

THE SECURITIES CENTRAL DEPOSITORY

RULES 2009

JULY 2009

THE SECURITIES CENTRAL DEPOSITORY RULES, 2009

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THE SECURITIES CENTRAL DEPOSITORY ACT , 2009

THE SECURITIES CENTRAL DEPOSITORY RULES 2009

IN EXERCISE of the powers conferred by Regulation 3(4) of the Securities Central Depository Regulations 2009, the Uganda Securities Exchange makes the following Rules;

THE SECURITIES CENTRAL DEPOSITORY ACT, 2009

PART I – PRELIMINARY

Citation	<p>1 (a) These rules may be cited as The Securities central depository Rules 2009,</p> <p>(b)the Operational Procedures, Guarantee Fund Procedures and the Securities Central Depository Agency agreements shall form part of these Rules..</p>
Interpretation	<p>2. In these rules, unless the context otherwise requires -</p> <p>"Act" means the Securities Central Depository Act</p> <p>“account” means a securities account</p> <p>“Agency Agreement” means the agreement between the securities central depository agent and the Securities central depository, whereby the Securities central depository appoints a SCDA;</p> <p>"application date", in relation to any application under these Rules, means the date on which the application is lodged with the Securities central depository or a CDA ;</p> <p>"approved functions", in relation to any CDA, means those functions which have been authorised or approved, from time to time, by the Securities central depository under these Rules to be performed by that agent;</p> <p>“Authority” means the Capital Markets Authority established under section 4 of the Capital Markets Act (Cap. 84);</p> <p>“Board” means the Governing Council of the Uganda Securities Exchange;</p>

"buying depositor" means a depositor who places an order to purchase a book-entry security;

“ day” means business day;

“Exchange” means Uganda Securities Exchange;

"Securities central depository" means the Securities Central Depository administered by the Uganda Securities Exchange;

"cum entitlement date" means the date fixed by an issuer as being the last date for entitlement to dividends, bonus issue, rights issue or other distributions to or rights of depositors in respect of securities issued by the issuer;

"eligible securities" means a security which has been prescribed by a securities exchange to be immobilized with the securities central depository under section 15 of the Act;

"immobilization date", in relation to any eligible security, means the date specified in the notice given by a securities exchange under section 15 (2) of the Act as being the last day on which the eligible security may be traded on the securities exchange unless such security has been deposited with the Securities central depository;

"jumbo certificates” ,means the manner in which deposited certificates are stored by the depository during the process of immobilization and dematerialisation.

"listed" means admitted to the official list of a securities exchange in Uganda and listing shall be construed accordingly;

"market day" means any day during which the exchange is open for business;

"member of the securities exchange" means a person licensed by the Authority and admitted as a member to the exchange ;

"notification date", means the date on which the notice pursuant to section 15 (2) of the Act is given by the securities exchange;

"person" includes any body of persons, corporate or unincorporated;

“operational procedures” means the procedures adopted by the Securities central depository from time to time;

"Procedures Manual" includes any manual containing guidelines and operating procedures for Securities Central Depository Agents, issuers and depositors, from time to time, issued by the Exchange;

"Regulations" means Regulations made by the Authority pursuant to Section 68 of the Act;

"SCDA" means Securities Central Depository Agent and "SCDAs" means Securities Central Depository Agents;

"record" includes, in addition to a record in writing –

- (a) any photograph;
- (b) any disc, tape, sound track or other device in which sounds or other data (not being visual images) are embodied so as to be capable (with or without the aid of some other instrument) of being reproduced there from ; and
- (c) any film, tape or other device in which visual images are being embodied so as to be capable (with or without the aid of some other instrument) of being reproduced there from, and any reference to a copy of a record includes –
 - (i) in the case of a record falling within paragraph (b) but not paragraph (c) of this definition, a transcript of the sounds or other data embodied therein;
 - (ii) in the case of a record falling within paragraph (c) but not paragraph (b) of this definition, a still reproduction of the images embodied therein, whether enlarged or not; and
 - (iii) in the case of a record falling within both paragraph (b) and paragraph (c) of this definition the transcript of the sounds or other data embodied therein together with the still reproduction of the images embodied therein.

" SCD Rules" means the rules of the SCD as approved by the Authority

"rules of the securities exchange" means Trading Rules and Listing Rules ;

"selling depositor" means a depositor who places an order to sell a book-entry security.

"settlement bank" means the bank(s) appointed by the Exchange to provide settlement services.

"settlement partner" means any person appointed by an SCDA with the approval of the Exchange to undertake the settlement obligations of the SCDA.

“services” means any of the Securities central depository clearing, settlement and registration services provided by the Securities central depository.

"stock market" means a market, exchange or other place at which securities are offered for sale, purchase or exchange, including any clearing, settlement or transfer services connected with it;

“T” means the market day on which a security is purchased or sold by or on behalf of a depositor;

"terminal" means any computer terminal located at the premises of a user which forms part of the computer system;

"transitional period", in relation to any eligible securities means the period immediately following the notification date and ending on the immobilization date;

"user" means the securities central depository agent, an issuer, a securities exchange or such other person as may be prescribed by the Authority who may be given access to a computer system of the Securities central depository;

In these rules, unless expressed to the contrary:

- a) a depositor of any book-entry security in or under suspense shall, for the purposes of section 41 of the Act, be treated as a member (or debenture holder) but nonetheless such security is under suspense by virtue of the Securities central depository placing a computerised "freeze" or "hold", whether temporary or otherwise, on such security resulting in any of the following forms of suspension-
 - i. where "freeze" or "hold" has been placed upon any securities issued by an issuer such that no entries whatsoever may be made in respect of any such securities in all securities accounts held in the Securities central depository or a particular SCDA;
 - ii. where a "freeze" or "hold" has been placed on a particular securities account such that no entries whatsoever may be made in respect of any book-entry securities whatsoever held in such account;
 - iii. where a "freeze" or "hold" has been placed on any securities issued by an issuer and only in respect of a particular depositor's account such that no entries may be made whatsoever in respect of any book-entry securities of that issuer held under such securities account; or

- (e) Statement by directors of the applicant of ability to provide the required services including financial resources to meet its obligations pursuant to the Act, the Regulations, these rules and the Agency Agreement;
- (f) Details of key personnel, their training experience and skill;
- (g) The appointment fee as prescribed by Appendix II to these Rules.

