



MSM MEMBER RULES

March 16, 2023
MASERU SECURITIES MARKET
CENTRAL BANK BUILDING, CNR AIRPORT AND MOSHOESHOE ROAD

PART A - GENERAL

DEFINITIONS

Arbitrage	As defined in Capital Markets Regulations of 2014
Authorised Dealers	As defined in Capital Markets Regulations of 2014
Bear Sale	As defined in MSM Trading rules of 2020
Broker or broking member	As defined in Capital Markets Regulations of 2014
Certified transfer deed	shall mean a transfer deed signed by the transferor, unaccompanied by a share certificate and bearing a certification duly signed and dated by or on behalf of the company whose shares are represented in the transfer deed that the relative share certificate has been lodged with the company.
Committee	shall mean the executive authority managing the affairs of the Securities exchange.
Contract price or transaction price	shall mean the price per share at which the contract or transaction was concluded.
Contract value	shall mean the consideration due to be paid by the purchasing to the selling broker in respect of a transaction in securities.
Transfer Deed	A legal document that relocates one person's legal rights of ownership to another person or entity
Listed Security	means any security, which is included in the official list.
Lot	shall mean the process of choosing someone in a group through allowing her/him to pick a piece of paper from a container. The person who takes the different one is chosen.
Non-Broking Member, Associate member & Non-Member Institution shall have the meanings	

attributed to them in Sections 3 and 4.

Security

As defined in Capital Markets Regulations of 2014

In rem suam

Regarding one's own property; for one's own advantage.

SECTION 1

NAME, OBJECTIVE, MAIN OFFICE AND POWERS OF THE COMMITTEE

The name of the securities exchange shall be MASERU SECURITIES MARKET, hereinafter referred to as "the securities exchange".

The main objective of the securities exchange shall be to operate in Lesotho for the public interest, and to maintain fair and efficient dealing in securities in order to protect investors and to regulate the affairs of members.

The main office of the securities exchange shall be located in Maseru or at such other place as the committee/ authority may decide.

To the full management and control of the securities exchange affairs, the Committee shall have power:-

- 1.1 To expend the funds of the securities exchange, in its preference, to the best benefit of its members and the securities exchange generally;
- 1.2 To buy, take on lease, exchange, hire or otherwise acquire any moveable or immovable property or any rights or privileges essential or suitable to the purposes of the securities exchange;
- 1.3 To sell, improve, manage, lease, mortgage, dispose of, turn to account or otherwise contract with any part of the property, moveable or immovable, or rights of the securities exchange;
- 1.4 To construct, alter, repair and maintain any buildings necessary for the purposes of the securities exchange;
- 1.5 To invest the funds of the securities exchange not immediately required, upon such security or securities, if any, and on such terms and in such manner as may be believed advantageous;
- 1.6 To guarantee the payment of money by surety or otherwise or for the performance of any obligations by indemnity or otherwise and generally to transact all kinds of guarantee business;
- 1.7 To enter into such contracts and do such acts and things as it thinks useful for the purposes of the securities exchange
- 1.8 To provide for persons in the employ of the securities exchange, or their dependents, by means of insurance with an insurer registered, or substituted, a pension or provident fund or otherwise, pecuniary benefits upon leave, retirement, death or termination of service or in the event of distress, sickness or injury and to insure members of staff against injury or death;
- 1.9 To institute, conduct, defend, compound or abandon any legal proceedings by or against the securities exchange or its officers, or otherwise concerning the affairs of the Securities exchange, and also to compound and allow time for payment or satisfaction of any debts due, and of any claims or demands by or against the securities exchange
- 1.10 To draw, make, execute, issue, accept, endorse, negotiate, discount and otherwise

deal in cheques, bills of securities exchange, promissory notes, letters of credit, coupons, drafts, warrants and other negotiable or transferrable instruments and securities, and to receive money or valuables on deposit or for safe custody;

- 1.11 To carry out, fulfil or undertake all or any of the objects of the securities exchange by the use of such powers, expressly or implied, granted herein and to do all such things as are incidental or conducive to the successful attainment of such objects.

SECTION 2.

2.1 APPLICATIONS

The rules shall apply to and be compulsory to members of MSM and all persons claiming under the rules and use of the securities exchange. The MSM does not recognise in its' dealings any other parties than its own members. Every bargain, therefore, whether for account of the member effecting it, or for the account of a client (principal) must be fulfilled according to the rules of the securities exchange. In addition, a member or member firm shall disclose on every letter, circular or other business communication that he is a member of the MSM.

- a) Wherever MSM is specified as having powers or rights these may be exercised on behalf of the securities exchange by the committee or by those designated in writing by the committee.

2.2 INTERPRETATION OF RULES

The interpretation of the rules and the usage of the securities exchange shall rest with the Committee, whose decision shall be final.

2.3 PROHIBITION OF FALSE MARKETS

No 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 which creates or may create a false or misleading appearance of trading activity or an artificial price for the said security. Any member breaching this rule shall be liable to suspension.

2.4 HOURS OF BUSINESS

The securities exchange will be open for business daily at such times, as the Committee shall decide. The securities exchange shall be closed for business on Saturdays, Sundays, and public holidays, and on such other days as shall be specifically directed by the committee.

2.5 SUSPENSION OF BUSINESS

Subject to the permission of the registrar, the committee may suspend the operation of the securities exchange at any time and for any period. In the event of the securities exchange being

suspended for any reason the committee shall have power to govern the conditions upon which all securities exchange transactions open at that time shall be closed.

2.6 REGISTER OF MEMBERS

The securities exchange shall keep a register of members; indicating the names of all persons who are members or have been members of the securities exchange within ten years. This will include their class of membership, and their addresses while still a member.

2.7 CALL OVER AND OFFICIAL RECORD OF TRANSACTIONS.

- a) Call-over shall be held daily whenever the securities exchange is open for business;
- b) A list of prices of securities at Call-over shall be recorded and reported daily to the trading floor administrator and such prices shall be regarded as the official prices for that day;
- c) The prices of all transactions effected for settlement in Lesotho shall include any premium or discount ruling in respect of that external market and such prices shall be reported daily by the trading floor Administrator.
- d) No list or record of dealings shall be published by a member without the sanction of the committee or security's exchange.

2.8 MEETINGS OF MEMBERS

- a) The Annual General Meeting of members shall be convened within six (6) months following the end of a financial year, to which the accounts of the securities exchange, duly audited, shall be submitted for consideration. The Auditors' Report shall, be read aloud, unless all members present agree to the contrary.
- b) The committee/authority may call an extraordinary general meeting at any time. A request signed by five (5) or more members shall bind the committee to call such a meeting.
- c) All general Meetings shall be chaired by the chairperson of the securities exchange in his absence the vice-chairperson shall chair. Should neither be present, the members present shall elect a chairperson from their number for the meeting.

2.9 GENERAL MEETING

- a) The only persons allowed to attend a meeting of members shall be those allowed to vote; the secretary of the securities exchange, the auditors and those committee members who may have been approved or appointed by the appointing authority. Any other person may be admitted only on the invitation of the chairperson of the meeting.
- b) Every member of the securities exchange shall be allowed to one vote in person if at the time of the meeting, his subscription is not in arrears or that his membership has not been suspended. In the event of an equality of votes, the Chairperson of the meeting shall cast a vote.

PART B - THE COMMITTEE

1. CONSTITUTION

The executive authority managing the affairs of the securities exchange shall be the committee of the Maseru Securities Market, hereinafter referred to as the committee. The committee shall consist of the members of the securities exchange (save for the persons approved or appointed in terms of the Capital Market Regulations or any other relevant legislation). Every member of the committee stopping to be a member of the securities exchange shall by fact be believed to have vacated office as a member of the Committee.

