proffered shall be decided on a balance of probabilities.

10.60.2. In a hearing before the Admissions and Disciplinary Committee:

- 10.60.2.1. The members of the Admissions and Disciplinary Committee shall by a simple majority decide all other matters arising during the hearing;

- 10.60.2.2.the BSE may instruct attorneys or counsel to prefer and prosecute the charges on behalf of the BSE, or the charges may be prosecuted by an employee of the BSE; and
- 10.60.2.3.the respondent is entitled to be legally represented at the respondent's own cost.
- 10.60.3. If a respondent without good cause fails to attend a hearing before the Admissions and Disciplinary Committee at the time and place stated in the charge sheet, the Admissions and Disciplinary Committee may proceed with its consideration of the charge in the absence of the respondent.
- 10.60.4.If, at any stage during a hearing before the Admissions and Disciplinary Committee, one or more of the members of the Admissions and Disciplinary Committee dies or retires or becomes otherwise incapable of acting or is absent, the hearing shall, where the remaining members constitute a majority of the body before whom the hearing was commenced, proceed before such remaining members and, provided that the remaining members are in agreement, their finding shall be the finding of the Admissions and Disciplinary Committee. In any other case, the matter shall be heard de novo.
- 10.60.5.If the Admissions and Disciplinary Committee finds a respondent guilty of an offence, the Admissions and Disciplinary Committee shall have the powers set out in and shall apply the rules for imposition of penalties.
- 10.60.6.The decision of the Admissions and Disciplinary Committee shall be final.
- 10.60.7.A person charged by the Admissions and Disciplinary Committee shall have a right to appeal to the Board. The record of proceedings of the hearing and written submissions that had been made shall be used as the documents for hearing of the appeal. No new evidence shall be allowed on appeal.
- 10.60.8.A person charged is entitled to be supplied with a record of the hearing of such charges, and any person who has made oral representations is entitled to be supplied with a record of that portion of the proceedings which related to that person's oral representations.

10.70. Disciplinary matters – Penalties

- 10.70.1. When any person has been found guilty of improper conduct by the Admissions and Disciplinary Committee pursuant to the rules, the Admissions and Disciplinary Committee -
- 10.70.1.1.may warn or impose a reprimand, censure or fine upon the respondent, which fine shall in respect of each contravention not exceed P200,000, or such other amount

as may be stipulated in the Act;

10.70.1.2. shall in determining an appropriate penalty take into account:

10.70.1.2.1. any previous conviction in terms of the rules of the BSE, or in a court of law;

10.70.1.2.2. the harm or prejudice which is caused by the offence;

10.70.1.2.3. any other aggravating or mitigating circumstances; and

10.70.1.2.4. where it is possible that the membership of the respondent may be terminated or suspended, the representations of such person in this regard;

10.70.1.3. may, on such conditions as the Admissions and Disciplinary Committee may deem fit, terminate the membership of a member who has been found guilty of improper conduct or in the case of an employee of a member, require such member to hold a disciplinary enquiry to consider terminating or suspending the employment of such person;

10.70.1.4. may direct a member to prevent or relieve an employee of that member from carrying out any specified activity, function or duty for such reasonable period as the Admissions and Disciplinary Committee deems appropriate;

10.70.1.5. may find that an officer or a registered securities dealer does not meet the fit and proper requirements set out in these rules;

10.70.1.6. may direct a member to ensure that any sanction imposed by the Admissions and Disciplinary Committee on an employee of that member is complied with by such employee;

10.70.1.7. may make a fair and reasonable order as to costs; and

10.70.1.8. may order that particulars of the offence and finding of the Admissions and Disciplinary Committee and the penalty imposed be published, provided that if publication is ordered, the respondent shall be given an opportunity to make representations to the Admissions and Disciplinary Committee in this regard.

10.70.2. The Admissions and Disciplinary Committee may impose any one or

more of the penalties referred to above.

