

**THE UGANDA SECURITIES EXCHANGE LIMITED  
RULES 2003**

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*Rule*

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**THE UGANDA SECURITIES EXCHANGE LIMITED  
RULES, 2003**

*(Under section 25 of the Capital Markets Authority Statute, 1996, Statute No. 1 of 1996, and regulation 14 of the Capital Markets Authority (Establishment of Stock Exchanges) Regulations 1996, Statutory Instrument No. 54 of 1996).*

**CHAPTER 1 - INTERPRETATION AND DEFINITIONS**

**Interpretation**

1. (1) The terms, words and phrases defined in, and the provisions of the Capital Markets Authority Statute, 1996, (including the rules and regulations made under it), and in the Memorandum and Articles of Association of Uganda Securities Exchange Limited apply to these Rules.

(2) Reference to a body corporate or to a corporation shall be construed as including a company incorporated outside Uganda, but shall not include a corporation sole.

(3) Unless inconsistent with the context, the singular includes the plural.

(4) Headings are purely for reference purposes and shall not be taken into account in the interpretation of the Rules.

**Definitions**

2. In these Rules, unless the context otherwise requires-

"AON" means "All or Nothing" which refers to a lot of securities which can only be sold in full without being split into smaller lots;

"Authorised Representative" refers to a person appointed by a broker/dealer to operate as its agent for purposes of receiving orders for the sale and purchase of securities;

"Authority" means the Capital Markets Authority, also abbreviated as "CMA";

"bid" means an order by a broker/dealer to buy securities at a certain price and also refers to a price which a buyer is willing to accept for those securities;

"board lot" means a standard number of shares or stocks, determined by the Exchange, which can be traded on the market for a particular board;

"board writer" refers to an employee of the Exchange who records bids and offers on the counters of the trading floor during trading, and

	updates the various boards on the trading floor;
<b>"broker/dealer"</b>	means a body licensed by the Capital Markets Authority, and approved by the Governing Council of Uganda Securities Exchange Limited to carry on the business of buying or selling of securities as an agent for investors, in return for a commission or on their own behalf;
<b>"business day"</b>	means any day in the week that is not a Saturday or Sunday, or a gazetted holiday, or any day as may be announced by the Council in a general notice;
<b>"buy-in"</b>	refers to the process through which the Exchange remedies a failed delivery arising from a selling broker/dealer by attempting to secure securities from the market;
<b>"calendar days"</b>	means all the days of the week including Saturday and Sunday as laid out in the Roman calendar and unless expressly stated otherwise, all references to days shall be deemed to be references to calendar days;
<b>"capital"</b>	means share capital and includes preference shares;
<b>"Chairperson"</b>	means the Chairperson of the Board of Directors of the Uganda Securities Exchange Limited, referred to as Council in section 2 of the Capital Markets Authority Statute;
<b>"Chief Executive"</b>	means the Chief Executive Officer of the Uganda Securities Exchange Limited;
<b>"clearing house"</b>	means the department, section or subsidiary of the Uganda Securities Exchange that clears and settles transactions of listed securities or an independent body appointed by the Exchange and authorised by the Authority to clear and settle transactions of listed securities;
<b>"Companies Act"</b>	means the Companies Act, Cap 85 of the Laws of Uganda 1964 and any amendments to it;
<b>"commercial paper"</b>	means a debt instrument with a maturity of less than a year;
<b>"contract note"</b>	means a record of the details of a transaction, including its total value and all charges;
<b>"corporate bond"</b>	refers to a debt instrument with a maturity of one year or more issued by a corporation;

<b>"corner situation"</b>	means a situation where a single interest or group has acquired such control of any listed security that the same cannot be obtained except at prices or on terms dictated by such single interest or group;
<b>"currency point"</b>	is equivalent to twenty thousand Uganda shillings;
<b>"D"</b>	used in reference to a transaction is the day delivery is expected to be made to the Exchange;
<b>"D+"</b>	denotes the number of business days after the day delivery is made to the Exchange;
<b>"deal"</b>	means to buy, trade, retail or underwrite securities as an agent for investors in return for a commission or as a principal on own account;
<b>"delivery"</b>	refers to the process of passing title in a security from the seller to the buyer through the Exchange;
<b>"Exchange"</b>	means the Uganda Securities Exchange Limited;
<b>"Executive Director"</b>	means a person, by whatever title described who has executive responsibilities within a Member;
<b>"Floor Trader"</b>	means a person who trades securities in accordance with these Rules on behalf of a broker/ dealer;
<b>"Governing Council"</b>	refers to the Board of Directors of Uganda Securities Exchange Ltd. referred to as the Council in section 2 of the Statute;
<b>"Government Bond Dealer"</b>	refers to a person who is not a broker/dealer member of the Exchange, authorised by the relevant regulatory authority and the Exchange to trade in Government bonds;
<b>"institutional investor"</b>	means a body corporate whose ordinary business is to hold, manage, or invest funds in connection with retirement benefits, insurance contracts, mortgage and saving schemes, and any fund or scheme in the nature of a collective investment or a unit trust;
<b>"issuer"</b>	means a body corporate or other legal entity whose securities are either listed on the Exchange or are the subject of an application for listing;
<b>"licence holder"</b>	means a body corporate licensed by the Capital Markets Authority to operate a business specified in the licence;



<b>"listed security"</b>	means a security, which is listed for trading on the Exchange;
<b>"Member"</b>	means a body corporate or a person admitted to membership of the Uganda Securities Exchange Limited;
<b>"Memorandum and Articles of Association"</b>	means the memorandum and articles of association of the Uganda Securities Exchange;
<b>"odd lots"</b>	means any number of shares that are less than the minimum tradable or board lot;
<b>"odd lots board"</b>	means the board on the Trading Floor where odd lots are traded;
<b>"offer"</b>	means an order by a broker/dealer to sell securities at a certain price and also refers to a price which a seller will accept for those securities;
<b>"open outcry"</b>	means a trading system in which transactions for securities are conducted by the way of traders shouting or crying out their orders before the Exchange Official who records the orders on a trading board located in an open atmosphere room;
<b>"order"</b>	means an instruction from a client to a broker/dealer to buy or sell securities;
<b>"overbidding"</b>	means a situation where a floor trader halts a transaction that is about to be concluded by offering to buy at a price that is higher than the price about to be dealt;
<b>"Principal Officer"</b>	in relation to a Member means an officer, by whatever title described, whose primary responsibility is the management of the day to day affairs of the Member;
<b>"private transaction"</b>	means a transaction in a listed security of a non-commercial nature that is carried out outside the commercial trading processes in accordance with the Capital Markets Authority Statute, the Companies Act (Cap 85), the Rules and Regulations of the Exchange, and the Listing Rules of the Exchange;
<b>"private transfer"</b>	means a transfer of securities between the transferor and transferee which does not involve monetary consideration, effected through the Exchange;
<b>"prompt lot"</b>	means a lot of securities that must be delivered and settled on T+ 1;

<b>"prompt lots board"</b>	means the board on the Trading Floor on which prompt lots are traded;
<b>"Registrar"</b>	means an entity or person who maintains the record of securities holders for the outstanding securities of the listed security;
<b>"Registrar of Companies"</b>	means the public officer entrusted to carry out the duties of the Registrar under the Companies Act Cap. 85;
<b>"relevant regulatory authority"</b>	means the CMA, Bank of Uganda or any other regulatory authority established by law;
<b>"Rules"</b>	refers to these Rules;
<b>"Secretary"</b>	includes any person appointed to perform the duties of secretary, including one appointed to do so temporarily;
<b>"settlement"</b>	refers to the process through which a buyer of securities transmits to the seller the consideration for the securities purchased;
<b>"settlement bank"</b>	refers to the Bank designated by the Exchange for the purpose of broker/dealer settlement accounts for settling transactions concluded on the trading floor;
<b>"settlement instrument"</b>	includes cheques, drafts and any other negotiable instrument approved by the Exchange;
<b>"special boards"</b>	are boards other than the normal boards, including the one-day board, the odd lots board and the prompt lot board set up for a specific purpose and whose rules will differ in some or all respects from the rules governing normal boards;
<b>"special lots"</b>	are lots other than normal board lots and include lots governed by special rules; and which will be traded on the special lots sections of the boards;
<b>"spreads"</b>	refers to dealing spreads which, for the time being, shall be Ushs.5/- (Shillings five only);
<b>"Statute"</b>	refers to the Capital Markets Authority Statute 1996, and any amendments to it;
<b>"T"</b>	when used in reference to a transaction is the day the transaction is effected on the Trading Floor;
<b>"T+"</b>	denotes the number of business days after the day on which the transaction is effected on the Trading Floor;

<b>"trading boards"</b>	means the boards on the Trading Floor on which bids, offers and sales on listed securities are entered during trading sessions;
<b>"trading floor"</b>	means the physical space within which transactions in securities are carried out at the Exchange;
<b>"trading session"</b>	means the designated period during which orders can be executed, amended, cancelled and traded where the beginning and the closing of the trading sessions are signaled by the ringing of the bell by an Exchange Official;
<b>"trading slip"</b>	means a document generated by the Exchange that records transactions as they are concluded on the Trading Floor;
<b>"trading slip number"</b>	means the individual number appearing on the trading slip, by which transaction is identified;
<b>"transaction across books"</b>	means a transaction where a broker/dealer represents both the buyer and the seller in the same transaction;
<b>"underselling"</b>	means a situation where a floor trader halts a transaction that is about to be concluded by offering to sell at a price which is a spread lower than the price about to be dealt;
<b>"verification"</b>	means the process of confirming the facts of a client's claim to a security and the status of the holdings.

## CHAPTER 2 - MANAGEMENT

### **The Governing Council**

3. (1) The Council shall determine the policy and general direction of the Exchange.

(2) The members of the Council shall be elected in accordance with section 25(3)(b)(viii) of the Capital Markets Authority Statute, 1996 and the Memorandum and Articles of Association of the Exchange; and the Exchange shall notify the Authority about any changes in the membership of the Governing Council.

(3) Members of the Governing Council appointed to represent the public and to represent listed companies shall be appointed by the Governing Council with the prior approval of the Authority.

(4) The Council shall exercise such powers as may be exercised by the Exchange and that are not, by the Memorandum and Articles of Association, the Statute or other written law required to be exercised by the Exchange in general meeting.

(5) Without prejudice to the generality of subrules (1), (2), (3), and (4), the Council shall exercise the following powers in accordance with the procedure prescribed by these Rules-

- (a) to appoint any person to be a member of a committee formed for a general or specific task for such duration as it deems fit, and to remove that person;
- (b) to give directions to the Chief Executive and to any committee formed in accordance with the Memorandum and Articles of Association and these Rules;
- (c) to vary, supplement or discharge, whether wholly or in part, any decision that may be reached by the Chief Executive or any committee;
- (d) to delegate any of its powers to the Chief Executive or to a committee, and to revoke that delegation;
- (e) to interpret any provision in these Rules in order to determine the validity of any act made under these Rules in the event of any dispute or difference over interpretation;
- (f) to give and issue directions in the form of circulars to broker/dealers from time to time, for the purpose of enforcing or implementing the Memorandum and Articles of Association and these Rules;
- (g) to order an investigation into the affairs of any Member, authorised representative and executive director suspected of having violated any of the provisions of the Memorandum and Articles of Association or these Rules and for this purpose, to inspect and demand the production of all books, accounts, records and any other documents which it may deem necessary;
- (h) to engage an auditor or any other person or persons to assist in any investigation;

- (i) to release, at its absolute discretion, information as to any Member's financial position or otherwise to any authorised body when requested by the authorised body;
- (j) to reprimand, penalise, suspend or expel any Member, its authorised representatives or executive director and to exercise such other disciplinary measures as provided in these Rules;
- (k) to suspend all or part of the trading activities on the Exchange in the event of an emergency as provided in these Rules;
- (l) to grant, suspend or revoke the trading floor rights of any Broker/Dealer or its authorized representative;
- (m) to appoint or remove the Chief Executive of the Exchange.
- (n) to enforce the directions given by any legally authorised body; and
- (o) to exercise such other powers as are necessary to enforce the Memorandum and Articles of Association and these Rules.

(6) The members of the Council shall serve for a term of three years on rotational basis as provided in the Memorandum and Articles of Association and are eligible for re-election by the General Meeting.

### **Committees**

4. (1) The Council may appoint a committee comprising of Members and other persons with relevant expertise for specific tasks.

(2) A committee appointed by the Council shall, in the exercise of its powers, conform to any directions issued by the Council.

(3) Each committee shall, subject always to the overriding right and power of the Council to review, vary or supplement its decisions, have full power to formulate policies, supervise and give directions in relation to the tasks or functions for which it is appointed.

(4) All members of a committee shall be appointed for a two-year term and are eligible for re-appointment by the Council.

(5) The Council may also fill any casual vacancies that may occur in any committee by reason of resignation, retirement or otherwise.

(6) Subject to subrule (7), the office of a member of a committee shall be vacated if any one of the following events occurs-

- (a) where a receiving order is made against a member or if a member makes any arrangement or composition with its creditors;
- (b) where the member is found to be of unsound mind;
- (c) where by notice in writing to the Council, the member resigns from office; or
- (d) where the member is removed by the Council for any reason whatsoever.

