

RSEB CLEARING AND SETTLEMENT HOUSE RULES
(CSH RULES)



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CSH Rules

PART I: INTRODUCTION

1. Short title

These Rules shall be called the RSEB Clearing and Settlement House Rules.

2. Commencement

These Rules shall come into effect upon the date of approval by the Authority and upon commencement of the Exchange's Automated Trading System Rules.

3. Definitions or Interpretations

When used in these Rules and, where applicable, in the Procedures, the following expressions shall, unless the context otherwise requires, have the meanings herein below specified:

Authorized Representative	Means any person who has the actual authority of the Clearing Member to make transmissions or to act on its behalf or to undertake such other actions as he may be authorized so as to legally bind the Clearing Member.
Automated Trading System (ATS)	Means the Automated Trading System of the Exchange for the execution of orders by its members and for the purpose of this definition ATS shall be the Trading System as defined in the relevant Trading Rules of the Exchange
Authority	Means the Royal Monetary Authority.
Blocked Status	The securities of the selling client will be blocked on a sell order entered in the Trading System and shall remain blocked till day end. After ascertaining the actual filled sell order, the securities will be removed from blocked status and will be transferred to "pending out" in the client of the seller till the settlement date.
Board	Means the Board of Directors of the RSEB.
Clearing Member	Means a person licensed by the Authority to conduct Clearing and Settlement Business.
Business Day	Means any day on which the House is open for business

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CD or Depository	Means Central Depository of the Royal Securities Exchange of Bhutan Ltd.
Chief Executive Officer	Means any person occupying the position of the CEO of the Exchange or any person authorized by the Board to perform the functions of CEO during his absence.
Clearing Member Agreement	Means an agreement, in the form prescribed by the House from time to time, entered into by a Clearing Member with the House as a pre-condition for admission of that Member to the House as a Clearing Member.
Clearing Member ID (CM ID)	Means Clearing Member identification issued by the House. The CM ID for all stockbroking clearing members shall be the same as their stockbroking ID or Participant ID in the Depository.
Computer System	Means the computer system forming part of the RSEB's Clearing and Settlement House System.
Court	Means Royal Court of Justice.

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Clearing and Settlement System	Means all systems and application programmes relevant to the operation of the House including all of the computer software maintained and used by the House for the purposes of the business of the House (other than software used by a Clearing Member to communicate with the Exchange in relation to the House).
Client	Means the client of a Broker Clearing Member and the Broker Clearing Member itself if it trades on its own account.
Collect	Means that the Broker has a payable position and has to pay the amount to the House.
Designated Time	Means the time on a Business Day as reflected in the Designated Times Schedule of the House, within or by which a requirement under these Rules and/or the Procedures must be complied with.
Designated Time Schedule	Means the set time period made by the House which an activity shall be carried out.
End of Day	Means on any business day, activities as are required to complete the transactions for the day.
Exchange trade	Means a trade which is affected on the Stock Exchange and is received in the House System as a locked-in trade contract for clearing and settlement.
Fees and Charges Schedule	Means such Fees and Charges Schedule for the time being in force as has been made under these Rules, and any amendment, or revision thereof made with the prior approval of the Authority
Force Majeure	Means fire, explosion, earthquake, flooding, power failure, communication breakdown, civil strife, labour dispute, unavailability of data processing, act of God or any other Similar event.
Government Securities	Means any Government Securities that are listed on the Exchange

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House /Clearing & Settlement House	Means the Clearing unit established by Royal Securities Exchange of Bhutan Ltd under these Rules.
ID	Means the code or identification allocated by the House to a Clearing Member pursuant to the Rules.
Locked-in	Means the status of a contract in the Clearing and Settlement System which require no additional action either by a selling or buying Clearing Member.
Notice	has the meaning given by Rule 9.
Position	Means the net of a Clearing Member's open commitment in a security.
Pre- commencement Testing	Means testing, under the direction of the House, to establish whether a Clearing Member meets the Technical and Performance Requirements for linking up to the Clearing and Settlement System.
Pay	Means that the broker has a receivable position and has to receive the amount from the Clearing House, which is the central counterparty.
Procedure	Means procedures of the House made under the Rules and include any amendment, modification, revision and/or substitution thereof.
Report	Means any of the reports whose parameters are prescribed in the Procedures from time to time.
Registration Details	Means in respect of an individual or body corporate, the name, address and Depository account and includes other Registration details as may be required by the House.

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Security	Means a security as defined in the Central Depository Rules, which may be the subject of contracts eligible to be settled in the House.
Settlement Date	Means the date on which the delivery of and payment for securities is due as per the Clearing and Settlement Calendar issued by the House pursuant to the Procedures.
Settlement Bank	Means a bank acceptable to the House which meets the eligible criteria set out in these Rules and is a party to a Tripartite Agreement whereby such bank undertakes to perform money settlement services for Clearing Members.
Stock Exchange or Exchange	Means the Royal Securities Exchange of Bhutan Ltd.
Settlement Account	Means a bank account maintained by a Clearing Member at the Settlement Bank which shall be debited with funds due from the Member and credited with moneys due to the Member on the day of settlement on account of all its trades.
Transmit	Means to cause a message, document or other information to be sent through electronic or any other suitable means.
Trade Date	Means the date on which the Exchange trade was entered into between a buying and a selling Clearing Member.
Tripartite Agreement	Means an agreement, in the form prescribed by the Exchange from time to time, entered into between the House, a Clearing Member and the Settlement Bank where the Settlement Bank undertakes to perform money settlement services for the Clearing Members in connection with all their trades, including an agreement or a supplement to an existing Tripartite Agreement in the form prescribed by the House from time to time.

Clearing and Settlement House Rules

PART II: INTERPRETATION

4. General principles of interpretation

In these Rules, unless the context otherwise requires:

1. a reference to these Rules, the Procedures, and Schedule is a reference to these Rules, Procedures, and the Schedule of Fees and Charges , or the Designated Times Schedule, as modified or amended from time to time;
2. a reference to “power” includes a reference to authority and direction;
3. The words importing the singular shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine gender, and words importing persons shall include companies or other bodies corporate.

5. Headings

In these Rules, headings are for convenience of reference only and do not affect interpretation.

6. Conduct, acts and omissions

1. In these Rules, a reference to conduct includes a reference to doing or refusing to do any act, including the making of, or the giving effect to a provision of an agreement.
2. In these Rules, unless the contrary intention appears, a reference to doing any act or thing includes a reference to causing, permitting or authorizing the act or thing to be done.

7. Purpose or Object of Rules

In the interpretation of the Rules, a construction that would promote the purpose or object of the underlying Rules (whether that purpose or object is expressly stated in the Rules or not) is to be preferred to a construction that would not promote that purpose or object.

8. Examples

If these Rules or the Procedures include an example of the operation of a Rule or a Procedure:

1. The example is not to be taken to be exhaustive; and
2. If the example is inconsistent with the Rules or Procedure, the Rules or Procedure shall prevail.