2. MEMBERS AND QUORUM

The Committee shall consist of not less than four (4) nor more than seven (7) elected members of whom four (4) shall constitute a quorum for the transaction of business at any meeting of the Committee.

3. GENERAL AND SIGNING POWERS

- 3.1 The subject to any relevant legislation, all matters considered by the Committee, its decision whether expressed by a resolution or otherwise, shall be final and must be carried out by every member concerned, provided that where a Resolution is required by the rules to be confirmed, such Resolution shall not be effective until confirmed.
- 3.2 Without bias to the generality of the power of the general management of the affairs of the securities exchange, the committee shall regulate the transaction of business on the securities exchange. The committee will also regulate negotiations and conclusions of contracts for and on behalf of the securities exchange to do, or perform all or any act, matter or thing, which the securities exchange may be empowered to do or perform by any legislation or regulations made.
- 3.3 Deeds, transfers, contracts, obligations, leases and other instruments may be signed on behalf of the securities exchange. Any two-committee members can do this. Either the Chairperson of the Committee, the Vice-Chairperson of the Committee, or any other Committee member that may from time to time be designated by the Committee for this purpose. Or any one such person together with the Secretary of the Securities exchange or his authorised representative.

4. FINANCIAL

- 4.1 The financial year of the Securities exchange shall end on the 31st December in each year.

4.2 The banking business of the securities exchange shall be transacted with such banks as may from time to time be chosen by the Committee.

5. LIMIT OF LIABILITY

No member of the Committee or officer of the securities exchange shall (disclaimer)

5.1 Be liable for any act or omission of any other member of the committee or officer or employee or agent of the securities exchange for any loss, damage or expense happening to the securities exchange.

5.2 None will be liable by any clients' reason of his having joined in any receipt of money not received by him personally or incurred through the act or omission of any banker, agent, employee or other person. Whether it is through the deficiency of any security in or upon which any of the moneys of the securities exchange shall be invested or for any loss or damage arising from the liquidation, judicial management, assignment or insolvency of any person with whom any of the moneys, securities or effects of the securities exchange shall be deposited.

5.3 Or whether for any defect of title to any property acquired by the securities exchange or

5.4 for any loss occasioned by any error of judgment or oversight in the execution of the duties of his office or any other cause whatsoever unless arising by reason of his own wrongful and unlawful act or omission or negligence.

6. ELECTION

6.1 The committee shall consist of two (2) members appointed by the Governor of Central Bank of Lesotho acting as the registrar of capital markets, and not less than four (4) members, and not more than seven (7) members elected annually by the members of the securities exchange on a day to be fixed by the Committee. If no new committee members are elected the committee members then in office shall continue in office until successors are duly elected. Retiring committee members shall be eligible for re-election if otherwise qualify

6.2 The secretary shall inform the registrar of the composition of and any change in the committee within fourteen (14) days of such appointment or change.

7. NOMINATION AND ELIGIBILITY

7.1 The notice in writing shall be given to all members of the securities exchange entitled to vote, calling for nominations for the committee. Such nominations must be submitted to the Secretary of the securities exchange by not later than seven (14) days before the declaration of

the election is to be made. A list of persons so nominated shall be placed on the notice boards of the securities exchange, as they are received together with a list of the names of the existing committee members who are willing to serve again.

7.2 No person shall be eligible for election to the committee unless he is a member of the securities exchange or the appointed representative of a corporate member, and his nomination was done in writing.

8. BALLOTING

8.1 Should the number of persons seeking election or re-election to the committee exceed seven (7), a ballot shall be held. Every ballot shall be held at such place as the chairperson may appoint.

8.2 In the event of two (2) or more candidates, receiving an equal number of votes and such number is sufficient to qualify one or more but not all of such candidates then the appointment from those of equal votes shall be determined by lot.

9. OCCASIONAL VACANCY

9.1 The committee may fill any occasional vacancy in the elected membership of the committee for the remainder of the term of office provided the remaining elected committee members are not less than three (3).

9.2 In the event of the number of elected members of the committee falling below three (3), the remaining members shall act only to summon an extraordinary general meeting of members for the purpose of electing further committee members.

10. DISQUALIFICATION OR REMOVAL FROM THE COMMITTEE

10.1 The members of the securities exchange may remove any elected committee member, at an extraordinary general meeting called for the purpose, provided at least two-thirds of the votes cast are in favour of such a resolution. The members may elect a member to replace the removed member on the committee, by a majority vote.

10.2 The office of an elected committee member may be vacated in the event of one or more of the following occurrences:-

- a) upon termination of membership of the securities exchange.
- b) upon being pronounced by the committee as being a person who is unfit or unsuitable to remain a member of the committee, or in the event of being suspended from practice.

- c) upon receipt of a notice of resignation from office,
- d) If he should absent himself without leave from three (3) consecutive ordinary meetings of the committee.

11. EXPULSION FROM COMMITTEE

11.1 The committee may by a resolution passed and confirmed in accordance with the procedure set out below expel any of its own elected members from the committee.

11.2 The resolution must be passed by not less than two-thirds of those committee members who are present at a meeting of which specific notice has been given, and subsequently confirmed by a majority of such members who are present at a subsequent meeting of which specific notice has been given. No member may vote at the subsequent meeting if he were not present at and voted on the resolution considered at the first specific meeting. In an emergency the confirmation of such a resolution may be considered at the same meeting as it is passed provided two-thirds of those present agree to do so.

12. DUTIES OF OFFICERS

12.1 The chairperson of the committee shall preside at all meetings of the committee and of the members of the securities exchange at which he is present and shall be ex-officio a member of all sub-committees created by the committee. The chairperson and vice-chairperson shall bear the title of chairperson of the Maseru Securities exchange and vice-chairperson of the Maseru Securities Exchange respectively. If any of these posts shall become vacant the committee shall take steps to fill them as soon as possible.

12.2 The vice-chairperson of the committee shall assist the chairperson and during the absence or incapacity of the chairperson shall have the powers and be charged with the duties of his office.

13. REGULATION OF MEETINGS

The committee may meet for the dispatch of business, adjourn and otherwise regulate their meetings and meetings of members as it thinks fit. Each member of the committee shall have one vote except the chairperson of the meeting who shall have in the event of an equality of votes an additional or casting vote. At every meeting the chairperson shall preside or in his absence the vice-chairperson and if both are absent then those members of the committee present shall appoint an elected committee member as chairperson for that meeting. The chairperson, the vice-chairperson, or any

two committee members may, and the secretary on their requisition shall, at any time summon a meeting of the committee.

14. RESIGNATION OF MEMBERS

If the elected members of the committee resign in a body then such committee shall forthwith give notice of the election of a new committee. The names of the elected candidates shall be posted on the notice boards of the securities exchange and all members notified immediately. Persons so elected shall hold office as members of the committee until the next annual election.

15. LEAVE

The committee may grant leave of absence to any of its members and may, if it so wishes, co-opt a member of the Securities exchange to fill the vacancy during the absence of the elected committee member.

16. RESIGNATION

Any member of the committee may resign from office upon giving notice in writing to the committee of his intention to do so. Such resignations shall come into force thirty (30) days thereafter.

17. INVESTMENT AND BORROWING POWERS

All income of the securities exchange arising from whatever source shall in the first instance be applied towards the costs of maintaining the institution and thereafter the committee in such manner as it thinks fit shall invest any surplus. Such investments shall be added to and form part of the general reserves of the securities exchange. The committee may raise or borrow money for the purposes of the Securities exchange in such amounts in such form and upon such terms and conditions, as it may deem expedient.

18. COMMUNICATIONS TO BE SIGNED

All communications to the committee shall be made in writing and the committee shall not be obliged to consider any communication that is unsigned.

19. DISCIPLINE

19.1 All decisions by the committee in regard to penalties or disqualifications arising from the violation or non-compliance with the rules and upon all matters connected with the

administration, business and affairs of the securities exchange and the business dealings and professional conduct of its members shall be binding upon all members.

