

**RULES**  
**of**  
**THE STOCK EXCHANGE**  
**of MAURITIUS LTD.**

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## **RULES OF THE STOCK EXCHANGE OF MAURITIUS LTD**

*Rules made by The Stock Exchange of Mauritius Ltd. under Section 13 of the Securities Act 2005*

### **1. INTRODUCTION AND SHORT TITLE; TRANSITIONAL PROVISION**

- 1.1 (a) These Rules are intended to give general guidance to applicants for membership as Trading Members in the Stock Exchange of Mauritius Limited (“SEM”) concerning various topics.
- (b) The SEM reserves the right to grant exemptions from any provision of these Rules, or to impose requirements in addition to those set forth in these Rules, in particular cases or classes of cases to the extent such exemptions or additional requirements are consistent with the public interest; the protection of investors; and the fair, transparent and efficient operation of the SEM.
- (c) The listing of securities on the SEM is covered by the separate Listing Rules and Development & Enterprise Market (DEM) Rules.
- 1.2 These rules may be cited as the Stock Exchange Rules 2008.
- 1.3 Companies which are Trading Members of the SEM at the time of the adoption of these Rules shall continue to be Trading Members under these rules and shall have three months from the date of the entry into force of these Rules to bring themselves into compliance with these Rules.

### **2. INTERPRETATION**

In these rules, unless the context otherwise requires-

“Act” means the Securities Act 2005.

“Articles” has the same meaning as in the Companies Act 2001.

“Associates” of a Person are:

- (1) in relation to any director, manager or controlling shareholder who is an individual:
- (A) the spouse and any child or stepchild under the age of 18 years of the director, manager or controlling shareholder (“together the individual’s family”) and;

- (B) the trustees (acting as such) of any trust of which the individual or any individual's family is a beneficiary or discretionary object; and
- (C) any company in the equity capital of which the individual or any member or members of the individual's family (taken together) are directly or indirectly able to exercise or control the exercise of twenty per cent (20%) or more of the voting power, or to control the appointment or removal of directors holding a majority of voting rights on all or substantially all matters, and any subsidiary of such a company; and

(2) in relation to a controlling shareholder which is a company, any other company which is its subsidiary or holding company, or is a fellow subsidiary of its holding company, or a company in the equity capital of which and such other company or companies taken together are directly or indirectly interested so as to exercise or control the exercise of twenty per cent (20%) or more of the voting power, or to control the appointment or removal of directors holding a majority of voting rights at board meetings on all or substantially all matters.

“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 or employee of an investment dealer designated as such by the SEM and registered with the SEM.

“Board” has the same meaning as in the constitution of The Stock Exchange of Mauritius Ltd.

“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.

“Constitution” has the same meaning as in the Companies Act 2001.

“Corporation” has the same meaning as in the Companies Act 2001.

“Development & Enterprise Market (DEM) Rules” means the rules governing the listing of Securities on the Development & Enterprise Market as adopted by the Board as amended, and in effect from time to time.

“Director” has the same meaning as in the Companies Act 2001.

“Disciplinary Committee” means the committee established under Rule 5.3.5.

“Discretionary Account” means an account in which the client gives a Trading Member or any employee of a Trading Member discretion, whether complete or within specified limits, as to the purchase and sale of securities including selection, timing and price to be paid or received.

“Executive Director” has the same meaning as in the Companies Act 2001.

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

“FSC Rules” has the same meaning as in the Act.

“Investment dealer” has the same meaning as in the Act.

“Listed issuer” means any company or other legal person or undertaking (including a public sector issuer), any of whose equity or debt securities are listed.

“Listed Security” means a class of Securities listed on the SEM.

“Listing Executive Committee” means the committee responsible for listing matters established by the Board.

“Listing Rules” means the rules governing the listing of Securities on the Official Market as adopted by the Board as amended, and in effect from time to time.

“Market Participant” has the same meaning as in Section 24(5) of the Act;

“Memorandum” has the same meaning as in the Companies Act 2001.

“Officer” has the same meaning as in the Act.

“Person” means any individual, corporation, partnership, association, trust or entity as the context admits or requires.

“Prescribed Person” means a Trading Member, any of its Directors, Officers and Representatives, or the Associates of any of them.

“Price Sensitive Information” means information of a specific or precise nature, which is of a confidential nature or has not been made public, relating to a listed issuer, any Listed Security of such listed issuer, or the order or trade in such Listed Security, which, if it were made public, could have a significant effect on the price of those Listed Securities or could influence investors’ decisions to purchase or sell such Listed Securities.

“Representative” has the same meaning as in the Act.

“Securities” has the same meaning as in the Act.

“SEM” or “Exchange” means The Stock Exchange of Mauritius Ltd established under the repealed Stock Exchange Act 1988 and deemed to be licensed under the Act.

“Substantial Shareholder” means a person in Mauritius or elsewhere, who holds by himself or his nominee, a share or an interest in a share which entitles him to exercise not less than 5% of the aggregate voting power exercisable at the meeting of shareholders.

“Trading Member” means a person, including a market participant, permitted to use the ATS Service of the SEM to trade in Listed Securities.

“Transaction” means any purchase or sale of a Security on the SEM.

Masculine pronouns and references include the feminine and neutral and, unless the context otherwise indicates that a contrary interpretation applies, singular terms include the plural and vice-versa.

Words and expressions not defined in these rules shall bear the meaning ascribed to them in the Act or any relevant enactment or regulations, as the case may be.

## **SECTION A: POWERS OF THE BOARD**

### **3.1 POWER TO AMEND RULES**

3.1.1 The Board may from time to time decide to amend these Rules.

### **3.2 NOTICE OF RULE AMENDMENTS**

3.2.1 Written notice shall be given by the SEM to all Trading Members of any proposed amendment to these Rules.

### **3.3 EFFECTIVE DATE**

3.3.1 Amendments to the Rules become effective on the date specified by the Board following the approval of the FSC of those amendments.

### **3.4 POWER TO RECEIVE AND CONSIDER COMPLAINTS**

3.4.1 The Board shall have power to receive complaints about Trading Members or the conduct of Trading Members, to reject summarily any complaints which appear to be insubstantial or frivolous, to investigate such complaints, in each case to determine the complaint or consider if charges should be brought against a Trading Member under Rule 3.5.1.

3.4.2 SEM shall maintain a record of complaints detailing the complaint including the date on which such complaint was lodged, the action taken, and the outcome of the complaint.

3.4.3 The SEM shall provide periodical reports to the FSC giving details of all complaints received and considered by the Board, their status and the actions taken to resolve the complaints.

### **3.5 POWER TO BRING CHARGES**

3.5.1 The Board may, after making such inquiries as it thinks fit, bring a charge or charges against a Trading Member if, in its opinion the Trading Member would have contravened the Rules of SEM. In considering whether any such charge is appropriate, the Board shall take into account all the circumstances of the case, including:

- (a) whether the event resulting in the breach of the rules was intentional;
- (b) the impact of the offence or event on the market; and
- (c) the Trading Member's previous track record including disciplinary record.



- 3.5.2 The Board shall refer any such charge to a Disciplinary Committee, which shall hear the charge in accordance with Rule 5.3.5.

### **3.6 POWER TO SUSPEND A TRADING MEMBER**

- 3.6.1 In case an alleged violation of the Rules of SEM by a Trading Member constitutes a threat to the integrity or the safety of the Exchange, or upon instruction of the FSC, the Board shall take immediate measures to protect the market, including suspension of all or some of a Trading Member's trading rights pending the reference of the matter to the Disciplinary Committee and/or as a sanction in the event that any or all of the charges laid against the Trading Member is/ are found to be established. Any decision of the Board to suspend a Trading Member's trading rights under this Rule shall be promptly notified to the FSC.

### **3.7 FURTHER POWERS OF THE BOARD**

- 3.7.1 The Board shall have power to:

- (a) impose on a Trading Member such fees, levies and other charges in accordance with the rates set out in Appendix 1, whether as a condition of admission as a Trading Member or otherwise, as it sees fit. For the avoidance of doubt, the Board may differentiate between a category or class of Trading Members as regards the amount of such fees, levies and other charges on such basis as it sees fit;
- (b) take such action as may, in the Board's opinion, be required for the operation of fair and orderly markets, and to secure compliance with the Rules of SEM; or
- (c) in particular circumstances and for good cause shown waive the enforcement of these Rules or any part thereof.

The FSC shall be informed of any waiver granted under these rules.

