

UGANDA SECURITIES EXCHANGE
Trading Participant Rules 2021

**THE UGANDA SECURITIES EXCHANGE LIMITED
TRADING PARTICIPANT RULES 2021**

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PART I – APPLICATION AND INTERPRETATION

1. Application

(1) Citation:

These Rules may be cited at the USE Trading Participants Rules 2021

(2) Purpose

The purpose of these Rules is to prescribe the minimum requirements that a person shall satisfy to be approved as a trading participant of the Uganda Securities Exchange, their obligations upon admission and the standards of business conduct in respect of the brokerage services in order to promote an ethical, fair, transparent, orderly and efficient securities market.

(3) Scope of Application

These Rules are binding and enforceable on all trading participants, their employees and representatives.

2. Interpretation

(1) The terms, words and phrases defined in, and the provisions of the Capital Markets Authority Cap 84 (including the rules and regulations made under it),

(2) Reference to a body corporate or to a corporation shall be construed as including a company incorporated outside Uganda, but shall not include a sole corporation.

(3) Unless inconsistent with the context, the singular includes the plural.

(4) Headings are purely for reference purposes and shall not be taken into account in the interpretation of the Rules.

(5) Definitions

In these Rules, unless the context otherwise requires-

"Authorised" refers to a person appointed by a Trading Participant to operate

"Representative" as its agent for purposes of receiving orders for the sale and purchase of securities;

"Authority" means the Capital Markets Authority, also abbreviated as "CMA";

"broker/dealer" means a body licensed by the Capital Markets Authority, and approved by the Exchange to carry on the business of buying or selling of securities as an agent for investors, in return for a commission (Broker) or on their own behalf (Dealer);(interchangeably referred to as a Trading Participant in these Rules)

"business day" means any day in the week that is not a Saturday or Sunday, or a gazetted holiday, or any day as may be announced by the Exchange in a general notice to the Market;

"calendar days" means all the days of the week including Saturday and Sunday as laid out in the Roman calendar and unless expressly stated otherwise, all references to days shall be deemed to be references to calendar days;

"capital"	means share capital and includes preference shares;
"Chief Executive"	means the Chief Executive Officer of the Uganda Securities Exchange Limited;
"Companies Act"	means the Companies Act, 2012 and any amendments to it;
"commercial paper"	means a debt instrument with a maturity of less than a year;
"contract note"	means a record of the details of a transaction, including its total value and all charges;
"corporate bond"	refers to a debt instrument with a maturity of one year or more issued by a corporation;
"corner situation"	means a situation where a single interest or group has acquired such control of any listed security that the same cannot be obtained except at prices or on terms dictated by such single interest or group;
"currency point"	is equivalent to twenty thousand Uganda shillings;
"Exchange"	means the Uganda Securities Exchange Limited;
"Executive Director"	means a person, by whatever title described who has executive responsibilities within a trading participant
"Institutional investor"	means a body corporate whose ordinary business is to hold, manage, or invest funds in connection with retirement benefits, insurance contracts, mortgage and saving schemes, and any fund or scheme in the nature of a collective investment or a unit trust;
"Issuer"	means a body corporate or other legal entity whose securities are listed on the Exchange
"license holder"	means a body corporate licensed by the Capital Markets Authority to operate a business specified in the license;
"listed security"	means a security, which is listed for trading on the Exchange;
"order"	means an instruction from a client to a trading participant to buy or
"Principal Officer"	in relation to a Member means an officer, by whatever title

described, whose primary responsibility is the management of the day to day affairs of the Member;

"Registrar"

means an entity or person who maintains the record of securities holders for the outstanding securities of the listed security;

"Registrar of Companies"

means the public officer entrusted to carry out the duties of the Registrar under the Companies Act 2012

"Rules"

refers to these Rules;

"SCD"

Refers to the Securities Central Depository of the Exchange

"settlement"

refers to the process through which a buyer of securities transmits to the seller the consideration for securities purchased

"settlement bank"

refers to the Bank designated by the Exchange for the purpose of trading participant settlement accounts for settling transactions concluded on the trading floor

"settlement instrument"

includes cheques, drafts and any other negotiable instrument

"Trading Participant"

means a person licensed by the Authority to carry on the business of buying ,selling ,dealing, trading, securities as and is admitted by the Exchange as a Trading Participant under these Rules (interchangeably referred to as a Broker/dealer in these Rules)

PART II – ADMISSION OF TRADING PARTICIPANTS

3. Eligibility to be a Trading Participant of the Exchange

- (1) No person shall be entitled to refer to themselves or hold themselves out as a trading participant of the Exchange unless such person has been admitted as a Trading Participant of the Exchange in accordance with these Rules.
- (2) An applicant seeking to be admitted as a Trading Participant of the Exchange shall:
 - (a) Be a body corporate, incorporated under the Laws of Uganda or a recognized jurisdiction with a branch or subsidiary in Uganda.
 - (b) Be in possession of a license to operate as a securities broker /dealer issued by the Authority
 - (c) Be of good financial standing and is not declared insolvent or in any arrangement (court ordered or voluntary) with its creditors.

- (d) An applicant shall not have defaulted in settling its obligations with respect to any securities transaction executed on a duly established stock exchange or similar securities marketplace recognized by the Exchange or the Authority.

4. Application procedure

- (1) An applicant seeking to be admitted as a trading participant shall make an application in writing addressed to the Chief Executive.
- (2) The application for admission shall be accompanied by a duly completed application form set out in Appendix 1 of these Rules and certified copies of the following documents;
 - (a) Broker's license granted by the Authority
 - (b) Certificate of incorporation
 - (c) Memorandum and Articles of Association.
 - (d) A statutory declaration by the principal officer of the Applicant to the effect that the company is not adjudged insolvent and is of sufficient financial standing.
 - (e) An undertaking that the Applicant shall comply with these Rules and all the Rules of the Exchange.
- (3) An application for admission as a Trading Participant include the information/documents;
 - (a) The shareholding structure of the applicant including the amount, composition and breakdown of beneficial ownership of the applicant's capital;
 - (b) Details of the Board of Directors of the applicant;
 - (c) The applicant's audited financial statements for the past three years or a shorter period as acceptable to the Exchange in the case of applicants who have had a shorter period of incorporation but which shall in any case not be less than 01 year.
 - (d) Details of its organizational structure;
 - (e) Details of key personnel;
 - (f) Details of its operating systems and evidence of resources to conduct such business.
 - (g) A statement that it does not have as any of its directors or officers a person who was a director or officer of a Trading Participant whose rights as a Trading Participant has been revoked or currently suspended by the Exchange.

