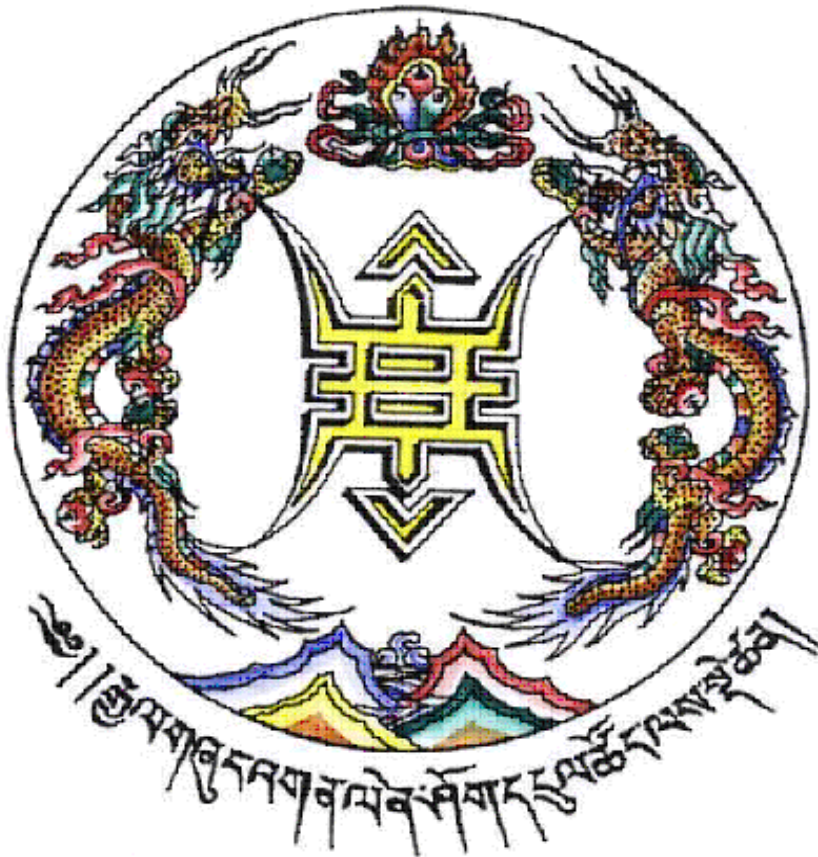


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**RULES OF THE EXCHANGE 2014**



**ROYAL SECURITIES EXCHANGE OF BHUTAN LTD.**

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## CHAPTER 1

### INTERPRETATION

#### Definitions and interpretation

**1.01.** In these rules, unless the context clearly otherwise requires, the words below have the meanings indicated and other words have the meanings given in the Financial Services Act of Bhutan 2011 or Companies Act of the Kingdom of Bhutan 2000 or, if not defined there, their meanings in ordinary usage:

**“Act”** means the Financial Services Act of the Kingdom of Bhutan 2011, as it may be from time to time amended;

**“Articles”** means the articles of incorporation of the Royal Securities Exchange of Bhutan Ltd.

**“Authority”** means the Royal Monetary Authority of Bhutan;

**“Authorized Representative”** means an individual who is registered with the Authority as a securities broker representative, Depository Participant representative or Clearing Participant representative;

**“Board”** means the governing Board of the Exchange;

**“Broker Accounting System”**; means the system supplied to Participants by the Exchange for maintaining clients’ securities and cash balances and for entering orders into the trading engine;

**“Business Day”** means any day on which the trading hall is open whether or not a trading day;

**“Chief Executive Officer”** means the Chief Executive Officer of the Exchange for the time being appointed by the Board in accordance with rules 2.21 and the articles.

**“Companies Act”** means the Companies Act of the Kingdom of Bhutan 2000

"**Director**" means any member of a Board of directors or of a body performing the functions of a Board of directors by whatever name called;

"**Exchange**" means the Royal Securities Exchange of Bhutan Ltd.

"**General Notice**" means a publicly posted notice which is headed "General Notice";

"**Independent Trader**" has the meaning defined in the FSA 2011

"**Listing**" has the meaning defined in the Rules Governing the Official Listing of Securities;

"**Member**" means any securities company or a person licensed by the Authority to conduct the securities transaction and is allowed to use the entire market facilities provided by the RSEB (Trading, Clearing & Settlement and Depository Systems.)

