

Stock Exchange (Conduct of Trading Operations) Rules 2001

Rules made by the Stock Exchange of Mauritius Ltd. under section 32(1) of the Stock Exchange Act 1988

1. Short Title

These rules are cited as the Stock Exchange (Conduct of Trading Operations) Rules 2001 made under the repealed Stock Exchange Act 1988 and in force under the Securities Act 2005.

2. Interpretation

(1) In these rules, unless the context otherwise requires-

“Act” means the Securities Act 2005.

“ATS” or “ATS Service” means the software, hardware, communications and network systems, which are used to carry out transactions or other operations related to transactions on SEM.

“ATS Operator” includes a representative of an Investment Dealer designated as such by the SEM and registered with the SEM.

“CDS” means the Central Depository & Settlement Co. Ltd established under the CDS Act.

“CDS Act” means the Securities (Central Depository, Clearing and Settlement) Act 1996.

“CDS Rules” means rules and any amendments thereto made by the CDS under section 3(5)(b) of the CDS Act and section 14 of the Act as approved by the FSC.

“FSC” means the Financial Services Commission established under the Financial Services Act 2007.

“Investment Dealer” or “Investment Dealers” means a company licensed as such under the Act.

“Official Bulletin” means an official publication of the SEM, which provides information about the trading volumes and prices of securities traded on the SEM and covers activities of the SEM, investment dealers and listed issuers.

“Schedule” or “Schedule of Trading Procedures” means the procedures adopted by SEM and which form part of the rules.

“SEM” means the Stock Exchange of Mauritius Ltd. established under the repealed Stock Exchange Act.

“Trade” or “Transaction” means any purchase or sale of a security conducted via ATS.

(2) Words and expressions not defined in these rules shall bear the meaning ascribed to them in the Act or the CDS Act, as the case may be.

PART A – TRADING OPERATIONS

3. Trading Sessions

Trading on the SEM is conducted in trading sessions.

Trading sessions shall be conducted in hours established by the SEM and as set out in the Schedule. The SEM, with the prior approval of the FSC, may change the time of the trading sessions after having published these changes in the Official Bulletin and in two newspapers of wide circulation not later than four business days prior to these changes becoming effective.

3A. Off-market transfers

- (i) All trading in securities listed on SEM must be conducted through ATS.
- (ii)
 - (a) Off-market transfers in listed securities are allowed to give effect to transfers or transmissions effected by operation of law without consideration in the case of Successions.
 - (b) Off-market transfers in listed securities are allowed to give effect to transfers or transmissions effected by operation of law without consideration subject to the approval of the respective issuers in the case of Donations.
 - (c) Off-market transfers in listed securities are allowed to give effect to transfers or transmissions effected by operation of law without consideration subject to the approval of the SEM and of the respective issuers in the case of Re-organisation/restructuring of corporations.
 - (d) Debt securities, specialist debt securities, Eurobonds, exchange traded notes and structured products issued by foreign issuers and held by foreign investors or by funds, investment entities or collective investment schemes holding a Global Business Licence, in an international central securities depository, may be transferred off-market between such investors through the international central securities depository.
 - (e) Exchange Traded Funds issued on foreign underlyings, and held by foreign investors or by funds, investment entities or collective investment schemes holding a Global Business Licence, in an international central securities depository, may be transferred off-market between such investors through the international central securities depository.
- (iii) For the purposes of this Rule 3A, “trading in securities” shall include 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) any agreement for or with a view to acquiring or disposing of securities, or
 - (b) any agreement 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 fluctuation in the price of securities.

- (iv) Subject to Rule 3A (ii) above, any transfer in the securities of an issuer that has been effected in contravention of Rule 3A(i) shall be null and void and the issuer shall reverse such transfer by transferring back the securities to the initial owner.

[Amended 19/11/15;28/09/18;14/11/19].

4. Supervision of Trading Sessions

Trading on the SEM shall be supervised and monitored by the Manager of the Trading Department or any other SEM employee appointed by the SEM.