### **3.8 DELEGATION OF POWERS**

- 3.8.1 Except for the powers under Rules 3.1 and 3.7.1, the Board shall have the power to delegate to such person as approved by the Board, sub-committee of the Board or other committee or body, whether incorporated or unincorporated, and whether or not it includes or comprises persons who are not Trading Members, any of the powers, rights and discretions of the Board including the power of delegation on such terms and conditions as the Board may from time to time specify.

## **SECTION B: ADMISSION OF APPLICANTS AS TRADING MEMBERS**

### **4.1 APPLICATION FOR MEMBERSHIP AS A TRADING MEMBER**

4.1.1 An applicant to be a Trading Member of the SEM shall be a corporation which:

- (a) is incorporated in Mauritius;
- (b) has its principal place of business in Mauritius;
- (c) holds a valid license to conduct its business as an investment dealer from the FSC or has been granted authorisation by the FSC pursuant to the Securities (Authorisation of Foreign Investment Dealers) Rules 2010; *[Amended 2 May 2014]*
- (d) has, in the opinion of SEM, a sufficient number of trained and experienced employees to conduct its business as a Trading Member of SEM and to discharge its obligations to SEM and its customers;
- (e) has, in the opinion of SEM, suitable operating and business systems and procedures in place in order to properly conduct its business as a Trading Member;
- (f) does not own, directly or indirectly, or in concert with any Associate, any shares in any other Trading Member of SEM and whose shares are not owned, directly or indirectly, or in concert with any Associate, by any other Trading Member of SEM;
- (g) does not have as any of its directors or officers a person who was a director or officer of a Trading Member whose membership has been revoked or who is currently suspended by SEM;
- (h) has made, or is in the process of making, satisfactory arrangements to participate in the CDS in accordance with the rules and procedures of the CDS; and
- (i) has subscribed to or is in the process of subscribing to such indemnity insurance policy as may be required by the SEM.

4.1.2 An applicant for membership as a Trading Member need not be a shareholder of SEM.

4.1.3 An applicant for membership as a Trading Member shall complete an application form which shall be in such form and be accompanied by such information as SEM may from time to time prescribe and shall at least include the following items:

- (a) a membership agreement to be signed by a duly authorised officer of the applicant;
- (b) the content and terms of its license/ authorisation as an investment dealer from the FSC; *[Amended 2 May 2014]*

- (c) a description of the human and technical resources that the applicant will allocate to its activity as a Trading Member;
- (d) the applicant's memorandum and articles of association or constitution which are in effect at the time of application;
- (e) the applicant's business profile;
- (f) the amount, composition and breakdown of beneficial ownership of the applicant's capital and its most recent annual financial statements;
- (g) the composition of the applicant's governing bodies (where applicable);
- (h) the list of the applicant's senior management;
- (i) a commitment of the applicant to abide by the Rules of SEM;
- (j) a commitment by the applicant to at all times observe proper ethical standards and act with honesty, integrity, fitness and properness, fairness, due skill and care, diligence, efficiency and transparency in its dealings;
- (k) a binding irrevocable undertaking in favour of the SEM whereby SEM or its duly appointed agents are expressly authorised to carry out such on-site investigations as SEM may deem appropriate at its sole discretion, as well as a commitment to provide promptly on demand all information requested in the course of such investigations;
- (l) the applicant's internal rules and procedures;
- (m) any other information requested by SEM.

4.1.4 An applicant for membership as a Trading Member which is a wholly or partially-owned subsidiary of another company may be required to produce to SEM information about the directors, officers, and Substantial Shareholders of its parent company or ultimate parent as well as intermediate companies in that group. SEM may require written undertakings from such parent, ultimate and/or intermediate companies and their directors and officers that they will ensure the subsidiary's compliance with the Rules of SEM as a condition of membership.

4.1.5 An applicant for membership as a Trading Member shall at all times comply and remain in compliance with the capital adequacy requirements imposed on it by the SEM and FSC, and shall provide evidence of such compliance to the SEM. *[Amended 18/03/2010]*

4.1.6 (a) All applications for admission to membership as a Trading Member of SEM shall be considered and decided by the Board of Directors.

(b) The Board may:

- (i) grant an application for membership unconditionally,

- (ii) grant an application for membership subject to such conditions or upon compliance by the applicant with any special terms or the giving of certain undertakings not otherwise contained in these Rules, as the Board shall decide or
  - (iii) reject an application for membership.
- (c) Any applicant dissatisfied with the decision of the Board to either reject its application for membership, or to subject its admission to membership to conditions or on compliance with any special conditions or the giving of certain undertakings not set forth in these Rules, has the right:
- (i) on the applicant's written request, to be provided with a written statement of the grounds on which that decision has been taken, which shall be furnished to the applicant by the Board within ten (10) business days after the Board receives the applicant's written request for such a statement;
  - (ii) to make additional submissions to the Board why the decision of the Board should be modified.

## **4.2 CONTINUING OBLIGATIONS OF TRADING MEMBERS**

### **4.2.1 A Trading Member shall at all times:**

- (a) hold a valid license/ authorisation from the FSC to conduct its business, which license/ authorisation has not been suspended or terminated; *[Amended 2 May 2014]*
- (b) comply with the Act, all relevant Regulations and Rules made under the Act, and these Rules;
- (c) adhere to the principles of good business practices in the conduct of its business and shall take all necessary steps to ensure that the Rules of SEM and any decision or direction of the SEM as may be imposed on the Trading Member from time to time are complied with;
- (d) promptly and completely comply with any request by the SEM, the Disciplinary Committee, or the FSC for any information, documents or testimony;
- (e) ensure that all of its employees who are required to hold a valid license from the FSC or other relevant regulatory authority to perform the duties assigned to them by the Trading Member hold such a license and ensure that their license has not been suspended or terminated by the FSC or other relevant regulatory authority; *[Amended 2 May 2014]*
- (f) exercise proper supervision over its employees and representatives in order to prevent any violation of the Act and Rules of SEM. For this purpose, a Trading Member shall be presumed to have complied with this Rule if:
  - (i) it has established proper procedures, and a system for applying such procedures, which would be expected to prevent and detect any such violations by its employees and representatives; and

- (ii) the Trading Member's Directors, Officers, employees, representatives or other persons who have been entrusted with the responsibilities of carrying out or enforcing such procedures, have discharged their duties and obligations, in such manner as to ensure that such procedures and system are being complied with.
  - (g) inform SEM in advance of its intention to:
    - (i) propose, effect, or permit any change in its Memorandum, Articles or Constitution,
    - (ii) dissolve, wind-up, liquidate its assets or take any step authorising or with a view toward such an action, or
    - (iii) effect or permit any alteration in its capital structure, including allotment, issue, transfer, re-purchase, redemption, cancellation, subdivision, consolidation of any shares in its capital stock; and
  - (h) not be adjudicated bankrupt or an order for its winding up made against it, make an assignment for the benefit of its creditors, or be placed in liquidation or receivership.
- 4.2.2 (a) Each Trading Member shall designate a compliance officer or a senior officer of the company who shall be the primary point of contact between the Trading Member and SEM. Such person shall be approved in advance in writing by SEM and shall be responsible for advising, training, and supervising the employees of the Trading Member regarding compliance with the Rules and the requirements of SEM.
- (b) Each Trading Member shall designate at least two (2) employees to be ATS Operators after each such employee has completed a program of training and certification as an ATS Operator by SEM and has been formally registered and approved in writing as an ATS Operator by SEM.
- 4.2.3 A Trading Member shall at all times have and maintain:
- (a) complete and up to date transaction record and reporting systems;
  - (b) relevant settlement procedures and systems;
  - (c) sufficient staff with adequate knowledge, experience and training to perform the Trading Member's business activities; and
  - (d) adequate internal procedures and controls.
- 4.2.4 The SEM may at any time, for the protection of investors or in the public interest, impose on any Trading Member, one or more requirements with regard to the Trading Member's level of staffing, training, internal procedures and controls or any matter relevant to its continuing suitability to be a Trading Member; where it has reason to

believe that the Trading Member is not conducting, or may not conduct, its operation in a businesslike manner, and that the requirements or restrictions are reasonably necessary to ensure that it does so.

