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## LEGAL NOTICE NO. 107 OF 2014

**Central Bank  
(Capital Markets) Regulations, 2014**

In exercise of the powers conferred by section 6(j) and section 69 of the Central Bank Act of 2000<sup>1</sup>; I,

**DR. RETŠELISITSOE MATLANYANE**

Governor of the Central Bank in consultation with the Minister of Finance make the following regulations -

**PART I - PRELIMINARY****Citation and commencement**

1. These regulations may be cited as Central Bank (Capital Markets) Regulations, 2014 and shall come into operation on the date of publication in the Gazette.

**Application**

2. These regulations shall apply to offers of securities to the public.

**Purpose**

3. The purpose of these regulations is to establish the regulator for capital markets for purposes of promoting, regulating and facilitating the development of an orderly, fair and efficient capital markets in Lesotho and for associated purposes.

**Interpretation**

4. In these regulations, unless the context otherwise requires -

“advertisement” includes every form of advertising, whether -

(a) in a publication, by the display of notices, by means of

circulars or other documents;

- (b) by the exhibition of photographs, cinematograph films or videos;
- (c) by way of sound broadcast, television, or by the distribution of recordings; or
- (d) in any other manner;

“arbitrage transaction” means a purchase or sale by a person on his own account of securities on a securities exchange or facility with intent to sell or buy those securities on another securities exchange or facility to profit by the difference between the prices of those securities on such securities exchanges or facility;

“auditor” means a member of the Lesotho Institute of Accountants certified to provide auditing functions recognised by the Institute or a member of any other professional body as the Commissioner of financial institutions may approve;

“broker-dealer” means a person licensed to carry on business of buying and selling securities on behalf of other persons or on his own account,

“capital markets” has the same meaning assigned to it under section 2 of the Central Bank Act of 2000;

“capital market instrument” means any long term financial instrument whether in the form of debt or equity developed or traded directly between two or more parties for the purpose of raising funds for investment;

“Central Bank” means the Central Bank of Lesotho established under the Central Bank of Lesotho Act of 2000;

“company” has the same meaning as assigned to it under the Companies Act of 2011<sup>2</sup>;

“days” means calendar days excluding Saturdays, Sundays and public holidays;



“dealer” means a person who is licensed to carry on business of buying and selling securities for own account whether or not that person carries on other business;

“dealer’s licence” means a licence under Part VI of these regulations authorising a company to carry on business as a dealer.

“dealing in securities” means, whether as principal or agent, making or offering to make with any person, or inducing or attempting to induce any person to enter into or to offer to enter into -

- (a) an agreement for or with a view to acquiring, disposing of, subscribing for, or underwriting securities; or
- (b) an agreement for the purpose or pretended purpose of which is to secure a profit to any of the parties from the yield of securities or by reference to fluctuations in the price of securities;

“debt security” means an instrument creating or acknowledging indebtedness issued or proposed to be issued by a company including a debenture, debenture stock, loan stock, bond or note;

“exchange licence” means a licence to carry on the business of a securities exchange or exchange facility in terms of these regulations;

“exchange rules” means, in relation to a securities exchange or trading facility, the rules governing the activities and market conduct of a securities exchange or trading facility or of its members;

“Fund Manager” means a body corporate licensed by the Registrar which, pursuant to a contract or arrangement with a client, undertakes on behalf of a client (whether on a discretionary authority granted by the client or otherwise) the management of a portfolio of securities for the purpose of investment;

“Government and public debt security” means any loan stock, bond, note or other instrument creating or acknowledging indebtedness issued by or on behalf of a Government, statutory corporation, parastatal body or local authority;

“initial public offering” means an offer to the public of any securities or a company, if -

- (a) no securities of that company have previously been the subject of an offer to the public; or
- (b) all of the securities of that company that had previously been the subject of an offer to the public have subsequently been reacquired by the company;

“investments” means;

