
RULES OF THE EXCHANGE



ROYAL SECURITIES EXCHANGE OF BHUTAN LTD.

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BHUTAN LTD.
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TABLE OF CONTENTS

CHAPTER

1	Interpretation
2	Administration
3	Membership
4	Trading
5	Code of Conduct
6	Financial and Accounting Requirements
7	Discipline
8	Payment of Fees and Charges
9	Requirements for Quoted Companies

CHAPTER 1

Rule

1.01 – 1.02 Definition

CHAPTER 2 ADMINISTRATION

2.01 The Board
2.02 – 2.03 Functions of the Board
2.04 Chairman
2.05 – 2.12 Meetings of the Board
2.13 – 2.14 Committees
2.15 – 2.18 Membership of Committees
2.19 – 2.20 Proceedings of Committees
2.21 – 2.24 The Chief Executive

CHAPTER 3 MEMBERSHIP

3.01 Qualification
3.02 Application for membership
3.03 Role of Board
3.04 Decision of Board is final
3.05 Resignation
3.06 Directors
3.07 – 3.14 Authorised Traders and Sales Representatives
3.15 Liability to Expulsion
3.16 Change in Articles of Incorporation, Directors or shareholders
3.17 Responsibility of members
3.18 Responsibility of directors etc.
3.19 Registered business name
3.20 Registered address
3.21 Voluntary liquidation

CHAPTER 4 TRADING

4.01 Admission of Trading Hall
4.02 – 4.03 Persons permitted to trade
4.04 Conduct in Trading Hall
4.05 Responsibility of member

Operational trading rules

4.06 Trading Hours
4.07 Trading restrictions
4.08 No trading outside hours
4.09 Member as principal
4.10 Transactions

- 4.11 Opening price
- 4.12 After the opening
- 4.13 Day-end review of clearing sheets

Delivery and Settlement

- 4.14 – 4.21 Delivery and settlement

Malfunction of trading computer

- 4.22 Procedure in event of malfunction

Disputes

- 4.23 – 4.28 Disputes

CHAPTER 5

CODE OF CONDUCT

Principles of best practice

- 5.01 Integrity
- 5.02 Skill care and diligence
- 5.03 Market practice
- 5.04 Information about clients
- 5.05 Information for clients
- 5.06 Conflicts of interest
- 5.07 Client assets
- 5.08 Financial resources
- 5.09 Internal organization
- 5.10 Relations with the Exchange and the RMA

Conduct of business

- 5.11 General
- 5.12 Conduct unbecoming
- 5.13 Dealings on own account
- 5.14 Dealings in suspended shares
- 5.15 Dealings with suspended members
- 5.16 Independence
- 5.17 Material interest
- 5.18 Clients' understanding
- 5.19 Member's representative
- 5.20 Client order priority
- 5.21 Timely execution
- 5.22 Best execution

5.23	Timely allocation
5.24	Churning
5.25	Suitability
5.26	Contract note
5.27	Complaints procedures
5.28	Compliance

Forbidden market practices

5.29 – 5.30	False markets and trading
5.31	Dissemination of information about false trading
5.32	Employment of fraudulent or deceptive devices etc.
5.33	Prohibition of fixing, etc. prices for securities
5.34	False or misleading statements about securities
5.35	Insider dealing

CHAPTER 6

FINANCIAL AND ACCOUNTING REQUIREMENTS

Financial requirements

6.01	Obligation to meet minimum capital requirements
6.02	Minimum liquid funds
6.03	Duty of member

Client money

6.04	Segregation of client money
6.05	Restriction on withdrawal of client money

Accounting records

6.06	Duty to keep accounting records
6.07	Records to be kept up to date
6.08	Audit trial
6.09	Conformity with accounting standards
6.10	Retention of records
6.11	Availability of accounting records for inspection