- 19.2 The committee may by a resolution passed by not less than three-fourths of those present at a meeting of the committee distribute with the strict enforcement of any of the rules. In the event of the minimum quorum being present, the decision must be agreed.

20. RESTRICTIONS ON VOTING

- 20.1 When a member of the committee is party to or is concerned in any disciplinary matter under consideration of the committee he shall not act in committee on that particular case.
- 20.2 When members of the committee are absent or do not vote at the meeting at which a penalty or penalties have been imposed, they shall not attend or vote at the subsequent hearing..

21. POWERS TO IMPOSE PENALTIES

If any member shall be declared by the committee to have broken any Rule, usage or any provision of the Act, or be guilty of any conduct, proceeding or method of business which the committee in its absolute discretion deems improper a member or inconsistent with just and equitable principles of trade, or harmful to the interests of the securities exchange or the public, the committee may impose any one or more of the following penalties:-

- a) a warning;
- b) suspension of membership for such period or periods and upon such conditions as the committee may determine

In the event of any member being suspended, the Secretary shall inform the Registrar in writing of the action of the committee.

If the committee consider that the registration of a member should be cancelled, it will recommend accordingly to the Registrar.

22. APPEALS AGAINST PENALTIES

Except when the committee suspends a member with immediate effect, where in the opinion of the committee the delay necessary for a hearing would be detrimental to the interest of the securities exchange or the public. No penalty imposed on a member in terms of these Rules shall take effect

without the member first being given ten (10) days in which to make a written request for a hearing.

23. PROCEDURE FOR HEARINGS

Whenever a hearing is to be held such hearing shall be before the committee or such sub-committee or person appointed by the committee for such purpose.

The secretary shall give seven (7) days written notice of the hearing to the member requesting the hearing at which he and any witnesses he may call shall be heard. Such member or witness shall appear in person and shall not be entitled to representation, legal or otherwise. A copy of the decision shall be given to the member who requested the hearing and a copy thereof may be used by the committee in any way it may decide.

24. POWERS TO OBTAIN EVIDENCE

24.1 Members shall attend the committee when required and shall give such information as may be in their possession relative to any matter under investigation, including such accounts and information as to their firm's finances as the committee may consider necessary.

24.2 The committee may itself appoint a chartered accountant to report upon any matters relating to a firm's finances as it considers necessary, the cost of which shall be paid in the manner determined by the committee.

24.3 In the event of any document called for by the committee not being in the possession or control of a member such member or his authorised dealer shall, if possible, obtain such document or a copy thereof and produce the same to the committee.

24.4 If called upon to do so a member shall authorise the Secretary to obtain any information, document or copy thereof and shall sign such documents that the committee may consider necessary for that purpose.

24.5 The committee shall treat all information obtained under this rule as confidential.

25. MEMBERS' RESPONSIBILITIES FOR EMPLOYEES AND ASSOCIATE MEMBERS

Any member may be held by the committee to be fully responsible for the acts or omissions or negligence of employees an associate members of a member; and if such act or omission or negligence be found to be one which if done by the member would subject him to any of the penalties, then such member and any partner or partners of the member may be penalised as if such

act or omission or negligence had been done or omitted by him directly.

26. PUBLICATION OF DEFAULT OR SUSPENSION

The committee may, in its absolute discretion, and in such manner as it thinks fit, notify or cause to be notified to the public that any member of the securities exchange has been declared a defaulter, or has been suspended or has ceased to be a member and the name of such member. No action or other proceeding shall under any circumstances be maintainable by the person referred to in such notification against any person publishing or circulating the same and this rule shall operate as leave to any person to publish and circulate such notification and be pleadable accordingly.

27. EMPLOYMENT OF DEFAULTERS AND OTHERS REQUIRING COMMITTEE CONSENT

No member shall without the prior written consent of the committee take into, or continue in his employment in any capacity. Any broker who has been cancelled, or any person refused admission either as a member or an authorised dealer or any person who is an un-rehabilitated insolvent or has been a defaulter or has been convicted of theft, fraud, forgery or uttering a forged document, extortion or perjury or any crime involving dishonesty. The consent of the committee may be given for a limited period and may be withdrawn at any time on giving notice of one (1) calendar month.

PART C MEMBERS AND MEMBERSHIP

28. ADMISSION OF CANDIDATES

No candidate shall be considered for admission to membership of MSM unless he satisfies the committee that he is of good character and of high business integrity. He shall satisfy the Committee that his competence and conduct are of a standard sufficiently high for the protection of the public. The admission of a candidate to membership of the securities exchange shall be subject to his registration in terms of the Capital Markets regulations of 2014 and other relevant legislative or regulatory instruments.

29. MEMBERSHIP NOT TRANSFERABLE

Membership of the securities exchange is not transferable or transmissible and shall constitute a personal licence from the securities exchange to the member to exercise, subject to these rules, the right and privilege of trading with other members.

30. MEMBERS' QUALIFICATIONS

30.1 On admission, each member shall be a natural person ordinarily resident in Lesotho, of least twenty-one (21) years of age and shall own Lesotho assets, which exceed his/her liabilities by not less than one hundred thousand Maloti (M 100,000). A newly registered member must be employed at a member firm for a minimum period of two (2) years and be fully conversant with all aspects of managing a broking company before he/she will be permitted to set up a new broking firm.

30.2 Throughout his term of membership each member:

30.3 shall be ordinarily resident in Lesotho,

30.4 shall have as his principal business that of a broker, shall be active in such business to an extent acceptable to the securities exchange and devote a substantial portion of his time thereto.

30.5 shall not be engaged in any business, occupation, profession or other activity, which has been disapproved by the securities exchange

30.6 shall not, without the prior written approval of the securities exchange, change the name under which he carries on business, liquidate the assets of the business or cease to carry on business,

30.7 shall not without the written approval of the Registrar hold an interest in any other concern whose business directly or indirectly includes that of dealing in securities, acting as a commercial bank, an issuing house, merchant bank, discount house, financial institution or

insurance company

30.8 shall maintain in Lesotho negotiable assets which exceed his liabilities by at least one hundred thousand Maloti (M100 000) provided that if he carries on business in partnership with any other member or as a sole trader such partnership has negotiable assets in Lesotho which exceed its liabilities by at least one million Maloti (M1 000 000) if he works for a registered breeding company he may rely on that company's ten million issued capital

30.9 from the date of his admission as a member shall be deemed to be conversant with, shall be bound and shall abide by the Rules and usage of the securities exchange.

30.10 An associate member, throughout his term of membership:-

- (1) shall be ordinarily resident in Lesotho.
- (2) shall not be engaged in any business, occupation, profession or other activity, which has been disapproved by the securities exchange,
- (3) shall not, without the prior written approval of the securities exchange, change the name under which he carries on business, liquidate the assets of the business or cease to carry on business,
- (4) shall not without the written approval of the registrar hold an interest in any other concern whose business, either directly or indirectly includes that of dealing in securities, acting as a commercial bank, an issuing house, merchant bank, discount house, financial institution or insurance company. This is except as a minority holder of less than 5% of securities, which are listed on the securities exchange,
- (5) shall not either by a shareholding in a management company or by a contractual relationship with a management company or in any other way hold an interest in the operations of a unit trust or mutual fund other than as a holder of units,
- (6) shall pay such annual subscription as shall be laid down by the committee from time to time,
- (7) from the date of his admission as a member shall be deemed conversant with, shall be bound and shall abide by the rules and usage of the securities exchange and the Capital Market Regulations of 2014.

31. A NON-BROKING MEMBER:-

31.1 shall pay such annual subscription as shall be laid down by the committee from time to time,

31.2 from the date of his admission as a member shall be deemed to be conversant with, shall

be bound and shall abide by the rules and usage of the Securities exchange, and the Capital Market Regulations of 2014.

