BOTSWANA STOCK EXCHANGE

CIRCULAR

TO: The Public

From: Botswana Stock Exchange Limited (BSE)

Date: 20 November 2026

SUBJECT: INVITATION FOR REVIEW AND COMMENTS ON THE PROPOSALS FOR THE REFORM OF BSE MEMBERSHIP AND TRADING RULES

The Botswana Stock Exchange (BSE) is currently undertaking a review of the existing BSE membership framework. In this regard, we invite all interested parties to submit any comments they wish to be considered during this review process

The proposed reforms can be accessed on the BSE website at https://bse.co.bw/

If you wish to contribute, kindly forward your feedback to the Listings and Trading Department email address listings@bse.co.bw no later than Friday, 27 November 2026.

We value your input and thank you for your engagement in this important process.

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1. Introduction

1.1. The purpose of this circular is to propose a review of the existing BSE membership framework and identify amendments to specific BSE Rules to broaden market participation, increase liquidity through increased trading by retail investors, promote competition by Brokers and other Market intermediaries and reduce unnecessary barriers to entry.

1.2. In terms of the BSE's 10Xby30 Strategic plan, the BSE has a mission to transform Botswana's economy and be the torchbearer of moving the country to a high income and inclusive economy. To deliver this mission, it is important that we review some of our old requirements and modernize them to ensure that the Exchange can impact the current environment and be a Force for Good.

1.3. Some of the amendments being hereby proposed have a direct impact on initiatives such as the establishment of BMX, the first commodities Exchange in the country; BSE membership of the Tab-Adul, a first for an African Exchange; implementation of the SADC ASEA counterparty agreements etc. all of which are critical parts of our vison of creating Africa's premier capital raising hub.

1.4. To complement demutualization and boost market participation, traditional broker-dealer rules must be reformed to enhance access, reduce friction, and formalize liquidity-building activities.

1.5. Whilst proposing changes, the aim is to also maintain appropriate standards of investor protection, market integrity and regulatory oversight in a changing World that is dealing with wildly powerful technological innovations and economic changes.

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3. Reform 1: Introduction of Tiered Membership Categories for New and Differentiated Brokerage Business Models

PROPOSED CHANGE

3.1. Rule 3.10 gives the BSE authority to establish categories of membership.

3.2. Rule 3.10.2 prescribes that members are authorized to perform at least "trading services or market making services".

3.3. The proposal is to make it specifically clear that the BSE allows ***differentiated categories of membership*** apart from Full-service trading membership including:

- ***3.3.1. Institutional trading members;***
- ***3.3.2. Execution-Only members;***
- ***3.3.3. Remote Members;***
- ***3.3.4. Digital members;***
- ***3.3.5. Any other category that the BSE Board may approve of.***

3.4. The rationale is to encourage the growth of the industry to new channels and methods.

REQUISITE RULE AMMENDMENTS

3.5. The following amendments would be required to effect these proposals:

Ref	Section	Current Wording	Proposed Wording
a)	Rule 1.40: [Amend Definition of "regulated services" to accommodate differentiated broker business models.]	"regulated services": means those securities services and other activities which are regulated by the BSE and which the BSE authorizes members to perform, namely – i) trading services; ii) market making services; iii) investment services;	"regulated services": means those securities services and other activities which are regulated by the BSE and which the BSE authorizes members to perform., namely – i) trading services; ii) market making services; iii) investment services; ***iv) and any other proposed category that the BSE may receive and approve.***
b)	Rule 3.20.4. [Amendment to relax Stockbrokers' admission requirements.]	Appoint a stockbroker who shall be an individual possessing 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.	Appoint a stockbroker who shall be an individual possessing ~~***a Degree in a relevant field with***~~ at least ~~***5***~~ ***two (2) years*** of relevant experience in ~~**investment business (of which 3 years must have been served with**~~ a Stockbroking Firm, ***a licensed Bank trading business,*** ~~***or a***~~ Securities Exchange,~~ **with 1 (one) year served as a Dealer**~~) ***or any other entity approved by the BSE*** and must have passed the ***Professional Stockbroker Examinations*** ~~***relevant examinations***~~ prescribed by the BSE from time to time ***as well as satisfying the Fit and Proper rules herein***.
c)	Rule 3.20.5. [Amendment to provide for **non-degree holder** dealers.]	Appoint an authorized securities dealer who shall be an individual possessing a Degree in a relevant field and at least 2 years of relevant experience in investment	Appoint an authorized securities dealer ~~***who shall be 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***~~