Clearing and Settlement House Rules

9. Notice, notification and service of documents

- (1) In these Rules or the Procedures, a reference to notifying a person of any matter includes a reference to transmitting a message containing that matter to the person.
- (2) For the purposes of these Rules and the Procedures, a Notice which is transmitted by the House to a Clearing Member or to a Settlement Bank shall be taken to be received by the Clearing Member or the Settlement Bank when the Notice shows up on the Member or Bank's computer terminal that is linked to the Clearing and Settlement System.
- (3) Subject to Rule 9(2), if any Rule requires or permits the giving of Notice of any matter to a person, such Notice shall be given in writing.
- (4) For the purposes of any of the Rules, or any provision of the Procedures that requires or permits a notice or document to be given to a person, whether the expression "serve", "give" or "send" or any other similar expression is used, the notice or document may be given:
 - (a) to a natural person:
 - (i) by delivering it to the person personally;
 - (ii) by leaving it at, or by sending it by courier or registered post to, the address of the place of residence or business of the person last known to the person serving the notice or document;
 - (iii) by sending it by facsimile to the person's facsimile number last known to the person giving the notice or document; or
 - (iv) by sending it by email or other electronic means to the person's email address or electronic address that the House has established for the giving of notices or documents to such person.
 - (b) to a company or other body corporate:
 - (i) by leaving it at, or sending it by courier or registered post to, in the case of a company, its registered office and, in the case of any other body corporate, its head office;
 - (ii) by sending it by facsimile to company's or body corporate's facsimile number last known to the person giving the notice or document; or
 - (iii) by sending it by email or other electronic means to such company or body corporate's email or similar address that the House has established for the giving of notices or documents to such company or body corporate.

Clearing and Settlement House Rules

(5) For the purposes of Rule 9(4):

- (a) a notice or document sent by courier shall be taken to be received at the time of delivery to the courier service provider;
- (b) a notice or document if sent by registered post shall be taken to be received after the notice or document is put in the registered post;
- (c) a notice or document sent by facsimile shall be taken to be received when the sender's facsimile machine indicates a successful transmission to the correct facsimile number;
- (d) a notice or document sent by email or other electronic means shall be taken to be received when the sender's computer or electronic gadget indicates a successful transmission; and
- (e) notwithstanding anything to the contrary contained in these Rules, if a notice or document is sent by courier or registered post, as provided in Rule 9(4) and is returned undelivered because:
 - (i) of the unavailability of the addressee at the address to which the notice or document was sent, or
 - (ii) the place of business, the registered or the head office, as the case may be, to which the notice or the document was sent was found to be closed or found to be not the place of business, the registered or the head office, as the case may be, of the addressee such notice or document shall nevertheless be deemed to have been received by the addressee for the purposes of these Rules.

Clearing and Settlement House Rules

- (6) Nothing in Rule 9(4) prevents notices or documents from being sent or given to, or served on a person in any other manner required or permitted by law or custom. If under these Rules the House is to give any Notice or document to Clearing Members, an accidental omission by the House to give Notice or document to one or more Clearing Members does not affect the validity and enforceability of any resolution, decision, proceedings or act in connection with which the Notice or document was to have been given.

10. Defect, irregularities and deficiencies

- (1) A decision, resolution, proceeding or act of the House under these Rules is not invalidated by any defect, irregularity, or deficiency in the Notice or time.
- (2) A decision, resolution, proceeding or act of the House under these Rules is invalidated by defect, irregularity, deficiency in the Notice or time if:
 - (a) a Clearing Member concerned by the defect, irregularity or deficiency requests the Exchange to resolve that the decision, resolution, proceedings or act is invalid; and
 - (b) the Exchange reasonably believes that the defect, irregularity or deficiency has caused or may cause substantial injustice which cannot reasonably be avoided and therefore declares it invalid.

Clearing and Settlement House Rules

PART III: THE CLEARING AND SETTLEMENT SYSTEM

11. Operations and Powers of the House

- (1) The House shall be maintained and operated by the Exchange in accordance with these Rules and Procedures.
- (2) The House has such powers as are conferred on it by or under
 - (a) Securities Clearing House Regulations
 - (b) these Rules;
 - (c) the Procedures; and
 - (d) any contract or arrangement with a Clearing Member, Settlement Bank, or Depository.
- (3) Unless the contrary intention appears, powers conferred on the House by or under these Rules and/or the Procedures shall be exercised in such manner as the Board may from time to time prescribe.
- (4) If under any of these Rules or the Procedures, the Exchange has power to make or issue guidelines, specifications, determinations, schedules, conditions or restrictions on or in respect of admission to the House or other instruments (in this Rules called, collectively "instruments"), this power will include a power exercisable in the same manner and subject to the same conditions (if any) to rescind, revoke, or vary any such instruments.

12. Exemptions

- (1) The Board may, subject to Rule 12(2) exempt any person or group of persons from the obligation to comply with a provision of these Rules or the Procedures, either generally or in a particular case, and either unconditionally or subject to such conditions as the Board thinks fit.
- (2) The Board shall not exempt any person or group of persons from an obligation to comply with:
 - (a) a Warranty and Indemnity Provision;
 - (b) a provision of this Part and of Part X (Risk and Money Default management), Part XII (Restriction, Suspension or termination of access to services offered by the Exchange) and Part XVIII (Dispute Resolution process).

Clearing and Settlement House Rules

- (3) The Board may specify the period during which any exemption from an obligation to comply with a provision of these Rules or of the Procedures will apply. If the Board:
 - (a) does not specify a period, the period shall be 30 business days; or
 - (b) does specify a period, the period shall not exceed 30 business days.
- (4) The House shall set up and maintain a register for recording details of exemptions granted by it.
- (5) If the House exempts a person or group of persons from the obligation to comply with a provision of these Rules or of the Procedures under Rule 12(4), the House shall enter the following details in the register maintained under Rule 12(5):
 - (a) effective date and expiry date of the exemption;
 - (b) the person or group of persons exempted from the obligation;
 - (c) the provision to which the exemption applies;
 - (d) brief reasons for the exemption;
 - (e) any condition that applies to the exemption; and
 - (f) description of exemption granted.

Clearing and Settlement House Rules

13. Exercise and delegation of functions and powers

- (1) The Board shall exercise all the powers and functions of the House under these Rules and the Procedures.
- (2) The Board may delegate any of the powers and functions under these Rules and/or the Procedures to:
 - (a) the CEO; or
 - (b) any one or more officers of the House or any other person or persons.
- (3) Where the Board delegates any of the powers or functions in accordance with Rule 13(2), the Board may authorize those delegates to sub-delegate any of the delegated powers.
- (4) A delegation of power or function may be made either generally or as otherwise provided by the terms of the delegation.
- (5) If any power or function is delegated:
 - (a) performance or exercise by the delegatee of the power or function shall be taken to be the performance or exercise by the House or the Board, as the case requires;
 - (b) the delegation shall not prevent the performance or exercise of the power or function by the House or the Board, as the case requires.

14. Binding effect of the Rules and Procedures

- (1) These Rules and the Procedures shall have the effect of a contract between the House and each Clearing Member under which each Clearing Member covenants with the House to observe the Rules and the Procedures, and to perform the obligations which the Rules and the Procedures impose on the Clearing Member, in the manner provided by the Rules and the Procedures.

Clearing and Settlement House Rules

- (2) The House and the Clearing Member are not liable for failure to comply with the Rules or any requirement of the Procedures (other than a Warranty and Indemnity Provision), if and to the extent to which, compliance has been delayed, interfered with, curtailed or prevented by the occurrence of an event of Force Majeure, affecting the Exchange and or the House.
- (3) The House shall not be liable to any Clearing Member or to any other person, company or other entity whatsoever which may have any rights under these Rules or the Procedures for any failure or delay in the performance of its functions if such failure, delay, break down or suspension is directly or indirectly attributable to the occurrence of an event of Force Majeure.
- (4) The House's Indemnity under Rule 18 has the effect of a contract between the House and each Clearing Member.
- (5) The Clearing Member Warranties and Indemnities under Rule 38 have the effect of a contract between the Clearing Member, the House and any other Clearing Member.