(2) Every applicant shall make appropriate arrangements with the settlement bank to effect payment in accordance with these rules and the procedures set out in the Procedures Manual and authorise the settlement bank to effect settlement in accordance with instructions received from the Exchange, and to disclose to the Exchange information regarding the availability of funds to satisfy the SCDA's settlement obligations.

Conditions

5(1) The appointment as SCDA of a non-member of a securities exchange shall exclude the power to operate the accounts for trading activities and shall be limited to non-trading activities including custody and mortgaging.

(2) Uganda Securities Exchange may, in appointing any SCDA to perform any of the approved functions as set out in Rule 9, impose such requirements or conditions, as it considers necessary to ensure orderly deposits, withdrawals, transfers of book-entry securities, payment of cash and dealings in securities.

Appointment

6(1) Upon finding an applicant fit for appointment as SCDA and the applicant satisfying the requirements under rule 4, The Exchange shall appoint the applicant as an SCDA. The SCDA shall upon executing the Agency Agreement be duly appointed and entitled to commence operations as such agent on the terms set out in the Agency Agreement.

(2) Without prejudice to the provisions of rule 4 any member of a securities exchange, non-bank subsidiary of any bank or financial institution approved under the Financial Institutions Act, any institutional investor or any body corporate of a type prescribed by the Authority may apply for appointment as an SCDA.

(3) Any person aggrieved by a decision of the Exchange not to appoint him as a SCDA may appeal to the Authority.

Fees

7. Every SCDA shall pay an annual subscription fee as prescribed in Appendix II which shall be payable at the commencement of every calendar year following the year of appointment.

Continuing obligations

8. Every SCDA shall, throughout the term of its appointment: -

- (a) not later than three (3) months after the end of its financial year or submit to the Exchange a copy of its audited financial statements;
- (b) maintain all its equipment and facilities, including the hardware and software, in the manner specified in writing by the Exchange from time to time;
- (c) shall comply with the settlement obligations as provided in these rules;
- (d) comply with the CMA rules, these rules, the provisions of the Act and any directions as provided under section 11 of the Act;
- (e) comply with technical and security standards as may be prescribed by the Exchange from time to time;
- (f) provide such other documents as may reasonably be required by the Exchange from time to time and
- (g) meet all other conditions that may reasonably be imposed by the Exchange

Approved
Functions

9. A SCDA shall be authorized by the Exchange to perform any or all of the following functions:-

- a) collection and submission to the Exchange for deposit, certificates for purposes of immobilisation of securities;
- b) submission of requests for withdrawal of certificates in respect of immobilised securities;
- c) the opening, maintenance and closing of securities accounts;
- d) the allocation of trades to securities accounts;
- e) the collection of such fees and charges imposed by the Exchange as may be provided hereunder; and
- f) submission of requests for transfer and pledging of securities
- g) settlement of trades
- h) such other incidental and ancillary functions as the Exchange may determine at its sole discretion.

Identity code

10. The Exchange shall allocate to every SCDA and Issuer an Identity code

Indemnity

11(1) Every SCDA shall be responsible for its own operations and functions pursuant to its appointment and shall indemnify and hold indemnified the Exchange for any loss, legal costs (including third party legal costs), damage or liability suffered or incurred by the Exchange, whether directly or otherwise, as a result of any negligence, omission, mistake, misrepresentation, fraud or error on the part of the SCDA, its servants or agents.

(2) The Exchange shall be responsible for its own operations and functions and shall indemnify and hold indemnified the SCDAs for any loss, legal costs (including third party legal costs), damage or liability suffered or incurred by the SCDAs directly as a result of any negligence, omission, mistake, misrepresentation, fraud or error on the part of the Exchange, its servants or agents.

Right to
audit

12. The Exchange shall, from time to time and at any time upon notice, require an SCDA to produce to the Exchange's duly authorised officer(s), its auditors, legal or other advisors, whether internal or external, such documents or records in respect of any securities transaction or pertaining to any securities account and to provide them with such unobstructed access to its terminals and other computer peripherals situated at the SCDA's or other premises and any data record or information in respect thereof as may, in the opinion of the Exchange or its said advisors, be necessary for the purposes of enabling such auditors to perform any audit and or other investigation or review.

Suspension or
Revocation

13(1) Any SCDA may be suspended by the Exchange or be prohibited from maintaining or performing any or all of the approved functions of an SCDA in any of the following circumstances:-

- (a) violation, whether directly or indirectly, of any provisions of the Act, the Regulations or these rules and any agreements made under the rules, notwithstanding the payment of any penalties or fines imposed thereon;
- (b) failure to pay any money due and owing to the Exchange on any account;
- (c) failure to make good any indemnity for the benefit of the Exchange pursuant to rule 11 hereof;
- (d) becoming insolvent under the Companies Act or any rules or regulations made there under;
- (e) where it is a statutory body established under or by any Act of Parliament, being declared insolvent by the Government or being listed among entities to be dissolved or liquidated; or
- (f) otherwise acts in a manner prejudicial to the interests of the depositors, the Exchange or the capital markets generally.

PROVIDED ALWAYS THAT Exchange shall notify the Authority upon effecting suspension. A suspended SCDA may have its appointment revoked if within the time allowed by the Exchange if it does not remedy the default for which it was suspended.