- 10.70.3. Any penalty or part thereof may be suspended on such conditions as the Admissions and Disciplinary Committee may determine.
- 10.70.4. If a member or an employee of a member fails to pay any fine imposed by the Admissions and Disciplinary Committee, within 30 days after being informed of the amount of the fine, the BSE may, after serving notice of not less than 3 days on such person, calculated from the expiration of the last of the 30 days within which payment must be made, -
- 10.70.4.1. recover such fine from such member or employee, as the case may be, in a court of competent jurisdiction;
 - 10.70.4.2. terminate the membership of such member on such conditions as the BSE may deem fit, or in the case of an employee of a member, require such member to hold a disciplinary enquiry to consider terminating or suspending the employment of such person; and/or
 - 10.70.4.3. direct a member to prevent or relieve an employee of that member from carrying out any specified activity, function or duty for such reasonable period as the BSE deems appropriate.
- 10.70.5. The amount of any fine paid to the BSE pursuant to the rules shall be paid into the BSE bank account. Any costs paid to the BSE pursuant to an award made by the Admissions and Disciplinary Committee shall be paid into the general funds of the BSE.
- 10.70.6. The Admissions and Disciplinary Committee may, upon good cause shown and subject to such conditions as the Admissions and Disciplinary Committee may impose, vary or modify any penalty which it may have previously imposed on any person provided that in modifying or varying such penalty, the Admissions and Disciplinary Committee shall under no circumstances increase such penalty.
- 10.70.7. A report of the findings of the Admissions and Disciplinary Committee will be forwarded to the Regulatory Authority, by the BSE, within 30 days after the completion of the proceedings.
- 10.70.8. Should any termination of the membership of a member be suspended as a result of an appeal being lodged in terms of the Act, such suspension may be made subject to such conditions as the BSE may determine. Any member whose membership has been terminated and who lodges an appeal in terms of the Act shall simultaneously inform the Head of Legal Services that an appeal has been lodged.

10.80. Involuntary termination of membership – Supervision and control

- 10.80.1. If, after provisional termination of membership in terms of rule 3.90 and at any stage prior to the final termination of membership, the

BSE is of the opinion that the interests of clients, other members or the BSE may not be adequately protected by the member, the BSE may direct that such action is taken by the member or that such supervision or control is executed by the BSE as is deemed necessary to ensure that –

10.80.1.1.the member meets all of its obligations to its clients timeously, including the return of client assets to the clients; and

10.80.1.2.the member settles all transactions which have not been settled at the date of provisional termination of membership.

10.80.2.The intervention by the BSE referred to in rule 10.80.1 may, in appropriate circumstances, involve the BSE following the procedures set out in rule 11.30.2, as if the member had been declared to be in default.

10.80.3.The BSE may appoint one or more employees of the BSE or another member, or a registered public accountant and auditor, to exercise the supervision and control of the member's activities provided for in this rule 10.80, at the member's cost.

10.90. BSE's powers of publication

10.90.1.The BSE may in its discretion and in such manner as it may deem fit, notify the public of any fact that the BSE considers to be in the public interest, including, but not limited to, the name of the member or employee of a member who has been found guilty of any charge and of the sentence imposed on such person.

10.90.2.No action or other proceeding shall in any circumstances be taken by any member or employee of a member referred to in any notification referred to in rule 10.90.1, or in a BSE X-News publication, against the BSE or any controlling body or committee member or employee thereof or any person publishing or circulating the same.

CHAPTER

11

Chapter 11: Default

Scope of Chapter

- 11.10. Default of a member
- 11.20. Consequences of default
- 11.30. Settlement of open transactions in securities
- 11.40. Return of client assets
- 11.50. Recovery of losses or costs by the BSE

11.10. Default of a member

11.10.1. A member shall default if –

11.10.1.1. subject to these Rules, it is unable to meet its commitments to another member, the BSE, the CSDB or a non-member, arising out of a transaction or a CSDB settlement system instruction; or

11.10.1.2. the BSE, in its sole discretion, considers that it has defaulted.

11.10.2. If a member is unable to meet its obligation to pay settlement funds to the BSE in terms of these rules, the failure to pay such settlement funds on the due date shall not automatically result in a default but the BSE may, after considering the risk and potential impact to the BSE, other members and clients arising from the failure to pay the settlement funds, determine that the member is in default.

11.10.3. If a member is unable to meet its commitments in terms of these rules or the BSE considers that the member has defaulted in terms of these rules, the BSE CEO will declare the member to be in default.

11.20. Consequences of default

11.20.1. Once a member has been declared to be in default -

11.20.1.1. its membership shall be suspended. A defaulting member shall continue to be bound by the provisions of the rules and the directives, but will not retain any of the rights attached to membership; and

11.20.1.2. a notice to the effect that the member has been declared to be in default shall be provided to all members and to the public.