32. CORPORATE MEMBERSHIP

On admission each member shall:-

- 32.1 be a company incorporated in terms of the company's act of Lesotho and
- 32.2 has an issued capital in Lesotho which is not less one million Maloti (M1,000,000); and shareholders' equity is maintained continually at not less than one million 1,000,000.shares in issue
- 32.3 has as its sole object the business of broking; and
- 32.4 has complied with such requirements for registration as may be prescribed; and
- 32.5 has in its employ an individual member; and
- 32.6 has had its memorandum and articles of association approved by the committee and the registrar, and

33. INSTITUTIONAL MEMBERSHIP

No institution shall be a member of the securities exchange.

34. APPLICATION PROCEDURE

- 34 . 1 Application for membership shall be made to Maseru Securities Markets in the form of a letter and shall be signed by the applicant and by a proposer and seconder who shall be members .
- 34 . 2 The applicant will attend a preliminary meeting of the Committee and shall answer such questions as may be deemed necessary.
- 34 . 3 Every approved application for admission to membership shall be posted on the notice boards of the Securities exchange for not less than one (1) month and all members notified thereof. During this period, members may make representations thereon to the committee.
- 34 . 4 The committee will thereafter deal with the application

35. INFORMATION CONCERNING CANDIDATES

The committee require that the proposer and seconder of an application shall know the applicant personally and be familiar with details of his past and present circumstances and may be called on by the committee to provide such information as it may require. In the event of it transpiring that a wilful or negligent mis-statement has been made on a material point by a sponsor the committee may reject the application and suspend the sponsor concerned.

A member may impart any information on a candidate whether favourable or otherwise provided it is in writing and such communication shall be considered as strictly confidential.

If at any time it transpires that an application has been accepted for membership under a mistake or wrong information or the like, the committee may impose such penalty as it sees fit and any membership granted may be suspended.

36. VOTING ON APPLICATIONS

The committee shall vote on such application and no applicant shall be admitted unless he receives the votes of not less than two-thirds of the members of the committee present. All members of the committee present are obliged to vote on such an application and no member may abstain.

37. REJECTED APPLICATIONS

If any applicant for admission as a member be rejected he shall not make a fresh application to the Secretary within one (1) year from the date of his rejection.

38. PARTNERSHIPS

38.1 All partnerships between members as brokers shall be notified to the Secretary. A new, or an alteration in the composition of or the dissolution of an existing partnership shall be communicated to the Secretary and no partnership will be considered as altered or dissolved until such communication be made. A list of all partnerships shall be recorded by the Secretary.

38.2 On any such partnership being entered into, a copy of the deed of partnership shall be submitted to the committee. The committee may at any time call for such further information as it may deem fit.

38.3 The failure of a firm dissolves the partnership in the records of the securities exchange and should the members of such firm desire to renew the partnership; notice thereof must be given to the committee in the usual way.

38.4 No member shall be allowed to enter into partnership to transact securities exchange business with a non-member.

39. BRANCH OFFICES

A member may establish one or more branch offices in Lesotho provided:-

39.1 The prior written consent of the committee has been obtained. At least twenty-eight (28) days' notice shall be given to the committee of the intention to establish a branch office;

39.2 The branch office is wholly under the control of a member and operates in the member's name;

39.3 The business is conducted in accordance with the rules and usage of the securities exchange

39.4 The committee may at any time revoke its consent and the member thereupon will close the branch office.

40. DECLARATION ON CONTRACTS

All brokers' notes shall have the word 'Subject to the provisions of the Capital Markets Regulation of 2014 and rules made thereunder and their usage printed or written on them.

41. DISCLOSURE OF DEALINGS

Within three months of the end of each financial year broking firms shall submit through the Secretary of the securities exchange to the Registrar a schedule reflecting all purchases and sales of listed MSM securities made on its own account for that year, excluding arbitrage transactions.

42. BROKING MEMBER'S BOOKS AND RECORDS

A broking member shall issue receipts for securities deposited with him for sale and shall keep books, accounts, scrip registers, receipts and records which contain such entries as are necessary to show the nature and particulars of all dealings and transactions entered into by the member. Again, the member in his business as a broker shall cause such books, accounts, scrip registers, receipts and records to be audited at the end of each financial year by an auditor who is a chartered accountant (Lesotho), in public practice. Such books, accounts, scrip registers and records shall be preserved in a safe place for a period of at least six (6) years as from the date of the last entry therein.

The committee may in writing require any member to alter, supplement or replace any system of accounting or record keeping or method of handling securities, borrowing moneys or generally conducting business.

43. AUDITORS' CERTIFICATE

Every firm whether trading as a person, partnership or company shall cause his books, accounts and records to be audited each financial year by a chartered accountant who has no direct or indirect financial interest in the business. A copy of the accounts must be lodged annually by 30th June with the Secretary of the securities exchange, together with an audit certificate confirming the undertaking of a surprise scrip audit during the year and at the year-end.

Not later than the 30th June each year and in respect of the previous financial year ending on the 31st December, each member and member firm shall ensure that a certificate in triplicate signed by the auditor shall have been received by the secretary of the securities exchange.

The secretary shall forward one copy to the registrar and another to the board of the securities market.

43.1 The auditor shall state whether, in his opinion, the balance sheet and profit and loss account of the broker are properly drawn up so as to give a true and fair view of the state of the broker's affairs at the date of his balance sheet and of his profit or loss for the financial year ended on that date.

43.2 The auditor shall include in his report statements, which, in his opinion, are necessary, if:-

- a) proper books, accounts, scrip registers and records have not been kept by such broker during the period to which the audit relates or they have not been properly kept;
- b) he has not obtained all the information and explanations he has required;
- c) the securities deposited with such broker on behalf of any other person, including securities held in safe custody, are not all in the broker's possession unless the auditor has received an independent written verification from the person in whose possession or custody they are, stating that they are free from any lien;
- d) he has not received a certificate from the broker certifying that he owns in Lesotho assets exceeding his liabilities by at least M100 000, or in the case of a Corporate member M500 000; or
- e) in the case of a partnership he has not received a certificate or certificates certifying

that the partners own assets in Lesotho which exceed their liabilities by at least M100 000 multiplied by the number of partners;

- f) the broker has not complied with such other financial provisions as may be prescribed in the Capital Market Regulations of 2014.

44. INVESTIGATION BY AUDITOR

The committee is empowered in respect of any member to call for a report to be submitted by an auditor on any matter into which the committee deems it advisable to enquire.

If the committee shall require either during or as a result of such an investigation that the member cease trading, such member shall hand over to it all books and accounting records, including all scrip registers, safe custody ledgers, cheque books and all cash and securities held by and in possession of the member including cash and securities held on behalf of clients.

The committee shall during a period of prohibited trading have power to control such assets as it may in its discretion deem fit.

45. RESIGNATIONS

Members wishing to resign must notify their intention of doing so in writing to the Secretary who will post such notice on the notice board of the securities exchange for at least four (4) weeks before the committee will consider the acceptance of such resignation. In addition, the Secretary will inform all members in writing of the intended resignation simultaneously with the posting of the notice.

The committee may accept such resignation either unconditionally or on such conditions as they think fit, or may refuse to accept such resignation until they are satisfied that all outstanding deals with such member have been settled. No application for resignation shall be withdrawn without the consent of the committee.

46. NOTIFICATIONS REQUIRED BY SECRETARY

46.1 Each member and member firm shall register an address with the Secretary at which all notices, advice notes, scrip and other documents may be delivered.

46.2 Names and addresses of external correspondents.

46.3 Members are responsible for advising the Secretary promptly of:-

- a) any change of address,

- b) any change of correspondents,
- c) the death of a partner or winding up or dissolution of any firm,
- d) any proposed change in or amendment to any document relating to the partnership agreement of a firm or its partners which has been filed with the Securities exchange or which the Securities exchange requires to be filed with it.