- (2) The Exchange may suspend or prohibit the SCDA from maintaining or performing the functions of a SCDA and notify the Authority if, without prejudice to the instances in sub paragraph (1) above –
 - (i) it has been suspended from trading as a member of a securities exchange; or
 - (ii) the Authority has not renewed its licence or has revoked or suspended the licence,

Appointment of
manager

14(1) Where an SCDA is suspended or prohibited pursuant to Rule 13, the Exchange may appoint a Manager who shall be authorized to clear, settle or fulfill all outstanding or impending contracts, transactions, transfers or other approved functions of such SCDA

- (2) Where the suspended SCDA is a member of the Exchange, the appointment of a manager shall be done in consultation with the Authority.
- (3) A manager appointed under these rules shall be empowered to:
 - (a) inspect, examine and operate the whole or any part of the computer system situated at the premises of the SCDA;
 - (b) give any direction to the SCDA, its servants or agents to require the production of any record or account required to be kept by such agent pursuant to Parts IV and V of the Act;
 - (c) take over the control and management of the securities accounts of the depositors (other than pledged securities accounts) who have maintained their accounts with such SCDA;
 - (d) recommend as appropriate to the Exchange the suspension of a securities account, a particular security therein or a particular issue of securities thereof; and
 - (e) recommend to the Exchange the transfer of any securities account together with all securities registered therein from such agent under suspension to another SCDA, subject to the depositor's approval where the Depositor is available and gives appropriate instructions. Where a depositor is not available or is unable to give such instructions, the Exchange shall facilitate the transfer of such securities accounts to be held directly through the Exchange or its nominee company awaiting

instructions from such depositors. No transactions may take place in securities held in such accounts until the depositors give instructions to transfer them to an SCDA.

(4) Any manager appointed under this rule shall report to and be accountable or answerable for his actions to the Exchange and shall be restricted to the role of the SCDA.

(5) The appointment of the Manager may be revoked by the Exchange with prior consultation with the Authority .

(B) NATURE OF INTEREST IN SECURITIES CENTRAL DEPOSITORY ACCOUNTS

Bare Trustee

15(1) Securities deposited into the Securities central depository shall be held in custody by the Exchange as bare trustee for the beneficial holders.

(2) A transfer of securities into the Securities central depository by a depositor shall not convey any transferor's beneficial interests over the securities deposited.

(3) The beneficial owner shall be entitled to all rights and benefits and be subjected to all liabilities in respect of his/her securities held by the Securities central depository.

Deposit Record

16. An SCDA shall receive certificates from depositors and complete the deposit form. It shall be the responsibility of the SCDA to verify the information on the deposit form and ensure that the necessary documents relating to such deposits correspond with the record on the newly provisionally opened account prior to submission to the Exchange.

Misplaced
Lost or
Stolen
Certificate

17(1) For any certificates or instruments of transfer which are misplaced, lost, destroyed or stolen once delivered to an SCDA, in the event of any claims whatsoever brought against the Exchange by the depositor or any other party by reason of the loss, misplacement, theft or destruction, the SCDA hereby agrees to indemnify and to hold indemnified the Exchange.

(2) Every SCDA shall follow the directives of the Exchange in relation to the acceptance or rejection of eligible securities.

(C) STRUCTURE OF SECURITIES CENTRAL DEPOSITORY ACCOUNTS

Securities Accounts **18.** Every SCDA shall open and maintain with the Exchange one or more securities accounts for the recording of the deposit or withdrawal of securities and for dealing in such securities. These accounts shall comprise an SCDA's securities account and client securities accounts.

Disclosure **19.** A SCDA when opening a client securities account shall ensure that it has full particulars of the depositor's identity.

Kind of accounts **20.** A client securities account and a SCDA securities account may, in accordance with the operational procedures, record eligible securities in:

- a) a Collateral Account, for eligible securities pledged to the SCDA and held by the Exchange subject to the SCDA's instructions only; or
- b) a Pledge Account, for eligible securities pledged by one account holder to another account holder or other pledgee whatsoever and held by the Exchange for and subject only to the instructions of that pledgee; or
- c) a General Account, for eligible securities available and unencumbered held by the SCDA or by the holder of a securities account.

Operations **21(1)** The depository service and its facilities shall be extended by the Exchange and made available to SCDAs in accordance with the Agency Agreement. Depositors shall maintain securities accounts only through the SCDAs.

(2) Any instruction to change, update or make a correction to a securities account of a client shall be given to the Exchange by an SCDA in accordance with the operational procedures.

Restrictions for SCDAs **22.** SCDAs shall where they are permitted to hold beneficial ownership in securities be required to segregate their client accounts from the accounts in which they hold beneficial ownership of securities.

(D) OPENING AND MAINTENANCE OF SECURITIES ACCOUNTS

Process **23. (1)** Subject to rule 22, Securities central depository accounts shall consist of accounts held by all the depositors, which include:

- a) SCDA's who are members of a securities exchange;
- b) SCDA's who are not members of the exchange as appointed by the Authority.
- c) Other Depositors.

(2) All Securities central depository accounts shall be opened through SCDA's unless the Exchange otherwise requires. Every SCDA shall ensure that they know the true identity of applicants for SCD accounts by using risk-based procedures to verify and document the accuracy of the information they get from such applicants. In verifying applicants' identity, SCDA's shall analyse any logical inconsistencies in the information on the application form.

(3) Accounts held by SCDA's shall contain the following information where applicable:

- a) Name of the SCDA
- b) Address of the SCDA
- c) Country of incorporation or registration of the SCDA
- d) PIN Number of the SCDA
- e) The SCDA's identity code
- f) The SCDA's account number
- g) The SCDA's banker's address and account number(s)
- h) Names of securities deposited
- i) Securities codes
- j) Quantities and descriptions of securities held
- k) Amount of frozen securities due to trades, mortgages, court orders (where applicable)
- l) Type of account
- m) Any other information as the Exchange may prescribe from time to time.

(4) Accounts of non-SCDA depositors shall contain the following information where applicable:

- a) Name of depositor
- b) Address of the Depositor
- c) Nationality of Depositor, or country of incorporation
- d) Passport Number
- e) Certificate of incorporation or registration
- f) PIN Number
- g) Name and address of SCDA
- h) SCDA's identity code
- i) The depositor's identity code
- j) SCD account number

- k) Name(s) of securities
- l) Securities codes
- m) Quantities and description of securities held
- n) Amount of frozen securities due to transfers, mortgages, court order (where applicable)
- o) Client reference number issued by the Exchange
- p) Type of account
- q) Any other information as the Exchange may prescribe from time to time.