- (a) securities listed on a licensed securities exchange or facility;
- (b) securities listed on a foreign securities exchange or facility;
- (c) participatory interests or units in a collective investment scheme approved under these regulations;
- (d) participatory interests or units in a collective investment scheme licensed or registered in a foreign country;
- (e) other instruments declared to be investments for the purposes of these regulations by the Central Bank by Notice published in the Gazette; or
- (f) funds intended for the purchase of such securities, units or other instruments;

“investment adviser” means a person who -

- (a) carries on the business of advising others concerning investments as part of a regular business, issues or promulgates analysis or reports concerning investment;
- (b) is a financial institution licensed to provide financial and investment advice under the Financial Institutions Act of 2012<sup>3</sup>; or

- (c) pursuant to a contract or arrangement with a client, undertakes on behalf of the client the management of a portfolio of securities for the purpose of investment;

but does not include -

- (d) an insurance company licensed under the Insurance Act of 2014<sup>4</sup>;
- (e) a lawyer or accountant in practice whose advice with respect to investment is wholly incidental to the practice of his or her profession;
- (f) a pension fund;
- (g) a licensed dealer or a licensed dealer's representative whose advice with respect to investments is solely incidental to the conduct of his business or employment in dealing in securities; or
- (h) a person who is the proprietor or publisher of a bona fide newspaper, magazine, journal or other periodical publication that is generally available to the public, in relation to any advice with respect to investments given therein, where -
  - (i) the advice is given or the analysis or reports are issued or promulgated only through that publication;
  - (ii) that person receives no commission or other consideration for giving the advice;
  - (iii) the advice is given and the analysis and reports are issued or promulgated solely as incidental to the conduct of that person's business as a newspaper, proprietor or publisher;

“investment adviser’s representative” means a person, by whatever name described, in the employment of, or acting for or by arrangement with,



~~exchange~~ exchange;

“market intermediary” is a person licensed, registered or approved as such under these regulations;

“offer of securities” means a person is to be regarded as offering securities if, as principal, he or she makes an offer which, if accepted, would give rise to a contract for the issue or sale of the securities by him or her or by another person with whom he or she has made arrangements for the issue or sale of the securities; or he or she invites a person to make such an offer, but not otherwise and except where the context otherwise requires, “offer” and “offeror” shall be construed accordingly;

“offer to the public” a person offers securities to the public in Lesotho if, to the extent that the offer is made to persons in Lesotho, it is made to the public and for this purpose, an offer which is made to any section of the public, whether selected as members or debentures holders of a body corporate, or as clients of the person making the offer, or in any other manner, is to be regarded as made to the public, and the terms

*this forms part of the above paragraph.*  
“public offer” and “public offering” shall be construed accordingly;

“professional investor” means a person whose ordinary business or regular activity involves the buying and selling of securities, as principal, including an underwriter, a bank, and an insurance company, a fund’s manager, stock broker, broker-dealer, a dealer, or their representatives, investment adviser or investment adviser’s representative acting as principal, subject to any exception that may from time to time be prescribed by the Registrar;

“promoter”, in relation to civil and criminal liability in respect of an untrue statement in a prospectus, means -

- (a) a person who was a party to the preparation of the prospectus, or of the portion of it that contains the untrue statement; but
- (b) does not include any person acting in a professional capacity for persons engaged in procuring the formation of the company or preparing the prospectus;

“public company” has the same meaning assigned to it under the Companies Act of 2011;

“Registrar” means the Registrar of Capital Markets referred to in regulation 6;

“share” means a share in the share capital of a body corporate, a unit in a unit trust or an interest in any collective investment scheme.