47. PROFESSIONAL INDEMNITY COVER

Every broking member, associate member, partnership or company shall maintain a policy or policies of insurance cover of not less than M1 000 000 against losses caused by the negligent or dishonest acts of its staff and by handling stolen and forged documents of title to securities. Such policies shall be subject to the approval of the registrar. With the agreement of the committee a member, partnership or company may agree to bear the first part of any loss up to a maximum of M50 000 (Fifty Thousand Maloti).

48. TYPES OF MEMBERSHIP

Membership of the securities exchange shall consist of the following classes of members:-

- 48.1 Broking members
- 48.2 An associate member shall mean a member who is not entitled to trade on his own behalf and who is obliged to have all his deals booked to a broking member. An associate member shall not under any circumstances hold himself out to be a broking member.
- 48.3 A non-broking member shall mean a member who is not in active business.

49. CHANGE OF MEMBERSHIP STATUS

When a broking member desires to become an associate or non-broking member, he shall notify the Secretary in writing. Subject to the consent of the Committee being obtained to the change in status such notification shall be circularised to all members. Every broking member who changes his status to that of an associate or non-broking member shall within three (3) months of such change or within such longer period as the committee may approve furnish the Secretary with an Auditor's certificate stating:-

- 49.1 that all his obligations and commitments arising out of his securities exchange business have been fully discharged and that all safe custody scrip in his possession has either been

returned to the beneficial owners or handed over to an authorised depositary approved in terms of securities exchange Control Regulations;

49.2 that a form approved by the Committee has been sent to all his clients advising them of this change of status.

When the committee approves a change of membership status, such change will not become effective until the member's registration has been cancelled.

50. ASSOCIATE MEMBERSHIP

Any broking member may change his status to associate member. An associate member shall be liable for the same fees and subscriptions and qualifications in respect of proprietary rights as a broking member. In all his transactions both with clients and with members he shall be the agent of the responsible broker.

An associate member may only book his deals through one member, who shall be responsible for ensuring that his associate member complies with these rules.

All securities presented to the associate member for sale or safe custody shall be lodged with the responsible broker who will record the receipt and movement of such shares as if the beneficial owner were his own client.

In the event of the default of a broker responsible for an associate member, such associate member shall immediately become a non-broking member, pending permission from the committee to become an associate member to another responsible broker.

51. NON-BROKING MEMBERSHIP

Any broking or associate member who may wish to change his status to that of non-broking member. A non-broking member shall not be entitled to deal on behalf of a client nor enter into a transaction with another member as a principal.

Every non-broking member shall continue to hold his qualifying number of proprietary rights but will only be liable for quarter the rate of subscription applicable to broking members, except that any non-broking member who has been a member of this or the former securities exchange for at least twenty-five (25) years shall not be liable for any subscription.

A non-broking member shall otherwise than set out above be entitled to all rights and privileges of a member of the securities exchange,

52. RETIRED ASSOCIATES

A register of retired associates will be maintained, for admission to which annual application must be made to the committee and which will be open to all ex-members, who after long association have genuinely retired from active business by reason of age or ill-health. Retired associates shall be associated with the member who sponsors them for the transaction of business.

The member may remunerate a retired associate with a share not exceeding one quarter of the commission charged to the client he introduces where such commission is charged in full.

53. TERMINATION OF MEMBERSHIP

53.1 Broking Member

Membership of the securities exchange shall terminate upon cancellation of a member's registration by the securities exchange.

53.2 Associate or Non-Broking Member

Membership of the securities exchange shall terminate

- (a) upon assignment, sequestration or surrender of the estate of a member;
- (b) upon death of a member;
- (c) upon acceptance of a notice of resignation from membership;
- (d) upon his becoming of unsound mind or his conviction for an offence and sentence to a period of imprisonment without the option of a fine or for an offence which the committee considers renders him unfit to be a member of the securities exchange
- (e) upon his ceasing to comply

PART D - AUTHORISED DEALERS AND UNAUTHORISED CLERKS

54. QUALIFICATION

54.1 Unauthorised_clerk

A person may be admitted as an unauthorised clerk under the following circumstances:-

- a) Must be a person ordinarily resident in Lesotho and of at least 21 years of age.
- b) Must be in the permanent employment of a member firm.

54.2 Authorised dealer

A person may be admitted as an authorised dealer under the following circumstances:-

- a) Must be a person ordinarily resident in Lesotho and of at least 21 years of age.
- b) Must have worked in the office of a broking member for a minimum period of one year. This twelve-month period may be reduced by a maximum of six months, at the discretion of the committee, if the person has been a registered broker with another recognised securities exchange wherein testimonials as to his/her registration, competence and good standing with that securities exchange must be produced.
- c) Must have passed at least two subjects of the registered persons examination conducted by the **South African Institute of Financial Markets**.

55. ELECTION

A member desirous of obtaining the admission of a dealer or of employing another member as a dealer shall make application to the committee.

Applications for the admission of dealers shall be processed in the manner prescribed for the admission of broking members. No dealer shall be permitted to strike a bargain until his employer has received notice of his admission from the secretary.

56. FEES - AUTHORISED DEALERS

A member shall pay to the securities exchange such fees for each dealer employed by him as the

securities exchange shall from time to time prescribe.

57. DISMISSAL AND SUBSTITUTION

A member who ceases to employ a dealer or is desirous of withdrawing from a dealer the permission to transact business on his account shall give notice in writing to the secretary who shall circulate members and post such notice on the notice boards. Any such member may simultaneously apply for the admission of a new dealer in place of the former and the committee at their discretion may admit the new dealer subject to compliance.

The committee, in its discretion, may order the withdrawal from the securities exchange of any dealer in the employ of any member.

58. MEMBER'S RESPONSIBILITY

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

59. DEALERS OF:-

59.1 defaulters are excluded from the Securities exchange.

59.2 deceased broking members may, by permission of the chairperson or the vice-chairperson or two (2) members of the committee continue to be authorised for the sole purpose of closing unsettled accounts.

60. PERMITTED NUMBER OF DEALERS

Each broking member shall be entitled to have one dealer for each complete multiple of four (4) proprietary rights held by him.

In the case of a firm, the proprietary rights held by its members who are partners of the firm shall be aggregated for the purpose of this rule.

No member or firm shall be entitled to have more than four (4) dealers at any one time.

A member who is employed as a dealer shall count as a dealer in terms of this rule.

61. MEMBER'S POWER OF ATTORNEY

No member shall give a power of attorney other than to a person who is a member or an authorised

dealer to carry on or supervise his securities exchange business unless the person whom it is proposed to appoint as a substitute shall have been approved by the committee. Any power of attorney so granted or any substitution thereunder shall be registered with the Secretary and a copy thereof delivered to him. Nothing in this rule shall absolve the member granting the power of attorney from responsibilities for the acts or omissions of his attorney or substitute.

62. LIMITATION ON ACTIVITIES OF DEALERS

62.1 No dealer or other employee of a member shall be permitted to handle a discretionary account of a customer, nor shall he be permitted to make a bargain in his own name.

62.2 A member employed as a dealer shall not, after the termination of his employment as a dealer, enter into any bargain in his own name until he has obtained the written permission of the committee.

62.3 No dealer or other employee shall participate either directly or indirectly in underwriting or acquire an option or options on securities of a listed company or securities by reason of being a vendor of property or other assets sold or to be sold to a listed company directly or indirectly.

63. TRANSACTIONS BETWEEN DEALERS

No member or employee shall execute or be instrumental in the execution of a bargain for a person who he knows is an employee of another broking member.