"**Order**" means a valid sale or purchase order placed by a Trading Participant through Exchange ATS.

"**Participants**" means a person granted access to one of the Exchange facilities such as a trading, clearing or depository system with respective functions;

"**Rules**" includes Rules of Central Depository, Rules of Clearing and Settlement House, Rules governing the Official Listing of Securities and the Rules of the Exchange, which may be repealed or amended by the Board from time to time and approved by the Authority;

"**Secondary Market**" means the market, other than the primary market, in which owners of securities buy and sell;

"**Securities Broker**" means a Trading Participant licensed by the Authority to carry out the business of effecting transactions in securities for account of others;

"**Settlement Day**" means the number of business day after the trade date or such other day as shall be determined by the Exchange;

"**Significant Owner**" has the meaning defined in the Act;

"**Trading Hall**" means the premises specified by the Exchange for use as a trading floor;

"**Trade Date**" means the day on which the transaction are executed through the matching orders of the Exchange's system or otherwise.

**“Trading Participant”** means a securities broker or independent trader as licensed by the Authority.

- 1.02.** Where the context so permits, words importing the singular number include the plural and vice versa, and words importing gender shall include all genders.
- 1.03.** These rules are to be read in conjunction with the Act, the Companies Act, the regulations of the Authority and other relevant legal provisions. Provision herein for reports to the Authority or other matters supplement but do not replace the requirements of other applicable provisions.

## **CHAPTER 2**

### **ADMINISTRATION**

#### **The Board**

- 2.01.** The management and control of the Exchange shall be vested in the Board, as provided in the Companies Act and the articles of incorporation.

#### **Functions of the Board**

- 2.02.** Subject to these rules, the articles of incorporation, and applicable laws and regulations, the Board shall have the power to administer, manage, formulate policies and give directions in relation to the affairs of the Exchange.
- 2.03.** Without prejudice to the foregoing, the following powers shall be vested in the Board:
  - (a) to admit or refuse to admit an applicant as a Participants;
  - (b) to appoint any appropriate person to be a member of a Committee formed for general or specific tasks for such duration as it sees fit, and to remove him there from;
  - (c) to give directions to the Chief Executive Officer and the Committees in accordance with the articles and these rules;
  - (d) to vary, supplement or discharge, whether wholly or in part, any decisions that may be reached by the Chief Executive Officer or any of the Committees on such terms as it sees fit;
  - (e) to delegate any of its powers to any person including the Chief Executive Officer and any of the Committees and to revoke such delegation;

- (f) to interpret conclusively any provision in these rules and the validity of any act made pursuant thereto in the event of any dispute or difference over such rules;
- (g) to give and issue directions in the form of circulars to Participants from time to time for the purpose of enforcing or implementing the regulations and these rules;
- (h) to order an investigation into the affairs of any Participants or its staff suspected of having violated any of these rules, the Act or other laws or regulations applicable to securities trading, and for this purpose to inspect and demand the production of all books, accounts, records and any other documents or information which it may deem necessary and to engage an accountant or any other person to assist in the investigation;
- (i) to reprimand, suspend or expel any Participants and to exercise such other disciplinary measures as are provided in these rules;
- (j) to suspend all or part of the trading activities on the Exchange in the event of an emergency and to take such remedial action as it thinks fit under the rules;
- (k) to grant, suspend or revoke the trading privileges of any Participants or securities broker representative under the rules;
- (l) to appoint or remove the Chief Executive Officer ;
- (m) to enforce the orders of the Authority;
- (n) to determine exemptions under section 40 of the Companies Act consistent with the regulations of the Authority, to decide listing applications by admitting or refusing admittance of a company to listing; and
- (o) to exercise such other powers as are necessary to enforce the regulations and these rules.

## **Chairman**

- 2.04.** If the office of Chairman of the Board is vacant, or the Chairman is unable to act as Chairman for whatever reason the deputy Chairman shall act in his place; in default of the deputy Chairman being able so to act, the Board may appoint one of their numbers to act as Chairman for the time being.

## **Meetings of the Board**

- 2.05.** Meetings of the Board shall be held as often as may be necessary for the performance of its functions, but in any event shall be held not less than four times per year in accordance with the Companies Act.