(7) Notwithstanding subrule (6) the acts of a member shall be treated as valid and effectual in all respects up to and until an entry of the vacation of office is entered in the minutes of the committee.

(8) Unless otherwise specified, the decisions of a committee are subject to ratification by the Council but all decisions taken by the committees that are not subject to ratification by the Council shall be binding on the Council.

### **Proceedings of committees**

5. (1) A committee shall meet for the dispatch of business, adjourn and otherwise regulate its meetings in a manner, which it deems fit.

(2) Every committee shall have a convenor who shall be appointed by the Council and who shall be its chairperson and preside over all meetings; where, at any meeting, the convenor is not present within fifteen minutes after the time appointed for holding the meeting, the members of the committee then present may nominate one of their number to act as chairperson of the meeting.

(3) A member of a committee may be informed verbally of the time, place and agenda of a meeting, but the minutes of a meeting so convened shall record the fact.

(4) A member of a committee shall give to the convenor of the committee an address in Uganda at which notices may be served on the member and upon the despatch of any notice properly carrying the address supplied by the member, the notice shall be deemed to have been validly served on that member.

(5) Unless the Council otherwise determines, half of the members of a committee shall constitute the quorum necessary for the transaction of business; the Chairman and Chief Executive are entitled to attend meetings but shall not count for the quorum nor be allowed to vote, unless expressly appointed to such committee.

(6) No business shall be transacted at any meeting unless a quorum is present.

(7) A meeting of the members of a committee at which a quorum is present shall be competent to exercise all the powers and discretion vested in the committee.

(8) Every member of a committee shall have one vote and questions arising at any meeting shall be determined by a majority of votes; in case of an equality of votes, the chairperson shall have a second or casting vote.

(9) All acts *bona fide* done by any member of a committee in accordance with the resolutions made in a meeting of the committee shall, as regards all persons dealing in good faith with the Exchange, notwithstanding that it be subsequently discovered that there was some defect in the appointment of any such member or that such member was for some reason ineligible for appointment, be deemed to be valid as if every such member had been duly appointed and was qualified to be a member of the committee.

(10) A committee shall cause proper minutes of its meetings and all business dealt with at a meeting to be kept in English.

(11) The minutes of any meeting shall, if signed by the chairperson and secretary of the meeting or by the chairperson and secretary of the next succeeding meeting, be evidence of the facts and decisions stated in them.

(12) A decision in writing signed by the majority of the members of a committee shall be as valid and effective as if the decision had been made at a meeting duly convened and constituted.

### **The Chief Executive**

6. (1) The Council shall forward the name of the Chief Executive designate to the Authority for clearance before appointment.

(2) The Chief Executive shall be appointed by the Council and shall hold office upon such terms as may be prescribed by the Council.

(3) The Chief Executive shall have the general superintendence of and be responsible for the day to day management of the Exchange as provided by the Statute and these Rules, and shall be a director of the Exchange.

(4) The Chief Executive shall carry out the directions, orders or decisions of the Council.

(5) The Chief Executive shall hold and exercise all powers vested in the Council as have not been conferred upon and expressly required to be exercised by the Council.

(6) Without prejudice to these Rules the Chief Executive shall have such powers as the Council may confer, including the following-

- (a) to enforce the provisions of the Statute, regulations or rules under the Statute, and these Rules on Members and immediately report any violations to the Authority and to the Chairperson of the Council;
- (b) to supervise the trading activities at the Trading Floor and to take all necessary steps to maintain orderly and efficient trading, in accordance with the Rules of the Exchange;
- (c) to suspend trading in any issue of securities or by any Member in the manner as provided in these Rules or as directed or authorized by the Council;

- (d) to be responsible for the employment and removal of the support staff of the Exchange and such other staff as Council may authorise;
- (e) to report periodically to the Council on all matters concerning the Exchange;
- (f) to scrutinize and manage all matters relating to listing;
- (g) to ensure good order and behaviour on the Trading Floor and for this purpose, to refuse entry to any person and remove any person from the Trading Floor;
- (h) to attend all meetings of committees; and
- (i) to be the spokesperson in respect of all administrative and technical matters of the Exchange.

(7) The Chief Executive shall be the Secretary to the Council but shall have the power to appoint any officer of the Exchange to act as secretary to the Council or at Committee meetings in consultation with the Council or Chairperson of committee, as the case may be.

### **Registers**

7. (1) The Chief Executive shall keep the registers of Members, Executive Directors, Principal Officers and Floor Traders as may by these Rules or the Memorandum and Articles, be required to be kept.

(2) The Register of Members shall include the name, address, membership number, the name of guarantor, the name and address of shareholders and of persons entitled to the beneficial interest in the Member's shares if different, and such other information required by the Council from time to time.

(3) The Register of Executive Directors, Principal Officers and Floor Traders shall include their names and addresses and the Members they represent, their qualifications, and such other information required by the Council from time to time

(4) The Registers kept by the Chief Executive under subrule (1) shall be open for inspection at any time during office hours by any Member or legally authorised person.

### **Employees**

8. (1) The Council shall appoint and dismiss senior staff of the Exchange.

(2) The Council may, under this rule, delegate its power to the Chief Executive.

(3) The senior staff appointed under this rule shall perform such functions and duties as are prescribed by the terms of their appointment or delegated by the Chief Executive from time to time.

(4) No employee of the Exchange shall have a direct or indirect interest in a Member company.

(5) Where any employee wishes to invest in listed securities, the employee shall seek approval from the Chief Executive in writing four (4) weeks before the intended investment.



(6) An employee who wishes to sell his or her securities shall give four (4) weeks notice of intention to sell securities to the Chief Executive of the Exchange and the Chief Executive shall give similar notice of intention to buy or sell securities to the Chairman of the Council.

(7) Employees shall not accept directly or indirectly any gifts, compensation, or any form of remuneration or benefit whatsoever exceeding 5 currency points, from any Member, Council member, member of a committee, listed companies or members of the public who have any direct dealing with the Exchange;

(8) It shall be a serious offence for any employee to directly or indirectly divulge or use for their own benefit any information whatsoever that may come into their knowledge by virtue of or incidental to their office or employment with the Exchange.

(9) Any Member of the Council or Committee who causes or attempts to cause or induces any employees or officer of the Exchange to contravene subrules (4), (5), (6), (7) or (8) or who is privy to such contravention is guilty of misconduct and may be subject to disciplinary measures, including suspension and expulsion as the Council may consider appropriate in the circumstances.

## CHAPTER 3 - MEMBERSHIP

### **Qualifications for full Membership**

9. No broker/dealer or Investment Advisor shall qualify for admission for membership of the Exchange unless the broker/dealer or investment advisor is in possession of a license to operate as a broker/dealer or investment advisor issued by the Authority.

### **Application procedure**

10. (1) A licence holder shall deliver to the Chief Executive a certified copy of the licence and a duly completed application form for membership as prescribed in Appendix I of these Rules.

(2) Upon certification by the Council of the validity of documents submitted by the licence holder, and consideration and approval of the application by the Council, the licence holder shall pay the entrance fee for the time being prescribed by these Rules in Appendix 5 within the period stipulated by the Council, and the Council shall admit the licence holder to membership.

(3) As from the date of such payment, the licence holder shall be registered as a Member and is entitled to all the benefits accorded to members subject to these Rules and to the duties binding members, including payment of the annual membership fees as provided for in Appendix 4 of these Rules.

(4) Should the payment not be made within the prescribed period, the application shall automatically lapse, unless appeal is made by the licence holder to the Council.

(5) In considering the application, Council shall take into account the character and integrity of the directors of the applicant.

### **Bank guarantee**

11. (1) Every broker/dealer shall furnish the Exchange with a bank guarantee that shall not be less than the amount prescribed by the Council.

(2) A bank guarantee shall be free of any charges or encumbrances and shall not count for purposes of a Member's share capital prescribed by these Rules.

(3) A bank guarantee shall be in the form prescribed in Appendix 6 of these Rules.

(4) The Authority shall be informed about the quantum of the bank guarantee once prescribed by the Council.

(5) A broker/dealer who fails to restore its bank guarantee in accordance with rule 63(6) of these Rules is not entitled to trade until the guarantee has been restored.

### **Independence**

12. No Member shall directly or indirectly hold a beneficial interest in the shares of any other Member.

### **Suspension and expulsion**

13. (1) A Member shall be liable to suspension by the Council if the Member breaches any of the Rules and Regulations of the Exchange, the Memorandum and Articles of Association or the Statute and regulations made under it that prescribe suspension as a penalty.

(2) All rights and benefits of a member shall cease upon suspension of that member.

(3) A Member shall be liable to expulsion in accordance with these Rules if -

(a) in any of the particulars or information given by the Member, any misrepresentation or omission of a material fact is found to have been made;

(b) the Member breaches any of the Rules and Regulations of the Exchange, the Memorandum and Articles, or the Statute and Regulations made under it that prescribe expulsion as a penalty.

(4) In the event of expulsion of a member, all rights and benefits of a member shall cease.

(5) The Council shall notify a member of a pending suspension or expulsion and give that member an opportunity to be heard by Council

(6) Notification of the affected member does not preclude Council from taking interim measures to safeguard the interests of investors while the matter is pending before Council.

(7) The Council shall inform the Authority of members who are suspended or expelled.

(8) The Council shall transfer the outstanding business of a suspended or expelled Member to another Member(s) and shall inform the Authority accordingly.

### **Liability of directors and officers**

14. (1) Any director, manager, or officer of a Member shall, together with the Member be liable for any breach, non-compliance, violation or contravention of the Statute, the Memorandum and Articles or these Rules if the breach, non-compliance, violation or contravention was committed or caused with the consent or connivance of, or attributable to any neglect on the part of that director, manager, or officer.

(2) No Member is eligible for election as a member of the Council, but a Member may propose any of its executive directors for election.

(3) Only executive directors or their duly appointed agents may act as corporate representatives of Members at a general meeting of the Exchange.

### **Floor traders and authorised representatives**

15. (1) Members shall have floor traders registered with the Exchange for purposes of entry to the Trading Floor.

(2) The member shall ensure that all applicants for registration are fit and proper persons for the responsibility of dealing in securities.

(3) A Member may contract the services of such number of authorised representatives as it wishes.

(4) Authorised representatives shall not have access to the Trading Floor but shall pass all orders from investors to the Member who, for the time being, has contracted their services.

(5) A Member is liable for all transactions, acts or commissions made on its behalf by any floor trader or authorised representative that it employs and shall fulfil such transactions according to these Rules.

(6) A member is liable for all the acts and/or omissions of its authorised representative.

(7) Every person wishing to be registered as a floor trader shall undertake to abide by the Rules of the Exchange and the rulings of the Governing Council.

(8) Every person who applies for registration as a floor trader shall be recommended by the Member, who will be liable for all transactions made on its behalf by such person.

(9) Upon such registration, a floor trader may join and remain with the Member under whom the floor trader is registered as long as their name remains on the Register under that Member. Any change of Member firm should be notified to the Exchange immediately.

(10) No Member shall employ an unregistered floor trader and if the name of such registered person is removed from the Register, such person shall not execute any duties on behalf of a Member as are carried out by such registered persons.

(11) Every floor trader and authorised representative shall have passed examinations prescribed and approved by the Exchange.

(12) The Council may investigate the conduct and integrity of any person to be appointed as a floor trader or authorised representative and shall have the discretion to withhold or to withdraw approval at any time for justifiable cause.

(13) A member aggrieved by the decision of the Council in this regard may appeal to the Authority.

(14) Upon registration, a floor trader shall pay to the Exchange an entrance fee and thereafter a yearly sum as prescribed under Appendix 4 of these Rules.

(15) An Authorised Person Card will be issued to each registered floor trader and must be produced when entering into the Trading Floor.

(16) An Authorised Person Card is transferable and if it is lost, the Member concerned shall notify the Exchange in writing and apply for a duplicate card at a cost determined by the Exchange.

(17) If there is any change of employment in floor traders, the Member by whom any departing registered person is or was employed shall immediately inform the Exchange and be responsible for the return of the Authorised Person Card to the Exchange for cancellation.

(18) Authorised representatives shall apply to and be appointed by a broker/dealer.

(19) A broker/dealer shall be required to issue to every authorised representative a letter of appointment or a letter of renewal as the case may be and the letter shall be copied to the Exchange.

(20) A broker/dealer shall be required to maintain an up-to-date register of their authorised representatives.

(21) A broker/dealer shall, before appointing a new authorised representative, seek clearance from the Exchange that the authorised representative is not an authorised representative or employee of another broker/dealer or a person who has been blacklisted from participating in the market.

(22) A broker/dealer shall be required to enter into an agency agreement with every authorised representative and the terms of the agency shall be regulated by the agreement.

### **Company name and address**

16. (1) Every Member firm shall register with the Exchange the company name under which it carries on the business of dealing in securities as a Member and no Member shall, without the prior consent of the Council, change the company name so registered.

(2) The company name of a Member registered with the Exchange shall be the same as the name registered by the Member under the Companies Act.

(3) The Council shall, in consultation with the Registrar of Companies, have the power to prohibit any Member from using any company name.

(4) Where the Council prohibits the use of any name, it shall give the member concerned reasons for the refusal.

(5) A Member may register with the Exchange no more than one business address held for the purpose of dealing in securities.

(6) If a Member registers more than one business address, the Member shall specify one as its principal business address.