Processing
period

24. An application to open the securities central depository account shall be processed by an SCDA not later than one (2) business days after receipt of the application.

(E)

DEPOSIT OF CERTIFICATES BY SECURITIES CENTRAL DEPOSITORY AGENTS

Processing
Of deposits

25 (1) No SCDA shall accept securities other than eligible securities to be deposited with the Securities central depository.

(2) Eligible securities may be deposited with an SCDA after the notification date.

(3) Upon receipt of the deposit form and the securities certificates from the SCDA, the Exchange shall within two (2) market day of the date of lodgment forward the certificate to the issuer for verification and confirmation.

(4) The issuer shall confirm the authenticity of the certificates and verify the depositor's signature within (two) 2-market days of receipt in accordance with the procedures manual.

(5) Upon confirmation, the Exchange shall credit the account of the depositor with the securities.

(6) Pursuant to section 10 (3) of the Act, the Exchange may charge a fee as set out in Appendix II and approved by the Authority for any eligible security deposited from such date as may be prescribed by the Exchange, provided that such date is after the immobilisation date.

(7) Any information relating to a deposit shall be delivered to the Exchange not later than 12 noon for recording the same day.

contractual relationship between the Exchange, the SCDA and the depositors, notwithstanding anything in the application forms to open a securities account and all other forms for any other authorised functions relating thereto shall be made on forms prescribed by the Exchange. No SCDA shall vary, delete, amend or include any term or condition in the aforesaid forms without the prior written approval of the Exchange. Once completed, the form shall be lodged with the Exchange.

29 (2) Contravention of rule 29 (1) shall attract a penalty of two hundred forty currency points and compensate any party aggrieved to the extent of the loss suffered.

Prohibition

30. No SCDA shall enter into any additional agreement, whether supplemental or principal, with their depositors, which may exclude, exempt, disclaim, reduce, limit or waive any liability for loss damage or liability on the part of the SCDA for any willful act, omission, neglect fraud or error on the part of such SCDA, as an SCDA.

(I)

PRIVATE TRANSACTIONS

Private
Transactions

31. (1) No entries relating to private transactions shall be entered in the securities account without the prior approval of the Chief Executive Officer of the.

Settlement of
Private
Transactions

32. Transfers of eligible securities between custodians and between custodians and their clients where there is no change in beneficial ownership, donations, hereditary transfers (subject to relevant approval), sales on attachment, foreclosures on execution, pledges, free deliveries, loans and other dispositions of eligible securities shall be effected within the SCD through SCDA's with prior approval of the Chief Executive Officer

Cap 485A

(J)

SECURITIES CENTRAL DEPOSITORY AGENT'S REFUSAL TO ACT

Duty
To notify

33. Where an SCDA who is a member of a securities exchange refuses to act on the instructions of any of its depositors in carrying out any of its functions related to depositor's transactions specified under rule 9 relating to any book-entry security by reason that the depositor has defaulted (or is about to default) in his obligations relating to any trade order or otherwise, it shall be the duty of the SCDA to notify the Exchange, and where reasonably possible the depositor, immediately stating the reason for such refusal. Nothing in this rule shall be construed so as to authorise any member of the securities exchange to be in breach of any rule relating to such members' lien on securities.

Exchange

34. Where the Exchange, after investigating the

may instruct
CDA to act

matter, is not satisfied with the reason given by the SCDA for its refusal to act, it may, instruct such SCDA to carry out the depositor's instructions or direct the SCDA to act appropriately to resolve the matter.

Penalty

35. Failure on the part of the SCDA to inform the Exchange under rule 33 or to comply with its instructions under rule 34 may result in the suspension of such SCDA as provided in these rules.

(K)

MISCELLANEOUS

Exclusion

36. When acting in good faith and without negligence, the Exchange is not liable to any SCDA or holders of securities accounts under its management for:

- a) any loss of opportunity, profit, market, goodwill, interest or use of money or securities;
- b) any other special, indirect or consequential loss, damage, expense, liability or claim;

which is suffered or incurred by any SCDA or holders of securities accounts under its management arising from or related to the services.

Availability
Of
Information

37. Details of the insurance policy, in particular, relating to the circumstances and procedures in which claims may be submitted by any aggrieved person shall be made available free of charge to any depositor, SCDA or issuer who request for such details.

Force Majeure

38. The Exchange and any person including an SCDA acting on its behalf shall not be held liable to indemnify any aggrieved party for any delay, loss, damage or failure of performance in the event of any act of God, act of public enemy, war, insurgency, riot and labor disputes.

Confidentiality

39. The Exchange, SCDAs and their servants and agents shall keep confidential all information about the Securities central depository, SCDAs and depositors obtained by virtue of the operation of the Securities central depository system, save such information as may already be in the public domain.

Reprimand

40. Notwithstanding any other powers conferred on the Exchange in the Act, these rules or the CMA regulations the Exchange may reprimand or caution any SCDA, issuer or other Users for any breach of any of the provisions of these rules.

41. Notwithstanding any other reporting requirements under these rules, the Exchange shall provide the following information to the Authority on a weekly basis;

- a) the number of trades reported for settlement;
- b) the number of trades settled;
- c) details of trades that have failed to settle on their settlement dates and the name of the concerned SCDA;
- d) the ratio of value traded by each SCD agent to the total value traded;
- e) the ratio of the number of trades effected by each SCDA to the total number of trades effected on the market.

42. The Exchange shall engage an auditor at least once every two years to conduct an operational audit of the SCD.

(L)

DISPUTE RESOLUTION

Dispute
Resolution

43 (1) Any person aggrieved by a decision of, or the handling of any issue by the Exchange shall save as provided in rule 6 (3), first refer the matter to the Business Conduct Committee for review and resolution within fourteen days of the decision or handling of an issue by the Exchange.

(2) The Business Conduct Committee shall review and resolve the matter within fourteen days from the date of reference.