**2.06.** Meetings may be convened at any time by the Chairman or, in his absence, by the deputy Chairman or any two directors.

**2.07. At a meeting of the Board:**

- (a) the Chairman shall chair the meeting; or
- (b) if the Chairman is not present, the deputy Chairman shall chair the meeting; or
- (c) if neither the Chairman nor the deputy Chairman is present, the other directors present shall choose one of their number to chair the meeting.

**2.08.** Members of the Board present at a meeting of the Board shall have a vote.

**2.09.** Every question for decision at a meeting of the Board shall be determined by a majority of votes of the directors present and, in the event that voting is equally divided, the Chairman of the meeting shall have a second and casting vote.

**2.10.** The Board may act notwithstanding a vacancy among the directors.

**2.11.** The Board shall organize and regulate its own administration, procedure and business.

**Committees:**

**2.12.** The Board may establish such Committees, standing or ad hoc, as it sees fit.

**2.13.** The Board may also, appoint a Listing Committee and set forth in its resolution the composition, powers, functions and procedures, consistent with these rules, the Companies Act and the Exchange's Rules Governing the Listing of Securities on the Exchange.

**Membership of Committees**

**2.14.** The Board may appoint any person to assist a Committee, whether that person is a director or not.

**2.15.** All members of a Committee shall vacate office one year after their appointment unless they are re-appointed by the Board.

**2.16.** The Board may fill any casual vacancies that may occur in a Committee by reason of resignation, retirement or otherwise.

**2.17.** Any reference or assignment to a Committee and every appointment under rule 2.15 or 2.17 may be withdrawn or revoked by the Board at any time, and no such reference or appointment shall prevent the performance by the Board of any of its functions.



## **Proceedings of Committees**

- 2.18.** A Committee may elect any of its members to be Chairman and may regulate its own procedure and business; in the exercise of its powers a Committee shall be subject to and act in accordance with any direction given to it by the Board.
- 2.19.** Subject to rule 2.19, meetings of a Committee shall be held at such times and in such places as the Chairman of that Committee may determine.

## **The Chief Executive Officer**

- 2.20.** The Chief Executive Officer, who shall not be a shareholder, director or employee of Participants, shall be appointed by the Board and shall hold office upon such terms as may be prescribed by the Board. The Chief Executive Officer shall have the general supervision of and be responsible for the day-to-day management of the Exchange and supervision of Participants as provided in these rules.
- 2.21.** The Chief Executive Officer shall carry out the directions, orders and decisions of the Board.
- 2.22.** The Chief Executive Officer shall, subject always to the overriding right and power of the Board, hold and exercise all such powers vested in the Board and Committees as shall not have been conferred upon and expressly required to be exercised by the Board.
- 2.23.** Without prejudice to rule 2.23 and any other provisions in these rules expressly conferring power upon the Chief Executive Officer, the Chief Executive Officer shall have such powers as the Board may confer upon him including, in particular, the following powers:
- (1) to supervise the trading activities in the trading hall and the operation of the Automated Trading System and to take all necessary steps to maintain orderly and efficient trading in accordance with these rules, and to suspend trading in any issue of securities or by any Participants as provided for in these rules or as directed or authorized by the Board.
  - (2) to be responsible for the employment of staff and officers of the Exchange;
  - (3) to report periodically to the Board on all matters concerning the Exchange or on such occasions as may be expedient;
  - (4) to scrutinize and manage all matters relating to listing and participation, including applications for participation;
  - (5) to exercise disciplinary measures over the Participants and their securities broker representatives in accordance with the rules;

- (6) to approve admissions to the trading hall;
- (7) to ensure good order and behaviour in the trading hall and for this purpose, to refuse entry to any person and to remove any person from, or deny access to, the trading hall and
- (8) to attend all meetings of the Committees.
- (9) to release at his absolute discretion information as to any member's financial position or otherwise to the RMA or an authorised officer of the RMA when so requested by any of them.

## **CHAPTER 3**

### **PARTICIPANTS**

#### **Qualifications**

##### **3.01. A Trading Participant shall:**

- (1) be a Member of the Exchange,
- (2) be licensed as a securities broker by the Authority under the Act;
- (3) be of good financial standing and integrity;
- (4) satisfy the Board that it is fit and proper (to be a Trading Participants);
- (5) have a paid up capital as per the provisions under Securities Brokers Regulation 2011;
- (6) comply with such other requirements for participation as the Exchange may from time to time prescribe.