15. Procedures

- (1) The Exchange may make Procedures from time to time relating to the operations and functions of the House.
- (2) The Procedures shall have binding effect on the Clearing Members.
- (3) If a Rule requires a Clearing Member to comply with any part of the Procedures, failure by the Member to comply with that part of the Procedures is a contravention of the Rules.
- (4) The House or the Exchange shall have the right at any time to make such changes in the Procedures, including substituting the same, as it may deem necessary, provided that it shall give such Notice as is reasonable in the circumstance, being of not less than ten (10) business days, to Clearing Members prior to implementing those changes or substituting the Procedures.

Clearing and Settlement House Rules

16. Fees, Charges, Deposit, etc.

- (1) The Board shall, with the prior approval of the Authority, make a Fees Charges and Deposit Schedule specifying
 - i) The fees and charges payable for facilities and services provided by the House or the Exchange and the period within which, the fees and charges must be paid, and
 - ii) The Deposit to be maintained by the Clearing Members.
- (2) In consideration for the facilities and services provided to it by the Exchange through the House, each Clearing Member shall pay fees and charges to the House in accordance with the Fees, Charges and Deposit Schedule.
- (3) The Fees, Charges and Deposit Schedule may include fees and charges imposed to recover costs, damages and expenses incurred by the House by reason of a failure by a Clearing Member to comply with these Rules and/or the Procedures.
- (4) The Exchange through the House, shall have the right, with the prior approval of the Authority, at any time to make such changes in the Fees, Charges and Deposit Schedule as it may deem necessary, provided that the Exchange shall promptly notify the Clearing Members of any changes to the Fees, Charges and Deposit Schedule prior to implementing those changes.
- (5) A Clearing Member may be charged for any exceptional expenses caused directly or indirectly by such Clearing Member including but without limitation, the cost of producing records pursuant to a court order or other legal process in any litigation or other legal proceeding to which such Clearing Member is a party or in which such records relating to such Clearing Member are so required to be produced, whether such production is required at the instance of such Clearing Member or of any other party other than the Exchange.

17. Designated Time Schedule

- (1) The Board shall make a Designated Time Schedule specifying the Designated Times. The Designated Time Schedule in force on the date of coming into force of these Rules shall be deemed to have been made under this Rule.
- (2) The Board or the CEO or any Officer of the Exchange designated may vary the requirements of the Designated Time Schedule or grant extension in any Designated Time in an emergency or on a case by case basis.

Clearing and Settlement House Rules

18. Exchange Indemnity

- (1) The purpose of Rules 18, 19 and 20 is to set out the circumstances under which the Exchange may become liable to compensate a Clearing Member or any person for a loss arising out of any act or omission of the Exchange in matters to do with the clearing and settling of transactions.
- (2) Subject to Rules 18(7), 19 and 20, if:
 - a) the House Transmits a Report or takes any action, in accordance with these Rules and/or the Procedures, and the Report or action:
 - (i) has been transmitted or taken, by mistake;
or
 - (ii) the Report or action, contains a mistake, due to any wrongful act or omission, or negligence on the part of the Exchange; and
 - b) the Clearing Member to whom or in respect of whom the Exchange:
 - (i) took the mistaken action suffers a loss because of the mistake;
or
 - (ii) transmitted the mistaken Report and the Clearing Member relies on the Report and suffers a loss because of the mistake,

the Exchange shall indemnify the Clearing Member for that loss, provided that the Clearing Member files a claim with the Exchange within seven (7) days of the occurrence of the loss and if the Clearing Member does not file his claim with the Exchange within the said seven (7) days, the Exchange shall stand discharged of its obligations under these Rules.

Clearing and Settlement House Rules

- (3) The amount of any compensation payable by the Exchange for that loss shall be reduced to the extent that the mistake was caused or contributed to by negligent conduct or omission, or contravention of these Rules and/or of the Procedures and/or of any applicable agreements by the Clearing Member.
- (4) Where the Exchange makes compensation to a Clearing Member in discharge of its liability to that Member under this Rule, the Exchange shall be subrogated to all rights which that Member may have against any other Member with respect to the matter.
- (5) The indemnity contained in Rule 18 does not apply if the mistaken information contained in a Report is derived from information supplied to the Exchange by a Clearing Member, a Settlement Bank or any third party.
- (6) The indemnities contained in these Rules are not applicable to any loss, damage, cost or expense suffered or incurred by any Clearing Member to the extent that such loss, damage, cost or expense would have been avoided if the Clearing Member had acted reasonably.
- (7) Every exemption from or qualification of liability applicable to the Exchange in these Rules shall also extend to protect every director, employee or agent of the Exchange.
- (8) The amount payable by the Exchange in pursuance of its indemnity contained in Rules 18(2) shall not exceed the market value of the securities or any amount in respect of which the Exchange took the mistaken action or transmitted the mistaken Report.

Clearing and Settlement House Rules

19. Exclusion of Specific Liabilities

- (1) Rules 14, 18 and 20 are subject to Rule 19, which applies whether or not the Exchange is negligent or is in willful default.
- (2) The Exchange is not liable to compensate any person for any loss, damage, cost or expense suffered or incurred by him in consequence of a failure to admit a person as a Clearing Member.
- (3) The Exchange is not liable to compensate any person for any losses, damages, costs or expenses suffered or incurred in consequence of the Exchange not declaring any securities as eligible to be cleared and settled by the House.
- (4) The Exchange is not liable to compensate any person for losses, damages, costs or expenses suffered or incurred by him in consequence of:
 - (a) suspension or revocation of the eligibility of any security to be cleared and settled in the House;
 - (b) any appeal whether in accordance with these Rules or not;
 - (c) any enforcement action taken by the Exchange in accordance with a determination of the CEO, the Board or the Authority under Part XVIII (Dispute Resolution Process); or
 - (d) any action to suspend, prohibit or limit a Clearing Member with respect to access to services offered by the House in terms of these Rules.
- (5) The Exchange is not liable to compensate any person for losses, damages, costs or expenses suffered or incurred in consequence of any action taken under Part XII (Restriction, Suspension or Termination of Access to Services offered by the House), Part XV (Insolvency) and Part XIX (Release of Clearing data).

Clearing and Settlement House Rules

20. Exclusion of other liabilities

The Exchange is not liable to compensate, indemnify or pay any amounts to any Clearing Member for losses, damages, costs or expenses suffered or incurred in consequence of failure by the Exchange to comply with any provision of these Rules and/or the Procedures unless the contravention or failure is caused by wrongful act or omission or negligence on the part of the Exchange.

21. Clearing Member Indemnity

- (1) If as consequence of any mistaken action or mistaken Report of the Exchange, any securities are delivered to the Clearing Member or any amount is paid into CMs Settlement account to which such Clearing Member or client is not entitled, the Clearing Member client securities or the amount shall return the same by the end of day on the next business day.
- (2) Provided further that where the Exchange has itself discovered making of such delivery or payment, as the case may be, the Clearing Member shall forthwith as per the Exchange's Notice, return the said securities or the said amount, as the case may be.
- (3) If the Clearing Member does not return the securities or the amount delivered or paid to him by mistake within the period(s) indicated, such non-compliant Clearing Member shall indemnify the Exchange for any compensation and/or expenses that may arise.

22. Access to Clearing and Settlement System

- (1) Subject to the payment of fees and charges in accordance with the Fees and Charges Schedule, the Exchange grants to each Clearing Member a non-exclusive, non-transferable access to use the Clearing and Settlement System to communicate with the House to the extent and in the manner required or permitted by these Rules and the Procedures.
- (2) Subject to the access granted in Rule 22(1), the Exchange reserves all rights it has or may have in relation to Clearing and Settlement System and also reserves any rights that it may have in relation to the confidentiality of information passing into or out of, or held within the House.