(3) If the decision was made by the Business Conduct Committee or the Governing Council of the Exchange, or the decision of the Business Conduct Committee on appeal is unsatisfactory, the matter shall be discussed with the chairpersons for the time being of the Exchange and the Authority with a view to amicable settlement (provided that where the decision relates to or is connected with a dispute relating to a trading transaction the two persons shall before making a decision afford the Exchange committee responsible for compliance and trading the opportunity to hear the dispute and advise them thereon).

(4) The two chairpersons shall review and make their decision within fourteen (14) days from the date of reference to them.

(5) Where a decision under paragraphs (1), (2) and (3) has not been made or the matter resolved within the required time, the person aggrieved may refer or appeal the matter to the succeeding level for review and resolution.

(6) If the dispute referred under paragraph (3) cannot be resolved, it shall be referred to the decision of a single arbitrator to be agreed upon between both parties to the dispute difference or question. If the Parties

cannot agree on the arbitrator within fourteen days of any party notifying the other of the need to appoint an arbitrator, the arbitrator shall be appointed at the request of any of the Parties by the Centre for Arbitration and Dispute Resolution.

- (7) The Arbitrator to whom any reference or appeal has been made under paragraph (6) shall render its decision within 30 days of reference or appeal as the case may be.
- (8) The right to refer or appeal by a dissatisfied person is limited to seven (30) days from the date of the relevant decision.

(M)

THE BUSINESS CONDUCT COMMITTEE

The committee

44. (1) There shall be constituted a Business Conduct Committee which shall be a Committee of the Governing Council whose object shall be

- a) to monitor the operations relating to risk management issues and the Guarantee Fund;
- b) to hear complaints from aggrieved persons who claim to be adversely affected by any decision of the Exchange with respect to the operations of the Securities central depository;
- c) to make recommendations to the Governing Council of the Exchange with respect to applications for appointment as a SCDA in accordance with rule 4 and to suspension or revocation of such appointment in accordance with rule 14;
- d) to deal with and advise the Governing Council on such other matters of a financial and business nature as the Governing Council may determine.

(2) The Committee shall comprise of five members appointed by the Governing Council, three of whom (including the Chairman of the Committee) shall not be SCDA's or be directors or shareholder of an SCDA or related to an SCDA, or be employed by an SCDA. Of the other two one shall be a stockbroker nominated by the Exchange.

- (3) No member of the Business Conduct Committee shall participate in the hearing of a dispute in which he has a conflict of interest. Accordingly if the SCDA representatives have such a conflict in any hearing the Governing Council shall appoint a replacement who is also an SCDA on an ad hoc basis for the purpose of such dispute.

PART III - RULES FOR SECURITIES OTHER THAN DEBT SECURITIES

(A) DUTY TO NOTIFY SECURITIES HOLDER ON PRESCRIPTION AS AN ELIGIBLE SECURITY

Prescription of
Securities
For
Immobilization

45 (1) Where, pursuant to section 15 of the Act, the Exchange intends to prescribe a security listed or proposed to be listed on its official list, the Exchange shall, prior to prescribing such security, notify the Authority with respect to-

- a) the notification date;
- b) the transitional period; and
- c) the immobilization date.

(2) Where a listed security or security proposed to be listed for quotation on the official list of the securities exchange has been prescribed as an eligible security, the securities exchange shall inform the issuer in writing at least seven (7) days prior to the notification date. In the case of a security proposed to be listed, the issuer shall serve written notice within seven business days after the receipt of the information from the Securities Exchange

- a) such security shall, after the notification date, become an eligible security;
- b) no securities holder shall, after the notification date, receive any written notice as the transferor in the event that a certificate with his name as the registered owner, together with the relevant instrument of transfer, has been lodged with the Securities central depository to become a book-entry security to be credited into a transferee's securities account, unless such security is withdrawn in accordance with these rules.

(3) The securities exchange shall give the notices required under section 15 of the Act to the public at least seven (7) days prior to the immobilisation date in respect to any eligible securities prescribed by it to be immobilised in the Securities central depository.

(4) The notice referred to in sub rule (3) above shall comply with section 15 (2) of the Act. The notice required shall be given in not less than two daily English language newspapers of national circulation.

(B) DEPOSIT OF SECURITIES INTO THE CENTRAL DEPOSITORY DURING INITIAL PUBLIC OFFERS

Deposit
Of securities
During
Initial public
Offers

46 (1) The Exchange may prescribe for dematerialization a security proposed to be listed on the official list pursuant to section 26 (2) of the Act.

(2) The Exchange shall keep records of book entry securities and perform functions providing for the deposit and transfer of securities deposited therein.

(3) Investors wishing to subscribe for securities during Initial Public Offers or other subsequent offers and who do not already hold a securities account shall first open a securities account through an SCDA. Provision will be made by the issuer to enable applicants who do not already hold accounts with the Securities central depository or who wish to open accounts for the proposed issue to complete Account Opening Forms, in order to open such accounts together with the application for securities.

(4) Investors who subscribe for securities of issuers during the Initial Public Offers or primary issues as the case may be will be obliged to accept that the securities allotted to them will be deposited in their securities accounts in the Securities central depository.

(5) Every Investor shall indicate his securities account number on the securities subscription form or fill out and submit the Account Opening Form referred to in sub paragraph (3) and submit the same through an SCDA. Such new account shall be opened before the allocation of securities.

(6) After securities allocation, the issuer shall notify each successful applicant that the number of securities allotted or allocated to him has been credited to his account in the Securities central depository.

(7) Nothing herein provided shall be deemed to relieve the issuer of its duties and obligations in relation to processing of applications, allotment of securities and appointment of agents for any securities issued.

(C)

ADDITIONAL ISSUES

Notice

47. Where notice has been given by the securities exchange to an issuer and the public, pursuant to section 15 of the Act to prescribe a security, the issuer shall not fix any date for the closing of books in respect of the making of a rights or bonus issue (or of any other options) for such security whereby such date shall fall during the period commencing from the notification date and ending on the ninth business day after the immobilization date.

Obligation

48. Every issuer shall, immediately before making an

of the issuer announcement in accordance with the listing requirements of the relevant securities exchange, inform the concerned securities exchange.

