



**MALAWI STOCK EXCHANGE**

## **MEMBERS RULES**

**Issued by The Secretary**

**Malawi Stock Exchange Limited  
Old Reserve Bank Building  
Victoria Avenue,  
Private Bag 270  
BLANTYRE, MALAWI.**

**Tel: 265 01 824 233  
Fax: 265 01 823 636**

**E-mail: [mse@mse-mw.com](mailto:mse@mse-mw.com).**

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MEMBERS' RULES  
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# PART 1 – GENERAL

## 1.1 NAME, OBJECTS, PRINCIPAL OFFICE AND POWERS OF THE BOARD

The name of the Exchange shall be THE MALAWI STOCK EXCHANGE, hereinafter referred to as the “The Exchange”.

The principal object of the Exchange shall be to operate a Stock Exchange in Malawi with due regard to the public interest, and to maintain fair and efficient dealing in securities for the protection of investors and to regulate the affairs of members.

The principal office of the Exchange shall be situated in Blantyre or at such other place as the Board may determine.

Without prejudice to the provisions of the Capital Market Development Act No. 17 of 1990 (CMDA) (the Act) and the Companies Act Ch. 46.03 and the powers of the Exchange as a corporate body and without prejudice to the generally of its power of full management and control of the affairs of the Exchange, the Board shall have power or powers:

- 1) generally, to expend the funds of the Exchange, in its discretion, to the best advantage of its members and generally;
- 2) to purchase, take on lease, exchange, hire or otherwise acquire any moveable or immovable property or any rights or privileges necessary or convenient to the purposes of the Exchange;
- 3) to sell, improve, manage, lease, mortgage, dispose of, turn to account or otherwise deal with any part of the property, moveable or immovable, or rights of the Exchange;
- 4) to construct, alter, repair and maintain any buildings required for the purposes of the Exchange;
- 5) to invest the funds of the Exchange not immediately required, upon such security or securities, if any, and on such terms and in such manner as may be deemed expedient;
- 6) to guarantee or become liable for the payment of money by suretyship or otherwise or for the performance of any obligations by indemnity or otherwise and generally to transact all kinds of guarantee business;
- 7) to enter into such contracts and do such acts and things as it thinks expedient for the purpose of the Exchange;
- 8) to provide for persons in the employ of the Exchange, or their dependents, by means of insurance with an insurer, a pension or provident fund or otherwise, pecuniary benefits upon leave, retirement, death or termination of service or in the event of distress, sickness or injury and to insure members or staff against injury or death;
- 9) to institute, conduct, defend, compound or abandon any legal proceedings by or against the Exchange or its officers, or otherwise concerning the affairs of the Exchange, and any claims or demands by or against the Exchange;
- 10) to draw, make executive, issue, endorse, negotiate, discount and otherwise deal in cheques, bills of Exchange, promissory notes, letters of credit, coupons, drafts, warrants and other negotiable or transferable instruments and securities, and to receive money or valuables on deposit or for safe custody;
- 11) to carry out, fulfil or undertake all or any of the objects of the Exchange by the use of such powers, expressly or implied, granted herein and to do all such things as are incidental or conducive to the successful attainment of such objects;
- 12) to promote the development of the capital market in Malawi.

## 1.2 APPLICATIONS

The Rules and usage of the Exchange shall apply to and be binding upon members of the Exchange and all persons claiming under Rules and usage or where claim is derived from a member but to no other persons. The Exchange does not recognise in its dealings any other parties than its own members: every bargain, therefore, whether for account of the member effecting it, or for the account of the client (principal), must be fulfilled according to the Rules and usage of the Exchange. In addition a member or member firm shall disclose on every letter, circular or other business communication that he is a member of the Malawi Stock Exchange.

Wherever the Exchange is specified as having powers or rights these may be exercised on behalf of the Exchange by the Board or by those designated in writing by the Board.

## 1.3 INTERPRETATION OF RULES

The interpretation of the Rules and the usage of the Exchange shall rest with the Board whose decision shall be final.

## 1.4 DEFINITIONS

- i) "Act" shall mean the Capital Market Development Act 1990.
- ii) "Arbitrage" shall mean the business of buying and selling securities in one market with the intention of immediately reversing such transactions in another market in order to profit from price differences between such markets if such business is not casual but contains the element of continuity.
- iii) "Authorised Dealers" shall have the meaning attributed to it in Section 5.
- iv) "Bank" shall mean the Reserve Bank of Malawi.
- v) "Broker" or "broking member" shall mean a member who carries on the business of a stockbroker.
- vi) "Certified transfer deed" shall mean a transfer deed signed by the transferor, unaccompanied by a share certificate and bearing a certification duly signed and dated by or on behalf of the company whose shares are represented in the transfer deed that the relevant share certificate has been lodged with the company.
- vii) "Board" shall mean the executive authority managing the affairs of the Exchange.
- viii) "Contract price" or transaction price" shall mean the price per share at which the contract or transaction was concluded.
- ix) "Contract value" shall mean the consideration due to be paid by the purchasing to the selling broker in respect of a transaction in securities.
- x) "Listed Security" means any security, which is related in the official list.
- xi) "Member" means any broking member.
- xii) "Registrar" means the Registrar of Financial Institutions.
- xiii) "Security" means any fully paid up shares, stock, debenture, debenture stock or loan stock, other than a bearer security, that may be dealt in on the Exchange and includes any right or option thereon to acquire such a security, whether fully paid or not.
- xiv) For the purpose of option transaction the following terms shall mean.

- a) Call Option:

The purchase right to buy an agreed number of securities at a specified price within a specified period.

b) Put Option

The purchased right to sell an agreed number of securities at a specified price within a specified period.

c) Put and Call Option

The purchased right to buy or sell an agreed number of securities at a specified price within a specified period. The option can be exercised one way only: i.e., the securities may be either bought or sold.

d) Striking Price:

The price at which the security under option will change hands should the option be exercised.

## **1.5 PROHIBITION OF FALSE MARKETS**

No member shall use or knowingly participate in the use of any manipulative or deceptive method of trading in connection with the purchase or sale of any security, which creates or may create a false or misleading appearance of trading activity or an artificial price for the said security. Any member contravening this rule shall be liable to suspension in terms of Rule 2.26.

## **1.6 HOURS OF BUSINESS**

The Exchange will be open for business daily at such time as the Board shall decide. The Exchange shall be closed for business on Saturdays, Sundays, any day proclaimed by the Government as a public holiday, and on such other days as shall be specially advised by the Board.

## **1.7 SUSPENSION OF BUSINESS**

Subject to the consent of the Registrar, the Board may suspend the operation of the Exchange at any time and for any period. In the event of the Exchange being suspended for any reason the Board shall have power to determine the conditions upon which all Exchange transactions open at that time shall be closed.

## **1.8 REGISTER OF MEMBERS**

The Exchange shall keep a register of members in which is set out the names of all persons who are members or have been members of the Exchange within ten years, their class of membership and the address of each such person while a member.

## **1.9 CALL-OVER AND OFFICIAL RECORD OF TRANSACTIONS**

a) Call-over shall be held twice daily whenever the Exchange is open for business in terms of Rule 1.06.

b) Members of the Exchange through the Board should seek the establishment at an early stage of a computerised system of call over. Access to such a computerised system must be mandatory for all members.

c) A list of prices of securities at Call over shall be reported daily to the Secretary and recorded by him. Such prices shall be regarded as the official prices for that day;

- d) On establishment of a computerised system of call over, a list of prices at a specified time daily during the times whenever the Exchange is open for business shall be reported daily to the Secretary and recorded by him. Such prices shall be regarded as the official prices that day;
- e) Transactions effected for settlement other than in Malawi shall be at the price and in the currency of the country in which such settlement is to be effected. No record of such prices shall be made by the Exchange nor shall they be published in the National Press;
- e) No list or record of dealing shall be published or sold by a member without the sanction of the Board. No record of such prices shall be made by the Exchange nor shall they be published in the National Press.

## **1.10 MEETINGS OF MEMBERS**

Once in every year within six (6) months of the end of the financial year there shall be held an Annual General Meeting or members to which such settlement is to be effected.

An Extraordinary General Meeting may be called by the Board at any time. A requisition signed by not less than two thirds of the members shall bind the Board to call such a meeting forthwith.

All general meetings shall be presided over the Chairman or in his absence by the Vice-Chairman of the Exchange. Should neither be present, the members present shall elect a Chairman from their number for the meeting.

## **1.11 GENERAL MEETING**

Twenty-one (21) clear days notice in writing of any General Meeting of members of the Exchange shall be given to persons entitled to attend such meetings, provided that the accidental omission to give or the non-receipt of notice of any meeting shall not invalidate the proceedings at that meeting.

The only persons entitled to attend a meeting of members shall be those entitled to vote thereat, the Secretary of the Exchange, the Auditors and those Board members who may have been approved or appointed by the Minister. Any other person may be admitted only on the invitation of the Chairman of the meeting.

Every member of the Exchange shall be entitled to one vote in person provided that at the time of the meeting his subscription is not in arrears or that his membership has not been suspended. In the event of an equality of votes the Chairman of the meeting shall have a casting vote.

A quorum for any General Meeting of members shall be 25% of those entitled to attend and vote thereat. If no quorum is present within fifteen (15) minutes of the time of the commencement of the meeting, it shall stand adjourned to the same day, time and place in the following week when a quorum shall be those attending the meeting and in the case of a requisitioned meeting the meeting shall be dissolved.

## **1.12 APPOINTMENT OF AUDITORS TO THE EXCHANGE**

At the Annual General Meeting the Appointment of Auditors for the ensuing year and the remuneration for the past year shall be made and the Registrar shall be informed of such appointment within fourteen (14) days of the meeting.

A retiring auditor shall be eligible for re-appointment and shall be re-appointed unless a member of the Board shall have given the Exchange twenty-eight (28) days notice of an alternative nomination.

If a vacancy in the office of auditors occurs between two Annual General Meetings the Board shall take such steps as are necessary to fill the vacancy.

The auditors shall receive all notices and any other communications relating to any general meeting of the Exchange and will be entitled to speak on any part of the business of the meeting , which concerns him as auditor. The auditor shall have right of access at all times to the books of account, vouchers and securities of the Exchange and to any information and explanations he may require.

# PART 2 – THE BOARD

## 2.1 CONSTITUTION

The executive authority managing the affairs of the Exchange shall be the Board. The Board shall consist of the members of the Exchange (save for the persons approved or appointed in terms of the Act.) Every member of the Board ceasing to be a member of the Exchange shall ipso facto be deemed to have vacated office as a member of the Board.

## 2.2 MEMBERS AND QUORUM

The Board shall consist of not less than five (5) nor more than nine (9) elected members of whom two (2) shall constitute a quorum for the transaction of business at any meeting of the Board.

## 2.3 GENERAL AND SIGNING POWERS

- i) Subject to the provisions of the Act, in all matters considered by the Board, its decision whether expressed by the Resolutions or otherwise shall be final and must be carried out forthwith by every member concerned, provided that where a Resolution is required by the rules to be confirmed, such Resolution shall not be effective until confirmed.
- ii) Without prejudice to the generality of the power of the general management of the affairs of the Exchange in terms hereof, the Board shall regulate the transaction of business on the Exchange, the negotiation and conclusion of contracts and for and on behalf of the Exchange do or perform all or any act, matter or thing which the Exchange may be empowered to do or perform by the Act and any regulations made thereunder.
- iii) Deeds, transfers, contracts obligations, leases and other instruments may be signed on behalf of the Exchange by any two of the Chairman of the Board, the Vice Chairman of the Board and any other Board member that may from time to time be designated by the Board for this purpose or by any one such person together with the Secretary of the Exchange or his authorised representative.
- iv) The Board may adjudicate on any transaction in securities involving a member of the Exchange, even although such securities may not have received an official listing.

## 2.4 FINANCIAL

- i) The financial year of the Exchange shall end on the 31<sup>st</sup> December each year.
- ii) The banking business of the Exchange shall be transacted with such banks or other firms or corporations as may from time to time be designated by the Board.

## 2.5 ACCOUNTS

The Board shall ensure that proper books of account are kept of the financial affairs of the Exchange and that these books of account shall be kept at the principal office of the Exchange. Such books will be preserved by the Secretary for a period of seven (7) years from the date of the last entry therein and shall at all reasonable times be open for inspection by any member of the Board.