64. UNAUTHORISED CLERKS

Any member may appoint an employee as an unauthorised clerk and shall notify the secretary of such appointment for posting on the notice boards of the securities exchange. Such unauthorised clerk will be permitted to enter the premises of the securities exchange during call-over, but under no circumstances shall he be permitted at any time to strike a bargain.

PART E - TRADING

65. BARGAINS SOLELY BETWEEN MEMBERS

The securities exchange does not recognise in its dealings any other parties than its own members. Every transaction therefore must be in accordance with the rules and usage of the securities exchange and no member shall bring any action at law either against the committee or any member thereof for the purpose of altering or rescinding any decision of the committee.

66. POWER TO HALT TRADING IN ANY SECURITY

Any two of the chairperson or the vice-chairperson or a member of the committee shall have the authority to interrupt or halt trading in any security at any time and for any period. The registrar shall be notified of any action taken.

Any action taken in terms of this rule shall be circularised immediately to all members. A resumption of trading shall be similarly circularised.

67. BIDS AND OFFERS BINDING SETTLEMENT OF DISPUTES.

67.1 All bids and offers made and accepted in accordance with the usage or practice of the securities exchange shall be binding and all contracts thereby effected and arising there from shall be subject to the exercise by the committee.

67.2 Disputes arising on bids or offers, if not settled by agreement between the parties concerned, may be referred to the committee for a decision if no such dispute will be considered unless it is submitted to the committee within ten (10) days of the date upon which the transaction out of which the dispute arose should have been settled.

67.3 No trades will be cancelled, unless the committee has granted permission. An application to cancel a trade must be made in writing to the securities exchange within eighteen (18) hours of its execution.

68. NUMBER OF SHARES BID OR OFFERED

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

69. BAN ON FICTITIOUS SALES

No fictitious sale or contract shall be made and each member shall transact his business openly and fairly and in accordance with just and equitable principles of trade.

70. PRIORITY OF CLIENTS' ORDERS

Orders for the account of clients shall have priority over all other orders executed by members of the securities exchange.

71. BOOK-OVER PROCEDURE

A member having orders to buy and to sell the same securities may book-over the bargains through another broker provided that:

- 71.1 he shall first test the market by making a double price which in the prevailing market conditions is fair and equitable to both buyer and seller and declare the number of shares. If any member bids to purchase the securities at a price higher or offers to sell 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 and at the countered price:
- 71.2 The other broker is satisfied that the price is fair and equitable.

Both parties shall be prepared at all times to justify the price and other terms of the bargain and the genuineness thereof with the committee

72. SPECIAL BARGAINS

- 72.1 A special bargain is a transaction in securities, which is beyond the capacity of the market at the prevailing price. Transactions in special bargains may be put through at such price as is agreed to by both the purchasing and the selling client. Details of special bargains shall be marked and reported to the Secretary of the securities exchange.
- 72.2 In order to establish that a special bargain is beyond the capacity of the market at the prevailing price, the following procedures will be carried out at the daily call and at no other time. The buying and selling brokers who wish to conclude the bargain, or the broker acting on behalf of both the buyer and the seller who wishes to "book-over" the bargain shall declare the details of the number of shares and the price. 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 go through. It is therefore the responsibility of the broker or brokers concerned to ensure that the bargain is marked as a special bargain and inform the Secretary in writing of all the details.
- 72.3 In the event of the market being able at the call either to bid a higher price or offer at a lower price the same quantity of shares involved in the special bargain the proposed transaction shall become a normal trade subject to the rules governing book-overs.

73. BAN ON TAKING LEGAL ACTION

No member shall attempt to enforce by law a claim arising out of a securities exchange transaction against a member without the consent of the committee.

74. TRADING ON HOLIDAYS

- 74.1 The committee shall not be bound to recognise or take cognisance of transactions, which have been entered into on Saturdays, Sundays or on securities exchange holidays.
- 74.2 All options or time bargains expiring or falling due on one of these days shall be deemed to mature on the first business day thereafter.

75. ADVICE NOTES

Advice notes and acceptances shall be signed by a member, a dealer or any person under a power of attorney granted by such member provided the power of attorney has been lodged with the secretary of the securities exchange.

76. DELIVERIES

- 76.1 The seller of securities shall be responsible for their genuineness and of all documents necessary for the transfer thereof.
- 76.2 Certified transfer deeds shall be good delivery only if they bear distinctive markings in capitals and shall take the form of the words "CERTIFIED DEED" or the letters "C.D." followed by the amount of or the number of shares in figures.

- 76.3 Subject to the above provisions no scrip certificate shall be deemed good delivery unless accompanied by the requisite transfer form signed by the registered holder and such signature certified correct by a broking member, or an authorised representative of a recognised financial institution.
- 76.4 No scrip shall be good delivery where the certificate is mutilated or damaged or a material part of the wording is obliterated. If alterations have been made then such alterations shall be initialled by the person signing the transfer deed.
- 76.5 Scrip of companies the capital of which has been increased or decreased shall be good delivery although the alteration of capital has not been noted thereon. When however such scrip is sold in or from the place where the company has an office at which such alteration can be made, the seller shall be bound to have this done before effecting delivery.
- 76.6 The seller of listed securities shall be responsible for good delivery of the listed securities within 7 days of the date of sale. If delivery of the listed securities is not made forthwith the broking member as soon as is reasonably possible after the date of the failure to make that delivery and in any event not later than 4 days thereafter buy in the listed securities. The seller is responsible for any losses incurred.

77. DIVIDENDS AND RIGHTS

- 77.1 In all sales, all intermediate advantage shall pass with the security and shall belong to the purchaser unless otherwise declared at the time of sale.
- 77.2 All interest accrued to the date of sale on bonds issued by the government, or corporate bodies shall go to the seller unless otherwise arranged at the time of the transaction.
- 77.3 Subject always to the above, the committee shall from time to time prescribe such formulae as it in its discretion may deem fit to control, govern and determine the procedure for dealing with; and the record date for one or more of the benefits rights dividends interest or other incidental accruals which flow from the ownership of securities.

78. RIGHTS ON 'CALLS' AND 'TIME' BARGAINS

Any member taking up 'calls' or 'time' bargains shall be entitled to all new securities dividends and other rights that may have accrued on the old securities since the date of the transaction provided within reasonable time he specially claims the same in writing from the seller.

79. UNCLAIMED SUBSCRIPTION RIGHTS

- 79.1 If subscription rights attaching to securities be not claimed by the persons entitled thereto at least 24 hours before the expiration of the time within which trading in respect of such rights may take place on the securities exchange.
- 79.2 A member holding such rights may, in his discretion, sell the whole or any part thereof and shall thereafter upon receipt of a valid claim account therefor to the person or persons entitled thereto.
- 79.3 But a member will be liable for any loss arising through failure to sell or exercise any unclaimed rights.

80. SETTLEMENT PROCEDURES

All purchases and sales between members shall be settled in cash against delivery of the scrip in negotiable order. Any member who fails to meet his obligations in terms of this rule shall be declared a defaulter.

81. BEAR SALES

81.1 No member shall execute a bear sale without obtaining such cash cover as he may determine which shall not be less than the value of the securities sold and notification in writing from the client that the sale is a bear sale.

81.2 No member shall be obliged to transact a bear sale on behalf of a client.

81.3 In all cases where it is intended to enter into a bear sale the member concerned will inform the market and the secretary and the advice note confirming the bargain shall be endorsed accordingly.

81.4 No member shall on his own behalf or on behalf of any other person effect a bear sale at a price:

- a) below the cash sales price of the listed securities last recorded by the securities exchange or
- b) equalling the cash sales' price of the listed securities last recorded by the securities exchange, unless that cash sales' price exceeds the most recent different cash sales' price of the listed securities recorded by the securities exchange.

