



Rules of the Eswatini Stock Exchange

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SECTION

1

INTERPRETATION AND DEFINITIONS

- 1.1 The head notes to these Rules are for reference only and shall not affect the interpretation or construction thereof.
- 1.2 Unless inconsistent with the context, the singular shall include the plural and the use of gender shall be interpreted to include any other.
- 1.3 The words defined in the Act shall, if not inconsistent with the subject or context, and unless they are defined in these Rules, bear the same meaning in these Rules.
- 1.4 In these Rules, unless the context otherwise requires -
- “*Act*” means the Securities Act, 2010 and any amendments thereto or any regulations or notices which may be issued thereunder;
- “*associate member*” means a non-dealing member who is admitted as such in terms of these Rules, e.g., custodian bank, liquidity provider, market maker etc;
- “*authorised dealer’s representative*” or “*ADR*” means a natural person licensed in accordance with the Act and permitted by the Market Committee to carry on the business of dealing in securities, on behalf of a dealing member, using the facilities of the ESE;
- “*best market*” means the current highest bid and the lowest offer in a specific security;
- “*bid*” means an order by a dealing member to buy securities at a certain price and shall also refer to a price which a buyer is willing to accept for his securities;
- “*ESE Board*” means, in relation to the ESE, the executive authority managing the affairs of the ESE;
- “*Market Committee lot*” means a standard number of securities, determined by the Market Committee, which may be traded on the market;
- “*book-over (put-through)*” means a transaction where the buyer and the seller is the client of the same dealing member;
- “*brokers’ transfer form*” means the dealer’s transfer form prescribed by the Companies Act, 2009, as amended from time to time;

“*business day*” means a day, other than a Saturday, Sunday, public holiday or any other day on which the ESE is closed, on which commercial banks and foreign exchange markets settle payments in Eswatini;

“*buyer*” means, in relation to the settlement of a transaction, the buying dealing member;

“*buy-in*” means a process initiated by the ESE compelling a selling dealing member who failed to deliver a sufficient number of securities on settlement date to purchase the quantity of securities necessary to complete the previously failed delivery;

“*call option*” means the purchased right to buy specified securities at a specified price within a specified future date or period;

“*call-over manager*” means an officer from the Exchange designated as call-over manager under whose chairmanship trading sessions shall be conducted;

“*certified transfer deed*” means a security transfer form or a dealer’s note unaccompanied by a security certificate, and bearing a certification by or on behalf of the issuer whose securities are represented in the transfer deed that the relative security certificate has been lodged with the issuer;

“*chairman*” means the chairman of the Market Committee;

“*client*” shall mean any person on whose behalf securities are bought, sold or held by a dealing member;

“*company*” means a body corporate, wherever incorporated or established, and includes any other legal person, any undertaking and any association of persons or of entities and any trust or similar device, wherever established, which issues securities which are capable of being listed by the ESE;

“*contract note*” means a record of the details of a transaction, the number of securities, its total value and all charges;

“*contract price*” or “*transaction price*” means the price per unit of a security at which the transaction was entered into;

“*contract value*” means the consideration due to be paid by the purchasing dealing member to the selling dealing member in respect of a transaction for the purchase of securities;

“*counterparty*”, in relation to a dealing member, means any person who has a financial obligation to a dealing member, including a financial obligation to be performed at a specified future time, and includes any customer of a dealing member;

“*Custodian bank*” means a specialised financial institution responsible for safeguarding a firm's or individual's financial assets and is not engaged in "traditional" commercial or consumer/retail banking such as mortgage or personal lending, branch banking, personal accounts, Automated Teller;

"*customer*" means a person-

- (a) on whose behalf a dealing member carries on any transaction; or
- (b) with whom a dealing member enters or will enter into a transaction as principal for the sale or purchase of securities or futures contracts;

“*dealing member*” means a licensed corporate member of the ESE authorised by the ESE to carry on in Eswatini the business of dealing in securities at the facilities of the ESE;

“*deliverer*” means, in relation to the settlement of transactions, the delivering dealing member or user;

“*discretionary account*” means an account in which the client gives a dealing member discretion which may be complete or within specific limits as to the purchase or sale of securities including selection, timing and price to be paid or received;

“*Eswatini*” means the Kingdom of Eswatini as constituted from time to time;

“*Exchange*” means the Eswatini Stock Exchange or the ESE;

“*foreign dealer*” means a person in another country whose business in Eswatini is buying and selling securities;

“*Fund*” means the ESE Investor Protection Fund;

“*immediate deal*” means a transaction in listed securities where delivery is to take place before the next settlement date;

“*individual honorary member*” means a natural person admitted as an individual honorary member in terms of these Rules;

“*issuer*” means any company or entity, whose securities has been admitted or is, or is proposed to be, the subject of an application for admission to listing on the ESE;

“*letter of right*” means a document, normally renounceable, relating to an offer by an issuer to take up securities at a specified price and before a specified date and may be either nil paid, partly paid or fully paid;

“*listed*” means admitted to the official list of the ESE, except where the context requires otherwise, “listing” shall be construed accordingly;

“*listed company*” means a company, any class of whose securities is listed;

“*listed securities*” mean the securities of that class which are listed;

“*market committee*” means the Listings, Business Rules, Procedure and Market Operations Committee which the ESE Board has delegated its authority in relation to the Listings Requirements, excluding removal of listings initiated at the instance of the ESE, and further in the administration of the Investor Protection Fund;

“*member*” means a natural or legal person or a group of natural or legal persons, as the case may be, admitted to the membership of the ESE under the Act and these Rules;

“*minimum spread*” means the tick size;

“*monetary accrual*” means an incidental accrual involving the payment of money;

“*non-dealing member*” means a member who is not authorised to deal in listed securities;

“*odd lots*” means, in respect of shares, a quantity that is less than one hundred (100) and in respect of units or stock, a quantity of less than one thousand (1000);

“*offer*” mean an order by a dealing member to sell securities at a certain price and shall also refer to a price which a seller will accept for his securities;

“*official list*” means all the securities traded on the ESE;

“*order*” means an instruction from a client to a dealing member to buy or sell securities;

“*overs and unders*” means the cash value difference between the contract value and the settlement value of transactions or bargains;

“*price*” means the unit price of a security;

“*price time priority*” means that orders are executed based on best price, and if multiple orders are at the same price, an order with an earlier time trades first;

“*principal*” shall mean, in any particular transaction, any person buying or selling securities from or to a dealing member either for that person's own account or on behalf of a client;

“*private transfer*” means a transfer of securities between the transferor and transferee effected through the ESE which does not involve monetary consideration;

“*put option*” means the purchased right to sell specified securities at a specified price within a specified future date or period;

“*put-through (book-over)*” means a transaction where the buyer and the seller is the client of the same dealing member;

“*queue priority*” means all orders are sorted according to the priority of orders for execution outlined in these Rules;

“*receiver*” means, in relation to the settlement of transactions, the receiving dealing member or user;

“*record date*” means, in relation to the ESE, the last date to lodge securities for registration prior to the accrual of any incidental accrual;

“*Registrar of Companies*” means the public officer entrusted to carry out the duties of the Registrar under the Companies Act, 2009;

“*right*” means an entitlement, represented by a letter of right, flowing from an existing holding of securities;

“*rights issue*” means an issue of rights;

“*rules*” means the Rules of the ESE as may be amended from time to time;

“*scrip*” means share or stock certificate, temporary documents of title or letter of right, in negotiable order;

“*scrip accrual*” means an incidental accrual settled by delivery of a fully paid scrip or as nil paid document of title of limited duration, whichever is applicable;

“*securities*” include shares, bonds, stocks, debentures, units, debt securities, public debt securities, warrants, depositary receipts, option contracts, securities futures, contracts for differences, participatory interests or units in a collective investment scheme, any instruments commonly known as securities or any other instruments deemed by the Authority to be securities for the purposes of the Act;

“*securities future*” means a right under a contract, which provides for the acquisition or disposal of any other security under which delivery is to be made at a future date and at a price agreed upon when the contract is made, including a date and a price determined in accordance with the contract;

“*securities trader*” means an employee of a dealing member authorised by the dealing member to enter and execute orders on behalf of the dealing member;

“*securities transfer form*” means the securities transfer form prescribed in the Companies Act, 2009, as amended from time to time;

“*seller*” means, in relation to the settlement of transaction, the selling dealing member or user;

“*sell-out*” means a process initiated by the ESE compelling a buying dealing member who failed to pay for bought securities on settlement date to sell securities in sufficient quantities in order to raise funds required to pay for the previously failed settlement;

“*settlement price*” means the price to be used in the settlement of deals in that security within a specified period;

“*share*” means any share or stock in the share capital of a company;

“*short sale*” means a sale of a security when the seller does not own the security or have an exercisable right of sale.

“*ESE*” means the Eswatini Stock Exchange;

“*ESE year*” means the financial year of the ESE that shall end on March 31 each year or such other date as the committee may determine from time to time;

“*securities exchange transaction*” means any transaction entered into by a dealing member with another dealing member or on behalf of a client with another dealing member of a foreign exchange;

“*stock*” means any stock in the share capital of a company;

“*striking price*” means the price at which the security under option will change hands should the option be exercised;

“*temporary documents of title*” means a certified transfer deed or balance receipt or any instrument of transfer or any other form of ESE acknowledgement or document of title approved by the ESE;

“*tick size*” means the step by step increase or decrease in the price by which bids and offers may be raised or lowered;

“*trading floor*” means the room, area and other facilities from time to time designated or made available by the ESE for effecting trades and other transactions between dealing members during a trading session of the ESE;

“*trading session*” 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 signalled by the ringing of a bell by an official of the ESE;

“*transaction*” means a securities exchange transaction unless otherwise required by the context;

“*user*” means a non-member of the ESE who has applied to and has been accepted by the ESE as a direct participant in its settlement system.

- 1.5 Where these Rules provide for the lodgement of a document, return or application with the chairman or committee, that document, return or application shall be lodged with the Exchange.

SECTION

2

GENERAL

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2.1 Name

The name of the exchange is the Eswatini Stock Exchange, hereinafter referred to as the ESE.

2.2 Corporate body

2.2.1 The ESE shall be a corporate body constituted separately from its members and shall have perpetual succession and be capable of acquiring rights and duties in law apart from those of its members.

2.2.2 Legal process issued against the ESE shall be validly served if served at the registered office of the ESE.

2.3 Objects

The objects of the ESE shall be to-

- (a) carry on the business of a self-regulatory securities exchange in Eswatini and do all things necessary in terms of the Act and carry on such business and obtain and maintain a licence to carry on the business;
- (b) be a self-sustaining securities exchange;
- (c) operate a securities exchange in Eswatini with due regard to the public interest; and maintain an orderly, fair, transparent and efficient market dealing in securities for the protection of investors;
- (d) regulate the affairs of members;
- (e) facilitate the processing of applications for the listing of securities which may be dealt in by members of the ESE and create and maintain facilities for trading, clearing, settlement and custody of securities;
- (f) provide members of the ESE with the facilities and services necessary for such members to carry on the business of dealers and transact any other business not inconsistent with these Rules or the Act; and,
- (g) do all other things that are incidental or conducive to the attainment of the above objects.

2.4 Powers of the ESE

2.4.1 The ESE shall have power to-

- (a) do all such things and enter into such arrangements and contracts as are necessary or desirable to achieve the intentions and objects of the ESE;
- (b) make, alter and rescind Rules to comply with the provisions of the Act and generally govern, control, manage and regulate the affairs

of the ESE and of its members and, without prejudice to the generality thereof, make Rules for-

- (i) the admission of members and termination of membership and prescribe the conditions with which a person shall comply to become and remain a member of the ESE;
 - (ii) the payment of membership fees and other contributions which shall be made to the ESE;
 - (iii) the conditions and circumstances under which a member may be suspended and membership terminated;
 - (iv) the business conduct of members and other persons authorised by the Rules to buy and sell securities on the ESE, including the brokerage which may be charged by members;
 - (v) the manner in which and the conditions in terms of which members shall deal on the ESE systems;
 - (vi) the corporate arrangements of members;
 - (vii) the inclusion of securities in the list which may be traded on the ESE and prescribe the conditions in terms of which a listing is granted;
 - (viii) the listing and sustaining fees which shall be paid in respect of listed securities by the issuers; and
 - (ix) the maintenance of an orderly market for trading in securities;
- (c) purchase or acquire, alienate or sell land, buildings, securities and every other kind or description of movable and immovable property;
 - (d) deal with its property and assets;
 - (e) borrow money;
 - (f) open and operate banking accounts and overdraw such accounts;
 - (g) secure the payment of monies borrowed in any manner including the mortgaging and pledging of property and, without detracting from the generality thereof, in particular, by the issue of any kind of debenture or debenture stock, with or without security;

- (h) lend money to any person or company and guarantee the obligations of any person or company on such terms as it deems fit;
- (i) invest money in any manner;
- (j) make donations;
- (k) undertake and execute any trust;
- (l) appoint or dismiss staff and delegate to persons so appointed specific or general powers and impose on them the duties which the committee may from time to time prescribe and remunerate them out of the funds of the ESE;
- (m) pay gratuities and pensions and establish pension schemes in respect of its officers, clerks and employees;
- (n) operate an Information Technology Department and prescribe the fees and charges which members of the ESE and members of the public shall pay to the ESE for services rendered and information furnished to them by the Information Technology Department or a member of its staff;
- (o) render to its members and the public any other service as the committee may from time to time determine and prescribe the fees and charges for such services;
- (p) vest in the Market Committee all or any of the powers of the ESE;
- (q) alter, add to, rescind or suspend any of these Rules and invoke only those sections of the Rules when the market has reached sophistication and maturity to make such Rules needed;
- (r) operate a traded options market and a clearing and settlement system for traded option transactions;
- (s) determine the underlying securities and indices for options;
- (t) set premium and margin requirements;
- (u) promulgate requirements for the regulation of the market and the protection of the ESE, its members and the investing public;
- (v) operate an automated trading, clearing, settlement and central securities depository systems to facilitate the buying and selling of securities; and
- (w) do all other things necessary for the operation of the market.

2.5 Powers exercisable by the ESE Board

The management and control of the ESE shall be exercised by the ESE Board which, in addition to the powers and authorities expressly conferred upon it by the Act and these Rules, may exercise all such powers and do all such acts and things as may be exercised or done by the ESE, and are not by the Act or these Rules expressly directed or required to be exercised or done by the members in general meeting provided that-

- (a) no resolution passed by the members in general meeting shall invalidate any prior act of the ESE Board;
- (b) the ESE Board shall not, without the authority of a general meeting, be entitled, for and on behalf of the ESE, to-
 - (i) borrow money for purposes other than those of the ESE;
 - (ii) invest funds of the ESE other than-
 - (1) on deposit with any commercial bank, merchant bank, savings bank, building society, deposit receiving institution or other similar financial institution which the ESE Board may consider suitable;
 - (2) in shares, stock, debentures, notes, rights and options of any kind issued or guaranteed by any company, corporation or undertaking or by any government, trust, authority or other body of whatever nature including securities exchange rights; or
 - (3) on the security of mortgage bonds over immovable property and participation in such bonds; and
- (c) issue any guarantee other than in the normal course of the business of the ESE.

2.6 Rules binding on members

2.6.1 These Rules, ESE directives, decisions and resolutions of the ESE Board now or hereafter in force shall be binding upon all members.

2.6.2 The Market Committee shall notify a member or members of a decision of the Market Committee with which such member or members shall comply. For the purpose of this Rule, a notice posted on the ESE notice Market Committee or published in the ESE web site and which contains particulars of such decision shall constitute notification by the Market Committee to the member or members.

2.7 Interpretation of Rules

- a) The interpretation and enforcement of these Rules, ESE directives, listings requirements shall vest with the Market Committee
- b) Interpretations of decisions and resolutions of the Market Committee shall vest in the Market Committee.

2.8 ESE not responsible for any losses

The ESE shall not be responsible or liable to any person for or in respect of direct, indirect or consequential liability, loss or damage of any kind or nature, howsoever arising, incurred as a result of-

- (a) negligence on the part of the ESE or on the part of any employee or agent of the ESE;
- (b) incorrect, inaccurate, defective or misleading information furnished or supplied by the ESE or any employee or agent of the ESE;
- (c) equipment breakdown or the breakdown, interruption, suspension, termination or failure of any system or service owned or operated by the ESE; or,
- (d) computer system malfunction, the interruption or failure of communication links, power failure, the failure of any software or hardware, the loss or destruction of any data and any loss or damage caused by natural disaster, riot, insurrection, acts of vandalism, sabotage or similar cause.