“securities” means -

- (a) debentures, shares, stocks, bonds, commercial paper (whether issued by the Government or a company having a share capital or any other body corporate or association of persons) notes, units of stock issued in place of shares, and options on stocks or shares or on such debentures, notes or units, and rights thereto, but excluding -
  - (i) shares in a private company; or
  - (ii) stocks or shares in a public company which cannot be acquired or transferred without the consent or approval of the directors or representatives of the company, other than such consent or approval required by, under or by virtue of any law, or options on or rights to such stocks or shares; or
  - (iii) treasury bills, banker’s acceptances, negotiable certificates of deposit issued by a banking institution registered under the Financial Institutions Act of 2012, or any other similar short-term instrument designated by the Registrar by notice in the Gazette, or options on or rights to such bills, acceptances, certificates or instruments;
- (b) a right, warrant, option of futures in respect of any debenture, shares, bonds, notes or in respect of commodities;

- 
- (c) a unit, interest or share offered under a collective investment scheme or other similar vehicles, whether established in Lesotho or not;

“securities exchange” means, in relation to premises of a licensed securities exchange, the one place in those premises which constitutes, maintains or provides a market or a facility by means of which -

- (a) offers to sell, purchase or exchange securities are regularly made or accepted;
- (b) offers or invitations are regularly made, being offers or invitations that are intended, or may reasonably be expected to result, whether directly or indirectly, in the making or acceptance of offers to sell, purchase or exchange securities;
- (c) information is regularly provided concerning the prices at which, or the consideration for which, particular persons or particular classes of persons, propose, or may reasonably be expected, to sell, purchase or exchange securities; or
- (d) clearing service for securities traded in the exchange takes place;

“stock-broker” means any person who is licensed to carry on the business of buying and selling securities on behalf of other persons;

“stock broker’s; broker-dealer’s; dealer’s representative” means a person by whatever name described, who is in the direct employment of, or acting for, or by arrangement with, a stock broker, broker-dealer or a dealer, and who performs for that stock broker, broker-dealer or dealer, any of the functions of a dealer, other than work ordinarily performed by accountants, clerks or cashiers, whether or not the remuneration of that person is by way of salary, wages, commission or otherwise, and includes any director of a company who performs for the company any of those functions, whether or not the remuneration of that director or officer is as aforesaid;

“Stock broker; broker-dealer; dealer’s representative’s licence” means a licence under Part VI of these regulations authorizing a person to act as a representative;

“unit trust” means any scheme or arrangement in the nature of a trust in pursuance whereof members of the public are incited or permitted, as beneficiaries under the trust, to acquire an interest or undivided share (unit of investment) in one or more groups or blocks of specified securities and to participate proportionately in the income or profits derived there from;

“untrue statement” includes a statement that is misleading in the form and context in which it is made and includes an omission from a prospectus or written statement of any matter that, in the context, is calculated to mislead by omission constitutes the making of an untrue statement in that prospectus or written statement, irrespective of whether these Regulations require that matter to be included in the prospectus or written statement;

“underwriting” means the purchase of newly issued securities for the purpose of public resale on behalf of the issuer, or the guaranteeing to an issuer that the unsold residue of the issuer’s public issue or sale will be taken up.

## PART II - REGISTRAR OF CAPITAL MARKETS

### **Registrar**

5. A person appointed in terms of Section 2 of the Financial Institutions Act of 2012 as the Commissioner of financial institutions shall be the Registrar of Capital Markets.

### **Functions of the Registrar**

6. (1) The principal objectives of the Registrar shall be -
- (a) the creation, maintenance and regulation, through implementation of systems in which the securities market participants are self-regulatory and markets in which securities can be issued and traded in an orderly, fair, effi



cient and transparent manner;

- (b) the protection of investors;
- (c) the reduction of systemic risk; and
- (d) promotion of market confidence.