11.20.2. Without limiting or detracting from any other remedies and rights which the BSE may have against a member, upon a member being declared to be in default –

11.20.2.1. the member shall, save as provided in this rule, be suspended from trading;

11.20.2.2. any amount payable by the BSE to the member arising from any suretyship, cession, pledge or other security or any other cause shall be set off against any amount payable by the member in terms of these rules, including related penalties imposed by the BSE;

11.20.2.3. the member shall hand over to the BSE –

11.20.2.3.1. such financial records of the member as the BSE deems necessary for the identification, protection and return of client assets and to facilitate the settlement of outstanding

transactions in securities; and

11.20.2.3.2. the control of all client assets;

but the BSE shall not withhold from the defaulting member reasonable access to the financial records of such member.

11.20.3. The BSE is entitled to recover any amounts due by the defaulting member to the BSE in terms of these rules from the assets of the defaulting member.

11.30. Settlement of open transactions in securities

11.30.1. For the purpose of Chapter 11, open transactions in securities for settlement –

11.30.1.1. includes all transactions which have been concluded by the defaulting member through the central order book of the BSE Automated Trading System; and

11.30.1.2. includes all off book trades which have been submitted to the BSE by the defaulting member.

11.30.2. The closing of transactions of the defaulting member shall be dealt with as follows:

11.30.2.1. The BSE shall use its best endeavours to procure that all open transactions in terms of this rule between the defaulting member and other members and non-members are settled, by taking such steps as may reasonably be necessary;

11.30.2.2. In procuring settlement of these open transactions, the BSE shall require clients of the defaulting member to meet their settlement obligations in respect of all open transactions executed on their behalf;

11.30.2.3. Where possible, any funds or securities held by the defaulting member on behalf of controlled clients or received by the defaulting member or the BSE from controlled clients subsequent to the default, which are required to effect settlement of open transactions conducted on behalf of those clients, will be applied by the BSE to settle such transactions;

11.30.2.4. In attempting to procure that open transactions are settled in terms of this rule, the BSE shall be entitled to buy in or sell out securities which cannot be either delivered or paid for by the defaulting member or its client, in those instances where the CSDB is able to, and deems it appropriate to, procure the settlement of a transaction by means of the borrowing of securities or funds

11.30.3. If the BSE is unable to procure the settlement of any open transactions in terms of this rule, the failed trade procedures will be

applied.

- 11.30.4. Should a defaulting member have off book trades which have not settled –
- 11.30.4.1. the BSE will not permit a transaction to settle if a non-controlled client's CSDP has not committed to settling the transaction;
 - 11.30.4.2. the non-controlled client will be contractually bound to deliver the securities or funds required to settle the transaction; and
 - 11.30.4.3. the BSE will not be responsible for borrowing securities or funds to effect settlement if a party to the transaction has not fulfilled its obligations in respect thereof.
- 11.30.5. Any loss or costs incurred by the BSE in buying in or selling out securities in terms of these rules, or in otherwise procuring the settlement of open transactions, shall, in the first instance, be recovered by the BSE from any guarantees or any funds provided by the defaulting member in respect of the BSE settlement systems.
- 11.30.6. Any loss or costs which cannot be recovered by the BSE in terms of these rules shall be recovered by selling so many or any other securities belonging to the defaulting member and held by or in the custody of the defaulting member CSDP, as is necessary to realise an amount equal to the amount still owing to the BSE by the defaulting member.
- 11.30.7. In the event that the BSE is unable to recover any loss or costs in terms of this rule 11.30 and such loss or costs were incurred in either settling or closing transactions concluded by the defaulting member on behalf of a client, the BSE may, notwithstanding anything else contained in these rules, claim such costs from the client if they have not already paid them.

11.40. Return of client assets

- 11.40.1. The CSDB shall take reasonable steps to ensure that –
- 11.40.1.1. any client assets under the control of the defaulting member are identified as the client's property; and
 - 11.40.1.2. only client assets identified as belonging to the client and which are unencumbered are returned to the client, if so authorised by the client in writing.
- 11.40.2. The client shall warrant in writing to the CEO of CSDB that he is the lawful owner of any client assets before such assets are returned to him/her in terms of these rules.
- 11.40.3. In the event of a shortfall in clients' securities held by the defaulting member that is the result of a difference between the aggregate quantity of securities of a particular kind reflected in the member's house account and the aggregate quantity of securities of the

same kind reflected in the controlled client CSDB account, such shortfall shall be borne by all of the clients who hold securities of that kind collectively, in proportion to the interest allocated to each of the clients in the house account at the time immediately preceding the occurrence of the default.