Within five (3) months of the end of every financial year the Board will ensure that an annual report, audited Accounts consisting of a Balance sheet and a Revenue and Expenditure Account and any subsidiary

statements and accounts as may be necessary or required by law shall be prepared and signed by the Chairman and two members of the Board.

The Secretary will lodge a signed copy of these documents together with the Annual Report of the Board with the Registrar within not more than five (5) months of the end of the financial year. Copies will also be circulated to every member of the Exchange.

## **2.6 LIMIT OF LIABILITY**

No member of the Board or officer of the Exchange shall be liable for any act of omission of any other member of the Board or officer or employee or agent of the Exchange for any loss, damage or expense happening to the Exchange by reason of his having joined in any receipt of money not received by him personally or incurred through the act or omission of any banker, agent, employee or other person, through the deficiency of any security in or upon which any of the moneys of the Exchange shall be invested or for any loss or damage arising from the liquidation, judicial management, assignment or insolvency of any person with whom any of the moneys, securities or effects of the Exchange shall be deposited or for any defect of title to any property acquired by the Exchange or for any loss occasioned by any error of judgement or oversight in the execution of the duties of his office or any other cause whatsoever unless arising by reason of his own wrongful and unlawful act or omission or negligence.

## **2.7 INDEMNITY**

Every member of the Board or officer of the Exchange and his heirs, executors, administrators and assigns, shall at all times be indemnified out of the funds of the Exchange from and against all costs, charges and expenses whatsoever that such Board members or officer sustains or incurs in or about or in relation to any action, suit or proceeding that is brought, commenced or prosecuted against him for or in respect of any act, omission, deed, matter or thing whatsoever made, done or permitted by him in or about the execution of his duties or the affairs of the Exchange unless such costs, charges and expenses are occasioned by his own wrongful and unlawful acts or omissions or his negligence.

## **2.8 ELECTION**

The Board shall consist of up to four (4) members appointed by the Minister and not less than one (1) members and not more than seven (7) members elected annually by the members of the Exchange or their relevant professional representative bodies on a day to be fixed by the Board. If no new Board members are elected the Board members then in office shall continue in office until successors are duly elected. Retiring Board members shall be eligible for re-election if otherwise qualified.

The Secretary shall inform the Registrar of the composition of and any change in the Board within fourteen (14) days of such appointment or change.

## **2.9 NOMINATION AND ELIGIBILITY**

Three (3) weeks notice in writing shall be given to all members of the Exchange entitled to vote, calling for nominations for the Board. Such nominations must be submitted to the Secretary by not later than seven (7) days before the declaration of the election is to be made. A list of persons so nominated shall be placed on the notice boards of the Exchange as they are received together with a list of the names of the existing Board members who are willing to serve again.

## **2.10 BALLOTING**

Should the number of persons seeking election or re-election to the Board exceed nine (9), a ballot shall be held. Every ballot shall be held at such place as the Chairman may appoint.

## 2.11 OCCASIONAL VACANCY

Any occasional vacancy in the elected membership of the Board may be filled for the remainder of the term of the office by the Board provided the remaining elected Board members are not less than two (2).

## 2.12 DISQUALIFICATION OR REMOVAL

- i) The members of the Exchange may, at an Extraordinary General Meeting called for the purpose, remove any elected Board member provided at least two-thirds of the votes cast are in favour of such a resolution. The members may, by a majority vote, elect a member to replace him on the Board.
- ii) The office of an elected Board member shall ipso facto be vacated in the event of one or more of the following occurrences:
  - a) Upon termination of membership of the Exchange.
  - b) Upon his being adjudged by the Board as being a person who is unfit or unsuitable to remain a member of the Board, or in the event of his being suspended from practice.
  - c) Upon receipt of a notice of resignation from office, subject to the provisions of Rule 2.19.
  - d) If he should absent himself without leave from three (3) consecutive ordinary meetings of the Board.

## 2.13 EXPULSION FROM BOARD

The Board may have a Resolution passed and confirmed in accordance with the procedure set out below to expel any of its own elected members from the Board.

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

## 2.14 FIRST MEETING – ELECTION OF OFFICERS

The Board shall at its first meeting after its election to a new term of office elect from amongst its elected members a Chairman, a Vice-Chairman and Treasurer to hold office until the corresponding meeting in the next succeeding year. The Chairman and Vice-Chairman shall bear the title of Chairman of the Malawi Stock Exchange and Vice-Chairman of the Malawi Stock Exchange respectively.

If any of these posts shall become vacant the Board shall take steps to fill them as soon as possible.

## 2.15 DUTIES OF OFFICERS

- i) CHAIRMAN
- ii) VICE-CHAIRMAN
- iii) TREASURER

- i) The Chairman of the Board shall preside at all meetings of the Board and of the members of the Exchange at which he is present and shall be ex-officio a member of all sub-Boards created by the Board.
- ii) The Vice-Chairman of the Board shall assist the Chairman and during the absence or incapacity of the chairman shall have the powers and be charged with the duties of this office.
- iii) The Treasurer shall, under direction of the Board, be responsible for control of the moneys and securities of the Exchange. He shall cause to be rendered to the Board whenever required an account of the financial position of the Exchange.

## **2.16 REGULATIONS OF MEETINGS**

The Board may meet for the dispatch of business, adjourn and otherwise regulate their meetings and meetings of members as it think fit. Each member of the Board shall have one vote except the Chairman of the meeting who shall have in the event of an equality of votes an additional or casting vote.

At every meeting the Chairman shall preside or in his absence the Vice-Chairman and if both are absent then those members of the Board present shall appoint an elected Board member as Chairman for the meeting.

The Chairman or the Vice-Chairman or any two Board members may, and the Secretary on their requisition shall , at any time summon a meeting of the Board.

## **2.17 RESIGNATION EN BLOC**

If the elected members of the Board resign in a body then such Board shall forthwith give notice of the election of a new Board in terms of Rule 2.09.

The names of the elected candidates shall be posted on the notice boards of the Exchange and all members notified immediately.

Persons so elected shall hold office as members of the Board until next annual election.

## **2.18 LEAVE**

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

## **2.19 RESIGNATION**

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

## **2.20 INVESTMENT AND BORROWING POWERS**

All income of the Exchange arising from whatever source shall in the first instance be applied towards the costs of maintaining the institution and thereafter any surplus shall be invested by the Treasurer under authority from the Board in such manner as it in its discretion thinks fit. Such investment shall be added to and form part of the General Reserves of the Exchange.

The Board may raise or borrow money for the purpose of the Exchange in such amounts in such form and upon such terms and conditions as it may deem expedient.

## **2.21 ALTERATIONS TO THE RULES**

Any member of the Board may propose in writing any alteration or addition to or removal from the Rules. Such proposal shall be left with Secretary who will circulate it to each member of the Board and shall post it on the notice boards for fourteen (14) days, after which it shall be considered by the Board.

After adoption by the Board the Secretary shall circulate the proposed amendment to members there shall be held a ballot and if at such ballot a majority of votes be recorded against the amendment then it will be deemed to be rejected.

Two copies of an approved amendment signed by the Chairman, or in his absence, the Vice-Chairman, and the Secretary shall be delivered to the Registrar for approval in terms of the Act. Following such approval being received through the Registrar, the Board shall immediately post the addition, removal or alteration to the Rules on the Notice Boards, signed by the Chairman, or in his absence, Vice-Chairman, and the Secretary, together with notice of the immediate effect of such amendment.

## **2.22 DECLARATION OF INTEREST**

If at any Board meeting a Board is aware that any matter which affects:-

- a) himself or his spouse or child; or
- b) any persons who is a debtor, creditor, partner, employee or agent of the Board member; or
- c) any person who is a debtor under a mortgage bond of any body corporate or unincorporated of which the Board member is a director or officer or under which he holds any office or position other than that of auditor; or
- d) any company of which he is a director;

is to be discussed or is under discussion, that Board member shall forthwith declare to the Board meetings his interest in that matter and shall not vote on any question before the Board which relates to that matter: provided that nothing in this Rule contained shall be taken to prevent Board members from voting upon matters which affect them generally.

## **2.23 COMMUNICATIONS TO BE SIGNED**

All communications to the Board shall be made in writing and the Board shall not be obliged to consider any communication, which is unsigned.

## **2.24 DISCIPLINE**

- i) All decisions by the Board in regard to penalties or disqualifications arising from the infringement or non-compliance with the Rules and upon all matters connected with the administration, business and affairs of the Exchange and the business dealings and professional conduct of its members shall be binding upon all members.
- ii) The Board may by a Resolution passed by not less than three-fourths of those present at a meeting of the Board dispense with the strict enforcement of any of the Rules. In the event of the minimum quorum being present, the decision must be unanimous.

## **2.25 RESTRICTIONS ON VOTING**

- i) When a member of the Board is party to or is concerned in any disciplinary matter under consideration of the Board he shall not act in Board on that particular case.

- ii) When members of the Board are absent or do not vote at the meeting at which a penalty or penalties have been imposed in terms of Rule 2.26 they shall not attend or vote at the subsequent hearing provided for in terms of Rule 2.28.

## **2.26 POWERS TO IMPOSE PENALTIES**

If any member shall be adjudged by the Board to have contravened any Rule, usage or any provision of the Act, or be guilty of any conduct, proceeding or method of business which the Board in its absolute discretion deems unbecoming a member or inconsistent with just and equitable principles of trade, or detrimental to the interests of the Exchange or the public;

And/or if any member:

- a) no longer to a significant degree meets or fulfils the criteria for professional capability;
- b) transacts in securities in which trading has been suspended or cancelled;
- c) fails to supervise properly employees or associates the Board may impose any one or more of the following penalties:
  - i) a reprimand;
  - ii) suspension of membership for such period or periods and upon such conditions as the Board may determine.

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

If the Board considers that the registration of a member should be cancelled, it will recommend accordingly to the Registrar in terms of the Act.

## **2.27 APPEALS AGAINST PENALTIES**

Except when the Board suspends a member with immediate effect where in the opinion of the Board the delay necessary for a hearing would be prejudicial to the interest of the Exchange or the public, no penalty imposed on a member in terms of these Rules shall take effect without the member first being given thirty (30) days in which to make a written request for a hearing in accordance with Rule 2.28.

## **2.28 PROCEDURE FOR HEARINGS**

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

The Secretary shall give seven (7) days written notice of the hearing to the member requesting the hearing at which he and any witnesses he may call shall be heard. Such member or witness shall appear in person and shall not be entitled to representation, legal or otherwise.

A copy of the decision shall be given to the member who requested the hearing and a copy thereof may be used by the Board in any way it may decide.

## **2.29 POWERS TO OBTAIN EVIDENCE**

- i) Members shall attend the Board when required and shall give such information as may be in their possession relative to any matter under investigation, including such accounts and information as to their firm's finances as the Board may consider necessary.
- ii) The Board may itself appoint an Accountant to report upon any matters relating to a firm's finances as it considers necessary, the cost of which shall be paid in the manner determined by the Board.

- iii) In the event of any document called for by the Board not being in the possession or control of a member such member or his authorised dealer shall, if possible, obtain such document or a copy thereof and produce the same to the Board.
- iv) If called upon to do so a member shall authorise the Secretary to obtain any information, document or copy thereof and shall sign such documents that the Board may consider necessary for that purpose.
- v) The Board shall treat all information obtained under this rule as confidential.

## **2.30 OFFICIALS AND PERSONNEL OF MSE TO MAINTAIN SECRECY**

Officials and personnel employed by the Malawi Stock Exchange are required to maintain secrecy at all times in regard to any information obtained as a result of the performance of their functions or otherwise. They shall not use the information so gained for themselves personally or for others, whether in any way related or totally unrelated to the capital markets.

The Board shall appoint amongst themselves a member to establish and maintain regulations pertaining to officials and personnel employed by the Malawi Stock Exchange in particular with respect to information gained during the course of their duties so as to ensure secrecy is maintained and knowledge not utilised for personal gain or for others. Such regulations shall include, but not be limited to, the signing of a confidentiality letter by the officials and personnel of the Malawi Stock Exchange.

## **2.31 MEMBERS' RESPONSIBILITIES FOR EMPLOYEES AND ASSOCIATE MEMBERS**

Any member may be held by the Board to be fully responsible for the acts or omissions or negligence of employees and associate members of a member and if such act or omission or negligence be found to be one which if done by the member would subject him to any of the penalties laid down in Rule 2.26, then such member and any partner or partners of the member may be penalised as if such act or omission or negligence had been done or omitted by him directly.