Financial statements

6.12	Balance Sheet and Profit and Loss Account
6.13	Quarterly Reporting Statements

Audit

6.14	Appointment of auditor
6.15	Auditor's report

Monitoring of financial and accounting requirements

- 6.16 Exchange right to demand documents
- 6.17 Power of Exchange to make surprise checks
- 6.18 Power of person authorized by Exchange

CHAPTER 7 DISCIPLINE

- 7.01 Inspection by the Disciplinary Committee
- 7.02 – 7.04 Investigation by the Disciplinary Committee
- 7.05 Co-operation of member required
- 7.06 Procedure for investigation
- 7.07 Powers of Disciplinary Committee
- 7.08 Power of Board to expel or suspend
- 7.09 Meaning of “member” in this Chapter

CHAPTER 8

PAYMENT OF FEES LEVIES AND CHARGES

- 8.01 – 8.02 Fees, levies and charges
- 8.03 Amount
- 8.04 Revision
- 8.05 General Notice
- 8.06 Trading fee
- 8.07 Minimum commission
- 8.08 Non Commercial Transactions

CHAPTER 1

INTERPRETATION

Definition

1.01 In these rules, unless the context otherwise requires -

"articles" means the articles of incorporation of the Royal Securities Exchange of Bhutan Ltd.;

"authorised sales representative" means an individual who is an employee of a member and who is registered by the Exchange under rule 3.10 as a sales representative;

"authorised trader" means an individual who is an employee of a member and who is registered by the Exchange under rule 3.10 to exercise rights of admission to the Trading Hall and to make transactions there on;

"Board" means the governing body of the Exchange elected or appointed in accordance with the articles;

"broker" has the same meaning as in regulation 2 of the Control of Broker Regulations 1993;

"broker's representative" has the same meaning as in regulation 2 of the Control of Brokers Regulations 1993;

"Chairman" means the Board Member elected Chairman by the Board pursuant to article;

"Chief Executive Officer" means the Chief Executive Officer of the Exchange for the time being appointed by the Board in accordance with rule 2.21 and the articles;

"company" means a company incorporated under the Companies Act of the Kingdom of Bhutan, 1989 and which has been licensed under the Financial Institutions Act of Bhutan 1992 as a broker;

"dealing in securities" has the same meaning as in regulation 2 of the Control of brokers Regulations 1993;

"Deputy Chairman" means the Board Member elected Deputy Chairman by the Board;

"director" in relation to a company, includes a person occupying in relation to it the position of a director (by whatever name called) and any person in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors of that company are accustomed to act;

"Exchange" means the securities exchange, and its securities market, established by the Royal Securities Exchange of Bhutan Ltd.;

"General Notice" means a notice posted in the market which is headed "General Notice"

"listing" means the grant of listing of, and permission to deal in, the specific securities on the Exchange;

"member" means a company which has been admitted to membership of the Exchange;

"prescribed" means prescribed by rules made by the Board;

"quoted securities" means a security that is required by the Companies Act to be traded through the facilities of the Exchange by virtue of having more than 50 beneficial security holders

"Regulations" mean the Securities Exchange Regulations 1993 of the Financial Institutions Act of Bhutan 1992;

"RMA" means the Royal Monetary Authority of Bhutan;

"Trading Hall" means the premises specified by the Board for use as a trading floor of the Exchange; and

"trading system" means the computer or manual trading system as installed and operated by the Exchange in the Trading Hall.

- 1.02 Where the context so permits, words importing the singular number include the plural and vice versa and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

CHAPTER 2
ADMINISTRATION

The Board

2.01 The management and control of the Exchange shall be vested in the Board.

Functions of the Board

2.02 Subject to the Regulations and to the articles, the Board shall have the power to administer, manage, formulate policies and give directions in relation to the affairs of the Exchange and add to, vary, repeal, enforce or waive any of these rules.