(7) In this context, "business address" means a principal place where, other than the trading floor, the business of dealing in securities is frequently carried out by or on behalf of the Member.

(8) A Member shall give not less than 15 calendar days advance notice of commencement and re-commencement of business to the Council.

**Liabilities of members and their representatives**

17. (1) A Member is responsible for all acts done or contracts committed by its directors, employees and authorised representatives in its business of dealing in securities.

(2) A Member shall keep complete records and accounts of its business of dealing in securities in accordance with the Statute, the regulations made under it, and these Rules.

## CHAPTER 4 - TRADING RULES

### *General*

#### **Trading sessions**

18. (1) Unless otherwise determined by the Council, trading shall be limited to sessions on the following days and times except on Public Holidays or any other closure authorised by the Council with the approval of the Authority-

Days:	Tuesday and Thursday of every week
Time:	10.00 a.m. to 12.00 noon.

(2) All trading sessions will be commenced and closed after the bell is rang by the authorized official of the Exchange at exactly 10.00 a.m. and 12.00 noon respectively by the clock on the Trading Floor.

(3) An authorized official of the Exchange may vary the closing times at any time if such variation will be in the interests of the market.

(4) The Authority shall immediately be informed of such variation.

(5) Where, in the opinion of the Chief Executive, circumstances exist or are about to occur that could result in other than the transparent, fair and orderly trading of the listed securities, the Chief Executive may, in consultation with the Council, or in its absence the Chairperson, and any two members of the Trading Committee, suspend trading for one or more trading sessions or any part of a trading session.

(6) The Authority shall immediately be informed of a suspension under subrule (5).

(7) No transactions will be executed after the trading session is closed.

(8) Trading information including dates, prices, quantities, lots appearing on both the trading boards and trading slips shall not be altered after the close of trading, except with the express authority of the Trading Floor Manager.

#### **Trading Floor Manager:**

19. (1) Trading sessions of the Exchange shall be supervised by a Trading Floor Manager or any Deputy Trading Floor Manager or persons temporarily or permanently appointed to assist the Manager in carrying out these duties.

(2) The Trading Floor Manager shall have jurisdiction with respect to conduct and discipline of all floor traders and employees of the Exchange subordinate to the Manager.

(3) The Trading Floor Manager or the Deputy Trading Floor Manager shall have authority in connection with trading on the Floor to settle disputes and where an interpretation of these Rules is concerned, to render interpretations after consulting the Chief Executive.

### **Access to the trading floor**

20. (1) No unauthorized person shall be permitted onto the Trading Floor and a Member is not allowed to bring clients onto the Trading Floor while trading is in session.

(2) The Trading Floor Manager shall have the discretion to refuse access to any trading floor personnel, including Exchange employees, floor traders, and trainees to the Trading Floor.

### **Conduct**

21. (1) All floor traders and Exchange staff on the Trading Floor shall conduct themselves in a respectable manner; abusive language is not allowed.

(2) English is the official business language.

(3) All orders will be communicated directly to the board-writers and no canvassing or side deals by way of compromise is allowed.

(4) Floor traders are not allowed to move beyond the restricted area or touch the boards or the Board-writers during trading.

(5) Floor traders are only allowed to call their orders while standing in the trading zone.

(6) The trading zone will be designated by the Trading Floor Manager.

### **Dressing**

22. (1) All persons on the Trading Floor shall be well-groomed in formal attire with recommended jackets.

(2) All gentlemen on the Trading Floor must wear formal attire, with ties and jackets.

(3) All persons on the Trading Floor will be required to display their identification badges.

(a)

(4) Trading floor personnel shall wear jackets in the following colours-

<b>Personnel</b>	<b>Jacket Colour</b>
Board-writers	Green
Floor Traders	Red
Supervisors	Blue
Data Processing Clerks	Black

### **Attendance at trading sessions**

23. (1) Trading shall not take place unless there are at least two broker/dealer firms present on the trading floor.

(2) A broker/dealer who arrives for a trading session after trading has closed shall be deemed to be absent.



(3) A broker/dealer that absents itself from trading for two consecutive trading sessions without reasonable cause shall pay a penalty of 2.5 currency points to the Exchange.

(4) Consistent absence from the trading floor may lead to suspension.

### *Trading Procedures*

#### **General procedures**

24. (1) Trading Boards shall be wiped clean of all trading information before the start of each trading session.

(2) Trading will start only after the bell is rang at 10.00 a.m.

(3) Floor traders will call out their bids and offers audibly, which will be placed on the boards by the board writers.

(4) No more than one floor trader from the same firm will be allowed to call out prices at the same time for the same counter, during trading.

(5) Bids and offers placed on the boards shall not be removed; mistakes will only be corrected if pointed out within thirty seconds of placement on the boards and before other floor traders take them up.

(6) Floor traders will be required to specify the breakdown of lots offered or bid for at the time of making the offer or bid.

#### **General rules and code of practice**

25. (1) The Board-writers must be punctual, present and ready at the opening of all trading sessions.

(2) Floor traders are not allowed into the public gallery while dressed in their trading uniforms.

(3) All floor traders shall sign the Code of Ethics as prescribed by the Exchange.

#### **Marks on boards**

26. (1) When a security is suspended from trading, a red mark shall be placed against the name of that security on the boards and no transactions will be recorded on that particular security.

(2) A green colour tag against a company name will signify a dividend and the security will be traded cum dividend.

(3) A yellow colour tag against a company name on the boards will signify a bonus issue and the security will be traded cum bonus.

(4) A black colour tag against a company name on the boards will signify that the security is traded ex dividend; the tag shall remain until the dividend is paid.

(5) A blue colour tag against a company on the announcement boards signifies the latest announcements.

(6) A white colour tag against a company name on the boards will signify that the share is traded *ex bonus*; the tag shall remain until the bonus certificate is dispatched.

(7) A purple colour tag against a security shall signify a rights issue and that the security is trading cum rights.

(8) A grey colour tag against a security shall signify that the security is trading ex rights; the tag shall remain until the right is paid.

### **Announcements**

27. (1) There shall be a Board on the Trading Floor to be known as the “Announcements Board”.

(2) The Announcements Board shall record the latest information received on individual securities.

### *Trading Procedures Specific to Equities*

### **Queuing of orders for normal boards**

28. The board writers will queue the traders' orders on the basis of -

- (a) the first order called out;
- (b) the highest bid price called out; or
- (c) the lowest offer price called.

### **Limits on bids and offers**

29. (1) The opening bid price or offer price for the day for every share will fall within six spreads either above or below the last immediate transacted price.

(2) Where the security is cross listed from another market, the opening bid price or offer price for the day for every share may fall more than six spreads above or below the last immediate transacted price.

(3) In the course of dealing, every new bid and offer for all shares shall be within six spreads either above or below the last immediate transacted price.

(4) Subrules (1) and (2) do not apply where there is additional material news affecting a particular share which is likely to cause considerable change in the price of the share and such news includes results and dividends, bonus issues or take-over and mergers announced by the Company.

(5) Where a share has not been traded for over three (3) months, successive bids or offers may be advanced upwards or downwards within daily limits of 15% of the last bid or offer in the previous session.

(6) The bids and offers shall replace the last transacted price, as the basis for computing the 15% limit, only after three (months) of no transactions.

### **Transactions on normal boards**

30. (1) A transaction will take place at the mid-price when the price bid and the price offered for a share are two spreads apart.

(2) A transaction will take place at the offer price when the bid and the offer prices for a share are only one spread apart.

(3) A transaction will take place at par when both the bid price and the offer price are the same.

(4) When the same trader bids and offers within a transactable spread, the transaction will hold for 30 seconds before it is recorded, and other dealers may over-bid or under-sell during that period.

(5) A floor trader will be allowed to transact across books (intra-dealing) by both bidding and offering on the same share, only-

(a) by clearing the outstanding bids and offers by other dealers on the queue; or

(b) by bidding one spread above or offering one spread below at the outstanding transactable price.

(6) No trader will be allowed to over-bid or under-sell an outstanding position on the boards for the sole purpose of transacting across their own books at a price that is within transactable spreads bid or offered by another dealer or other dealers who are first in the queues-

(7) The maximum rise or drop in price within one dealing session shall not exceed 15% of the previous day's closing price, except as provided for in subrules (3) and (4).

Example: Broker Z is bidding for 1000 shares in Alpha Company at Shs.4005, and is first in the queue. Broker Y must offer 1000 shares of Alpha Company to broker Z at Shs.4010/- before transacting across at Shs.4010/-.

(8) Bids and offers resulting in a transaction will be **CROSSED** to mark the conclusion of the deals.

### **Normal board lot**

31. A normal board lot will be at least 100 shares, unless otherwise determined by the Exchange.

### **Special lots boards:**

32. (1) Quotation for special lots will specify the quantities, the name of the share offered, the price and the broker offering.

(2) Except where otherwise expressly stated, all other rules governing trading on the normal boards shall apply to the special lots boards.

**One day lot**

33. (1) All lots of 10,000 currency points or more, and which represent less than 15% of the voting power at a general meeting must be transacted through the special lots boards and must be offered on the boards at a reserve price, for a minimum of one trading session before they can be transacted.

(2) All one day special lots offers will be posted onto the trading boards during the first half of the trading session.

(3) Transactions under a one-day offer may be concluded at any time from fifteen minutes before the closure of the second trading session after the shares are posted.

(4) A lot placed on offer as a one trading day special lot cannot be replaced or substituted and therefore no under-selling can be allowed on a special lots auction at the time of the transaction by introducing a new special offer.

(5) If a similar lot size or a lot of at least 50% of the same shares has been on the boards for one or more days and at a lower price, the buyer must first take the lot offered at the lower price.

(6) Where a special lot has been on the boards for more than one trading day, the same lot may be transferred to the normal boards and split into smaller lot sizes to facilitate transactions at the discretion of the seller.

(7) Shares on a one-day offer may be split but the balance of shares left must not fall below the minimum shares required under the one-day offer.

**Prompt lots**

34. (1) Delivery of securities traded as prompt lots shall be made by the selling broker/dealer to the Exchange by 4.00 p.m. on the day of the transaction (T).

(2) Payment for a prompt delivery shall be made by a buying broker/dealer by 12.00 noon on the business day following the date of the transaction (T+1).

(3) All orders by a client to sell or buy securities as prompt lots shall be expressly stated in writing that they are prompt orders.

(4) Except where otherwise expressly stated, all other rules governing trading on the normal boards shall apply to the prompt lots boards.

**Odd lots board**

35. (1) Odd lots will be traded on the section of the board designated for that purpose.

(2) No spreads are applicable on the designated board except where explicitly stated.

(3) All other rules relating to ordinary boards shall apply.

**Bidding advance and dealing spreads**

36 Unless otherwise specified by the Exchange, the dealing spreads shall be Ushs. 5/= (Shillings five only).

### **Overbidding and underselling**

37. (1) Overbidding will take place when a second broker/dealer halts a transaction about to be concluded and immediately offers to pay one spread higher than the outstanding price, for at least 50% of the lot and the balance must be a board lot.

(2) Underselling will take place where a second broker/dealer halts a transaction about to be concluded and immediately offers to sell at a price one spread below the outstanding transaction price for at least 50% of the lot and where the balance must be a board lot.

(3) Where a broker/dealer is dealing across own books they may not overbid or undersell against their own position.

(4) No overbidding or underselling will be allowed beyond the 15% limit of the closing price of the previous session.

### **Fixed income securities board**

38. (1) Bonds shall be traded on a separate board to be known as the Fixed Income Securities Board.

### **Rates of interest**

39. (1) The fixed and floating rate bonds will be traded on the board designated for that purpose.

(2) Where the bonds traded bear a floating rate of interest, the daily applicable reference interest rate will be displayed on the Board at the start of every trading session.

### **Authorized bond traders**

40. (1) Only broker/dealer Members of the Exchange and Government Bond Dealers will be allowed to trade in bonds.

(2) Government Bond dealers shall only trade in Government bonds.

### **Trading system**

41. Trading will be by open outcry continuous auction method.

### **Queuing system**

42. Bids and offers shall be displayed on the boards in the order in which they are called and will be matched on the basis of the best price and the first price shouted.

### **Bidding spreads**

43. There will be no bidding spreads or forced transactions; bids and offers must be equal for transactions to take place, and for at least 50% of the value on offer for matching to take place.

### **All transactions to be through the Exchange**

44. (1) All transfer of ownership of listed bonds must be reported to the Exchange by the Registrar and shall be transacted by a broker/dealer member of the Exchange.

(2) Where Government Bonds are being traded, trades may, in addition to broker/dealer members of the Exchange, be transacted by a Government Bond Dealer.

(3) Any Registrar who transacts business without a broker/dealer member of the Exchange or a Government Bond Dealer, shall forfeit the commission earned to the Exchange.

### **Foreign Investors**

45. Foreign investors will use their local custodians for purposes of delivery and settlement.

### **Price quotation**

46. (1) The board lots shall be at par and the prices will be expressed as a percentage of Ushs 100 par and rounded to four decimal places.

(2) All bids and offers will be displayed on the boards and the matching bids and offers will be recorded as concluded transactions.