Depositors Entitlement List **49.** (1) An issuer may request the Exchange for a list of depositors of such issuer's securities as on such date as may be specified in the request.

(2) Pursuant to sub paragraph (1), a list of depositors containing the particulars of depositors shall be issued by the Exchange to the issuer as at 4.00 p.m. on the date so specified.

(3) For the purposes of this rule, the record shall be accompanied by a report specifying particulars of any securities which are in or under suspense.

Provisional letters of allotment **50.** (1) Where a security has been prescribed for immobilisation under section 15 of the Act, any provisional letter of allotment for a rights issue submitted to the relevant securities exchange for approval shall contain a statement that-

- a) the principal security underlying the rights issue has already been prescribed as an eligible security;
- b) where such provisional letter of allotment has been issued to any depositor who is entitled to the rights the acceptance of the rights shall mean that the depositor consents to receiving such securities as a book-entry;
- c) where such provisional letter of allotment has been issued to any depositor who is entitled to the rights issue by virtue of the relevant book-entry security which is standing to the credit of his securities account, any person who intends to purchase such rights as are renounced shall have to state his securities account number whereupon such rights shall be credited directly in his securities account in book-entry form.

(2) An issuer shall, upon issuing any securities pursuant to additional issues determine the computation of entitlement based upon the appropriate allocation in proportion to the amount of book-entry securities held by the Securities central depository and deliver to the Exchange a list of the allottees, and the quantity of securities allotted to them, together with the appropriate jumbo certificate registered in the name of the Exchange. Unless otherwise instructed directly by a depositor to the contrary, the issuer shall, where the depositor has more than one securities account for the particular

security, allocate such securities into the depositor's securities accounts in such proportion as the security is distributed in the existing account.

(3) An applicant for excess securities arising from an additional issue of securities shall open a securities account, if he does not already hold one.

(4) To facilitate delivery and settlement of such rights the Exchange shall make provision in its systems for immobilisation, recording and settlement of such rights.

Entries

51. The Exchange shall, upon receipt of the list of allottees and the jumbo certificate pursuant to rule 35, credit the respective securities accounts with the allotted securities as specified therein prior to the listing of such securities.

Indemnity

52. Every issuer shall fully indemnify and hold indemnified the Exchange from all demands, actions and proceedings made by any depositor for any loss suffered by such depositor in respect of or arising from any error in the list of allottees provided that such error did not arise as a result of negligence on the part of the Exchange.

Dividends

53. The Exchange may provide to issuers the service of distribution of cash dividends to depositors. The Exchange shall charge for such service at such rate as shall be agreed with the issuer.

(D)

WITHDRAWAL OF SECURITIES

General

54 (1) Before dematerialization, depositors may withdraw all or part of the securities held in their accounts.

(2) A request for withdrawal shall be made through an SCDA in the prescribed form in accordance with the operational procedures.

(3) Once a request for withdrawal of securities has been made, no dealings in those securities may take place unless the application for withdrawal is first repudiated or the securities withdrawn have been re-deposited by the depositor with the Exchange through an SCDA.

Exceptions

55. Before dematerialization, no book-entry securities may be withdrawn from the Securities central depository in any of the following circumstances:

- a) Where the securities are the subject of a transaction which has not been settled;
- b) where a prohibition for withdrawal of such securities is notified by a securities exchange under section 25 of the Act: and
- c) where such securities are for the time being designated as securities in or under suspense except for purposes of withdrawal pursuant to section 25 of the Act;
- d) any other circumstances as may be prescribed by the Exchange from time to time.

Rejected
Withdrawals

56 (1) Any withdrawal rejected together with the reason for the rejection, shall be notified to the respective SCDA within two (2) market days of the time the request is received by the Exchange from the SCDA.

(2) Save for any circumstances where the documents relating to any rejected withdrawal may be retained for and only during investigations, such documents shall be returned to the respective depositor.

Restriction

57. No applications for withdrawal of an eligible security shall be accepted during the period commencing seven (7) days before and including the books closure date and no account shall be closed between the books closure date and the payment date in the event of rights or bonus issues. Withdrawal requests submitted to the Issuer for securities that were immobilised the secondary market operations must be accompanied by a certified copy of the depositors account opening form.

(E)

JUMBO CERTIFICATES

Issuance

58. The Exchange shall, upon lodging with an issuer certificates representing book-entry securities together with the relevant instruments of deposit in the prescribed form duly executed by the depositor(s) thereof and verified in accordance with the provisions of section 10 (1) of the Act, be issued with the jumbo certificate by the issuer.

Record
Of depositors

59(1) The Exchange shall produce and maintain a ledger balance report on all securities accounts.

(2) The report shall be in the form of a statement which shall contain the following information:

- a) The name of the depositor or beneficial owner (where applicable);
- b) The name and quantity of securities held;
- c) The portion of the depositor's holdings that may have been mortgaged; and

d) The balance of securities available for transfer or settlement.

(3) Pursuant to section 34 of the Act, statements of accounts will be provided free of charge at least twice a year and electronic notification shall be sent to each depositor subsequent to any transaction on their accounts. Additional statements will be available to depositors through their respective CDAs within 24 hours of a request therefor, for such fee as may be prescribed by the Authority.

(F) REGISTER OF SECURITIES HOLDERS

Register of
Holders

60 (1) The Exchange shall maintain and continuously update a register of existing depositors by security and the net balance of their holdings in the Securities central depository

(2) Pursuant to section 40 of the Act, the Exchange shall send updated records of depositors to the issuers within one (1) day from the date of a request by an issuer, provided that such request shall be made at a time so as not to include the book closure date.

(3) Nothing in sub paragraphs (1) and (2) shall constitute the Exchange as the registrar of an issuer.

Form of
of
Depositors

61 (1) The record of depositors shall be issued in paper copy and record in any other electronic form as may be agreed upon between the Exchange and the issuer and shall include any information that may be required by the Exchange to be included in the register of depositors.

(2) Where discrepancies in data content occur between a paper copy and an electronic form delivered to the issuer, the data on the paper copy shall prevail.