- 4.2.5 A Trading Member shall give the SEM prior written notice of:
- (a) a change in its name or its business name;
  - (b) a change in the address of its registered office or its principal place of business or any other of its places of business;
  - (c) a change in its corporate structure;
  - (d) a change in control (the acquisition of, directly or indirectly, or obtaining the ability to exercise control over twenty per cent (20%) or more equity interest in a Trading Member shall, in the absence of evidence to the contrary, be presumed to constitute a change in control of the Trading Member.
- 4.2.6 A Trading Member shall at all times subscribe to such indemnity insurance policy and for such amount as may be required by the SEM.
- 4.2.7 All employees and representatives of Trading Members shall abide by and conform to the Rules of SEM and conform to any decision or direction of the SEM.
- 4.2.8 Each Trading Member shall within 24 hours of the event occurring or in any event upon being so requested give the SEM notice of the death, bankruptcy, retirement or resignation of any of its Directors, Officers or Representatives.
- 4.2.9 Every Trading Member shall state on its business stationery, employees' business cards, and publications that it is a Trading Member of the Stock Exchange of Mauritius Ltd.
- 4.2.10 A Trading Member shall report to SEM any violation of these Rules or any other rules of SEM by itself, its Directors, Officers, employees or representatives promptly after becoming aware of the violation.
- 4.2.11 If a Trading Member's licence or authorisation as an investment dealer is suspended or withdrawn by the FSC, the Trading Member shall, without need of any further hearing or notice, and as an interim measure be suspended. *[Amended 2 May 2014]*

### **4.3 REGISTER OF TRADING MEMBERS AND REPRESENTATIVES**

- 4.3.1 SEM shall maintain a Register of Trading Members, the persons designated by the Trading Member from time to time under Rule 4.2.2, and all of the Trading Member's representatives who hold licenses from the FSC.
- 4.3.2 No Trading Member shall appoint any person to trade in securities on its behalf using the facilities of SEM, unless such person:
- (a) is on the register of ATS operators maintained by SEM; and

(b) has been approved in writing by SEM.

#### **4.4 DUTIES OF DIRECTORS OF TRADING MEMBERS**

- 4.4.1 Every Director of a Trading Member shall take all steps required to ensure that the Trading Member complies with the Act, the Rules and Regulations made under the Act, the Rules of SEM, and any decision or direction of the SEM as may be imposed on Trading Members and/ or their directors from time to time.
- 4.4.2 A Trading Member is responsible to the SEM for the conduct of its directors, officers, employees and representatives. The conduct of those persons shall be deemed for the purposes of these Rules to be conduct of the Trading Member.
- 4.4.3 An Executive Director or employee of a Trading Member shall not be a member of the Board of Directors, trustee, general partner, or holder of a similar office of any listed issuer whose securities are listed on SEM, unless that listed issuer is the holding company of the Trading Member and the principal business of the listed issuer is the holding of investment in the business of dealing in securities.
- 4.4.4 (a) A Director shall be immediately relieved from the day-to-day conduct of the business affairs of the Trading Member and shall not participate in or vote at any meeting of the Board of Directors if the Director is, in Mauritius or any other jurisdiction, charged with
- (i) any offence involving fraud or dishonesty;
  - (ii) any violation of the Act, Regulations, or Rules made under the Act; or
  - (iii) any offence under the Companies Act of Mauritius, or the comparable law in another jurisdiction, involving failure to discharge any of his duties as a Director of a company or corporation;
  - (iv) or the Director becomes bankrupt or insolvent.
- (b) Until and unless a court of competent jurisdiction has acquitted the Director referred to in Rule 4.4.4(a) above, or the charge against him is not proceeded with or withdrawn, a Trading Member shall not permit such Director to resume his duties.

#### **4.5 REPRESENTATIVES OF TRADING MEMBERS**

- 4.5.1 The Representatives of a Trading Member shall at all times observe the principles of good business practice in the conduct of his business affairs as well as the Rules of SEM and of any self-regulatory organization of which the representative or the Trading Member is a member.

- 4.5.2 A Representative shall provide in writing, if required by the SEM, any information in relation to his shareholdings and other interests in the Trading Member, and written confirmation that he is financially sound and solvent.
- 4.5.3 Any Representative who wishes to resign from a Trading Member shall inform the SEM by giving a written notice of his intent to do so at least thirty (30) days in advance.
- 4.5.4 The resignation of a Representative shall not relieve him or his Trading Member from any liability arising under the Rules of SEM, prior to his resignation.

#### **4.6 CESSATION OF BUSINESS OF A TRADING MEMBER**

- 4.6.1 A Trading Member which intends to cease the conduct of its business or to terminate its membership shall notify the SEM and FSC as soon as practicable of its intention to cease to conduct business or decision to terminate its membership.
- 4.6.2 The cessation of business or termination of membership of a Trading Member shall not become effective until the Trading Member has complied with the obligations referred to in Rules 4.6.5 and 4.6.6, unless the SEM at its discretion decides otherwise.
- 4.6.3 The Trading Member may be permitted to operate its business in such manner and on such conditions as the SEM may decide until the effective date of cessation of business.
- 4.6.4 An announcement of the cessation of business or termination of membership shall be made by the Trading Member to all other Trading Members, investors and the public at large, in such manner as the SEM may determine.
- 4.6.5 The Trading Member shall not have the right to the reimbursement of any fees, dues, assessments, charges or penalties paid by such Trading Member to the SEM or CDS, nor shall the Trading Member be discharged from the obligation to pay any fees, dues, assessments, charges or penalties in respect of the period preceding its termination of membership.
- 4.6.6 The Trading Member shall remain obligated to perform and complete any Transactions entered into by it prior to the date that its cessation of business or termination of membership becomes effective and shall not be relieved of any of its obligations to SEM, CDS, other Trading Members, its customers and any other party, unless the SEM or CDS, as the case may be, at their discretion decide otherwise. Until the date its cessation of business or termination of membership becomes effective, such Trading Member shall continue to be subject to the Rules of SEM and CDS.
- 4.6.7 The Trading Member shall immediately following the date upon which the termination of membership becomes effective return to the SEM and CDS any software, equipment and documentation which may have been made available to it by the SEM or CDS.



## **SECTION C: DISCIPLINARY ACTION AGAINST TRADING MEMBERS**

### **5.1 DUTY TO NOTIFY SEM**

- 5.1.1 Each Trading Member shall promptly, after it becomes aware of any allegation of a matter set forth below, report to the SEM whenever such Trading Member or any Director, Officer, employee or representative of the Trading Member:
- (a) is the subject of any written complaint involving allegations of theft or misappropriation of funds or securities or of forgery, or of any offence involving fraud or dishonesty;
  - (b) comes under investigation, or is arrested, charged, convicted or pleads guilty to any offence involving fraud or dishonesty; or
  - (c) is the subject of any disciplinary action taken against them or by the Trading Member against any of its directors, officers, employees or representatives involving suspension, termination of employment, the withholding of commissions or imposition of fines or any significant limitation on activities;
  - (d) has violated any provision of the Act or Rules of SEM or engaged in conduct which is detrimental to the interests of the SEM.

### **5.2 INSPECTION OF MEMBERS**

- 5.2.1 The SEM shall have power to enter the premises during normal business hours and inspect from time to time the books, records and accounts of Trading Members and to take such action as it deems appropriate after such inspections.
- 5.2.2 Following an inspection carried out by the SEM, where it appears that a Trading Member, a Director, Officer or Representative of a Trading Member may have failed to comply with any of the provisions of the Act or the Rules of SEM, the SEM may notify the party or parties concerned in writing of any breach committed and request an explanation. In serious cases, or cases requiring immediate action, SEM shall immediately report the matter to the Board and notify the FSC thereafter of any outcome/ measures taken. *[Amended 2 May 2014]*

### **5.3 INVESTIGATION**

- 5.3.1 The appropriate department or employees of the SEM, designated by the SEM, may conduct investigations of any violation or possible violation of these Rules or other rules of SEM.
- 5.3.2 The SEM may, for the purpose of obtaining information about any matter which it considers may relate to these Rules or other rules of SEM or to the integrity of the Exchange:

- (a) require the immediate provision by a Trading Member of accurate information about its business and transactions (including transactions that are not on Exchange) in a format, electronic or otherwise, specified by the SEM;
  - (b) require the immediate production by a Trading Member of documents (which, for the purposes of these Rules, shall include anything in which information of any description is recorded) in the Trading Member's possession, custody, power or control and, if any such documents cannot be produced, require the Trading Member to state to the best of its knowledge and belief where and in whose possession, custody, power or control they are and require the Trading Member to use its utmost endeavours to secure the documents;
- 5.3.3 (a) A Trading Member shall promptly and fully comply with any request from the SEM for the production of documents or records in connection with such an investigation, and shall make available any of its Directors, Officers, employees or representatives for interviews or the giving of testimony at the premises of the SEM or at such premises as the SEM may designate, or in such other manner as the SEM may determine, in connection with such an investigation.  
*[Amended 7/02/2013]*
- (b) Any Director, Officer, employee or representative of a Trading Member called upon to an interview or to give testimony in connection with such an investigation shall cooperate fully and candidly with the SEM and shall make honest, accurate and complete disclosure concerning his knowledge of any matter inquired into.
  - (c) Failure of a Trading Member or its Directors, Officers, employees and representatives to comply promptly and fully with its obligations under this Rule shall result in the immediate suspension from membership of the Trading Member and/or of the Director, officer, employee or representative concerned until compliance is secured. The SEM may, as a condition of continuing in effect or restoring a Trading Member's membership, require that a Director, Officer, employee or representative who fails to comply promptly and fully with its obligations under this Rule be removed from office or otherwise disciplined by the Trading Member.
- 5.3.4 Should the staff of the SEM be of the opinion that a *prima facie* case of a violation of the Rules of SEM has occurred, it shall promptly inform the Chief Executive of the SEM who shall immediately inform the Board of the alleged violation.
- 5.3.5 The Board shall immediately appoint a Disciplinary Committee to consider the charges made against a Trading Member. The FSC shall be promptly informed of the appointment of such a Committee and of the charge being laid against the Trading Member.