- (h) A duly registered statutory declaration by the directors to the effect that the applicant has not been adjudged insolvent and is of sufficient financial standing.
 - (i) A copy and details of a professional indemnity cover or such other insurance policy as may be required by the Exchange.
 - (j) Details of all licenses held by the applicant and the procedures in place to mitigate possible conflicts of interest arising from such.
 - (k) Copies of its risk manuals, procedures and code of ethics.
 - (l) A statement that it does not own, directly or indirectly, or in concert with any associate, any shares in any other Trading Participant of the Exchange and whose shares are not owned, directly or indirectly, or in concert with any Associate, by any other Trading Participant of the Exchange.
 - (m) That it has made, or is in the process of making, satisfactory arrangements to comply with the requirements of the Securities Central Depository (SCD), especially with regards to settlement processes.
 - (n) Notice of its registered principal place of business.
 - (o) Any other information or document that the Exchange may reasonably require for purposes of satisfying itself as to the suitability of the applicant's admission as a trading participant of the Exchange.
- (4) In considering the application to be admitted as a Trading Participant of the Exchange, may; request for further information and documentation on the application to satisfy itself as to the suitability of the Applicant and shall reserve the discretion to refuse to admit a person as an authorized Trading Participant/representative of a Trading Participant where it is of the opinion that such a person is not a fit and proper person or for any justifiable cause, provided that such a person shall be given a right to be heard.
- (5) Where the Exchange rejects the Applicant's application for admission, it shall provide reasons behind its decision.
- (6) An applicant whose application is rejected shall have a right to appeal in writing addressed to the Chairman of the Board the decision indicating grounds of the appeal within 05 working days from the date of receipt of the notification of rejection from the Exchange.
- (7) On receipt of the appeal, the Chairman of Board shall constitute an appeal committee to reconsider the application and make a decision within 10 working days from the date of receipt of the Appeal. The decision of the committee constituted to review the appeal shall be.

- (8) Where an application is successful, the applicant shall pay the Market Access Fee (Trading Participant) and the Cash Guarantee stipulated under the Guarantee Fund procedures of the Exchange within thirty (30) days from the date of approval of its application by the Exchange.
- (9) As from the date of payment of the Market Access Fee and Cash Guarantee, the applicant shall be duly admitted as a Trading Participant of the Exchange and entitled to all the benefits accorded to Trading Participants and bound by the all the requirements of the Rules, procedures and guidelines of the Exchange
- (10) Where the applicant fails to make payment of the Market Access Fee and/or Cash Guarantee within the thirty (30) day period referred to in sub rule 8 above, the applicant's application shall automatically lapse, unless the Exchange in its absolute discretion extends such period for reasonable cause.
- (11) A Trading Participant shall be required also complete any technology integration with the Exchange's systems within the time period stipulated by the Exchange in the notification of admission as a trading participant.
- (12) Every Trading Participant shall register with the Exchange the name under which it is licensed as a broker/dealer by the Authority.

5. Independence of an approved trading participant

No Trading Participant shall directly or indirectly hold a beneficial interest in the shares of any other Trading Participant.

6. Liability of Directors and Officers of a Trading Participant

Any director, manager, or officer of a Trading Participant shall, together with the Trading Participant be liable for any breach, non-compliance, violation or contravention of these Rules if the breach, non-compliance, violation or contravention was committed or caused with the consent or connivance of, or attributable to any neglect on the part of that director, manager, or officer.

7. Traders and authorised representatives of a Trading Participant

- (1) Trading Participants shall have traders registered with the Exchange for purposes of entry /access to the Trading Floor and electronic trading portal of the Exchange.
- (2) The Trading Participant shall ensure that all applicants for registration are fit and proper persons for the responsibility of dealing in securities.
- (3) A Trading Participant is liable for all transactions, acts or commissions made on its behalf by its trader or authorised representative that it employs and shall fulfil such transactions and or obligations arising there from according to these Rules.
- (4) Every approved trader shall observe the Rules of the Exchange and any, procedures and issued by the Exchange there under.

- (5) Upon approval a Trader shall execute transactions under the Trading Participant with whom the trader is employed. Any change of employment should be notified to the Exchange immediately, which shall cancel access rights of the departing trader.
- (6) No Trading Participant shall use an unapproved trader to execute trades and related securities dealings on its behalf.
- (7) The Exchange may investigate the conduct and integrity of any person to be submitted by a Trading Participant for approval as a trader or authorised representative and shall have the discretion to withhold or to withdraw approval at any time for justifiable cause.
- (8) A Trading Participant aggrieved by the decision of the Exchange in this regard may appeal to the Authority.
- (9) Approved Traders shall issued with access credentials for use when accessing the Exchange's Trading platform
- (10) **Liability arising from access and use of the Automated Trading Platform**
An approved Trader shall be responsible for the use, safety and security of the access credentials provided by the Exchange and shall immediately notify the Exchange in the event that such credentials are accessed or used by an unauthorised person.
- (11) Trading Participant shall notify the Exchange in writing of its authorised representative(s) and shall maintain an up-to-date register of their authorised representatives.
- (12) A Trading Participant shall, before appointing a new authorised representative, seek clearance from the Exchange that the authorised representative is not an authorised representative or employee of another Trading Participant or a person who has been blacklisted from participating in the market.
- (13) **Liabilities of Trading Participants and their representatives**
A Trading representative is responsible for all acts done or contracts committed by its directors, employees and authorised representatives in its business of dealing in securities.

8. Company name and address

- (1) Every Trading Participant shall register with the Exchange the company name under which it carries on the business of dealing in securities and no Trading Participant shall, without the prior notification to the Exchange change the company name so registered.
- (2) The company name of a Trading Participant registered with the Exchange shall be the same as the name registered by the Trading Participant under the Uganda Registration Services Bureau.
- (3) The Exchange shall, in consultation with the Registrar of Companies, have the power to prohibit any Trading participant from using any company name.

- (4) Where the Exchange prohibits the use of any name, it shall give the trading participant concerned reasons for the refusal.
- (5) A Trading Participant may register with the Exchange more than one business address held for the purpose of dealing in securities.
- (6) If a Trading Participant registers more than one business address, they shall specify one as its principal business address.
- (7) In this context, "business address" means a principal place where, other than the trading floor, the business of dealing in securities is frequently carried out by or on behalf of the trading participant.
- (8) A Trading Participant shall give not less than 15 calendar days advance notice of commencement and re-commencement of business to the Exchange.

PART III – BROKERAGE

9. Trading Participant (Broker/dealer) notes

All broker/dealers' notes passed between Trading Participants and from Trading Participants to their clients shall have printed or written on them the words-

"SUBJECT TO THE RULES OF THE UGANDA SECURITIES EXCHANGE".

10. Brokerage commission

- (1) Trading Participants shall charge all their clients, on whose behalf they deal, whether as buyer or seller, brokerage commissions as prescribed under the USE Fees Charges and Penalties Rules 2021.
- (2) Trading Participants shall remit the amount stipulated in USE Fees Charges and Penalties Rules 2021.
- (3) The commission shall be inclusive of the clearing fee prescribed by the USE Fees, Charges and Penalties Rules 2021 and the fee payable by the buyer or seller of any listed security prescribed by the Exchange.
- (4) Any Trading Participant who charges less than the stipulated rates of commission shall pay a penalty not exceeding 7.5 currency points in the first instance and is liable to suspension or expulsion in the second instance.
- (5) A Trading Participant shall not share commission, except with an authorised representative or an approved foreign broker subject to a maximum of 50%.
- (6) Except as provided in these Rules sharing or rebating of brokerage by any device or the wrongful use of a broker/dealer's discretion in regard to stipulated rates is prohibited.
- (7) The brokerage commission charged shall be shown on every contract between a Trading Participant and client and net contracts shall not be made.
- (8) All bank charges or expenses incurred on behalf of clients shall be borne by the clients concerned.
- (9) Where a company makes a flotation whether by public issue, rights, offer for sale, placing or tender, and a Trading Participant is appointed a sponsoring broker, the Trading Participant shall be paid a fee, not being brokerage commission, as may be negotiated between the parties concerned; other distribution agents, provided they are approved in respect of that issue shall be entitled to a fee as may be negotiated between the parties concerned.