Clearing and Settlement House Rules

- (3) The Exchange prohibits each Clearing Member from:
- (a) attempting to alter or modify all or any part of the Clearing and Settlement System;
 - (b) allowing a person that is not an Authorized Person access to the Clearing and Settlement System.

23. Dispute resolution

Any dispute between two or more Clearing Members, between a Clearing Member and the House or between a Clearing member and his client shall follow the process under Chapter 2 Rule 8 of the Clearing and Settlement House procedure.

24. Reports Available in the Clearing & Settlement System

Reports as may be prescribed from time to time in the Procedures may be obtained from the system by any Clearing Member.

Clearing and Settlement House Rules

PART IV: COMMUNICATION IN THE HOUSE

25. Communication by and between Clearing Member and the System

- (1) Each Clearing Member shall :
 - (a) have an access with the Clearing and Settlement System; and
 - (b) ensure that no person other than the Clearing Member's Authorised Person has access to the interface with the Clearing and Settlement System.
- (2) A Clearing Member shall promptly give Notice to the House if its Authorised Person:
 - (a) is aware of any fact or matter; or
 - (b) intends to take any action,that may affect its capacity to communicate reliably with the Clearing and Settlement System.
- (3) If the House gives advice or directions to a Clearing Member, the Clearing Member shall observe and give effect to the advice or directions.
- (4) Communications between Clearing Members and the Clearing and Settlement System shall be by electronic means.
- (5) Every Clearing Member shall file with the House, a list of its Authorized Persons, who will represent the Member on matters relating to the House.

Clearing and Settlement House Rules

26. Communication Capabilities

- (1) A Clearing Member shall at all times ensure that:
 - (a) it has the capacity to communicate reliably with the House; and
 - (b) it employs or retains such personnel familiar with these Rules and the Procedures as are necessary to allow the Clearing Member to carry out its obligations in accordance with these Rules and the Procedures and to generate, receive and obtain Reports in accordance with the Procedures.
- (2) The House may by Notice give advice or directions to a Clearing Member in order to ensure that the Clearing Member meets or continues to meet the Technical and Performance Requirements.
- (3) Without limiting Rule 26(2), the Exchange may on reasonable Notice require a clearing member to undertake additional testing of the clearing Members ability to meet the Technical and Performance Requirements if :
 - (a) the House reasonably believes that the number of erroneous transmissions or electronic communications problems with, that Clearing Member warrants such action;
 - (b) the House introduces new House Software or make any modification therein, that will affect that Clearing Member's ability to meet those Technical and Performance Requirements;
 - (c) the Clearing Member gives Notice to the House under Rule 25(2);
 - (d) the Clearing Member fails to give Notice to the Exchange under Rules 25(2) but the House becomes aware that the Clearing Member has effected or proposes to effect:
 - (i) a change to its interface with the Clearing and Settlement System; or
 - (ii) changes to its computing environment alters or may alter its capacity to communicate with the Clearing and Settlement System.

Clearing and Settlement House Rules

27. Validation of Transmission

- (1) The Exchange shall allocate an Clearing Member ID to each Clearing Member on admission to the Clearing and Settlement House.
- (2) A Clearing Member shall use the Clearing Member ID allocated to it pursuant to Rule 27(1)) in each Transmission made by it to identify the source of the Transmission.

28. Source of a Transmission

If a Transmission identifies the source of it by specifying the Clearing Member ID of the source, that Transmission is taken for all purposes under these Rules and/or the Procedures to have been made by the source.

29. Validation of trade data

Any trade data received by the House from the Exchange's Automated Trading System shall be treated as valid, subject to these Rules and/or the Procedures.

Clearing and Settlement House Rules

PART V: APPLICATION FOR ADMISSION AND ADMISSION CRITERIA

30. Application for Admission to the House as Clearing Member

Subject to the admission criteria set out in the Securities Clearing House regulations..... any of the following may apply for admission to the House as a Clearing Member.

- (a) Licensed Broker;
- (b) Banks approved by RMA as Custodial Service Provider;
- (c) Any other body corporate that is approved by the Authority, meets the requirement of these Rules and whose admission can facilitate settlement.

31. Admission as Clearing Member

The House shall admit as a Clearing Member, a body corporate making an application pursuant to Rule 31 and 32(1) if the Exchange is satisfied that:

- (a) the applicant meets the Technical and Performance Requirements of Rules 26 and 33.
- (b) the applicant meets the business integrity requirements of Rule 35;
- (c) the applicant meets the capacity requirements of Rule 34;
- (d) the House has the data processing capacity and operational capabilities to provide service to the new or additional Clearing Member without endangering or impairing the integrity of the Clearing and Settlement System or its orderly functioning.
- (e) the applicant meets the financial requirements of the House as per Rule 32;
- (f) the applicant has signed and submitted the Clearing Member and Tripartite Agreements as per Rule 36;
- (g) the applicant has (or will hire) a qualified Authorized Person or Representative to represent it at the business of the House;
- (h) the applicant has a bank account with the Settlement Bank that the House can have on-line access for clearing and settlement purposes.
- (i) the applicant is a Participant of or has an account with the Central Depository.
- (j) the applicant has supplied any additional information required by the House.
- (k) the applicant will have a bank guarantee, a funded Settlement Account or committed line of credit facility, with its bankers or the Settlement bank to meet any shortfall in its settlement obligations

Clearing and Settlement House Rules

32. Financial Requirements

- 1) Any application for admission to the House as a Clearing Member shall be by the most current version of the Admission Form duly completed and signed and shall show that the applicant has the financial capability to operate as a Clearing Member:
 - (a) show that the applicant meets the capital requirement as determined by the House from time to time;
 - (b) be accompanied by the relevant application fee;
 - (c) Contain an undertaking by the applicant that if the application is accepted, the applicant shall enter into a Clearing Member Agreement and a Tripartite Agreement.
- 2) The House may by Notice require an applicant for admission to the House as a Clearing Member, to provide it with any additional information in relation to the application which the House thinks necessary for the consideration of the application.
- 3) The House may seek information from persons other than the applicant to the extent that the House thinks necessary in considering whether to grant admission to the applicant or not.
- 4) Subject to any need to disclose information in order to seek other information, or unless disclosure is required by law, the House shall maintain the confidentiality of each application and information contained in or supplied in connection with an application.

33. Technical and Performance Requirements

- (1) The technical requirements are that, to the reasonable satisfaction of the House:
 - (a) as determined during Pre-commencement Testing, the applicant has the full complement of equipment necessary to communicate reliably with the Clearing and Settlement System; and
 - (b) the applicant has the operational capabilities to the extent envisaged in these Rules and Procedures.
- (2) The performance requirements are that, to the reasonable satisfaction of the Exchange, the applicant employs or retains such personnel familiar with these Rules and the Procedures as are necessary to allow the applicant to carry out its obligations in accordance with these Rules and the Procedures.

Clearing and Settlement House Rules

34. Capacity requirements

The capacity requirements are that for an applicant which is a company or other body corporate, it must not be in any form of receivership or winding up or liquidation.

35. Business integrity requirements

The business integrity requirements for an applicant which is a company or other body corporate are that:

- (a) its Chief Executive Officer, Director or other officer has not, at any time while making an application for admission to the House, been convicted of an offence involving fraud.
- (b) being a member of the Stock Exchange, the applicant is not in default; and
- (c) the Exchange has no reason to believe that the applicant will not carry out its obligations in connection with the House efficiently, honestly and fairly.