## **2.32 MEMBERS IN HOUSE RULES**

Members are required to establish written rules and procedures in respect of all their employees, associates, including dealers, encompassing but not limited to, in respect of the manner in which they conduct business on the Stock Exchange on behalf of the member, in respect of their dealings with clients and the public on behalf of the member, in respect of the internal procedures to be operated when transacting stock exchange business on behalf of the member, standards of behaviour and integrity including secrecy in relation to the functions they undertake on behalf of the member. Such House Rules are required to be compliant with the Act and the Members Rules, and in respect of all employees shall be applicable to the same extent as they relate to their employers or to the persons under whose authority the employees operate.

Such House Rules are required to be in compliance with the Members Rules and the Act. Such House Rules shall be subject to approval by the Board, which shall require to review them and any amendments from time to time. Such House Rules may also be subject to approval by the Bank.

## **2.33 PUBLICATION OF DEFAULT OR SUSPENSION**

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

## **2.34 EMPLOYMENT OF DEFAULTERS AND OTHERS REQUIRING BOARD CONSENT**

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

# PART 3 – MEMBERS AND MEMBERSHIP

## 3.1 ADMISSION OF CANDIDATES

No candidate shall be considered for admission to membership of the Exchange unless he satisfies the Board that he is a good character and of high integrity.

Prior to qualifying for admission to membership of the Exchange, the applicant must have been an authorised dealer for a minimum period of one year consecutively and must have attended call over on at least 50% of trading days during that year. This qualification will be accepted only in relation to the period as an authorised dealer whereby the applicant has been a registered stockbroker with another recognised stock exchange. In this case only, and on production of testimonials as to his registration and good standing with such other recognised stock exchange, and applicant may, at the discretion of the Board, be admitted as a member after a minimum period of six months consecutively as an authorised dealer on the Exchange and have attend callover on at least 50% of the trading days during that six months.

He shall satisfy the Board that his competence and conduct are of standard sufficiently high for the protection of the public.

The admission of a candidate to membership of the Exchange shall be subject to his registration in terms of the Act within thirty (30) days of the approval by the Board of his application.

## 3.2 MEMBERSHIP REQUIREMENTS

Every candidate whose application for membership is approved by the Board shall, within (30) days of his admission to the Exchange, acquire a minimum of four (4) shares and have them inscribed in his name. If the candidate is unable during this period to obtain the shares in the open market at a reasonable price the Board shall have the power to issue such shares at a value to be fixed by the Board.

Every member of the Exchange shall continue to hold a minimum of four (4) shares at all times and should he fail to do so he shall ipso facto immediately cease to be a member.

## 3.3 SHARES

- i) General
- ii) Interest
- iii) Register
- iv) Cessation of Membership
- v) Members whose registration is cancelled

- i) Part of the capital of the Exchange shall be provided by the issue of inscribed Shares of nominal value to be agreed by the Board. No member shall, for his own benefit, be the registered holder of more than twelve (12) such shares.

Premiums on the issue of shares shall accrue to the Exchange.

- ii) Holders of Shares shall be such interest as may be approved by members at the Annual General Meeting which shall not exceed the balance available from interest or dividends on the balance available from interest or dividends on the invested funds. They shall not be entitled to any further participation in the profits or assets of the Exchange, except upon sale of their Shares to the Exchange at the price fixed by the Board or upon dissolution or winding up.

- iii) The register of Shares shall be kept by the Secretary. The Exchange shall not be bound to take notice of any trust and shall not record any interest in any proprietary right other than absolute beneficial ownership of the member. The Exchange may deem and treat the registered holder as the absolute beneficial owner for all purposes and shall not be affected by any notice to the contrary.
- iv) Upon termination of membership for any reason whatsoever, instructions shall be deemed, ipso facto, to have been given to the Secretary to offer for sale to other members such Shares as are registered in the name of the member.
- v) The Exchange may sell any Shares registered in the name of a member whose registration has been cancelled and the proceeds of such sale shall be held by the Exchange and be dealt with at the sole discretion of the Board. Notice in writing of such proposed sale shall be sent to all members.

To give effect to sale of instruct any Shares under this rule the Board shall ipso facto be constituted the agent of the member for the purpose of disposal and transfer of the Shares and shall have power to instruct the Secretary to make the necessary entries in the register of members recording the transfer from the name of the member to that of the Purchaser without the consent, written or otherwise, of such member.

### 3.4 MEMBERSHIP NOT TRANSFERABLE

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

### 3.5 MEMBERS' QUALIFICATIONS

- i) Age and employment
  - ii) Undertaking during Membership
  - iii) Company Membership
- i) On admission each member shall be a natural person ordinarily resident in Malawi, of at least twenty-one (21) years of age.
  - ii) Throughout his term of membership each member:
    - a) Shall be ordinarily resident in Malawi
    - b) Shall have as his principal business that of a stockbroker, shall be active in such business to an extent acceptable to the Exchange and devote a substantial portion of his time thereto,
    - c) Shall not be engaged in any business, occupation, profession or other activity which has been disapproved by the Exchange,
    - d) Shall not, without the prior written approval of the Exchange, change the name under which he carries on business, liquidate the assets of the business or cease to carry on business,
    - e) Shall not without the written approval of the Registrar hold an interest in any other concern whose business, either directly or indirectly includes that of dealing in securities, acting as a commercial bank, an issuing house, except as a holder of less than 5% of securities which are listed on the Exchange.
    - f) Shall not either by a shareholding in a management company or by a contractual relationship with a management company or in any other way hold an interest in the operations of a unit trust or mutual fund other than as a holder of units.
    - g) Shall pay such annual subscriptions as shall be laid down by the Board from time to time,

- h) Shall maintain in Malawi assets which exceed his liabilities by at least one million Kwacha (K1,000,000) or provided that if he carries on business in partnership with any other member such partnership has in Malawi assets which exceed liabilities by at least one million Kwacha (K1,000,000) multiplied by the number of partners,
  - i) Shall maintain in Malawi negotiable assets which exceed his liabilities by at least five hundred thousand Kwacha (K500,000) or provided that if he carries on business in partnership with any other member such partnership has negotiable assets in Malawi which exceed its liabilities by at least five hundred thousand Kwacha (K500,000) multiplied by the number of partners,
  - j) From the date of his admission as a member shall be deemed to be conversant with, shall be bound and abide by the Rules and usage of the Exchange, the Act and any regulations prescribed under the Act. A member shall write the Registered Persons Examination (stage 1 and 2) of the South African Institute of Financial Markets (SAIFM) and also pass the oral examination.
  - k) Membership on the exchange constitutes a personal licence from the Exchange to exercise the right and privilege of trading.
- iii) 1) a) if an applicant is a company –
- i) The company should be incorporated in terms of any enactment in Malawi; and
  - ii) Should have minimum share capital of Ten million Malawi Kwacha (K10,000,000.00); and
  - iii) The working capital should be a minimum of 6 months from the date of commencements of operations; and
  - iv) Should have a professional indemnity insurance cover from the date of operations; and
  - v) Should obtain a dealing licence that is renewable annually at a prescribed fee.
  - vi) Has as its sole object the business of stockbroking; and
  - vii) Has complied with such requirements for registration as may be prescribed; and
- b) The Board is satisfied that the applicant is suitable for registration; the Board shall recommend in writing to the Registrar that the applicant be registered.
- 2) For the purpose of subparagraph (iv) of paragraph (a) of subsection (1), any company applying for registration as a stockbroker shall submit a copy of its memorandum and articles of association to the Board and the Registrar.
- 3) If the Board is not satisfied that an applicant-
- a) meets the requirements set out in section (iii) (a) of subsection (1); or
  - b) is suitable for registration
  - c) employs at least one registered stockbroker;
- the Board shall forthwith notify the Registrar and the applicant in writing that it is unable, for the reasons set out in that notification, to recommend that the applicant be registered.

### **3.6 INSTITUTIONAL MEMBERSHIP**

Institutions shall be a member of the Exchange if they comply with 3.05 and will be obliged to acquire Shares as determined by the Board.

### **3.7 APPLICATION PROCEDURES**

- i) Application for membership shall be made to the Secretary in the form of a letter and application set out in Appendix E and shall be signed by the applicant and also by a proposer and seconder.
- ii) The applicant will attend a preliminary meeting of the Board and shall answer such questions as may be deemed necessary.
- iii) Every approved application for admission to membership shall be posted on the notice boards of the Exchange for not less than one (1) month and all members notified thereof. During this period members may make representations thereon to the Board.
- iv) The Board will thereafter deal with the application in terms of Rule 3.09.

### **3.8 INFORMATION CONCERNING CANDIDATES**

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

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

If at anytime it transpires that an application has been accepted for membership under a mistake or wrong information or the like, the Board may impose such penalty set out in Rule 2.26 as it sees fit and any membership granted may be suspended.

### **3.9 VOTING ON APPLICATIONS**

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

### **3.10 REJECTED APPLICATIONS**

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

### **3.11 PARTNERSHIPS**

- i) All partnerships between members as stockbrokers shall be notified to the Secretary. A new, or an alteration in the composition of or the dissolution of an existing partnership shall be communicated to the Secretary and no partnership will be considered as altered or dissolved until such communication is made. A list of all partnerships shall be recorded by the Secretary.
- ii) On any such partnership being entered into, a copy of the Deed of Partnership shall be submitted to the Board. The Board may at any time call for such further information as it may deem fit.
- iii) The failure of a firm dissolves the partnership in the records of the Exchange and should the members of such firm desire to renew the partnership, notice thereof must be given to the Board in the usual way.
- iv) No member shall be allowed to enter into partnership to transact Exchange business with a non-member.

### **3.12 BRANCH OFFICES**

A member may establish one or more Branch Offices in Malawi provided:

- a) the prior written consent of the Board has been obtained. At least twenty-eight (28) days notice shall be given to the Board of the intention to establish a Branch Office;
- b) the Branch Office is wholly under the control of a member and operates in the member's name;
- c) the business is conducted in accordance with the Rules and usage of the Exchange;
- d) the Board may at any time revoke its consent and the member thereupon will close the Branch Office.

### **3.13 DECLARATION ON CONTRACTS**

All brokers notes shall have the word "subject to the provisions of the CMDA and the Act and the regulations and rules made thereunder and the usage of the Malawi Stock Exchange" printed or written on them.

### **3.14 DISCLOSURE OF DEALINGS**

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

### **3.15 BROKING MEMBER'S BOOKS AND RECORDS**

A broking member shall issue receipts for securities deposited with him for sale and shall keep books, accounts, scrip registers, receipts and records which contain such entries as are necessary to show the nature and particulars of all dealings and transactions entered into by the member in his business as a stockbroker and he shall cause such books, accounts, scrip registers, receipts and records to be audited at the end of each financial year by an auditor in public practice. Such books, accounts, scrip registers and records shall be preserved in a safe place for a period of at least seven (7) years as from the date of the last entry therein.

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

### **3.16 AUDITORS' CERTIFICATE**

Every firm whether trading as a person, partnership or company shall cause his books, accounts and record to be audited each financial year by a Chartered Accountant who has no direct or indirect financial interest in the business. A copy of these accounts will be lodged annually by 30 June with the Exchange.

Not later than the 30<sup>th</sup> June each year and in respect of the previous financial year ending on the 31<sup>st</sup> December each member and member firm shall ensure that a certificate in triplicate signed by the Auditor shall have been received by the Secretary of the Exchange. The Secretary shall forward one copy to the Registrar and another to the Board of the Security Fund in terms of the Act.

- 1 The auditor shall state whether, in his opinion, the balance sheet and profit and loss account of the stockbroker are properly drawn up so as to give a true and fair view of the state of the stockbroker's affairs at the date of his balance sheet and of his profit or loss for the financial year ended on that date.
- 2 The auditor shall include in his report statements which, in his opinion, are necessary if:
  - a) proper books, accounts, scrip registers and records have not been kept by such broker during the period to which the audit relates or they have not been properly kept;

- b) he has not obtained all the information and explanations he has required;
- c) the securities deposited with such broker on behalf of any other person, including securities held in safe custody, are not all in the broker's possession unless the auditor has received an independent written verification from the person in whose possession or custody they are, stating that they are free from any lien;
- d) A. he has not received a certificate from the stockbroker certifying that he owns in Malawi assets exceeding his liabilities by at least K1,000,000 or in case of a company K2,500,00 or  
B. in the case of partnership he has not received a certificate or certificates certifying that the partners own assets in Malawi which exceed their liabilities by at least K1,000,000 multiplied by the number of partners;
- e) the stockbroker has not complied with such other financial provisions as may be prescribed in the Act or Rules.