		business (of which 1 year must have been served with a Stockbroking Firm or a Securities Exchange).	~~***a Stockbroking Firm or a Securities Exchange).***~~ ***who has passed the relevant examinations prescribed by the BSE from time to time as well as satisfying the Fit and Proper rules herein.***

4. Reform 2: Introduce Remote Membership for International Brokers and Digital Access Framework

PROPOSED CHANGE

4.1. To deepen our market with foreign and diaspora investors, there is a need to allow foreign Brokers who do not have physical presence in Botswana to participate on the BSE platform.

4.2. The reforms will introduce Remote and Digital Membership which will also broaden local participation since there won't be requirement for full physical location of operations in Botswana.

REQUISITE RULE AMMENDMENTS

4.3. The following amendments are required:

Ref	Section	Current Wording	Proposed Wording
a)	Rule 1.40: [Add Definition of "Remote Member".]	N/A	***"remote member": a remote member falls into a special member category of authorized user admitted to the membership of the BSE under these rules. Remote membership may be granted by the BSE to any foreign entity that wishes to offer regulated services on the BSE provided the applicant is in good standing with their country of registration's National Capital Markets Regulator, and the said Regulator has a reciprocal licensing and supervisory agreement with NBFIRA.***
b)	Rule 3.40. [introduction of Remote Membership]	**Special membership Requirements** To be admitted as a special member and to remain a special member, an applicant must - 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;	**Special membership Requirements** To be admitted as a special member and to remain a special member, an applicant must - ***3.40.5 to be exempt from compliance with the continuing obligations in these rules and thus be allowed to continue operating on the BSE platform, remote members must maintain good standing with their country of registration's National Capital Markets Regulator.***

c)	Rule 4.50, [Provide for BSE approval of provision of regulated services via Digital Access]	**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.	**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. ***4.50.6. Where a Broker wishes to offer any regulated services via Digital Platforms, the Broker must submit and apply for BSE approval of their Digital Access Management Framework or Plan.***

5. Reform 3: Introduce Sponsored Access

5.1. Rule 5.10 regulates the use of the BSE Automated Trading System. Under this section we would like to introduce a sponsored-access model as an alternative route for appropriately approved firms wishing to access the market without immediately becoming full members.

5.2. This would enable those that do not yet meet the minimum entry requirements, including capital adequacy requirements, to start operating whilst they work towards achieving minimum requirements.

5.3. Under this model, an existing BSE Member would sponsor an approved participant and retain responsibility for ensuring compliance with the Trading Rules.

REQUISITE RULE AMMENDMENTS

5.4. The following is proposed in the Members Rules.

Ref	Section	Current Wording	Proposed Wording
a)	5.30 [New Section introducing Sponsored Access Model to provide an alternative route to Membership for qualifying candidates while ensuring accountability through an existing member]	N/A	***5.30 Sponsored access*** ***5.30.1 A BSE Member Applicant who does not meet Settlement Guarantee Fund Rules may enter into an arrangement where an SGF Rules compliant Member (the "Sponsor") allows such no-complaint Applicant (the "Sponsored User") to trade directly on the BSE using the Sponsor's trading code and infrastructure.*** ***5.30.2 In order for such arrangement to be effective, the two parties must enter into an agreement, the terms of which must be approved by the CSDB prior to commencement.***

6. Reform 4: Revise Dominant Business Activity Requirement

6.1. Rule 3.30.2.1 states that the dominant business activity of a member must be the performance of regulated services.

6.2. This Rule restricts participation by diversified financial institutions, including Banks and Investment firms, which may have the financial

capacity, governance, systems and regulatory oversight necessary to provide regulated services even if it is not their main business activity.