36. Execution of Clearing Member Agreement and Tripartite Agreement

An applicant shall, as a pre-condition to admission to the House in the capacity of a Clearing Member pursuant to Rule 32(1), enter into a Clearing Member Agreement (with the House) and Tripartite Agreement (involving the Member, the House and the Settlement Bank).

37. Non-acceptance of an application

- 1) The House shall not reject an application made under Rule 30, unless the House:
 - (a) gives notice to the applicant of deficiencies in its application;
 - (b) affords the applicant a period of ten (10) business days in which to provide further information or otherwise take steps to address the deficiencies stated; and
 - (c) after the end of that period, considers whether any further information provided or steps taken by the applicant addresses the deficiencies.
- 2) If, after following the procedure in Rule 37(1), the House is not satisfied that the applicant meets the requirements set out in the Rules, the House may give notice to the applicant rejecting the application.

Clearing and Settlement House Rules

- 3) If the House rejects an application on the basis that it does not have the data processing capacity or operational capabilities to provide services to the additional Clearing Member, it shall give notice of such decision to the applicant.

38. Clearing Member Warranties and Indemnities

A Clearing Member supplying any information to the House in pursuance of any obligation of the Clearing Member under these Rules and the Procedures shall:

- (a) be deemed to have warranted to the House that the information supplied is true and accurate; and
- (b) Indemnify the House if any losses, damages, costs or expenses are suffered or incurred by the House as a result of any inaccuracy contained in the information supplied by the Clearing Member.

39. Eligibility Criteria for Admission as Settlement Bank

- 1) The Exchange may admit a bank as a Settlement Bank if the bank:
 - (a) is duly licensed to carry on banking business by the Authority;
 - (b) is capable of maintaining real time services and online access.
 - (c) has signed or agreed to sign with the Exchange, an agreement (“Tripartite Agreement”) in the form prescribed by the Exchange whereby it undertakes to perform cash settlement services for the benefit of the Exchange and its Clearing Members;
 - (d) is listed on the Exchange;
 - (e) any other condition that the House shall impose including the non-charging of any fees or Commissions on clients funds deposited in accounts for purposes of clearing and settling transactions.
- 2) The Agreement shall provide for the review of the performance of the Settlement Bank every two (2) years.
- 3) The Tripartite Agreement shall provide for the right to abrogate the contract at any time for poor services or non-compliance with the terms of the agreement after giving notice.

Clearing and Settlement House Rules

PART VI: GENERAL PROVISIONS

40. Authorized Persons

- 1) Each Clearing Member shall be represented in respect of its business by one or more Authorized Persons or Representatives whose name(s) and specimen signature(s) shall be submitted in writing by the Member to the House.
- 2) A Member is responsible for the action(s) of its Authorized Representative.

41. Clearing Data and Comparison

- (1) Exchange trade data covering both the “buy side” and the “sell side” of any contract shall be sent by the Exchange’s ATS to the Clearing and Settlement System.
- (2) Such contracts shall be considered and confirmed by the parties to it.
- (3) The official date of the comparison of positions, the clearing of transactions and the settlement of contracts is the Settlement Date for such contracts and all correspondence and documents relating thereto shall bear that date.
- (4) Transactions for a trading session (T) shall be cleared and settled (2) business days after the related trading session (i.e. T+2) or within a given time frame that the House shall specify by notice. Spot trades shall however settle on T+0 basis.
 - (a) Where a trade settlement falls on a known public holiday, the settlement date shall be moved to the next business day.
 - (b) Where a holiday falls between the trade date and the settlement date and the holiday becomes known only after the trade has taken place, the settlement date for that trade shall be moved to the next business day
 - (c) Where the settlement day falls on a holiday, that particular settlement day shall be moved to the next business day.

42. Settlement Time

- (1) Delivery for Exchange trades shall be made on T+2 in accordance with the Procedures for all trades except otherwise permitted.
- (2) Only negotiated trades shall settle T+0 but on member to member basis.
- (3) Transactions settling T+1 shall be allowed.

Clearing and Settlement House Rules

43. Requirement of the House for Clearing Member's staff on non-Business Day.

The House may, in its discretion require Clearing Members to provide appropriate staff in their offices during specified hours on non business days when such is deemed necessary by the House to ensure the integrity of its systems.

Clearing and Settlement House Rules

PART VII: PURCHASE AND SALES REPORT

44. Purchases and Sales Report

- (1) Exchange trades or contracts provided for in Rule 42(1) are considered as pre-compared or “locked in” trades and require no additional action by either the seller or buyer Clearing Member.
- (2) The House will provide evidence of the Exchange trades that it has received through a Purchases and Sales Report which shall be called Trade Detail Report.
- (3) The Purchases and Sales Report will provide details of each specific trade or contract including the settlement cycle through which it will be processed.
- (4) It is the responsibility of each Clearing Member to review this Report and to notify the Clearing and Settlement House System of any discrepancy or omission requiring correction and/or any additional Exchange trade.
- (5) Such notification must be made to the House by the Designated Time by the Clearing Members who are parties to such locked-in Exchange trades.
- (6) If such notification is made after the Designated Time, such notification shall not be valid.

Clearing and Settlement House Rules

PART VIII: DELIVERY

45. Delivery and Receipt of Security balances

- (1) The Clearing and Settlement System will prepare the deliver and receive obligations of each Clearing Member.
- (2) The netting will be performed client-wise under each Clearing Member.
- (3) The prepared balances will move automatically on real time into the Depository System on the basis of the balance order position transmitted by the Clearing and Settlement System.

46. Obligation to deliver and receive payment for Securities

The obligation of a buying Clearing Member to receive securities and pay for them and the obligation of a selling Clearing Member to deliver securities and receive payment for them shall be determined by the Designated Time on a Settlement Date.

47. Deliveries

- (1) Deliveries will be by way of book entry system in a Depository.
- (2) Deliveries will be made on Settlement Day as determined by the Procedures.

Clearing and Settlement House Rules

PART IX: SETTLEMENT

48. Settlement Statement(s) and Settlement by Clearing Member

- (1) Settlement or money payments with respect to transactions or matters covered by these Rules shall be made as provided in these Rules and the Procedures.
- (2) At the Designated Time, each Clearing Member can access Pay and Collects (Clearing House debits and credits) reports which are to be processed by the Settlement Bank in the Account of the Clearing Members in accordance with the Procedures.
- (3) At the Designated Time on the Settlement date, the House shall transmit the net money obligations payable by each Clearing Member to the Settlement Bank and the necessary instructions shall be effected.
- (4) A Clearing Member is deemed to have failed settlement when the Settlement Bank /Clearing House is unable to pay by the Designated Time on any Settlement date the net amount referred to in 48(2) due to lack of funds in Clearing member's Account.

49. Securities to be under "Pending In" status

Prior to a Clearing Member being debited with the net amount reflected in the settlement instructions set out in 48(3), any transfer of securities to such a client account of a receiving Clearing Member shall be under "Pending In" status.