2.9 Transactions subject to provisions of the Act, Rules, etc.

Notwithstanding anything contained in these Rules, every transaction in securities entered into by a dealing member with or on behalf of another dealing member or a member of the public shall be concluded on the specific condition that the transaction is entered into subject to the provisions of the Act, these Rules, the ESE directives, decisions and resolutions of the Market Committee in force at the time the bargain was struck, and every dealer's note and advice note shall state that the transaction to which such note relates has been concluded subject to the provisions of the Act, the Rules and directives of the ESE, and the decisions of the Market Committee which were in force on the date the transaction was entered into.

2.10 Winding up

- 2.10.1 If the ESE should cease to be licensed to carry on the business of a securities exchange in terms of the Act, the ESE Board shall forthwith convene a meeting of members to be held within ninety (90) days from

- the date on which the ESE ceases to be licensed under the Act ("the effective date").
- 2.10.2 The ESE Board shall, at least seven (7) days prior to the meeting referred to in section 2.10.1, send to all members copies of an audited revenue and expenditure account of the ESE for the period from the last day of the financial year of the ESE for which annual financial statements have been published up to the effective date, together with an audited statement of assets and liabilities of the ESE as at the effective date ("the effective financial statements").
- 2.10.3 At the meeting referred to in 2.10.1, the members shall consider the effective financial statements to ascertain whether the assets of the ESE exceed its liabilities to such an extent that the ESE is able forthwith to discharge its obligations to the public arising out of the business of a securities exchange carried on by the ESE up to the effective date.
- 2.10.4 If the assets of the ESE exceed its liabilities, the ESE shall, for the purposes of 2.10.3, be considered solvent at the effective date.
- 2.10.5 If the assets of the ESE do not exceed its liabilities, the ESE shall, for the purposes of 2.10.3, be considered insolvent as at the effective date.
- 2.10.6 Should it appear from the effective financial statements that the ESE is insolvent as defined in 2.10.5, members may decide at the meeting referred to in 2.10.1 to contribute to the ESE such amount of money as shall be necessary to make the ESE solvent as defined in 2.10.4.
- 2.10.7 If members fail to contribute as contemplated in 2.10.6, the ESE shall be wound up by the court in accordance with the provisions of the Companies Act, 2009 as amended from time to time.
- 2.10.8 For the purposes of 2.10.7, the meeting referred to in 2.10.1 shall be deemed to have been duly constituted and held notwithstanding that less members were present than are sufficient to form a quorum.
- 2.10.9 Upon any resolution for the winding up of the ESE being made or deemed to have been made in terms of 2.10.8, the Market Committee shall forthwith cause application to be made to the court for the winding up of the ESE.
- 2.10.10 If it appears from the effective financial statements that the ESE is solvent as defined in 2.10.4 or if the members shall decide to contribute the amount of any shortfall of assets over liabilities as envisaged in 2.10.5, members shall, at the meeting referred to in 2.10.1, decide whether the ESE shall be wound up or whether the assets of the ESE, after discharging

the obligations of the ESE to the public arising out of the business of a securities exchange carried on by the ESE up to the effective date, shall be used by the ESE in any other business venture.

2.10.11 If members decide that the net assets of the ESE shall be used in another business venture, the ESE Board shall procure that-

- (a) the obligations of the ESE to the public arising out of the business of securities exchange carried on by the ESE up to the effective date shall forthwith be discharged;
- (b) the name of the ESE be changed to another name acceptable to members, which name shall not contain the words "securities exchange"; and
- (c) the objects and the articles of association of the ESE shall be amended accordingly and the ESE shall have the power to apply the net assets of the ESE in furtherance of any other business venture selected by the members.

2.10.12 If members decide that the ESE shall be wound up notwithstanding that it is not insolvent as defined in 2.10.4, the ESE Board shall, within seven (7) days of the decision, appoint a liquidator to conduct the winding up of the ESE.

2.10.13 The liquidator appointed under 2.10.12 shall-

- (a) give security to the satisfaction of the ESE Board for the proper performance of his duties as liquidator;
- (b) forthwith, upon his appointment and after his security has been furnished, realise the assets of the ESE in his capacity as the duly appointed agent of the ESE; and
- (c) within thirty (30) days after the assets of the ESE have been realised, circulate to all members a proposed distribution account showing the manner in which the net assets and liabilities of the ESE are to be applied and discharged; and
- (d) publish in two (2) issues of an English national daily newspaper, a notice to the effect that the proposed distribution account is open for inspection within a period of not less than fourteen (14) days from the date of such publication and indicating the address at which interested persons may inspect same and calling upon all persons interested to lodge in writing with the liquidator before a stated day, not being earlier than seven (7) days after the close of

the said period, any objection to the proposed distribution account with the reasons therefor.

- 2.10.14 If the liquidator is of the opinion, in consultation with the ESE Board, that any objection lodged with him ought to be sustained or, even though no objection has been lodged with him, that any improper charge has been made against the assets or that the financial statements of the ESE are in any respect incorrect and should be amended, the liquidator shall amend the proposed distribution account and if any such amendment should affect the interests of a person who has not lodged an objection with the liquidator, the account as amended shall again lie open for inspection and be advertised in the manner prescribed in Rule 2.10.13 (d) unless the person affected consents in writing to the immediate confirmation of the distribution account.
- 2.10.15 After the proposed distribution account has been open to inspection for the prescribed period, the Market Committee shall, if it is satisfied that the distribution account is correct and that the procedures contained in this section have been adhered to, confirm the distribution account.
- 2.10.16 The liquidator shall immediately after the confirmation of the distribution account, in terms of 2.10.15, proceed to distribute the assets in accordance therewith and shall without delay lodge with the ESE Board receipts for any payments in pursuance of the distribution.
- 2.10.17 If any amount payable in terms of the distribution account remains unclaimed for a period of two (2) months after the confirmation of the distribution account, the liquidator shall immediately pay such amount into the Guardian's Fund and submit proof of such payment to the ESE Board.
- 2.10.18 If the liquidator and the ESE Board are satisfied that the winding up is complete, they shall certify that the ESE has been wound up and shall circulate a copy of the joint certificate to all members, whereupon the ESE shall be dissolved.
- 2.10.19 For the purposes of considering whether the assets of the ESE are sufficient to discharge the obligations of the ESE to the public as envisaged in 2.10.3 the words "assets" shall include the ESE Investor Protection Fund.

SECTION

3

THE MARKET COMMITTEE OF THE ESE

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- 3.1 Power and authority
- 3.1.1 A decision of the Market Committee on a matter before it shall be final unless reversed by the appeal committee established under the Act.
- 3.1.2 Any action, procedure, directive, instruction or decision of the Market Committee in relation to the administration, management, control, conduct or procedures for the orderly functioning of the ESE as an efficient market place for securities, which is in accordance with the provisions and powers contained in these Rules, shall be binding upon dealing members, their employees, clients and other parties with whom members are permitted to deal.
- 3.1.3 The Market Committee may issue a directive to members governing all aspects of the business of the ESE, including dealing in items or instruments other than securities, and the responsibilities of members therefor, provided such directive does not affect the public.
- 3.1.4 The Market Committee may from time to time prescribe the examination requirements with which a candidate shall comply to qualify for ESE membership.
- 3.1.5 The Market Committee may prescribe trading, clearing, settlement and central securities depository systems and pass those Rules and directives necessary for the effective running of the prescribed systems. Rules inconsistent with systems may be set-aside until such time as they can be complied with.
- 3.1.6 The Market Committee may require members to make contributions towards ESE funds to facilitate the carrying on of the business of the ESE.
- 3.1.7 The Market Committee shall have the power to-
- (a) decide on the hours of business of the ESE and reduce or extend such hours as circumstances may dictate;
 - (b) close the ESE trading system at any time and for any period and the Market Committee shall cause the Authority to be advised forthwith of any such closure; and,
 - (c) declare, in exceptional circumstances, that a transaction effected by or through the ESE trading system is void. Such a declaration shall bind a dealing member, a client of such member, or a counterparty with whom such transaction was effected.
- 3.2 Market Committee members
- 3.2.1 The committee shall at all times consist of-
-

- (a) two or more representatives from dealing members;
- (b) one representative from the ESE who shall be the chairperson;
- (c) one representative from issuers of listed securities;
- (d) a representative from institutional investors;
- (e) a representative from transfer secretaries; and
- (f) a representative from the investing public.

3.2.2 A representative from the Exchange shall be an ex officio member of the committee and shall serve as its secretary.

3.2.3 Each committee member mentioned in Rule 3.2.1 shall have an alternate who shall attend meetings and the business of the committee in the absence or indisposition of the member.

3.2.4 Committee members shall hold office for a period of not more than three (3) years or until a new committee has been elected, whichever occurs earlier.

3.2.5 Notwithstanding Rule 3.2.4, members who are in office on the date of the adoption of these Rules shall continue in office for a period of three (3) years from such date.

3.3 Election of members

The secretary shall arrange with constituencies represented in the committee to nominate representatives and alternates to represent them in the committee.

3.4 Resignations

3.4.1 A member may resign from office upon giving notice in writing to the secretary.

3.4.2 A member shall cease to hold office if removed, by notice in writing to the secretary, by the constituency the member represents.

3.4.3 If any member of the committee resigns or is removed by his constituency, he may, at the request of the committee, continue to hold office and exercise all the powers vested in him as a member of the committee until the vacancy caused by his resignation has been filled.

3.4.4 If more than half of the members of the committee resign or are removed and do not accede to a request to continue in office pending the filling of the resulting vacancies, the committee members remaining in office shall not be entitled to take any decisions other than those required to continue the day-to-day business of the ESE except to call forthwith for

nominations to fill the vacancies in the committee in the manner set forth in these Rules.

3.4.5 If all members of the committee resign such members shall continue to hold office and exercise all the powers vested in them as members of the committee until a new committee has been elected.

3.5 Power to co-opt

Where there are insufficient nominations to fill all the vacancies, the committee shall fill the remaining vacancies by co-opting to the committee sufficient persons or such other specialist as they may see fit.

3.6 Committee meetings

3.6.1 (a) The committee shall meet at such time and place as it may determine.

(b) The committee or the chairman may determine that a specific matter be dealt with at a special meeting to be called for that purpose.

3.6.2 Notices of meetings shall be given either to the members of the committee personally or by leaving the notice at an office of the member or by communicating such notice verbally, including by telephone or e-mail, to some person at an office or the home of the member, provided that no notice need be given to a member of the committee of any meeting to be held during a period in respect of which he has been granted leave of absence in terms of these Rules.

3.6.3 The notice of a special meeting shall give particulars of the business to be conducted at the meeting; and no business other than that set forth in the notice shall be conducted at the meeting.

3.6.4 The chairman, or in his absence, the alternate chairman shall call a special meeting upon the written request of any three (3) members of the committee.

3.7 Quorum

3.7.1 Four (4) members of the committee present, including a representative from the Exchange, shall form a quorum at meetings of the committee.

3.7.2 The quorum for meetings of sub-committee shall be two (2) members of the committee unless otherwise resolved by the committee.

3.7.3 If a quorum is not assembled within a quarter of an hour after the time appointed for the meeting, the meeting shall be cancelled.

- 3.7.4 Save as is otherwise provided in these Rules, members of the committee may meet for the despatch of business, adjourn, and otherwise regulate their meetings as they deem fit.
- 3.7.5 Questions arising at any meeting of the committee or any sub-committee shall be decided by a majority of votes unless a specific Rule requires a larger majority.
- 3.7.6 In case of an equality of votes, the chairman of the meeting of the committee, other than a meeting of a sub-committee, shall have a second or casting vote.
- 3.8 Election of office-bearers, sub-committee, etc.
- 3.8.1 In the absence of both the chairman and the alternate chairman, members of the committee shall appoint a chairman for such meeting from among their number.
- 3.8.2 The committee shall be empowered to appoint sub-committees and to appoint chairmen and alternate chairmen of such sub-committees; and, subject to the provisions of the Act and these Rules, may delegate any of the committee's powers and duties to the sub-committees.
- 3.9 Minutes shall be kept
- 3.9.1 The committee shall cause minutes of all proceedings at its meetings, whether of the committee or a sub-committee, to be entered as a permanent record in one or more books kept for that purpose.
- 3.9.2 Minutes shall be evidence of the proceedings of committee meetings or sub-committee meetings if purporting to be signed-
- (a) in relation to committee minutes, by the chairman of a subsequent committee meeting at which they are confirmed; and
 - (b) in relation to sub-committee minutes, by the chairman of any subsequent meeting of the sub-committee or of the committee at which they are confirmed.
- 3.10 Signing Powers
- A document or proceeding requiring signature or authentication by the ESE shall be signed by-
- (a) the secretary or an authorised officer from the Exchange;
 - (b) the chairman or alternate chairman;
 - (c) the chairman of the meeting at which the relative matter was dealt with;

- (d) two (2) other members of the committee or sub-committee who were present at the meeting at which the relative matter was dealt with; or
- (e) the chairman, his alternate or such other person as is authorised by the committee.

3.11 Committee members and others indemnified

3.11.1 Every member of the committee and every employee of the ESE shall be indemnified by the ESE against all actions, liabilities, costs, charges, losses, damages and expenses which they or any of them may incur or become liable for in respect of any act done, concurred in, or omitted, in or about the execution of their duties in their respective offices and trusts, as a member of the committee or an employee of the ESE, whether in their capacity as a member of the committee, trustee of the Investor Protection Fund, director of any company as a representative of the ESE or otherwise, including all such actions, liabilities, costs, charges, losses, damages and expenses which arise consequent on any mistake, oversight or omission on the part of such member or employee other than through his negligence or wilful breach of duty or trust; and it shall be the duty of the committee to pay and discharge all such actions, liabilities, costs, charges, losses, damages and expenses out of the funds of the ESE.

3.11.2 For the purposes of 3.11.1, a member or employee shall not be regarded as having been negligent or having acted in wilful breach of duty or trust if such apparent negligence or breach was solely or mainly the result of incorrect information supplied to such member or employee by a source from which the committee member or employee would normally accept the information as correct and which can be expected to provide the correct information.

3.11.3 No person mentioned in 3.11.1 shall be answerable for the acts, rights, neglects or defaults of any other such person or of any bankers or other persons with whom monies or effects of the ESE may, subject to the provisions hereof, be or have been lodged or deposited for safe custody, or for joining in any action for the sake of conformity or for the insufficiency or deficiency of any security accepted by the committee or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts or in relation thereto, except as may happen by or through their own wilful breach of duty or breach of trust.

3.12 Proposals for alterations and additions to Rules

3.12.1 Any member of the committee may propose in writing an alteration or addition to the Rules. The proposal shall be lodged with the Exchange

which shall submit it to the committee for noting at its next ordinary meeting.

3.12.2 The proposed alteration or addition shall be published on the ESE web site and placed on the ESE notice Market Committee on the day following its noting by the committee.

3.12.3 At the end of fourteen (14) days after publication on the ESE web site and placement on the ESE Market Committee notice board, the committee shall consider the proposed alteration or addition to the Rules and announce its decision on the ESE web site and by notice on the ESE Market Committee notice board.