## **5.4 THE DISCIPLINARY COMMITTEE**

- 5.4.1 The Disciplinary Committee shall be made up of three members of the Board, two of whom must be from among the independent members.

- 5.4.2 The Chairperson of the Disciplinary Committee, who shall be an independent Non-Executive Director, shall be appointed by the Board.
- 5.4.3 The Chairperson of the Board and any Executive Director are not eligible to be a member of the Disciplinary Committee.

## **5.5 POWERS OF THE DISCIPLINARY COMMITTEE**

- 5.5.1 Without limiting or derogating from any provisions contained in the Rules, the Disciplinary Committee shall have power to hear any charge brought against any Trading Member, and referred to it by the SEM under Rule 5.3.5 and impose any of the sanctions listed in Rule 5.10.1.
- 5.5.2 The Disciplinary Committee may, by notice in writing signed by its chairperson, require any director, officer or employee, of a Trading Member to attend and give evidence before it at the hearing of a charge or in such other manner as shall be determined by the Committee, and/or to produce for inspection all documents and records (books, records, tapes, documents, and any information held on any other media) that are in the custody or under the control of the person relating to the subject matter of any such hearing.’  
*[Amended 7/02/2013]*
- 5.5.3 The Board may, in an emergency situation as defined in Rule 5.15.1, suspend a Trading Member’s membership prior to the holding of a hearing. In such a case, the hearing shall be held within fifteen (15) business days of the decision to suspend the Trading Member. The suspension shall remain in force pending the determination of the charge subject matter of the hearing. Any decision of the Board to suspend a Trading Member’s membership under this Rule shall be promptly notified to the FSC.

## **5.6 NOTICE AND TIMING OF HEARING**

- 5.6.1 The Disciplinary Committee shall give ten (10) business days’ prior written notice (or such lesser period as the Disciplinary Committee may decide upon) to the Trading Member against whom a charge has been made, specifying the nature of such charge and the date, place and time of the meeting of the Disciplinary Committee appointed to consider that charge. The meeting shall commence within fifteen (15) business days of the expiry of the ten (10) business-day notice period, unless the Disciplinary Committee and the SEM agree otherwise.

## **5.7 QUORUM**

- 5.7.1 The quorum for a meeting of the Disciplinary Committee shall be two and shall consist of:
- (a) the chairperson or in his absence the other independent director who shall assume the role of chairperson; and

- (b) one director from those elected by the shareholders; or
- (c) another independent director.

## **5.8 PROCEDURE**

- 5.8.1 Except as otherwise provided in these Rules, the Disciplinary Committee shall regulate its own procedure as it thinks fit and shall ensure that proceedings are conducted in a manner which is consistent with the rules of natural justice and procedural fairness.
- 5.8.2 The SEM shall present the charges against the Trading Member at the hearing.
- 5.8.3 Charges against a Trading Member may include allegations as to conduct of or omission by any persons employed by, or directors or officers of that Trading Member.
- 5.8.4 The Disciplinary Committee may require evidence to be given either orally or in writing.
- 5.8.5 At any hearing of the Disciplinary Committee, any person charged shall be given all reasonable opportunity of being heard and shall be entitled to call witnesses and to be represented by a lawyer if that person so chooses.
- 5.8.6 The Disciplinary Committee is entitled to reach decisions on a majority basis. In the case of an equality of votes, the chairperson shall have a second or casting vote.
- 5.8.7 The Disciplinary Committee shall prepare a written summary of its reasons for any decision it makes in determining a charge against a Trading Member and its choice of any penalty imposed.
- 5.8.8 The Disciplinary Committee shall forward to the SEM and to the FSC the written summary of reasons required under Rule 5.8.7.

## **5.9 STATEMENT OF FINDINGS**

- 5.9.1 The SEM shall prepare a statement of the circumstances preliminary to the hearing of any complaint and the findings of the Disciplinary Committee on every charge and the sanction (if any) imposed.
- 5.9.2 The statement prepared under Rule 5.9.1:
  - (a) shall identify the relevant Trading Member by name (unless no findings adverse to the Trading Member have been made or where the sanction is by way of a private censure); and
  - (b) shall be published by the SEM in such manner as SEM deems appropriate.

## **5.10 SANCTIONS**

5.10.1 If, after hearing any charge, the Disciplinary Committee finds that the Trading Member has committed a breach of the Rules of SEM as charged, it may impose one or more of the following sanctions on the Trading Member and its Directors, Officers, representatives and employees:

- (a) a private censure;
- (b) a public censure;
- (c) an order that the Trading Member makes restitution to any person (when the Trading Member has profited from a breach of the Rules at that person's expense);
- (d) suspension of the right to use the ATS Service;
- (e) suspension of membership of the SEM; and
- (f) revocation of membership of the SEM.

5.10.2 If any Trading Member fails to carry out an order of the Disciplinary Committee made under Rule 5.10.1, the Disciplinary Committee may, without limiting any other remedies or penalties available to it, suspend the membership of the Trading Member until the order is complied with.

5.10.3 When the Disciplinary Committee is considering imposing any of the penalties under Rule 5.10.1 and in considering the extent of any penalty, the Disciplinary Committee shall take into consideration the conduct of the relevant Trading Member during the previous two (2) year period.

5.10.4 No action shall lie against the SEM or any member of the Disciplinary Committee for anything done or omitted to be done by the SEM or the member of the Disciplinary Committee in the performance, in good faith, of the SEM's or the person's functions, or in the exercise, in good faith of the SEM's or the person's powers under the Act or these Rules.

5.10.5 The FSC shall be informed of any sanction imposed on a Trading Member by the Disciplinary Committee under this Rule.

## **5.11 COSTS AND EXPENSES**

5.11.1 After hearing any charge or application, the Disciplinary Committee may, at its discretion, make an order as to the payment to the SEM or to the relevant Trading Member(s) of cost and refund of expenses, including the costs and expenses of, and incidental to, any investigation, inspection or hearing, including any audit fees or legal costs incurred by the SEM or the Disciplinary Committee.

5.11.2 All such costs or fees shall be payable in full within fourteen (14) business days from the date of the order being notified to the Trading Member.

## **5.12 FAILURE TO PAY COSTS OR ATTEND**

5.12.1 Any Trading Member which fails to pay, within the time stated in any order of the Disciplinary Committee, any sum ordered to be paid by way of penalty or costs or expenses may be suspended by the SEM until such sum is paid. Should any part of the sum remain unpaid for one (1) month following the date of suspension, in the absence of any circumstance which, in the opinion of the SEM, provides reasonable justification for such failure to pay, the SEM may thereafter, at its complete discretion and without limiting any other remedies or sanctions available to the SEM, promptly terminate the membership of the Trading Member.

5.12.2 Every Trading Member shall commit a breach of the Rules if, without lawful justification, it refuses or fails to:

- (a) attend and give evidence when required to do so by the Disciplinary Committee; or
- (b) answer truly and fully any question put to it by or on behalf of the Disciplinary Committee or any of its members; or
- (c) produce to the Disciplinary Committee any documents or records (book, tape, document, paper or other record in whatever medium) required of it.

## **5.13 CONFLICT OF INTEREST**

5.13.1 Any member of the Disciplinary Committee shall, in relation to any matter before the Disciplinary Committee, in which he has an interest:

- (a) disclose the nature of the interest in writing to the Chairperson and where the member is the Chairperson, to the other members of the Disciplinary Committee, before the meeting of the Disciplinary Committee to consider the charge; and
- (b) not take part in any deliberations of the Disciplinary Committee relating to that matter.