(G) SUSPENSION OF SECURITIES

Securities in
suspense

62. Subject to Section 47(1) of the Act, the Exchange shall specify that a book-entry security in a securities account is in suspense in any of the following circumstances:-

- _____ (a) where the transfer of the security in the name of the securities central depository or its nominee company is not registered, or is not registrable by the issuer under section 16;
- (b) where an application under section 23 of the Act for withdrawal of such security has been made by a depositor; or
- (c) in such other circumstances as may be prescribed by the Exchange or the Authority.

63. Subject to Section 47 (2) of the Act, the Exchange may specify a book-entry security held in any particular securities as under suspense, whether on a temporary basis or otherwise, in any of the following circumstances:-

- (a) Where following an objection or investigation made in accordance with the SCDS rules, there is need for the securities central depository to restrict the transfer, charge or mortgage of the security;
- (b) in the case of an individual depositor, where it has been notified that the depositor has died;
- (c) where a request for suspension of such security has been received from the depositor
- (d) where in compliance with the powers of the Authority to inspect, examine and operate the whole or any part of the computer system pursuant to section 58 of the Act, the Authority has decided that it necessary to place such security under suspense; or
- (e) where the Exchange has been directed by the Minister, through the Authority, to suspend such security in the interests of national security.
- (f) where the book-entry security is reasonably believed to have been entered illegally or wrongfully into the account or is a security in respect of which the underlying certificate has been reported lost or stolen;
- (g) where, pursuant to an objection made in accordance with these rules, the Exchange in its absolute discretion is of the opinion that there is a need to place under suspense a security pending further investigations by the relevant authorities;
- (h) where, subject to an indemnity given by a SCDA, a request for suspension has been received from such SCDA;
- (i) where the Exchange has been served with an order of a court of competent jurisdiction prohibiting any dealing in that book-entry security; or
- (j) where the security has been pledged as collateral.

(k) Where the Exchange has been instructed to restrict the movement of any book-entry transfers, whether partially or otherwise, under these circumstances in accordance with the SCDS rules.

(l) Where the Exchange has suspended trading of the entire issue in respect of such security.

Discretion

64. The Exchange shall in its absolute discretion decide whether a book-entry security is to be placed under suspense under rule 61.

(H)

USE OF SECURITIES AS COLLATERAL AND PLEDGING OF SECURITIES

Mortgaging

65. Securities deposited in the Securities central depository may be pledged as collateral.

And pledging

(2) All pledges of book entry securities shall be effected through entries in the Securities central depository. A depositor shall not be required to deliver the physical certificate to the lender as collateral.

(3) Securities in the Securities central depository that have been pledged as collateral shall not be traded until the pledge is discharged and the security redeemed, except with the prior written consent of the pledgee.

(4) All proceeds and entitlements of pledged securities belong to the pledgor, without prejudice to the right of the pledgor to pledge such proceeds and entitlements.

(5) Promptly upon the termination of the pledge for reasons of payment and performance of the principle obligation or other reason or consideration, the pledgee SCDA shall enter the appropriate instructions to the Exchange to release the securities from the pledgor's pledge account and record them in the pledgor's securities account.

(6) All charge documents shall be in the format approved by the Exchange from time to time.

(7) To secure payments due or the performance of any obligation of the SCDA, the SCDA may pledge to the SCDS, as collateral for its obligations under the Agency Agreement:

(a) all SCDA contributions made by SCDA to any guarantee fund established in accordance with the CMA rules;

- (b) all Eligible securities of SCDA; and
- (c) all Eligible securities in the Securities Accounts under its management for which final and irrevocable payment has not been made by the SCDA.

(8) The rights of the Exchange as pledgee over the assets pledged is subject to SCDA's use of any Service being suspended, terminated or withdrawn.

(9) The Exchange shall appropriately mark in the register securities which are the subject of any pledge.

(I) SETTLEMENT OF TRADES

Settlement
Of trades

66. The Exchange shall appoint a settlement bank through which the SCDA's shall settle their transactions.

(2) Every SCDA that participates in settlement, shall enter into an agreement with the settlement bank for the purpose of settling transactions executed at the securities exchange.

(3) A SCDA may appoint a settlement partner acceptable to the Exchange for settlement purposes.

(4) The settlement partner shall be a party to the agreement between the SCDA and the settlement bank.

Mandatory
settlement

67. All trades in eligible securities shall be cleared and settled through the Securities central depository.

Transaction
Report

68. On every market day in which one or more transactions are recorded in a SCDA's Account, the Exchange shall combine the transactions and provide such SCDA with reports at such time as are set forth in the operational procedures.

Settlement
date

66. Settlement shall be effected by T + 5 as indicated at the time of trading. The Exchange shall be informed of any change in the settlement date at least one day prior to the new intended settlement date. Where no date of settlement is indicated, settlement shall be effected on T + 5.

Settlement
mode

70. Upon settlement of a transaction, the transferor's securities account is debited with the eligible securities being the object of the

transactions and the SCDA's settlement account is credited with the corresponding payment therefor. Simultaneously, the transferee's securities account is credited with the securities being the object of the transactions and the SCDA's settlement account is debited with the corresponding payment therefor.

Net
Settlement

71. All net funds payment obligations arising on settlement date shall be effected and settled through the settlement bank at the time prescribed in the operational procedures on settlement date through the crediting and debiting by the settlement bank of the respective settlement account of the SCDA's based on the net position of each SCDA as a result of settlement.

Effect of
Settlement

72. Upon completion and settlement of the eligible securities and payment therefor title to the securities shall transfer on settlement date and the transaction shall be final and irrevocable.

No
restrictions

73. No SCDA is permitted to attach any condition or restriction on the settlement of transactions and such conditions and restrictions that are imposed contrary to the Regulations, these rules and operational procedures are void and ineffective.

Good
Title

74. A transferee SCDA or holder of an account under its management acquires good title to eligible securities obtained by means of a transaction settled through the Securities central depository.

Failed
delivery

75 (1) In the instances where a delivery failure occurs, a buy-in procedure under the trading rules of the Exchange shall be invoked.