2.03 Without prejudice to rule 2.02 and any other provisions in the articles or these Rules, the following powers shall in addition be vested in the Board, to be exercised in such manner, on such terms and at such times as it shall see fit:-

- (1) to admit or refuse to admit as a member a company licensed as a broker under the Financial Institutions Act;
- (2) to appoint any person to be a member of a Committee formed for general or specific tasks for such duration as it sees fit, and to remove him there from;
- (3) to give directions to the Chief Executive Officer and the Committees in accordance with the articles and these rules;
- (4) to vary, supplement or discharge, whether wholly or in part, any decisions that may be reached by the Chief Executive Officer or any of the Committees on such terms as it sees fit;
- (5) to delegate any of its powers to any person including the Chief Executive Officer and any of the Committees and to revoke such delegation;
- (6) to interpret conclusively any provision in these rules and the validity of any act made pursuant thereto in the event of any dispute or difference over such rules;
- (7) to give and issue directions in the form of circulars to members from time to time for the purpose of enforcing or implementing the articles and these rules;
- (8) to order an investigation into the affairs of any member or his authorised traders, sales representatives or staff suspected of having violated any of the provisions of the articles or these rules and for this purpose, to inspect

and demand the production of all books, accounts, records and any other documents which it may deem necessary and to engage an accountant or any other person to assist in the investigation;

- (9) to reprimand, fine, suspend or expel any member and to exercise such other disciplinary measures as are provided in these rules;
- (10) to suspend all or part of the trading activities on the Exchange in the event of an emergency and to take such remedial action as it thinks fit;
- (11) to grant, suspend or revoke the trading privileges of any member or his authorised traders;
- (12) to appoint or remove the Chief Executive Officer;
- (13) to enforce the directions given by the RMA or an authorised officer of the RMA;
- (14) to determine listing application by admitting or refusing admittance to the Official List of the Exchange; and
- (15) to exercise such other powers as are necessary to enforce the articles and these rules.

Chairman

- 2.04 If the office of Chairman of the Board is vacant, or the Chairman is unable to act as chairman due to illness or other incapacity, or is absent from Bhutan, the Deputy Chairman shall act in his place; in default of the Deputy Chairman being able so to act for like reasons, the Board may appoint one of their number to act as chairman for the time being.

Meetings of the Board

- 2.05 Meetings of the Board shall be held as often as may be necessary for the performance of its functions, but in any event shall be held not less than once a month.
- 2.06 Meetings may be convened at any time by the Chairman or, in his absence, by the Deputy Chairman or any two Board Members.
- 2.07 At a meeting of the Board -
 - (1) the Chairman shall chair the meeting; or
 - (2) if the Chairman is not present, the Deputy Chairman shall chair the meeting; or

- (3) if neither the Chairman nor the Deputy Chairman is present, the other Board Members present shall choose one of their number to chair the meeting.
- 2.08 Only a director of a member may act as a member representative of that member at meetings of the Board.
- 2.09 Each Board Member present at a meeting of the Board shall have a vote.
- 2.10 Every question for decision at a meeting of the Board shall be determined by a majority of votes of the Board Members present and, in the event that voting is equally divided, the chairman of the meeting shall have a second and casting vote.
- 2.11 The Board may act notwithstanding a vacancy among its Members.
- 2.12 The Board shall organise and regulate its own administration, procedure and business.

Committees

- 2.13 The Board may establish such committees, standing or ad hoc, as it sees fit.
- 2.14 The composition, powers, functions and procedures of the Listing Committee shall be governed by the relevant provisions set out in the Exchange's Rules Governing the Listing of Securities on the Exchange.

Membership of Committees

- 2.15 The Board may appoint any person to be a member of a Committee whether that person is a Board Member or not.
- 2.16 All members of a Committee shall vacate office one year after their appointment unless they are re-appointed by the Board.
- 2.17 The Board may fill any casual vacancies that may occur in a Committee by reason of resignation, retirement or otherwise.
- 2.18 Any reference or assignment to a Committee and every appointment under rule 2.15 or 2.17 may be withdrawn or revoked by the Board at any time, and no such reference or appointment shall prevent the performance by the Board of any of its functions.