11. Clearing fee/commission

Every Trading Participant shall pay to the Exchange in respect of business transacted and cleared through the Exchange or other body for the time being authorised by the Exchange with respect to clearing, settlement or other related activities, the fee or charge prescribed by the USE Fees, Charges and Penalties Rules 2021.

12. Due diligence in opening accounts and related transactions

(1) Every Trading Participant is required, through a principal officer, to-

(a) use due diligence to learn the essential facts relative to every client, every order, every cash or margin account accepted or carried by the broker/dealer and every person holding power of attorney over any account accepted or carried by the Trading Participant;

(b) diligently supervise all accounts handled by its appointed representatives;

(c) specifically approve the opening of an account prior to or promptly after the completion of any transaction for the account of or with a client.

(2) The designated principal officer approving the opening of the account shall, prior to giving approval, be personally informed as to the essential facts related to the client and to the nature of the proposed account and shall indicate approval in writing on a document which shall become part of the permanent records of the Trading Participant.

(3) All orders to buy or sell securities shall be in writing and signed by the client.

(4) Every Trading Participant shall-

a. 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 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; and

b. prior to accepting orders from a third party for the account for any client other than a client referred to in subrule (4a) have on file a trading authority signed by the client empowering the third party to enter orders on the account.

13. Nominee accounts

(1) Where an agency account is carried by a broker/dealer, its files shall contain the name of the principal for whom the agent is acting and written evidence of the agent's authority to trade; such files shall be made available to the Exchange at any time, on request.

(2) Where estate and trustee accounts are involved or where a spouse is acting as agent for his/her spouse, a broker/dealer shall obtain advice from legal counsel as to the documents that should be obtained before opening the account.

(3) All client accounts must be identified and designated by the full name of the client and no broker/dealer shall carry a client account designated only by a number or symbol.

(4) All broker/dealers are required to inform the Exchange of particulars of delinquent nominee accounts.

14. Particulars of clients (KYC Information)

(1) All particulars related to every client shall be recorded and maintained up to date at the office of the Trading Participant.

(2) Particulars under subrule (1) shall include the identity card and/or passport numbers, residential address and telephone numbers, occupation and name, address of employer if applicable and all information concerning the client that may be useful in identifying the client, in addition to the particulars prescribed by the Authority.

(3) Particulars of corporate bodies and other legal entities shall be recorded.

15. Contract notes

(1) A Trading Participant shall immediately, and not later than the next business day, dispatch by ordinary post or hand delivery to its client a contract note in respect of the purchase or sale of securities executed for and on account of the client.

(2) A contract note shall include-

(a) the name and style under which the broker/dealer carries on business and the address of the principal place at which it carries on business;

(b) a statement indicating whether the broker/dealer is acting as agent or principal;

(c) the name of the person to whom the broker/dealer is required to give the contract note;

(d) the date of the contract, and the date on which the contract note is made out;

(e) the quantity and description of the securities that are being acquired and disposed of;

(f) except in the case of an exchange, the price per unit of the securities;

(g) the amount of consideration payable under the contract or, in the case of an exchange, sufficient particulars of the securities exchanged to identify them;

(h) the rate or amount of commission payable in respect of the contract;

(i) the amount of stamp duty and registration charges, if any, payable in connection with the contract and, where applicable, in respect of the transfer;

(j) the amount of USE and SCD or other Exchange charges;

(k) the fee payable to the Authority by the client; and

(l) the procedure that the client can invoke in the event that the client has a complaint to make.

(3) Contract notes, duly stamped, must be sent by the broker/dealer to clients not later than the end of the next business day following the transaction.

16. Statements of account to Clients

(1) A statement of account shall be sent at least quarterly to each client in whose account there have been recorded any transactions in securities, inclusive of entries such as interest and other charges.

- (2) In addition, statements shall be sent to all clients having open margin or discretionary accounts on a monthly basis.
- (3) Statements shall set out the money balance carried forward, and security position as of the statement date.

17. Payment to Client.

- (1) All payments to clients shall be made out in authorised manner including through the Trading Participant's bank account or banker's cheques.
- (2) Payment to clients shall be made not later than the business day next following the settlement day, less all the fees and charges payable by the client.
- (3) All clearing and other fees payable by a broker/dealer in respect of dealings in marketable securities shall be charged to and paid by the broker/dealer and not passed on to the client.
- (4) The amount deductible from payment to the client under Rule 15(2) (k) shall be remitted to the Authority by the broker/dealer.

18. Trading on own account

- (1) A broker/dealer may deal in securities on its own account.
- (2) All purchases and sales of securities by a broker/dealer for its own account shall be shown under a separate stock account of the broker/dealer and the account shall be available for inspection at any time by the Exchange at its request.
- (3) The broker/dealer stock account shall be operated by a principal officer duly authorised by the broker/dealer's board of directors.

19. Margin Account

- (1) For the purposes of this Rule-
 - (a) "debit balance" means the cash amount owed by a client in the client's margin account before deducting cash deposited by the client as margin;
 - (b) "equity" means the sum of margin and current market value of securities bought or carried in a client's margin account;

- (c) "margin" means the aggregate amount of cash and market value of securities deposited by a client into the client's margin account, but does not include securities which are bought and carried in the margin account;
 - (d) "marginable securities" means securities permitted by the Exchange to be bought and carried in margin accounts.
- (2) A broker/dealer may extend credit facilities to approved clients for securities transactions subject to the margin account requirements prescribed by the Authority.
 - (3) Margin account arrangements must be evidenced in the form of a written agreement executed between the broker/dealer and the client.
 - (4) A client who operates a margin account with a broker/dealer shall authorise the broker/dealer to mortgage, pledge or hypothecate the client's securities or property for a sum not exceeding the debit balance in the margin account and without obligation to retain in its possession or control securities of like character: the broker/dealer shall also be given the discretion to sell or dispose of any or all the securities in any manner in order to meet with the prescribed margin requirements.
 - (5) The margin deposited by clients with the broker/dealer shall be in the form of cash, securities issued by the Government or its agencies, marginable securities and such other instruments as the Exchange may from time to time prescribe. The initial margin must be deposited with the broker/dealer not later than three days from the first date of securities transaction and shall be such amount that would result in the equity being not less than 140% of the debit balance in the margin account.
 - (6) Whenever the equity in a client's margin account falls below 130% of the debit balance, the broker/dealer shall request the client to provide additional margin to bring the equity to not less than 130%. Such additional margin must be satisfied by deposit of cash or marginable securities within three days from the date of notice. The broker/dealer shall not permit any new transactions in the margin account unless the resulting equity in the account would be not less than 130% of the debit balance.
 - (7) A Trading Participant shall not permit the equity in a client's margin account to fall below 120% of the debit balance. Once the equity falls below this level, the broker/dealer shall have absolute discretion and without notice to the client to liquidate the margin account including the marginal securities deposited to bring the equity to not less than 130% of the debit balance.
 - (8) The Trading Participant shall cause daily review to be made of all margin accounts to ensure that credit is not over-extended beyond the approved facility and that the margin requirements prescribed above are met at all times. For the purpose of computing margin requirements in a margin account, the last done price of the security on the preceding market day shall be used. All transactions done on the same day shall be combined on a transaction date basis and the total cost of purchase or the net proceeds

of sale including any commission charged and other expenses shall be taken into account for computing margin requirements.