3.12.4 Any alterations or additions to these Rules shall be subject to the approval of the Authority.

SECTION

4

MEMBERSHIP OF THE EXCHANGE

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- 4.1 General
- 4.1.1 The ESE shall have the following categories of membership-
- (a) associate members;
 - (b) individual honorary members;
 - (c) designated agents; and,
 - (d) dealing members.
- 4.1.2 All membership categories shall, subject to Rule 3.2.1, be eligible for election to the Committee of the ESE.
- 4.2 Associate members
- 4.2.1 The committee may admit to associate membership any corporate body or association which is committed to further the objects of the ESE, including applicants falling within the categories of listed companies, companies with potential for listing, institutional investors and professional associations.
- 4.2.2 An applicant for admission to associate membership shall submit to the chairman, a duly completed form in the manner and form prescribed by the committee, together with the following-
- (a) a copy of-
 - (i) the applicant's memorandum and articles of association together with a certificate of incorporation, in the case of an applicant that is a company; or
 - (ii) the applicant's constitution, in the case an applicant that is an association; and
 - (b) the applicable fee.
- 4.2.3 Associate members shall pay admission and annual membership sustaining fees as prescribed by the committee from time to time.
- 4.2.4 Associate members shall be of good financial standing, integrity, probity and shall be required to comply with the general conditions for associate membership as laid down by the committee.
- 4.2.5 An associate member shall furnish the committee upon request with such information regarding its financial position as the committee may require.
- 4.2.6 An associate member shall in all respects be a non-dealing member who has been admitted as such by the committee.
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- 4.2.7 An associate member shall not, unless specially exempted by the committee, be entitled to remission of fees on account of absence from Eswatini.
- 4.2.8 The committee may at any time resolve that an associate member shall cease to be an associate member of the ESE.
- 4.2.9 Notwithstanding 4.2.8, an associate member may apply in writing to the chairman of the committee to have its membership terminated.
- 4.3 Individual honorary members
- 4.3.1 The committee may grant honorary individual membership to past chairmen and any other natural person who, in the opinion of the committee, deserves to be made an individual honorary member.
- 4.3.2 A person may be nominated into individual honorary membership by any two or more members of the ESE committee.
- 4.3.3 An individual honorary member may apply in writing to the chairman of the ESE to have his membership terminated.
- 4.4 Dealing members
- 4.4.1 No applicant shall be admitted as or allowed to continue to be a dealing member of the ESE unless it-
- (a) is a company incorporated under the Companies Act, 2009;
 - (b) is in possession of a currently valid dealer's license issued under the Financial Institutions Act, 2005 or the Securities Act, 2010, as the case may be;
 - (c) meets requirements and qualifications for membership prescribed by the Act and these Rules;
 - (d) satisfies the committee that the interests of the ESE and the investing public shall be served by its admission;
 - (e) meets and continues to meet minimum financial requirements determined by these Rules and approved by the Authority; and
 - (f) has, as its sole object, the business of dealing in listed securities.
- 4.4.2 An applicant for admission as a dealing member shall submit to the chairman, a duly completed application form as prescribed by the committee, accompanied by a copy of its memorandum and articles of association together with its certificate of incorporation.
-

- 4.4.3 The committee shall not grant dealing membership unless the memorandum and articles of association of the applicant and its financial position comply with the Act and these Rules.
- 4.4.4 Upon the decision of the committee that the applicant is qualified, fit and proper for admission to dealing membership, the applicant shall pay the one-off admission fee for the time being payable.
- 4.4.5 From date of the payment of the admission fee, the committee shall admit the applicant to dealing membership and register it as a dealing member who shall be entitled to all the benefits accorded to such membership under the Act and these Rules.
- 4.4.6 Should payment under Rule 4.4.4 not be made within the prescribed period, the application shall automatically lapse unless, consequent upon an appeal by the applicant to the committee, the committee directs otherwise.
- 4.5.7 Dealing members shall pay an annual sustaining fee prescribed by the committee.
- 4.5.8 A dealing member shall not, unless the committee specially decides, be entitled to remission of fees on account of absence from Eswatini.
- 4.6 Membership not transferable
- Membership of the ESE shall not be transferable or transmissible and shall accrue only to the person or a duly authorised representative of the person admitted as such by the ESE.
- 4.7 Bank guarantee by dealing members
- 4.7.1 A dealing member shall furnish the ESE with a bank guarantee that shall be not less than the amount prescribed by the committee from time to time.
- 4.7.2 The bank guarantee referred to in Rule 4.7.1 shall be free of any charges or encumbrances and shall not count for purposes of a dealing member's share capital prescribed by these Rules.
- 4.7.3 A dealing member who fails to restore its bank guarantee in accordance with these Rules shall not be entitled to trade until the guarantee shall have been restored.
- 4.8 Independence of dealing members
- A dealing member shall not, directly or indirectly, hold a beneficial interest in the share capital of another dealing member.
-

4.9 Expulsion of dealing members

A dealing member shall be liable to expulsion in accordance with these Rules if, in any particulars or information given by the dealing member, a misrepresentation or omission of a material fact is found to have been made at the time of application. In the event of expulsion, the dealing member shall cease forthwith to have access to the trading, clearing, settlement and central securities depository facilities of the ESE.

4.10 Liability of directors and officers of dealing members

A director, manager, or officer of a dealing member shall, together with such dealing member, be liable under these Rules for any breach, non-compliance, violation or contravention of the Act, these Rules, ESE directives or resolutions of the committee if such 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 such director, manager or officer.

4.11 Incapacity of dealing members

4.11.1 In the event of a dealing member-

- (a) ceasing to have a director and a principal officer qualified as required in the Act;
- (b) becoming insolvent;
- (c) being dissolved; or
- (d) passing a resolution to wind up or a court order being made for the appointment of a liquidator or receiver against a dealing member,

all the rights and benefits of the dealing member shall immediately be suspended.

4.11.2 The personal representative, trustee, receiver or liquidator, as the case may be, shall have full charge and power over the assets of a dealing member and shall abide by the articles of the dealing member, these Rules, ESE directives, resolutions and decisions as if he was the dealing member.

4.11.3 The transfer of bought and sold securities shall be executed by the personal representative, trustee, receiver or liquidator, as the case may be.

4.12 Company name and address of dealing members

4.12.1 A dealing member shall register with the ESE the company name under which it carries on the business of dealing in securities and no dealing

member shall, without the prior consent of the committee, change the company name so registered. The company name of a dealing member registered with the ESE shall be the same as that registered by it under the Companies Act, 2009.

4.12.2 The committee shall have the power to prohibit a dealing member from using any company name.

4.12.3 A dealing member may register with the ESE more than one business addresses held for the purpose of dealing in securities and if a dealing member registers more than one business address, the dealing member shall specify one as its principal business address.

4.12.4 A dealing member shall give advance notice of commencement, temporary suspension and cessation of business to the committee.

4.12.5 A dealing member shall be responsible for all acts done or contracts committed by its directors, employees or agents in its business of dealing in securities.

4.13 Voluntary resignation by dealing members

4.13.1 A dealing member wishing to resign shall tender his resignation in writing to the Exchange who shall forward such resignation to the committee to note.

4.13.2 Once noted by the committee, the resignation shall be placed on the ESE notice Market Committee and its web site for at least four (4) weeks before the committee considers such resignation.

4.13.3 The committee may-

(a) accept a dealing member's resignation either unconditionally or on such conditions as it deems fit, or

(b) refuse to accept such resignation until it is satisfied that all outstanding deals with such dealing member have been settled.

4.13.4 No application for resignation shall be withdrawn without the consent of the committee.

4.14 Admission fees

4.14.1 An applicant for a dealing membership shall pay to the ESE an admission fee of E1 000 when it is first admitted to such membership.

4.14.2 An applicant for associate membership shall pay to the ESE an admission fee of E500 when he/it is first admitted as an associate member.

- 4.14.3 Honorary members shall not pay any entrance fees to the ESE on admission.
- 4.15 Annual membership sustaining fees
- 4.15.1 Members of the ESE shall pay annual membership sustaining fees to the ESE on or before March 15 each year except during the calendar year in which the membership was first granted as follows-
- (a) dealing member-One thousand (E1,000) Emalangeni;
 - (b) Associate members-Five hundred Emalangeni (E 500); and
 - (c) Honorary members-nil.
- 4.15.2 Each authorised dealer's representative (ADR) shall pay an annual fee of E500 for admission to the ESE trading floor.
- 4.15.3 An dealing member who uses the ESE information technology systems for its trading, clearing, settlement and central depository business shall pay such fees as prescribed by the ESE from time to time.
- 4.15.4 The committee may, in addition to the admission, other fees and charges prescribed by these Rules from time to time, impose upon dealing members a levy that shall be paid to the ESE or any of its funds on such conditions as the committee may decide.
- 4.15.5 Any admission, licence or other fee, charge, contribution or levy to be paid or which may be imposed in terms of these Rules shall be paid as determined by the committee from time to time and any member failing to make such payment when due shall, unless the same be paid within one (1) month after written demand has been made by the committee, cease to be a member of the ESE.

SECTION

5

AUTHORISED DEALER REPRESENTATIVES

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- 5.1 The person
- 5.1.1 The ESE may admit a person as an authorised dealing member's representative, hereinafter ADR, to transact the business of securities on its trading system on behalf of a dealing member. The person admitted shall-
- (a) have been granted a dealer representative licence under the Act;
 - (b) be a resident of Eswatini of at least twenty-one (21) years of age who has full legal capacity;
 - (c) be of good character and high business integrity;
 - (d) satisfy the committee that the interests of the ESE and the investing public shall be served by his admission;
 - (e) have worked in the office of a dealing member of the ESE for a minimum period of twelve (12) months;
 - (f) have minimum educational qualifications of 4 'O' Level passes or other equivalent examination, including mathematics and English; and
 - (g) have passed such other qualifying examination(s) as may be prescribed by the committee from time to time.
- 5.1.2 The twelve (12) month period under 5.1.1 (e) may be reduced at the discretion of the committee if the person has been employed by a dealing member of a recognised securities exchange and is able to produce confirmation of such employment.
- 5.2 Application procedure for ADRs
- 5.2.1 A dealing member desirous of obtaining the admission of a candidate as an ADR shall make an application in writing to the chairman which shall be accompanied by-
- (a) a duly completed form prescribed by the committee; and
 - (b) the curriculum vitae of the proposed candidate indicating qualifications and experience.
- 5.2.2 The committee shall require that the applicant dealing member knows the applicant personally and be familiar with details of his past and present circumstances.
- 5.2.3 The committee may call a dealing member to provide such information on an application as it may require.

- 5.2.4 The committee may also require the candidate to attend a meeting of the committee and answer such questions as it may deem necessary.
- 5.2.5 In the event of it transpiring that a wilful or negligent misstatement on a material point has been made, the committee may reject the application and suspend the dealing member concerned.
- 5.3 Approval of applications for admission as ADRs
- 5.3.1 An application for admission as an ADR shall be posted on the ESE notice Market Committee and web site for not less than seven (7) days and all dealing members shall be notified thereof.
- 5.3.2 After the expiry of the seven (7) days contemplated in 5.3.1, the committee shall vote on that application and the candidate shall not be admitted unless he receives a simple majority votes of committee members present.
- 5.3.3 The applicant dealing member shall be advised by the chairman in writing of the admission or otherwise of the candidate.
- 5.4 Rejected applications
- Where an application for admission of an ADR has been rejected, a dealing member shall not make a fresh application on behalf of the candidate within one (1) year from the date of rejection.
- 5.5 Fees payable on behalf of ADRs
- Dealing members shall pay on behalf of their ADRs a one-off admission fee of E500 and an annual sustaining fee prescribed by the committee from time to time.
- 5.6 Substitution or dismissal of ADRs by dealing members
- 5.6.1 A dealing member who ceases to employ an ADR or is desirous of withdrawing the permission from an ADR to transact business on behalf of that dealing member shall give notice in writing to the chairman who shall notify other dealing members and post such notice on the ESE notice Market Committee and web site.
- 5.6.2 A dealing member may, simultaneously with the action contemplated in a 5.6.1, apply for the admission of a replacement ADR in place of the substituted or dismissed ADR; and the committee may, at their discretion, admit the replacement ADR subject to these Rules.
- 5.6.3 The committee may, in its discretion, order the withdrawal of any ADR from the ESE trading system.

5.7 ADRs' responsibilities to dealing members

Every ADR shall be the agent of the dealing member on whose application he was admitted and such dealing member shall be fully responsible for all trades, contracts, dealings and other acts or omissions of its ADR as if they were those of the dealing member.

5.8 Excluded ADRs

5.8.1 An ADR from a suspended or expelled dealing member shall be excluded from the ESE trading system.

5.8.2 An ADR from a suspended or expelled dealing member may, by permission of the chairman, alternate chairman or two (2) members of the committee, continue to be authorised for the sole purpose of closing accounts.

5.9 Permitted number of ADRs

A dealing member shall not be entitled to have more than two (2) ADRs attending a dealing session at any one time.

5.10 Limitations on the activities of ADRs

5.10.1 An ADR or other employee of a dealing member shall neither be permitted to handle a discretionary account of a customer nor to make a bargain in his own name or for his account.

5.10.2 An ADR employed as such by a dealing member shall not, after the termination of his employment, enter into any deal in his own name or participate either directly or indirectly in underwriting or acquiring an option on listed securities by reason of being a vendor of property or other assets sold or to be sold to an issuer, directly or indirectly, unless he has obtained the written permission of the committee.

5.11 Transaction between ADRs

5.11.1 If an ADR concludes a deal with another ADR for the account of such ADR, he shall be liable to immediate suspension or expulsion.

5.11.2 A dealing member or its employee shall not execute or be instrumental in the execution of a deal for a person whom he knows is an employee of another dealing member.

5.11.3 The provisions of 5.11. 1 and 5.11.2 shall not be construed as prohibiting an ADR from conducting normal dealing business with another ADR.

SECTION

6

CODE OF CONDUCT FOR DEALING MEMBERS

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6.1 Employees of dealing members bound by these Rules

A dealing member shall not employ any person unless such person has entered into a written agreement with the dealing member concerned to comply with the provisions of the Act, these Rules, directives, resolutions and the code of conduct as the committee may determine from time to time.

6.2 Code of ethics

6.2.1 A dealing member shall, in the conduct of its business, observe high standards of integrity, fair dealing and it shall not-

- (a) provide material inducements of a non-business nature to any person to obtain business;
- (b) knowingly circulate information which is false or misleading;
- (c) knowingly countenance any attempt to manipulate the market, nor to influence persons for such purpose; or
- (d) participate in any dealings with other dealing members, their clients, the media, or other persons that may be of such a nature as to discredit the ESE.

6.2.2 A dealing member shall conduct its business of dealing in securities in strict accordance with the public interest and full respect for the dignity of the ESE.

6.3 Dealing members not to evade Rules

A dealing member shall not act as a principal for the purpose of evading these Rules or adopt any other procedure for a like purpose.

6.4 Nominee accounts

6.4.1 Where an agency account is carried by a dealing member, 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 on its behalf. Such files shall be made available to the ESE at any time on request. Where estate and trustee accounts are involved or where a husband is acting as agent for his wife, or a wife is acting for her husband, a dealing member shall act on advice from legal counsel as to the documents that shall be obtained before opening the account.

6.4.2 All client accounts shall be identified and designated by the full name of the client and no dealing member shall carry a client account designated only by a number or symbol.

6.4.3 All dealing members shall inform the ESE promptly of particulars of delinquent accounts.

6.5 Particulars of clients

Particulars relating to every client shall be recorded and maintained up to date at the office of a dealing member. Such particulars 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 such client, in addition to the particulars prescribed by the committee.

6.6 Contract notes

A dealing member shall forthwith, but not later than the next business day following the relevant dealing, despatch 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 including the following-

- (a) the name and style under which a dealing member carries on business and the address of the principal place at which it so carries on business;
- (b) a statement as to whether the dealing member is acting as principal or agent;
- (c) the name of the person to whom the dealing member is required to give the contract note;
- (d) the date of the bargain and the date on which the contract note is made out;
- (e) the quantity and description of the securities that are being acquired or disposed of;
- (f) except in the case of private transfers, 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, if any, and registration charges, if any, payable in connection with the contract and, where applicable, in respect of the transfer;
- (j) the amount of exchange transaction fees or other ESE charges; and

(k) the words: "Subject to the Rules of the Eswatini Stock Exchange"

6.7 Transfers

6.7.1 All transfers of securities shall be processed in accordance with these Rules. Such transfers shall include private transfers of securities in the following categories-

- (a) gifts to parties authorised by law to receive such gifts such as charities and philanthropic legal persons;
- (b) gifts to close relatives that shall include spouses, children, parents, and grandparents as duly recognised by law;
- (c) operation of law;
- (d) administration of estates; and
- (e) corporate action, through restructuring where there is no transfer of beneficial interests.

6.7.2 Private transfers shall be approved by the ESE upon receiving an application from a dealing member.

6.7.3 A nominal fee of 25% of the normal commission at the prevailing market price being transferred shall be payable by the transferee subject to a minimum of E20.

6.8 Clearing fees

Dealing members shall pay to the ESE, in respect of business transacted and cleared through the ESE with respect to clearing, settlement or other related activities, the fees prescribed under these Rules.

6.9 Payment to client

6.9.1 Any amounts due to a client in respect of a deal shall be paid to the client by cheque drawn by the dealing member or bankers payment not later than the business day following the settlement date, less any fees payable to the ESE by the client.