(2) For the purpose of carrying out the objectives of the office, the Registrar shall -

- (a) licence, regulate, monitor and supervise the activities of any securities market, exchange or facility;
- (b) take reasonable steps to ensure that these regulations and rules made under these regulations are complied with;
- (c) advise the Minister on all matters relating to the development and operation of capital markets;
- (d) maintain surveillance over securities to ensure orderly, fair and equitable dealings in securities;
- (e) make rules or guidelines and issue directives on all matters within the jurisdiction of the Registrar under these Regulations and ensure that investors are adequately protected and can develop increased confidence in the capital market;
- (f) establish conditions for, registering, licensing, approving and regulating, in accordance with these regulations or any other regulations made under the Central Bank Act, securities exchanges, investment advisers, dealers, fund managers, stock brokers, dealers, and representatives of the foregoing and any other persons dealing in securities or exercising any functions related to the securities, and their agents and to control and supervise their activities with a view to maintaining proper standards of conduct and professionalism in the securities business;

- (g) approve standards of competence for market intermediaries and their respective representatives, whether by way of examination or otherwise;
- (h) monitor and enforce regulations for the conduct of licensed persons and for the supervision and investigation of that conduct;
- (i) promote and encourage high standards of investor protection and integrity among licensed persons;
- (j) take reasonable steps to -
  - (i) safeguard the interests of persons who invest in securities and to protect the integrity of the securities market against any abuses; and
  - (ii) promote and maintain the integrity of market intermediaries and encourage the promulgation by them of balanced and informed advice to their clients and to the public at large;
- (k) disseminate to the public information on the capital market and on securities and create facilities from the regular publication of prices, indices, dealings and securities;
- (l) conduct an inspection of the activities, books and records of market intermediaries or any persons in possession of records on securities and derivatives transactions and on identification of beneficial ownership;
- (m) encourage savings and investments in securities and encourage the development of market intermediaries and other securities professionals;
- (n) regulate and oversee the issue and subsequent trading both in primary and secondary markets of capital market instruments;
- (o) enter into arrangements with regulatory agencies outside

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Lesotho in order to facilitate the simultaneous listing of securities in Lesotho and elsewhere;

- (p) act as an appellate body for appeals from securities exchange actions brought by aggrieved parties;
- (q) attend meetings of the securities exchange, as if he or she were a member of the securities exchange and take part in all the proceedings at such meetings;
- (r) share both public and non-public information with domestic and foreign counterparts and, in particular -
  - (i) establish information sharing mechanisms, through memorandum of understanding or otherwise, that set out when and how to share both public and non-public information with domestic and foreign counterparts; and
  - (ii) provide assistance to foreign counterparts who need to make inquiries in the discharge of their functions and exercise of their powers; or
  - (iii) exercise and perform such other powers, authorities and duties as may be conferred or imposed upon the Registrar by or under these regulation and do all such other acts as may be incidental or conducive to the attainment of the objectives of the Registrar or the exercise of the powers of the Registrar under these regulations;
- (s) in exercising the powers and discharging the functions and duties under these regulations, the Registrar shall adopt processes which are consistently applied, comprehensible, transparent to the public and fair and equitable.

#### **Power of Registrar to make rules**

7. (1) Without prejudice to the generality of the power conferred by

regulation 6, the Registrar may, by Notice published in the Gazette, make guidelines or rules applying to licensed persons as may be required for the purpose of ensuring the protection of investors including, but not limited to rules or guidelines regulating the -

- (a) orderly and fair trading in capital market instruments;
- (b) listing of securities on a securities exchange;
- (c) disclosures about securities transactions by -
  - (i) dealers and their representatives;
  - (ii) persons who acquire or dispose of securities; and
  - (iii) a securities exchange;
- (d) proper maintenance of books, records, accounts and audits by all licensed persons of their affairs;
- (e) conduct of business by any bodies corporate or persons licensed or approved to undertake any capital market instruments;
- (f) financial resources requirements for licenses and other approved market participants.

(2) All rules and guidelines made by the Registrar shall take into account and be consistent with the objective of promoting and maintaining effective and efficient capital market.

### **PART III - CAPITAL MARKETS TECHNICAL COMMITTEE**

#### **Capital Markets Technical Committee**

8. (1) There shall be a Capital Markets Technical Committee which shall serve as an advisory to the Registrar on -

- (a) policy matters relating to capital market development in Lesotho;

- (b) an appropriate regulatory framework for the development of capital markets in Lesotho; and
- (c) the exercise of the functions of the Registrar under these regulations.