Proceedings of committees

- 2.19 A Committee may elect any of its members to be chairman and may regulate its own procedure and business; in the exercise of its powers a Committee shall be

subject to and act in accordance with any direction given to it by the Board.

- 2.20 Meetings of a Committee shall be held at such times and places as the chairman of that committee may, subject to rule 2.19, determine.

The Chief Executive Officer

- 2.21 The Chief Executive Officer who shall not be a member or shareholder, officer or employee of a member, shall be appointed by the Board and shall hold office upon such terms as may be prescribed by the Board. The Chief Executive Officer shall have the general supervision of and be responsible for the day to day management of the Exchange and supervision of members as provided in these rules.
- 2.22 The Chief Executive Officer shall carry out the directions, orders and decisions of the Board.
- 2.23 The Chief Executive Officer shall, subject always to the overriding right and power of the Board, hold and exercise all such powers vested in the Board and Committees as shall not have been conferred upon and expressly required to be exercised by the Board.
- 2.24 Without prejudice to rule 2.23 and any other provisions in these rules expressly conferring power upon the Chief Executive Officer, the Chief Executive Officer shall have such powers as the Board may confer upon him including, in particular, the following powers:-
- (1) to supervise the trading activities in the Trading Hall and trading systems and to take all necessary steps to maintain orderly and efficient trading in accordance with these rules, and to suspend trading in any issue of securities or by any member as provided for in these rules or as directed or authorised by the Board;
 - (2) to be responsible for the employment of staff and officers of the Exchange;
 - (3) to report periodically to the Board on all matters concerning the Exchange or on such occasions as may be expedient;
 - (4) to scrutinise and manage all matters relating to listing and membership, including applications for membership;
 - (5) to exercise disciplinary measures over the members and their authorised traders;
 - (6) to approve the appointment of any authorised traders;

- (7) to ensure good order and behaviour in the Trading Hall and for this purpose, to refuse entry to any person and to remove, or deny access to, any person from the Trading Hall or trading systems;
- (8) to attend all meetings of the Committees; and
- (9) to release at his absolute discretion information as to any member's financial position or otherwise to the RMA or an authorised officer of the RMA when so requested by any of them.

CHAPTER 3

MEMBERSHIP

Qualification

- 3.01 A member must always comply with the following requirements -
- (1) be a shareholder of the Exchange;
 - (2) be a company licensed as a broker under the Financial Institutions Act;
 - (3) be of good financial standing and integrity;
 - (4) satisfy the Board that it is fit and proper to be a member;
 - (5) not carry on any other business save that of dealing in securities and those activities which are normally ancillary thereto;
 - (6) have an issued and fully paid-up ordinary share capital of not less than one million Ngultrum;
 - (7) shall at all times maintain in its securities business an "Excess net free capital" position as define in Chapter 6.
 - (8) comply with such other requirements for membership as the Exchange may from time to time prescribe.

Application for membership

- 3.02 Every company that wishes to apply for membership of the Exchange shall -
- (1) apply to the Chief Executive Officer of the Exchange in writing in such form as the Board may determine;
 - (2) submit an updated copy of its Articles of Incorporation;
 - (3) provide proof to the satisfaction of the Board that its financial position is such as would enable it, at the time of making the application, to comply with the capital requirement contained in rule 6.01; and
 - (4) provide the Board with such further information as the Board may require.

Role of Board

- 3.03 Where the Board is satisfied that an applicant company is qualified to be a member under rule 3.01, the Board may entertain an application for membership and on receipt of such application may accept or reject it as the Board sees fit in its absolute discretion.

Decision of Board is final

- 3.04 The decision of the Board in respect of admission or rejection shall be final, subject to a right of appeal to the RMA.