Clearing and Settlement House Rules

PART X: RISK AND MONEY DEFAULT MANAGEMENT

50. Risk and Money Default Management

- (1) Each Clearing Member shall have an account opened with the Settlement Bank for the purpose of settling trades.
- (2) The sufficient funds have to be made available in their account by settlement Day.
- (3) Each Clearing Member shall further have a funded or committed line of credit facility which shall automatically be activated to meet any shortfall in its settlement obligation.
- (4) At 9.00 AM on a Settlement Date, if a Clearing Member's fund in 50(1) and 50(2) is inadequate to meet the Member's settlement obligation, the Member shall be notified. Also at 9.00 am, collection shall commence of settlement amounts due to be collected by the Clearing House.
- (5) If at 10.00 AM, the deficiency in 50(4) is not rectified, the Clearing member is deemed to have defaulted or failed the trade and the Settlement Guarantee Fund shall be automatically activated.
- (6) The Settlement Bank/House shall effect the necessary debits and credits to complete settlement at 11.30 AM.
- (7) In the event the actions in 50(5) are still not adequate to meet the shortfall, the House shall secure a credit line/bank guarantee from the Settlement Bank to complete the settlement.
- (8) The House shall request Clearing Members doing trades above a certain pre-determined limit, to secure prior additional lines of bank credit so as to guarantee the settlement of the trade of that Clearing Member.
- (9) The House shall also have the right to institute court proceedings in order to sell assets of a defaulting Clearing Member to meet any unpaid shortfalls arising from default of settlement.

Clearing and Settlement House Rules

PART XI: POWER TO IMPOSE DISCIPLINARY CHARGES, ETC.

51. Imposition of Penalties other actions

If the House receives information in respect of a Clearing Member which in the reasonable opinion of the management of the Exchange discloses any contravention of any provisions of these Rules and/or the Procedures by the Clearing Member, or discloses errors, delays or other conduct of the Clearing Member embarrassing or adversely affecting the operations of House, the management may by order in writing, request:

- (a) an explanation from the Clearing Member.
- (b) the payment of any loss suffered by the House or by another Clearing Member as a result of the contravention.

Clearing and Settlement House Rules

PART XII: RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE HOUSE

52. Restriction, suspension or termination of access to services

The House may restrict, suspend or terminate a Clearing Member with respect to access to services offered by the House in the event that:

- (a) being a stockbroker, its license is suspended or cancelled by the Authority;
- (b) being a member of the Exchange, it is suspended or ceases to be a member of the Exchange.
- (c) the Clearing Member ceases to be a Participant or ceases to have an account with the Depository or is suspended by the Depository, or any such Restrictions are imposed on it by the Depository which make it impossible for it to act as a Clearing Member under these Rules and/or the Procedures
- (d) such Clearing Member is in such financial or operating difficulty, which in the determination of the House, such action is necessary for the protection of the House, Clearing Members, and/or investors;
- (e) the House has reasonable grounds to believe that that Clearing Member is subject to a legal disability by virtue of which it cannot act as a Clearing Member;
- (f) the House determines that such Clearing Member no longer meets the applicable qualifications for membership set forth in Part V (Application for admission and admission criteria) or has been inactive for a period of more than six (6) months;
- (g) the Clearing Member has given a Notice to the House under Rule 61(1) or the House treats the Clearing Member as an insolvent under Rule 62;
- (h) the Clearing Member has given Notice to the House of its intention to terminate its business with the House; or
- (i) in any other circumstances in which, in the discretion of the House, adequate cause exists to do so.

Clearing and Settlement House Rules

53. Notice to Clearing Member before taking action

- (1) Before restricting, suspending or terminating a Clearing Member's access to services offered by the House pursuant to this Part, the House shall notify such Clearing Member.
- (2) Any Notice required to be given by the House pursuant to Rule 57(1) shall set forth the specific grounds upon which any restriction, suspension, or termination, as the case may be, of access may be based and shall call upon the Clearing Member to show cause as to why its access to the services offered by the House should not be restricted, suspended or terminated, on account of the grounds set out in the said Notice.

54. Summary restriction, suspension or termination

Notwithstanding Rules 57(1), the House may summarily restrict, suspend or terminate, as the case may be, a Clearing Member's access to services offered by the House in the event that either one or more of conditions (a), (b), (c), (g) and (h) of Rule 52 apply to such Clearing Member.

55. Liability of the House upon suspension or termination of a Clearing Member with respect to services offered by the House

In the event of suspension or termination of a Clearing Member with respect to services offered by the House under these Rules and/or the Procedures, the House shall close out or cause to be closed out, the positions of the Clearing Member at the time any of the said action is taken by the House.

56. Liability of Clearing Member upon its restriction, suspension or termination with respect to services offered by the House

In the event of a restriction, suspension or termination of a Clearing Member with respect to services offered by the House, such an event shall not release the Member from the unsatisfied obligations to the House and other Clearing Members.

Clearing and Settlement House Rules

57. Notice to Clearing Member of Action against it

- (1) When the House takes any action in respect of a Clearing Member pursuant to Part XII (Restriction, Suspension or Termination of access to services), it shall provide that Clearing Member with a Notice to this effect and a general Notice to all Clearing Members and the Depository of the action taken.
- (2) The Notice required to be given to a Clearing Member under Rule 57(1) shall state therein, any consequent steps to be taken and as to how pending Exchange trades shall be effected.
- (3) When the House has taken any action against a Clearing Member, as aforesaid, the Clearing Member may be permitted limited access to the House within the limits prescribed by the House to the extent that the liability of the Clearing Member is reduced.
- (4) Any further Exchange trades (of a Clearing Member against whom such action has been taken), transmitted to the House or recorded with the House during such limited access and which have the effect of increasing the liability of the Clearing Member may be ignored and excluded from all operations of the House, provided that any unreleased Exchange transactions transmitted to the House which may increase the liability of such Clearing Member shall not be ignored or excluded.
- (5) Any Exchange trades so excluded shall be settled in a manner deemed appropriate by the Exchange and not through the House.

58. Rights of the House

- (1) After the House has taken any action against a Clearing Member pursuant to Rule 52 (restriction, suspension or termination of access to services) either in respect of a particular transaction or transactions generally, the House shall nevertheless have the same rights and remedies in respect of any debit balance due from such Clearing Member or any liability incurred on its behalf as though it had not taken any such action against the said Clearing Member.
- (2) As security for any or all liabilities existing or arising at any time of a Clearing Member to the House, the House shall have a lien on:
 - (a) all cash received by the House for delivery to such Clearing Member; and
 - (b) any securities which are retrieved by the House in terms of these Rules and/or the Procedures.

Clearing and Settlement House Rules

PART XIII: SUSPENSION OF RULES/PROCEDURES

59. Waiver or suspension by the Board

- (1) The time fixed by these Rules and/or the Procedures for any act or acts required by these Rules and/or the Procedures may be extended or waived or any provision of these Rules or the Procedures may be suspended by the Board with the consent of the authority whenever, in its discretion, such extension, waiver or suspension is necessary or expedient.
- (2) A written Report of any such extension, waiver or suspension, stating the pertinent facts, the reason for such extension, waiver or suspension, shall be promptly made and filed with the House records and shall be available for inspection by any Clearing Member during business hours.
- (3) Any such extension or waiver may continue in effect after the event or events giving rise thereto but shall not continue in effect for more than sixty (60) calendar days, unless the Board, grants further extension or waiver(s).

Clearing and Settlement House Rules

PART XIV: CHARGES FOR SERVICES

60. Fees and charges

- (1) The House shall prescribe and the Clearing Members shall pay such fees and charges to the House as shall be specified from time to time in the Fees and Charges Schedule.
- (2) The categories of fees applicable are as indicated.
 - (a) Admission Fees
 - Brokers - Nil
 - All Others – Nu 20,000
 - (b) Annual Fees
 - Brokers - Nil
 - All Others – Nu. 2000
 -
 - (c) Levies on Transactions (based on value of transaction)
 - Shares, Units, Funds, etc - Nil
 - Government bonds - Nil
- (3) The fees shall be invoiced separately and not in the System.