- (9) The Trading Participant shall require substantial additional margin in account where the securities carried are subject to unusually rapid or violent changes in value, or do not have an active market or have been suspended from trading on the Exchange for more than seven days or where the quantity carried is such that it cannot be liquidated promptly.
- (10) A client may withdraw cash or securities from their account provided that the equity in the client's account does not fall below 140% of the debit balance.
- (11) All securities transactions in a margin account shall be on the regular Trading Board. The margin account shall not be used to subscribe for new issues of securities.

20. Discretionary Account

- (1) "Discretionary account" means an account in which the client gives a Trading Participant discretion which may be complete or within specific limits as to the purchase and sale of securities including selection, timing and price to be paid or received.
- (2) No Trading Participant shall exercise any discretionary authority in respect of a discretionary account unless-
 - (a) the client has given prior written authorization to the broker/dealer to exercise discretion on the account; and
 - (b) the Trading Participant has accepted the discretionary account in accordance with these Rules.
- (3) The authorization given to the broker/dealer shall specify the investment objectives of the client with respect to the particular discretionary account and each authorization or acceptance may be terminated by notice in writing by the broker/dealer or the client, as the case may be.

21. Exposure to a single client

- (1) No broker/dealer shall permit deficits arising from transactions by a single client to exceed 30% of its average adjusted net capital.
- (2) In subrule (1), "deficits" means -
 - (a) the excess of amount owed by the single client in the client's cash account over the market value of all the client's securities held by the broker/dealer as collateral;
 - (b) the amount of margin deficiency in the single client's margin account as determined by minimum margin requirement permitted under Rule 19(6) of these Rules;
 - (c) the amount of unsecured interest charged on amounts owed by the single client; and
 - (d) the amount of unsecured loans and advances granted to the single client.

- (3) In subrule (1) "average adjusted net capital" means the average of adjusted net capital of the three months preceding the previous month and "adjusted net capital" as provided for in Rule 37 of these Rules.

22. Exposure to a single security

- (1) No broker/dealer shall permit its exposure to a single security to exceed 300% of its average adjusted net capital.
- (2) In subrule (1), "exposure to a single security" means -
- (a) the net amount of the single security underwritten or sub-underwritten by the broker/dealer;
 - (b) the book value of the single security carried in the broker/dealer's own account;
 - (c) the contract value of the single security underlying clients' cash accounts to the extent that they have not been paid for;
 - (d) the amount of credit extended to clients for the purchase of the single security on margin;
 - (e) the amount of interest receivable secured by the single security; and
 - (f) the amount of loans and advances secured by the single security.
- (3) Subrule (1) shall not apply to -
- (a) securities issued by the Uganda Government or its agencies; and
 - (b) the broker/dealers arbitrage transactions.

23. Trust Accounts

- (1) Each broker/dealer shall establish and keep in a designated bank (s) in Uganda one or more trust accounts, designated or evidenced as such, into which the trading participant shall pay-
- (a) all amounts (less any commission and other proper charges) that are received from or on account of any person (other than a broker/dealer) for the purchase of securities and that are not attributable to securities delivered to the broker/dealer not later than the next bank business day following the day on which they were received by the broker/dealer; and
 - (b) all amounts (less any commission and other proper charges) that are received for or on account of any person (other than a broker/dealer) from the sale of securities and that are not paid to that person or as that person directs not later than the next bank business day following the day on which they were received by the broker/dealer.

- (2) All amounts received by the broker/dealer for or on account of any person and which are required by subrule (1) to be paid into a trust account shall be retained in the trust account until-
- (a) paid to the person entitled to them or as such person directs in writing;
 - (b) withdrawn for the purpose of defraying commission and other proper charges;
or
 - (c) paid as otherwise authorised by law.

24. Records

- (1) Every Trading Participant shall maintain records in sufficient detail to show particulars of-
- (a) all moneys received or paid, including moneys paid to, or disbursed from a trust account;
 - (b) all purchases and sales of securities by persons associated with the broker/dealer 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 and all expenses, commissions and interest paid;
 - (d) all assets and liabilities including contingent liabilities of the broker/dealer;
 - (e) all securities that are the property of the broker/dealer, showing by whom the securities, or the documents of title to the securities, are held and, where they are held by some other person, whether or not they are held as security against loans or advances; and
 - (f) all securities that are not the property of the trading participant and for which the broker/dealer or any nominee controlled by it is accountable, showing by whom, and for whom the securities or the documents of title to the securities are held and the extent to which they are either held for safe custody or deposited with a third party as security for loans or advances made to the broker/dealer.

PART IV - SUPERVISORY POWERS AND AUTHORITY OF THE EXCHANGE

25. Day to Day management of trading settlement and delivery

- (1) The Exchange shall in put in place such measures and systems as maybe necessary to ensure appropriate day-to-day management of trading, settlement, delivery and

other activities carried out by Trading Participants in relation to dealing in securities and to ensure compliance with the rules of the Exchange.

- (2) The measures stated in this Rule 25 above shall include but not limited to:
 - (a) periodic and adhoc inspections,
 - (b) reporting and disclosure guidelines
 - (c) Trainings and certifications
- (3) The Exchange may conduct an investigation into the affairs of the Trading Participant on its own motion or on the directive of the Authority to look into violations or potential violations of any of the Rules and/or the Act.

26. Liability of the Exchange

The Exchange, its employees and its Directors shall not be liable for any bonafide act or omission made in enforcement of these Rules.

27. Resolution of Disputes

- (1) All Trading Participants are obliged to ensure that all disputes arising out of, or in connection with the business of the Exchange are settled amicably.
- (2) A Trading Participant may refer a dispute involving another Participant to the Exchange and the management shall endeavor to achieve an amicable settlement between the parties.
- (3) For avoidance of doubt any dispute arising out of use of the trading floor or automated trading portal or in relation to trading shall be dealt with in accordance with the manner prescribed under the USE Trading Rules.
- (4) In the event that an amicable settlement cannot be reached by management, the conflict shall be referred to the Board of the Exchange which shall endeavor to resolve the dispute in a fair, timely and impartial manner.
- (5) In resolution of conflicts between Trading Participants, the Exchange and the Board shall ensure that all the parties to the conflict are afforded the right to be heard.

28. Sanctions and Penalties

- (1) A Trading Participant who commits an act of misconduct shall be liable for sanctions and penalties prescribed under these Rules.
- (2) Acts of misconduct include, but are not limited to;

- (a) breach of any of these rules or other rules of the Exchange;
 - (b) failure to comply with a guideline or legitimate directive of the Exchange;
 - (c) any conduct detrimental to the interests of the Exchange or is dishonourable, disgraceful, improper or unbecoming of a Trading Participant;
 - (d) not being open for business on a business day without reasonable cause;
- (3) In instances of serious breaches as determined by the Exchange shall require a written explanation from the Trading Participant to be given within five business days and further require the trading participant to provide the necessary documentation and records to aid the process.
- (4) Where the Exchange determines that a Trading Participant has committed an act of misconduct, any of the following sanctions shall apply against the respective Trading Participant:
- (a) A private or public censure.
 - (b) The Exchange may require the Trading Participant to take action against its employee or agent for a breach of Rules;
 - (c) A restriction of the Trading Participant's trading limits.
 - (d) A restriction of the Trading Participant trading access for a duration not exceeding 10 working days.
 - (e) Order an audit of a Trading Participant the cost of which shall be borne by the Trading Participant before commencement of the audit.
 - (f) A suspension of the Trading Participant subject to the approval of the Authority.
 - (g) A financial penalty as prescribed under the USE Fees, Charges and Penalties Rules 2021.
 - (h) Revocation of a Trading Participants rights and admission as a Trading Participant at the Exchange
- (5) For any sanction imposed by the Exchange on a Trading Participant, the Exchange shall take into consideration the gravity of the offence committed and past conduct of the Trading Participant.
- (6) The Exchange shall inform the Authority of any sanctions imposed against a Trading Participant.
- (7) A Trading Participant shall have a right of appeal against a decision levying a sanction/penalty against it within 5 business days.