(3) The bids and offers for bonds will be written on the board as per the following example-

Security	Amount (Ushs)	Bid (%)	Offer (%)	Amount (Ushs)	Sales (%)	Value (Ushs.)
BETA T.B+2% 1999	'10'm	97.7500	97.7500	'10'm	97.7500	'10'm

### **Board lots**

47. (1) The minimum board lot will be the outstanding minimum nominal value of the bond.

(2) Bonds with periodic partial principal repayments will be traded at the subsequent minimum nominal value following the partial principal repayments.

### **Notation value of bonds on bids and offers**

48. The value of the bonds on bids and offers will be denoted e.g. '25'm representing Ushs 25 million.

### **Details in the trading slip**

49. The trading slip shall include the following information (bond issue, rate, date, amount, buyer and seller, etc).

### **Floating Rate Bonds: Applicable Reference Interest Rate**

50. Where the bonds traded bear a floating rate of interest, the daily applicable reference interest rate will be displayed on the Bonds Board at the start of every trading session.

### **Trading ex coupon (xc)**

51. (1) All bonds will be traded ex coupon three clear business days before the date fixed for the closure of books for determination of entitlement.

(2) Bonds quoted ex or cum cannot be traded otherwise.

**Trading ex principal**

52. For the purpose of trading, bonds will trade ex principal three clear business days from the principal repayment date.

**Trading ex or cum**

53. Broker/dealers will be required to inform their clients on the nature of the transaction, whether cum or ex interest or principal, before the transaction.

**Amendments**

54. The Exchange shall at its discretion amend these trading rules as and when required and submit them to the Authority to obtain the Authority's approval as provided for under the Statute.

## CHAPTER 5 - SETTLEMENT

### *Delivery Of Equities*

#### **Transfer forms**

55. (1) The transfer form shall constitute two (2) parts: Sale Transfer Form and Purchase Transfer Form.

(2) The transfer forms shall indicate the procedure that the client can invoke in the event that the client wishes to lodge a complaint.

(3) The Selling Broker/dealer and the Buying Broker/dealer shall deliver Sale and Purchase Transfer Forms respectively fully completed and duly signed by T + 3.

(4) The Exchange shall match the Sale Transfer Form with the Purchase Transfer Form using the Slip Number before delivery to the Registrar.

#### **Due dates**

56. (1) Members shall make deliveries for transactions on boards other than the Prompt Lots Board to the Exchange by T+3 between 12noon and 1.00 p.m.

(2) Members shall make deliveries for transactions on the Prompt Lots Board to the Exchange by 4.00p.m on the day of the transaction (T).

(3) Members shall make deliveries for transactions traded with entitlements by the Exchange book closure date as defined in rule 64(1) of these Rules.

#### **Payment**

57. Members shall deliver payment to the Exchange by D+2 between 12.00 noon and 1.00 p.m.

#### **Good deliveries**

58. (1) A delivery shall be deemed to be good on transfer by the Registrar of the security in issue.

(2) A delivery shall be deemed to be prima facie good and approved for registration by the Exchange if it includes the following-

- (a) duly completed and executed instruments of transfer – a sale transfer form for the selling broker/dealer or a purchase transfer form for the buying broker/dealer;
- (b) documents of title for the securities sold;
- (c) a copy of the contract note pertaining to the transaction;
- (d) for transactions executed under a power of attorney, a statutory declaration of non-revocation;



- (e) for transactions executed by an Executor or Administrator of an estate, a certified copy of the grant of probate or letters of administration, and proper identification of the said Executor or Administrator.

(3) Deliveries which contain defaced or otherwise mutilated documents, or whose documents contain material alterations shall be rejected by the Exchange as bad deliveries.

**Delivery process at the Exchange**

59. (1) All deliveries, from each broker/dealer for the day shall be accompanied by a Delivery Confirmation Schedule in Triplicate; one copy will be retained by the selling broker/dealer, one by the buying broker/dealer and the third will be retained by the Exchange.

(2) The delivery confirmation schedule addressed to the Exchange shall include-

- (a) the slip number of the transaction;
- (b) the deal date;
- (c) the security in issue;
- (d) the number of shares;
- (e) the price;
- (f) the total consideration;
- (g) the buying broker/dealer; and
- (h) the selling broker/dealer.

(3) Upon receipt at the Exchange, the deliveries shall be verified against the Delivery Confirmation Schedule and if *prima facie* good, will be approved for transfer.

(4) Deliveries will be approved for transfer by appending of the official stamp, witnessed by two duly authorised officials.

(5) Deliveries that are not approved by the Exchange shall be returned to the broker/dealer the next business day following delivery with an explanation for the rejection of the documents.

(6) Once deliveries are processed, a Registration Schedule shall be prepared in duplicate for each security; a copy for the Registrar and the original to be retained by the Exchange.

(7) The Registration Schedule shall contain-

- (a) the slip number;
- (b) number of shares;
- (c) security;
- (d) deal date;
- (e) respective selling broker/dealer and buying broker/dealer;

(f) particulars of documents attached i.e. Letter of Hold, transfer forms, certificate number; and

(g) delivery date to Registrar.

(8) The Registrar will verify the registration schedule against the deliveries.

(9) The Registrar will sign to certify the deliveries as prima facie good and will stamp the schedule, retain a copy, and return the original to the Exchange.

(10) A delivery that is rejected by the Exchange or the Registrar will be treated as a non-delivery.

### **Bad deliveries**

60. (1) Bad deliveries will be returned to the delivering members immediately.

(2) A bad delivery will be regarded as a non-delivery and the Exchange will give notice for buy-in.

(3) Buy-in procedures will commence with a notice issued in accordance with rule 58(2) of these Rules.

### **Deliveries returned from the Registrars**

61. (1) Deliveries returned from the registrars to the broker/dealers as non-registrable will be returned to the broker/dealers through the Exchange, giving reasons for the non-registration.

(2) The Exchange shall dispatch the deliveries to the selling broker/dealer giving notice for buy-in.

(3) Buy-in proceedings will commence in accordance with Chapter 7 of these Rules.

### **Settlement**

62. (1) The Exchange will act as a Clearing House for settlement purposes.

(2) The Exchange will provide every member with a net position of transactions by 3.00p.m on T+3.

(3) Settlement shall be made according to the delivery settlement schedule submitted to the broker/dealer at the point of collection and shall be made on the basis of delivery versus payment.

(4) Settlement between broker/dealers and the Exchange shall be effected between the hours of 12.00 noon and 1.00 p.m. on D+2.

(5) If a settlement instrument is not received by 1.00 p.m., the Exchange will send a failed settlement notice to the defaulting member on the same day.

(6) Where a broker/dealer fails to settle their account by D+2 the Exchange will invoke the bank guarantee and effect settlement on the next business day and such broker/dealer shall not be entitled to trade until the Bank guarantee has been restored.

(7) The Exchange shall, in the event that a bank guarantee is invoked, inform the Authority and the broker/dealer shall restore the guarantee within seven days of such settlement.

### **Penalties for failed settlement**

63. (1) Failed settlement will occur where-

- (a) a member fails to settle on the due date; or
- (b) a member's settlement instrument is dishonoured.

(2) If a settlement instrument is not received by 1.00 p.m. on settlement day, the Exchange will send a failed settlement notice to the defaulting member on the same day.

(3) The Exchange will impose a penalty fee of 3.75 currency points per transaction for every transaction due but not settled.

(4) Where a broker/dealer fails to settle their account by D+2 the Exchange will invoke the bank guarantee and effect settlement on the next business day.

(5) The Exchange shall, in that event, inform the Authority and the broker/dealer shall restore the guarantee within seven days of such settlement; such broker/dealer shall be suspended from trading until the bank guarantee has been restored.

(6) The defaulting broker/dealer shall pay for the interest accrued if a settlement instrument is not received by 1.00 p.m. on the due date at the rate of 2% over and above the bank rate of the Exchange's bank for the period that the payment remains outstanding.

### ***Bonus and dividend claims***

#### **Trading Securities on "ex" or "cum" basis.**

64. (1) All securities will be traded "ex" (i.e. ex-dividend, ex-bonus, ex-rights) five working days before the date fixed for the closing of books for determination of entitlement.

(2) Securities that have been cross listed on the Exchange will be traded "ex" the day after the date fixed for the closing of books for the determination of entitlements or such other date as the rules of the Exchange of principal listing shall determine.

#### **What constitutes a valid claim**

65. (1) Bonus and Dividend claims will be deemed valid if they meet the following criteria-

- (a) late registration by the Exchange;
- (b) bad delivery at the Exchange and subsequent redelivery made late;
- (c) non delivery;

- (d) the delivery when lodged for registration by the Exchange before the company book closure was rejected by the Registrar;
- (e) registration of shares traded ex entitlement but registered before company book closure by the registrar;
- (f) the claim is forwarded to the Exchange within 10 business days of dispatch date by the Registrar.

(2) The buying broker/dealer will, if they cannot raise the buyer to sign for transfer as the transferor, protect the interest of the buyer by undertaking to register the shares in the broker/dealers nominee account and every broker/dealer will have a nominee account for this purpose.

(3) Claims shall be prepared in triplicate and a separate claim form shall be issued in respect of each transaction.

(4) The claim shall be accompanied by a claims schedule which shall include the following information-

- (a) date of transaction;
- (b) slip number;
- (c) number of shares;
- (d) security;
- (e) type of claim, dividend and/or bonus;
- (f) the Net Dividend Amount due, in case of a dividend;
- (g) the Number of Bonus shares, in case of a bonus claim;
- (h) date of Delivery to the Exchange [and the Company Registrar];
- (i) date of Announcement for which the claim arises; and
- (j) date of register closure at the company.

**Processing at the Exchange**

66. (1) On receipt of the copies at the Exchange, the claims schedule shall be stamped to acknowledge receipt, and distributed as follows-

- (a) one copy to the buying broker/dealer;
- (b) one copy to the selling broker/dealer; and

(c) one copy retained at the Exchange.

(2) Both the selling and buying broker/dealer representatives will sign for their copies of the claim(s) at the point of collection.

(3) The Exchange shall acknowledge each claim within five business days from the date of receipt.

(4) Member firms will forward to the Exchange the names of their staff members to whom such claims will be addressed by the Exchange and names of staff members authorised to collect claims from the Exchange.

(5) Member firms will be expected to address the claim within *five (5)* business days of receipt of the claim.

(6) Any claim not forwarded to the Exchange within ten business days of dispatch of entitlement by the Registrar shall not be reconciled and the defaulting broker/dealer shall be required to settle their client.

#### **Delivery and settlement of claims**

67. On or before the 5th business day following receipt of the claim from the Exchange, the member firms shall-

- (a) make payment to offset any dividend claim;
- (b) make delivery in case of a bonus claim; or
- (c) make both payment and delivery.

#### **Failure to settle on due date**

68. (1) The Exchange will dispatch a settlement failure notice on the 6<sup>th</sup> business day from the date of receipt of the claim from the Exchange.

(2) The notice will attract a penalty equivalent to 2% of the value of the dividend and/or 2% of the value of the securities in the case of a bonus claim at prevailing market rates subject to a minimum penalty of 3.75 currency points per unsettled claim.

(3) The penalty fee shall be settled on the next business day.

(4) In the case of a bonus claim, the Exchange shall institute buy-in procedures at the selling brokers cost on the 7<sup>th</sup> business day from the date of receipt of claim from the Exchange, if the claim remains outstanding after notice.

(5) The Exchange shall invoke the broker/dealer's bank guarantee for claims and penalties not paid within 6 business days of receipt of the claim from the Exchange, and inform the Authority.

#### **Claims arising from failure by the Exchange**

69. Claims arising from failure by the Exchange shall be settled immediately.

**Disputed claims**

70. (1) Disputed claims shall be referred to the Exchange for arbitration and reconciliation.

(2) The Exchange shall as it deems necessary convene bonus and dividend reconciliation meetings from time to time for purposes of arbitration and reconciliation of disputed claims.

**Dishonoured settlement**

71. (1) In the event that the settlement instrument paid to the Exchange is dishonoured, the Exchange will immediately notify the defaulting broker/dealer in writing of its intention to invoke the bank guarantee, unless a replacement instrument in the form of a bankers cheque is presented to the Exchange the business day following the notice by 12.00 noon.

(2) If no replacement instrument is received within the time stipulated in subrule (1), the Exchange will proceed to invoke the bank guarantee and immediately inform the Authority.

(3) Penalties as for failed settlements will apply in this case.

## CHAPTER 6 - TRADING OF RIGHTS ON "EX" OR "CUM" BASIS

### Securities sold "cum rights"

72. (1) Where securities sold "cum rights" have not been delivered in time for registration for the buyer to receive their entitlement direct, the securities may nevertheless be delivered pursuant to the sale provided that an amount as in subrule (2) is deducted from the settlement pending delivery of the signed renunciation forms.

(2) The amount to be deducted by a selling Broker/dealer pending delivery of the signed renunciation forms shall be determined by the Exchange and shall be paid by the buying broker/dealer upon delivery by the selling broker/dealer of a signed renunciation form for the accruing rights.

(3) Where the seller of securities is not the registered owner and where it is apparent that the securities sold "cum rights" may not be delivered to the buying broker/dealer in time for registration in the buyer's name before the closing date of books for entitlement, the seller shall protect the buyer's interest as regards the rights entitlement as provided in the following ways-

- (a) seller to register the securities in seller's name promptly after the sale;
- (b) selling broker/dealer to forward documentary evidence of such registration to the buying broker/dealer and the Exchange;
- (c) the Exchange may not institute buying in action in accordance with these Rules if it is satisfied with the evidence furnished; and
- (d) seller undertakes to deliver the relevant securities and the signed renunciation form(s) for the accruing rights as soon as they are received by the seller.