(2) The Registrar may request the advice of the Committee on administrative, technical or policy matter regarding the performance by the Registrar of his or her functions under these regulations.

(3) Nothing in subregulation (2) shall prevent the Committee from providing advice to the Minister or the Registrar on its own initiative.

(4) The Committee shall, in the exercise of its functions, have regard to the interest of the public, the protection of investors and the safeguarding of sources of information.

#### **Composition of the Capital Markets Technical Committee**

9. (1) The Committee shall consist of the following members -
- (a) a Chairperson;
  - (b) a representative of each licensed securities exchange or trading facility;
  - (c) the Principal Secretary of the Ministry of Finance, or a person authorized in writing by the Principal Secretary to act on behalf of the Principal Secretary;
  - (d) one member appointed by the Registrar;
  - (e) the Registrar or a person authorized in writing by the Registrar to act on behalf of the Registrar, who shall be secretary to the Committee;
  - (f) a representative of Lesotho Bankers Association; and
  - (g) a representative of the Ministry of Trade.

(2) The Chairperson and a member under subregulation (1)(d) shall be appointed by the Registrar and shall be persons with experience and expertise in legal, commercial, industrial, capital markets or financial matters.

### **Meetings of the Committee**

10. (1) The Committee shall meet as often as may be necessary but, in any event, at least twice a year.

(2) A meeting of the Committee may be convened at any time -

(a) by the chairperson;

(b) by the Registrar; or

(c) at the request of at least one third of the members of the Committee.

(3) The Chairperson shall preside in all meetings of the Committee.

(4) The quorum for a meeting of the Committee shall be at least half of its members and the Committee may, subject to the requirement for a quorum, regulate the procedure in regard to meetings and conduct of business at such meetings.

(5) All decisions at a meeting of the Committee shall be decided by the vote of the majority of the members present and, in case of an equality of votes, the Chairman shall have a casting vote.

(6) A member of the Committee, who has a direct or indirect interest in any decision that is to be taken on any specific matter by the Committee, shall disclose the nature of such interest at the meeting of the Committee where such decision is being taken and the disclosure shall be recorded in the minutes of the meeting.

(7) Where a member or the majority of the members of the Committee believe that a member's interest in a matter is such as to influence that member's judgment, that member shall not participate in the deliberation or the decision of the Committee on that matter.

(8) Nothing contained in subregulation (6) or (7) shall prevent the Committee members from voting upon matters which affect them generally.

(9) The Registrar shall be responsible for the administrative work incidental to the functions of the Committee and may submit to the Committee information that is in the Registrar's possession, or that the Registrar may obtain, and that is relevant to matter investigated by the Committee.

#### **Term of office of Committee members**

11. (1) A member of the Committee shall hold office for a period not exceeding two years and shall be eligible for reappointment.

(2) A member appointed under regulation 9(1) shall cease to hold office as a member of the Committee if -

- (a) the member delivers to the Registrar a written resignation of his appointment;
- (b) on the advice of the Committee, and subject to an independent professional assessment, the Registrar removes the member from office on the grounds that the member is unable or unfit to discharge the functions of a member or is unable to continue as a member;
- (c) the member has been absent for three consecutive meetings of the Committee without leave or good cause;
- (d) the member is insolvent or makes or offers any arrangement with any of that member's creditors;
- (e) the member is sentenced by a court to imprisonment without the option of a fine; or
- (f) the member is convicted of an offence involving dishonesty.

(3) The Registrar shall not take action under subregulation (2)(b) unless the Registrar has given the member a hearing.

(4) A member appointed under regulation 9(1)(b) or (c) shall cease to hold office if the member is removed in writing, by notice to the Registrar, or by the organisation which that member represents.