##### **3.02. A Clearing Participant**

Qualification requirement for a Clearing House Participant shall be as per the RSEB Clearing and Settlement House Rules.

##### **3.03. A Depository Participants**

Qualification requirement for a depository Participants shall be as per the Central Depository Rules

#### **Application to become a Trading Participant**

##### **3.04. Every person that wishes to apply to become a Trading Participant shall:**

- (1) apply to the Chief Executive Officer of the Exchange in writing in such form as he or the Board may determine, providing identifying details and contact information and specifying the type of participation for which application is being made;
- (2) submit an updated copy of its Articles of Incorporation;
- (3) submit a copy of its license issued by the Authority;
- (4) provide proof to the satisfaction of the Board that its financial position is such as would enable it, for the foreseeable future, to comply with any financial requirement applicable to the status for which it is applying.
- (5) submit a list of its directors, officers, significant owners and authorized representatives along with job descriptions;
- (6) provide evidence that it has sufficient trained staff and systems efficiently to provide the relevant services in accordance with the requirements of these rules, the Act and the regulations thereunder, including a description of the system of regulatory compliance supervision and internal operational controls relevant to securities operations;
- (7) provide evidence that it has appropriate premises for the operation of its business and the storage of records;

### **Role of Board**

- 3.05.** On consideration of such application, the Board may accept or reject it in light of the criteria of participation stated in these rules.
- 3.06.** The Board will not reject an application without giving the applicant the right to be heard nor before the lapse of 30 days after receipt of the completed application.
- 3.07.** Any rejection of an application shall include a specific written statement of the grounds for the rejection. An applicant whose application is rejected shall have the right of appeal to the Authority in accordance with the Act and the regulations thereunder.

### **Resignation**

- 3.08.** A Trading Participant who wishes to resign shall serve a written notice to the Board giving 30 days notice and send a copy of the notice to the Authority.
- 3.09.** A copy of the notice shall be posted by the Exchange on the notice Board of the Exchange and its website.

**3.10.** The Trading Participants must satisfy all obligations to the Exchange, other Participants and clients to an extent considered reasonable by the Board, and must provide adequate notice to clients before the resignation is accepted.

### **Changes in information**

**3.11.** Every Trading Participant shall promptly notify the Exchange of any change in:

- (a) its name (business or legal), address, e-mail address, telephone or fax number;
- (b) its articles of incorporation (and shall notify the Exchange in advance of any proposed change);
- (c) its license from the Authority;
- (d) its directors, significant owners, securities broker representatives, their job descriptions or their licenses from the Authority;
- (e) any action against it or the persons in (d) by the Authority and any information that it or such a person has been:
  - (i) convicted of a crime;
  - (ii) declared bankrupt or served as a director or officer of a bankrupt company within the year preceding the commencement of bankruptcy proceedings;
  - (iii) found liable by a court for any financial loss due to dishonesty, incompetence or malpractice; or
  - (iv) had any professional or business license revoked or suspended;
- (f) its inability or impending inability to satisfy the conditions referred to in paragraph 3.04(1)-(6); or
- (g) the information in paragraph 3.04(7).

The Exchange shall take appropriate action should it appear that the change jeopardizes the Trading Participants' ability to comply with these rules, the Act or the regulations thereunder.

## **Representatives and staff**

- 3.12.** A Trading Participant shall register with the Exchange its authorized representatives who shall be entitled to conclude bargains on behalf of the Participant in the trading hall or operate the Broker Accounting System. The Exchange shall approve such of them who have demonstrated the necessary competence in operation of systems, and issue to such a person an appropriate identification card. Except with the express approval of the Board or the Chief Executive Officer, no others, apart from authorized staff of the Exchange and representatives of the Authority, shall have access to the trading hall.
- 3.13.** The Exchange shall, in addition to the demonstration required in paragraph 3.12, prescribe a test of any representative's competence to fulfill the job assigned to him, if the Authority has failed to do so or should the Exchange determine that a more specialized showing is necessary. No person shall occupy a position if found incompetent to do so.
- 3.14.** Trading Participant shall register all staff who undertakes the clearing and depository functions, and they must be approved by the Exchange as fit for these positions.
- 3.15.** The Exchange shall have full power to investigate the conduct and integrity of any person intended to be employed by a Participants.
- 3.16.** The Exchange shall reasonably exercise its discretion to withhold or to withdraw approval under paragraphs 3.12-14. At the request of the Participants, the Exchange's decision may be heard in the same manner as a disciplinary proceeding and be subject to the same appeals. In any case, the reasons for withholding or withdrawing approval will be specifically stated in writing and signed by the Chief Executive Officer