5. Suspension of trading

Where instructed by the FSC, the SEM shall suspend trading in any or all securities at such time and for such period as shall be determined by the FSC.

Where in the opinion of the SEM, circumstances exist or are about to occur that could result in an unfair, disorderly and/or suspicious trading of securities, the SEM may suspend trading of any securities for one or more trading sessions or any part of a trading session. The FSC shall be informed forthwith.

Securities of companies, which have been suspended from trading by the SEM shall not be traded during the period of suspension.

All decisions to suspend or resume trading shall be communicated to all investment dealers through the ATS messaging system and the Official Bulletin of the SEM. CDS shall also be informed of such decisions.

6. Schedule of Trading Procedures

Without prejudice to the requirements of these rules, the trading operations shall be carried out in accordance with the Schedule of Trading Procedures laid down by the SEM.

The Trading Procedures shall provide for:

- (a) The trade matching mechanisms;
- (b) The transmission and types of orders;
- (c) Days and opening hours of the SEM trading sessions;
- (d) Types of transactions concluded on the SEM;
- (e) The types of Markets and Boards operated by the SEM; and
- (f) The surveillance mechanisms of the SEM.

7. Trading of securities on 'cum' and 'ex' basis

For the purpose of trading, all securities will be traded and quoted 'cum' for a minimum of ten business days before the last cum date. On the next business day after the last cum date, the securities will be traded and quoted 'ex'. Buyers of securities who transacted on an 'ex' basis shall have no rights to the entitlements declared by the company concerned. The record date shall

be the settlement date, as defined in the CDS Rules, of trades effected on the last cum date, that is three (3) business days following the last cum date.

8. Buy-in on the SEM

In case of a Securities Settlement failure on settlement date as defined in the CDS Rules, the defaulting investment dealer shall be required to pay a daily fine of 0.05% of the value of the securities (marked to market daily) to the SEM until the buy-in is completed or the situation is corrected.

9. Unwinding of trades

In the case of a “Fund Settlement failure” or a “Securities Settlement failure” as defined in the CDS Rules and Procedures, trades already concluded on the SEM may be unwound pursuant to the CDS Rules and Procedures.

On a trade being unwound, the SEM shall rectify the volume and the traded value results pertaining to the day the trade was concluded on the SEM. The SEM shall publish the fact that there has been a failed trade on the market, indicating the name of the defaulting investment dealer.

10. Official Price List and other market data information

The right to record and publish the prices related to Transactions on SEM is the prerogative and the sole property of the SEM. The copyrights of the SEM therein are reserved. No person may make a commercial use of the publication of the prices and any other market data information, in any form or manner whatsoever, unless prior written consent has been given by the SEM and on such terms and conditions for such use as the SEM at its absolute discretion shall impose.

In accordance with section 17 of the Act, the SEM shall publish daily and periodic information on the prices, traded volumes, indices and any other market data, necessary to ensure transparency and equity to investors.

The SEM shall determine the particulars to be published for all listed securities, and the form in which and the precise time within which the information is to be provided, as well as the means by which it is to be made available, having regard to the nature, size and needs of the market concerned and of the investors operating on that market.

PART B – INVESTMENT DEALERS

11. Obligations of investment dealers

Each investment dealer shall keep and maintain records of the date and time of receipt of each client order.

An investment dealer shall be solely responsible for the accuracy of details of orders entered into the ATS system in accordance with the Procedures.

12. Client's orders

An ATS Operator shall not buy or sell securities on or for its own account or on or for the account of a Prescribed Person as defined in these Rules while the ATS Operator holds an unexecuted order on the same terms from a client to deal in one or more such securities. For the purpose of this Rule, a limit order, which cannot be executed owing to price differences, shall be deemed not to be an unexecuted order.

For the purposes of this Rule –

(a) Prescribed Persons includes:

- (i) The investment dealer;
- (ii) A director and shareholder of the investment dealer;
- (iii) An employee, ATS Operator or adviser of the investment dealer;
- (iv) Immediate families of any such directors, shareholders, employees, ATS Operator or consultants; and
- (v) Family companies and family trusts of any one or more of such directors, shareholders, employees, ATS Operator, adviser, or their immediate families.