REQUISITE RULE AMMENDMENTS

6.3. The following amendment is proposed.

Ref	Section	Current Wording	Proposed Wording
a)	Rule 3.30.2.1 [Remove prescription of a "Dominant Business" for a Member Broker.]	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.	~~***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,***~~ ***A Member may perform other business activities that are not regulated services*** subject to the member having been granted the appropriate license to conduct such activity in terms of the relevant acts~~.~~

7. **Reform 5: Revision of Capital Adequacy Requirements**

7.1. Rule 3.30.3 requires members to maintain adequate financial resources. The existing base requirement is the higher of an amount that is adequate to meet a member's fixed expenditure for a period of 3 months, or BWP220,000.

7.2. A differentiated capital adequacy framework based purely on the size of the business is proposed instead.

REQUISITE RULE AMMENDMENTS

7.3. The following amendments are proposed.

Ref	Section	Current Wording	Proposed Wording
a)	Rule 3.30.3 [Review of Capital Adequacy Requirements to promote entry into the business by smaller Broker Firms.]	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	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.***~~

		adequate to meet a member's fixed expenditure for a period of 3 months; or 3.30.3.3.2 BWP220 000.	

8. Reform 6: Permitting Outsourcing of Selected Operational Functions

SETTLEMENT OFFICERS

8.1. Rule 3.20.7 requires a member to appoint both a settlement officer and an alternate settlement officer.

8.2. Rule 4.40 further prescribes their responsibilities and generally prevents a member from conducting business in the absence of an appointed settlement officer or alternate.

8.3. The BSE proposes to make this requirement dependent upon settlement responsibilities undertaken by the member.

8.4. Where an approved third-party settlement arrangement exists, the BSE should permit an alternative arrangement while the Broker retains clear responsibility for ensuring settlement obligations are executed correctly.

REQUISITE RULE AMMENDMENTS

8.5. The following amendments are therefore proposed.

Ref	Section	Current Wording	Proposed Wording
a)	Rules 3.20.7. and 3.40.3. [Permit Outsourcing of Selected Operational Functions – Settlement Officer]	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; 3.40.3 appoint a settlement officer and an alternate settlement officer in terms of these Rules who comply 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 comply with the fit and proper requirements set out in these Rules. ***3.20.7.1 The Role may also be outsourced to a firm acceptable to BSE.*** ***3.20.7.2. Where the Role is outsourced, the Member retains responsibility for the performance of the outsourced services.*** 3.40.3 appoint a settlement officer and an alternate settlement officer in terms of these Rules who comply with the fit and proper requirements set out in these Rules. ***3.40.3.1 The Role may also be outsourced to a firm acceptable to the BSE. 3.40.3.2. Where the Role is outsourced, the Member retains responsibility for the performance of the outsourced services.***

COMPLIANCE OFFICER

8.6. Rule 3.20.6 requires a member to appoint a compliance officer.

8.7. Rule 4.30 further prescribes the requirements and responsibilities for implementing and monitoring compliance systems and reporting breaches.

8.8. The new proposal is of course to retain the requirement that every member must have an effective compliance function; however,

Rule 3.20.6 is proposed to be amended to consider permitting group compliance arrangements, outsourced compliance arrangements, or other proportionate arrangements relevant to the type of membership.