### Claims for accruing rights securities

73. (1) In a sale of securities carrying a specific entitlement where the securities have been delivered in time but not transferred to the buyer before the date of the closing of the transfer books to determine the holder's entitlement to participate in a new issue, it shall be the responsibility of the buyer to immediately advise and instruct the buying broker/dealer to promptly claim upon the original selling broker/dealer.

(2) Claims for rights shall be prepared by the claiming broker/dealer in triplicate.

(3) A separate claim form shall be issued in respect of each transferor and the following information shall be included in each form-

- (a) details of securities in respect of which the claim is made;
- (b) number of rights claimed;
- (c) date of purchase by the claiming broker/dealer;
- (d) the name of the registered holder;

- (e) the date on which the books closed to determine shareholders' entitled to participate in the issue;
- (f) the date the securities were received by the claiming broker/dealer;
- (g) the original selling broker/dealer's code number; and
- (h) the date on which the original securities were lodged with the company for registration where the securities were received by the claiming broker/dealer more than two months before the date of the claim.

(4) The claiming broker/dealer shall forward the original and duplicate of the claim, together with the relevant renunciation(s) in the required denominations, to the office of the original selling broker/dealer; the triplicate copy of the claim shall be retained by the claiming broker /dealer as a permanent record of the claim.

(5) The original selling broker/dealer shall acknowledge and return the duplicate copy to the claiming broker/dealer, not later than the business day following receipt of the claim.

(6) The original selling broker/dealer shall immediately claim on its principal in writing, stating that the claim is made under these Rules.

(7) When a claim for rights or new issue is received by an original selling broker/dealer on or before the fifth business day prior to and inclusive of the final date for the lodgement of shareholders' applications, it shall immediately claim on the principal in writing, stating that the claim is made under these Rules.

(8) Where a claim for rights or new issue of securities is received by the original selling broker/dealer after the fifth business day prior to and inclusive of the final date of lodgement of shareholders' applications, the claiming broker/dealer shall include in its claim the date on which the old securities were lodged with the company for registration.

(9) The original selling broker/dealer may supply the claiming broker/dealer with the name and address of the original seller, or claim on its principal in writing, stating that the claim is made under these Rules.

(10) A claim accepted by an original selling broker/dealer shall be finalised by-

- (a) the delivery of a renunciation form completed by the renouncer, not later than three business days prior to the final date upon which renunciation forms must be lodged with the company; or
- (b) the delivery of new issue securities on payment of application fees where applicable; or



- (c) the payment of the net proceeds less application fees where applicable, if the "rights" or new issue securities have been sold by the original seller.

(11) When the "right" to a new issue has been allowed to lapse, a claim shall be invalid and the original copy of the claim, endorsed accordingly, shall be returned to the claiming broker/dealer.

(12) A claiming broker/dealer shall reimburse the original selling broker/dealer for any expenses incurred in protecting a claim for "rights" or new issue securities.

(13) The original copy of a claim shall be attached to the securities or a cheque delivered in satisfaction of a claim for "rights" or new issue securities.

## CHAPTER 7 - BUYING IN AND SELLING OUT

### **Regular transactions**

74. (1) On the business day following the delivery day, the Exchange shall make available for collection by each broker/dealer at 12.00 noon, a report listing down all bargains for ready delivery effected by the broker/dealer for each and every listed security and for which certificates the broker/dealer has failed to deliver.

(2) Buying-in against the selling broker/dealer may proceed in accordance with the provisions of this Chapter.

### **Buying-in**

75. (1) If the selling broker/dealer fails to deliver the securities to the Exchange on or before T+3, the Exchange shall authorise the buying broker/dealer to buy-in against the selling broker/dealer.

(2) The Exchange will prepare and dispatch to the defaulting broker/dealer, a buy-in notice by 3.00p.m on T+4.

(3) If no delivery is received by 11.00a.m on T+5, buying-in will commence on T+5 after 11.00a.m or such time as the Chief Executive Officer or his authorised representative may determine.

### **Buying-in procedures**

76. (1) On the day of buying-in, the Exchange shall, at 10.00 a.m. indicate on the Trading Floor Board a list of securities to be bought-in, naming the security, the number to be bought, the selling broker/dealer which is at risk, and the price which it is proposed to pay.

(2) The tender by the selling broker/dealer of more securities than the number purchased shall not debar the Exchange from authorising buying-in.

(3) The Exchange shall have the discretion not to allow buy-in in any security where the certificate concerned is delivered to the Exchange not later than 11.00 a.m. on the buying-in day; in such case, the Exchange shall remove the security from the list on the Trading Floor Board.

(4) The price bid shall be two (2) minimum spreads above the higher of the last recorded sale or buying offer at the close of business on the previous day or at the commencement of the buying-in, whichever is the higher.

(5) The buying-in shall commence at 11.00 a.m. and sellers may offer for immediate delivery any securities shown in the list, the first offer at the price bid to be accepted.

(6) Offers may be in whole or in part of any particular security, provided that where part only is being offered, it shall be in marketable parcels.

(7) Where the securities are not obtained, the buying broker/dealer shall have absolute discretion to raise the price bid by two (2) minimum spreads from time to time throughout the market day until the securities are bought or delivered to the Exchange.

(8) Where the securities cannot be obtained on the buying-in day, the buying-in shall continue on the following and successive business days at two (2) minimum spreads higher than the buying-in bid price at the close of the previous market day, and thereafter the buying broker/dealer shall have absolute discretion to raise the price bid by two (2) minimum spreads from time to time throughout the business day until the securities are bought or delivered to the Exchange.

(9) The Exchange shall have power to suspend the increase in bids if it is considered advisable.

(10) The selling broker/dealer, unless it is the original buyer, shall deliver the securities to the Exchange Clearing House before 4.00 p.m. for buying-ins effected in the morning of the same market day.

(11) The buying broker/dealer shall pay the selling broker/dealer by 4.00 p.m. on the following business day.

(12) Where shares to be bought in are not available in the market (three) 3 trading sessions after commencing the buy-in, the Exchange may rescind the transaction and the selling broker/dealer will be expected to pay the buying broker/dealer liquidated damages to be determined at the Exchange's bank prevailing interest charges.

(13) The defaulting broker/dealer will not participate in the buy-in process.

### **Penalties**

77. (1) The defaulting broker/dealer will offset the price difference between the initial price and the buy-in price.

(2) The defaulting broker/dealer shall pay a penalty fee to the Exchange equivalent to the brokerage commission, subject to a minimum of 3.75 currency points for every buy-in.

(3) All penalties pertaining to the buy-ins will be debited on the account of the defaulting broker/dealer on the day following the buy-in.

(4) In the event the funds in the defaulting broker/dealer's account are insufficient to settle the penalty, the Exchange shall invoke the broker/dealer's bank guarantee.

### **Exceptions to buy-in**

78. (1) The buying-in procedures shall not apply whenever the Exchange has declared that a corner situation has arisen or a single interest or group has acquired such control of the security that the same cannot be obtained for delivery except at prices and on terms dictated by such interest or group.

(2) The Council may suspend either indefinitely or for such time as it considers fit, the buying-in of any securities when circumstances appear to make the suspension desirable, and the Exchange shall inform the Authority of the reasons for the suspension.

(3) The Council may, from time to time, either during the continuance or after the termination of any suspension, remove, renew or re-impose the suspension.

(4) In the event of a broker/dealer selling to another broker/dealer failing to deliver securities when due, the offended broker/dealer shall purchase the securities against the broker/dealer in default in accordance with the procedures set out in these Rules.

### **Selling out**

79. The effect of non-payment by buying broker/dealers is as follows –

- (a) where a buying broker/dealer fails to settle the amount due on securities purchased at the Exchange by D+2 the Exchange shall send a selling-out notice to the broker/dealer after 1.00p.m on D+2;
- (b) on dispatch of a notice under subrule (1), the Exchange shall impose upon the buying broker/dealer a penalty of 3.75 currency points per transaction for every transaction due but not settled;
- (c) where a broker/dealer fails to settle his account by D+2, the Exchange shall invoke the bank guarantee and effect settlement on the next business day;
- (d) if the bank guarantee is insufficient to settle the amount due on the securities sold, the selling broker/dealer shall sell any security unpaid for the next business day after receipt of the proceeds of the bank guarantee;
- (e) any shortfall realised on the contract note as a result of such sale will be treated as a liquidated damage payable by the defaulting buying broker/dealer to the claiming selling broker/dealer, and any excess shall be paid the Exchange by the selling broker/dealer;
- (f) the Exchange shall, in the event that the broker/dealer's bank guarantee is invoked, inform the Authority, and the broker shall restore the guarantee within a period of seven business days;
- (g) a broker/dealer whose bank guarantee is invoked shall be suspended from trading until the bank guarantee has been restored;
- (h) until the amount owing from the defaulting buying broker/dealer on the contract note is fully paid, interest shall accrue on the outstanding amount at the rate of 2% per annum over and above prevailing settlement bank overdraft rates for each day that the amount remains outstanding.

## CHAPTER 8 - TRANSFERS

### Transfers

80. All transfers of securities shall be processed in accordance with the Trading Rules of the Exchange; including private transfer of securities.

### Effect of non-payment by buying broker/dealers -

81. (1) The Exchange shall reject delivery of a transfer unless it is duly signed by the transferor and contains the following details-

- (a) the name of the company;
- (b) the full name and address of the transferor;
- (c) the quantity, class and denomination of the securities;
- (d) the Trading Floor slip number corresponding to the transaction; and
- (e) the statutory declaration of non-revocation if the transfer is signed under a power of attorney.

(2) The Exchange may refuse acceptance of a transfer-

- (a) where the transfer has been signed by a transferee and the transferee's signature cancelled or filled in with a transferee's name and the name cancelled;
- (b) where an amended consideration is shown on the transfer and the correction has not been signed by the transferor;
- (c) where erasures of material information have been made; or
- (d) where the transfer form has been altered in some other material manner.

### Death of vendor

82. In the event of the death of a vendor of securities between the time of the vendor placing the order to sell, but before the vendor has signed the relative transfers, the buyer's right to institute buying-in proceedings against the seller shall not be impaired and the executor or administrator of the deceased vendor shall be liable to pay for all losses and expenses incurred as a result of the buying-in.

### Death of purchaser

83. In the event of the death of a purchaser of securities between the time of the purchaser placing the order to buy but before the purchaser has paid for such securities, the seller's right to institute selling-out proceedings against the buyer shall not be impaired and the executor or administrator of the deceased purchaser shall be liable to pay for all losses and expenses incurred as a result of the selling-out.

### **Powers of attorney**

84. (1) Any transfer of securities executed under a power of attorney or by an executor or administrator shall bear an endorsement to the effect that the power of attorney, probate, or letters of administration has or have been exhibited to the grantor.

(2) Any transfer of securities executed under a power of attorney shall be accompanied by a statutory declaration of the non-revocation of the power of attorney at the time of signing of the transfer, or shall bear a marking by the grantor that the declaration or statement has been lodged with the grantee.

(3) A broker/dealer who has, in good faith delivered for a client, or taken from a broker/dealer such a transfer, shall be under no liability to the client of the buying broker/dealer in respect of any loss which the client may suffer by reason of the invalidity or insufficiency of the power of attorney, declaration, statement or transfer, or any defect in the title of the transferor.

### **Private transfers**

85. (1) Private transfers shall include-

- (a) gifts to parties authorised by law to receive such gifts, such as charities and philanthropic legal persons;
- (b) gifts to close relations as duly recognised by law;
- (c) administration of estates;
- (d) corporate action such as restructuring where there is no transfer of beneficial interests;
- (e) any other transaction of an exceptional nature considered by the Exchange to be proper and acceptable.

(2) Private transfers shall be considered by the Chief Executive Officer of the Exchange on submission of an application to the Chief Executive.

(3) The application for a private transfer shall-

- (a) be addressed to the Chief Executive Officer of the Exchange;
- (b) be on official letterhead and contain a schedule in which the details of the transfer sought are clearly indicated, including the name of the issuer, the names of both the transferor and transferee, the number of certificates attached and their certificate numbers, the number of shares being transferred and a description of the nature of the transfer;
- (c) in instances where the transfer is as gift, indicate the capacity in which the gift is being given, and the authorisation to receive the gift if the gift is being given to a legal person;

- (d) be accompanied by an affidavit from the transferor relaying the intention to give the gift;
- (e) be made in duplicate; and
- (f) be delivered to the Chief Executive's Office.

(4) The Exchange shall have the discretion to determine whether a transfer qualifies as a private transfer.

(5) An application for private transfer that is approved shall be accordingly stamped by the Exchange.

(6) A nominal fee of 25% of the normal commission shall be payable by the transferee to the broker/dealer subject to a minimum of 0.15 currency points of which 10% shall be paid to the Exchange.

## CHAPTER 9 - BROKERAGE

### **Broker/dealer notes**

**86.**All broker/dealers' notes passed between broker/dealers and from broker/dealers to their clients shall have printed or written on them the words-

"SUBJECT TO THE RULES AND REGULATIONS OF  
THE UGANDA SECURITIES EXCHANGE".