Resignation

- 3.05 A member who wishes to resign from membership of the Exchange shall serve

on the Board a written notice of 30 days to that effect, a copy of which shall be posted by the Exchange on the notice board of the Exchange. The member must satisfy all obligations to the Exchange, members and clients to an extent considered reasonable by the board, before the resignation is accepted.

Directors

- 3.06 (1) Every director of a member who, either alone or with others, actively participates in, or is directly responsible for the supervision of, the member's business of dealing in securities is required to be approved by the Board.
- (2) An application for approval under paragraph (1) shall be made by a director in writing in such form as the Board may prescribe, and the Board may approve or disapprove such application provided that no approval may be given by the Board in the case of an applicant who is not licensed as a broker's representative under the Financial Institutions Act of Bhutan 1992.
- (3) A member shall appoint one of its directors who has been approved by the Board pursuant to paragraph (2) as its managing director.
- (4) A letter of authority will be issued to each director approved by the Board pursuant to paragraph (2).

Managing Director, Authorised Traders and Sales Representatives

- 3.07 A member is required to register all representatives with the Exchange as managing director, authorised traders or as sales representatives.
- 3.08 A sales representative shall not be entitled to conclude bargains on behalf of the member in the Trading Hall or through the trading system and except with the express approval of the Board shall not have access to the Trading Hall.
- 3.09 A member shall be liable for all transactions made on its behalf by any authorised trader or sales representative (as the case may be) it employs and shall complete such transactions according to these rules. A member shall also be responsible for any unauthorized transaction entered through its facilities.
- 3.10 Every individual wishing to become registered as an authorised trader or sales representative shall make an application in writing in the form prescribed by the Board from time to time and agree to abide by these rules and the rulings of the Board and if his application is approved, his name shall be placed upon the Register of Authorised Traders or Sales Representatives kept by the Exchange.
- 3.11 No member shall employ an unregistered trader or sales representative and, if

the name of an authorised trader or sales representative is removed from the Register of Authorised Traders or Sales Representatives, he must be dismissed from employment as such. Every employment of an authorised trader or sales representative by a member shall be upon this understanding and any written agreement shall contain a clause to this effect.

3.12 A managing director, an authorised trader and a sales representative should have the following qualifications -

- (1) have attained 21 years of age;
- (2) be recommended by the member who will be liable for all transactions made on its behalf by the authorised trader or sales representative;
- (3) be licensed by the RMA as a broker's representative under the Financial Institutions Act of Bhutan 1992; and
- (4) have passed the examination of the Exchange's training programme for his position as a managing director, authorized trader or sales representative and such other examination as the Board may require.

3.13 The Board shall have full power to investigate the conduct and integrity of any person intended to be employed as a managing director, an authorised trader or sales representative. The Board shall have absolute discretion to withhold or to withdraw approval. The decision of the Board may be appealed to the RMA.

3.14 An Authorised Trader Card will be issued to each registered authorised trader and must be produced when entering the Trading Hall.

Liability to expulsion

- 3.15 (1) A member who fails to satisfy or comply with rule 3.01 may be expelled by the Board from membership.
- (2) Where a member is expelled from membership, the member shall cease to be a member of the Exchange with the consequent loss of the rights and privileges of membership, but any right of the members against such a member accrued prior to such expulsion shall remain unimpaired.
- (3) The Board shall notify the public that the member concerned has ceased to be a member of the Exchange.

Change in Articles of Incorporation, directors or shareholding

3.16 Prior approval of the Board shall be required for any change in the Articles of Incorporation or in the directors, or shareholding, of a member.

Responsibility of members

- 3.17 (1) A member shall be responsible for all acts done, or omitted to be done,

and contracts entered into by its directors and by its employees.

- (2) A member shall ensure that all its employees are suitable, adequately trained, qualified as necessary and properly supervised and duly authorised.

Responsibility of directors, etc.

- 3.18 Any director, manager, secretary or other similar officer of a member shall together with that member be liable for the purposes of these rules for any breach, non-compliance, violation or contravention that was committed or caused with the consent or connivance of or attributable to any neglect on the part of such director, manager, secretary or other similar officer.