## **Responsibility of Trading Participant**

- 3.17.** A Trading Participant shall abide by the rules of the Exchange and by all applicable laws and regulations applicable to its business, including but not limited to those governing sales practices and client relationships, priority of client interests and avoidance of conflicts of interest, records, supervision and internal controls and capital and liquidity requirements.
- 3.18.** A Trading Participant shall be responsible for:
- (a) for all acts done, or omitted to be done, and contracts entered into by its directors and by its employees;

- (b) for settlement of all transactions made on the Exchange whose trades it has agreed to clear;
- (c) any unauthorized transaction entered through its facilities and shall complete these transactions according to these rules.

**3.19.** A Trading Participant shall ensure that all its employees are suitable, adequately trained, qualified as necessary and properly supervised and duly authorized.

**3.20.** A Trading Participant shall provide to the Exchange a copy of all financial statements provided to the Authority on the same day that they are lodged with the Authority, except as the Exchange may in writing exclude as not needed to monitor the Trading Participants' ability to fulfill its Exchange-related obligations.

**3.21. Inspection**

(a) Upon authorization by the Chief Executive Officer of the Exchange, a Participant shall be liable to inspection at any time by the Exchange or examiners appointed by it, who shall have the cooperation of the Trading Participants' directors, officers and employees and full access to all documents, records and information relevant to the Participants' compliance with the Act, regulations and these rules applicable to securities, securities brokers and securities transactions.

(b) The Exchange and its examiners shall treat any information discovered in such an inspection as confidential, except to the extent that disclosure may be required to enforce compliance with the aforesaid rules, laws and regulations and except that evidence of crime or financing of crime may be reported to the Authority.

**Responsibility of directors and officers**

**3.22.** Any director or officer of a Trading Participant shall be liable for the purposes of these rules for any breach, non-compliance, violation or contravention that was committed or caused with the consent or connivance of or attributable to any neglect on the part of such director or officer.

**Voluntary liquidation**

**3.23.** A Trading Participant shall not go into voluntary liquidation without giving the Board and the Authority at least 45 days advance written notice of its intention to do so.

## CHAPTER 4

### TRADING

#### 4.01. Accepting Client Orders:

- (a) Except as provided in the Securities Brokers Regulation, 2011 and ATS Rules, Trading Participants shall only accept orders from clients who have signed a client agreement form as specified in Annex A or such other form as may be approved by the Authority.
- (b) Trading Participant shall enter orders from their clients onto a trading slip, which shall be time stamped.

#### 4.02. Admission to Trading Hall

Only the following persons may be admitted to the Trading Hall:-

- a) Designated Exchange Staff and
- b) Such other persons as the Chief Executive Officer may determine.
- c) Any authorized representative of a Securities Broker or any representative who has been approved under rule 2.24(7)

#### 4.03. Conduct in trading hall

- a) All persons are admitted to the trading hall subject to the requirements of good order and shall leave the trading hall if instructed to do so by the chief executive or an officer of the Exchange.
- b) All persons admitted to the trading hall shall at all times when in the trading hall wear such identification badges as may be issued to them by the Exchange.
- c) Smoking, gambling, drinking and eating and any other such act which is considered by the Board to be detrimental to the interests of the Exchange are forbidden in the trading hall.
- d) Participants shall ensure that their employees and others in the trading hall at their behest comply at all times with good conduct in the trading hall.

#### **4.04. Trading Hours:**

Trading may be conducted in the trading hall on every weekday (except for public holidays), unless otherwise determined by the Board, during such hours as shall be notified by the Board from time to time by means of a general notice.

**4.05.** Secondary trading may take place, subject to paragraph 4.07, at the discretion of the Board, by:

- (a) a single price auction;
- (b) multiple single price auctions during a trading day; or
- (c) continuous trading; or
- (d) a combination of two.