(8) Such Appeal shall be made in writing to and addressed to the Chairman Board of the Exchange

(9) Upon receipt of the appeal, the Chairman Board shall constitute a committee to hear the Appeal of the Trading Participant and make a decision.

(10) General Penalties for non-compliance

Where the Rules are silent on the penalty, a penalty not exceeding 500 currency points shall apply. This Rule does not apply to provisions of these Rules where a specific penalty has been prescribed.

PART V - BUSINESS CONDUCT AND CODE OF ETHICS

29. Adherence to principles of good business practice

Every broker/dealer shall at all times adhere to principles of good business practice and corporate governance in the conduct of its business affairs.

30. Compliance with USE Rules

Each broker/dealer shall ensure that all its floor traders and authorised representative comply with All the Rules, procedures, guidelines of the Exchange as may be amended or issued from time to time.

31. Disclosure of Material information

- (1) The Exchange may require, at any time, that the name, terms of employment, and actual duties of any person employed by a broker/dealer be furnished to the Exchange, together with such other information with respect to the employee as it may deem appropriate to permit it to enforce compliance with the Rules and requirements of the Exchange,
- (2) A Trading Participant shall inform the Exchange of any new material information, change or development with respect to its business. The notifications to be made include, but are not limited to any intention and/or;
 - (a) Change of business name
 - (b) Change of physical address
 - (c) Change of primary contact details
 - (d) Change in control of ownership of the Trading Participant
 - (e) Conduct of any other licensed business activity (outside brokerage services)
 - (f) Resolution to increase or reduce its share capital
 - (g) Appointment, resignation and removal of a director or key personnel

32. Prohibited Transactions

- (1) No business shall be transacted on account of an employee or for an account in which an employee has a direct or indirect interest, except with the prior written consent of an executive director of the broker/dealer in respect of each transaction.
- (2) A trader who ceases to be an employee of a brokerage firm shall have his or her trading rights revoked, and the employer shall immediately notify the Exchange of the change of employment.
- (3) A broker/dealer shall not buy or sell securities for a person employed by another broker/dealer.
- (4) A Trading Participant, their traders and or employees who wish to transact in securities shall give the Exchange notification not less than 48 hours of their intention to do so. Provided always that such notice shall be given on a business day and in the manner prescribed by the Exchange.
 - a) The notice shall be signed by an authorised representative of the trading participant designated by the Firm to approve such notifications "designated approver" and shall specify the counter, number of securities and whether the intention is to buy or sell securities.
 - b) Every Trading participant shall notify the Exchange of their designated approver and any change of a designated approver shall immediately be communicated to the Exchange.

c) A transaction notified to the Exchange under sub rule 4 shall be executed within 05 business days from the date of notification.

d) Sub Rule 4 shall not apply to government securities purchased through the Exchange from an auction held by the Central Bank

33. Prohibited Employees

A Trading Participant shall not employ in its business a person who is not of good standing and shall ensure that its employees are competent and appropriately qualified to perform their functions and maintain their knowledge and skills at a high level.

34. Prohibited Practice

No broker/dealer shall allow clients or other persons not being its employees or authorised representatives, to use or operate out of its business premises

35. Annual Accounts

Every Trading Participant shall submit to the Exchange, audited annual accounts within three months following the closure of the broker/dealer's financial year and shall publish the said accounts in a manner approved by the Exchange.

36. Monthly returns

- (1) Each Trading Participant shall submit to the Exchange by the fifteenth day of each month statements of assets and liabilities adjusted net capital, and aggregate indebtedness of the immediate prior in the format prescribed by Appendix 5 of these Rules.
- (2) Where a Trading Participant fails to submit the statements required in subrule (1) within the prescribed time, there shall be imposed upon the broker/dealer a penalty of 1.25 currency points for each day that the statements are not submitted, unless an extension of time has been granted. Requests for extension of time must be submitted to the Exchange at least three business days prior to the due date.

37. Adjusted net capital requirement and aggregate indebtedness

- (1) Aggregate indebtedness, which shall be calculated monthly, means the total liabilities of the broker/dealer less-
 - (a) deferred taxes;
 - (b) amounts due to a director or an associate;
 - (c) non-current liabilities fully secured by non-current assets excluded from net capital;
 - (d) any subordinated loans acceptable to the Exchange.
- (2) Adjusted net capital, to be calculated monthly, shall mean the broker/dealer shareholder's funds for carrying out the business of stockbroking and ancillary business less-
 - (a) non-current assets and pre-paid expenses;
 - (b) unsecured loans and advances included under current assets;
 - (c) amounts due from a director or associate included under current assets;
 - (d) excess or the book value of securities carried in the broker/dealer's own account over

- (e) market value; and
- (f) deficits in clients accounts, less any provisions for bad or doubtful debts already made.

38. Client confidentiality and conflict of interest

- (1) No Trading Participant shall use the knowledge and information gained from a client in the course of the Trading Participant's business dealings with a client which shall be of a fiduciary nature, for the advancement of the broker/dealer or the broker/dealers associates financial interests whether directly or indirectly.
- (2) In the event of any conflict of interest directly or indirectly between broker/dealer and client, the Trading Participant shall not accept the instructions of the client in relation to the transactions in question, or shall accept such instructions only upon having informed the client of the possible conflict and the client approving the proposed course of action. This provision shall be clearly reflected in the forms filled by the client.
- (3) A Trading Participant shall place all orders in the manner prescribed under the USE Trading Rules 2021 and shall clearly distinguish business transacted for its clients, itself or persons associated with the broker/dealer.
- (4) At all times, the Trading Participant shall first consider the interest of its client and its own interest shall be subordinate to that of the client.

39. Prohibited Market practices and Market Abuse

- (1) A broker/dealer shall avoid any practice which may create a false market and may not directly or indirectly participate in any operation by others which shall have a similar result. Any knowledge gained by a broker/dealer of a transaction which would result in the creation of a false market shall immediately be reported by the broker/dealer to the Exchange. A false market includes a market in which the movement in the price of a security or the level of the price of a security is created by the publication of information which is false, exaggerated or tendentious or is brought about or sought to be brought about by any one broker/dealer or a group of them to deliberately distort the market for financial gain.
- (2) A broker/dealer shall act in compliance with the letter and spirit of these Rules and the Law relating to the securities business and in particular, warn clients where they may be held to be in violation of provisions such as those on insider dealing.
- (3) In the event of the Exchange finding that any quotes placed or about to be placed are disorderly, the broker/dealer shall comply with the order of the Trading Manager to set aside or suspend such quotation.
- (4) A broker/dealer, any of its executive directors or employees shall not deal in securities of a listed company where the broker, its director or any of its employees is a director or officer, without prior authority of the Exchange.

40. Inspections and Investigations

- (1) A broker/dealer shall make available for inspection to any client who so requests, its last audited balance sheet, its fixed scale of charges and the names of directors or principals of its business.
- (2) A broker/dealer shall comply fully with any inquiries or investigations undertaken by the Exchange.