### **3.17 INVESTIGATION BY AUDITOR**

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

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

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

### **3.18 RESIGNATIONS**

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

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

On the Board accepting such resignation the member may request the Registrar in writing to cancel his registration.

### **3.19 NOTIFICATION REQUIRED BY SECRETARY**

- i) Each member and member firm shall register an address with the Secretary at which all notices, advice notes, scrip and other documents may be delivered.
- ii) Names and addresses of external correspondents.
- iii) Members are responsible for advising the Secretary promptly of:
  - a) any change of address
  - b) any change of correspondence
  - c) The death of a partner or winding up or dissolution of any firm,

### **3.20 SECURITY FUND**

On election a new member shall pay to the Exchange for credit to the Security Fund the sum of K25,000 (Twenty Five Thousands Kwacha).

The rules of the Security Fund are set out in Section 12 hereto.

### **3.21 PROFESSIONAL INDEMNITY COVER**

Every broking member, partnership or company shall maintain a policy or policies of insurance against losses caused by the negligent or dishonest acts of its staff and by handling stolen and forged documents of title to securities. Such policies shall be subject to the approval of the Registrar. With the agreement of the Board a member or partnership may agree to bear the first part of any loss up to a maximum of K50,000 (Fifty thousand Kwacha) and a company K150,000 (One Hundred and Fifty Thousand Kwacha).

### **3.22 TYPES OF MEMBERSHIP**

Broking Member - individuals  
- companies

### **3.23 CHANGE OF MEMBERSHIP STATUS**

When a broking member desires to change his status, he shall notify the Secretary in writing. Subject to the consent of the Board being obtained to the change in status such notification shall be circularised to all members, and he must furnish the Secretary with an Auditor's certificate stating:

- a) that all his obligations and commitments arising out of his Exchange business have been fully discharged and that all safe custody scrip in his possession has either been returned to the beneficial owners or handed over to an authorised depository;
- b) that a form approved by the Board has been sent to all his clients advising them of this change of status.

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

### **3.24 COMPLIANCE WITH THE ACT**

Members at all times to ensure the compliance of their own and their employees' operations with the Act as well as with these Members' Rule.

# **PART 4 – NON-MEMBER INSTITUTIONS**

## **4.1 MEMBERS OF APPROVED STOCK EXCHANGES**

Members and organisations in good standing with Stock Exchanges approved for this purpose by the Board, shall be non-member institutions.

## **4.2 GENERAL**

All dealings and transactions by a member for a non-member institution shall be made in the name of the non-member institution and not his customer and the non-member institution shall be fully responsible therefor.

# PART 5 – AUTHORISED DEALERS AND UNAUTHORISED CLERKS

## 5.1 QUALIFICATION

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

- i) Under no circumstances shall any person be admitted as an authorised dealer, herein referred to as a dealer, while under the age of twenty-one (21).
- ii) He shall be an employee of a member and shall have worked in the office of a member for a minimum period of twelve (12) months continuously. This twelve (12) month requirement may be reduced to six (6) months, at the discretion of the Board, if the person has been a registered stockbroker with another recognised stock exchange and is able to produce testimonials as to registration and good standing on that stock exchange.
- iii) He shall meet such qualifications as to experience, formal education and knowledge of trading rules as may be required by the Board. For the time being, the Board consider the following to be minimum relevant qualifications and experience:
  - a) Evidence of having attained a high level of secondary education including at least five (5) GCSE “O” Level passes or equivalent (including Mathematics and English) and two (2) GCSE “A” Level passes (or equivalent);
  - b) Tertiary Level qualifications deemed acceptable include: MBA; CA; CIS; B.Acc; BBS; BSc (Econ); B. Comm or equivalents.
  - c) Work experience over a minimum of four years within a related discipline, including, but not limited to, a recognised financial institution, a professional firm, a company involved in the financial sector (eg insurance, financial consultancy, investment and/or portfolio management etc), Government service and with related financial discipline; within the finance department of companies within the commercial sector or similar related relevant experience.
  - d) Demonstrate willingness to work within and develop in the professional body within the financial investment and management sector, including, but not limited to, preparation and undertaking of an examination syllabus as and when developed;
  - e) An awareness of the relevant legislation covering the corporate and financial environment in Malawi.
  - f) An awareness of the economy of Malawi and the factors affecting it, as well as the Southern African region as a whole; together with a broad understanding and awareness of world events and especially on how they impact upon Malawi and its economy.
  - g) An ability to communicate, interrelate, bargain and deal with a wide range of people across the spectrum of the financial, corporate, public and Government sectors, as well as with the general public.
- iv) Before being awarded authorised status as a dealer, the applicant will need to satisfy the Board that he is of good character and high integrity.

No person who is ineligible for admission as a broking member other than for the causes specified in this rule of financial standing shall be admitted as a dealer.

## 5.2 ELECTION

A member desirous of obtaining the admission of a dealer or of employing another member as a dealer shall make application to the Board on the prescribed form.

Applications for admission of dealers shall be processed in the manner prescribed for the admission of broking members in Rules 3.07 and 3.10, except that the period specified in Rule 3.07 (iii) shall be reduced to seven days (7) days.

No dealer shall be permitted to strike a bargain until his employer has received of his admission from the Secretary.

## 5.03 FEES – AUTHORISED DEALERS

A member shall pay to Exchange such fees for each dealer employed by him as the Exchange shall from time to time prescribe, as set out in Appendix A.

## 5.04 DISMISSAL AND SUBSTITUTION

A member who ceases to employ a dealer or is desirous of withdrawing from a dealer the permission to transact business on his account shall give notice in writing to the Secretary who shall circulate members and post such notice on the notice boards. Any such member may simultaneously apply for the admission of a new dealer in place of the former and the Board at their discretion may admit the new dealer subject to compliance with Rule 5.01 and 5.02.

The Board, in its discretion, may order the withdraw from the Exchange of any dealer in the employ of any member.

## 5.05 MEMBER'S RESPONSIBILITY

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

## 5.6 DEALERS OF:

- i) Defaulters
- ii) Deceased Members

- i) Dealers of defaulters are excluded from the Exchange.
- ii) Dealers of deceased broking members may, by permission of the Chairman or the Vice-Chairman or two (2) members of the Board continue to be authorised for the sole purpose of closing unsettled accounts.

## 5.7 PERMITTED NUMBER OF DEALERS

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

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

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

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

## **5.8 MEMBER'S POWER OF ATTORNEY**

No member shall give power of attorney other than to a person who is a member or an authorised dealer to carry on or supervise his Exchange business unless the person whom it is proposed to appoint as a substitute shall have been approved by the Board. Any power of attorney so granted or any substitution thereunder shall be registered with the Secretary and a copy thereof delivered to him. Nothing in this rule shall absolve the member granting the power of attorney from responsibilities for the acts or omissions of his attorney or substitute.

## **5.09 LIMITATION OF ACTIVITIES OF DEALERS**

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

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

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

## **5.10 TRANSACTIONS BETWEEN DEALERS**

If any member or authorised dealer shall do a bargain either for cash or on time with an authorised dealer for account of such dealer he shall be liable to execution of bargain for a person who he knows is an employee of another broking member.

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

## **5.11 UNAUTHORISED CLERKS**

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

# PART 6 - COMMISSIONS

## 6.01 GENERAL MINIMUM COMMISSION AND CHARGES

A broker shall charge his client commission in respect of every bargain made on his behalf and in respect of every service for which a charge is prescribed. The commission must be charged at not less than the rates laid down in Appendix B to these Rules and no reduction shall be allowed except as is authorised in these rules. If commission is charged at a rate exceeding the minimum rates such action shall be brought to the notice of the client and recorded on the broker's note. Members must at all times be prepared to justify their commissions and charges to the Board.

No Rules of the Exchange shall restrict dealings or the sharing of commission between members.

A broker shall make such other additional charges as are set out in Appendix B to these Rules.

## 6.2 CONTINUATION ORDERS

In a transaction executed pursuant to orders placed on one client for one account and for an individual security other than stocks of Governments, Municipalities and Statutory Corporations, a member is permitted to aggregate for a period of three calendar months from the date of the first bargain the consideration of the first and any subsequent bargains and may charge commission at such lower rates as apply in accordance with the scales set out in Appendix B.

## 6.3 BOOK – OVER TWO BARGAINS

Book-overs shall be regarded as two bargains and the regular commission shall be charged on each bargain.

A request by a client for a special rebate of commission to be charged may not be acceded to without the prior consent of two independent members of the Board obtained through the Secretary.

## 6.4 PENALTY FOR UNDERCHARGING

Any member found to have charged less than the scale of commissions or other charges laid down by the Exchange shall be liable to a penalty imposed in terms of Rule 2.26.

## 6.5 OPTIONS

The commission to be charged by members on the purchase or sale of a put or call option on listed securities shall be the normal commission which would be charged on the purchase or sale of the security provided however that:

- a) the minimum charge on any single option shall be as set out in Appendix B;
- b) no commission shall be charged on the receipt or delivery of securities pursuant to the exercise of a put or call option.

## 6.6 BARGAINS WITH OTHER EXCHANGES

The Exchange may provide for special commission rates on bargains made for a member or member firm of other specified Stock Exchange, which are not covered by the provisions of Rule 4.01.

## **6.7 PROHIBITION ON SPECIAL PRIVILEGES**

A member shall not provide any special privilege to any client who is not a member of the Exchange.

## **6.08 RENDERING OF BROKER'S NOTES**

A member shall render to his client a Broker's Note in respect of every bargain done for such client's account stating the price at which the bargain was done and the commission charged in respect thereof. A Broker's Note in respect of a transaction in a security other than a security listed on a recognised Stock Exchange will be endorsed "Unlisted Security".

In respect of bargains for members of other specified Stock Exchanges a member may render a net contract note stating that commission at the applicable rate and all other charges are allowed for in the price. The provision of Rule 6.01 covering charges in excess of the laid down minimum scales shall not apply to net contract notes rendered to members of outside Exchange.

## **6.09 COMMISSIONS ON EXTERNAL BARGAINS**

The rate commission on transactions effected in currencies other than the MALAWI Kwacha are chargeable as follows:-

- a) where the transaction is to be settled by the client in Malawi Kwacha the rate of commission is to be calculated on the Malawi equivalent of the foreign currency price after allowance for any premium paid or received having been included;
- b) where the transaction is to be settled by the client otherwise than in Malawi Kwacha the rate of commission is to be calculated on the Malawi equivalent of the foreign currency price ruling on the day of the bargain.

# **PART 7 – TRADING**

## **7.01 BARGAINS SOLELY BETWEEN MEMBERS**

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

## **7.2 POWER TO HALT TRADING IN ANY SECURITY**

Any two of the Chairman or the Vice-Chairman or a member of the Board shall have the authority to interrupt or halt trading in any security at any time and for any period.

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

## **7.3 BIDS AND OFFERS BINDING. SETTLEMENT OF DISPUTES**

All bids and offers made and accepted in accordance with the usage or practice of the Exchange shall be binding and all contracts thereby effected and arising therefrom shall be subject to the exercise by the Board of the powers in respect thereto vested in it.

Disputes arising on bids or offers, if not settled by agreement between the parties concerned may be referred to the Board for a decision in terms of Rule 2.03, provided that no such dispute will be considered unless it is submitted to the Board within ten (10) days of the date upon which the transaction out of which the dispute arose should have been settled.

## **7.4 NUMBER OF SHARES BID OR OFFERED**

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

## **7.5 BAN ON FICTITIOUS SALES**

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

## **7.6 PRIORITY OF ORDERS**

Orders must be executed by members of the Exchange on a First Received First Executed basis with no priorities given or extended for clients, other brokers, size of orders etc.

## **7.7 TRADING FOR OWN ACCOUNT**

Members may trade listed Malawi securities on the Exchange for their own account. However they are required to declare their interest for such trading in accordance with 10.04 and to confirm in writing their interest within 24 hours of executing such trading on the Exchange in accordance with 10.05. Notwithstanding the requirements under 10.04 and 10.05, the member engaging in such trading on own account is required also to submit annual records of all such purchases and sales within 3 months of his financial year end through the Secretary of the Exchange to the Registrar in accordance with 3.14.