6.9.2 Fees payable by a dealing member in respect of dealings in marketable securities shall be charged to and paid by the dealing member and not passed on to the client.

6.9.3 Any amount deductible from payment to the client to the ESE shall be remitted directly to the ESE by the dealing member.

6.9.4 A client's account operated for a person associated with a dealing member shall be operated by a principal officer duly authorised by the dealing member's Market Committee of directors and shall be made available for inspection at any time by the ESE.

6.10 Discretionary account

A dealing member shall not exercise any discretionary authority in respect of a discretionary account unless-

- (a) the client has given prior written authorisation to the dealing member to exercise discretion on the account;
- (b) the dealing member has accepted the discretionary account in accordance with these Rules; and
- (c) the authorisation given to the dealing member shall specify the investment objectives of the client with respect to the particular discretionary account. Each authorisation or acceptance may be terminated by notice in writing by dealing member or the client, as the case may be.

6.11 No credit to clients

A dealing member shall not provide credit to a client.

6.12 Ban on fictitious sales

No fictitious sale or contract shall be made and each dealing member shall transact its business openly and fairly and in accordance with just, equitable, usages and practice of the ESE.

6.13 Prohibition of false markets

6.13.1 No dealing member shall use or knowingly participate in the use of any manipulative or deceptive method of trading in connection with the purchase or sale of any security that creates or may create a false or misleading appearance of trading activity or an artificial price for the said security.

6.13.2 A dealing member who contravenes 6.13.1 shall be liable to immediate suspension from the ESE and, shall cease to trade in securities pending disciplinary proceedings. Any deals concluded with or by such dealing member during the trading session in which he is suspended shall be cancelled.

- 6.14 Short selling
- Short selling, being a sale of a security when the seller does not own that security or has no exercisable right of sale, shall be prohibited.
- 6.15 Advertising
- 6.15.1 A dealing member shall not advertise for ESE business or, for this purpose, issue circulars or business communications to persons other than its own clients, except with the prior written permission of the committee.
- 6.15.2 A dealing member may issue, on behalf of a client, a circular to holders of a security of a company offering to acquire their securities provided that the dealing member shall not consider any holder of a security so circularised as its client by reason of the issue of the circular.
- 6.15.3 A dealing member shall display, outside the premises it occupies, the name of the company and a statement that the dealing member concerned is a “Member of the Eswatini Stock Exchange”.
- 6.15.4 A dealing member shall not, without the prior written consent of the committee, allow its name to appear as brokers in any document relating to securities in respect of which no application for listing has been made or such application has been refused or deferred or listing of which has been suspended or cancelled.
- 6.16 Fiduciary responsibility
- 6.16.1 A dealing member shall not use the knowledge and information gathered from a client in the course of its business dealings with a client, which shall be of a fiduciary nature for the advancement of the dealing member's or the dealing member's associates' financial interest whether directly or indirectly.
- 6.16.2 In the event of any conflict of interest, directly or indirectly, between a dealing member and his client, the dealing member 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.
- 6.16.3 Actual or potential conflicts of interest include, but not exclusively-
- (a) dealing as a principal with the client;
-

- (b) acting on behalf of the issuer of the securities; and
- (c) acting for both parties to the deal.

6.17 Priority of client's interests

16.7.1 A dealing member shall place all orders through the trading floor and shall clearly distinguish business transacted for its clients and business transacted on behalf of persons associated with the dealing member.

16.7.2 A dealing member shall, at all times, first consider the interests of its client; and its own interest shall be subordinate to that of the client.

16.7.3 A dealing member shall not withhold or withdraw from the trading floor any order or any part of a customer's order for the benefit of itself or of any other person.

6.18 Market manipulation

A dealing member shall avoid any practice that may create a false market and may not, directly or indirectly, participate in any operation by others, which shall have a similar result. The dealing member shall immediately report to the ESE any knowledge gained by a dealing member of a transaction that would result in the creation of a false market. 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 presentation of information which is false, exaggerated or tendentious or is brought about or sought to be brought about by any one dealing member or a group of them to deliberately distort the market for financial gain.

6.19 Compliance by dealing members and their clients

6.19.1 A dealing member 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, to its knowledge, they may be held to be in violation of provisions such as those on insider dealing.

6.19.2 In the event of the ESE finding that any bids or offers placed or about to be placed are disorderly or malicious, the dealing member shall comply with the order of the call-over manager to set aside or suspend such bids or offers.

6.19.3 A dealing member shall make available for inspection to any client who so requested, its latest audited statement of financial position, its fixed scale of charges and the names of directors or principals of its business.

- 6.19.4 A dealing member shall comply fully with any inquiries undertaken by the ESE or by any other competent authority.
- 6.19.5 A dealing member, any of its executive directors or employees shall not, without the prior authority of the ESE, deal in securities of an issuer where such dealing member, its director or any of its employees is a director or officer.
- 6.20 Customers' complaints
- 6.20.1 Every dealing member shall have, in operation, a procedure for handling complaints from its customers. All employees of a dealing member who deal with customers shall be made aware of these procedures which shall provide for-
- (a) the complaint to be investigated fully and appropriately by an executive director;
 - (b) the complaint to be reported to the ESE if not settled within seven (7) days of receipt; and
 - (c) the notification to the complainant of his right to utilise the ESE security holders' complaints procedure.
- 6.20.2 A written record of all complaints made by clients shall be maintained by each dealing member.

SECTION

7

TRADING PROCEDURES

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7.1 Application

These Rules, together with the listings requirements, directives, notices, decisions, resolutions of the committee shall apply to and be binding upon dealing members of the ESE and all persons claiming thereunder.

Transactions

- 7.2.1 A dealing member shall transact its business in a just and equitable manner; and every transaction, whether for the account of the member effecting it or for the account of a client or with a counterparty, shall be fulfilled according to the provisions of the Act, these Rules, ESE directives, committee decisions and usages of the ESE in force at the time a bargain is struck.
- 7.2.2 A dealing member may not stop payment of any cheque given to another dealing member or to an ESE settlement system.
- 7.2.3 A buying dealing member and a selling dealing member are both responsible for the due fulfilment of all transactions in securities entered into between them. Compliance with the ESE settlement system procedures shall constitute such fulfilment.
- 7.2.4 A dealing member is responsible to its client or counterparty for the due fulfilment of all transactions in securities entered into on behalf of the client or with the counterparty. A dealing member shall, at all times, guarantee the fulfilment of the deal by the counterparty to the transaction in question.
- 7.2.5 Any action by a client or a counterparty in respect of a security exchange transaction shall be against the dealing member which entered into the transaction on the instructions of such client or with such counterparty.
- 7.2.6 A dealing member shall ensure that buyers and sellers of listed securities are aware of their material obligations in terms of the Act and these Rules.
- 7.2.7 A dealing member may not transact any business on the account of a client if such business is being executed in terms of a power of attorney, unless a commissioner of oaths or notary public has attested the power of attorney.
- 7.2.8 A dealing member represents and warrants to the ESE and to persons with or on behalf of whom the dealing member executes transactions in securities that any person employed by the dealing member to deal with such persons in relation to such transactions has full authority to act on behalf of the dealing member.

7.3 Unreasonable transactions

7.3.1 Where, from a lack of clarity in the published information available at the time of a transaction, a dealing member deals in a quantity or at a price which, in the opinion of the committee is unreasonable, the committee may declare the deal void.

7.3.2 A declaration in terms of Rule 7.3.1 shall be binding on the dealing members who entered into the deal and on the clients on whose behalf, or counterparties with whom, the transaction was executed.

7.4 Prohibition of dealings

The committee may prohibit dealings by dealing members in any particular security, either for a specified or an indefinite period.

7.5 The ESE trading system

7.5.1 The ESE trading system shall be a centralised order driven market providing a trading floor for dealing in securities.

7.5.2 Trading in securities shall only be effected through the ESE trading system and all transactions in securities, unless otherwise stipulated by the committee, shall be effected through the system.

7.5.3 The committee, after consultation with the Authority, shall prescribe by directives published on the ESE notice Market Committee and web site-

(a) the conditions which shall govern the operation of the ESE trading system;

(b) the procedures which dealing members shall follow in the entering and execution of transactions through the ESE trading system; and

(c) the hours of business of the ESE trading system.

7.6 Trading hours

7.6.1 Trading sessions shall be conducted on business days between 15h00 and 15h30 except where varied by notices issued by the ESE on its notice Market Committee, trading floor or web site.

7.6.2 Transactions shall not be effected before the opening or after the closing bell.

7.6.3 The ESE shall place a notice on the trading floor, notice Market Committee and web site at least two (2) business days before any changes are made to trading hours.

- 7.6.4 The ESE shall be closed for business on Saturdays, Sundays and on any other day proclaimed by the government as a public holiday, and on such other days as shall be specially advised by the ESE.
- 7.7 Urgent actions
- 7.7.1 Notwithstanding any other provision in these Rules or any directive, the chairman may-
- (a) with due regard to circumstances, reduce, increase or alter the hours of business of the ESE trading system at any time and for any period;
 - (b) with due regard to circumstances, and without notice to any person, close the ESE trading system for trading at any time and for any period;
 - (c) if there has been any failure of the ESE trading system, or any part thereof, for any reason, declare any transaction effected by or through the ESE trading system to be void; and
 - (d) exercise such further powers and take such further action as may be exercised or taken by the committee provided such exercise or action is necessary to resolve any immediate issue which may arise from the closure or failure of the ESE trading system, or any part of it.
- 7.7.2 A declaration issued by the chairman in terms of Rule 7.7.1 (c) shall bind a dealing member, a client of such dealing member or a counterparty with whom such transaction was effected.
- 7.7.3 The chairman shall exercise the power to issue instructions to meet situations that require urgent action to stop malpractice, protect investors or safeguard the financial integrity of the ESE. The instructions shall, however, be reported to the committee for ratification within seven (7) business days.
- 7.8 Bargains solely between dealing members
- 7.8.1 The ESE shall not recognise in its dealings any other parties than its own dealing members. Every transaction shall be in accordance with these Rules and usages of the ESE; and no dealing member shall bring any action in law either against the committee or any dealing member thereof for the purpose of altering or rescinding any decision of the committee.
- 7.8.2 An application to annul a transaction on the ESE trading system shall not be accepted by the chairman except on a specific allegation of fraud, wilful misrepresentation or upon prima facie evidence of such material mistake in the
-

bargain as in the chairman's judgement renders the case one which is fitting for his adjudication.

7.9 Instructions from clients

7.9.1 It shall be the responsibility of dealing members to ensure that they receive bona fide instructions from clients to buy or sell securities on the ESE and that they have effective procedures for identifying the persons from whom they take instructions to effect transactions.

7.9.2 Instructions may be received from clients-

- (a) directly on completion of the appropriate order form;
- (b) by completing the appropriate order form but utilising financial intermediaries;
- (c) through their appointed attorneys and in accordance with the terms set out in the powers of attorney; or
- (d) in accordance with a client's agreement letter.

7.9.3 In the case of 7.9.2 (b) and (c) the ESE shall be informed of the person authorised to act on behalf of the client.

7.9.4 At no stage shall a dealing member or its ADR offer or bid for securities unless it has a genuine request by a client in accordance with this Rule.

7.9.5 The call-over manager may request a dealing member or its ADR to prove that a genuine request exists and the dealing member or its ADR shall comply. This Rule does not apply in the case where a dealing member takes a position as principal in accordance with these Rules.

7.10 Bids and offers binding

7.10.1 All bids to buy and offers to sell securities made and accepted in accordance with the usages or practice of the ESE shall be binding; and all contracts thereby effected and arising therefrom shall be subject to the exercise by the committee of the powers vested in it.

7.10.2 All bids and offers heard and recorded by the Market Committee recorder on the trading Market Committees shall be firm and shall not be removed from the Market Committees except where bids and offers have been overtaken by new market events or other developments.

7.11 Number of securities bid or offered

Any offer to buy or sell securities without stating the number of securities shall be binding for such number as the ESE may from time to time specify. Until altered, the number shall be one hundred (100) shares or one thousand (1 000) units of stock.

7.12 Daily trading sessions

7.12.1 ADRs of dealing members shall meet at the ESE before 15h00 daily under the chairmanship of the call-over manager assisted by a Market Committee recorder who shall record prices on the Market Committee(s).

7.12.2 Trading shall commence with the ringing of a bell at exactly 15h00 by the clock on the trading floor.

7.13 Attendance at trading sessions

Attendance at trading sessions shall be as follows-

- (a) each dealing member shall have an ADR present at the commencement of and for the duration of each trading session;
- (b) any ADR may attend a trading session;
- (c) a staff member of the dealing member who has been approved by the committee for the purpose of attending trading sessions may accompany an ADR from that dealing member;
- (d) approved staff members of dealing members shall not execute deals on the trading floor;
- (e) unauthorised persons shall not be permitted on the trading floor;
- (f) the committee shall have the discretion to refuse any person entry to the trading floor;
- (g) each dealing member shall make an application for the authorisation of an ADR and approval of staff member of that dealing member to the committee who may grant the application if it is satisfied that the person(s) whose authorisation or approval is applied for has/have the requisite qualifications; and
- (h) trading shall commence provided a minimum of two (2) ADRs from different dealing members are present.

- 7.14 Persons permitted to deal
- 7.14.1 Only ADRs shall be permitted to deal on the trading floor or other ESE dealing systems.
- 7.14.2 Dealing members shall ensure that their ADRs comply, at all times, with these Rules, usages of the ESE, and any directives or resolutions of the committee.
- 7.14.3 Failure to comply with any of the Rules shall render-
- (a) the authorisation of the ADR liable to immediate revocation without notice; and
 - (b) render the dealing member liable to disciplinary proceedings for failure to enforce compliance with the Rules.
- 7.14.4 An ADR shall not transact any business for any dealing member other than the one in respect of whom authorisation was applied for and granted by the committee.
- 7.15 Identities of authorised persons
- 7.15.1 The ESE may issue identity cards to both ADRs and approved staff members of a dealing member. Such identity cards may invariably be worn by ADRs and approved staff members on entry to and while on the trading floor.
- 7.15.2 Each identity card shall contain the name and a recent photograph of the ADR or approved staff member and the name of the dealing member he represents. In addition, ADRs shall wear the attire prescribed by the ESE from time to time.
- 7.16 ESE trading Market Committees
- 7.16.1 The trading Market Committees for trading equity securities shall have (4) columns as illustrated in the table below, thus-
- (a) column (1) shall display the names of the listed securities (“counters”) in alphabetical order;
 - (b) column (2) shall show the buying ADR bid price;
 - (c) column (3) shall depict the selling ADR’ s offer price; and
 - (d) column (4) shall show the final price that becomes the official closing or ruling price for any trading session.

COUNTER	BUYERS/BID	SELLERS/OFF	SALES/RP
(1)	(2)	ER	(4)

		(3)	
Securities listed alphabetically	ADR buying price	ADR selling price	Price at which bargains were executed –the Ruling Price

- 6.14.2 Market Committees for trading other securities shall have such columns as may be prescribed by the committee from time to time.
- 7.17 Trading procedure
- 7.17.1 At the commencement of each trading session, the call-over manager shall call each counter in turn.
- 7.17.2 An ADR who has an order shall-
- (a) shout the price at which he wants to conclude a deal;
 - (b) indicate whether the order is a bid or offer; and
 - (c) disclose any special or additional features of the proposed deal.
- 7.17.3 If a deal should be concluded and securities change hands at a given price, then that price shall be the ruling price for the particular counter and shall constitute the opening price of that counter in the next trading session.
- 7.17.4 Once a counter has been called and passed it shall not be repeated in any one trading session; and an ADR who misses a call of any counter in a trading session shall wait for the next trading session.
- 7.17.5 At the conclusion of a trading session, the ADRs who executed deals during that session shall exchange duly countersigned dealing slips, a copy of which shall be retained by the ESE for reconciliation purposes.
- 7.18 Dealer's note
- 7.18.1 Dealing members shall issue their clients with a dealer's note within twenty-four (24) hours of a deal being concluded.
- 7.18.2 The dealer's note shall bear the words "Member of the Eswatini Stock Exchange" and "This note is issued in accordance with the Rules of the Eswatini Stock Exchange".
- 7.18.3 The dealer's note shall state clearly the name of the security, the price at which the trade was executed, the quantity of securities, the commission, any other fees

charged by the dealing member and the net amount payable or receivable by the dealing member's client.