Clearing and Settlement House Rules

PART XV: INSOLVENCY

61. Insolvency Notice by Clearing Member

- (1) A Clearing Member who fails to perform his contracts or obligations or determines that it is unable to do so or is insolvent shall immediately notify the House.
- (2) Any such Notice required to be given to the House by a Clearing Member under Rule 61(1) shall be given in writing as soon as possible after the Clearing Member fails to perform its contracts or obligations or determines that it is unable to do so or is insolvent.

62. Events in which Clearing Members will be treated insolvent

A Clearing Member shall be treated by the House in all respects as insolvent:

- (a) upon receipt of written Notice to that effect from that Member;
- (b) in the event of the entry of an order by a Court having jurisdiction adjudging the Clearing Member to be bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment (otherwise than by way of amalgamation) or appointing a receiver, liquidator, assignee, trustee of the Clearing Member or of any substantial part of his property or ordering the winding up or liquidation of the business of the Clearing Member;
- (c) the institution by the Clearing Member of proceedings, as the case may be, to wind-up or to be adjudicated as bankrupt or insolvent;
- (d) upon the consent by it to the institution of bankruptcy, insolvency or winding up proceedings against him;
- (e) upon the consent by it to the filing of any such petition, or to the appointment of a receiver, liquidator, assignee, trustee of the Clearing Member or of any substantial part of its property;
- (f) the making by it of an assignment for the benefit of creditor.
- (g) the taking of corporate action by the Clearing Member in furtherance of any action above mentioned.

Clearing and Settlement House Rules

63. Notice by the House of action taken

- (1) The House shall notify Clearing Members of actions taken by the House pursuant to Rule 52(h) of Part XII (Restriction, Suspension or Termination of access to services offered by the House).
- (2) Notice by the House pursuant to Rule 63(1) to all Clearing Members shall be given as soon as possible after the receipt of a Clearing Member's Notice or as soon as possible after the Clearing Member is determined by the House to be insolvent under Rule 62, whichever is earlier; and shall state whether the House has terminated the Clearing Member's access to the services offered by the House as well as how the pending matters will be affected and what steps will be taken in connection therewith.

Clearing and Settlement House Rules

PART XVI: ADMISSION TO HOUSE OF AUTHORIZED REPRESENTATIVES, ETC.

64. Representative of Clearing Member

- (1) No person will be permitted to deal with the House as a Representative of any Clearing Member unless he has first been approved by the House and has been issued such credentials as the House may from time to time prescribe and such credentials have not been canceled or revoked.
- (2) Any credentials issued pursuant to this Rules may be revoked at any time by the House in its discretion, and prompt Notice of such revocation shall be given to the employer of the person whose credentials have been so revoked.
- (3) Any Clearing Member shall, if any person in its employment to whom any credentials have been issued pursuant to this Rules or to whom a power of attorney or other authorization has been given to act for it in connection with the work of the House shall for any reason cease to be so employed, give to the House immediate Notice in writing of such termination of employment.
- (4) Unless revoked by the House, all credentials, authorizations, and powers of attorney issued pursuant to this Rules or in connection with the work of the House shall remain in full force and effect until the House shall have received written Notice of the revocation thereof or of the termination of the holder's employment.

Clearing and Settlement House Rules

PART XVII: FORMS

65. Prescribing of Forms

In connection with transactions or matters handled through, with or by the House under or pursuant to the Rules and/or the Procedures, such forms and other documents shall be used as the House may from time to time prescribe, and changes to, any such forms or documents may be made by the House at any time in its discretion.

Clearing and Settlement House Rules

PART XVIII: DISPUTE RESOLUTION PROCESS

66. Dispute Resolution Process

- (a) Members /Client with a complaint shall first lodge it with the officer in charge of the Clearing and Settlement House.
- (b) If the said official is unable to resolve the complaint, it shall be forwarded to the CEO of the Exchange.
- (c) The CEO of the Exchange shall deal with the complaint expeditiously but within a time period not exceeding four weeks.
- (d) If the Member / Client is not satisfied, he shall appeal to the Board of the Exchange.
- (e) The Board shall make a decision in not more than 30 days after the appeal has been lodged or filed.
- (f) A Member/Client dissatisfied with the decision of the Board shall appeal to the Authority.
- (g) A Member/Client cannot revert to any court action without exhausting all the steps indicated; otherwise, the affected Member shall automatically revoke its membership of the House.
- (h) After having exhausted all the steps indicated above a affected client may submit the case to the royal court of justice.

Clearing and Settlement House Rules

PART XIX: RELEASE OF CLEARING DATA

67. Disclosure of Clearing Data

- (1) Neither the House nor its employees whether during his tenure of office or during his employment or thereafter, and no other person who has by any means knowledge of any Clearing Data (as defined in Rule 67(5)) shall give, divulge, reveal or otherwise disclose such Clearing Data to any other person.
- (2) A person who has any Clearing Data which to his knowledge has been disclosed in contravention of the Rules shall not in any manner howsoever disclose it to any other person.
- (3) Rule 67(1) shall not entitle the House to refuse to disclose any Clearing Data :
 - (a) of a Clearing Member to such Clearing Member;
 - (b) of a Clearing Member when such a Clearing Member has authorized the disclosure in writing;
 - (c) in the case where the Clearing Member, is being or has been wound up to the person who has a right to receive the Clearing Data relating to the Clearing Member arising from such development;
 - (d) in the case of any litigation or other legal proceedings, subject to a proper court order;
 - (e) to any person duly authorised by a competent court, or the Authority or any other competent authority holding any inquiry or investigating into any offence under any law for the time being in force;
 - (f) for the purpose of enabling or assisting the Authority to exercise any power conferred on it by any law for the time being in force;
 - (g) for the purpose of enabling or assisting any competent authority to exercise any power conferred on it by any law for the time being in force;
 - (h) for the purpose of enabling or assisting the Exchange or the Depository to discharge its functions;
 - (i) for the purpose of enabling or assisting auditors of the Exchange, the Depository or a Clearing Member to discharge their functions.

Clearing and Settlement House Rules

- (4) Except as regards the release of any Clearing Data pursuant to an order of a Court, the Authority, or other competent authority, the release of any Clearing Data to a person shall be conditional upon either:
 - (a) a written request, or
 - (b) the execution of a written agreement with the House,

Whichever is appropriate in the discretion of the House and the House, in its discretion, shall establish the conditions under which such data shall be released and the fees, if any, to be paid for such data.

- (5) The term “Clearing Data” shall mean, for the purposes of this part, trade and/or transaction data with the House for inclusion in the clearance and/or settlement process of the House, or such data, reports or summaries thereof which may be produced as a result of processing such trade and/or transaction.

Clearing and Settlement House Rules

PART XX: LISTS OF SECURITIES TO BE MAINTAINED

68. List of Securities

- (1) The House shall maintain a list of the securities that shall clear and settle through its system and may from time to time add securities to such lists or remove securities from it.
- (2) The House shall accept an issue of securities to be added to its list only upon a determination by the House that it has the existing operational capability to do so and to continue to successfully provide its services to Clearing Members.
- (3) A security that the House in its discretion determines no longer meets the requirements imposed pursuant to this Rules shall cease to be on the list of securities recognized by the House.
- (4) The House may determine that a security shall cease to be a security on its list in the event that:
 - (a) such Security shall have been suspended from trading on the Exchange;
 - (b) the House determines that there may exist an impediment to the validity or legality of the issuance or continued transfer or delivery of the Security;
 - (c) the House determines, after discussion with the Exchange that the continued clearance and settlement by the House presents unacceptable risks to the House and/or Clearing Members.