## **7.8 BOOK – OVER PROCEDURE**

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

- i) he shall first test the market by making a double price, which in the prevailing market conditions is fair and equitable to both buyer and seller. If any member bids to purchase the securities at a price higher or offers to sell securities at a price lower than the proposed book-over price, the book over-price shall be concluded only in respect of the securities not so bought or sold;
- ii) the other broker is satisfied that the price is fair and equitable.

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

## **7.09 SPECIAL BARGAINS**

A special bargain is a transaction in securities which is beyond the capacity of the market at the prevailing price. Transactions in special bargains may be put through at such price as is agreed to by both the purchasing and the selling client. Details of special bargains shall be marked and reported to the Secretary of the Exchange.

In order to establish that a special bargain is beyond the capacity of the market at the prevailing price, the following procedure will be carried out at the daily call and at no other time. On the stock in question being called the buying and selling brokers who wish to conclude the bargain, or the broker acting on behalf of both the buyer and the seller who wishes to "book-over" the bargain shall declare the details of the number of shares and the price. Only if the market as a whole agrees that the bargain falls within the definition of a "special bargain" and that the price is reasonable shall the transaction go through. It is thereafter the responsibility of the broker or brokers concerned to ensure that the bargain is marked as a special bargain and inform the Secretary in writing of all the details.

In the event of the market being able at the call either to bid a higher price or offer at a lower price the same quantity of shares involved in the special bargain the proposed transaction shall not go through. The broker or brokers concerned shall have the opportunity of consulting with their clients before being bound to accept the bid or offer made by the market.

## **7.10 BAN ON TAKING LEGAL ACTION**

No member shall attempt to enforce by law a claim arising out of an Exchange transaction against a member without the consent of the Board.

## 7.11 TRADING ON HOLIDAYS

- i. No recognition by Board
- ii. Options falling due.
  - i. The Board shall not be bound to recognise or take cognisance of transactions which have been entered into on Saturdays, Sundays or on Exchange holidays.
  - ii. All options or time bargains expiring or falling due on one of these days shall be deemed to mature on the first business day thereafter.

## 7.12 ADVICE NOTES

Advice notes and acceptance shall be signed by a member, a dealer or any person under a power of attorney granted by such member provided the power of attorney has been lodged with the Secretary of the Exchange.

## 7.13 DELIVERIES

- i. Genuineness and Regularity
  - ii. Certified Transfer Deeds
  - iii. Good Delivery
  - iv. Mutilated Scrip
  - v. Scrip of companies with Alterations to Capital
- i. The seller of securities shall be responsible for their genuineness and of all documents necessary for the transfer thereof.
  - ii. Certified transfer deeds shall be good delivery only if they bear distinctive markings in capitals and shall take the form of the words " CERTIFIED DEED" or the letters "C D" followed by the amount of stock or the number of shares in figures.
  - iii. Subject to the above provisions no scrip certificate shall be deemed good for delivery unless accompanied by the requisite transfer form signed by the registered holder and such signature certified correct by a broking member, or an authorised representative of a recognised financial institution.
  - iv. No scrip shall be good for delivery where the certificate is mutilated or damaged or material part of the working is obliterated. If alterations have been made then such alterations shall be initialed by the person signing the transfer deed.
  - v. Scrip of companies the capital of which has been increased or decreased shall be good for delivery although the alteration of capitals has not been noted thereon. When, however, such scrip is sold in or from the place where the company has an office at which such alteration can be made, the seller shall be bound to have this done before effecting delivery.

## 7.14 NO SPECIFIC CERTIFICATES

All transactions shall be subject to the conditions that no client may claim or demand stock or share certificates from his broker which can be related to or identified with any specific transaction with any particular selling broker, nor may a client of a selling broker insist that the stock or share certificates he delivers to his broker shall be delivered to a specific broker in settlement of a particular transaction.

## 7.15 DIVIDENDS AND RIGHTS

- i) Advantage passes to Buyer
- iii ii) Accrued Interest to Seller
- iv iii) Board to Control Procedure
  - i) In all sales all intermediate advantage shall pass with the security and shall belong to the purchaser unless otherwise declared at the time of sale.
  - ii) All interest accrued to the date of sale on bonds issued by the Government , Municipalities and Statutory Bodies shall go to the seller unless otherwise arranged at the time of the transaction.
  - iii) Subject always to the above the Board shall from time to time prescribe such formulae as it in its discretion may deem fit to control govern and determine the procedure for dealing with and the record date for one or more of the benefits rights dividends interest or other incidental accruals which flow from the ownership of securities.

## 7.16 RIGHTS ON “CALLS” AND “TIME” BARGAINS

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

## 7.17 UNCLAIMED SUBSCRIPTION RIGHTS

If subscription rights attaching to securities be not claimed by the persons entitled thereto at least 24 hours before the expiration of the time within which trading in respect of such rights may take place on the Exchange, a member holding such rights may, in his discretion, sell the whole or any part thereof and shall thereafter upon receipt of a valid claim account therefore to the person or persons entitled thereto but in no case shall a member be liable for any loss arising through failure to sell or exercise any unclaimed rights.

## 7.18 ADJUSTMENT TO ORDERS ON SECURITY QUOTED EX RIGHTS

- 1 When security is quoted ex-dividend, ex-rights, ex-subscription privileges or ex-interest the following classes of orders shall be reduced by the value of the payment right or privilege on the day the security sells ex:
  - a) Limited buying orders.
  - b) Limited stop orders to sell.
- 2 The following classes of orders shall not be reduced:
  - a) Limited stop orders to buy.
  - b) Limited selling orders.

## **7.19 SETTLEMENT PROCEDURES**

All purchases and sales between members shall be settled in cash against delivery of the scrip in negotiable order or on T+7. No purchase or sales transactions will be allowed involving the issue of post dated or held cheques, or any such similar device. Any member who fails to meet his obligations in terms of this Rule shall be declared a defaulter in terms of Rule 11.01.

All members shall in terms of the Act settle purchases and sales made for clients in cash except where:

- a) The client has arranged with a banking institution for delivery to be made on his behalf against payment OR
- b) The client has placed an order which involves a sale and a purchase utilising all or part of the proceeds of such sale and it is arranged with the client that deliveries shall be made free of counter value. Notwithstanding any such arrangement a switch shall be deemed for the purpose of these Rules to be two separate transactions.

## **7.20 BEAR SALES**

No member shall execute a bear sale (short selling) without obtaining such cash cover as he may determine which shall not be less than the value of the securities sold and notification in writing from the client that the sale is a bear sale (short sale). Such cash cover will not include the issue of a post dated or held cheque. No member shall be obliged to transact a bear sale (short sale) on behalf of a client.

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

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

- a) Below the sales price of the listed securities last recorded by the Exchange ; or
- b) Equaling the cash sales' price of the listed securities last recorded by the Exchange, unless that cash sales' price exceeds the most recent different cash sales' price of the listed securities recorded by the Exchange.

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

The Board may take such action as they may think fit.

## **7.21 CLAIM ARISING FROM NEGLIGENCE**

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

## **7.22 PROCEDURE ON DEATH OF MEMBER**

- 1 On the death of a member who is the sole owner of a broking business the Board may nominate a person to deal with all open transactions according to the terms of such transactions.

- 2 The Board may in such cases as it deems desirable grant permission to the estate of such deceased member to carry on for a limited period and under suitable direction the broking business for the sole purpose of winding up the deceased member's estate to the best advantage.
- 3 Such permission is subject to such conditions as the Board or the Master of the High Court may require at any time and shall not extend beyond six (6) months without the written consent of the Board.
- 4 In the event of there being any dispute or difficulty in the closing of transactions open at the time of death the Board shall adjudicate and its decision shall be final.

# PART 8 – OFFICIAL LIST

## 8.1 BOARD'S AUTHORITY AND POWERS

A list of securities (hereinafter referred to as "the Official") shall be published under the authority of the Board in which shall be listed such securities as the Board shall from time to time order.

- a) there has been a failure to comply with any of the terms and conditions of listing, or
- b) there has been a failure to comply with any of the Exchange requirements or
- c) such action is necessary in the public interest.

Any action taken in terms of this rule shall be circularised immediately to all members together with the date of such removal. A reinstatement of a security shall be similarly circularised.

## 8.2 CONTENTS OF OFFICIAL LIST

The Official List shall, unless the Board order otherwise, contain a record in such form as the Board shall determine of bargains marked by members.

No list or record or dealings shall be published or sold by a member without the sanction of the Board.

## 8.3 BASIC LISTING REQUIREMENTS

- 1 The granting of a listing shall be subject to the Rules which now or hereafter may be in force.
- 2 No securities that are not fully paid up shall be granted a listing unless they are securities bearing a fixed rate of interest and either the date or dates upon which any amount payable by the holders thereof together with the amount payable on each date is determined and has been approved by the Board.
- 3 Save in circumstances which the Board deem to be exceptional the Board shall only grant a listing in respect of shares which at all times have voting rights in proportion to the nominal value of the shares. Provided that the Board may grant a listing to Preference shares (other than participating preference shares) where the right to vote is suspended unless the preference dividend is in arrear for more than a stated period.
- 4 The Board will not grant a listing to a company where prior to such listing there has been a preferential allocation of shares to public officers employed by the Malawi Government or a local authority or employees of any newspaper, magazine or other journal.

## 8.4 APPLICATION FOR LISTING

Applications for listings must be made to the Secretary of the Exchange by the Company, Government, Municipality, Local Authority or Statutory Corporation concerned and in the case of a company must be submitted through a sponsoring broker who shall be a broking member or firm, and who shall charge a fee to be agreed upon between him and the company.

Applications shall be subject to these Rules and applicants shall comply with all the requirements of the Board and shall supply such information and documents as the Board may require.

The Board shall have power to grant, defer or refuse applications for listings.

## **8.05 TRANSFER AND REGISTRATION REQUIREMENTS**

Every Malawian company whose securities are listed on the Exchange is required to maintain a transfer office either in Blantyre or Lilongwe. The transfer agent or registrar shall be acceptable to the Exchange and shall comply with such requirements of the Board as shall from time to time be in force.

## **8.6 PROXIES AND ANNUAL MEETINGS**

- 1 Every listed company the shareholders of which are entitled to vote at a meeting shall issue forms of proxy for all meetings of such shareholders.
- 2 Every listed company shall notify the Exchange at least three (3) weeks in advance of the date on which its annual meeting will be held in each calendar year which shall be within six (6) months of the end of its financial year and shall forward to its shareholders and file with the Exchange an annual report and accounts at least three (3) weeks in advance of the annual meeting. The Board may permit postponement of an annual meeting in circumstances it considers proper.

## **8.07 ANNUAL REVIEW BY BOARD**

- 1 The Board shall review all listings at least once a year. For the purpose of this review all listed companies shall furnish the Board with such information and documents as the Board may require. Once a year there shall be forwarded to the Registrar a certificate signed by the Chairman of the Exchange confirming that all listings have been reviewed.
- 2 The Official Listing may be divided into sub-sections with the object of indicating the nature of the business carried on by the companies in each sub-section and the Board shall decide in which sub-section each listed company will be placed.

## **8.8 MEMBERS TO OBTAIN AND DISSEMINATE INFORMATION**

- 1 All listed companies shall comply with the requirements of the Board as detailed in the Malawi Stock Exchange Procedures For Listing and General requirements for Listed Companies in force and as amended from time to time in relation to circulars, press notices, prospectuses, offers for sale, advertisements, increases and reductions of capital, notices or meetings, dividends, purchase or sale of assets and all other matters of material information.
- 2 If called upon to do so by the Board any listed company will issue a circular to registered holders giving such information on the company's affairs which the Board consider should be made known to the public. All such circulars shall be subject to the prior approval of the Board.

## **8.9 MEMBERS TO OBTAIN AND DISSEMINATE INFORMATION**

Notwithstanding the listed companies obligations to disseminate information concerning their affairs as at 8.08, it is the required duty also of the members to obtain such information concerning listed companies and their listed securities and to make such information known to the public through press releases, circulars etc (subject to the provisos of 10.04).

## **8.10 APPLICATION FOR LISTING OF ADDITIONAL SECURITIES**

A company shall apply for a listing of any additional issue of the same class of security as that already listed as soon as allotment has been made. Such application shall comply with the requirements of the Exchange and in respect of such application the security referred to shall not be listed or dealt in until such time as the application is approved.

Application for the listing of an issue of a different class of security to that already listed shall comply with the requirements of the Exchange and the applicant shall provide such information and documents as the Board may require.