5.13.2 The Board shall appoint from among the Board members an alternate to any member of the Disciplinary Committee who has disclosed his interest pursuant to Rule 5.13.1.

5.13.3 If any party to the proceedings of the Disciplinary Committee believes that a potential conflict of interest exists, he shall forthwith notify the Chairperson.

## **5.14 EMERGENCY SITUATIONS**

- 5.14.1 If a Trading Member's licence/ authorisation as an investment dealer is suspended or withdrawn by the FSC or where otherwise instructed by the FSC, the Board shall immediately suspend the Trading Member for such period as shall be determined by the FSC. *[Amended 2 May 2014]*
- 5.14.2 In an emergency situation, determined to be such by the Board, where the interests of the public, investors, other Trading Members, or the SEM itself may be irreparably harmed, the Board may suspend a Trading Member's membership prior to the holding of a hearing. In such a case, the hearing shall be held within fifteen (15) business days of the date of the suspension. The Board shall give public notice of the fact of the interim suspension, unless there are extraordinary circumstances which justify the postponing of such notice. Emergency situations may include, but are not limited to:
- (a) failure by a Trading Member to pay its financial obligations when due;
  - (b) insolvency or bankruptcy of a Trading Member;
  - (c) conviction of a Trading Member or any of its Directors, Officers or Substantial Shareholders of any offence involving fraud or dishonesty; or
  - (d) default in a Trading Member's obligations to the CDS or suspension by CDS.
- 5.14.3 A Trading Member in respect of whom an order for suspension under Rule 5.14.2 has been made, may at any time apply to the Board to revoke the order and the Board may grant, on such terms as it thinks fit, or refuse, any such application.
- 5.14.4 (a) The powers conferred by these Rules are in addition and not in derogation of any powers conferred upon the SEM under the Act or any other law.
- (b) Each Trading Member and Director, Officer and Substantial Shareholder of a Trading Member, by virtue of the Trading Member's membership in SEM, shall be deemed to have consented to the jurisdiction and powers of the SEM and the Disciplinary Committee to discipline such person in accordance with these Rules and the Act.

## **5.15 EFFECT OF SUSPENSION OR REVOCATION OF MEMBERSHIP OF A TRADING MEMBER**

- 5.15.1 The suspension or revocation of membership of a Trading Member shall automatically suspend or terminate all of the rights and privileges of the Trading Member (including that of membership and use of ATS), but shall not relieve it from its liabilities under the Rules of SEM or excuse the performance of its obligations to SEM, CDS, other Trading Members, its customers, or any other party in any other respect, arising prior to its suspension or revocation.

## **SECTION D: ARBITRATION OF DISPUTES BETWEEN TRADING MEMBERS**

### **6.1 DISPUTES BETWEEN TRADING MEMBERS**

- 6.1.1 (a) In the event of any dispute arising between Trading Members regarding a Transaction carried out on the SEM or otherwise related to their membership, such dispute shall be submitted to the decision of three arbitrators selected as hereinafter provided, and the decision of the majority of such arbitrators shall be final and binding on all parties and not subject to appeal.
- (b) Nothing contained in these Rules shall be interpreted as interfering with a Trading Member's obligations to the SEM or CDS, and a Trading Member shall comply promptly and fully with all such obligations notwithstanding the fact that the dispute is submitted to arbitration under these Rules.
- 6.1.2 The procedure for the nomination of arbitrators shall be as follows:
- (a) The Trading Member believing it to be the injured party shall deliver to the SEM a written memorandum, stating in a summary way the matter in dispute and the redress the Trading Member claims, and naming its arbitrator.
- (b) The SEM shall forward a copy of such memorandum to the other Trading Member which shall, within three business days after receipt thereof, file with the SEM a written memorandum containing its statement of the matter in dispute, and naming its arbitrator. The SEM shall forward a copy thereof to the opposing party and copies of both memoranda so filed to the arbitrators named, and the arbitrators shall proceed within two business days after receipt of such memoranda to nominate a third arbitrator, who shall chair the arbitration Tribunal.
- (c) If a Trading Member fails to nominate its arbitrator, the SEM may name one for the Trading Member, and in the event of the two arbitrators named failing to nominate the third arbitrator within the time aforesaid the third arbitrator shall be appointed by the SEM.
- 6.1.3 The three arbitrators so named shall forthwith give written notice to the parties of the time and place of their first sitting, which shall be held within three business days after the appointment of the third arbitrator and shall require them to be present and to produce any books, documents or papers respecting the matter at issue, at such time and place, or at any other time and place of which they shall give written notice to the parties. The arbitrators shall hear the parties, shall make such inquiries and receive such evidences as they may deem necessary, and shall decide the subject matter in dispute and fix the cost of the reference. The award of the arbitrators shall be forwarded to the SEM which shall give written notice of the same to all the parties concerned.
- 6.1.4 The award of such arbitration shall be final and not subject to review or appeal, and shall be binding upon all parties concerned.



- 6.1.5 No Trading Member shall commence legal proceedings against another Trading Member upon any matter which is subject to arbitration under these Rules.

## **SECTION E: BUSINESS PRACTICES OF TRADING MEMBERS**

### **7.1 BUSINESS PRACTICES**

- 7.1.1 Every Trading Member shall at all times adhere to the principles of good business practices in the conduct of its business.

### **7.2 TRANSACTIONS IN SECURITIES**

- 7.2.1 No Trading Member shall process any securities Transaction for the account of any of its Directors, Officers, representatives or employees, or for an account in which such a Director, Officer, representative, or employee has any interest, either direct or indirect, except with the prior consent in writing of a senior officer, other than the person involved, of the Trading Member for each Transaction.
- 7.2.2 A Trading Member shall not knowingly buy or sell securities for a person employed by another Trading Member.

### **7.3 USE OF OFFICE PREMISES**

- 7.3.1 No Trading Member shall allow persons who are not its employees or representatives to transact business in or from its business premises.

### **7.4 CLIENT ACCOUNTS**

#### **Opening of Individual Client Accounts**

- 7.4.1 (a) Every Trading Member is required through a senior officer, to:
- (i) use due diligence to learn the essential facts relative to every client, every order, every account opened or maintained by the Trading Member and every person holding power of attorney over any account opened or maintained by the Trading Member;
  - (ii) diligently supervise all accounts;
  - (iii) specifically approve the opening of an account prior to completion of any Transaction for the account of or with a client.

## **Opening of Corporate Client Accounts**

- 7.4.2 Every Trading Member shall prior to entering into Transactions for an account for a corporation, have on file a resolution of the directors of the corporation empowering specific directors and/or officers to trade in securities in an account on behalf of the corporation and to execute all documentation necessary to effect transfers and assignments in connection with trading in the corporation's account.

## **Identification of Clients' Accounts**

- 7.4.3 All client accounts must be identified and designated by the full name of the client. No Trading Member shall carry a client account designated only by a number or symbol.

## **Orders from third party for the account of a client**

- 7.4.4 Prior to accepting orders from a third party for the account of any client other than a client referred to in Rule 7.4.2 above, a Trading Member shall have on file a trading authority signed by the client empowering the third party to give directions concerning the account.

## **7.5 CLIENT'S PARTICULARS**

- 7.5.1 All essential particulars to effectively and unambiguously identify every client shall be recorded and maintained up to date at the office of the Trading Member.

## **7.6 COMMUNICATIONS THROUGH THIRD PARTY**

- 7.6.1 A Trading Member shall not address and mail any statement, confirmation of Transaction, or other communications to a client to or through any other person without the prior written authorisation of the client.

- 7.6.2 Without prior written authorisation by the client, a Trading Member shall not take delivery of any cash, share certificate, confirmation of Transaction, credit or debit notes or any statements on behalf of the client. Where a client delivers or attempts to deliver such items to the Trading Member through a non-authorized person, the Trading Member shall accept no liability whatsoever in respect of any delay, impairment or loss caused by the non-authorized person.

## **7.7 PAYMENT TO CLIENTS**

- 7.7.1 All payments to clients made by cheque shall be made in the form of a cheque duly crossed and drawn on the client's account and signed by two of the signatories duly authorised by the Board of Directors of the Trading Member.

7.7.2 As a rule, cheques made out to clients as payees shall be crossed and marked Account Payee Only. Where it is necessary to uncross a cheque, the Trading Member shall ensure that strict procedures are instituted and requests for uncrossing are made in writing by the payee client, verified by the Representative concerned where appropriate and authorised by two (2) Directors.