**4.06.** No secondary trading other than by the single price auction in paragraph 4.05(a) shall occur without two business days prior written notification of the Authority. Trade reversals to correct errors, as well as special trades that may be necessary to cover failures to settle, are excepted from this and from paragraph 4.05, but the Authority shall be notified of the latter as provided for the failure and of the former at such time as the Exchange reports its trade volumes to the Authority. Trading pursuant to a contingent offer may be conducted in accord with paragraph 4.07.

**4.07.** The Exchange may accept contingent offers to buy or sell securities outside the ordinary processes of secondary trading, as well as primary market offerings, provided that measures have been taken to make clear to investors the terms of offer and acceptance, the nature of any contingency involved and such other matters material to an investment decision as the Exchange may deem appropriate. The Exchange shall immediately notify the Authority of any proposal it receives to facilitate a contingent offer to buy or sell (other than a primary offering of new securities subject to a minimum subscription amount) and the proposed terms of and procedures for the offer.

#### **4.08. Trading restrictions**

- a) All input of orders and dealings in securities by Trading Participant shall take place through such mechanism as determined by the Exchange.
- b) Any dealing in securities listed on the Exchange by Trading Participant outside the Exchange, unless exempted by the Authority or the Exchange after consultation with the Authority, is prohibited. Secondary market transactions in securities issued or guaranteed by the Royal Government of Bhutan or its agencies and in securities that have been removed from Exchange trading shall be presumed not subject to the prohibition, unless indicated otherwise in a general notice signed by the Chief Executive Officer of the Exchange and an officer of the Authority.



c) A Trading Participants shall take measures to assure that only Authorized representatives that it has so authorized may input orders into the Broker Accounting System.

**4.09.** The Exchange may declare a temporary trading halt or postponement in one or more securities at any time that it believes news material to securities prices, evidence of fraud or manipulation, extreme order imbalances, equipment malfunction or emergency circumstances identified by it would render a continuation of trading unfair to investors. It shall immediately notify the Authority of any such halt and of its plan for resuming trading.

#### **4.10. Settlement Day**

The settlement of equity and debt securities in the secondary market shall take place as per RSEB Clearing and settlement House Rules.

#### **4.11. Non-repudiation**

(1) A Trading Participants is responsible as principal for settlement of executed orders that it has entered, except as otherwise provided for the primary market or in the case of a very large contingent order to buy (tender offer) or similar extraordinary order, as the Exchange may allow.

(2) Trades that the Exchange rules obvious errors may be reversed upon written authorization of the Exchange's Chief Executive Officer, stating the circumstances of the error and the steps taken to assure protection of the legitimate expectations of customers.

(3) Under no circumstances shall a Trading Participant permit orders to be executed which would cause his net clearing liability to exceed the amount of his clearing guarantee.

#### **4.12. Market surveillance**

(1) The Exchange will monitor price and volume movements and take such other measures as it deems appropriate or as shall be directed by the Authority to detect improper trading on the Exchange or evidence of money-laundering or financing of crime.

(2) The Exchange will retain copies of any written complaint received against a Participants as well as of a note of the complaint's resolution, signed by an Exchange employee.

#### **4.13. RSEB CLEARING AND SETTLEMENT HOUSE RULES**

All matters related to clearing and settlement of securities shall be as per the RSEB Clearing and Settlement House Rules.

#### **4.14. DEPOSITORY RULES**

All matters related to securities depository shall be as per the Central Depository Rules of the RSEB

#### **4.15. LISTING RULES**

All matters related to Listing of Securities shall be governed under the “Rules Governing the Official Listing of Securities”.

### **CHAPTER 5**

#### **DISCIPLINE**

##### **Breach of the rules**

**5.01.** The Exchange may discipline any Participants or securities broker representative that is in breach of the Act, regulations and these rules thereunder or other provisions of law applicable to the securities business or the business of the Exchange.

**5.02.** The Board may:

- (1) declare that there is no case to answer;
- (2) decide that no further action should be taken;
- (3) issue a private warning;
- (4) issue a public censure;
- (5) fine a Participants up to such amount as may be considered appropriate;
- (6) suspend or terminate the Participants or its securities broker representative;
- (7) impose conditions or restrictions on participation calculated to correct or prevent past or impending violations; or
- (8) remove the authority of a representative to enter orders into the Brokers Accounting System .