### **Brokerage commission**

**87.** (1) Broker/dealers shall charge all their clients, on whose behalf they deal, whether as buyer or seller, brokerage commissions as prescribed under Appendix 5 of these Rules as amended from time to time with the approval of the Authority.

(2) Broker/dealers shall remit the amount stipulated in Appendix 5 as Compensation Fund Fee to the Investor Compensation Fund provided for in Chapter 11 of these Rules.

(3) The commission shall be inclusive of the clearing fee prescribed by these Rules and the fee payable by the buyer or seller of any listed security prescribed by the Exchange.

(4) Any broker/dealer who charges less than the stipulated rates of commission shall pay a penalty not exceeding 7.5 currency points in the first instance and is liable to suspension or expulsion in the second instance.

(5) A broker/dealer shall not share commission, except with an authorised representative or a foreign broker subject to a maximum of 25%.

(6) Rates of brokerage in respect of dealings in overseas or local securities which are not listed on the Exchange shall not be subject to these Rules.

(7) Except as provided in these Rules sharing or rebating of brokerage by any device or the wrongful use of a broker/dealer's discretion in regard to stipulated rates is prohibited.

(8) The brokerage charged shall be shown on every contract between a broker/dealer and client and net contracts shall not be made.

(9) All bank charges or expenses incurred on behalf of clients shall be borne by the clients concerned.

(10) Where a company makes a flotation whether by public issue, rights, offer for sale, placing or tender, and a broker/dealer is appointed a sponsoring broker, the broker/dealer shall be paid a fee, not being brokerage commission, as may be negotiated between the parties concerned; other distribution agents, provided they are approved in respect of that issue shall be entitled to a fee as may be negotiated between the parties concerned.



**Clearing fee/commission**

88. Every broker/dealer shall pay to the Exchange in respect of business transacted and cleared through the Exchange or other body for the time being authorised by the Exchange with respect to clearing, settlement or other related activities, the fee or charge prescribed by Appendix 5 of these Rules.

## CHAPTER 10 - FINANCIAL, ACCOUNTING AND BUSINESS CONDUCT

### **Adherence to principles**

89. Every broker/dealer shall at all times adhere to principles of good business practice and corporate governance in the conduct of its business affairs.

### **Compliance with Rules**

90. Each broker/dealer shall ensure that all its floor traders and authorised representatives comply with these Rules and with the requirements of the Exchange.

### **Exchange may require information**

91. The Exchange may require, at any time, that the name, terms of employment, and actual duties of any person employed by a broker/dealer be furnished to the Exchange, together with such other information with respect to the employee as it may deem appropriate to permit it to enforce compliance with the Rules and requirements of the Exchange.

### **Prohibited business**

92. (1) No business shall be transacted on account of an employee or for an account in which an employee has a direct or indirect interest, except with the prior written consent of an executive director of the broker/dealer in respect of each transaction.

(2) A floor trader who ceases to be an employee of a brokerage firm shall have his or her permit revoked, and the employer shall immediately notify the Exchange of the change of employment.

(3) A broker/dealer shall not buy or sell securities for a person employed by another broker/dealer.

### **Prohibited employees**

93. A broker/dealer shall not employ in its business a person who is not of good standing.

### **Prohibited practice**

94. No broker/dealer shall allow clients or other persons not being its employees or authorised representatives, to use or operate out of its business premises.

### **Principal officer**

95. (1) **Every** broker/dealer is required, through a principal officer, to-

- (a) use due diligence to learn the essential facts relative to every client, every order, every cash or margin account accepted or carried by the broker/dealer and every person holding power of attorney over any account accepted or carried by the broker/dealer;
- (b) diligently supervise all accounts handled by its appointed representatives;
- (c) specifically approve the opening of an account prior to or promptly after the completion of any transaction for the account of or with a client.

(2) The designated principal officer approving the opening of the account shall, prior to giving approval, be personally informed as to the essential facts relative to the client and to the nature of the proposed account and shall indicate approval in writing on a document which shall become part of the permanent records of the broker/dealer.

(3) All orders to buy or sell securities shall be in writing and signed by the client.

(4) Every broker/dealer shall-

- (a) prior to entering into transactions for an account for a corporation, have on file a resolution of the directors of the corporation empowering specific directors and officers to trade in securities in an account on behalf of the corporation and to execute all documentation necessary to effect transfers and assignments in connection with trading in the corporation's account; and
- (b) prior to accepting orders from a third party for the account for any client other than a client referred to in subrule (9) have on file a trading authority signed by the client empowering the third party to enter orders on the account.

#### **Nominee accounts**

96. (1) Where an agency account is carried by a broker/dealer, its files shall contain the name of the principal for whom the agent is acting and written evidence of the agent's authority to trade; such files shall be made available to the Exchange at any time, on request.

(2) Where estate and trustee accounts are involved or where a husband is acting as agent for his wife, or a wife is acting as agent for her husband, a broker/dealer shall obtain advice from legal counsel as to the documents that should be obtained before opening the account.

(3) All client accounts must be identified and designated by the full name of the client and no broker/dealer shall carry a client account designated only by a number or symbol.

(4) All broker/dealers are required to inform the Exchange of particulars of delinquent nominee accounts.

#### **Particulars of clients**

97. (1) All particulars relative to every client shall be recorded and maintained up to date at the office of the broker/dealer.

(2) Particulars under subrule (1) shall include the identity card and/or passport numbers, residential address and telephone numbers, occupation and name, address of employer if applicable and all information concerning the client that may be useful in identifying the client, in addition to the particulars prescribed by the Authority.

(3) Particulars of corporate bodies and other legal entities shall be recorded and maintained by the broker/dealer.

**Contract notes**

98. (1) A broker/dealer shall immediately, and not later than the next business day, dispatch by ordinary post or hand delivery to its client a contract note in respect of the purchase or sale of securities executed for and on account of the client.

(2) A contract note shall include-

- (a) the name and style under which the broker/dealer carries on business and the address of the principal place at which it carries on business;
- (b) a statement indicating whether the broker/dealer is acting as agent or principal;
- (c) the name of the person to whom the broker/dealer is required to give the contract note;
- (d) the date of the contract, and the date on which the contract note is made out;
- (e) the quantity and description of the securities that are being acquired and disposed of;
- (f) except in the case of an exchange, the price per unit of the securities;
- (g) the amount of consideration payable under the contract or, in the case of an exchange, sufficient particulars of the securities exchanged to identify them;
- (h) the rate or amount of commission payable in respect of the contract;
- (i) the amount of stamp duty and registration charges, if any, payable in connection with the contract and, where applicable, in respect of the transfer;
- (j) the amount of USE Clearing House or other Exchange charges;
- (k) the fee payable to the Authority by the client; and
- (l) the procedure that the client can invoke in the event that the client has a complaint to make.

(3) Contract notes, duly stamped, must be sent by the broker/dealer to clients not later than the end of the next business day following the transaction.

**Statements of account to clients**

99. (1) A statement of account shall be sent at least quarterly to each client in whose account there have been recorded any transactions in securities, inclusive of entries such as interest and other charges.

(2) In addition, statements shall be sent to all clients having open margin or discretionary accounts on a monthly basis.

(3) Statements shall set out the money balance carried forward, and security position as of the statement date.

(4) Each quarterly statement of account sent to a client shall bear a legend as follows-

"A financial statement of this broker/dealer is available for your personal inspection at our offices".

### **Payment to client**

100. (1) All payments to clients shall be made out in authorised manner including the broker/dealer's or banker's cheques.

(2) Such cheques shall be delivered to the client not later than the business day next following the settlement day, less all the fees and charges payable by the client.

(3) All clearing and other fees payable by a broker/dealer in respect of dealings in marketable securities shall be charged to and paid by the broker/dealer and not passed on to the client.

(4) The amount deductible from payment to the client under rule 98(2) (k) shall be remitted to the Authority by the broker/dealer.

### **Trading on own account**

101. (1) A broker/dealer can deal in securities on its own account.

(2) All purchases and sales of securities by a broker/dealer for its own account shall be shown under a separate stock account of the broker/dealer and the account shall be available for inspection at any time by the Exchange at its request.

(3) The broker/dealer stock account shall be operated by a principal officer duly authorised by the broker/dealer's board of directors.

### **Margin account**

102. (1) For the purposes of this section-

- (a) "debit balance" means the cash amount owed by a client in the client's margin account before deducting cash deposited by the client as margin;
- (b) "equity" means the sum of margin and current market value of securities bought or carried in a client's margin account;
- (c) "margin" means the aggregate amount of cash and market value of securities deposited by a client into the client's margin account, but does not include securities which are bought and carried in the margin account;

(d) "marginable securities" means securities permitted by the Exchange to be bought and carried in margin accounts.

(2) A broker/dealer may extend credit facilities to approved clients for securities transactions subject to the margin account requirements prescribed by the Authority.

(3) Margin account arrangements must be evidenced in the form of a written agreement executed between the broker/dealer and the client.

(4) A client who operates a margin account with a broker/dealer shall authorize the broker/dealer to mortgage, pledge or hypothecate the client's securities or property for a sum not exceeding the debit balance in the margin account and without obligation to retain in its possession or control securities of like character: the broker/dealer shall also be given the discretion to sell or dispose of any or all the securities in any manner in order to meet with the prescribed margin requirements.

(5) The margin deposited by clients with the broker/dealer shall be in the form of cash, securities issued by the Government or its agencies, marginable securities and such other instruments as the Exchange may from time to time prescribe. The initial margin must be deposited with the broker/dealer not later than three days from the first date of securities transaction and shall be such amount that would result in the equity being not less than 140% of the debit balance in the margin account.

(6) Whenever the equity in a client's margin account falls below 130% of the debit balance, the broker/dealer shall request the client to provide additional margin to bring the equity to not less than 130%. Such additional margin must be satisfied by deposit of cash or marginable securities within three days from the date of notice. The broker/dealer shall not permit any new transactions in the margin account unless the resulting equity in the account would be not less than 130% of the debit balance.

(7) A broker/dealer shall not permit the equity in a client's margin account to fall below 120% of the debit balance. Once the equity falls below this level, the broker/dealer shall have absolute discretion and without notice to the client to liquidate the margin account including the marginal securities deposited to bring the equity to not less than 130% of the debit balance.

(8) The broker/dealer shall cause daily review to be made of all margin accounts to ensure that credit is not over-extended beyond the approved facility and that the margin requirements prescribed above are met at all times. For the purpose of computing margin requirements in a margin account, the last done price of the security on the preceding market day shall be used. All transactions done on the same day shall be combined on a transaction date basis and the total cost of purchase or the net proceeds of sale including any commission charged and other expenses shall be taken into account for computing margin requirements.

(9) The broker/dealer shall require substantial additional margin in account where the securities carried are subject to unusually rapid or violent changes in value, or do not have an active market or have been suspended from trading on the Exchange for more than seven days or where the quantity carried is such that it cannot be liquidated promptly.

(10) A client may withdraw cash or securities from their account provided that the equity in the client's account does not fall below 140% of the debit balance.

(11) All securities transactions in a margin account shall be on the regular Trading Board. The margin account shall not be used to subscribe for new issues of securities.

### **Discretionary account**

103. (1) "Discretionary account" means an account in which the client gives a broker/dealer discretion which may be complete or within specific limits as to the purchase and sale of securities including selection, timing and price to be paid or received.

(2) No broker/dealer shall exercise any discretionary authority in respect of a discretionary account unless-

- (a) the client has given prior written authorization to the broker/dealer to exercise discretion on the account; and
- (b) the broker/dealer has accepted the discretionary account in accordance with these Rules.

(3) The authorization given to the broker/dealer shall specify the investment objectives of the client with respect to the particular discretionary account and each authorization or acceptance may be terminated by notice in writing by the broker/dealer or the client, as the case may be.

### **Exposure to a single client**

104. (1) No broker/dealer shall permit deficits arising from transactions by a single client to exceed 30% of its average adjusted net capital.

(2) In subrule (1), "deficits" means -

- (a) the excess of amount owed by the single client in the client's cash account over the market value of all the client's securities held by the broker/dealer as collateral;
- (b) the amount of margin deficiency in the single client's margin account as determined by minimum margin requirement permitted under subrule 102(6) of these Rules;
- (c) the amount of unsecured interest charged on amounts owed by the single client; and
- (d) the amount of unsecured loans and advances granted to the single client.

(3) In subrule (1) "average adjusted net capital" means the average of adjusted net capital of the three months preceding the previous month and "adjusted net capital" as provided for in rule 110 of these Rules.

### **Exposure to a single security**

105. (1) No broker/dealer shall permit its exposure to a single security to exceed 300% of its average adjusted net capital.

(2) In subrule (1), "exposure to a single security" means -

- (a) the net amount of the single security underwritten or sub-underwritten by the broker/dealer;
- (b) the book value of the single security carried in the broker/dealer's own account;
- (c) the contract value of the single security underlying clients' cash accounts to the extent that they have not been paid for;
- (d) the amount of credit extended to clients for the purchase of the single security on margin;
- (e) the amount of interest receivable secured by the single security; and
- (f) the amount of loans and advances secured by the single security.

(3) Subrule (1) shall not apply to -

- (a) securities issued by the Uganda Government or its agencies; and
- (b) the broker/dealers arbitrage transactions.