7.18.4 Dealing members shall keep complete records and accounts of their business dealings in securities and retain supporting documents for each concluded trade transaction in order to be able to respond to their clients' queries pertaining to best execution and other related disputes in future.

7.19 Orderly trading

7.19.1 The Market Committee recorder shall record the bid and offer prices as they occur in an orderly fashion and shall control shouting contests by ADRs in order to achieve this.

7.19.2 ADRs shall respond to requests for an orderly price shouting process to enable the Market Committee recorder to execute his duties accordingly. In the event of a dispute, the call-over manager shall intervene to bring order during trading sessions and his word shall be final in that regard.

7.20 Correction of errors

Errors shall be corrected immediately after a transaction has been captured and recorded on the trading Market Committees. In this regard, ADRs shall be extra careful when communicating and executing orders and shall verify prices captured on trading Market Committees as they are recorded.

7.21 Queuing

All bids and offers shall be posted on the trading Market Committees and shall queue on the following basis:

- (a) best price shouted; and
- (b) where similar prices are shouted, the first order shouted on a 'first come first served' basis shall be executed.

7.22 Priority of orders

Orders shall be prioritised in the following manner:

- (a) a buying ADR bidding a higher price shall have priority over a buying ADR bidding a lower price;
- (b) a selling ADR offering a lower price shall have priority over a selling ADR offering at a higher price;
- (c) Client orders shall have priority over principal orders at the same price;

- (d) Bids and offers placed at an earlier time shall have priority over bids and offers placed later at the same price.

7.23 Maximum and minimum price fluctuations

A rise or fall over the opening price within any trading session shall not exceed 5% of the previous session's ruling price, except where a new announcement of material information has been published or becomes available about the issuer.

7.24 Market Committee lots

Securities shall be dealt in minimum lots of not less than one hundred (100) shares or one thousand (1 000) units of stock.

7.25 Odd lots

Odd lots shall be securities of lots less than one hundred (100) shares or one thousand (1 000) units of stock and shall be dealt in as over-the-counter transactions and reported to the ESE.

7.26 Tick size

7.26.1 Orders shall be placed and trades shall be executed within specified tick sizes as set by the ESE. The ESE shall have the right to adjust tick sizes in the light of market conditions. Any trades effected at prices that are outside the stipulated tick size shall be cancelled.

7.26.2 Bids and offers shall be advanced in the following tick sizes-

For equities:

Security Price (cents per share)	Tick Size (cents per share)
Less than 500	5
500 and over	10

7.27 Transactions

Transactions shall be matched and concluded instantly as soon as bid prices and offer prices by two (2) ADRs from different dealing members coincide.

7.28 Confirmation of trades

7.28.1 The ESE shall despatch a trading report to each dealing member on the business day following the day during which the trades were executed by the ADR of that dealing member. Dealing members shall check such reports for accuracy as soon

as possible and, shall notify the ESE of any errors immediately or before 10h00 on the following business day.

7.28.2 If communication is not received from dealing members by 10h00 on the business day following the submission of the trading report, the trades shall be assumed to be correct and locked in for settlement on a T+3 basis.

7.29 Issuers' announcements

The continuing obligations of the ESE listing requirements require that issuers send information that may affect the price of its listed securities to the ESE immediately it becomes available. The ESE shall post such information on the ESE notice Market Committee and its web site.

7.30 Prices, turnover and indices

7.30.1 At the end of each trading session, the call-over manager's sheet, which corresponds to the prices on the Market Committee, shall be updated to reflect the new prices.

7.30.2 The publication and distribution of ESE prices shall be the prerogative of the committee and shall be effected in a manner which the committee deems fit.

7.30.3 The committee may enter into such agreements for the publication and distribution of prices as it considers necessary.

7.30.4 Except with the consent of the committee, no dealing member may report prices to persons other than clients of such dealing member.

7.30.5 Prices, turnover figures and indices shall be sent to the press, posted on the ESE web site and dropped in each dealing member's pigeonhole at the ESE for collection.

7.31 Reconciliation

Dealing members shall submit to the ESE, monthly reconciliation statements relating to-

- (a) dealing member to dealing member;
- (b) dealing member to client; and
- (c) dividends transactions,

in order to ensure that dealing members have nothing outstanding as between them and other dealing members; dealing members and clients and outstanding dividends.

7.32 Book-over procedure

7.32.1 A dealing member having orders to buy or sell the securities of the same counter may book-over the deal through another dealing member provided that-

- (a) the dealing member shall first test the market by making a double price which, in the prevailing market conditions, is considered fair and equitable to both the buyer and the seller; and the dealing member shall declare the number of securities involved in the proposed book-over deal;
- (b) If any dealing member bids to purchase the said securities at a higher price or offers to sell the securities at a price lower than the proposed book-over price, the book-over shall be concluded only in respect of the securities not so bought or sold at the countered price; and
- (c) the other dealing member is satisfied that the price is fair and equitable.

7.32.2 Both dealing members shall be prepared, at all times, to justify the price and other terms of the book-over deal and the genuineness thereof to the committee.

7.32.3 A dealing member having instructions from his clients to buy and sell the same securities may book-over up to a thousand (1 000) units at or very close to prevailing market prices without testing the market first. The execution of a book-over in excess of a thousand (1 000) units without first testing the market shall be prohibited.

7.32.4 Transacting bids and offers by a dealing member under a book-over in excess of a thousand (1 000) units shall be revealed to the market and, any other dealing member may better the price by increasing the bid price or lowering the offer price.

7.33 Overbidding and under-selling

The following procedure shall apply-

- (a) If a deal is about to be executed, ADRs may counter the deal by improving the price through overbidding or underselling subject to the applicable tick size;
 - (b) If overbidding commences on a specific transaction, underselling shall not be allowed at the same time on the same transaction. Similarly, no overbidding shall be allowed on a transaction that is currently being undersold;
 - (c) No ADR shall be allowed to overbid or undersell under a book-over of securities without any challenge by another ADR; and
 - (d) an ADR shall however be allowed to improve their prices when securities are either overbid or undersold.
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7.34 Dealing members' duties to clients

Dealing members shall have the following duties to their clients:

- (a) A dealing member shall submit client bids and offers to the trading process in a timely manner in pursuance of best execution;
- (b) A dealing member shall give priority to client bids and offers over bids and offers placed by the dealing member acting as a principal; and
- (c) A dealing member may be called upon by the ESE to explain any of its actions.

7.35 Disputes and irregular deals

7.35.1 The settlement of disputes arising on the trading floor and concerning the terms of transactions shall be decided by the call-over manager in the light of these Rules and his decisions shall be final.

7.35.2 A deal which, in the opinion of the call-over manager, is irregular or is in contravention of the Act, these Rules, directives and resolutions of the committee, shall be put on hold and reported immediately to the chairman.

7.35.3 A deal executed on the trading floor shall be binding on both parties unless an appeal is lodged with the call-over manager who shall report it to the chairman. If, after an investigation an error is detected, the chairman may take any action which he deems fit including the cancellation of the trade.

7.35.4 In regard to disputes between dealing members arising out of security exchange transactions, including the interpretation or application of any Rule in connection with dealing members' rights and obligations, no dealing member shall institute any legal, arbitration or other proceedings against another dealing member without first obtaining the consent of the committee and subject to the provisions of the Act.

7.35.5 No person shall institute any legal proceedings against the committee or any member thereof which is likely to have the effect of altering or rescinding any decision of the committee relating to a dispute.

- 7.35.6 The committee shall have the power to intervene in any legal, arbitration or other proceedings relating to any other matter affecting the ESE other than a civil dispute instituted by a member of the public.
- 7.35.7 The committee may refuse to adjudicate or may, on hearing any case, make any order, other than an order for monetary damages, as it deems fit.
- 7.35.8 A dealing member who refers a matter to the committee for adjudication shall-
- (a) state clearly in writing the issues involved and the nature of the dispute;
 - (b) be represented by its compliance officer at a hearing if so required;
 - (c) be entitled to be represented by a legal representative; and
 - (d) pay the fee prescribed by the committee for an adjudication.
- 7.35.9 The committee may, in its sole discretion, determine the type of dispute in which it shall adjudicate.
- 7.35.10 Every securities exchange transaction shall be subject to the condition that no client or counterparty shall be entitled to claim or demand from a dealing member scrip which can be related to or identified with any specific transaction, nor may a client or counterparty of a selling dealing member insist that the scrip it delivers shall be delivered to a specific dealing member in settlement of a particular transaction.
- 7.36 Trading delays
- The call-over manager shall have the authority to take such decisions as may be required to delay the opening of trading in any listed security in order to assist in the orderly opening or trading in such security.
- 7.37 Suspension, halting or prohibition of trades
- 7.37.1 The call-over manager may temporarily suspend, halt or prohibit bargains by dealing members in any particular security, for a specified period in any one trading session if the price of a security fluctuated more than 5% upwards or downwards in any one trading session.
- 7.37.2 Dealing members may not deal in securities in respect of which trading or listing has been temporarily suspended, halted or prohibited except with the consent of the committee.
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- 7.38 System failure
- 7.38.1 Failure in any of the systems installed in the ESE for trading purposes shall be immediately reported to the chairman who shall take the necessary action to suspend, close trading, operate under an alternative or manual system directed by the call-over manager.
- 7.38.2 Every effort shall be made to resume orderly trading as soon as possible following a system failure. Under no circumstances shall the ESE be responsible for damages arising from any such failure, error or defect in the equipment.
- 7.39 Special bargains
- 7.39.1 A special bargain is a transaction in securities that is beyond the capacity of the market at prevailing market prices. Transactions under special bargains shall be executed at such prices as are negotiated and agreed to by both the purchasing and the selling ADR(s) and his/their respective clients. Details of special bargains shall be marked and reported to the ESE.
- 7.39.2 In order to establish that a special bargain is beyond the capacity of the market at the prevailing price, the security in question shall be called during a trading session.
- 7.39.3 The buying and the selling ADRs who wish to conclude the bargain, or the ADR acting on behalf of both the buyer and seller who wishes to “book-over” the bargain shall declare the details of the number of securities involved and the price at which they intend to conclude the bargain.
- 7.39.4 Only if the market as a whole agrees that the bargain falls within the definition of a special bargain and that the price is reasonable shall the transaction be executed.
- 7.39.5 The dealing member(s) concerned shall ensure that the deal is marked as a special bargain and inform the ESE in writing of its details.

Customer Accounts

Rule 7.40: Know Your Client

(a) A Dealing Member shall not accept or operate a share trading account or otherwise deal on behalf of any other person unless it has taken all reasonable steps to establish the true identity of that person, including his address, occupation, date of birth, mother's maiden name, driver's licence or international passport, current passport photograph and utility bills or any other information that can sufficiently identify him; if a body corporate, certificate of incorporation,

Market Committee resolution and relevant Corporate Affairs Commission's form showing return on allotment.

(b) *(Rule Not Yet Effective)*

(1) Each Dealing Member shall obtain the biometrics of all its individual clients and shall regularly update the records of all its clients in that regard;

(2) With regard to corporate entities, the Dealing Member shall obtain the corporate information of the company in addition to the biometrics of the Authorized Signatories to its share trading account;

(3) Biometric identifiers obtained shall include fingerprints and iris recognition and the information collected shall be applied towards confirming clients' identities;

(4) No Dealing Member shall open, accept and/or operate a securities trading account or otherwise deal in any manner whatsoever, on behalf of any person or entity unless the biometrics of such person or authorized signatories of the entity have been collected by the firm;

(5) Any Dealing Member that fails to obtain the biometrics of its clients and obtain adequate KYC documentation from its clients shall be suspended from executing any trading activity on that account for that client forthwith until regularization is effected; and in addition may be fined as appropriate;

SECTION

8

DISCIPLINE

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- 8.1 Disciplinary Matters
- 8.1.1 Any member who-
- (a) contravenes, attempts to contravene or fails to comply with any of the provisions of the Act, these Rules, an ESE directive or a committee decision;
 - (b) acts contrary to the usages or practices of the ESE;
 - (c) commits or attempts to commit any act which is detrimental to the interest, good name or welfare of the ESE or its members;
 - (d) commits or attempts to commit any act which is dishonest, fraudulent, dishonourable or disgraceful;
 - (e) knowingly obstructs the business of the ESE or its members;
 - (f) is party to, facilitated or conducted a transaction which is fictitious or which has a dishonest or unlawful motive;
- shall be guilty of an offence.
- 8.1.2 Whenever the committee has reason to believe that a member has committed an offence in terms of Rule 8.1.1, it may in its discretion prefer charges against the member and take such disciplinary action as is provided for in terms of these Rules.
- 8.1.3 The committee, the chairman and the alternate chairman shall have the power to investigate the affairs of a dealing member for the purpose of ascertaining whether-
- (a) that dealing member or any of its employees complies with all the provisions of the Act, these Rules, ESE directives and committee decisions;
 - (b) the dealing member is trading in such a manner that there is a danger that such member may not be able to meet its commitments to clients, other dealing members or a ESE settlement system; or
 - (c) the dealing member is conducting its business in a manner that could be detrimental to the interest, good name or welfare of the ESE or its members.
- 8.1.4 The chairman and the alternate chairman may delegate the power granted to them in terms of this Rule to the Exchange as they deems fit.
- 8.1.5 A dealing member or an employee of a dealing member together with the dealing member shall attend a committee meeting when required to do so
-

and give such information and answer such questions as the committee may consider relevant to the matter under investigation.

8.1.6 A dealing member shall, if requested to do so by the committee and within a period laid down by it, furnish the committee with such information or documents, together with a report thereon by his auditor, if so requested, as the committee may require.

8.2 Members responsible for acts of employees

8.2.1 If an employee of a dealing member or a duly authorised person acting on behalf of a dealing member does any act or omits to do any act which act or omission if done or omitted by that dealing member employing or authorising such employee or person would constitute a breach of the Act, these Rules, an ESE directive or a committee decision, the dealing member employing or authorising such person shall, in the discretion of the committee, be deemed to have committed such breach in the same manner as if it had itself done or omitted to do such act.

8.2.2 If a dealing member commits a breach of the Act, these Rules, an ESE directive, a committee decision or resolution, the dealing member and some or all its employees thereof at the time the offence was committed shall, in the discretion of the committee, be deemed to have committed the breach.

8.3 Charges, sentences, etc.

8.3.1 When a member of the ESE has been found guilty of an offence, the committee may-

(a) by a simple majority of members of the committee present, censure or fine such member; or,

(b) by a two-thirds majority of members present, suspend or expel such member, provided that where a sentence of suspension is imposed upon a member, the committee may, in its discretion and by a two-thirds majority of its members present, suspend such sentence for such period of time and on such conditions as it may determine.

8.3.2 If, during the period of a suspended sentence imposed in terms of Rule 8.3.1 (a), the member is found guilty of an offence, which in the sole opinion of the committee is similar, it shall in passing sentence rule-

(i) whether the suspended sentence or part of it shall be brought into effect, in addition or as an alternative thereto; or

- (ii) what punishment, if any, is imposed in respect of the similar offence.
- 8.3.3 The committee may expel from the committee any of its number who shall have been guilty of improper conduct. A two-thirds majority present at a meeting specially called for that purpose, shall carry the resolution for such expulsion. This power is additional to the power under Rules 8.3.1 and 8.3.2.
- 8.3.4 A fine imposed on a member or dealing member who has been found guilty of a charge of contravening the Act, ESE directive, committee decision or resolution shall not exceed five thousand Emalangeni (E5 000) and the fine and shall not be imposed in respect of each individual contravention where a member is found guilty of more than one contravention at any one hearing. In such cases, the fine shall be imposed in respect of a number of contraventions collectively.
- 8.3.5 Should a member fail to pay any fine imposed by the committee within one (1) month after the chairman has informed the member of the amount of the fine, the committee shall have the right to-
 - (a) recover the fine from the individual member in a court of competent jurisdiction; or
 - (b) suspend or expel the member.
- 8.3.6 The amount of any fine received by the committee in terms of these Rules shall be paid into the Investor Protection Fund.
- 8.3.7 Where in the opinion of the committee the offence does not warrant the imposition of any of the penalties referred to above, it may resolve, in its discretion, that the member concerned be reprimanded. Such a resolution need not be publicised or be the subject of a notice in the ESE notice Market Committee and web site unless the committee decides otherwise.
- 8.3.8 If the committee should resolve by a two thirds majority that an investigation of the affairs of a dealing member reveals that it is trading in such a manner that there is a danger that such dealing member may not be able to meet its commitments to clients or to other dealing members or to the ESE settlement system or that it is conducting its business in a manner which could be detrimental to the interests of the ESE or the welfare of its members, the committee shall be entitled by such majority to-
 - (a) prohibit the dealing member from trading;

- (b) restrict the trading activities of the dealing member in such manner as it deems fit; and
- (c) give the dealing member such instructions as it may deem necessary in the interests of its clients or other dealing members or the ESE settlement system.