41. Brokers Code of Ethics

Trading Participants shall comply with the Code of Ethics prescribed in Appendix 4 to these Rules.

42. Access to Bank accounts

Every broker/dealer shall execute a Letter of Release to enable the Exchange gain access to its settlement bank accounts in the manner prescribed in Appendix 3 to these Rules.

43. Clients complaints

- (1) Every Trading Participant shall have in operation a procedure for the handling of complaints from its customers.
- (2) All employees of the broker/dealer who deal with customers shall be made aware of these procedures which must provide for-
 - (a) the complaint to be investigated fully and appropriately
 - (b) the complaint to be reported to the Exchange if not settled within seven days of receipt;
 - (c) the notification to the complainant of the right to escalate their complaint to the Exchange
- (3) Each broker/dealer shall maintain a written record of all complaints made by clients.
- (4) The complaints procedure shall be indicated on the transfer forms and the contract note.

PART VI- SUSPENSION OF TRADING RIGHTS AND CESSATION OF ADMISSION AS A TRADING PARTICIPANTS

44. Cessation of admission as a Trading Participant

- (1) A Trading Participant shall cease to be admitted as a Trading Participant of the Exchange where the Participant has ceased to conduct the business activities for which it was admitted.
- (2) A Trading Participant shall also cease to be a Trading Participant of the Exchange where the Authority informs the Exchange that such person no longer holds a valid broker/dealer license in accordance with the Act.

45. Voluntary cessation of Admission

- (1) A Trading Participant that intends to cease the conduct of its business entirely shall give the Exchange and the Authority at least six (06) months prior written notice of its intention to do so.
- (2) A Trading Participant that intends to voluntarily relinquish its trading rights/admission as a trading participant of the Exchange shall do so by making a written application to the Exchange.
- (3) The application shall set forth the reasons for voluntary cessation of admission and a plan showing the steps to be taken to effect the cessation
- (4) The Exchange may postpone the effective date of voluntary cessation of admission as a trading participant and may impose other measures that it considers necessary for the protection of investors, customers or counterparties of the Trading Participants or where the Exchange considers that any matter affecting the Trading Participant should be investigated.
- (5) The Trading Participant shall within thirty (30) days following the date upon which its suspension, expulsion or cessation of business becomes effective return to the Exchange and its subsidiaries any software, equipment and documentation which may have been made available to it by the Exchange.

46. Involuntary cessation of Admission (Revocation of admission)

- (1) A Trading Participant's admission may be revoked by the Exchange under the following circumstances;
 - (a) if it is unable to meet the financial standing requirements set by the Exchange or the Authority;
 - (b) is wound up or placed under receivership;
 - (c) is declared unfit to be a Trading Participant by a court order;
 - (d) has its license revoked or cancelled by the Authority;
 - (e) any of the particulars of information given in the application form for admission contain misrepresentation or omission of material facts;

- (f) any of the particulars or information given in the application form subsequently change and the Trading Participant fails to notify the Exchange of the change resulting in a material misrepresentation or omission of facts.
 - (g) Trading Participant engages in financial crime, market abuse or money laundering.
 - (h) the Trading Participant conducts itself in a manner that puts the reputation of the Exchange and the Authority and the securities market at risk.
 - (i) ceases to exist for any other reason.
- (2) The Exchange shall notify a trading participant of the impending revocation of their admission as a trading participant and give that Trading Participant an opportunity to be heard by an independent Committee constituted by the Board.
- (3) The notification to the affected Trading Participant shall not preclude the Exchange from taking measures to safeguard the interests of the investors and the market while the matter is pending before the committee designated by the Board to hear the matter

47. Process following cessation of admission of a Trading Participant

Where one ceases to be admitted as a trading participant of the Exchange

- (1) An announcement of the cessation of admission by revocation or voluntary cessation of admission as trading participant (whichever the case may be) shall be made by the Trading Participant to all other Trading Participants, investors and the public in at least one (1) daily newspaper of nationwide circulation at a time and frequency as prescribed by the Exchange.
- (2) A Trading Participant who seeks to voluntarily cease admission or who had had their admission revoked shall not have the right to the reimbursement of any fees, dues, assessments, charges or penalties paid by it to the Exchange or the Central Depository, other than the amount deposited with the Exchange as a cash guarantee in accordance with the Guarantee Fund Procedures.
- (3) The Trading Participant shall pay any fees, dues, assessments, charges or penalties in respect of the period preceding its termination as a Trading Participants.
- (4) A Trading Participant shall perform and complete any transactions entered into by it prior to the date of its cessation of business, voluntary deregistration or removal from admission as a Trading Participant.
- (5) The Trading Participant shall within thirty (30) days following the date upon which its suspension, expulsion or cessation of business becomes effective return to the Exchange and its subsidiaries any software, equipment and documentation which may have been made available to it by the Exchange.

48. Suspension of Trading rights

- (1) Where the Exchange suspends trading rights of a participant as a sanction for a misconduct as prescribed under Rule 28:
 - (a) All rights and benefits of the suspended trading participant shall cease for the period of suspension.

- (b) The Exchange shall publish in a widely circulating newspaper the suspension of the trading participant, reasons for their suspension and the period for which they are suspended (where specified) at the cost of the suspended trading participant.
- (c) Where a specific remedial action is required to be performed by the trading participant before lifting of the suspension such action shall be confirmed by the Exchange to have been satisfactorily undertaken before lifting of the suspension
- (2) The Exchange shall put in place the necessary measures to safeguard the interests of the suspended trading participants clients and the general public during the period of suspension.
- (3) Upon lifting of the suspension, the Exchange shall publish in atleast one widely circulating newspaper a notification of the lifting of the suspension against the trading participant.
- (4) Prior to their suspension, and upon notification of the decision to suspend the trading participant, the affected trading participant shall be given an opportunity to be heard by a committee constituted by the Board.
- (5) Notification of the affected trading participant shall not preclude the Exchange from taking interim measures to safeguard the interests of investors while the matter is pending before committee constituted by the Board to hear the trading participant.

49. Transfer of Clients

- (1) Where a Trading Participant applies for voluntary cessation of their admission it shall, as part of its cessation plan submitted to the Exchange, include provisions for the transfer of its existing clients to another Trading Participant. The Exchange shall grant a no objection to the proposed transfer of clients after satisfying itself of the capability of the proposed transferee trading participant to seamlessly manage the said transfer.
- (2) In cases of involuntary revocation of admission of a trading participant or where the Trading Participant is unable to make such provisions in sub rule 49.1, the Exchange shall put in place measures for the smooth transfer of the clients to another Trading Participant.

50. Repeal of the USE Rules 2003

- (1) The USE Rules of 2003 are as at the *effective date* of these Rules hereby repealed without prejudice to any action(s) taken, obligation acquired or liability incurred thereunder by the Exchange, any Trading Participant, any listed entity or any person.
- (2) **Effective Date:** These Rules shall be deemed to have come into force effective 1st April 2021.

APPENDIX 1

FORM OF APPLICATION FOR ADMISSION AS A TRADING PARTICIPANT

**The Chief Executive
Uganda Securities Exchange Ltd.**

**P.O. Box 23552
KAMPALA
Uganda**

Dear Madam/Sir,

We [name of applicant] of [Address] hereby apply to become a Trading Participant at the Uganda Securities Exchange. We hereby agree to abide by the Laws and Regulations governing the Exchange that are in force now or which may hereafter be made from time to time.