The securities referred to in this rule shall not be good for delivery on the Exchange until a listing has been granted.

## **8.11 RECEIPT FOR MONEY RECEIVED FROM ISSUES**

A company desirous of obtaining a listing for its securities or a listed company wishing to increase the number of its securities so listed shall issue to the Secretary of the Exchange a report in a form acceptable to the Exchange and signed by its auditors for all money paid to it as a result of:

- 1 an offer to the general public of any class of security, or
- 2 the exercise of any option granted by the company, or
- 3 the offer of new capital to its existing shareholders

The Exchange will not grant a listing for any such securities nor shall they be good for delivery on the Exchange until this rule is complied with.

## **8.12 REMOVAL FROM OFFICIAL LIST**

Securities shall be removed from the Official List following:

- a) the company being placed in liquidation, or under judicial management, whether provisional or final, or
- b) receipt of written application from the Chairman or Secretary of the company to de-list its securities, or
- c) on expiration, conversion or redemption of options, redeemable preference shares, debentures, notes, loans or other securities of a similar nature.

The Secretary shall inform all members of the removal and the date thereof.

### **8.13 PUBLICATION OF BOARD ACTION**

When the Board has removed any securities from the Official List or has halted trading in any securities the Board may publish such fact in a newspaper or in any other manner and may similarly publish the reasons for such removal or suspension.

### **8.14 LISTING FEES AND OTHER CHARGES**

The listing fees and other charges levied by the Exchange shall be in accordance with the details set out in Appendix C.

# **PART 9 – PERMITTED DEALINGS**

## **9.1 DEALINGS ON THE EXCHANGE**

Dealings are permitted on the Exchange in securities of any company or body corporate which:

- 1 Has been granted a listing and which is not subject to a Board decision to suspend dealings or cancel the listing;
- 2 Is listed or quoted by any Stock Exchange outside Malawi which has been recognised or in respect of which permission to deal has been granted in terms of the Act.

## **9.2 DEALINGS OUTSIDE THE EXCHANGE**

Dealings are permitted outside the Exchange in the following securities

- 1 Sub-units of unlisted unit trusts if negotiated by brokers with unit trust management. Dealings between members in unlisted sub-units are not allowed.
- 2 Unlisted securities during the hours the Exchange is open. As between members settlement of bargains in unlisted securities shall be ex-dividend, ex-rights or ex-subscription privileges as the case may be in the same manner as if such securities were listed.

## **9.3 DEALINGS IN TEMPORARY DOCUMENTS OF TITLE**

The Board may in its discretion and prior to the granting of a listing, grant permission to deal in renounceable letters of allotment, letters of acceptance, letters of application or other similar documents issued or about to be issued or options or other rights issued or to be issued in conjunction with such letters or similar documents.

Except as above provided dealings are not permitted in any securities of a company which has made application to the Exchange for a listing until the date from which the listing has been granted.

# PART 10 – RESPONSIBILITIES AND OBLIGATIONS OF MEMBERS

## 10.1 RELATIONS WITH CLIENTS

Every member shall use due diligence:

- a) to learn the essential facts relative to every client and to every order or account accepted;
- b) to ensure that the acceptance of any order for any account is within the bounds of good business practice; and
- c) to ensure that recommendations made for any account are appropriate for the client and in keeping with his investment objectives,
- d) to ensure the best possible conditions for its customers when handling orders received.

Every member shall at all times observe and exercise high standards of commercial honour and just and equitable principles of trade, having due regard to the maintenance of fair and orderly markets and the protection of investors.

Every member shall at all times act as the agent of his client.

## 10.2 CASH TRANSACTIONS

Save where specified at 10.07, all transactions between members and clients shall be on a cash basis. For this purpose, cash shall include valid cheques as at date of transaction drawn on banks registered under the Banking Act. Under no circumstances shall any transaction between members and clients be executed using post dated cheques, promissory notes or similar financial instruments.

## 10.3 NOMINEE ACCOUNTS

Members may maintain accounts for clients identified by number, nominee name or other symbol, provided they maintain sufficient information in writing to establish the beneficial owner of the account. This information shall be available at all times upon request of the Secretary of the Exchange.

## 10.4 RECORD OF ORDERS

- 1 A record shall be kept by each member of each order received for the purchase or sale of listed or unlisted securities.
- 2 Records of orders executed shall be retained for seven (7) years and shall show the date, the price paid or received, the broker from or to or through whom the security was bought or sold.
- 3 No record need be retained of any order received for the purchase or sale of listed or unlisted securities which remains un-executed for a period in excess of forty-five (45) days.

## **10.5 DECLARATION OF INTEREST**

- i) In every case where a member or member firm acts as a principal in the buying or selling of shares to or from a client it shall disclose the fact and, in addition, endorse the confirmation of such a bargain accordingly. Such a bargain shall only be executed with the prior consent of the client.
- ii) If a member books over shares where he is a principal either as the seller or purchaser or all or any of the shares concerned he shall declare his interest to the other member with whom he proposed to deal and endorse his advice note accordingly.
- iii) In every case where a member or member firm prepares a report on a listed company or issues a circular on a listed company and such member or any partner of such member firm is a beneficial owner of ordinary shares in that company the fact shall be disclosed in such report or circular.

## **10.6 CONFIRMATION OF BARGAINS**

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

- a) The quantity and description of the security
- b) The price at which the transaction was effected
- c) The market in which the transaction if such market is other than Malawi;
- d) The consideration;
- e) The commission charged in terms of Rule 6.09 and Appendix B;
- f) Any other charges individually which are due either in terms of the Rules or the Act or regulations made in terms of the Act or by any Government statute;
- g) The date of the transaction;
- h) Whether the member acting as a principal;
- i) The full trading name of the member or firm
- j) The name of all partners.

## **10.07 DELIVERY PRIOR TO EXECUTION**

Members conducting sales of Malawi listed securities and/or purchases of Malawi listed securities on behalf of clients are required to receive such securities for sale or payment for such purchases from the client prior to executing the transaction as confirmed at 10.06.

## **10.8 NO REGISTRATION BEFORE PAYMENT**

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

## **10.9 TRANSFER OF OWNERSHIP OF SECURITIES**

Following execution of every transaction, the member is required to forward the executed and validated transfer form covering the transaction to the respective transfer offices of the listed Malawi security(ies) concerned within 1 (One) working day of such execution being effected.

## **10.10 DEFAULTING CLIENTS OF MEMBERS RIGHTS**

- 1) A member is entitled to payment for securities purchased on behalf of a client on delivery of the securities either to such client or banking institution or non-member institution provided notification in writing has been given of this effect. For the transaction of such payment, only valid, current cheques drawn on a registered financial institution shall be valid. Under no circumstances will such transactions be enabled through the issue of a post dated or held cheque, or any such similar device. If a member does not receive payment for such securities in terms of the above, he shall within sixty (60) days thereafter sell the securities for the account of the client and shall also sell for his account sufficient additional securities either held on the client's behalf or due to be delivered to him as may be necessary to cover any shortfall on his account.
- 2) Notwithstanding 10.06, if a member sells securities on behalf of a client and in the event of the securities not being delivered in negotiable order, the member, if he shall deem it necessary for his protection shall with the concurrence of the Board first obtained, have the right to buy any or all of the securities of which such clients account may be short, and sell sufficient additional securities held for or on account of such client as may be necessary to cover any shortfall on his account.
- 3) Following Confirmation of a Bargain in terms of 10.05, should a client default on executing his part of the bargain to the member, that is by failing to deliver securities for sale or cash for purchase of securities within 1 (One) working day of receipt of Confirmation of Bargain, the member is required to report such client to the Secretary specifying details and circumstances of the default. The member should be prepared to give such further information concerning his prior business relationship with the client should he be requested to do so by the Secretary.

## **10.11 PLEDGE AGREEMENTS**

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

## **10.12 PROHIBITION OF TRADING AGAINST CLIENT'S ACCOUNT**

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

## **10.13 PROXIES ON NOMINEE SRIP**

- 1 No member shall give a proxy to vote in respect of securities registered in his name or the name of his nominee except as required or permitted under (2) below unless such member is the beneficial owner of such shares.
- 2 Proxy in respect of securities registered in his name or the name of his nominee at the direction of the beneficial owner.

## 10.14 SAFE CUSTODY SCRIP

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

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

A receipt will be issued to the client in respect of any securities which shall at all times be kept available for the client on demand.

## 10.15 ADVERTISING

- i) Circulars to persons other than clients
- ii) Misleading Circulars
- iii) Office Signs
- iv) Unlisted Securities
  - j) A member may not advertise for Exchange business or for this purpose issue circulars or business communications to persons other than his own clients, except that with the prior written permission of the Board he may issue on behalf of a client a circular to holders of a security of a company offering to acquire their securities.
  - ii) No circular shall contain any statement or forecast which is known to be misleading.
  - iii) A member or member firm shall display on the outside of the premises occupied by them the name of the firm and the statement that the member or members concerned are members of the Malawi Stock Exchange.
  - iv) A member or firm may not, without the prior written consent of the Board, allow its name appear as brokers in any document relating to securities in respect of which no application for listing has been made or such application has been refused or deferred or listing of which has been suspended or cancelled.

## 10.16 BAN ON DEALING

- i) A member shall not knowingly without the prior written consent of the Board transact business for a client who has been reported to the Secretary as having failed to fulfil his obligations to another firm or member. A member shall be entitled to make all such enquiries that are reasonable to ascertain whether or not such client has at any time failed to fulfil his obligations to a member or a firm.

## **10.17 DISPUTES BETWEEN MEMBERS**

All disputes between members not affecting the general interests of the Exchange which arise out of Exchange transactions or are connected with Exchange business and including partnership disputes shall be referred to arbitration of a member of the Exchange; and the Board will not adjudicate such disputes unless arbitrators cannot be found or are unable to come to a decision.

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

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

## **10.18 MEMBER TO ACT NOT TO EVADE RULES**

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

## **10.19 BAN ON MISLEADING NAMES**

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

## **10.20 BAN ON CONCEALED DEALINGS**

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

## **10.21 BAN ON DEALING FOR EXPELLED PERSONS OR EMPLOYEES OF OTHER FIRMS**

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

A member shall not deal for a dealer of another firm without first obtaining the consent of that member of dealer's firm.

## **10.22 PAYMENT OF FEES**

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

Such assessments, fees and charges shall be those laid down in Appendix "A".

# PART 11 – DEFAULTERS AND INSOLVENCY

## 11.1 DECLARATION OF A DEFAULTER

- a) A member who fails to meet his obligations shall be publicly declared a defaulter by direction of the Chairman, Vice-Chairman or any two members or the Board.
- b) The Board may order a member who fails to meet his obligations to a member or non-member arising out of an Exchange transaction or who fails to pay an amount due by him to the Exchange to be declared a defaulter. The Secretary shall inform the Registrar without delay of any declaration of a defaulter.
- c) A declaration shall be telephoned by the Secretary immediately to all broking members or firms.
- d) The Board shall by resolution suspend the defaulter forthwith. Such resolution may be taken by the Chairman or Vice-Chairman acting with one other member of the Board and shall be confirmed by the full Board at its next meeting.
- e) Immediately upon a member being declared a defaulter :
  - i) he shall hand over to the Board all books and accounting records of his firm including all scrip registers, safe custody ledgers and cheque books, and all cash securities and other assets relating to his stockbroking business including cash and securities held on behalf clients in safe custody.
  - ii) he or the Board on his behalf shall cause his books and accounting records to be audited forthwith in respect of the period ending on the date on which such member was declared a defaulter, by the auditor approved by the Board;
  - iii) if in the opinion of the auditor such member's assets exceed his liabilities, such member shall take immediate steps for the winding-up of his stock exchange business under the supervision of the Board as expeditiously as possible and the Board shall be entitled to take such steps on his behalf.
  - iv) if in the opinion of the auditor such member's assets are insufficient to meet his liabilities in full the Board shall take immediate steps to apply to a Court of competent jurisdiction for such member's estate to be declared insolvent.

## 11.2 RESPONSIBILITIES OF DEFAULTERS TO EXCHANGE AND OF MEMBERS TO EXCHANGE

Any member shall as soon as he finds himself unable to meet his obligations notify the Secretary by telephone and in writing to that effect and he will thereupon be declared a defaulter. Failure to notify the Secretary shall make him ineligible for re-admission.