69. List of Settlement Bank(s)

The House shall maintain a list of bank(s) which satisfy the eligible criteria set out in these Rules and have agreed to act as Settlement Bank(s).

Clearing and Settlement House Rules

PART XXI: ESTABLISHMENT OF BANK CREDIT FACILITY FOR SETTLEMENT

70. Establishment of Line of Credit/Other Facilities

Every Clearing Member shall secure a bank guarantee, funded Settlement Account or a funded or committed line of credit facility with either its bankers or the Settlement Bank for the purpose of meeting shortfalls that may arise with its settlement obligations.

71. Copy of Credit Agreement/Other Facilities

A copy of the funded line of credit facility must be delivered to the House as part of the admission process. In the case of a Bank guarantee or funded Settlement Account the underlying letter from the Clearing Member for Clearing Member's bank must be submitted.

72. Level of Line of Credit/Other Facilities

The level of the funded line of credit shall be determined by the House on the basis of immediate past history of trades done by the Clearing Member, and where no such history exist, the House may determine the appropriate amount.

Clearing and Settlement House Rules

PART XXII: SETTLEMENT GUARANTEE FUND

73. Opening of Account

- (1) The House shall open an account with the Settlement Bank to be called the “RSEB Settlement Guarantee Fund”.
- (3) The Guarantee Fund shall be used to meet shortfalls in the event of inadequate funds by Clearing Members to meet their settlement obligations.
- (4) All CMs shall contribute Nu.200,000 each for the RSEB Settlement Guarantee Fund.
- (5) New Clearing Members admitted shall contribute an amount equal to the average amount contributed by the initial Clearing Members.
- (6) Each Clearing Member shall, by agreeing to become a Clearing Member, agree to the utilization and application by the House of the Guarantee Fund for the purpose set out in these Rules, the Procedures and any agreements.

74. Investment of Guarantee Fund

- (1) The Settlement Guarantee Fund shall be invested mainly in liquid funds at the Settlement Bank, Government Securities or otherwise kept in Bank Fixed deposit or Saving Account at a reputable Bank.
- (2) Any profit received from the investment under Rule 74 (1) on the Guarantee Fund shall accrue to the contributors in direct proportion to their contributions taking into consideration the time of those contributions.
- (3) No part of the Guarantee Fund shall be used by the House for any purpose other than:
 - (a) to facilitate clearing and settlement activities in terms of the Rules and/or the Procedures;
 - (b) the investment in liquid funds, Government Securities or in fixed deposits with banks as stated in Rule 74(1)
 - (c) to satisfy any liability of a Clearing Member to the House in respect of settlement obligations;
 - (d) for any adjustment or purpose permitted by these Rules and/or the Procedures; and
 - (e) for return to a Clearing Member pursuant to Rule 76(1).

Clearing and Settlement House Rules

75. Elimination of deficiency by Clearing Member in his Cash Deposit

- (1) If the Guarantee Fund deposit of any Clearing Member is applied for any settlement set out in these Rules and/or the Procedures and as a consequence the Clearing Member's remaining deposit becomes less than the amount required to be maintained by it, the Clearing Member shall, upon notification, deposit into the Guarantee Fund, before the next trading date, that which is necessary to eliminate any deficiency in the Member's required Deposit.
- (2) If the Clearing Member shall fail to do so, the House shall take disciplinary action against the Clearing Member pursuant to Part XII (Restriction, suspension or termination of access to services) or Part III (Dispute Resolution Process).
- (3) Any disciplinary action that the House takes pursuant to Rule 75(2) or the voluntary or involuntary cessation of membership by the Clearing Member shall not affect the obligations of the Clearing Member to the House or any remedy to which the House may be entitled under applicable law.

76. Refund of Deposits by the House

- (1) A Clearing Member or his successor shall be entitled to the return of the actual amount of a Clearing Member's deposit remaining with the Guarantee Fund of the House any accrued interest thereon (after adjustment of his liabilities, and after adjustment of the House's claim against it in respect of the fees and charges payable by it to the House) 30 days after:
 - (a) the Clearing Member ceases to be a Clearing Member; and
 - (b) all obligations to the House for which the Clearing Member was responsible while a Clearing Member have been satisfied or, at the discretion of the House, have been deducted.
- (2) A Clearing Member's Guarantee Fund deposit shall be paid to the Clearing Member, or his successor, where the Clearing Member ceases to be a Clearing Member voluntarily, and the Clearing Member, or his successor, has presented to the House such indemnities or guarantees as the House deems satisfactory.

Clearing and Settlement House Rules

77. Notice to Clearing Member for increase in its Deposit

- (1) The House shall notify a Clearing Member of any proposed increase in his required deposit to the Guarantee Fund.
- (2) If a Clearing Member fails to give written Notice to the House of his election to terminate his business with the House within the period specified in the Notice, he shall contribute to his existing Deposit that which is necessary to satisfy the increase.
- (3) At the time the increase becomes effective, the Clearing Member's obligations to the House shall be determined in accordance with the increased quantum of his deposit notified by the House whether or not such increase has been made.
- (4) If the Clearing Member fails to pay any additional amount towards his Deposit in accordance with the Notice under Rule 77(1) within 30 days, the House shall take disciplinary action against the Clearing Member.

78. Determination of Clearing Member's required Deposit

The House shall determine and notify each Clearing member by the end of each calendar year, the required level of the Member's Deposit for the ensuing year.

79. Failure of Settlement of Money Obligation by Clearing Member

- (1) Where a Clearing Member fails to pay the settlement obligation within the deadline for payment, the House shall impose the appropriate penalties and sanctions.
- (2) The House shall use the Settlement Guarantee Fund in the manner prescribed under Rule 50 to meet that settlement obligation, and apply the requirement in Rule 50.
- (3) The proceeds shall first be used to defray the full amount taken from the Settlement Guarantee Fund, and any other Guarantee, charges in arranging funds for settlement and any remainder shall be used to meet any penalty imposed on the defaulting Clearing Member.
- (4) No action taken in Rule 79 shall prevent the House from imposing sanctions or disciplinary action on the defaulting Clearing Member.

Clearing and Settlement House Rules

PART XXIII: REVIEW AND AUDIT

80. House Review and Audit

- (1) The House shall require an independent review or audit of its system on annual basis. The review of the House System will comprise:
 - (a) information processing facilities and security of the House including:
 - (i) maintenance of integrity and confidentiality over the data of the House;
 - (ii) physical security over the House operation;
 - (iii) business continuity procedures; and
 - (iv) system access controls;
 - (b) assessing the integrity and accuracy of information generated by the House including, without limitation:
 - (i) internal control over data input by the House; and
 - (ii) processing and reporting of transaction data.
- (2) The House shall provide a copy of the report to the management of the Exchange within six (6) months of the end of the financial year of the House.
- (3) Except as expressly provided in these Rules, no Member shall have any right of access to, or right to inspect the House's records and systems.

Clearing and Settlement House Rules

PART XXIV: AMENDMENTS AND DEFINITIONS

81. Amendment of the Rules

- (1) The Board of the Exchange may by itself or through the CEO of the Exchange, make amendments (or changes) in and/or substitute the Rules or Procedures, or waive the application of such of these Rules and/or Procedures as it deems fit in any particular circumstance, and upon sufficient justification being provided.
- (2) Any amendment of the Rules and/or Procedures shall be made with the prior approval of the Authority.