7.7.3 Payments to clients in other forms, such as by wire transfer or the use of a credit or debit card linked to the client's account, shall be authorized in writing in advance by the client, and the Trading Member shall keep accurate records of each such payment or withdrawal.

## **7.8 TRADING MEMBER'S TRANSACTIONS FOR OWN ACCOUNT**

7.8.1 All purchases and sales of securities by a Trading Member for its own account shall be shown under a separate securities account of the Trading Member.

7.8.2 The securities account of a Trading Member must be operated by a designated Director or a senior officer reporting directly to such Director of the Trading Member.

## **7.9 DISCRETIONARY ACCOUNTS**

7.9.1 No Trading Member, employee or representative shall exercise any discretionary authority with respect to a discretionary account unless:

(a) the client has given prior written authorisation to exercise discretion on the account;

(b) the Trading Member has accepted the discretionary account. Acceptance of a discretionary account must be evidenced by a written document which shall be available for examination and which shall be signed by the client and approved by the Trading Member.

7.9.2 The authorisation given by the client shall specify the investment objectives of the client with respect to the particular discretionary account.

7.9.3 Each authorisation or acceptance may be terminated by notice in writing by the Trading Member or the client, as the case may be, at any time, with or without stating a reason for its termination.

## **7.10 RECORDS**

7.10.1 Every Trading Member shall maintain records in sufficient detail to show particulars of:

(a) all monies received or paid;

- (b) all purchases and sales of securities by the Trading Member and the charges and credits arising therefrom, and the names of the buyer and seller respectively, of each of those securities;
- (c) all income received from commissions, interest and other sources;
- (d) all expenses, commissions and interest paid;
- (e) all assets and liabilities including contingent liabilities of the Trading Member;
- (f) all securities that are the property of the Trading Member, showing by whom the securities, or the documents of title to the securities, are held, and whether or not they are held as security against loans or advances;
- (g) all underwriting transactions entered into by the Trading Member; and
- (h) every transaction entered into by the Trading Member.

7.10.2 A Trading Member shall maintain adequate procedures for the maintenance, security, privacy and preservation of records, working papers and documents of title belonging to the Trading Member or other persons so that they are reasonably safeguarded against loss, unauthorised access, alteration or destruction.

7.10.3 A Trading Member may keep a record in a form other than a document or a copy of a document provided that the record can be reproduced in hard printed form.

7.10.4 A Trading Member shall retain for at least seven (7) years' every record required to be maintained by it under these Rules.

## **7.11 TRADING MEMBERS SETTLEMENT ACCOUNTS**

7.11.1 Each Trading Member shall establish and keep in a bank or banks in Mauritius one or more settlement accounts, designated as such. Appropriation, in the form of payments to clients must be paid not later than the next business day following the day on which they were received by the Trading Member.

## **7.12 STANDARD FORMS**

7.12.1 Every Trading Member shall adopt and use such standard forms as the SEM or CDS may require from time to time.

## **7.13 COMPENSATION OR GRATUITY**

7.13.1 No Trading Member may, without the prior written approval of the SEM, give any compensation or gratuity to any employee of the SEM or its subsidiaries. A gratuity within the meaning of this Rule shall include gifts of any nature.

## **7.14 ACTING AS PRINCIPAL**

7.14.1 A Trading Member shall not, as a principal, deal in any securities with a client unless it first informs the client with whom it is dealing that it is acting in the Transaction as principal and not as agent. Advice notes or other documents relating to the Transaction must show that the Trading Member is acting as principal.

## **7.15 ACTING AS AGENT**

7.15.1 A Trading Member or Representative when acting as agent must carry out client's instructions and must exercise such skill, care and diligence as is usual or necessary for the proper conduct of the business, and must at all times act in good faith and in the best interests of the client and must make full disclosure to the client of all material circumstances and interests.

7.15.2 When acting as agent, a Trading Member and Representative is obliged to disclose to his client the amount of commission and any other profit or benefit directly or indirectly receivable. When acting as principal, there will normally be no duty to disclose the profit or loss on any Transaction.

7.15.3 While acting as agent, a Trading Member and Representative may not enter into any Transaction in which it or he has a personal interest which conflicts or which may possibly conflict with its/ his duty to any of its/ his clients. The only exception to this requirement is where the client, having been fully informed of all material circumstances, expressly consents, in writing and in advance, to the Transaction.

## **7.16 PROHIBITED DEALINGS**

7.16.1 A Trading Member or Representative of a Trading Member shall never make or encourage a client to make sales or purchases with the sole object of generating commissions, profits, or other income for the Trading Member or Representative.

## **7.17 PROHIBITED ARRANGEMENT WITH CLIENTS**

7.17.1 A Representative or Trading Member shall not:

- (a) accept a share in the profits of the account of any client or have any arrangement with any person whomsoever involving allocation of profits or losses accruing to any account opened in the name of the Trading Member or any Representative of that Trading Member.
- (b) lead any client to believe that he will not suffer loss as a result of opening an account or as a result of any dealings in connection with an account, or indemnify a client with respect to any loss or possible loss.

## **7.18 MANAGING CLIENTS' INVESTMENTS**

7.18.1 A Trading Member which undertakes to manage the investment of a client (whether or not on a discretionary basis) should set out in writing the relevant terms and conditions on which such investments will be managed, including:

- (a) the scope of discretion and investment objectives;
- (b) the fees to be charged for management and the basis on which they are calculated;
- (c) arrangements for the custody of securities and cash;
- (d) arrangements for the payment of interest on uninvested balances;
- (e) arrangements for reporting and valuations.

7.18.2 A Trading Member shall keep, in respect of each client whose investments are being managed, sufficient records to enable the Trading Member at any time to establish the client's precise cash and investment position.

## **7.19 SUSPENSION OF TRADING**

7.19.1 A Trading Member shall not make a market in any security while the trading of that security has been suspended by SEM. Making a market in any security means holding oneself out to buy and sell a security, either generally or subject to limits as to price or otherwise.

7.19.2 Where, short of making a market, a Trading Member transacts business in a security the trading of which is suspended by SEM, the client must be informed by the Trading Member of the fact of the suspension and the published grounds for suspension.

## **7.20 RECORDING OF ORDERS**

7.20.1 Each Trading Member shall maintain a daily record of orders received from clients showing the name of each client, the specific order and the exact time the order was received.

## **7.21 HANDLING OF CLIENT ORDERS**

7.21.1 A Trading Member shall not buy or sell securities for his own account or for the account of an employee or consultant or Prescribed Person as defined in these Rules while the Trading Member holds an unexecuted order on the same terms from a client to trade 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.

- 7.21.2 Subject to the preceding Rule, a Trading Member and its Representatives shall ensure that Transactions executed on behalf of multiple clients are promptly and fairly allocated to the accounts of the clients on whose behalf the Transactions were executed.
- 7.21.3 When executing orders from several clients, Trading Members and Representatives shall give priority to such orders based on the time at which the orders for the Transactions were received. If such orders were received at the same time, priority shall be given to the best price at which the security is offered for sale or bid for purchase as the case may be.

## **SECTION F: CODE OF CONDUCT**

### **8.1 SCOPE OF SECTION F**

- 8.1.1 This Section F sets forth Rules of Conduct specific to the SEM which Trading Members must observe when trading on the SEM.
- 8.1.2 The Rules set forth in this Section F are without prejudice to applicable general rules of conduct imposed by the FSC.

### **8.2 GENERAL DUTIES OF INTEGRITY, FAIR DEALING AND CARE**

- 8.2.1 When trading on the SEM, a Trading Member shall:
- (a) observe high standards of integrity, market conduct and fair dealing;
  - (b) act with professional skill, care and diligence, in the best interests of the integrity of the SEM and of its Clients, taking account of the professional knowledge of these Clients;
  - (c) comply with all codes of conduct and Rules applicable to the conduct of its business regarding Transactions on the SEM;
  - (d) seek in an appropriate manner from the Clients it advises all useful information concerning their financial situation, investment experience and objectives, as far as they are reasonably relevant in order to achieve, as far as possible, its undertakings to its Clients with regard to the requested services and taking into account the degree of sophistication of the Clients concerned;
  - (e) when requested, make reasonable efforts to provide to the Client it advises, within a reasonable time period and in a language the Client can understand, all information to enable the Client to make a well-considered and informed decision, and a complete and honest report regarding its undertakings *vis-à-vis* the Client;
  - (f) avoid all possible conflicts of interest or, when they cannot be avoided, act in the best interests of its Clients. A Trading Member may not unfairly place its own

interests before those of its Clients. A Trading Member may not place its own interests before those of its Clients where to do so would result in it being unable to meet the legitimate expectations of its Clients;

- (g) carry out a Transaction as promptly as possible upon receipt of the order and on the best terms available at that time, unless otherwise instructed by its Client; and
- (h) refrain from any act or course of conduct which is likely to harm the reputation of the SEM.