8.3.9 Notice of the prohibition, restriction or instruction under Rule 8.3.8 shall be accompanied by particulars of the alleged breaches of the Act, Rules, directives and special resolutions governing dealing members. The committee's requirements for rectification of the alleged breaches shall be stated to enable the dealing member in question to apply to the committee for the removal of the order. In any event, any action taken by the committee in terms of this Rule may continue until such time as the committee is satisfied as to the financial position and business conduct of the dealing member, provided that such action shall be reviewed by the committee at least once each month and shall thereafter only continue to the extent that such continuation is resolved upon by a two-thirds majority.

8.3.10 Immediately upon a dealing member being prohibited from trading, the committee may require that the member hands over to it all books and accounting records of the business including all scrip registers, safe custody ledgers, cheque books and all cash and securities held by and in the possession of the dealing member including cash and securities held on behalf of clients in safe custody in a banking institution. The committee shall, during the period of prohibited trading, have power to control such assets as it may, in its discretion, deem fit.

8.3.11 A resolution for the censure, fining, suspension or expulsion of a dealing member may be passed at the meeting of the committee at which the member is found guilty of an offence or at a subsequent meeting.

8.3.12 Upon expelling a dealing member, the committee may resolve that the expulsion shall be suspended for ten (10) days or, if an appeal in terms of the Act is lodged during that period, until the appeal has been decided. During the period that the expulsion has been suspended, the member shall be deemed to have been suspended in terms of these Rules. Any expelled dealing member lodging an appeal in terms of the Act shall simultaneously inform the chairman of the committee.

- 8.3.13 A notice shall be published in the ESE notice Market Committee and on its web site setting out details of any charge of which a dealing member is found guilty and of the sentence imposed, except as provided in 8.3.7.
- 8.3.14 No penalty shall be imposed on a dealing member in respect of a matter in connection with which it has not had an opportunity of making representations to the committee; and a dealing member who has made representations to the committee shall be entitled to be supplied with a copy of a record of the meeting at which such representations were considered.
- 8.4 Consent required for employment of certain persons
- 8.4.1 No dealing member shall, without the written consent of the committee, take into or continue in its employment in any capacity in any business carried on by it as a dealing member, any person-
- (a) expelled from the ESE;
 - (b) refused admission as a member by the committee;
 - (c) who is a member of or is directly or indirectly in any way interested in any business of any other securities exchange;
 - (d) who is a member of any other securities exchange; or
 - (e) who is an unrehabilitated insolvent or has been a defaulter or has been convicted of theft, fraud, forgery, or any other crime involving dishonesty.
- 8.4.2 The consent of the committee may be given for a limited period and may be withdrawn at any time, provided that the committee gives the member one (1) calendar month's notice of its intention to withdraw such consent.
- 8.4.3 A dealing member who dismisses an employee for committing or attempting to commit an act which is dishonest, fraudulent, dishonourable or disgraceful shall report details of the act and the name of the person concerned to the chairman of the committee.
- 8.5 Declaration of interest, recusals, absence from a hearing or enquiry
- 8.5.1 If at any committee meeting a committee member is aware that any matter which affects him and his-
- (a) family;
 - (b) debtor;
 - (c) creditor;
-

- (d) partner;
- (e) employee; or
- (f) agent,

is to be discussed or is under discussion, the member shall forthwith declare to the meeting his interest in that matter and shall not vote on any question before the meeting which relates to that matter.

- 8.5.2 Nothing contained in Rule 8.5.1 shall be taken to prevent committee members from voting upon matters which affect them generally.
- 8.5.3 When a member of the committee is absent from any hearing, enquiry or a portion thereof, he shall not attend the hearing or enquiry thereafter, nor any subsequent hearing or enquiry of the case, nor shall he vote on the matter.
- 8.5.4 All members of the committee present at any meeting shall record their votes except as provided in 8.5.1 and 8.5.3.
- 8.5.5 The committee may grant leave of absence to any of its members.
- 8.6 Public notification of suspension or expulsion
 - 8.6.1 The committee may, in its discretion and in such manner as it may deem fit, notify or cause to be notified to the public, that a member has been suspended, expelled, ceased to be a member or declared a defaulter.
 - 8.6.2 No action or other proceedings shall, under any circumstances, be instituted by the person referred to in 8.6.1 against any person publishing or circulating the information, and this Rule shall operate as leave to any person to publish and circulate notification, and be a valid defence against any such action or proceedings.

SECTION
9

CLEARING AND SETTLEMENT

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- 9.1 General
 - 9.1.1 All purchases and sales between dealing members shall be settled in cash against delivery of the scrip or other documents of title in negotiable order.
 - 9.1.2 Dealing members shall settle purchases and sales made for clients in cash except where other acceptable arrangements with clients obtain.
 - 9.1.3 Settlement shall be on individual deal terms and on a rolling T+3 basis.
 - 9.1.4 A dealing member may not stop payment on any cheque given to another dealing member or to ESE settlement system.
- 9.2 Responsibilities of dealing members and clients
 - 9.2.1 Dealing members buying or selling listed securities shall be equally responsible for the due fulfilment of all transactions entered into between them, and members shall, at all times, guarantee the fulfilment of the bargains by counterparties to such transactions.
 - 9.2.3 Dealing members shall be responsible for ensuring that buyers and sellers of listed securities are aware of their material obligations in terms of these Rules.
- 9.3 Good delivery
 - 9.3.1 A dealing member selling securities shall be responsible for the delivery and genuineness of security certificates and other documents of title necessary for effecting the transfer from the selling to the buying client's name.
 - 9.3.2 For the purpose of these rules, good delivery shall mean the delivery of a security certificate including other documents of title required by the buyer to effect the transfer of securities bought into his name without further assistance from the seller.
 - 9.3.3 Scrip shall not be good delivery unless accompanied by the requisite transfer form in negotiable order signed by the registered holder.
 - 9.3.4 The signature on a transfer form shall be certified correct by the dealing member or an authorised representative of a recognised financial institution.
 - 9.3.5 Scrip shall not be good delivery where the certificate is mutilated, damaged or a material part of the wording is obliterated.
 - 9.3.6 If alterations have been made on the certificate, the alterations shall be initialled by the person signing the transfer form.

- 9.4 Transfer secretaries
- Scrip, transfer forms or other documents of title shall be handed to the transfer secretary of the issuer who shall effect the transfer and issue a new certificate within seven (7) days from the date of lodgement of the old certificate and accompanying transfer form.
- 9.5 Failed delivery and settlement
- 9.5.1 Dealing members shall submit reports of misdeals, defaults, failed deliveries and failed settlements to the ESE as soon as they occur or following the lapse of the T+3 settlement period.
- 9.5.2 A dealing member who fails to meet his obligations in terms of these Rules shall be declared a defaulter.
- 9.6 Delivery failure
- 9.6.1 Dealing members selling securities shall ensure that they have, in their possession, securities in sufficient numbers before proceeding to sell securities on the ESE.
- 9.6.2 Where delivery failure occurs due to insufficient securities being proffered on settlement day, a buy-in procedure shall be initiated on the ESE on behalf of the defaulting dealing member to purchase the necessary quantity of securities at the going offer price.
- 9.6.3 Where the securities are not readily available in the market, the defaulting dealing member shall continue to seek and procure the securities during subsequent trading until sufficient numbers are obtained.
- 9.6.4 The dealing member on behalf of whom the buy-in is conducted shall be responsible to pay all expenses associated with and shall bear all losses arising from the buy-in procedure.
- 9.6.5 The securities procured in a buy-in process in terms of this Rule shall be used to complete the previously failed delivery.
- 9.7 Failed settlement
- 9.7.1 Dealing members buying securities shall ensure that they have sufficient funds to pay for those securities before proceeding to buy securities on the ESE.
- 9.7.2 If a dealing member fails to effect payment for bought securities on settlement day, a sell-out procedure shall be initiated in the ESE on behalf of the defaulting dealing member to enable him to sell the necessary quantity of securities in the market at the going bid price in order to raise the funds required to pay for the failed settlement.

- 9.7.3 Where the securities are not readily bought on the market, the defaulting dealing member shall continue to offer the securities to the market during subsequent trading sessions until the required amount to settle the trade is raised.
- 9.7.4 The dealing member on behalf of whom the sell-out is conducted shall be responsible for paying all expenses and shall bear all losses associated with the sell-out procedure.
- 9.7.5 The proceeds raised in a sell-out process in terms of this Rule shall be utilised to complete the previously failed settlement.
- 9.10 Penalties for failed deliveries and settlements
- 9.10.1 In cases where dealing members report misdeals, defaults, failed deliveries and settlements, the ESE shall-
- (a) within two (2) business days, initiate buy-ins or sell-outs, as the case may be, against the defaulting dealing member; and
 - (b) allow ten (10) consecutive business days for the procedure so initiated to run its course.
- 9.10.2 In addition to what is stipulated under 9.10.1, the ESE may-
- (a) reprimand or censure first time offenders;
 - (b) impose a penalty of 0.1% of the value of the transaction;
 - (c) impose a fine not exceeding 0.3% of the value of the transaction;
 - (d) suspend common offenders; or
 - (e) expel persistent and habitual offenders.

SECTION

10

DEALING MEMBERS' FINANCIAL RESOURCES AND ACCOUNTING RECORDS

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10.1 Interpretation

In this section, unless the context otherwise requires-

"*aggregate indebtedness*" means the total liabilities of a dealing member, but does not include any contingent liability or any of the following liabilities:

- (a) any amount payable on open contracts;
- (b) any amount payable to a customer of the dealing member in connection with moneys or assets received on account of a customer;
- (c) any deferred income tax payable;
- (d) any liability that is fully secured by assets that are not included as the financial resources of the dealing member under appendix I, if the sole recourse of the creditor for non-payment of such liability is to such assets only; and
- (e) any qualifying subordinated loan;

"*base capital*" means initial capital;

"*counterparty risk requirement*" means the requirement to provide own funds in order to cover risks arising from the failure of a counterparty to deliver scrip or provide payment, as the case may be, and shall be calculated in the manner and form prescribed in appendix 4 hereto;

"*discretionary access*" means when a dealing member holds money or financial instruments of a buyer or seller and such money or financial instruments are under the discretionary management control of such a dealing member, whether such discretion is limited or unlimited, for any length of time;

"*financial resources*" means own funds;

"*foreign exchange risk requirement*" means the requirement to provide own funds in order to cover risks arising from foreign exchange dealings and the holding of assets and liabilities giving rise to exposure in foreign currencies and shall be calculated in the manner and form prescribed in appendix 6 hereto;

"*free delivery*" means the delivery of securities which takes place before the seller or dealing member receives payment; or payment made in settlement of a credit balance arising from a sale on behalf of a counterparty or a purchase from a counterparty in respect of which the securities are undelivered;

"*group of connected parties*" means two or more entities or natural persons which are interconnected to the extent that the financial performance or soundness of one would be materially affected by the financial performance or

soundness of the other or others. Such interconnectivity would be evidenced, *inter alia*, where one company derives more than 20% of its earnings from another or where counterparties are linked by cross-guarantees;

“*large exposure risk requirement*” means the requirement to provide own funds in order to cover risks arising from excess exposure to a third party or a group of connected third parties; and shall be calculated in the manner and form prescribed in appendix 5;

“*impaired or illiquid capital*” means the sum of-

- (a) intangible assets;
- (b) any guarantees given, including sureties and pledges;
- (c) any assets which are not convertible into cash within 3 months;
- (d) investments in unlisted securities;
- (e) any amount paid to cover risk exposure in any other formal or informal market; and
- (f) tax provisions.

“*initial capital*” means the sum of-

- (a) ordinary share capital;
- (b) preference share capital, not redeemable within a period of 2 years from issue;
- (c) share premium account;
- (d) reserves excluding revaluation reserves;
- (e) audited retained earnings or accumulated losses; and
- (f) unaudited profits or losses, externally verified by an external auditor and approved by the committee,

less the sum of impaired or illiquid capital;

“*operating costs*” means a dealing member’s overheads and shall be calculated in the manner and form prescribed in appendix 6 hereto;

“*own funds*” means shareholders’ financial resources to be calculated in the manner and form prescribed in appendix 1 (iii);

“*position risk requirement*” means the requirement to provide own funds in order to cover risks arising from exposure to different classes of securities and shall be calculated in the manner and form prescribed in appendix 3;

“*qualifying subordinated loan*” means a subordinated loan made under a subordinated loan agreement to a dealing member by a lender which complies with the following:

- (a) the subordinated loan has not less than 2 years to maturity at the time the loan is first drawn down;
- (b) the subordinated loan agreement is in a form that includes the following:
 - (i) a term that the subordinated creditor shall not claim or receive from the holder, by set-off or in any other manner, any subordinated loan repayment until all the unpaid claims of all the creditors for the time being of the dealing member, howsoever incurred, has been paid or unless the dealing member has obtained the prior written approval of the committee;
 - (ii) a term that claims of the subordinated creditor are fully subordinated to the claims of all unsubordinated creditors; and
 - (iii) an option for the dealing member to defer interest payment on the subordinated loan;

“*total risk requirement*” means the sum of a dealing member’s-

- (a) position risk requirement;
- (b) counterparty risk requirement;
- (c) large exposure risk requirement;
- (d) foreign exchange risk requirement; and
- (e) underwriting risk requirement;

“*underwriting risk requirement*” means the requirement to provide own funds in order to cover risks arising from any legally binding agreement or arrangement to underwrite or to sub-underwrite any securities that a dealing member enters into; and shall be calculated in the manner and form prescribed in appendix 7.

10.2 Capital adequacy standards

10.2.1 A dealing member shall, at all times, hold own funds sufficient to meet the dealing member’s initial capital requirement and its total risk requirement.

10.2.1.1 The minimum capital requirement for every Dealing Member shall be as prescribed by the Authority and the Exchange from time to time. Provided that all Dealing Members shall also meet the minimum

requirements and standards as prescribed by the Exchange from time to time for the following:

- (a) Technology
- (b) Manpower and equipment
- (c) Organisational structure and governance
- (d) Effective processes
- (e) Global competitiveness

10.2.2 The initial capital requirement referred to in Rule 10.2.1 shall be the higher of the operating costs of the dealing member for a period of 13 weeks of its most recent audited financial statements; or either-

- (a) E300,000 where there is no discretionary access to the assets or financial instruments of any client; or
- (b) E500,000 in all other cases.

10.3.1 Net Liquid Capital Requirement

- (a) Every Dealing Member shall at all times have and maintain a Net Liquid Capital equal to or in excess of the prescribed minimum Share Capital of E2 Million (E2,000,000.00) for Dealing Members as may be determined from time to time by the Commission and The Exchange;
- (b) The computation of the minimum Net Liquid Capital requirement for Dealing Members shall be as determined from time to time by the Authority and the Exchange;
- (c) Every Dealing Member shall compute and include its Net Liquid Capital in all regulatory reports issued by it and shall notify The Exchange immediately and not later than twenty four (24) hours of the discovery if its Net Liquid Capital falls below the prescribed minimum Share Capital; and shall submit to The Exchange a monthly report on its share capital in the prescribed format.
- (d) The Exchange shall notify any Dealing Member whose net liquid capital falls to one hundred and twenty five per-cent (125%) of the prescribed minimum capital to recapitalize and such Dealing Member shall be closely monitored by The Exchange to ensure that its net liquid capital does not deteriorate further.
- (e) Any Dealing Member that violates subsections “a” or “c” above shall be suspended by the Exchange and shall be liable to pay a penalty of Five Thousand Emalangeni (E5,000.00) for every day the Dealing Member fails to notify the Exchange.