### **Records**

106. Every broker/dealer shall maintain records in sufficient detail to show particulars of-

- (a) all moneys received or paid, including moneys paid to, or disbursed from a trust account;
- (b) all purchases and sales of securities by persons associated with the broker/dealer and the charges and credits arising therefrom, and the names of the buyer and seller respectively, of each of those securities;
- (c) all income received from commissions, interest and other sources and all expenses, commissions and interest paid;
- (d) all assets and liabilities including contingent liabilities of the broker/dealer;
- (e) all securities that are the property of the broker/dealer, showing by whom the securities, or the documents of title to the securities, are held



and, where they are held by some other person, whether or not they are held as security against loans or advances; and

- (f) all securities that are not the property of the broker/dealer and for which the broker/dealer or any nominee controlled by it is accountable, showing by whom, and for whom the securities or the documents of title to the securities are held and the extent to which they are either held for safe custody or deposited with a third party as security for loans or advances made to the broker/dealer.

### **Trust Accounts**

107. (1) Each broker/dealer shall establish and keep in a bank or banks in Uganda one or more trust accounts, designated or evidenced as such, into which the broker/dealer shall pay-

- (a) all amounts (less any commission and other proper charges) that are received from or on account of any person (other than a broker/dealer) for the purchase of securities and that are not attributable to securities delivered to the broker/dealer not later than the next bank business day following the day on which they were received by the broker/dealer; and
- (b) all amounts (less any commission and other proper charges) that are received for or on account of any person (other than a broker/dealer) from the sale of securities and that are not paid to that person or as that person directs not later than the next bank business day following the day on which they were received by the broker/dealer.

(2) All amounts received by the broker/dealer for or on account of any person and which are required by subrule (1) to be paid into a trust account shall be retained in the trust account until-

- (a) paid to the person entitled to them or as such person directs in writing;
- (b) withdrawn for the purpose of defraying commission and other proper charges; or
- (c) paid as otherwise authorised by law.

### **Annual accounts**

108. Every broker/dealer shall submit to the Exchange, audited annual accounts within three months following the closure of the broker/dealer's financial year.

### **Quarterly returns**

109. (1) Each broker/dealer shall submit to the Exchange by the fourteenth day of April, July, October and January in every year, statements of assets and liabilities adjusted net capital, and aggregate indebtedness in the format prescribed by Appendix 8 of these Rules.

(2) Where a broker/dealer fails to submit the statements required in subrule (1) within the prescribed time, there shall be imposed upon the broker/dealer a penalty of 1.25 currency points for each day that the statements are not submitted, unless an extension of time has been granted. Requests for extension of time must be submitted to the Exchange at least three business days prior to the due date.

### **Adjusted net capital requirement and aggregate indebtedness**

110. (1) Aggregate indebtedness, which shall be calculated monthly, means the total liabilities of the broker/dealer less-

- (a) deferred taxes;
- (b) amounts due to a director or an associate;
- (c) non-current liabilities fully secured by non current assets excluded from net capital; and
- (d) any subordinated loans acceptable to the Exchange.

(2) Adjusted net capital, to be calculated monthly, shall mean the broker/dealer shareholder's funds for carrying out the business of stockbroking and ancillary business less-

- (a) non-current assets and pre-paid expenses;
- (b) unsecured loans and advances included under current assets;
- (c) amounts due from a director or associate included under current assets;
- (d) excess or the book value of securities carried in the broker/dealer's own account over market value; and
- (e) deficits in clients accounts, less any provisions for bad or doubtful debts already made.

### **Code of business conduct**

111. (1) No broker/dealer shall use the knowledge and information gained from a client in the course of the broker/dealer's business dealings with a client which shall be of a fiduciary nature, for the advancement of the broker/dealer or the broker/dealers associates financial interests whether directly or indirectly.

(2) In the event of any conflict of interest directly or indirectly between broker/dealer and client, the broker/dealer shall not accept the instructions of the client in relation to the transactions in question, or shall accept such instructions only upon having informed the client of the possible conflict and the client approving the proposed course of action. This provision shall be clearly reflected in the forms filled by the client.

(3) A broker/dealer shall place all orders through the Trading Floor and shall clearly distinguish business transacted for its clients, itself or persons associated with the broker/dealer. At all times, the

broker/dealer shall first consider the interest of its client and its own interest shall be subordinate to that of the client.

(4) A broker/dealer shall avoid any practice which may create a false market and may not directly or indirectly participate in any operation by others which shall have a similar result. Any knowledge gained by a broker/dealer of a transaction which would result in the creation of a false market shall immediately be reported by the broker/dealer to the Exchange. A false market includes a market in which the movement in the price of a security or the level of the price of a security is created by the publication of information which is false, exaggerated or tendentious or is brought about or sought to be brought about by any one broker/dealer or a group of them to deliberately distort the market for financial gain.

(5) A broker/dealer shall act in compliance with the letter and spirit of these Rules and the Law relating to the securities business and in particular, warn clients where they may be held to be in violation of provisions such as those on insider dealing.

(6) In the event of the Exchange finding that any quotes placed or about to be placed are disorderly, the broker/dealer shall comply with the order of the Trading Floor Supervisor to set aside or suspend such quotation.

(7) A broker/dealer shall make available for inspection to any client who so requests, its last audited balance sheet, its fixed scale of charges and the names of directors or principals of its business.

(8) A broker/dealer shall comply fully with any inquiries or investigations undertaken statutorily by any competent authority or the Exchange.

(9) A broker/dealer, any of its executive directors or employees shall not deal in securities of a listed company where the broker, its director or any of its employees is a director or officer, without prior authority of the Exchange.

(10) Members shall comply with the Code of Ethics prescribed in Appendix 7 to these Rules.

#### **Access to accounts**

112. Every broker/dealer shall execute a Letter of Release to enable the Exchange gain access to its accounts in the manner prescribed in Appendix 3 to these Rules.

#### **Clients complaints**

113. (1) Every broker/dealer shall have in operation a procedure for the handling of complaints from its customers.

(2) All employees of the broker/dealer who deal with customers shall be made aware of these procedures which must provide for-

- (a) the complaint to be investigated fully and appropriately by an Executive Director;

- (b) the complaint to be reported to the Exchange if not settled within seven days of receipt;
- (c) the notification to the complainant of the right to utilise the Complaints Committee of the Exchange; and
- (d) the notification to the complainant of the right to appeal to the Authority from the decision of the Exchange.

(3) Each broker/dealer shall maintain a written record of all complaints made by clients.

(4) The complaints procedure shall be indicated on the transfer forms and the contract note.

**Penalties for non-compliance**

114. (1) Where the Rules are silent on the penalty, a penalty not exceeding 3.75 currency points shall apply.

(2) Subrule (1) does not apply to provisions of these Rules where a specific penalty has been prescribed.

## **CHAPTER 11 - INVESTOR COMPENSATION FUND**

### **Investor compensation fund**

115. (1) The Investor Compensation Fund refers to the Fund established by section 82 of the CMA Statute and shall be managed, controlled and administered in accordance with PART VIII of the Statute as may be amended from time to time.

(2) Every broker/dealer member of the Exchange shall be required, for the time being, to contribute 0.02% of every market transaction towards the Fund. The contribution shall be the broker/dealer's designated compensation fee as specified in Appendix 5 of these Rules.

(3) The Exchange shall be represented in the management structure of the Fund.

**APPENDIX 1**

**MEMBERSHIP APPLICATION FORM**

The Chief Executive  
Uganda Securities Exchange Ltd.  
P.O. Box 23552  
KAMPALA  
Uganda

Dear Sir,

We .....  
(Name of applicant)  
Address .....  
.....

hereby apply to become a Member of the Exchange and agree to abide by the Articles, Rules, Regulations and By-Laws of the Exchange that are in force now or which may hereafter be made from time to time.

We undertake to furnish a Bank Guarantee for such sum as may be prescribed by the Council which Guarantee shall inter alia provide-

- (i) for the validity thereof to remain in full force and effect for a period of six (6) months from the date of cessation of our membership of the Exchange; and
- (ii) for the Exchange to have recourse on demand to the full amount of the guarantee.

We further undertake that in the event of the Exchange invoking the guarantee, we shall restore the Bank Guarantee to the original amount within seven (7) days from the date of any payment by the Bank under the guarantee; failing which our membership of the Exchange may be terminated by the Council thereafter.

We enclose our cheque for twenty five currency points drawn in favour of the Exchange, being the fee payable for this application. We understand that the fee is not refundable.

We declare that-

1. Upon admission, we shall pay in full the fees from time to time prescribed;
2. We shall subscribe to one share in the issued capital of the Exchange;

3. We shall comply with such other requirements for membership as the Exchange may from time to time prescribe.

We confirm that the facts given in the Membership questionnaire completed by us are true and correct and accept that in the case of any statement being false, the Exchange has the right to reject this application or terminate membership if already granted.

Sealed with the common seal of .....

.....

.....

in the presence of .....

Director

Director/Secretary

this ..... day of ..... 20.....

The following documents shall accompany this application:

1. A licence to operate as a broker or dealer issued by the Capital Markets Authority;
2. Membership application questionnaire;
3. Certified copy of the Certificate of Incorporation;
4. Applicant's Memorandum and Articles of Association;
5. Copy of the last balance sheet and accounts if applicant has been in existence and trading for more than one year.

**APPENDIX 2**

**MEMBERSHIP APPLICATION QUESTIONNAIRE**

1. Name of the Company (the applicant)

.....  
.....

2. Physical and postal address

.....  
.....

3. Names, addresses and particulars of Directors

<b>NAME</b>	<b>ADDRESS</b>	<b>NATIONALITY</b>	<b>OCCUPATION</b>	<b>OTHER DIRECTOR- SHIPS</b>



4. Name and address of Company Secretary  
.....  
.....

5. Name and address of auditors  
.....  
.....

6. Registered Office of Company  
.....  
.....

7. Names and addresses of bankers

1. ....  
.....

2. ....  
.....

3. ....  
.....

8. Subsidiaries and associated companies

1. .... % Holdings .....

2. .... % Holdings .....

3. .... % Holdings .....

4. .... % Holdings .....



10. Issued and fully paid capital

UShs. .... divided into .....

..... shares of UShs. .... each.

11. Names of principal officer(s)

NAME	NATIONALITY	QUALIFICATIONS

12. Has the applicant or any Director or Secretary of the applicant company within the last ten years been-

- (a) refused the right or restricted in its right to carry on any trade, business or profession for which a specific licence, registration or other authority is required by law in any place?
- (b) suspended from membership of any securities exchange or otherwise disciplined by a securities exchange?
- (c) refused membership of any securities exchange?
- (d) known by any name other than the name or names shown in this application?
- (e) had judgment including findings in relation to fraud, misrepresentation or dishonesty given against him in any civil proceedings in Uganda or elsewhere? (If yes, give details).
- (f) declared bankrupt or compounded with or made an arrangement for the benefit of his creditors, in Uganda or elsewhere?
- (g) engaged in the management of any company other than the companies referred to above?
- (h) refused a fidelity or surety bond in Uganda or elsewhere?

13. We certify that the above information is correct in every detail.

Signed by us: (1) ..... (Name)

..... (Signature)

(2) ..... (Name)

..... (Signature)  
(being Director and Secretary respectively).



- 3. ....
- 4. ....
- 5. ....
- 6. ....

Signed: 1. Director .....

2. Director/Secretary .....  
*(Sign under company seal of the Member Company)*

**Part 3 (Official use only)**

This application received on .....

discussed by the Committee on .....

Approved/Rejected

Signed: -----

For: **UGANDA SECURITIES EXCHANGE LTD.**

**APPENDIX 4**

*Rule 10(3)*

**SCHEDULE OF FEES AND CHARGES**

<b>DESCRIPTION OF MARKET PARTICIPANT</b>	<b>TYPE OF FEE</b>	<b>AMOUNT (UG. SHS.)</b>
<b>MEMBER</b>	Application Fee	25 currency points
	Entrance Fee	375 currency points
	Annual Membership Fee	50 currency points
	Bank Guarantee	500 currency points
<b>FLOOR TRADER</b>	Annual Permit	

**APPENDIX 5**

*Rule 10(2), 87(1), 87(2), 88, 115(2)*

**BROKERAGE COMMISSION AND FEES**

CONSIDERATION	BROKER-AGE COMMISSION	TRANSACTION FEE		COMPENSATION FUND FEE	TOTAL COST TO INVESTOR
		USE	CMA		
On the first 10,000 currency points	1.70	0.14	0.14	0.02	2.00
On the next 40,000 currency points	1.50	0.14	0.14	0.02	1.80
On any sum above 50,000 currency points	0.80	0.14	0.14	0.02	1.10

- (1) The compensation fund fee payable to CMA is charged on the broker's commission, and does not, therefore, increase the cost to the investor.
- (2) Minimum charge per transaction: 0.15 currency points
- (3) On Government and Municipal Securities
  - On nominal amount
  - Up to 25 currency points - 1%
  - Over 25 currency points - negotiable
- (4) Rebates – a return commission of up to 25% is allowable to registered broker agents on business done for their clients at the discretion of the Members. Registered broker representatives shall be entitled to a return commission of not more than 25% of the above rates.
- (5) Minimum commission on any one transaction, 0.15 currency points. Where the consideration amounts to under 0.05 currency points, commission charged shall be at the Members discretion.
- (6) Commission on bonds shall be calculated at 0.0625% of the total value of the transaction.
- (7) Probate and portfolio valuation – not less than 0.25 currency points per item with a minimum charge of 0.5 currency points for every valuation.