(b) Immediate family means:

- (i) the spouse and
- (ii) any child or stepchild under the age of 18 years.

An ATS Operator which allocates a sale or purchase of securities to fulfil all or part of an order from a Prescribed Person for its own account when it has an unfulfilled order on the same terms for those securities from a client which is not a Prescribed Person shall contravene these Rules.

Each investment dealer shall maintain a daily record of orders received from clients showing the name of each client, the specific order and the time the order was given. It shall be the duty of the investment dealer to carry out the customer's orders promptly in a manner best suited to serve the customer's interest.

13. Access to the ATS Service

Only investment dealers, which satisfy the requirements set out in Rule 14 shall deal in securities through the ATS Service.

14. Requirements for investment dealers

An investment dealer shall at all times demonstrate to the satisfaction of the SEM that it meets the following standards:

- (a) It has the financial resources to meet its obligations under these Rules or Procedures;
- (b) It has adequate personnel, premises, communication and data processing capabilities, books and records to enable it to fulfil its obligations and operational requirements promptly and accurately; and

- (c) It (i) satisfies all standards prescribed by the SEM, and (ii) submits all documents or information as the SEM may from time to time prescribe for the use of the ATS service, and the FSC shall be informed of any such prescriptions.

14.A Registration of ATS Operators

No investment dealer shall appoint any person associated with such investment dealer to place orders or execute trades on its behalf through the ATS unless that person is registered with the SEM as an ATS Operator.

Save where the Exchange otherwise agrees, no person shall be eligible for registration as an ATS Operator unless the person has:

- (a) participated in a training course for ATS Operators conducted by the SEM;
- (b) satisfied the SEM that he has the requisite knowledge and experience of trading operations.

The SEM shall maintain a register of all ATS Operators.

15. Security

Each investment dealer is also responsible for taking appropriate and diligent security measures concerning its own personnel, physical access to computers and other equipment connected to the ATS and the confidentiality of usernames and passwords used to access the ATS computer system.

16. Acting on investment dealers instructions

Each investment dealer shall file with SEM a designation in the format prescribed by the SEM signed by two of the investment dealer's senior officers, of the name, office, telephone and telecopier numbers, and specimen signatures of those employees who are duly authorised to legally and validly act on behalf of the investment dealer in all trading matters. Such designation becomes effective when SEM acknowledges receipt thereof by signing a duplicate copy remitted to the investment dealer. SEM is authorised and instructed by the investment dealer to rely on such effective designation and on any replacement thereof.

Notwithstanding the fact that the SEM may require further confirmation before acting on an instruction from an investment dealer, the SEM shall rely on and accept any written instruction, telecopied, telephoned or electronic message from any designated personnel of the investment dealer. SEM is not required to verify the source of a telecopied, telephone or electronic message given in accordance with this Rule.

SEM is not responsible or liable for any act done or omitted to be done by it in good faith when relying on any message given in accordance with this Rule even if the message is proven to be erroneous, forged or ambiguous.

17. Exclusion of Liability

When acting in good faith and without negligence, the SEM shall not be liable to any investment dealer or investor for:

- (i) any loss of opportunity, profit, goodwill, interest or use of money or securities;
- (ii) any other special, indirect or consequential loss, damage, expense, liability or claim;

which is suffered or incurred by any investment dealer or investor arising from or related to the ATS Service.

18. Limitation of Liability

SEM's liability to any investment dealer in respect of the ATS Service, for a loss not excluded by the Rules or arising from any other cause, shall in any event be limited to the net amount that the SEM recovers from its insurers or any other person for and in respect of that loss.

Where the aforesaid liability is incurred by SEM towards more than one investment dealer or investor, the net amount recovered by the SEM as aforesaid is distributed among all such investment dealers and investors pro rata to their entitlement.

19. System Failure

Where the SEM or an investment dealer is unable to operate the ATS Service due to a system failure as laid down in Rules 20 and 21, or due to an Act of God or force majeure or any act outside the control of SEM, the SEM shall not be liable to pay any compensation or indemnity to any person who incurs a loss as a result of a delay in effecting any transaction.