- 11.40.4. Before any client assets are returned to the client, the client shall indemnify the CEO of the CSDB in writing for any loss sustained by or damage caused to any person, including, but not limited to the client, as a result of anything done or omitted by the CEO of the CSDB in the *bona fide* exercise of any power, or performance of any duty or function under or by virtue of the above rules, as a result of the return of such assets to the client and the alienation by the client of such returned assets in respect of which he is not the lawful owner.
- 11.40.5. Where client assets are returned to clients in terms of this rule 11.40 and it is thereafter established that ownership of such assets does not vest in the client, the client shall immediately return such assets to the control of the CEO of the CSDB, upon written notification. Where such returned client assets have been alienated by the client, the client shall immediately and in so far as he is able to, effect the return of such assets to the control of the CEO of the CSDB, upon written notification by the CEO of the CSDB.
- 11.40.6. The BSE shall be entitled to recover the costs of returning clients' assets to the client from the defaulting member.

11.50. Recovery of losses or costs by the BSE

Any losses or costs incurred by the BSE in relation to any action taken in terms of these default rules that the BSE is unable to recover from the defaulting member, including out of the guarantee or margin referred to in these rules , may be recovered out of any capital adequacy guarantees issued in terms of the directives.

Appendix 1

Members' Financial Resources Requirements and Quarterly Financial Statements

1. Objectives and Administrative Procedures

Objectives

- 1.1 Members should be established as entities of substance so as to evidence to the investing public and other market participants their financial capacity to ensure continuity of service delivery and market participation.
- 1.2 Additional levels of capital will be required of members to the extent that their business operations expose them to levels of risk in excess of that covered by their base level financial requirement. Such additional levels of capital will be determined by the BSE at amounts which are designed to protect the investing public and other market participants from loss as a result of the failure of a member's business as a consequence of market conditions which could be reasonably foreseen.
- 1.3 The manner in which the required capital is held will be prescribed by the BSE so as to ensure that it is in sufficiently liquid form to be available to meet the member's potential obligations as and when they become due.

These financial resources requirements are not designed to afford protection against significant fraud or other risks which are not reasonably foreseeable. Such risks are addressed through comprehensive fidelity insurance cover and the Investor Compensation Fund.

Administrative Procedures

- 1.4 The BSE shall be entitled to full access to members' financial and other records at any time, in order to confirm a member's compliance with the Financial Resources Requirements.
- 1.5 The requirements in the rules and directives relating to the adequacy of a member's financial resources and the submission of quarterly returns to the BSE reflecting the member's risk positions and its financial resources, shall apply regardless of the fact that the details of client transactions in certain financial products may not be recorded in their Financial Statements. In addition, any risk or loss to the member arising out of such transactions, which is not reflected in the Financial

Statements and which is material in relation to the member's risk positions or financial resources, shall, as soon as the risk or the loss has been incurred, be reported, in writing, to the BSE.

2. Financial Resources

2.1 On a quarterly basis, a member shall calculate its financial resources in accordance with Table below –

Ordinary share capital	X
Preference share capital	X
Share premium account	X
Reserves	X
Audited retained earnings (or accumulated losses)	X
Unaudited profit (or loss)	X
Owners' equity	XXX
Subordinated loans	X
Guarantees received	X
Total capital resources	XXX
Less: Impaired capital	XXX
Intangible assets	X
Guarantees provided	X
Material holdings in credit institutions and investment firms	X
Available capital resources	XXX
Less: Illiquid assets	XXX
Fixed assets, net of related secured loans	X
Investments in unlisted securities	X
Guarantees provided to clearing houses	X
Adjusted liquid capital	XXX

SIGNATURE: CEO/MANAGING DIRECTOR

SIGNATURE: HEAD OF FINANCE

3. Quarterly financial Statements

(NAME OF MEMBER FIRM)
STATEMENT OF COMPREHENSIVE INCOME FOR QUARTER ENDED (date)

	NOTES	CURRENT QUARTER	YEAR TO DATE
Commission Income	1		
Direct Expenses	2		
Net Brokerage Income			
Other Income	3		
Total Income Less Direct Expenses			
Administration Expenses	4		
Operating Profit/(Loss)			
Finance Charges	5		
Net Profit Before Tax			
Taxation			
NET PROFIT			

SIGNATURE: CEO/MANAGING DIRECTOR

SIGNATURE: HEAD OF FINANCE

(NAME OF MEMBER FIRM)
STATEMENT OF FINANCIAL POSITION AS AT
....(date)