If any member gives private intimation to his member creditors of his inability to meet his obligations such member creditors shall not make any compromise or arrangement but shall immediately communicate with the Chairman, Vice-Chairman or two members of the Board in order that the member in default may be immediately so declared.

No compromise or arrangement entered into between a defaulter and his member creditors shall be binding or of effect against either party.

### **11.3 APPOINTMENT AND POWERS OF INVESTIGATING SUB-BOARD**

In all cases of default the Board shall meet and appoint a Sub-Board of not less than two (2) members of the Board. Such Sub-Board shall have the following powers: To obtain from the defaulter his original books of account and a statement of the sums owing to and by him in connection with Exchange transactions; to enter into a strict examination of every account; to report to the Board any matter which may appear irregular; and manage and deal with the Exchange estate in conformity with the Rules, and usage of the Exchange.

### **11.4 DISCLOSURE OF CLIENTS' NAME**

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

### **11.5 CLAIMS ON DEFAULTER**

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

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

The Board may accept such evidence as they deem sufficient as proof of claims arising in whatever way against the Exchange estate.

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

### **11.6 ASSIGNMENT OF CLAIMS**

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

### **11.7 PRICE FIXING OF OPEN TRANSACTIONS**

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

Transactions in unquoted securities and unexpired options shall be similarly closed at a price determined by the Sub-Board having regard to prices at which the last business was done on any other stock exchange or off the floor of the Exchange.

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

## **11.8 DISHONoured CHEQUES**

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

## **11.9 LOANS OF SECURITY**

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

## **11.10 LEGAL ENFORCEMENT OF CLAIMS**

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

## **11.11 MANAGEMENT OF DEFAULTER'S ESTATE**

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

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

## **11.12 RE-ADMISSION OF DEFAULTER**

The Board may re-admit any defaulter.

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

- i) Cases of failure arising from the default of clients or from other circumstances where no bad faith or breach of the Rules and usage of the Exchange has been practiced, and
- ii) Cases marked by indiscretion and by the failure to exercise reasonable caution on the part of the defaulter.

# PART 12 – SECURITY FUND

## 12.1 ESTABLISHMENT OF MALAWI STOCK EXCHANGE SECURITY FUND AND BOARD OF TRUSTEES THEREOF

- i) A fund to be known as the Malawi Stock Exchange Fund which shall be vested in the Board shall be established.
- ii) A board of trustees, to be known as the Board of Trustees of the Malawi Stock Exchange Security Fund, shall be established and which shall:
  - a) be a body corporate; and
  - b) be capable of suing and being sued in its corporate name, and subject to the Act, of performing all such acts as bodies corporate may by law perform; and
  - c) subject to the Act, administer the Fund.
- i) The Board shall ensure that the total value of cash and securities in the Fund at all times exceeds:
  - a) the sum of two hundred and fifty thousand Kwacha; or
  - b) such sum exceeding two hundred and fifty thousand Kwacha as the Exchange may from time to time determine;

of which sum not less than fifty thousand Kwacha or 20% of the minimum sum determined shall at all times be available in cash at ninety days notice.

## 12.2 COMPOSITION OF THE BOARD

- i) The Board shall consist of:
  - a) one appointed Board member; and
  - b) two elected Board members.
- ii) Each member shall:
  - a) hold office for one year; and
  - b) at the conclusion of his term of office be eligible for reappointment.

## 12.3 VACANCIES

- i) A member shall vacate his office and his office shall become vacant if he:
  - a) resigns his office; or
  - b) ceases to be a Board Member; or

- c) is convicted of any offence which, in the opinion of the Board, debars him from continuing as a member; or
  - d) in the opinion of the Board, is incapacitated by illness or becomes otherwise unable or unfit to discharge the duties of his office.
- ii ) On the death of, or the vacation of office by, a member who was, at the date of his appointment in terms of subsection i) of 12.02:
- a. an appointed Board member, the Board shall appoint an appointed Board member; or
  - b. an elected Board member, the Board shall appoint an elected Board member;
- to fill the vacancy until the expiry of the period during which the member concerned would, but on his death or vacation of office, have continued in office.

## **12.4 CONSTITUTION OF THE FUND**

The Fund shall consist of:

- i ) all contributions paid to the Fund in terms of Section 3.20 hereof; and
- ii ) all income accruing from the investment of moneys in the Fund; and
- iii ) all moneys borrowed for the purpose of the Fund; and
- iv ) all moneys received by the Fund under any insurance effected on behalf of the Fund
- v ) all moneys received by the Fund in terms of Section 12.06 hereof; and
- vi ) any moneys or assets, other than money or assets referred

## **12.5 COMPENSATION FOR LOSS DUE TO DISHONESTY, INSOLVENCY, DEATH OR DEFAULT OF CERTAIN PERSON**

- i ) Where it is proved to the satisfaction of the Board that a person has suffered loss in consequence of:
- a) the dishonesty, insolvency, default, death or liquidation of a registered stockbroker;
  - b) the dishonesty of an employee or associate member or other agent of a registered stockbroker;
- in connection with:
- i ) the practice of the registered stockbroker; or
  - ii ) any moneys, securities or other property entrusted to the registered stockbroker or his employee or associate member or other agent in the course of the practice referred to in sub-paragraph i;

the board may, in its entire discretion and subject to this section, make a grant to that person out of the fund for the purpose of relieving or making good that loss.

- iii ) before considering an application for a grant in terms of this section, the board may in its discretion required an applicant to exhaust all legal remedies available to him in respect of the loss to which the application relates.
- iv ) A grant may be made in terms of this section.
  - a) whether or not the registered stockbroker concerned was in possession of a valid security fund certificate when:
    - i ) the dishonesty, insolvency, default, death or liquidation; or
    - ii ) the dishonesty of an employee or associate member or other agent; of the registered stockbroker took place.
  - b) In the case of:
    - A) the dishonesty, insolvency, default or liquidation; or
    - B) the dishonesty of an employee or associate member or other agent; of the registered stockbroker concerned, notwithstanding that subsequent to that dishonesty, insolvency, default or liquidation, as the case may be, that registered stockbroker has:
      - i ) died or has been liquidated; or
      - ii ) ceased to be a member of the Exchange; or
      - iii) been suspended for practice
- v) No grant shall be made in terms of this Section in respect of any loss unless notice of the loss has been given by the loser in such manner and within such period after the loss first came to his knowledge as may be specified by the Rules.

## 12.6 SUBROGATION OF BOARD

- i ) On the making of a grant in terms of section 12.05 to a person in respect of a loss:
  - a. the Board shall, to the amount of that grant, be subrogated in respect of the loss to any rights and remedies of:
    - i ) the person to whom that grant is made; or
    - ii ) the registered stockbroker who committed the act of dishonesty, became insolvent, defaulted, died or was liquidated; or
    - iii ) the employee or associate member or other agent who committed the act of dishonesty;
  - b. the person to whom the grant is made shall have no right under insolvency, other legal proceedings or otherwise to received any sum out of the assets of the registered stockbroker, employee or associate member or other agent concerned in respect of the loss until the Board has been reimbursed the full amount of the grant.

- iii) Any reference in subsection i) to the person to whom the grant is made or to the registered stockbroker, employee or associate member or other agent concerned shall include, in the event of his insolvency, death, liquidation or other disability, a reference to his personal representative or any other person having authority to administer his estate.

## 12.7 SECURITY FUND CERTIFICATES AND CONTRIBUTIONS

- i) An application for a security fund certificate shall be made to the Board in the form specified in these Rules.
  - a) if at the date of the further resolution the applicant is practising as a registered stockbroker, within thirty days of that date;
  - b) if the applicant intends to practice as a registered stockbroker before he commences so to practise;
  - c) if the applicant is practising as a registered stockbroker and is in possession of a valid security fund certificate, before that security fund certificate ceases to be valid.
- ii) Subject to subsection v) below, upon receipt of:
  - a) an application in terms of subsection i) above; and
  - b) such contribution to the Fund as may be specified under Rule 3.20;

the Board shall issue to the applicant a security fund certificate in the form specified in the Rules Appendix D.
- iii) A security fund certificate shall be valid:
  - a) if the applicant is not already in possession of a valid security fund certificate, for the period from the date of issue of the security fund certificate until the 30<sup>th</sup> September of the year in which it is issued;
  - b) in the case of an applicant not referred to in paragraph a., for a period of twelve months from 1<sup>st</sup> October next following the application of that applicant.
- iv) A registered stockbroker shall submit to the Board at such time or times as may be specified in the Rules an audit certificate in the form specified in the Rules.
- v) No security fund certificate shall be issued in terms of subsection ii) unless:
  - a) the provisions of subsection i) have been complied with; and
  - b) an audit certificate referred to in subsection iv) has been submitted;

and any security fund certificate issued in contravention of the provisions of this subsection shall be invalid.

Provided that no audit certificate shall be required shall be required in the case of an application for a security fund certificate in terms of paragraph a. or b. of subsection i).

## **12.8 PRACTISING WITHOUT SECURITY FUND CERTIFICATE AN OFFENCE**

No person shall:

- a) practice as a registered stockbroker; or
- b) describe himself or hold himself out or allow himself to be described or held out as a registered stockbroker;

unless he is in possession of a valid security fund certificate.

- i) A person who contravenes subsection i) shall be guilty of an offence.
- ii) For committing such an offence, the Board shall impose such penalties on the member as it sees fit, including but not limited to the levying of fines and/or suspension of membership of that member. Such action by the Board shall not be a bar to further penalties for the continuation of the offence, nor from prosecution under the Act.

## **12.09 REGISTERED STOCKBROKER WITHOUT SECURITY FUND CERTIFICATE BARRED FROM RECOVERING BROKERAGE**

No person shall be entitled to maintain an action or suit for the recovery of any brokerage, fee, reward or reimbursement for or in respect of any business, matter or anything done by him as a registered stockbroker or at a time when he was not in possession of a valid security fund certificate.

## **12.10 CONTRIBUTIONS MAY BE REFUNDED**

The Board may in its discretion refund to a registered stockbroker of his estate the whole or any part of his contributions to the Fund:

Provided that the Board may deduct from the amount so refunded any moneys due by the registered stockbroker or his estate to the Exchange and pay the moneys so deducted to the Exchange.

## **12.11 INSURANCE**

The Board may enter into a contract with an insurer whereby the Fund will be indemnified to the extent and in the manner provided by the contract against the making of grants under this Section.

## **12.12 INVESTMENTS**

Any moneys in the Fund which are not immediately required for the purposes thereof shall be invested in such securities as the Board may determine.

## **12.13 BORROWING**

The Board may borrow moneys for the purpose of the Fund and may charge any investments of the Fund by way of security for that loan:

Provided that the aggregate sum owing at any one time in respect of any such loan or loans shall not exceed such limit as may be specified in the Rules.

## **12.14AUDIT**

The accounts of the Fund shall be audited at least once in each calendar year by a person:

- i ) Registered as a public auditor; and
- ii ) appointed by the Board.

## **12.15EXPENDITURE FROM FUND**

Subject to the Act, there shall be payable from the Fund all or any of the following:

- i) payment of any costs, charges and expenses of establishing, maintaining, administering and applying the Fund;
- ii ) payment of a grant in terms of Section 12.05
- iv) a refund of contributions under Section 12.10
- v) payment of premiums on insurance effected on behalf of the Fund;
- vi) repayment of moneys borrowed for the purposes of the Fund and payment of any interest thereon;
- vii) payment for any matter, other than a matter referred to in paragraphs i) to v) above, approved by the Minister.

# APPENDIX “A”

## SCHEDULE OF FEES PAYABLE TO THE EXCHANGE BY MEMBERS RULE 10.22

### ANNUAL SUBSCRIPTIONS

Broking Members            K500,000

Authorised                    K25,000

Members Institutions        K50,000

Annual Subscriptions may be paid by quarterly payments.

Handling Commission

Monthly payments to the Exchange of 5 % of brokerage and commissions received.