REQUISITE RULE AMMENDMENTS

8.9. The following amendments are recommended.

Ref	Section	Current Wording	Proposed Wording
a)	Rules 3.20.6. and 4.30.1. [Permit Outsourcing of Selected Operational Functions – Compliance Officer]	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; 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.	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; ***3.20.6.1 The Role may also be outsourced to a firm acceptable to BSE. 3.20.6.2. Where the Role is outsourced, the Member retains responsibility for the performance of the outsourced services.*** 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. ***4.30.1.1 The Role may also be outsourced to a firm acceptable to the BSE. 4.30.1.2. Where the Role is outsourced, the Member retains responsibility for the performance of the outsourced services.***

9. **Reform 7: Separation of BSE Trading Membership from CSDB Participants Requirements**

9.1. Rule 2.90 of the Rules states that all members of the BSE are required to be participants of the CSDB.

9.2. The BSE proposes to consider separating trading membership from mandatory direct settlement participation. In this regard, a member can therefore choose to be:

9.2.1. a CSDB participant, or;

9.2.2. have an approved settlement arrangement with a CSDB participant/settlement agent, depending on membership category

REQUISITE RULE AMMENDMENTS

9.3. The following amendments are required.

Ref	Section	Current Wording	Proposed Wording
a)	Rules 2.90. [Separate being a BSE Member from being a CSDB Participant]	**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 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 ***that*** are ***not*** ~~***required to be***~~ participants of the CSDB ***are required to appoint a CSDB approved Participant to satisfy their settlement responsibilities on their behalf***. The CSDB prescribes – ***2.90.3. Where the Member has appointed a CSDB Participant in this regard, the Member retains responsibility for the performance of the outsourced services.***

10. **Reform 8: Re-Introduction Of A 10% Market Exposure Requirement for Crossing Orders (the 10% Rule)**

10.1. Rule 7.80.2 of the BSE Members Rules provides that in support of the best execution principle, transactions in listed securities must be conducted through the central order book unless an off-book trade qualifying under the BSE Trading Rules is in the best interests of the client.

10.2. The Members Rules currently define an "off book trade" as a transaction in securities negotiated off the central order book and submitted by a member to the BSE Automated Trading System.

10.3. Off Book Trades (also known as Crossings) are effectively executed between pre-identified counterparties without providing other market participants (retail investors) with an opportunity to participate in the transaction.

10.4. Although such transactions provide execution security for the parties involved (institutional Investors rebalancing internal portfolios), crossings reduce interaction with the central order book which leads to negative implications for price discovery, transparency, market participation, displayed liquidity and confidence in the central order book as the principal mechanism for executing trades.

10.5. In order to ease the unintended consequence of low liquidity and poor price discovery, brought about by the prevalence of crossings on our market, we propose the re-introduction of the 10% Rule.

10.6. Where a member intends to execute a crossings transaction, 10% of the volume of the transaction must first be exposed to the central orderbook before the remaining portion can be crossed between the original parties.

10.7. The proposed reform balances the ability of members to facilitate legitimate crossing transactions with the need to provide broader market-wide transparency and price discovery.

REQUISITE RULE AMMENDMENTS

10.8. The following amendments are therefore required.

Ref	Section	Current Wording	Proposed Wording
a)	Rule 5.1. [Intended to increase availability of shares for retail investors, strengthen price discovery and increase liquidity while preserving 90% of the trading protection	5.1 A crossing is a negotiated transaction; (i) entered into between two or more clients of a single Fund Manager through one or two stockbrokers and reported to the BSE via the Crossings Board. (ii) approved by Shareholders at a general meeting and reported to the BSE via the Crossings Board. All Crossings must be pre-approved in advance by the BSE.	5.1 A crossing is a negotiated transaction; ***5.1.1*** entered into between two or more clients of a single Fund Manager through one or two stockbrokers and reported to the BSE via the Crossings Board. ***5.1.2*** approved by Shareholders at a general meeting and reported to the BSE via the Crossings Board.

	required by institutional investors.]		All Crossings must be pre-approved in advance by the BSE. ***To be approved, every Crossing order must expose 10% of its total volume to the normal order book which shall be transacted in accordance with normal order book rules. Only if there are no takers can the 10% parcel, or the balance therefrom, be transacted as part of the Crossing order as initiated.***