81.5 If any client sells securities without disclosing that the sale is a bear sale and is unable to effect delivery, the member shall buy in the shares. In addition, the member shall inform the secretary of the client's name and the details of the transaction.

81.6 The committee may take such action as they may think fit.

82. RESPONSIBILITY FOR NON-MEMBERS:

Members shall be financially responsible for all transactions whether for cash or otherwise on account of non-members except where special stipulation to the contrary is made at the time of the bargain being entered into.

83. CLAIM ARISING FROM NEGLIGENCE

The committee may, in the exercise of its discretion, refuse to take cognisance of any claim by a member which, in its opinion, results in part from the negligence of the complainant or has not been prosecuted with due diligence or cannot be recognised without the imposition of undue hardship upon any other person.

84. PROCEDURE ON DEATH OF MEMBER

- 84.1** On the death of a member who is the sole owner of a broking business the committee may nominate a person to deal with all open transactions according to the terms of such transactions.
- 84.2** The committee may in such cases as it deems desirable grant permission to the estate of such deceased member to carry on for a limited period and under suitable direction the broking business for the sole purpose of winding up the deceased member's estate to the best advantage.
- 84.3** Such permission is subject to such conditions as the committee or the master of the high court may require at any time and shall not extend beyond six (6) months without the written consent of the committee.
- 84.4** In the event of there being any dispute or difficulty in the closing of transactions open at the time of death the committee shall adjudicate and its decision shall be final.

PART H - RESPONSIBILITIES AND OBLIGATIONS OF MEMBERS

85. RELATIONS WITH CLIENTS

Every member shall use due diligence: -

85.1to learn the essential facts relative to every client and to every order or account accepted;

85.2to ensure that the acceptance of any order for any account is within the bounds of good business practice; and

85.3to ensure that recommendations made for any account are appropriate for the client and in keeping with his investment objectives.

Every member shall at all times act as the agent of his client and in the best interest of the client.

86. NOMINEE ACCOUNTS

Members may maintain accounts for clients identified by number, nominee name or other symbol, provided they maintain sufficient information in writing to establish the beneficial owner available at all times upon request of the secretary of the securities exchange.

87. RECORD OF ORDERS

85.1A record shall be kept by each member of each order received for the purchase or sale of listed

85.2Records of orders executed shall be retained for six (6) years and shall show the date, the price paid or received, the broker from or to or through whom the security was bought or sold.

85.3No record need be retained of any order received for the purchase or sale of listed securities, which remains unexecuted for a period in excess of forty-five (45) days.

88. DECLARATION OF INTEREST

85.1In every case where a member or member firm acts as a principal in the buying or selling of shares to or from a client it shall disclose the fact and, in addition, endorse the confirmation of such a bargain accordingly. Such a bargain shall only be executed with the prior consent of the client.

103.1 If a member books over shares where a member is a principal either as the seller or purchaser of all or any of the shares concerned he shall declare his interest to the other member with whom he proposes to deal and endorse his advice note accordingly.

103.2 In every case where a member or member firm prepares a report on a listed company; or issues a circular on a listed company and if such member or any partner of such member firm is a beneficial owner of ordinary shares in that company the fact shall be disclosed in such report or circular.

89. CONFIRMATION OF BARGAINS

A member shall within 24 (twenty-four) hours send his client a written confirmation of any bargain executed on his behalf as his agent setting out:

104.1 The quantity and description of the security;

- 104.2 The price at which the transaction was effected;
- 104.3 The market in which the transaction was effected if such market is other than Lesotho;
- 104.4 Any premium or discount ruling for transactions effected for settlement in Lesotho in markets other than Lesotho which are permitted;
- 104.5 The commission charged;
- 104.6 Any other charges individually which are due ;
- 104.7 The date of the transaction;
- 104.8 Whether the member was acting as a principal;
- 104.9 The full trading name of the member or firm; and the names of all partners

90. NO REGISTRATION BEFORE PAYMENT

No security shall be registered in the name of a buying client or his nominee prior to the receipt of payment.

91. DEFAULTING CLIENTS - MEMBERS RIGHTS

- 106.1 A member is entitled to a payment for securities purchased on behalf of a client on delivery of the securities either to such client or banking institution or non-member institution provided notification in writing has been given to this effect.
- 106.2 If a member does not receive payment for such securities in terms of the above, he shall within sixty (60) days thereafter sell the securities for the account of the client and shall also sell for his account sufficient additional securities either held on the client's behalf or due to be delivered to him as may be necessary to cover any shortfall on his account.
- 106.3 If a member is aware of circumstances which in his view make the case exceptional he will refer the matter in writing to the Secretary who will obtain the ruling of the Committee.
- 106.4 If a member sells securities on behalf of a client and in the event of the securities not being delivered in negotiable order, within 14 days, the member, if he shall deem it necessary for his protection shall, have the right to buy any or all of the securities of which such clients account may be short, within sixty days thereafter, and sell sufficient additional securities held for or on account of such client as may be necessary to cover any shortfall on his account.

92. PLEDGE AGREEMENTS

An agreement between a member and a client authorising the pledging of shares, bonds or other securities does not permit the member to pledge more of such shares, bonds or other securities than is necessary to cover the indebtedness of the client.

93. PROHIBITION OF TRADING AGAINST CLIENT'S ACCOUNT

No member shall directly or indirectly make a practice of taking the side of the market opposite to the side taken by his client.

94. PROXIES ON NOMINEE SCRIP

109.1 No member shall give a proxy to vote in respect of securities registered in his name or the name of his nominee except as required or permitted under (109.2) below unless such member is the beneficial owner of such shares.

109.2 A member shall give a proxy in respect of securities registered in his name or the name of his nominee at the direction of the beneficial owner.

95. SAFE CUSTODY SCRIP

110.1 No member may hold securities on behalf of a client unless he has received the permission in writing of the securities exchange. Such permission shall be valid for a maximum of twelve (12) months and may be withdrawn without notice at any time. No such permission shall be granted unless the member satisfies the securities exchange that he has complied with its requirements on safe custody.

110.2 Securities fully paid for and not subject to any loan or charge in favour of the member shall be so segregated and distinguished that they can at all times be identified as the client's property.

110.3 A receipt will be issued to the client in respect of any securities deposited, signed by or on behalf of the member containing details of the share documents and the purpose for which they have been deposited.

110.4 Under no circumstances may use be made of such securities, which shall at all times be kept available for the client on demand.

96. CLAIMS OR COMPLAINTS BY NON-MEMBERS

If a non-member shall make any claim or complaint against a member or a firm relating to securities exchange transactions, the committee shall consider it, in the first place whether such claim or complaint is fitting for the adjudication of the committee in its entire discretion.

97. BAN ON DEALING FOR DEFAULTING NON-MEMBERS

A member shall not knowingly without the prior written consent of the securities exchange transact business for a client who has been reported to the securities exchange as having failed to fulfil his obligations to another firm or member. A member shall be entitled to make all such enquiries that are reasonable to ascertain whether such client has at any time failed to fulfil his obligations to a member or a firm. A client for this purpose shall include any non-member or class of non-members.

98. DISPUTES BETWEEN MEMBERS

113.1 All disputes between members not affecting the general interests of the securities exchange which arise out of securities exchange transactions or are connected with

113.2 Securities exchange business and including partnership disputes shall be referred for arbitration of a member of the securities exchange, and the securities exchange will not adjudicate such disputes unless arbitrators cannot be found or are unable to come to a decision.

113.3 The decision of the securities exchange shall be final as to whether a dispute affects the general interest of the securities exchange and how it shall be dealt with.

113.4 A member shall not attempt to enforce by law any claim against a member arising out of or connected with securities exchange business including partnership disputes without the consent of the securities exchange.

99. MEMBER NOT TO ACT TO EVADE RULES

A broker may not act as a principal for the purpose of evading the rules, or adopt any other procedure for a like purpose.