### **8.3 COOPERATION WITH THE SEM**

8.3.1 In dealing with the SEM, its directors, officers, employees, agents and representatives, Trading Members shall act in an open and cooperative manner, be honest and truthful and not mislead or conceal any material matter.

8.3.2 In particular, without limiting the generality of Rule 8.3.1, a Trading Member shall:

- (a) provide full and prompt responses to all requests for information by the SEM; and
- (b) notify the SEM promptly of any matter which may reasonably be expected to be a matter of concern to the SEM in the context of its relationship with such Trading Member, including (without limitation) any corporate action or other event that may cause such Trading Member to cease to be in compliance with the Rules of SEM. This duty of disclosure shall arise as soon as the Trading Member becomes aware, or has reasonable grounds for believing, that such a matter has arisen or is likely to arise.

### **8.4 FRAUDULENT, MANIPULATIVE OR MISLEADING CONDUCT**

8.4.1 A Trading Member must not engage in:

- (a) any action or any course of conduct that is aimed at artificially moving the price or value of any Security or any instrument underlying a Security or the level of any index of which a Security is a component;
- (b) any activity designed to create a false, misleading or artificial appearance of activity in any Security;
- (c) entering into the SEM's systems artificial quotes or orders or otherwise entering into or causing any artificial Transaction;
- (d) reporting a fictitious Transaction or any other false data to the SEM or causing such data to be input into the SEM's systems;
- (e) any action or any course of conduct that creates or may reasonably be expected to create any false or misleading impression as to the market in, or price or value of, any Security;



- (f) any action or any course of conduct that causes or contributes to a breach of any applicable law, Regulations or Rules by any Person (whether or not a Trading Member);
- (g) any action which would hinder or disrupt the fair and orderly functioning of the SEM;
- (h) any other action or any other course of conduct that may damage the integrity and transparency of the SEM;
- (i) any act or engage in any course of conduct which causes, or contribute to, a breach of the SEM's Rules by another Trading Member; or
- (j) agreeing or acting in concert with, or providing any assistance to, any Person (whether or not a Trading Member) with a view to or in connection with any action or course of conduct referred to in items (a) to (i) above.

8.4.2 A Trading Member shall not knowingly, directly or indirectly, participate in, or have any interest in, the profits of an operation to manipulate trading on the SEM, or knowingly manage or finance a manipulative operation.

## **8.5 PUBLICATION OR CIRCULATION OF MISLEADING INFORMATION**

8.5.1 No Trading Member shall make any statement or circulate or disseminate any information which such Trading Member knows, or has reasonable grounds to believe that such information, is false or misleading or would improperly influence the price of a Security.

8.5.2 No Trading Member shall publish or circulate, or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment advice, or communication of any kind which purports to report any transaction as a purchase or sale of any Security, unless the Trading Member has reasonable ground to believe that the transaction was a bona fide purchase or sale of such Security.

## **8.6 PROHIBITION OF DEALINGS ON THE BASIS OF NON PUBLIC INFORMATION**

8.6.1 A Trading Member shall not make any use of, or execute any Transactions based upon, any material non-public information, or place an order on the basis of material non-public information, including information regarding pending orders on the market.

## **8.7 USE OF SEM'S SYSTEMS**

8.7.1 Trading Members are prohibited from engaging in practices which may cause degradation of the SEM's systems or give rise to a disorderly market. Such practices

include, but are not limited to, submitting unwarranted or excessive electronic messages or requests to the SEM's systems.

## **8.8 INTERNAL CONTROLS**

8.8.1 A Trading Member shall set up and maintain an appropriate system of internal controls, which ensures that the Trading Member continuously complies with all requirements imposed by or pursuant to the Rules of SEM.

8.8.2 The system of internal controls shall contain internal procedures specific to the Trading Member's capacity on the SEM. These procedures shall be documented and updated on a regular basis.

8.8.3 Trading Members shall maintain an internal code of conduct which shall apply to all directors, employees or any person who have access to inside or Client information. This internal code of conduct should be provided in written or electronic form to all relevant personnel and must contain at least:

(a) the obligation to protect inside or Client and any other information of a confidential nature and the prohibition to act willfully upon this information for its own benefit;

(b) the prohibition to the effect that no personnel of a Trading Member who possesses unpublished Price Sensitive Information concerning any Security shall trade on the basis of such unpublished Price Sensitive Information. This prohibition from trading shall not apply to trades by Trading Members possessing unpublished Price Sensitive Information who, in good faith and in accordance with these Rules, carry out specific orders for the risk and the account of their Clients, provided the aforementioned information is not divulged to such Clients;

(c) the rules and procedures for carrying out personal transactions involving Transactions on the SEM;

(d) the rules and procedures governing the business relationship with Clients in order to ensure that the persons referred to above, in particular where a conflict of interest may arise, always act in the best interests of their Clients, and that such persons do not take advantage of any confidential information; and

(e) the Trading Member's policy on inducements.

8.8.4 A Trading Member shall have adequate arrangements to ensure that all staff involved in the conduct of business are suitable, adequately trained and properly supervised.

## **8.9 CLIENT ASSETS**

8.9.1 Where a Trading Member has control of or is otherwise responsible for assets belonging to a Client which it is required to safeguard, it shall arrange proper

protection for those assets by way of segregation and identification of those assets in accordance with the responsibility it has accepted.

## **8.10 ORDER SCREENING**

8.10.1 Prior to submitting an order to the SEM's systems, a Trading Member shall screen the order to ascertain that such order:

(a) attributes are in conformity with the provisions of the ATS Schedule of Procedures (Trading Procedures); and

(b) presents no risk for market integrity or the orderly nature of the SEM.

## **8.11 ELECTRONICALLY ROUTED ORDERS**

8.11.1A Trading Member shall put in place automated recording and control procedures in order to screen, in accordance with Rule 8.10.1, electronic orders routed to such Trading Member or originating from program trading and intended to be transmitted directly to the SEM without human intervention, as well as implement such other procedures and safeguards as the SEM may require. A Trading Member shall maintain, for a period of at least seven (7) years, a record of automatic screening parameters and modifications thereof as well as of rejected orders.

## **8.12 AUDIT TRAIL**

8.12.1A Trading Member shall immediately upon receipt of an order and upon each modification thereof, record the time of receipt/ modification of the order. All records concerning orders, classified chronologically, shall be maintained for a period of at least seven (7) years for possible inspection by the SEM.

## **8.13 CONFIRMATION OF TRANSACTIONS**

8.13.1 Trading Members shall, without delay, send to their Clients a confirmation of completed Transactions in such form as may be prescribed in FSC Rules.

## **8.14 RECORDS OF TRANSACTIONS**

8.14.1 A Trading Member shall maintain for a period of at least seven (7) years adequate accounting and other records to document all of its Transactions and, if applicable, the settlement thereof and the custody of Securities traded on the SEM. The records shall contain *inter alia*:

(a) the Trading Member's name;

- (b) the identity of the counterparty where the counterparty is a Trading Member, or an internal identification code, where the counterparty is not a Trading Member;
- (c) the date and time of execution;
- (d) the type of Transaction; e.g. buy, sell;
- (e) the fact that the Transaction was carried out on the SEM;
- (f) the Security and the quantity involved in the Transaction;
- (g) the unit price applied and the total consideration in the quotation currency at which the Transaction was executed;
- (h) whether the Trading Member was acting as an agent or a principal;
- (i) the settlement amount;
- (j) the settlement date of the Transaction; and
- (k) the identity of the Client.

## **SECTION G: TRADING ON SEM**

### **9.1 TRADING RULES**

- 9.1.1 Trading on the SEM shall be conducted in accordance with the Stock Exchange (Conduct of Trading Operations) Rules 2001 and ATS Schedule of Procedures.

## **SECTION H: CLEARING AND SETTLEMENT**

### **10.1 CLEARING AND SETTLEMENT**

- 10.1.1 Transactions executed on SEM shall be cleared in accordance with the rules and procedures of the CDS, and settlement shall be arranged through the Central Depository & Settlement Co. Ltd.