10.3.2 Submission of Financial Reports to the Exchange

- (a) Every Dealing Member shall submit to the Exchange its annual financial statements, within sixty (60) days of the end of the fiscal year and its quarterly financial statements within forty-five (45) days of the end of the quarter; and any other periodic report within the period stipulated by the Exchange.
- (b) All Financial statements shall be prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) applicable to the time period covered in such financial statement(s).
- (c) The Exchange shall communicate the need for submission of any other periodic financial report to Dealing Members via its Circular to the Market
- (d) If a Dealing Member fails to comply with this provision, it shall be liable to the following penalties which are subject to review by Council and any change thereto shall be made public by way of a Circular:
 - (1) Failure of a Dealing Member to submit Quarterly Returns on the date due for submission shall attract a penalty of Five Thousand Emalangeni (E5,000) per day of default and the Dealing Member shall be suspended from trading with effect from the first trading day after the due date;

(2) Failure of a Dealing Member to submit Audited Financial Statements on the date due for submission shall attract a penalty of Five Thousand Emalangeneni (E5,000) per day of default for a maximum of four (4) weeks;

(3) Where a Dealing Member fails to submit Annual Financial Statement after four (4) weeks of default, the Dealing Member firm shall forthwith be suspended from trading;

(4) Where a Dealing Member is suspended from trading under sub-paragraph (i) or (iii), such suspension shall be lifted upon submission of the Quarterly Returns or Annual Financial Statements;

(e) Contents of Auditor's Report: in forming his opinion the Auditor should consider and report on the following matters:

(1) Whether the minimum capital has been maintained;

(2) Whether in the opinion of the Auditor, the financial position of the member firm is such as to enable it to conduct its business on sound lines, having regard to the nature and volume of the business transacted during its past financial year as shown by its Books of Accounts and Records.

(3) Contraventions and fines, if any, during the year.

(f) Disclosure of Interests:

A Dealing Member shall disclose in its annual accounts a list of shareholders with five per-cent (5%) or more of the share capital.

10.3.3 Extension of time for Submission of Annual Financial Statements

(a) Where appropriate, a Dealing Member must apply for an extension of time for submission of its Annual Financial Statements two (2) weeks before same is due and shall be expected to give reasons for requesting the extension;

(b) The decision to grant a Dealing Member's request for an extension of time under sub-article (a) shall be entirely at the discretion of the Exchange and shall in no event be longer than a period of four (4) weeks from the due date for submission;

10.4 Accounting records to be maintained and preserved

10.4.1 Every dealing member shall maintain and preserve for a period of seven (7) years the following books of accounts and documents or other accepted accounting documents and, if so required, produce them for inspection by the ESE-

- (a) journals, or other records of original entry, containing an itemised daily record of all purchases and sales of securities, all receipts and deliveries of securities, including certificate numbers, all receipts and disbursements of cash and all debits and credits; and the records shall show-

- (i) the account for which each such transaction was effected;
 - (ii) the name and amount of securities;
 - (iii) the unit and aggregate purchase or sale price, if any;
 - (iv) the trade date; and
 - (v) the name or other designation of the person from whom purchased or received or to whom sold or delivered;
- (b) ledgers or other records reflecting all assets and liabilities, income, expense and capital accounts;
 - (c) all cheque books, bank statements, cancelled cheques and bank reconciliation accounts;
 - (d) ledger accounts or other records itemising separately each customer's account, all purchases, sales, receipts and deliveries of securities and all other debits and credits;
 - (e) a memorandum of each dealing member's orders received for the purchase or sale of securities; and the memorandum shall show orders in chronological sequence, the time of receipt, the terms and conditions of the orders or instructions and any modification or cancellation thereof, the account for which entered, the time of entry into the market for execution, the price at which executed; and to the extent feasible, the time of execution or cancellation;
 - (f) copies of-
 - (i) confirmations of all purchases and sales;
 - (ii) notices of all other debits and credits for securities; and
 - (iii) other items for the customer's account; and
 - (g) contract books showing details of all contracts entered into by a dealing member with other dealing members of the ESE.

10.4.2

Every dealing member shall maintain and preserve for each person who becomes a customer after the commencement of these Rules, a record for a period of seven (7) years which shall state-

- (a) the customer's name, date of birth or registration, address, nationality or citizenship, signature of the customer, the representative regularly handling the account and a designated supervisor;

- (b) if the dealing member or any of its representatives has made any recommendations to the customer to purchase, sell or exchange any security, the record of such customer to include the customer's occupation, marital status where applicable, investment objectives, other information concerning the customer's financial situation and needs which the dealing member or the representative considered in making the recommendation.

10.4.3 Every dealing member shall maintain and preserve for a period of seven (7) years-

- (a) a record or records with respect to each discretionary account which shall include-
 - (i) the customer's written authorisation to exercise discretionary power on his account;
 - (ii) the reason given by the customer for granting discretionary power over his account; and
 - (iii) the written approval of a designated supervisor of each transaction in such account indicating the exact time and date of such approval;
- (b) a separate file for all complaints by customers and persons acting on behalf of customers to be filed alphabetically by customer's name and shall include copies of all material relating to the complaint and record of what action, if any, has been taken by the dealing member. Such material and record of action taken shall be kept in the office through which the customer's account is handled; and
- (c) such other records as the committee shall direct.

10.5 Submission of monthly and annual accounts

10.5.1 Every dealing member shall submit to the committee a monthly statement of financial resources, total risk requirement and aggregate indebtedness in appendix 1 within seven (7) days of the end of the month to which it relates.

10.5.3 Every dealing member shall submit to the committee audited annual accounts within six (6) months following the closure of the dealing member's 's financial year provided that the committee may require such other form of financial statement as it may specify.

10.6

Deposit of customers' funds

Every dealing member shall-

- (a) deposit customers' funds in one or more trust accounts which account shall contain only those funds;
- (b) maintain such accounts in the customer's name or in the name of an agent or trustee of such customer; and
- (c) maintain a separate record for each account showing the name and address of the bank where the account is maintained, the dates, amounts of deposits and withdrawals and the exact amount of each beneficial interest in the account.

APPENDICES TO SECTION 10

APPENDIX 1

STATEMENT OF FINANCIAL RESOURCES (OWN FUNDS), TOTAL RISK REQUIREMENT AND AGGREGATE INDEBTEDNESS

(I) BASE CAPITAL/INITIAL CAPITAL

Paid-up Capital		
Ordinary shares		
Irredeemable and non-cumulative preference shares	_____	_____
Share premium account		_____
Reserves excluding revaluation reserves		_____
Audited retained earnings (or accumulated losses)		_____
Unaudited profits/(loss), externally verified by external auditor		_____
Base Capital/Initial Capital		_____

(II) FINANCIAL RESOURCES/OWN FUNDS

Base capital		_____
ADD the sum of:		_____
Approved guarantees received		_____
Shareholders Loan Accounts	_____	_____
Excess of market value over book value of investments in securities		_____
Excess of net realisable value over book value of other assets	_____	_____
Revaluation Reserve		_____
Qualifying subordinated loans	_____	_____
LESS the sum of impaired or illiquid capital:		_____
Intangible assets		_____
Any guarantees given (including sureties and pledges)		_____
Any assets which are not convertible into cash within 3 months		_____
Investments in unlisted shares	_____	_____
Any amount paid to cover risk exposure in any other formal or informal market		_____
Tax provisions		_____
Shares in financial institutions of more than 10% of own capital		_____
FINANCIAL RESOURCES/OWN FUNDS		_____
		=====

(III) TOTAL RISK REQUIREMENT

The sum of:

Position risk requirement _____

Counterparty risk requirement _____

Large exposure risk requirement _____

Underwriting risk requirement _____

Foreign exchange risk requirement _____

TOTAL RISK REQUIREMENT _____

(IV) AGGREGATE INDEBTEDNESS

Total Liabilities _____

Less:

Open contracts _____

Deferred income taxes _____

Trust creditors _____

Payable to customers in connection with moneys or assts received on account of the customer arising from securities dealing _____

Non-current liabilities fully secured excluded from financial resources _____

Qualifying subordinated loans _____

Aggregate indebtedness _____

Financial resources _____

Less: Total Risk requirement _____

Aggregate Resources _____

Percentage of Aggregate indebtedness to Aggregate resources _____

I certify that the above account and information is to the best of my knowledge and belief true and correct.

Date this _____ day of _____ 20_____

Signature:

(Director/Secretary)

APPENDIX 2

STATEMENT OF OPERATING COSTS

The operating costs of a dealing member are calculated to represent one quarter (13 weeks) of its most recent audited annual financial statements as follows:

TOTAL REVENUE

ADD any loss before taxation _____

LESS the aggregate of the following items: _____

Profit before taxation _____

Bonuses paid out of relevant year's profits and not guaranteed _____

Profit shares and other appropriations of profit except for a fair (market related) or guaranteed remuneration which is payable even if the dealing member makes a loss for the year _____

Commissions paid other than to employees, or appointed representatives of the dealing member _____

Fees brokerage and other charges paid to clearing houses, clearing firms, exchanges and intermediate brokers for the purpose of executing, registering or clearing transactions excluding charges not related to the continuation of trading _____

Interest payable on borrowings to finance the long-term investment business of the dealing member _____

Abnormal or extraordinary items with the prior approval of the committee _____

Losses arising on the conversion of foreign currency balances _____

OPERATING COSTS

APPENDIX 3
CALCULATION OF THE POSITION RISK REQUIREMENT (PRR)

To determine its PRR, a dealing member shall mark to market the items in the first column and multiply them by the corresponding margin required in the second column. The sum of the products shall represent the PRR against which own funds are to be provided.

A Loan Stock**Item****Margin Required**

Government or government guaranteed

Less than 1 year to maturity

2% of market value

Less than 3 years to maturity

5% of market value

More than 3 years to maturity

10% of market value

Issued or accepted by a bank

Less than 90 days to maturity

2% of market value

Others, which are marketable investments

Less than 1 year to maturity

10% of market value

Less than 3 years to maturity

20% of market value

More than 3 years to maturity

30% of market value

B Securities

Listed on the ESE

30% of market value

Listed on a recognised foreign exchange

35% of market value

Other

100% of market value

C Other investments

Units in a registered unit trust scheme

20% of realisable value

With-profit life policies

20% of surrender value

Any other investments

100% of amount of asset

APPENDIX 4
COUNTERPARTY RISK REQUIREMENT

To determine its daily risk exposures arising from trading with counterparties, a dealing member will use the following table, taking into account that prices for securities must be based on market ruling prices:

1. UNSETTLED SECURITIES AND PHYSICAL COMMODITIES TRANSACTIONS

1.1 Cash against documents transactions

0-7 days after settlement date	Nil
8-15 days after settlement date	50% of price differential between purchase price and current market price
Over 15 days after settlement date	100% of price differential between purchase price and current market price

1.2 Settle on balance transactions: Clearing system with approved guarantees

Debit item outstanding more than 15 days since settlement day	full amount
Undelivered securities within 15 days of settlement day	100% of price

1.3 Free deliveries

Non payment against securities delivered	amount due
Non receipt of securities against payment	full market value

2 Loans to counterparties

Where the loan exceeds the value of securities and is not properly secured	100% of amount by which the loan is not properly secured
--	--

3 Sub underwriting agreement

Any management or other fees owed and are outstanding for more than 30 days	100% of amount owed
---	---------------------

4 Other receivables and accrued income not covered elsewhere in this section

100% of amount due

APPENDIX X
LARGE EXPOSURE REQUIREMENT (LER)

Where the sum of the exposures to a third party or a group of connected third parties exceeds 25% of a dealing member's own funds, a dealing member must calculate a LER for each such exposure as follows-

- (1) calculate the excess of the exposure over 25% of own funds;
- (2) rank the exposures on the basis of specific risk requirement in the case of positions and the requirement in the case of counterparty exposures, in descending order;
- (3) add the constituent exposures, starting with the exposure attracting the highest risk requirement, until the sum equals the 25% excess

The LER sum will be 200% of the consolidated PRR and CRR's applicable to those exposures forming the excess. However, the LER shall be limited to such amount as, together with the PRR's or CRR's on the exposures making up such excess, equals 100% of any exposure forming the excess.

Notes:

In this Appendix "exposure" means the amount at risk before applying the appropriate PRR or CRR percentage in relation to-

- the excess, where positive, of the market value of a dealing member's long positions over its short positions in all the financial instruments issued by the third party;
- in the case of underwriting commitments, the market value of the dealing member's net exposure;
- counterparty exposures arising from unsettled securities transactions, repurchase, reverse repurchase, securities lending and borrowing transactions, derivatives and other financial instruments, calculated in accordance with Method I of the Position Risk Requirement;
- all other assets and off statement of financial position items constituting claims on third parties (e.g. commissions and fees receivable).

Exempt exposures, which may be excluded from a dealing member's LER calculations, include-

- exposures to or guarantees by the government of Eswatini or the Central Bank of Eswatini;
- exposures secured by securities issued by the government of Eswatini or the Central Bank of Eswatini;
- exposures secured by cash deposited with the dealing member;
- exposures with a maturity of less than one year to regulated Eswatini financial and banking institutions, recognised clearing houses, exchanges and approved exchanges in financial instruments, not constituting their capital requirements.

Appendix 6**FOREIGN EXCHANGE RISK REQUIREMENT**

This is only applicable to dealing members who are authorised to transact foreign exchange business under the Exchange Control Regulations. The daily foreign exchange requirement is calculated to cover the foreign exchange risk resulting from-

- foreign exchange dealing;
- holding assets and liabilities giving rise to exposures in currencies other than in Emalangeni;
- holding any off-statement of financial position contract which gives rise to an exposure in a currency other than in Emalangeni.

Types of exposures to be included in the foreign exchange requirement

Dealing members must calculate the foreign exchange requirement for the following positions, identifying each currency separately, including the currency of its books of account -

- (1) the net spot position of all asset items less all liability items including accrued interest in the currency in question;
- (2) any currency future at the nominal value of the contract;
- (3) any forward contract for the purchase or sale, at the contract value, including any future exchange of principal associated with cross-currency swaps;
- (4) any currency option;
- (5) irrevocable guarantees, and similar instruments, which are certain to be called;
- (6) with the prior written consent of the Authority any future income or expense which is known but not yet accrued; and fully hedged by forward foreign exchange transactions;
- (7) with the prior written consent of the Authority any non-trading, structural position deliberately entered into in order to hedge adverse exchange rate movements on the value of the firms financial resources;
- (8) with the prior written consent of the Authority, any position already fully deducted from the firms financial resources;
- (9) any other statement of financial position asset or liability; and
- (10) any other off statement of financial position commitment to purchase or sell an asset denominated in that currency.

Method of Calculation of Foreign Exchange Requirement

A dealing member shall calculate a net open position for all currencies including the currency of the dealing member's books of account, and shall translate them to the Emalangeni using the prevailing spot rates.

A dealing member shall calculate the foreign exchange requirement as 8% of the higher of -

- the aggregate of the net open long positions in each currency; or
- the aggregate of the net open short positions in each currency.

APPENDIX 7**UNDERWRITING RISK REQUIREMENT**

1. A dealing member shall, in respect of any legally binding agreement or arrangement to underwrite or to sub-underwrite any securities that it enters into, calculate an underwriting risk requirement in accordance with paragraphs 2 and 3, or in such manner as the committee may specify.
2. The dealing member shall calculate a net underwriting exposure to securities, from the day it commits to underwriting the securities or the day when an underwriting agreement is signed, whichever is the earlier, to the day the underwriting arrangement ends, not being a day that is later than the day after allotment of or close of application for the subscription for the securities, whichever is the later, as the gross underwriting commitment of the holder less the aggregate of amounts which the holder has sub-underwritten to, placed with, sold to or allotted to-
 - (a) a bank licensed under the Financial Institutions Act, 2005;
 - (b) an insurer licensed under law;
 - (c) a management company authorised by the Exchange to manage collective investment schemes and approved by the committee; and
 - (d) any other person, provided that-
 - (i) full payment has been received by the holder for the sub-underwritten, placed, sold or allotted amount; or
 - (ii) the sub-underwritten, placed, sold or allotted amount can be offset against acceptable collateral received by the dealing member under a netting agreement approved by the committee.
3. The dealing member shall calculate an underwriting risk requirement as the product of-
 - (a) the net underwriting exposure calculated under paragraph 2;
 - (b) the appropriate standard method position risk factor applicable to the issue as prescribed under Appendix 3; and
 - (c) the underwriting risk factor, which is 20%, or such percentage as the committee may specify.