100. BAN ON MISLEADING NAMES

The securities exchange may prohibit a member or firm from carrying on business under a name, which they consider misleading.

101. BAN ON CONCEALED DEALINGS

A member should not knowingly either directly or indirectly buy or sell a security on behalf of an employee or partner of a member firm without the written consent (copy of which shall be filed with the securities exchange) of the partner or, in the case of an employee, of the employer.

102. BAN ON DEALING FOR EXPELLED PERSONS OR EMPLOYEES OF OTHER FIRMS.

117.1 A member shall not without the permission of the securities exchange carry on business for or with a person whose registration has been cancelled or who, after ceasing to be a member from any cause, becomes insolvent or who has assigned his estate.

117.2 A member shall not deal for an associated member or dealer of another firm without first obtaining the consent of that member or dealer's firm.

103. PAYMENT OF FEES

Each member shall punctually pay such assessments, fees and charges as shall be fixed by the committee, which shall become due and payable to the securities exchange at such time or times and in such manner as the committee shall direct.

104. ADVERTISING

119.1 A member may not advertise for securities exchange business or for this purpose issue

circulars or business communications to persons other than his own clients, except that with the prior written permission of the securities exchange he may issue on behalf of a client a circular to holders of a security of a company offering to acquire their securities provided that he shall not consider any holder of a security so circularised as his client by reason of the issue of the circular. No circular shall contain any statement or forecast which is known to be misleading.

119.2 A member or member firm shall display on the outside of the premises occupied by them the name of the firm and the statement that the member or members concerned are members of the Maseru Securities Market.

119.3 A member or firm may not, without the prior written consent of the securities exchange, 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.

PART I-DEFAULTERS AND INSOLVENCY

105. DECLARATION OF A DEFAULTER

120.1 A member who fails to meet his obligations shall be publicly declared a defaulter by the securities exchange.

120.2 The securities exchange may order a member who fails to meet his obligations to a member or non-member arising out of a securities exchange transaction or who fails to pay an amount due by him to the securities exchange to be declared a defaulter.

120.3 The securities exchange shall instantly communicate a declaration of default to all broking members or firms.

120.4 The securities exchange shall suspend the defaulter forthwith.

120.5 Immediately upon a member being declared a defaulter:-

- a) he shall hand over to the securities exchange all books and accounting records of his firm including all scrip registers, safe custody ledgers and cheque books, and all cash, securities and other assets relating to his broking business including cash and securities held on behalf of clients in safe custody;
- b) he or the securities exchange on his behalf shall cause his books and accounting records to be audited forthwith in respect of the period ending on the date on which such member was declared a defaulter, by the auditor approved by the committee;
- c) if in the opinion of the auditor such member's assets exceed his liabilities, such member shall take immediate steps for the winding-up of his securities exchange business under the supervision of the securities exchange as expeditiously as possible and the securities exchange shall be entitled to take such steps on his behalf;
- d) if in the opinion of the auditor the assets of such member are insufficient to meet his liabilities in full the securities exchange shall take immediate steps to apply to a court of competent jurisdiction for such member's estate to be declared insolvent.
- e) all costs including audit and legal fees are for the account of the defaulting member.

106. RESPONSIBILITIES OF DEFAULTERS TO THE SECURITIES EXCHANGE AND OF MEMBERS TO THE SECURITIES EXCHANGE

- 121.1** As soon as any member finds himself unable to meet his obligations he shall notify the securities exchange by telephone, email and in writing to that effect and he will thereupon be declared a defaulter. Failure to notify the securities exchange shall make him ineligible for re-admission.
- 121.2** If any member gives private intimation to his member creditors of his inability to meet his obligations such member creditors shall not make any compromise or arrangement but shall immediately communicate information to the securities exchange in order to enable the securities exchange to immediately declare such member in default.
- 121.3** No compromise or arrangement entered into between a defaulter and his member creditors shall be binding or of effect against either party.

107. APPOINTMENT AND POWERS OF INVESTIGATING SUB-COMMITTEE:

- 122.1** In all cases of default the securities exchange shall meet and appoint a Sub-Committee of not less than two (2) members of the committee. Such Sub-Committee shall have the following powers:
- 122.2** To obtain from the defaulter his original books of account and a statement of the sums owing to and by him in connection with The securities exchange transactions;
- 122.3** to call meetings of member creditors;
- 122.4** to summon the defaulter before such meeting;
- 122.5** to enter into a strict examination of every account;
- 122.6** to report to the securities exchange any matter which may appear irregular; and
- 122.7** to manage and deal with the securities exchange estate and usage of the securities exchange.
- 122.8** The Sub-Committee shall cause a notice to be placed on the notice boards calling on all members interested in the estate to file their claims by a certain fixed date.

108. DISCLOSURE OF CLIENTS' NAMES

No defaulter shall be re-admitted who shall not, if required by the Committee, disclose the name of any client indebted to him or shall not have delivered to the Sub-Committee appointed to administer his securities exchange estate, his original books of account and a statement of the sums owing to and by him in the securities exchange at the time of his default.

109. CLAIMS ON DEFAULTER

- 124.1** All claims from members on the securities exchange estate shall be supported by advice notes from the defaulter or advice notes from the claimant. All such advice notes shall be signed by a person authorised to sign in terms of these rules.

124.2 No loan without reasonable security shall be admitted as a claim against the securities exchange estate. Should any member receive payment of his unsecured loan on the day of the default he shall refund the amount so received for the benefit of the defaulter's securities exchange estate.

124.3 The committee may accept such evidence as they deem sufficient as proof of claims arising in whatever way against the securities exchange estate.

124.4 Any amounts due by the defaulter to the securities exchange shall be a first charge against the securities exchange estate of the defaulter.

110. ASSIGNMENT OF CLAIMS

A member, being a creditor upon a defaulter's securities exchange estate, shall not sell, cede, assign or pledge his claim on such estate to a non-member without the concurrence in writing of the Committee.

111. PRICE FIXING OF OPEN TRANSACTIONS

126.1 In every case of default the Sub-Committee shall publicly fix the prices current in the market immediately before the declaration, at which prices all members having accounts open with the defaulter shall close their transactions, the difference arising from the defaulter's transactions being paid to or claimed from the estate.

126.2 The securities exchange shall not be responsible for any losses incurred as a result of price fluctuations after the date of default.

112. DISHONORED CHEQUES

Claims in respect of dishonoured cheques may, provided they otherwise comply with these rules, be admitted in a defaulter's securities exchange estate if such cheques are dishonoured on the day of default or within a reasonable time thereafter.

113. LOANS OF SECURITIES

Securities lent to or borrowed by a defaulter and loans of money made upon security or securities shall be treated as securities exchange transactions and prices fixed in accordance therewith.

114. LEGAL ENFORCEMENT OF CLAIMS

A member shall not attempt to enforce by law a claim arising out of the securities exchange transaction against a defaulter or the client of a defaulter without the prior written consent of the Committee.

115. MANAGEMENT OF DEFAULTER'S ESTATE

130.1 The Sub-Committee shall collect and pay the assets of the securities exchange estate of the defaulter into such bank account and in such names as the Committee shall direct. The net proceeds of the collections after payment there out of all legal and other expenses (including any amounts owing to the securities exchange) shall be distributed as soon as possible amongst the member creditors on the admitted claims but without interest.

130.2 Any surplus remaining after all member creditors have been paid in full shall be returned to the defaulter.

116. RE-ADMISSION OF DEFAULTER

The Committee may re-admit any defaulter.

The question of such re-admission shall be considered in two distinct classes:-

131.1 Cases of failure arising from the default of clients or from other circumstances where no bad faith or breach of the Rules and usage of the securities exchange has been practiced, and

131.2 Cases marked by indiscretion and by the failure to exercise reasonable caution on the part of the defaulter.