We undertake to furnish a Cash Guarantee of the sum as may be prescribed by the Board and undertake that in the event of the Exchange invoking the guarantee, we shall restore it to the original amount within the time specified under and in accordance with the Guarantee Fund Procedures for time being in force.

We enclose herewith the stated application fee for admission and do wholly understand that this fee is not refundable.

We declare that upon admission, we shall;

- a. pay in full the fees from time to time prescribed;
- b. adhere to the all the Rules of the Exchange for the time being in force
- c. Conduct ourselves in a professional, transparent and fair manner.

We confirm that the facts given in the Admission questionnaire completed by us are true and correct and accept that in the case of any statement being false, the Exchange has the right to reject this application or terminate admission if already granted.

Sealed with the common seal of[name of applicant] this Day of.....20....

in the presence of

Director

Director/Secretary

APPENDIX 2- ADMISSION QUESTIONNAIRE

1. Name of the Company (the applicant)

.....

2. Physical and postal address

.....

3. Details of all licenses held

Description of license	Issuing authority	Date of expiry

4. Name and particulars of Principal Officer

Name	Nationality	Address	Professional qualifications

5. Name of Compliance Officer

.....

6. Particulars of directors

Name	Date of birth	Nationality	Profession	Address	Other directorships held

Name and address of auditors

.....

Name and addresses of bankers

.....

Subsidiaries and associated companies

Name of company	Relationship to applicant	%holding

Names and addresses of shareholders

Name	Address	Nationality	Shares held	Beneficial owner of the shareholder, if any

Share capital of the company

Authorized share capital	Issued share capital	Issued and allotted shares	Issued and unallotted shares

7. Has the applicant or any Director or Secretary of the applicant company within the last ten years been -

- a. refused the right or restricted in its right to carry on any trade, business or profession for which a specific license, registration or other authority is required by law in any place?
 - b. suspended as a Trading Participant of any securities exchange or otherwise disciplined by a securities exchange?
 - c. denied approval as a Trading Participant of any securities exchange?
 - d. known by any name other than the name or names shown in this application?
 - e. had judgment including findings in relation to fraud, misrepresentation or dishonesty given against him in any civil proceedings in Uganda or elsewhere? (If yes, give details).
 - f. declared bankrupt or compounded with or made an arrangement for the benefit of his creditors, in Uganda or elsewhere?
 - g. engaged in the management of any company other than the companies referred to above?
 - h. refused a fidelity or surety bond in Uganda or elsewhere?
8. We certify that the above information is correct to the best of our knowledge and belief.

Attachments

1. A license to operate as a broker or dealer issued by the Capital Markets Authority;
2. Certified copy of the Certificate of Incorporation;
3. Applicant's Memorandum and Articles of Association;
4. Copy of the latest Audited financial statement if applicant has been in existence and trading for more than one year.

**APPENDIX 3
LETTER OF RELEASE**

To: The Manager

.....
.....

Dear Sir/Madam,

ACCOUNT (S): NAME: NO.

.....

We whose name(s) and signature(s) appear hereunder, being the authorised signatory(ies) of the above stated account authorise(s) you to release to the Uganda Securities Exchange, such information/documents on the above account as may be required from time to time by the Exchange. All expenses, costs, commissions, etc as may be incurred by you in dealing with a request for any information/documents aforesaid should be debited against our account-stated hereabove.

This order will remain irrevocably in force until such time as we shall revoke it in writing with the approval of the Exchange.

Yours faithfully,

NAME

AUTHORISED SIGNATORY(IES)

.....
.....

.....
.....

Signed: 1. Director

2. Director/Secretary
 (Sign under company seal of the Company)

Part 3 (Official use only)

This application received on
discussed by the Committee on
.....

Approved/Rejected

Signed: -----

For: **UGANDA SECURITIES EXCHANGE LTD.**

APPENDIX 4- CODE OF ETHICS

Interpretation

1. This code of ethics forms part of these the Rules and binds all Trading Participants their employees and their representatives.

Integrity

2. Trading Participants shall maintain a high degree of honesty, integrity and fairness in the conduct and performance of their business and must avoid any behaviour or practice which may be seen as compromising or deceptive.
3. Trading Participants must at all times act in a manner that preserves the integrity of the market.
4. Trading Participants shall deal with clients, fellow Trading Participants, the Exchange, the Authority, regulatory authorities and the investing public in a professional and disciplined manner.
5. Trading Participants shall not employ unfair means such as the giving of inducements either in cash or in kind to secure business from clients, current or prospective.
6. Trading Participants must neither broadcast, publish nor advertise or cause to be broadcast, published or advertised in any manner, any representation or any implication with intent to create a false market.
7. Trading Participants must refrain from the voluntary public expression of adverse criticism of other Trading Participants, the Exchange or the Authority.
8. Trading Participants must not knowingly deal in stolen securities or aid or abet fraudulent activities in the market.
9. Trading Participants must be vigilant to identify and avoid potential conflicts of interests.

Fairness

10. Trading Participants shall conduct their business in a fair, orderly and transparent manner.

Duty of Care

11. Trading Participants owe their clients a duty of care and must at all times exercise due diligence and act in the best interests of the client.
12. Trading Participants shall conduct their business in a fair, orderly and transparent manner.
13. Trading Participants shall ensure prompt settlement of clients' dues and claims.

14. Trading Participants shall keep separate and distinct, all money received for the purchase and sale of securities by keeping the same in a bank account called the clients' account.
15. Trading Participants shall not withdraw money from the clients' account, except for the purposes of paying clients their dues.
16. Trading Participants shall not use the clients' account to secure overdrafts or their credit facilities.
17. Trading Participants must take reasonable steps to give a client, in a comprehensible and timely way, any information needed to enable the client to make an informed decision.
18. Trading Participants must arrange proper care and protection of assets belonging to clients that are in their custody, including any insurance, as required.
19. Trading Participants must be ready, on request, to provide a client with a full and fair account of the management of their assets.

Confidentiality

20. Trading Participants shall treat clients' particulars confidentially and shall not divulge client details to a third party unless instructed so to do by the Exchange, the Authority, or by order of Court.

Conflict of Interest

21. Trading Participants shall ensure that there is no conflict of interest at all times and that their self interest is subordinated for the good of the market. In cases where this is not possible, a member shall make full disclosure of such interests to the other Trading Participants.

Communication

22. A Trading Participant shall disseminate to other Trading Participants any information that comes into their possession or knowledge which may not be widely available in the market and which has the potential to affect the market sentiment; thereby influencing trading.

Commission

23. A Trading Participant shall at all times charge to his clients and cede to his agents commission as prescribed by the Authority and the Exchange.

Discipline

24. A Trading Participant shall maintain a high degree of discipline in the conduct of business and dealing with other brokers/dealers.

Books and records

25. A Trading Participant shall ensure that they maintain the minimum books and records with full disclosures as prescribed by the Authority and the Exchange.

Market protection

26. Every Trading Participant shall make it their duty to protect the market from any threats both from within and without by taking all necessary precautions and alerting other Trading Participants of existing or perceived threats.
27. Trading Participants shall ensure that no false or misleading information is circulated to the market, and where a member discovers and has reason to suspect that there is such information, the same shall be reported to the Exchange at the earliest opportunity.
28. Trading Participants shall strictly observe good business practice by not creating false market prices to the detriment of the larger interests of all other Trading Participants (brokers/dealers).