(2) Delivery and settlement failure shall be subject to such fines and penalties as may be prescribed by the Exchange from time to time with approval of the Authority.

Failed
settlement

76. In the instances where a settlement failure occurs, the guarantee fund procedures shall be instituted as set out in the operational procedures.

Computer
failure

77. Notwithstanding anything under this Part, in the circumstances where a terminal at a SCDA premises is "down" or disconnected or where any part of the computer system has failed for any reason, it shall be the responsibility of the SCDA to notify the Exchange immediately by telephone and in writing or by other means to convey the relevant information required. Similarly the Exchange shall immediately notify any SCDA that may be affected by a failure of which the Exchange is aware. The Exchange shall at all times ensure there is adequate back up facilities to ensure that depositors data is not lost and that its operations can

resume without unreasonable delay in the event of a computer failure or other disruption of any kind.

(J) RULES RELATING TO ISSUERS

Compliance **78.** Every issuer of eligible securities shall comply with these rules, the Regulations, the provisions of the Act and any other directives from the Authority. For the purposes of this rule, an issuer shall include, if applicable, its company registrar, or its issuing house, its servants or agents.

Identity Code **79.** The Exchange shall allocate to every issuer of eligible securities an identity code.

(K) DE-LISTING OF IMMOBILISED SECURITIES

De-listing **80** (1) If securities which are immobilised with the Securities central depository cease to be listed at the relevant Exchange, the Exchange shall within 30 days of such cessation forward an up-to-date record of depositors to the issuer of such security for certification and shall execute a transfer in favour of such depositors unless in the meantime the issuer engages the Exchange to continue holding such securities in immobilized form.

(2) All liability of the Exchange and of SCDA's towards such depositors shall cease forthwith upon de listing, save for any accrued liabilities.

PART IV PERIOD OF TRANSITION

81. The relevant provisions of the Uganda Securities Exchange Rules, 2003 will continue to apply until such a time when all the issuers are part of the Securities Central Depository.

PART V AMENDMENTS

82(1) The Exchange shall at its discretion amend these Rules, the Operational Procedures and the Agency Agreements as and when required and submit them to the Authority to obtain the Authority's approval as provided for under the Act.

(2) The Exchange shall make and maintain effective arrangements for consulting SCDA's during the review process mentioned in sub rule (1) above.

APPENDIX 1

**APPLICATION FOR APPOINTMENT AS A SECURITIES CENTRAL
DEPOSITORY AGENT**

The Chief Executive
Uganda Securities Exchange Ltd.
P.O. Box 23552
KAMPALA

Dear Sir,

We.....

(Name of applicant)

Address.....

.....

Hereby apply for appointment as a Securities Central Depository Agent and agree to abide by the Securities Central Depository Act, Rules and Regulations that are in force now or which may hereafter be made from time to time.

We undertake to furnish a cash guarantee for such sum as may be prescribed by the Council which Guarantee shall be put into the guarantee fund.

We further undertake that in the event of the Exchange invoking the guarantee, we shall restore the Cash Guarantee to the original amount within seven (7) days from the date of invoking of the guarantee by the Exchange; failing which our membership of the Exchange may be terminated by the Council thereafter.

We enclose our cheque for 50 (fifty) currency points drawn in favour of the Exchange, being the fee payable for this application. We understand that the fee is not refundable.

We confirm that the facts given in the documentation accompanying this application are true and correct and accept that in the case of any statement being false, the Exchange reserves the right to reject this application or revoke appointment if already granted.

Sealed with the common seal of -----

In the presence of.....

Director

Director/Secretary

this day of2009.

The following documentation shall accompany this application:

- (a) Memorandum and Articles of Association or any other document that defines the constitution of the applicant;
- (b) A letter of no objection form the industry regulator (where applicable) including, if the applicant is a member of a securities exchange, a letter of no objection from the relevant securities exchange;
- (c) A firm profile including experience and expertise;
- (d) A current license of operation (where applicable)
- (e) Statement by directors of the applicant of ability to provide the required services including financial resources to meet its obligations pursuant to the Act, the Regulations, these rules and the Agency Agreement;
- (f) Details of key personnel, their training, experience and skill;
- (g) The appointment fee as prescribed by Appendix II to these Rules.

APPENDIX II

SCHEDULE OF FEES AND CHARGES

1) Investors

Transaction levy	(1% of transaction consideration)
(a) SCD	0.08%
(b) Guarantee fund	0.02%

2) Securities Central Depository Agents

(a)SCDA appointment fee (USE Members)	50 currency points
(b)SCDA appointment fee (non-Members)	125 currency points
(c)SCDA Annual Subscription	50 currency points

Surcharges

(d)In respect of statements issued upon request	0.125 currency points
(e)From the account holder	
(f)In respect of withdrawal of securities	0.75 currency points per certificate
(g)Fees for recording, releasing or foreclosing of pledges	2 currency points
(h)Prompt trades	0.5 currency points per prompt trade

C) Issuers

A fee of 0.1 currency points per transaction payable quarterly in arrears subject to a minimum of 125 currency points and maximum of 375 currency points per quarter

D) Statement & Payment

(a) The Exchange will forward an SCD Fees and Surcharge Statement to SCDA's at the end of each month.

(b) All payments shall be effected to the Exchange by the SCDA before the expiry of 14 days following receipt of statement.

(c) Any amount due but unpaid after 14 days will attract interest at the rate of 2% above the rate charged by the Settlement Bank to the Exchange on its facilities.

E) Penalties

Where a trade is not allocated on T or becomes unallocated following an amendment the following charges shall apply:

(a) A daily fine of 0.14% of the value of the transaction until the situation is rectified by T + 3 12:00 noon.

(b) A penalty of 50 currency points for any transaction that is not allocated by T + 3 12:00 noon.

(b) Failure by the settling participant to avail adequate funds for settlement on his settlement account by 3:30pm on T + 4 shall attract a penalty of 100 currency points. The defaulting SCDA shall remain indefinitely suspended until the penalty is fully paid.