SECTION

11

THE ESE INVESTOR PROTECTION FUND

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11.1 Name of the Fund

The name of the Fund shall be the Eswatini Stock Exchange Investor Protection Fund, hereafter referred to as "the Fund".

11.2 Separate identity

The Fund shall be a separate legal persona capable of owning property, suing and being sued in its own name. The Fund shall have no members and no member of the ESE shall have any claim on the assets of the Fund save as set out in these Rules.

11.3 trustees

The members of the committee of the Eswatini Stock Exchange ("ESE") for the time being shall be the trustees of the Fund and the Exchange shall be the secretary of the Fund.

11.4 Administration of the Fund

The affairs of the Fund shall be administered by the Market Committee of the ESE held in terms of these Rules.

11.6 Trust account

The Market Committee shall open a bank account with a bank licensed in Eswatini in the name of the Fund and shall have the power to draw and endorse cheques and other negotiable instruments connected with the business of the Fund. All moneys constituting or accruing to the Fund shall, pending the investment or application thereof, be paid into the bank account. The Market Committee shall have power to close the bank account and open an account with another licensed bank.

11.7 Administration and investments

11.7.1 Subject to these Rules, the Market Committee shall have exclusive administration and control of all assets belonging to the Fund and of the income arising therefrom. Such assets or income shall be applied or invested by the trustees in the manner hereafter provided and in no other manner.

11.7.2 If necessary, all the assets of the Fund shall be used to meet claims on the Fund in terms of these Rules.

11.7.3 Not less than fifty (50) per cent of the total assets of the Fund shall be invested-

- (a) on deposit with a licensed bank;
- (b) in bills, bonds, debentures or stock issued or guaranteed by the government of Eswatini;

- (c) in stock of any local authority in Eswatini authorised by law to levy rates upon immovable property; and
 - (d) in debentures or stock of the Central Bank of Eswatini or such other similar body constituted or established by or under law.
- 11.7.4 Any money not invested in the manner set forth in Rule 11.7.3 shall be invested in accordance with sound financial principles in securities, in such manner as the trustees deem fit.
- 11.7.5 All contributions levied in terms of these Rules together with the income arising from the Fund shall from time to time be invested in the manner set forth in Rules 11.7.3 and 11.7.4 until the net value of the assets of the Fund has reached the amount determined by the Authority in terms of Rule 11.9.3 after which such income may be applied for the purposes set forth in that Rule.
- 11.7.6 The premium payable in respect of any 'In and Out' fidelity insurance policy, which the ESE may arrange or procure, shall be a charge on the assets of the Fund.
- 11.7.7 In selecting securities for the Fund, the Market Committee shall follow an investment policy that shall have as its primary objectives a reasonable level of current income and maximum stability for capital invested. To achieve this objective, the securities normally to be included in the Fund shall consist of financially sound ordinary shares, to be acquired at fair market prices, and financially sound fixed income securities embracing stock, preference shares, debenture stock, debenture bonds, unsecured notes, Commercial Paper (CPs), Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITs), Global Depository Receipts (GDRs), etcetera.
- 11.7.8 Such securities shall be registered in the name of the Fund or in the name of a nominee company and shall be deposited in a safe custody account in the name of the Fund with a licensed bank for the safe custody of securities.
- 11.7.9 Notwithstanding anything contained in these Rules, the Market Committee shall be empowered to sell, exchange, or redeem any investment and may, from time to time, determine what proportion of the money in the Fund may be retained for the immediate requirements of the Fund and what proportion may be invested.
- 11.7.10 Save as may otherwise be determined by the Market Committee from time to time, all contracts, deeds and instruments of a like nature and all drafts, cheques or orders drawn on banks against any account of the Fund in any bank shall be signed by one of the Market Committee and the secretary of the Fund.

- 11.8 Fund assets
- The Market Committee shall apply the assets of the Fund solely for the purposes set forth in these Rules and shall make no withdrawal or appropriation of any part of the assets of the Fund without special authorisation.
- 11.9 The net assets of the Fund
- 11.9.1 For the purposes of this Rule, the expression "the net assets of the Fund" shall mean the assets of the Fund, valued at market value from time to time, less provisions made from time to time by the Market Committee at their discretion for all actual and contingent liabilities of the Fund.
- 11.9.2 The net assets of the Fund shall, at all times, be at least E150 000. Should the net assets of the Fund at any time fall below E150 000, the trustees shall levy contributions from dealing members sufficient to bring the net assets of the Fund to E150 000.
- 11.9.3 When the net assets of the Fund exceed E300 000 or such other amount as the Authority may determine from time to time after consultation with the Market Committee, the Market Committee shall, until such time as the net assets of the Fund are reduced to less than E150 000 be entitled, at their discretion, but in accordance with such conditions as the Authority may determine, apply the income arising from the assets of the Fund which may be received from time to time for-
- (a) maintaining or strengthening the financial resources of the ESE as an institution; or
 - (b) reducing the listing fees payable by the issuers of securities listed on the ESE.
- 11.9.4 If for any reason the net assets of the Fund are reduced to less than E120 000, the trustees shall again invest the income arising from the assets of the Fund in terms of Rules 11.7.3 and 11.7.4 and all contributions received by the trustees, subject always to adequate provision being made for the payment of the premium referred to in Rule 11.7.6 and to the provisions of Rule 11.9.3.
- 11.10 Contributions
- 11.10.1 Dealing members shall contribute to the Fund as hereinafter provided, and such contributions together with assets already in the Fund and all other sums which may accrue to the Fund, shall constitute the assets of the Fund.
- 11.10.2 All contributions referred to in these Rules shall be made-
- (a) not later than one (1) month after the Market Committee has informed the dealing member of the amount it is liable to contribute;

- (b) on such basis, for such period and upon such rate as the Market Committee may determine and advise dealing members of the Fund from time to time; or
 - (c) when applying for membership to the Fund for the first time at the rate of E10,000 per new dealing member and E2,000 per licensed/authorised dealer.
- 11.10.3 The Market Committee shall have the right to recover in a court of competent jurisdiction any amount due to the Fund but not paid by a dealing member in accordance with Rule 11.10.2, which shall constitute a liquidated amount of money due by a dealing member to the Fund. A certificate issued by the Market Committee shall be prima facie proof of any amount so due and payable.
- 11.10.4 The Market Committee may, at any time in their discretion, levy contributions for the purpose of making up any diminution in the Fund or of increasing the size of the Fund-
 - (a) from dealing members on a turnover basis; or
 - (b) on such other basis as the Market Committee may decide in their absolute discretion from time to time.
- 11.10.5.1 Subject to Rule 11.14, no dealing member shall be entitled at any time to any refund of contributions paid in terms of these Rules except where the Market Committee may determine that a dealing member has made an overpayment of a contribution levied in terms of Rule 11.10.4.
- 11.11 Liability of the Fund for losses
 - 11.11.1 Where a dealing member has been declared a defaulter by the committee in terms of these Rules, the Fund shall be liable, against receipt of the cessions referred to in Rule 11.11.4, for the reimbursement in full to a buyer or seller of securities, of monies-
 - (a) paid by a buyer to the dealing member or due to the seller by the dealing member in terms of these Rules where the securities purchased have not been allocated or delivered to the buyer by the dealing member or where the securities sold have been delivered to the dealing member; and
 - (b) received from a client or from a principal in terms of Rule 11.11.1(a) to be deposited by the dealing member in a trust account and where such monies are irrecoverable.
 - 11.11.2 The Fund shall be liable for the reimbursement, subject to the limit of liability referred to in Rule 11.11.3, of losses sustained by-
 - (a) clients of the dealing member principals which had dealt with the dealing member and arising out of-

- (i) transactions in securities entered into by the dealing member; and
 - (ii) money received from or on behalf of a client or from a principal in terms of Rule 11.11.2 (a) (i) to be deposited by the dealing member in a trust account and where such monies are irrecoverable.
 - (b) transactions in securities entered into by the dealing member with such foreign dealer.
 - (c) transactions in securities entered into by the dealing member with another dealing member.
 - (d) clients in respect of-
 - (i) securities held by the dealing member as minimum cover or in respect of a managed account, whether or not deposited by the dealing member in a safe custody account with a bank;
 - (ii) securities lodged by a client with a dealing member in excess of the number of securities sold;
 - (iii) securities lodged with a dealing member for registration or for splitting;
 - (iv) securities lodged with a dealing member for safe keeping on behalf of a client and of which the client is unable to obtain delivery from the dealing member;
 - (v) cash and scrip accruals at the date of default of the dealing member in respect of securities purchased on behalf of a client or held on behalf of a client in safe custody; or
 - (vi) cash held by the dealing member in a trust account on behalf of a client in respect of a managed account and interest accrued thereon at the date of default of the dealing member and of which the client is unable to obtain a refund from the dealing member.
- 11.11.3 Reimbursement of the losses referred to in Rule 11.11.2 shall not exceed, for transactions in all securities the sum of E100 000.
- 11.11.4 Payment of any amount in terms of the categories referred to in Rules 11.11.1 and 11.11.2 shall only be made against a valid out and out cession to the Market Committee of the respective claims that the client, dealing member, principal or foreign dealer has against the former dealing member.
- 11.11.5 Notwithstanding anything else contained in these Rules, the liability of the Fund shall be limited-

- (a) to the amount which the dealing member owes a client, dealing member, principal or foreign dealer, at the time of the default of such dealing member in respect of a transaction arising from the buying or selling of securities and where the transaction has not been settled-
 - (i) by the payment of cash where the delivery of the securities sold has taken place; or
 - (ii) by the delivery of the securities where payment has been made for the securities purchased; and
- (b) in the case of a liability arising from securities held by the dealing member in safe custody or as minimum cover or for any other purpose on behalf of a client, dealing member, principal or foreign dealer, an amount equal to the market value at the time of default of such dealing member of the securities which were not available nor identifiable for delivery to such client, dealing member, principal or foreign dealer, at the said time: provided that any amount payable by the Fund to a claimant shall be reduced by any amount which such claimant owed the dealing member at the time of default.

11.11.6 The Fund shall not be liable for any-

- (a) consequential, indirect, unforeseeable or indeterminable loss suffered by a client, dealing member, principal or foreign dealer, as a result of any default including breach of contract, negligence or fraud by a dealing member; or
- (b) loss of income, profits and any loss sustained as a result of fluctuations in the market price of securities after the time of the default of such dealing member.

11.11.7 The liability of the Fund shall not necessarily be restricted to the types of losses described in the various categories referred to in Rules 11.11.1 to 11.11.2 and may be extended to such other losses as the Market Committee may in their absolute discretion determine.

11.11.8 The limit of liability of the Fund referred to in Rules 11.11.3 shall, if the aggregate of all claims admissible against the Fund exceeds the limit of liability in respect of the categories as specified, be distributed in a ratio, pro rata, which limit bears to the total claims of the dealing member admissible against the Fund.

11.12 Claims

11.12.1 All claims on the Fund by or on behalf of clients of the defaulting dealing member or on behalf of other dealing members, principals and foreign dealers who had dealt with the dealing member shall be submitted in writing as soon as possible after the occurrence of any loss and in any event not later than seven (7) days after such occurrence or if later, within such greater period as

the Market Committee in their absolute discretion may allow; and, the Market Committee shall be entitled to require such evidence as they deem sufficient as proof of the liabilities referred to in Rule 11.11.

11.12.2 The claim should include the following information:

- (a) the full name and address of the claimant;
- (b) the name of the dealing member of the ESE whose dishonesty, insolvency or default or the dishonesty of whose employee or associated dealing member or other agent has caused or contributed to the loss suffered;
- (c) the full circumstances in which the loss was suffered, with details of any material dishonesty, insolvency or default including the date or dates when it or they occurred;
- (d) the amount of the loss and how it is made up; and
- (e) what, if any, steps the loser has taken to exhaust any remedies available to him in respect of the loss and what have been the results of any such steps.

11.12.3 If accepted by the Market Committee, the claim shall,

- (a) be paid subject to these Rules directly to such claimants and the amount of such payments shall not form part of the assets of the dealing member;
- (b) be satisfied by payment by cheque or by electronic funds transfer or by mobile money and in no other manner, except where the Market Committee in their discretion may decide to reimburse to a claimant, securities of the number and class and similar to those which are the subject of the claim;
- (c) notwithstanding the provisions of Rule 11.11.1, be limited to the extent of the total net assets of the Fund; and
- (d) be decided in the discretion of the Market Committee who may reject a claim that does not conform with any of the categories referred to in Rules 11.11.1 to 11.11.2.

11.12.4.1 The Market Committee may, as a condition on which they may settle any claim under Rule 11.11, require sufficient proof of any claim including affidavits sworn to by the claimant, his trustee in insolvency or any other persons in support of such claim, and the production for inspection of all documents in the possession or power of the claimant relating to the claim.

11.12.4.2 Failure by a claimant to comply within a reasonable period with any of the requirements of the Market Committee under this Rule shall be grounds upon which the Market Committee may reject a claim.

- 11.13 General
- 11.13.1 All expenses in connection with or incidental to the management or administration of the Fund including the cost of audit and legal expenses shall be borne by the Fund.
- 11.13.2 The Market Committee shall cause proper accounting records relating to the Fund to be kept and shall cause such accounting records to be audited in respect of each year ended on the last day of March by a person registered as an auditor who is a member of the Eswatini Institute of Accountants and who publicly carries on the profession of an auditor and shall not later than three (3) months after the said date in each year, or within such further period as the Authority may allow, transmit to the Authority a copy of the accounts and statement of financial position of the Fund for the said year certified by the said auditor and accompanied by a copy of his report.
- 11.13.3 Any notice to be given to dealing members shall be properly given if given in terms of these Rules.
- 11.13.4 Subject to the Act and these Rules, the decision of the Market Committee in regard to the administration of the Fund and other matters arising therefrom shall be final.
- 11.13.5 In all disputes or queries other than those referred to the appeals committee or court of competent jurisdiction, the interpretation of these Rules shall vest with the Market Committee whose interpretation shall be final.
- 11.14 Winding up
- 11.14.1 If the ESE should be wound up or otherwise dealt with, the assets of the Fund shall be used, subject to these Rules, in discharging-
- (a) first all claims against the Fund which are accepted by the Market Committee in terms of these Rules; and
 - (b) thereafter, all obligations of the ESE to the public.
- 11.14.2 The balance, if any, of the assets of the Fund shall be deemed to be assets of the ESE.
- 11.14.3 In the event of a merger, amalgamation or transfer of business by or to the ESE:
- (a) the assets of the Fund will not be dealt with pursuant to Rules 11.14.1 or 11.14.2, notwithstanding that the ESE may be wound up pursuant to such merger or transfer; and
 - (b) at the discretion of the Market Committee, the Fund may merge or amalgamate with or be transferred to any other fidelity or guarantee fund of the merged, amalgamated or transferee exchange.

SECTION

12

MISCELLANEOUS

12.1 Acceptance of signature of issuer.....2

12.2 Effective date of these Rules.....2

- 12.1 Acceptance of signature of issuer
- Should any letter be received on the letterhead of any issuer purporting to be signed by a director, officer or other representative thereof, the committee shall be entitled to accept such letter as evidence that the person was authorised to write and sign that letter on behalf of that issuer.
- 12.2 Effective date of these Rules
- 12.2.1 A rule which was in force immediately prior to the commencement of any of these Rules shall be of full force and effect in regard to all contraventions or breaches of the said rule and all such contraventions or breaches shall be dealt with in terms of such rule.
- 12.2.2 Any transaction and other agreement entered into and any obligation assumed by a dealing member in terms of a rule, directive, instruction or decision of the committee which was in force and of effect immediately prior to the date of commencement of any of these Rules, including a rule, directive, instruction or decision pertaining to membership of the ESE and the stock exchange rights of a member, shall remain in force and of effect as fully as if the provisions set forth in the rule, directive, instruction or decision under which such transaction or agreement was entered into or obligation assumed, as the case may be, were contained in these Rules as an integral part thereof.
- 12.2.3 Save where otherwise provided, the provisions of any of these Rules and any amendment thereto shall apply to any transaction or agreement entered into on or after the date of commencement of these Rule or any amendment thereto.
- 12.2.4 Until the committee determines otherwise, settlement of transactions entered into prior to any amendment of the rules for completion after the effective date for the coming into force of such amendment shall be governed by the rules in force as at the date upon which the transaction was entered into.