**5.03.** The Board may impose discipline under paragraph 5.02 where the Board is satisfied, in the light of an investigation conducted by the Exchange that the Participants:

- (1) has ceased to meet the qualifications for participation or is so likely to that preventive measures are required;
- (2) has contravened any provision of the Act, the regulations thereunder, any rules of the Exchange or other provisions of law applicable to the securities business or to the business of the Exchange; or
- (3) has provided the Exchange with false, inaccurate or misleading information in purported compliance with any requirement under these rules.

**5.04.** Where in the case of failure to settle trades or other instances where the rules provide for immediate suspension, or otherwise in exigent circumstances, an action may be taken by the Chief Executive Officer of the Exchange or an official of the Exchange he authorizes, prior to the determination by the Board in paragraph 5.03 The Board shall then consider the matter at the earliest time practicable. Private warnings may be issued by the Chief Executive Officer of the Exchange, after due consultation with the Participants, with no further review by the Board.

**5.05.** In each case the Exchange shall make a written record of any action taken and the facts and grounds upon which it is based. In all cases other than a private warning, the Exchange shall inform the Authority of any penalty, condition or restriction imposed. In all cases the Exchange shall consider the question of fairness to a securities broker representative or other Participants employee likely to be adversely affected by a disciplinary action and provide him an opportunity to be heard in the proceeding.

### **Procedure for hearing**

**5.06.** In conducting a hearing before the Board, the Exchange may regulate its sittings and apply such rules on procedure and practice as it sees fit, provided that:

- (a) the Exchange shall be governed by the rules of natural justice and shall give the Participants a reasonable opportunity to make written or oral representations, to call witnesses and to cross examine any witness called against it;
- (b) the Exchange, with the approval of the Board, may determine the issue on written representations if, having regard to the nature and gravity of the matter in issue, it is satisfied that it is suitable for such determination and the Participants consents to such a procedure being adopted;
- (c) in determining the issue by way of oral hearing in front of the Board, the Exchange:
  - (i) shall hear the matter in private;
  - (ii) may at its discretion permit the Participants to be represented by legal counsel;
- (d) where the matter in issue against a Participants is found to be proved, which shall be on a balance of probabilities, the Board shall, before exercising its disciplinary

powers, allow the Participants, or anyone on its behalf, to address the Board in mitigation of the penalty;

- (e) Participants shall cooperate fully in providing information, witnesses, documents and other evidence in a disciplinary proceeding; they and any person subject to an order under this chapter shall be informed of their rights to seek review by the Authority;
- (f) an order requiring transfer of accounts held by a Participants shall make adequate provision for such transfer, with due regard for the protection of client interests; and one requiring suspension or termination of participation shall make appropriate allowance for settlement of outstanding obligations; the Board shall provide for adequate public notification of a Participants' termination or suspension.

## **Reinstatement**

- 5.07.** When the Chief Executive Officer of the Exchange determines that the events specified in an order regarding the lifting of suspension, conditions or restrictions have been satisfied, he shall lift them. If a person subject to the order believes that the Chief Executive Officer has unreasonably declined to lift them, he may petition the Board for redress and if not satisfied with its decision may approach the Authority.

## **CHAPTER 6**

### **FEES AND COMMISSIONS**

#### **Fees, levies and charges**

- 6.01.** The Board may from time to time for the purposes of the administration of the Exchange and its securities market may impose/revise fees, levies and charges in such respects and on such terms as the Board may prescribe.
- 6.02.** Without limitation to the generality of rule 6.01, the Board may impose fees and charges in respect of:
- (a) an application for trading, clearing or depository participation;
  - (b) a monthly subscription by Participants;
  - (c) the registration of Authorized Representatives.
- 6.03.** The amount of any fees, levies and charges which the Board may impose shall be adopted and approved as a rule and its proposal notified to Participants or affected issuers by means of a general notice.

**6.04.** The amount of any fees, levies and charges imposed by the Board pursuant to these rules may from time to time be revised by the Board as it shall think fit and the Board shall notify such revised fees, levies and charges by general notice.