## SECTION I: FINANCIAL REPORTING

### 11.1 GENERAL OBLIGATIONS OF TRADING MEMBERS

- 11.1.1 A Trading Member must at all times comply with the Stock Exchange (Financial Reporting of Investment Dealers) Rules 2010 and such other capital adequacy requirements as laid down from time to time by the FSC. *[Amended 18/03/2010]*
- 11.1.2 A Trading Member shall provide evidence to the SEM of compliance with Rule 11.1.1 in such form as the SEM may from time to time require.
- 11.1.3 A Trading Member shall notify the SEM immediately in writing if it has any indication that it may not be in a position to comply with Rule 11.1.1.
- 11.1.4 The SEM may require any Trading Member and any specific director, officer, employee, representative or auditor of that Trading Member to appear personally before the SEM and/ or produce its books and records and answer questions, including questions pertaining to any actual or possible violation of Rule 11.1.1.  
*[Amended 7/02/2013]*

### 11.2 SUSPENSION OF DEFAULTERS

- 11.2.1 Where a Trading Member fails to comply with Rule 11.1, the SEM may declare the Trading Member to be defaulter in accordance with Rule 12.1.
- 11.2.2 The SEM shall have the power to reprimand, sanction and/or suspend any Trading Member declared to be defaulter.
- 11.2.3 The suspension of a Trading Member shall automatically suspend all rights and privileges of the Trading Member without relieving it of its liabilities under the Rules of SEM or in any other respect.

## SECTION J: DEFAULT

### 12.1 TRADING MEMBER IN DEFAULT

- 12.1.1 A Trading Member shall be declared a Defaulter in each of the following cases:
- (a) where it is so declared by the SEM after upon being informed by CDS that the Trading Member has failed to deliver the Securities or pay the money demanded of it pursuant to any Rule relating to Clearing and Settlement;
  - (b) where the SEM has made such inquiries (if any) as it thinks fit and resolves that, in its opinion, the Trading Member is in, or is reasonably likely to experience

difficulties and has failed or is reasonably likely to fail to meet its actual or prospective (including contingent) liabilities;

- (c) where the Trading Member is insolvent or has called a meeting of its creditors or has made an arrangement with its creditors; or
- (d) where the SEM has made such inquiries (if any) as it thinks fit and resolves that, in its opinion, other circumstances exist which justify such Trading Member being considered a Defaulter in order to protect the financial interests of all other Trading Members or of the investing public or for such other reasons as may be considered to be relevant in the interests of the well-being and proper conduct of the SEM.

## **12.2 NOTIFICATIONS**

- 12.2.1 Where the SEM has declared a Trading Member to be a Defaulter under Rule 12.1.1, the SEM shall immediately notify the Defaulter, the FSC, the CDS and all other Trading Members of the declaration.
- 12.2.2 As soon as is reasonably practicable, the SEM shall arrange for the removal of all displayed orders and suspend the submission of any new orders of the Defaulter from the SEM's systems.

## **12.3 TRANSACTIONS AND DEFAULTERS**

- 12.3.1 Subject to the provisions of these Rules, every uncompleted transaction with the defaulting Trading Member shall be deemed to be rescinded, closed and terminated as from the time the Trading Member becomes a Defaulter and where the transaction is partially completed, that transaction shall be deemed to be rescinded, closed and terminated as to the uncompleted balance.
- 12.3.2 The SEM (whose decision shall be final) shall determine the market price on the day the Trading Member becomes a Defaulter and any surplus or deficiency in respect of such uncompleted transaction or balance shall be determined accordingly.
- 12.3.3 The Defaulter shall be liable to the other Trading Members for any such deficiency and each such other Trading Member shall account to the Defaulter for any surplus.
- 12.3.4 Every Trading Member involved with a Defaulter on a rescinded transaction shall promptly inform the SEM of the details.

## **12.4 DECLARATION OF DEFAULT AND SUSPENSION**

- 12.4.1 The SEM may declare any Trading Member a Defaulter in accordance with Rule 12.1.1, and may suspend such Defaulter's designation as Trading Member of the SEM for such time as it thinks fit.

## **12.5 TRADING MEMBER'S OBLIGATION TO REPORT**

12.5.1 If a Trading Member becomes aware that another Trading Member has failed to comply with or to meet any of its obligations under the Rules of SEM, such Trading Member shall promptly notify the SEM in writing of the circumstances. .

12.5.2 No action shall lie against a Trading Member or any of its representatives or employees for having in good faith notified the SEM of any failure by another Trading Member to comply with or to meet any of its obligations under the Rules of SEM.

## **12.6 SEM TO INVESTIGATE**

12.6.1 Upon being notified that a Trading Member has failed to comply with or to meet its obligations, the Exchange shall:

- (a) immediately investigate the matter;
- (b) simultaneously advise the Board that the affairs of such Trading Member are under investigation; and
- (c) upon completion of the investigation, advise the Board of the result of such investigation.

## **12.7 TRADING MEMBERS TO FACILITATE INQUIRIES**

12.7.1 Where any inquiries as to the credit, competence, performance or position of any Trading Member are being made by the SEM, all other Trading Members shall facilitate such inquiries and provide all necessary information as may be requested.

## **SECTION K: APPEALS**

### **13.1 APPEALS AGAINST DECISIONS OF THE BOARD AND DISCIPLINARY COMMITTEE**

13.1.1 Appeals against decisions of the Board and Disciplinary Committee shall lie with the Financial Services Review Panel set up under Section 54 of the Financial Services Act 2007.

## **SECTION L: TRADING MEMBERS OPERATING FROM OUTSIDE MAURITIUS**

- 14.1 A Trading Member operating from outside Mauritius must comply with all the provisions of these Rules as modified by Rules 14.2 to 14.6.
- 14.2 Rule 4.1.1 (b), Rule 4.1.3 (k) and Rule 5.2 of these Rules shall not apply to a Trading Member licensed by the FSC and operating from outside Mauritius.
- 14.3 Rule 4.1.1(a), Rule 4.1.1 (b), Rule 4.1.3 (k) and Rule 5.2 of these Rules shall not apply to a Trading Member which has been granted authorisation by the FSC pursuant to the Securities (Authorisation of Foreign Investment Dealers) Rules 2010 and operating from outside Mauritius.
- 14.4 A Trading Member operating from outside Mauritius shall provide to the SEM at such intervals as shall be determined by the SEM, regular reports from an external auditor or such other person acceptable to the SEM, at the Trading Member's own costs, evidencing compliance with the provisions of these Rules as set out in Appendix 2 to these Rules.
- 14.5 SEM may appoint an external auditor or such other person acceptable to the SEM to conduct an on-site investigation of the Trading Member operating from outside Mauritius at any time when business conduct irregularities are suspected. The Trading Member Participant shall bear all costs associated with such an on-site investigation.
- 14.6 The SEM may impose requirements in addition to those set forth in these rules in any particular case.  
*[Amended 7/02/2013; 02/05/2014]*



## APPENDIX 1

### TABLE OF FEES

|           | <b>Fees</b>  | <b>(Rs.)</b>                |
|-----------|--|-----------------------------|
| <b>1.</b> | <b>Initial Fee (New Applicant as a Trading Member)</b> | <b>80,000 (one-off fee)</b> |
| <b>2.</b> | <b>Annual Fees</b>                                     | <b>30,000 p.a</b>           |
| <b>3.</b> | <b>Fees for access to SEMATS (connection fees)</b>     | <b>2,500 per month</b>      |

## APPENDIX 2

### INFORMATION TO BE VERIFIED UNDER RULE 14.4

The report required under Rule 14.4 must verify compliance with the following provisions of these Rules:

| <b>Rule</b> | <b>Requirement</b>                              |
|-------------|---|
| 4.2         | Continuing obligations of Trading Members       |
| 4.3.2       | Register of Trading Members and Representatives |
| 4.4.3       | Duties of directors of Trading Members          |
| 7.2         | Transactions in securities                      |
| 7.4.        | Client accounts                                 |
| 7.5         | Clients' particulars                            |
| 7.6         | Communications through third party              |
| 7.7         | Payments to clients                             |
| 7.8         | Trading Member's transactions for own account   |
| 7.9         | Discretionary accounts                          |
| 7.10        | Records   |
| 7.11        | Settlement accounts                             |
| 7.14        | Acting as principal                             |
| 7.18        | Managing clients' investments                   |
| 7.20        | Recording of orders                             |
| 7.21        | Handling of client orders                       |
| 8.8         | Internal Controls                               |
| 8.11.1      | Electronically routed orders                    |
| 8.12        | Audit trails                                    |
| 8.13        | Confirmation of transactions                    |
| 8.14        | Records of transactions                         |

*[Amended 7/02/2013; 02/05/2014]*

*(Approved by FSC on 7 October 2008 and effective as from 7 January 2009- Amended 18 March 2010; 7February 2013 ; 2 May 2014)*