### **Allowances**

12. A member of the Capital Markets Technical Committee shall be paid such allowances as the Registrar may approve.

## **PART IV - INTERIM SECURITIES TRADING FACILITY**

### **Interim securities trading facility**

13. (1) Pending the establishment of a securities exchange, the Registrar may permit a person or company licensed under these regulations to establish and maintain interim securities trading facility by means of which a licensed person or company may operate subject to rules as the Registrar may prescribe from time to time.

(2) The Registrar may, subject to ratification by the Capital Markets Technical Committee, temporarily take over the function of an interim security trading facility referred to in subregulation (1).

(3) The provisions of these regulations, shall apply, with necessary modifications in relation to an interim securities trading facility with such modifications as may from time to time be prescribed.

(4) Subject to subsection (2), the Registrar may make such rules as may be required for the purpose of ensuring orderly and fair trading in securities on the interim securities trading facility and the protection of investors in connection with such trading, and in particular, rules to regulate -

- (a) the listing of securities on the facility;
- (b) the obligations of issuers of listed securities;
- (c) the trading and settlement rules of that facility;
- (d) the brokers or dealers who, and the conditions on which, those dealers may deal in securities on the facility;



- (e) the transitional arrangements for the assumption of the operations of the facility by an approved securities exchange;
- (f) other matters relating to the operation of the facility including the establishment and management of the Compensation Fund as the authority may consider necessary.

(5) Where an approved securities exchange is established under Part V, the management and operation of the interim securities trading facility shall be assumed by the approved securities exchange in accordance with the rules made under subsection (3).

## PART V - LICENSING OF SECURITIES EXCHANGE

### **Restriction on the right to carry on business of a securities exchange**

14. (1) Subject to these regulations, a person shall not carry on, establish or assist in establishing or maintaining, or hold himself or herself out as carrying on, providing or maintaining the business of a securities exchange except under an exchange licence.

(2) A person who contravenes subregulation (1) commits an offence and shall be liable on conviction to a fine not exceeding five hundred thousand Maloti or to imprisonment for a term not exceeding ten years, or to both fine and imprisonment.

### **Application for an exchange licence**

15. (1) A public company may apply for an exchange licence in respect of one or more types of securities.

- (2) An application for an exchange licence shall -
  - (a) be made to the Registrar in the manner and form prescribed by the Registrar;
  - (b) be accompanied by fees prescribed by the Registrar;

- (c) show that the applicant complies with the requirements referred to in regulation 17;
- (d) be accompanied by a copy of the proposed exchange rules and the listing requirements;
- (e) be accompanied by the applicant's relevant documents of incorporation;
- (f) be accompanied by such additional information as the Registrar may require.

(3) The Registrar shall give notice of an application for an exchange licence in a national newspaper of general circulation in Lesotho at the expense of the applicant, which Notice shall state the -

- (a) name of the applicant;
- (b) place at which the exchange rules may be inspected by members of the public; and
- (c) period within which objections to the licensing may be lodged with the Registrar, not being less than fourteen days from the date of the publication of the advertisement.

#### **Requirements to be met by applicants for an exchange licence**

16. (1) An applicant for an exchange licence shall satisfy the Registrar that he or she -

- (a) has financial resources sufficient for the proper performance of functions;
- (b) has sufficient arrangements to provide and maintain, to the satisfaction of the Registrar, adequate and properly equipped premises and systems for the conduct of the business of a securities exchange;
- (c) has made such arrangements as the Registrar considers

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appropriate for:

- (i) listing securities for trading on its platform;
  - (ii) orderly execution of trades;
  - (iii) the clearing and settlement of dealings in securities to ensure the performance of transactions effected on the securities exchange, and for the recording and publication of such transactions;
  - (iv) surveillance capability which monitors positions, prices and volumes in real time so as to ensure market integrity;
  - (v) necessary capability to have a nationwide network of trading members and has adequate facility to admit and regulate its members;
  - (vi) facilities to disseminate information about trades, quantities and quotes in real time;
  - (vii) the effective monitoring and enforcement of compliance with its rules and these regulations and, investigating complaints in respect of business transacted by any of its members;
  - (viii) adequate mechanisms for addressing investor grievances;
  - (ix) adequate system's capacity supported by a business continuity plan including disaster recovery;
- (d) has made provision for establishment of an investor protection fund;
  - (e) employs persons with skills and competencies to manage and perform the functions of a securities exchange;
  - (f) an approved business plan;