**APPENDIX 6**

*Rule 11(3)*

**FORM OF BANK GUARANTEE TO BE FURNISHED TO THE UGANDA SECURITIES EXCHANGE**

To: The Chief Executive Officer  
Uganda Securities Exchange Ltd.  
P.O. Box 23552  
KAMPALA

Dear Sir,

1. In consideration of your agreeing to allow

.....  
*(Name of the broker)*

to transact business on the Trading Floor of the Uganda Securities Exchange Limited  
(hereinafter called the Exchange) we,

.....  
*(Name and branch of the guaranteeing bank)*

hereby irrevocably and unconditionally guarantee to pay to the Exchange upon first demand,  
accompanied by a certificate herein shown, and within forty-eight hours of such demand,  
the amount referred to in the said certificate, provided always that the total amount shall not  
exceed UShs. .... (Uganda Shillings only).

2. The certificate to be issued by the Exchange and which shall accompany  
the demand note, shall be in the following form:

“We hereby certify that the sum of

.....  
*(in words)*

is due and owing to us and has not been paid by

.....  
*(Name of Member)*

3. This guarantee is effective from

.....

(date)

and will expire on such date as will be agreed by the Exchange and the broker and communicated to the bank in writing, or will automatically lapse six months after the broker has ceased to be a member of the Exchange the date of cessation of membership to be communicated by the Exchange to the bank with 14 days thereof.

4. As referred to above, the guarantee provides for the validity thereof to remain in full force and effect for a period of six (6) months from the date of cessation of the membership of the broker with the Exchange and the Exchange to have full recourse to the full amount of the guarantee and in the event of the Exchange invoking the guarantee, to immediately thereafter restore the bank guarantee to the original amount within a period of seven (7) days from the date of payment by the bank under the guarantee.

5. This guarantee shall be governed by and construed in accordance with the laws of Uganda.

Dated by us (the guaranteeing bank), this ..... day of ..... 2.....

-----  
For and on behalf of the bank  
(Bank Seal)

-----  
For and on behalf of the bank  
(Bank Seal)

## APPENDIX 7

*Rule 111(10)*

### CODE OF ETHICS

#### **Interpretation**

1. This document forms part of the Rules and Regulations of the Exchange and binds all members, their employees and their representatives.

#### **Independence**

2. Members shall operate their business in an independent manner, free from any influence and control by another member.

#### **Integrity**

3. (1) Members shall maintain a high degree of honesty, integrity and fairness in the conduct and performance of their business and must avoid any behaviour or practice which may be seen as compromising or deceptive.

(2) Members must at all times act in a manner that preserves the integrity of the market.

(3) Members shall deal with clients, fellow members, the Exchange, the Authority, regulatory authorities and the investing public in a professional and disciplined manner.

(4) Members shall not employ unfair means such as the giving of inducements either in cash or in kind to secure business from clients, current or prospective.

(5) Members must neither broadcast, publish nor advertise or cause to be broadcast, published or advertised in any manner, any representation or any implication with intent to create a false market.

(6) Members must refrain from the voluntary public expression of adverse criticism of other members, the Exchange or the Authority.

(7) Members must not knowingly deal in stolen securities or aid or abet fraudulent activities in the market.

(8) Members must be vigilant to identify and avoid potential conflicts of interests.

#### **Fairness**

4. Members shall conduct their business in a fair, orderly and transparent manner.

#### **Duty of Care**

5. (1) Members owe their clients a duty of care and must at all times exercise due diligence and act in the best interests of the client.

(2) Members shall conduct their business in a fair, orderly and transparent manner.

(3) Members shall ensure prompt settlement of clients' dues and claims.

- (4) Members shall keep separate and distinct, all money received for the purchase and sale of securities by keeping the same in a bank account called the clients' account.
- (5) Members shall not withdraw money from the clients' account, except for the purposes of paying clients their dues.
- (6) Members shall not use the clients' account to secure overdrafts or their credit facilities.
- (7) Members must take reasonable steps to give a client, in a comprehensible and timely way, any information needed to enable the client to make an informed decision.
- (8) Members must arrange proper care and protection of assets belonging to clients that are in their custody, including any insurance, as required.
- (9) Members must be ready, on request, to provide a client with a full and fair account of the management of their assets.

### **Confidentiality**

6. Members shall treat clients particulars confidentially and shall not divulge client details to a third party unless instructed so to do by the Exchange, the Authority, or by order of Court.

### **Conflict of Interest**

7. Members shall ensure that there is no conflict of interest at all times and that their self interest is subordinated for the good of the market. In cases where this is not possible, a member shall make full disclosure of such interests to the other members.

### **Communication**

8. A member shall disseminate to other members any information that comes into their possession or knowledge which may not be widely available in the market and which has the potential to affect the market sentiment; thereby influencing trading.

### **Commission**

9. A member shall at all times charge to his clients and cede to his agents commission as prescribed by the Authority and the Exchange.

### **Discipline**

10. A member shall maintain a high degree of discipline in the conduct of business and dealing with other brokers/dealers.

### **Books and records**

11. A member shall ensure that they maintain the minimum books and records with full disclosures as prescribed by the Authority and the Exchange.

### **Market protection**

12. (1) Every member shall make it their duty to protect the market from any threats both from within and without by taking all necessary precautions and alerting other members of existing or perceived threats.

(2) Members shall ensure that no false or misleading information is circulated to the market, and where a member discovers and has reason to suspect that there is such information, the same shall be reported to the Exchange at the earliest opportunity.

(3) Members shall strictly observe good business practice by not creating false market prices to the detriment of the larger interests of all other members (brokers/dealers).

### **Product development**

13. Members have the responsibility to share their vision on the future development of the available products in the market by making useful suggestions and proposals for consideration by other members and the industry as a whole.

### **Market efficiency**

14. Members shall observe strict adherence to the prescribed rules and regulations of delivery and settlement and, whenever possible, make suggestions of how existing procedures and systems can be enhanced to make the market more efficient in its service delivery.

### **Advertisement and publicity**

15. Members shall conduct their advertisement and publicity campaigns in a fair and honest manner without putting the industry into disrepute or imputing bad character or incompetence on other members.

### **Canvassing for business**

16. Members shall not give any inducements or use any unfair means to obtain business from clients (prospective).

### **Staffing**

17. (1) Members must be competent and appropriately qualified to perform their functions and they must maintain their knowledge and skills at a high level.

(2) Members shall engage in their employment, proper and fit persons who possess due skills and who are able to exercise care and diligence in handling business matters.

(3) Members shall ensure that all persons in their employ understand and comply with the rules and regulations governing the market.

(4) Members must do due diligence to establish the character of any person before contracting them into their employ.

(5) Members shall not employ or maintain in their employ-

- (a) persons against whom criminal charges have been instituted and are ongoing;
- (b) persons who have been convicted of a felony;
- (c) persons who have been adjudged bankrupt;

- (d) persons who have been dismissed by a previous employer on suspicion of fraud; or
- (e) Persons who are shareholders or officers of the Exchange or other broker/dealer firms.

### **Systems and procedures**

18. Members shall put in place sound systems and internal control procedures in the operations of their business aimed at mitigating against frauds and other bad business practices.

### **Compliance with standards**

19. (1) Members must comply with any code or set of standards governing their activities in the finance and investment industry and must observe a high standard of market conduct.

(2) Members shall adhere strictly to the law, both substantive and subsidiary, the rules and regulations of the Exchange and Guidelines issued by the Capital Markets Authority as may be issued and amended from time to time.

(3) Members must establish formal and transparent financial reporting and internal control systems to ensure that the conduct of their business complies with the rules and regulations of the market and safeguards their clients' interests.

### **Disputes**

20. (1) Members shall seek to settle disputes amicably.

(2) All disputes shall be reported to the Exchange as soon as they occur and the Exchange must be kept informed of progress made to resolve the same.

(3) Members not able to resolve disputes amongst themselves amicably shall refer the dispute to the Chief Executive of the Exchange for resolution.

### **Application**

21. (1) This Code applies to all Members, directors and staff.

(2) The Members shall ensure that the provisions of this code of conduct are clearly understood by all members of staff in their employment.

## APPENDIX 8

109(1)

### PART I BALANCE SHEET FORMAT

#### A. FIXED ASSETS

##### I. Intangible Assets.

1. Development costs.
2. Goodwill (1).
3. Other.

##### II. Tangible assets.

1. Freehold land and buildings.
2. Leasehold land and buildings.
3. Motor vehicles.
4. Office equipment and computers.
5. Fixtures and fittings.
6. Payments on account.
7. Other tangible assets.

##### III. Investments

1. Loans to and shares in group companies and connected companies.
2. Other listed investments.
3. Other unlisted investments.

#### B. CURRENT ASSETS

##### I. Physical stocks.

##### II. Debtors (2).

1. Trade debtors (3).
2. Other debtors.
3. Amounts due from connected and group companies.
4. Prepayments and accrued income.

III. Investments.

IV. Cash at bank and in hand.

**C. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

1. Bank loans and overdrafts.
2. Subordinated loans (4).
3. Other debenture loans.
4. Trade creditors (5).
5. Investments (short positions).
6. Income tax.
7. Amount due to group and connected companies.
8. Other creditors.
9. Accruals and deferred income.

**D. NET CURRENT ASSETS (LIABILITIES)**

**E. TOTAL ASSETS LESS CURRENT LIABILITIES**

**F. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

1. Bank loans and overdrafts.
2. Subordinated loans (4).
3. Other debenture loans.
4. Trade creditors (5).
5. Income tax.
6. Amounts due to group and connected companies.
7. Other creditors.
8. Accruals and deferred income.

**G. PROVISIONS FOR LIABILITIES AND CHARGES**

1. Commissions on indemnity terms.



2. Pension and similar obligations.
3. Taxation, including deferred taxation.
4. Other provisions.

## **H. TOTAL ASSETS LESS TOTAL LIABILITIES**

## **I. CAPITAL AND RESERVES**

1. Called up share capital.
2. Share premium account.
3. Partner's or proprietor's capital accounts.
4. Partner's or proprietor's current accounts.
5. Revaluation reserve.
6. Other reserves.
7. Profit and loss account.

## **NOTES ON BALANCE SHEET FORMAT**

### **1. GOODWILL**

Goodwill shall be included only in so far as it was acquired for valuable consideration.

### **2. DEBTORS**

The amount falling due after more than one year shall be shown separately for each item included under debtors.

### **3. TRADE DEBTORS**

#### **(a) Fees:**

Outstanding for more than 30 days.

Outstanding for 30 days or less.

#### **(b) Commissions:**

Outstanding for more than 30 days.

Outstanding for 30 days or less.

(c) Other:

Amount outstanding for more than 30 days.

Amount outstanding for 30 days or less.

4. **SUBORDINATED LOANS**

- (a) Long term subordinated loans.
- (b) Short term subordinated loans.
- (c) Committed undrawn subordinated loan facilities.
- (d) Bank undertakings.

5. **TRADE CREDITORS**

- (a) Amounts due to be paid against delivery of securities.
- (b) Amounts due to be paid in respect of securities transactions otherwise than against delivery of securities.
- (c) Other (specify).

**PART II**

**PROFIT AND LOSS ACCOUNT FORMAT**

A. **DEALING**

Gains/losses on principal dealings (trading).

- 1. Equities.
- 2. Debt instruments.
- 3. Units in collective investment schemes.
- 4. Foreign exchange.
- 5. Other (specify).

B. **REVENUE**

I. Commissions on transactions in collective investment schemes.

- 1. Authorised mutual fund and unit trust schemes.
- 2. Other (specify).

II. Commissions on securities transactions.

- 1. Equities.
- 2. Debt instruments.

3. Other (specify).

III. Investment management fees.

IV. Fee income in respect of financial advice.

V. Company management fee.

VI. Trustee fees.

VII. Interest and dividends.

1. Investment positions.

2. Loan accounts and margin accounts.

3. In respect of balances in customer bank accounts.

4. Other (specify).

VIII. Dealing and settlement services.

IX. Revenue from research and consulting services.

X. Retained underwriting and placing commissions.

XI. Other revenue (specify if material).

**C. EXPENDITURE**

I. Commissions.

1. Paid to staff.

2. Paid to other investment businesses.

3. Other (specify).

II. Salaries and other employment costs (exclusive of commission).

III. Directors' emoluments.

IV. Staff bonuses.

V. Interest charges.

1. Payable to customer in respect of customer's money balances.
2. Other (specify).

VI. Establishment costs.

VII. Communications and marketing.

VIII. Office equipment and services.

IX. Provisions for losses, bad and doubtful debts.

X. Professional charges.

XI. Securities Exchange and clearing house charges.

XII. Regulatory fees and expenses.

XIII. Audit fees (including expenses).

XIV. Miscellaneous office expenses.

XV. Other expenditure (specify if material).

**D. PROFIT OR LOSS BEFORE TAXATION.**

**E. TAXATION.**

**A. PROFIT OR LOSS AFTER TAXATION.**

**B. EXTRA ORDINARY ITEMS.**

**C. PROFIT OR LOSS FOR THE FINANCIAL YEAR.**