# APPENDIX “B”

## SCHEDULE OF MINIMUM COMMISSIONS

### RULE 6.01

#### 1 STOCKS OF GOVERNMENT, MUNICIPALITIES AND STATUTORY CORPORATIONS

- 1.1 LOCAL REGISTERED STOCKS AND TREASURY BILLS (Bargains up to K100,000 considered money)  
On the first MK 5,000-000 a charge of .5%  
On the next MK 15,000.00 a charge of .375%  
On the next MK 80,000.00 a charge of .25%
- 1.02 LOCAL REGISTERED STOCKS AND TREASURY BILLS (Bargains over K100,000 Consideration Money)  
On the first MK250,000-00 a charge of .125%  
On the next MK250,000-00 a charge of .0625%
- 1.03 TREASURY BILLS – (Treasury management services Consideration Money)  
30 day maturities a maximum of 2% off the discount rate  
61,91 and 182 day maturities subject to negotiations
- 1.04 STOCKS DATED UNDER 6 YEARS (Bargains over K100,000 Consideration Money)  
¼%

#### 2 DEBENTURES, LOAN STOCKS, SECURED, UNSECURED AND CONVERTIBLE STOCKS

1%

#### 3 ORDINARY AND PREFERENCE SHARES

Consideration	Rate
<u>K</u>	<u>%</u>
0 - 50,000	2
50001 - 100,000	1 ½
Over - 100,000	1

**4 MINIMUM CHARGE**

No minimum charge. The minimum charge on any option shall be K50.

**5 BASIC CHARGE/HANDLING FEE**

K20 in respect of any one firm buy of order placed at one time in one security. K50 in respect of a sell order placed at one time in one security. No basic charge will be made for a deal of under K50. Local Registered Stock MK 100. Treasury Bills – no handling fee or basic charge.

**6 SAFE CUSTODY CHARGES**

In respect of scrip held on behalf of a client, one charge per annum of K400 per security held.

A broker shall have a discretionary right to waive this charge, for good and sufficient reason, subject to a suitable explanation, acceptable to them, being made to the Board if called for.

**7 VALUATION FEE**

In respect of valuations carried out for estate duty or other purposes:

K25 per item with a minimum of K5. Where there are more than 20 items,

K2 per item will be charged for each item over 20.

# APPENDIX “C”

## LISTING FEES AND OTHER CHARGES

### RULE 8.14

#### **LISTING FEES**

The listing fees of the Exchange shall be as set out below:

- 1 Original Listing fee: Stocks of Government,  
Municipalities or  
Statutory Corporations.

Local Registered Stocks K2,000 for each separate stock listed.

Treasury Bills K2,000 for each separate treasury bill listed.

- 2 Original Listing Fee: Shares

For each listing K100,000

- 3 Original Listing fee: Any company already listed on a recognised external Stock Exchange.

For each class of security to be listed K10,000 or such special fee as the Board shall decide.

- 4 Annual Sustaining Fee

#### Shares

An annual sustaining fee of the greater of K40,000 or .0005 or 0.05% or (1/20 of 1%) of market capitalisation as at 31<sup>st</sup> December of financial year, payable in January of each year subject to a maximum of K1,200,000 except during the calendar year in which the securities are first listed, shall be paid in respect of each security listed.

#### Local Registered Stock and Treasury Bills

For each stock listed MK 1,000

- 5 Non-payment of Fees:

Securities may be removed from the list unless fees and charges, due and unpaid, are paid within one (1) month after written notice of non-payment has been given under authority of the Board.

# APPENDIX “D”

## SECURITY FUND RULES

### Notice of Loss

- 1 Notice of loss shall be given to:
  - a) As soon as possible after the occurrence of any loss and in any event not later than 30 days after such occurrence or after the loser has become aware of the loss, if later than such occurrence, or within such greater period as the Board in its absolute discretion may allow,
  - b) By delivering to the offices of the Board a written claim setting out:-
    - i) the full name and address of the loser;
    - ii) the name of the registered stockbroker or broking member of the former Exchange whose dishonesty, insolvency, default or delete or the dishonesty of whose employee or associated member or other agent has caused or contributed to the loss suffered;
    - iii) the full circumstances in which the loss was suffered , with details of any material dishonesty, insolvency, default or death, including the date or dates when it or they occurred;
    - iv) The amount of the loss and how it is made up; and
    - v) What, if any, steps the loser has taken to exhaust any legal remedies available to him in respect of the loss and what have been the results of any such steps.

### 2. Form of Application for Security Fund Certificate

An application for a Security Fund certificate shall be in the form set out in Appendix I, giving as nearly as may be all the information therein indicated.

### 3. Contributions to the Security Fund

Each new member of the Exchange shall contribute to the Fund Kwacha 25 000 as determined by the Board when he makes application for the issue to him for the first time of a security fund certificate.

4. Form of security Fund Certificate

A security fund certificate issued shall be in the following form:-

MALAWI STOCK EXCHANGE

SECURITY FUND CERTIFICATE

It is hereby certified that \_\_\_\_\_ a registered stockbroker of \_\_\_\_\_ has complied with all the requirements of the MALAWI STOCK EXCHANGE Act necessary to entitle him to the issue of this certificate to him for the period 1<sup>st</sup> October, \_\_\_\_\_ to 30<sup>th</sup> September, \_\_\_\_\_

Dated \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_

SECRETARIES TO THE BOARD OF TRUSTEES

OF THE MALAWI STOCK EXCHANGE

SECURITY FUND

4. Audit Certificates

Every registered stockbroker required by the Act to submit an audit certificate to the Board shall do so:-

- (a) By 30<sup>th</sup> September in each year in respect of such registered stockbroker's last preceding financial year.
- (b) By submitting a certificate in the following form:-

MALAWI STOCK EXCHANGE

AUDIT CERTIFICATE

I, \_\_\_\_\_, an auditor registered as a public accountant, hereby certify that I have made the annual report on \_\_\_\_\_ a registered stockbroker in respect of his financial year ended on \_\_\_\_\_ and that, according to the best of my knowledge and belief, he has complied with all the requirements subject only to the following reservations or qualifications (if any):  
\_\_\_\_\_

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

(NAMES)

PUBLIC ACCOUNTANT

6. Borrowing by the Board

The aggregate sum owing at any one time in respect of any loan or loans raised by borrowing shall not exceed three-quarters of the total value of the Fund, as certified by the Exchange auditor in an annual certificate as at the last preceding 31<sup>st</sup> March or in some special certificate as at some other date, whichever is the later.

# APPENDIX “E”

## LETTER FROM APPLICANT FOR REGISTRATION

TO: THE SECRETARY OF THE MALAWI STOCK EXCHANGE

Dear Sir

I/we hereby apply for registration as a stockbroker in terms of Capital Market Development Act No. 17 of 1990.

I/we acknowledge that upon registration I/we shall be subject to the provisions of the Act, the regulations and the rules and usages of the Malawi Stock Exchange.

I/we have read the Act, regulations and rules and am/are conversant with them. I/we understand that I / we shall be examined on my/our knowledge of these documents and on Exchange procedures.

The following documents are submitted –

- (a) Form of Application
- (b) A statement by the partnership with whom I / we propose to work.

Yours faithfully

# APPENDIX "F"

## MALALWI STOCK EXCHANGE

### APPLICATION FOR SECURITY FUND CERTIFICATE

1. (a) Full Name and Address of Applicant  
\_\_\_\_\_
- (b) Name of Partnership or Member Firm if applicable  
\_\_\_\_\_  
\_\_\_\_\_
2. Where previously practising as a registered stockbroker  
\_\_\_\_\_  
\_\_\_\_\_
3. (a) Whether intending to commence practice as a registered stockbroker and in possession of a valid Security Fund Certificate.  
\_\_\_\_\_
- (b) If so, on what date  
\_\_\_\_\_  
\_\_\_\_\_
4. (a) Whether already practising as a registered stockbroker and in possession of a valid Security Fund.  
\_\_\_\_\_
- (b) If so, on what date such Security Fund Certificate ceases to be valid  
\_\_\_\_\_  
\_\_\_\_\_
5. (a) The amount of the contribution accompanying the application  
\_\_\_\_\_  
\_\_\_\_\_
- (b) The form in which any such contribution is remitted  
\_\_\_\_\_  
\_\_\_\_\_
6. (a) The name of the public accountant who has issued any audit certificate relied upon in the application  
\_\_\_\_\_  
\_\_\_\_\_
- (b) The date on which any such audit certificate was submitted to the Board  
\_\_\_\_\_  
\_\_\_\_\_

# APPENDIX "G"

## APPLICATION FOR REGISTRATION

(To be completed in duplicate – delete areas inapplicable)

To: The Secretary  
Malawi Stock Exchange  
Company Name:

*(Insert Name of Company)*.....

A. Applicant: Surname: .....  
Mr./Mrs./Miss.)

(in block letters)

Christian Names:

.....  
(in block letters)

Postal address:

Residential address:

Location of business:

Telephone No: Business .....  
Residential .....

Professional qualifications

Directorships:	Name of Company	Nature of business
----------------	-----------------	--------------------

.....	.....	.....
.....	.....	.....
.....	.....	.....

Name of present employer.....

Nature of employment .....

Date of birth .....

Nationality: (present) .....  
(former if any) .....

B. Name of partnership or corporate body (if any) or which applicant will be a member or representative:

.....  
.....

C. Full name of other members of partnership or corporate body:-

- (1) .....
- (2) .....
- (3) .....
- (4) .....

Postal address of partnership or corporate body:

.....  
.....

Location of practice:

.....

Telephone No: .....

C. Questions to be answered by applicant:

Have you ever been adjudged or otherwise declared insolvent or bankrupt?

If so , give date on which you were rehabilitated or discharged or granted your discharge:

.....

Have you ever made an assignment to or arrangement or composition with, your creditors: If so, give Particulars: .....

.....  
.....

Are there any unsatisfied judgements outstanding against you? If so, give particulars:

.....  
.....  
.....

Have you any interest, direct in any banking institution, insurer, management company or mutual funds or trust company? If so, give particulars:

.....  
.....

.....  
Have you ever been convicted of any offence involving fraud or dishonesty? If so, state the court by which you were convicted, the date of the conviction and full particulars of the offence:  
.....  
.....  
.....

D. Statement of applicant's personal history and employment since leaving school:  
.....  
.....

E. Declaration by applicant:  
I hereby declare that:-

- (a) the information given in sections A and B is correct;
- (b) the answers given to the questions in section C are true;
- (c) the statement given in section D is, to the best of my knowledge and belief, a true and accurate record;
- (d) I am a resident of Malawi.
- (e) I have attained the age of twenty-one years, in proof whereof I submit the attached:  
.....

- (f) I own, in Malawi, assets which exceed my liability by not less than fifty/one hundred and fifty thousand Kwacha in proof whereof I submit attached:  
.....  
.....

- (g) I intend to obtain a policy or policies of insurance referred to in the Act and to that end have arranged insurance cover to the value of K ..... in proof whereof I submit the attached .....

- (h) I submit the attached statement by the partnership or corporate body
  - (i) with which I have undergone a period of training prior to the date of this application;
  - (ii) for which I propose to work or of which I propose to become a member or representative, as the case may be, to the effect that partnership or corporate body is prepared to employ me or accept me as a member.

(Note – Delete those words in subparagraph (ii) which are not applicable.)

I have read the Act and regulations and rules and am conversant with them. I understand that I shall be examined on my knowledge of them and exchange procedures, and I acknowledge that upon registration I shall be bound by them and by the usage of the Malawi Stock Exchange.

Date: ..... Signature of applicant .....

F Declaration by proposer:-

I, ....., do hereby declare that :-

- (1) I have read the foregoing application and, to the best of my knowledge and belief, the statements made therein are correct;
- (2) I have known the applicant in a personal and/or business capacity for ..... Years.
- (3) from my personal knowledge of the applicant's past and present circumstances, I am satisfied as to his fitness to be registered as a stockbroker;
- (4) I am conversant with the provisions of the Act governing the making, negligently or willfully, of a material mis-statement of fact relating to the applicant.

Accordingly, I propose, in terms of the Act, that the proposal that the applicant be recommended for registration.

Date ..... Signature .....

G. Declaration by seconder:-

I, ....., do hereby declare that :-

- (1) I have read the foregoing application and, to the best of my knowledge and belief, the statements made therein are correct;
- (2) I have known the applicant in a personal and/or business capacity for ..... Years.
- (3) from my personal knowledge of the applicant's past and present circumstances, I am satisfied as to his fitness to be registered as a stockbroker;
- (4) I am conversant with the provisions of the Act governing the making, negligently or willfully, of a material mis-statement of fact relating to the applicant.

Accordingly, I second, in terms of the Act, that the proposal that the applicant be recommended for registration.

Date ..... Signature .....

H. Board's recommendation:-

The Board has considered the foregoing application and being satisfied that the applicant is suitable for registration, recommends to the Registrar that the applicant be registered.

Date ..... Signature .....

Chairman  
Malawi Stock Exchange