Product development

29. Trading Participants have the responsibility to share their vision on the future development of the available products in the market by making useful suggestions and proposals for consideration by other Trading Participants and the industry as a whole.

Market efficiency

30. Trading Participants shall observe strict adherence to the prescribed rules and regulations of delivery and settlement and, whenever possible, make suggestions of how existing procedures and systems can be enhanced to make the market more efficient in its service delivery.

Advertisement and publicity

31. Trading Participants shall conduct their advertisement and publicity campaigns in a fair and honest manner without putting the industry into disrepute or imputing bad character or incompetence on other Trading Participants.

Staffing

32. Trading Participants must be competent and appropriately qualified to perform their functions and they must maintain their knowledge and skills at a high level.
33. Trading Participants shall engage in their employment, proper and fit persons who possess due skills and who are able to exercise care and diligence in handling business matters.
34. Trading Participants shall ensure that all persons in their employ understand and comply with the rules and regulations governing the market.
35. Trading Participants must do due diligence to establish the character of any person before contracting them into their employ.
36. Trading Participants shall not employ or maintain in their employ-
 - a. persons against whom criminal charges have been instituted and are ongoing;

- b. persons who have been convicted of a felony;
- c. persons who have been adjudged bankrupt;
- d. persons who have been dismissed by a previous employer on suspicion of fraud; or
- e. Persons who are shareholders or officers of the Exchange or other broker/dealer firms.

Systems and procedures

- 37. Trading Participants shall put in place sound systems and internal control procedures in the operations of their business aimed at mitigating against frauds and other bad business practices.

Compliance with standards

- 38. Trading Participants must comply with any code or set of standards governing their activities in the financial services and investment industry and must observe a high standard of market conduct.
- 39. Trading Participants shall adhere strictly to the law, both substantive and subsidiary, the Rules of the Exchange and Guidelines issued by the Exchange and or the Capital Markets Authority from time to time.
- 40. Trading Participants must establish formal and transparent financial reporting and internal control systems to ensure that the conduct of their business complies with the rules and regulations of the market and safeguards their clients' interests.

Disputes

- 41. Trading Participants shall seek to settle disputes amicably and all disputes shall be reported to the Exchange as soon as they occur. The Exchange must be kept informed of progress made to resolve the same.

Application

- 42. This Code applies to all Trading Participants, their directors, employees and duly appointed representatives or agents.
- 43. The Trading Participants shall ensure that the provisions of this code of conduct are clearly understood by all staff in their employment, their agents and representatives acting on behalf of the Trading Participant in any matter concerning the activities of the Securities Exchange.

APPENDIX 5- MONTHLY RETURNS FORMAT
(Statement of Net Capital and Aggregate Indebtedness)

PART I

BALANCE SHEET FORMAT

A. FIXED ASSETS

I. Intangible Assets.

1. Development costs.
2. Goodwill (1).
3. Other.

II. Tangible assets.

1. Freehold land and buildings.
2. Leasehold land and buildings.
3. Motor vehicles.
4. Office equipment and computers.
5. Fixtures and fittings.
6. Payments on account.
7. Other tangible assets.

III. Investments

1. Loans to and shares in group companies and connected companies.
2. Other listed investments.
3. Other unlisted investments.

B. CURRENT ASSETS

I. Physical stocks.

II. Debtors (2).

1. Trade debtors (3).
2. Other debtors.

3. Amounts due from connected and group companies.

4. Prepayments and accrued income.

III. Investments.

IV. Cash at bank and in hand.

C. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

1. Bank loans and overdrafts.

2. Subordinated loans (4).

3. Other debenture loans.

4. Trade creditors (5).

5. Investments (short positions).

6. Income tax.

7. Amount due to group and connected companies.

8. Other creditors.

9. Accruals and deferred income.

D. NET CURRENT ASSETS (LIABILITIES)

E. TOTAL ASSETS LESS CURRENT LIABILITIES

F. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

1. Bank loans and overdrafts.

2. Subordinated loans (4).

3. Other debenture loans.

4. Trade creditors (5).

5. Income tax.

6. Amounts due to group and connected companies.

7. Other creditors.
8. Accruals and deferred income.

G. PROVISIONS FOR LIABILITIES AND CHARGES

1. Commissions on indemnity terms.
2. Pension and similar obligations.
3. Taxation, including deferred taxation.
4. Other provisions.

H. TOTAL ASSETS LESS TOTAL LIABILITIES

I. CAPITAL AND RESERVES

1. Called up share capital.
2. Share premium account.
3. Partner's or proprietor's capital accounts.
4. Partner's or proprietor's current accounts.
5. Revaluation reserve.
6. Other reserves.
7. Profit and loss account.

NOTES ON BALANCE SHEET FORMAT

1. GOODWILL

Goodwill shall be included only in so far as it was acquired for valuable consideration.

2. DEBTORS

The amount falling due after more than one year shall be shown separately for each item included under debtors.

3. TRADE DEBTORS

(a) Fees:

Outstanding for more than 30 days. Outstanding for 30 days or less.

(b) Commissions:

Outstanding for more than 30 days. Outstanding for 30 days or less.

(c) Other:

Amount outstanding for more than 30 days. Amount outstanding for 30 days or less.

4. **SUBORDINATED LOANS**

(a) Long term subordinated loans.

(b) Short term subordinated loans.

(c) Committed undrawn subordinated loan facilities.

(d) Bank undertakings.

5. **TRADE CREDITORS**

(a) Amounts due to be paid against delivery of securities.

(b) Amounts due to be paid in respect of securities transactions otherwise than against delivery of securities.

(c) Other (specify).

PART II

PROFIT AND LOSS ACCOUNT FORMAT

A. **DEALING**

Gains/losses on principal dealings (trading).

1. Equities.

2. Debt instruments.

3. Units in collective investment schemes.
4. Foreign exchange.
5. Other (specify).

B. REVENUE

I. Commissions on transactions in collective investment schemes.

1. Authorised mutual fund and unit trust schemes.
2. Other (specify).

II. Commissions on securities transactions. 1. Equities.
2. Debt instruments.

3. Other (specify).

III. Investment management fees.

IV. Fee income in respect of financial advice.

V. Company management fee.

VI. Trustee fees.

VII. Interest and dividends.

1. Investment positions.
2. Loan accounts and margin accounts.
3. In respect of balances in customer bank accounts.
4. Other (specify).

VIII. Dealing and settlement services.

IX. Revenue from research and consulting services.

X. Retained underwriting and placing commissions.

XI. Other revenue (specify if material).

C. EXPENDITURE

I. Commissions.

1. Paid to staff.

2. Paid to other investment businesses.

3. Other (specify).

II. Salaries and other employment costs (exclusive of commission).

III. Directors' emoluments.

IV. Staff bonuses.

V. Interest charges.

1. Payable to customer in respect of customer's money balances.

2. Other (specify).

VI. Establishment costs.

VII. Communications and marketing.

VIII. Office equipment and services.

IX. Provisions for losses, bad and doubtful debts.

X. Professional charges.

XI. Securities Exchange and clearing house charges.

XII. Regulatory fees and expenses.

XIII. Audit fees (including expenses).

XIV. Miscellaneous office expenses.

XV. Other expenditure (specify if material).

D. PROFIT OR LOSS BEFORE TAXATION.

E. TAXATION.

F. PROFIT OR LOSS AFTER TAXATION.

G. EXTRA ORDINARY ITEMS.

H. PROFIT OR LOSS FOR THE FINANCIAL YEAR