- (g) provides for a fair representation of persons in the appointment of its market committee members and in the administration of its affairs;
- (h) ownership and Governance structure;
- (i) directors and major shareholders are fit and proper persons in accordance with regulation 31.

### **Grant of an exchange licence**

17. (1) The Registrar in consultation with the Capital Markets Technical Committee may, after consideration of an application lodged with the Registrar, grant or renew to a public company a licence to carry on the business of a securities exchange if the Registrar is satisfied that -

- (a) the interests of the public will be served by the issue of the licence;
  - (b) the conditions as stipulated by the Registrar have been met;
  - (c) the applicant has sufficient financial resources for the proper exercise or carrying out the powers and duties conferred upon or assigned to a securities exchange by or under this regulations; and
  - (d) the license fee prescribed by the Registrar has been paid.
- (2) A securities exchange licence shall specify -
- (a) the place or places at which the business of the securities exchange may be carried on;
  - (b) the trading method or facility by means of which the business of the securities exchange may be carried on;
  - (c) that business shall not be carried on in other manner otherwise than as stipulated in the licence without the written permission of the Registrar; and

- (d) the period of its validity.

(4) The Registrar shall inform the applicants of the decision of the Registrar on the application not later than three months after the date on which the application was received or, if within that period the Registrar has required the applicants to furnish further information in connection with the application, from the date on which that information is furnished.

### **Circumstances under which an exchange license may be withdrawn**

18. (1) The Registrar may cancel an exchange licence if the Registrar is satisfied that -

- (a) the securities exchange fails to commence operations within a period of one year following the grant of the licence;
- (b) the securities exchange is in continuous breach of its obligations under these regulations;
- (c) there was no compliance with the provisions of these regulations;
- (d) there was no compliance with a written directive, request, condition of requirement made by the Registrar;
- (e) the securities exchange ceases to carry on the business for which it is licensed; or
- (f) the exchange rules are not properly enforced.

(2) The Registrar shall give thirty days written notice to a licensed securities exchange of the intention of the Registrar to cancel a licence under this regulation.

(3) The securities exchange concerned shall make representations to the Registrar within the period prescribed in subregulation (2) giving reasons as to why such licence should not be cancelled.

(4) If the Registrar has revoked a licence, the Registrar shall, as soon

as possible, publish a notice of such revocation in the Government Gazette and take other means calculated to inform the public of such revocation, including, where possible, publication of the Notice in a newspaper of general circulation in Lesotho.

(5) The Registrar shall not refuse to renew a securities exchange licence on any ground, unless the Registrar has, by notice in writing, furnished the applicant with reasons for his or her proposed refusal and the applicant has had the opportunity to show cause within a period specified in the notice why such renewal should not be refused.

### **Contents of exchange rules**

19. (1) The rules of a securities exchange shall be so designed as to ensure, to the satisfaction of the Registrar that -

- (a) a person is not admitted or allowed to continue as a member of the exchange unless -
  - (i) the person complies with the prescribed minimum requirements in regard to experience and educational qualifications and is a fit and proper person to be so admitted;
  - (ii) the directors are fit and proper persons and at least thirty five percent of the other directors are Basotho citizens;
  - (iii) a person, or in the case of a corporate body, its managing director, is a stock-broker and complies with standards of training and experience and other qualifications as may be required by the rules;
  - (iv) a person holds and maintains while being a member, such amount of capital or equivalent bank guarantees as shall be prescribed by the rules;
- (b) the capital or guarantee requirements of members are