20. Investment dealer system failures

An investment dealer which has system problems, preventing it from updating its quotes or removing orders from the ATS, must inform the SEM immediately if it wishes to remove such orders from the system. After informing the SEM, it is not allowed to deal with its clients, including by telephone, on such quotes or orders until the system is operative again.

If an investment dealer encounters a system problem which prevents it from accessing the ATS, it shall notify the SEM forthwith and an employee who is authorised by the investment dealer to do so may request the deletion of all its orders on the ATS. The investment dealer may also be authorised to access the ATS from a workstation located at the SEM's site.

21. ATS System Failure

When there occurs an event that prevents SEM to operate the ATS at its site, the SEM shall shift its operations to a "Disaster" Recovery Site in accordance with the Disaster Recovery Plan. Upon adequate notification, investment dealers shall ensure that their authorised ATS Operator is present at the "Disaster" Recovery Site. The FSC shall be informed immediately upon the occurrence of such an event.

PART C – SUSPENSION OF INVESTMENT DEALERS

22. Misleading Acts and Conducts

An investment dealer or any of its representatives shall not:

- (a) do any act or engage in any course of conduct which creates or is likely to create a false or misleading impression as to the market in, or the price or value of any security;
- (b) cause or enter into any artificial transaction;
- (c) cause a fictitious transaction or a false price to be input into the ATS;
- (d) effect a transaction at a price which differs from available orders displayed in an order book, during trading sessions;
- (e) do any act or engage in any course of conduct which is likely to damage the image, the good repute, the fairness or the integrity of the securities market; or
- (f) do any act or engage in any course of conduct which causes, or contribute to, a breach of the SEM's rules by another investment dealer.

23. Suspension of the use of the ATS service

When in the opinion of the SEM sufficient cause exists, the SEM may suspend the right of an investment dealer to use the ATS Service until the SEM determines that the sufficient cause no longer exists. The FSC shall be informed forthwith.

Sufficient cause for suspension of an investment dealer from the ATS Service exists when the SEM determines, an actual or imminent:

- (i) unjustified non-performance of a material provision, or repeated breach of any provision of these Rules or the Procedures; and
- (ii) revocation of the license or suspension of the investment dealer by the FSC.

PART D – TRADING RULES AND PROCEDURES

24. Amendment of Rules and Schedule of Trading Procedures

The Board of Directors of the SEM may, with the approval of the FSC, from time to time amend these Rules and the Schedule of Trading Procedures. For the purpose of proposing and making any such amendment, the SEM shall promptly notify investment dealers and the CDS of any proposal to amend the Rules or the Schedule of Trading Procedures and of the text of the proposed Rule or Procedure and a brief description of its purpose and effect and their effective date and that such amendment shall be subject to the approval of the FSC. Investment dealers and the CDS may, within the time prescribed by the Board of Directors of the SEM, submit to the SEM, for its consideration, its comments with respect to any such proposal, and such comments shall be filed in the SEM records and copies thereof shall be delivered to the FSC. The SEM shall give due consideration to the representations made and thereafter submit its proposed amendments to the FSC. The proposed amendments shall become effective as soon as the approval of the FSC is obtained or at such other date as the FSC may agree.

25. CDS Interface and Trading Rules

No amendments to the Rules or Schedule of Trading Procedures that will affect the interface between the ATS and the CDS or the CDS Rules and CDS Procedures shall be made without prior consultation with the CDS.

26. Request for Information by the FSC

Nothing in these Rules or the Schedule of Procedures shall preclude the FSC to require the SEM or any investment dealer, pursuant to FSC's power under the Act or any other enactments, to provide it with such document or information as it may require for the purpose of carrying out its objectives.

27. Waiver

The SEM may waive the requirement to comply with these Rules and/ or the Schedule of Trading Procedures in exceptional situations, provided prior approval has been obtained from the FSC.

[Amended: 29th July 2010; 19th November 2015; 28th September 2018]