**6.05.** The Board shall also prescribe the time and method of payment of any fees levies and charges imposed pursuant to these rules by general notice, and all issuers and Participants shall comply with the requirements, instructions or directions contained in such general notice, including the payment of interest or penalty for late payment of such fees, levies and charges.

**6.06. Securities Broker's Commission**

Any changes in the commission charged by the Securities Brokers on the trades executed at the Exchange shall be subject to the approval of the Authority.

## ANNEXURE A: - CLIENT'S AGREEMENT

**To: .....**  
**(Name of broker and address)**

I/we \_\_\_\_\_, hereby agree to you operating a cash and securities account on my/our behalf on and subject to the following terms and conditions:

1. The agreement shall be subject to The Financial Services Act 2011, the Companies Act of the Kingdom of Bhutan 2000, regulations and other related rules of the of Bhutan as amended from time to time. You also agree specifically to abide by the Broker Conduct of Business Rules appearing following the signatures to this agreement.
2. All transactions in securities made for or on my/our behalf on the Royal Securities Exchange of Bhutan Limited ("the Exchange") shall be subject to the relevant provisions of the rules, customs and usages of the Exchange.
3. Trades executed on my/our instructions on the Exchange shall be subject to a transaction commission and any other fees that the Exchange from time to time may impose. You are authorized to collect any such commissions and fees in accordance with the rules prescribed by the Exchange from time to time.
4. The rules of the Exchange, in particular those rules which relate to trading and settlement, shall be binding on both yourself and myself/ourselves in respect of transactions concluded on my/our instructions.
5. I/we agree that orders can be placed in writing and that such orders do not require judicial stamps and signatures by all parties to be legal and binding on all parties.
6. Any and all securities, acquired for or on my/our behalf, or in which I/we have an interest which are held for my/our account shall be subject to a general lien for the discharge of my/our obligations to you arising from the business of dealing in securities.
7. If within two business days (or such other period as may be agreed) after a transaction has been duly executed for or on my/our behalf, I/we have defaulted in making the payment due to you in connection therewith, provided that sufficient securities are available for delivery, I/we agree that any such securities may be re-sold, and I/we may remain liable to pay to the extent that the new price is lower than the price I/we were to pay.
8. The information contained in the "Account Opening Information Form" is complete, true and correct. You are entitled to rely on such information until you have received written notice from me/us of any change therein.
9. I/we hereby authorize you to conduct a personal credit enquiry or check on me/us for the purpose of ascertaining my/our financial situation and, if you are to render investment advice, my/our investment objectives.

- 10. Any securities deposited by me/us with you or purchased by you on my/our behalf, and held by you for safekeeping will be held in my/our name and deposited with the Depository operated by the Exchange.
- 11. You shall not, without my/our prior written consent, deposit any of my/our securities as collateral for loans or advances or lend or otherwise part with the possession of any such securities for any purpose.
- 12. Whilst I/we expect you to keep confidential all matters relating to my/our account, I/we hereby expressly agree that you may, if requested by the Exchange or the Royal Monetary Authority, provide to the Exchange and/or the Authority details of my/our account, in order to assist with any investigation or enquiry being undertaken.

**14. RISK DISCLOSURE STATEMENT**

- 1. I/we acknowledge that the price of securities can and does fluctuate, and that any individual security may experience downward movements, and may under some circumstances even become valueless.
  - 2. I/We appreciate therefore that there is an inherent risk that losses may be incurred rather than profit made, as a result of buying and selling securities. This is a risk that I/we are prepared to accept.
15. I/we also acknowledge that there are risks in leaving securities in your custody.
16. I/we confirm that I/we have read this Agreement and that the contents of this Agreement have been fully explained to me/us in a language which I/we understand, and that I/we accept this Agreement.
17. This Agreement and all rights, obligations and liabilities hereunder shall be governed by and construed in accordance with the Laws of Bhutan and may be enforced in accordance with the Laws of Bhutan.



Signature \_\_\_\_\_  
 Name & CID # of client \_\_\_\_\_  
 in the presence of signature \_\_\_\_\_  
 Witness name & CID # \_\_\_\_\_  
 Address \_\_\_\_\_  
 Occupation \_\_\_\_\_

**ACKNOWLEDGED AND ACCEPTED BY:**

Authorized Signature \_\_\_\_\_  
 Name of Securities Broker \_\_\_\_\_

Broker's SEAL