ASSETS		CURRENT
NON-CURRENT ASSETS	NOTES	QUARTER
Property, Plant & Equipment	6	
Intangible Assets	7	
Investments	8	_____
CURRENT ASSETS		
Trade & Other Receivables	9	
Financial Assets	10	
Cash & Cash Equivalents	11	_____
TOTAL ASSETS		_____ =====
EQUITY AND LIABILITIES		
CAPITAL & RESERVES		
Stated Capital	12	
Reserves	13	_____
SHAREHOLDERS EQUITY		
NON-CURRENT LIABILITIES		
Long term Loans	14	
Deferred Tax	15	_____
CURRENT LIABILITIES		
Trade & Other Payables	16	
Tax Payable	17	
Loan payable within 1 year	18	
Bank Overdrafts	19	_____
TOTAL EQUITY AND LIABILITIES		_____ =====

SIGNATURE: CEO/MANAGING DIRECTOR

SIGNATURE: HEAD OF FINANCE

(NAME OF MEMBER FIRM)
CASH FLOW STATEMENT FOR THE QUARTER ENDED (date)

CASH FLOW FROM OPERATING ACTIVITIES	CURRENT QUARTER	YEAR TO DATE
--	------------------------	---------------------

Net Profit Before Tax

Adjustments for:

Amortisation

Depreciation

Provision for Bad and Doubtful Debts

Retirement Benefit Obligations

Profit/(Loss) on Disposal of Fixed Assets

Interest Expense

Interest Income

OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES

(Increase)/Decrease in Trade

Debtors (Increase)/Decrease in

Other Receivables

Increase/(Decrease) in Trade

Creditors Increase/(Decrease) in

Other Creditors

CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

Taxation

(Paid)/Refund

Gratuity Paid

Interest Paid

*NET CASH FROM/(USED) IN
OPERATING ACTIVITIES*

CASH FLOW FROM INVESTING ACTIVITIES

Acquisition of Fixed Assets

Proceeds from Disposal of Fixed

Assets Investments

Interest Received

Dividend received

Proceeds from Sale of Investments

NET CASH FROM/(USED) IN INVESTING ACTIVITIES

CASH FLOW FROM FINANCING ACTIVITIES

Issue of Shares
Loans
Repayment of Loans
Dividend Paid

*NET CASH FROM /(USED) IN
FINANCING ACTIVITIES*

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

Cash and Cash equivalents at the Beginning of the Period. Note A

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD. Note B

NOTE A

Cash and Cash equivalents at beginning of the period

Short Term Investments
Cash and Cash
Equivalents Bank
Overdraft

NOTE B

Cash and Cash equivalents at end of the period

Short Term Investments
Cash and Cash
Equivalents Bank
Overdraft

(NAME OF MEMBER FIRM)

NOTES TO THE FINANCIAL STATEMENTS

Amount

1 Commission Income

Transactions through the
BSE Other Receipts

2 Direct Expenses

BSE Fees
Other fees

3 Other Income

Interest Received from
Investments (Please give
details)
Other

4 Administration Expenses

Fixed Expenditure

Variable Expenditure

Total Administration Expenses

5 Finance Charges

Client Bank Accounts
Broker's Expense
Accounts

6 *Property, Plant & Equipment*

Office Equipment Furniture & Fittings
 Fixtures
 Motor Vehicles
 Leased Assets (please give details) Computers

Others (please give details) _____

7 *Intangible Assets*

VALUE AMORT. NBV

BSE Proprietary Rights
 Others (Please specify) _____

8 *Investments*

VALUE

9 *Trade & Other Receivable*

Broker Firms
 Clients (Note C)
 Related Party
 Allowance for Bad Debts _____

NOTE C

Aged Analysis
 Debtors from T to
 T+3 Debtors over
 T+3

-Related
 Party
 -Staff

-Other _____

10 *Financial Assets*

Market Value
Value *Book Value*
Value

11 *Cash and Cash Equivalents*

Cash at Bank
 - Clients' Funds
 - Firms Funds

Cash in Hand
 - Clients' Funds
 - Firms Funds

12 **Stated Capital**

Ordinary Shares
Preference Shares

13 **Reserves**

Undistributable Reserves Retained Profit
Other Reserves (

14 *Long Term Loans*

Secured Loans (give details)
Unsecured Loans (give details)

15 *Deferred Tax*

Balance Brought Forward Charges / (Reversal)

Balance Carried Forward

16 Trade & Other Payables

Broker Firms Clients
(Note D) Related
Party

NOTE D

Aged Analysis Creditors
from T to T+3 creditors
overT+3

- Related Party
- Staff
- Other

17 Tax Payable

Balance Brought Forward
Refund During the Period
Charge for the Period
Payments
Balance Carried Forward

18 Loans Payable within 1 Year

Secured Loans (give details)
Unsecured Loans (give
details)

19 Bank Overdraft

----- (Give details) _____