Registered business name

- 3.19 Every member shall register in writing with the Exchange the business name under which it carries on the business of dealing in securities as a member and shall not change such name without the prior consent of the Board.

Registered address

- 3.20 A member shall only carry on a business of dealing in securities at an address registered with the Exchange.

Voluntary liquidation

- 3.21 A member shall not go into voluntary liquidation without giving the Board not less than 30 days advance written notice of its intention to do so.

CHAPTER 4

TRADING

TRADING HALL RULES

Admission to Trading Hall

- 4.01 (1) Only the following persons may be admitted to the Trading Hall -
- (a) any director of a member who has been approved under rule 3.06;
 - (b) a member's authorised traders;
 - (c) designated Exchange Staff; and
 - (d) such other persons as the Chief Executive Officer may determine,
- and all such persons shall be subject to rule 2.24(7) (removal from Trading Hall).
- (2) All persons admitted to the Trading Hall shall at all times when in the Trading Hall wear such identification badges as may be issued to them by the Exchange.

Persons permitted to trade

- 4.02 Only members' authorised traders and those directors specifically approved to trade are permitted to trade in the Trading Hall on the Exchange's trading system.
- 4.03 The Chief Executive Officer shall have an absolute discretion as to the maximum number of authorised floor traders and members representatives that a member may have in the Trading Hall at any one time during trading hours.

Conduct in Trading Hall

- 4.04 Smoking, gambling, drinking and eating and any other act which is considered by the Board to be detrimental to the interests of the Exchange are strictly forbidden in the Trading Hall.

Responsibility of member

- 4.05 Members shall ensure that their authorised traders and specifically approved directors comply at all times with the Trading Hall rules and any other directives from time to time made in respect of the operations of the Exchange. Any failure to comply with all such provisions shall render the registration of a representative

and floor trader liable to immediate revocation without notice and shall also render the member liable to disciplinary proceedings for failure to ensure such compliance.

OPERATIONAL TRADING RULES

Trading hours

- 4.06 Trading will be conducted in the Trading Hall on every weekday (except for public holidays), unless otherwise determined by the Board, during such hours as shall be notified by the Board from time to time by means of a General Notice.

Trading restrictions

- 4.07 (1) All dealings in securities by members must be confined to dealings in the Trading Hall through the Exchange's trading system (automated or manual) during trading hours.
- (2) Only member's authorised traders and specifically approved directors may input orders in the trading system.
- (3) For the purposes of these rules "dealings" includes the input of orders.
- (4) No order may be entered into the trading system unless previously written out and time stamped in the members office. No orders may be originated by the authorized trader in the trading hall.

No trading outside hours

- 4.08 Any dealing in securities by members prior to the opening or subsequent to the closing of the trading system is prohibited.

Members as principal

- 4.09 A member takes a principal position in relation to the member on the opposite side of the dealing.

Transactions

- 4.10 (1) A buy order and a sell order may only be input into the trading system during the hours that the Exchange's Trading system is open for that purpose.
- (2) A buy order and a sell order may be for any amount, subject to any minimums or multiples that may be prescribed in relation to any security by the Board.

- (3) All orders must be input in accordance with the following scale of spreads as prescribed by the Exchange:

<u>Price</u>	<u>Minimum trading spread</u>
Nu10. and below	Nu0.05
above Nu10. to Nu100.	Nu0.10
above Nu100. to Nu200.	Nu0.50
above Nu200.	Nu1.00

Opening price

4.11 The opening price will be determined -

- (1) At the price where the greatest amount of shares will match/trade and;
- (2) The amount of shares that will trade is determined by the smaller of the accumulated buy orders (demand) and the accumulated sell orders (supply) at each price;
- (3) Where all orders at better prices than the opening price (higher priced buys and lower priced sales) are filled completely at the opening price;
- (4) Where the same amount will trade at more than one price, filling better priced orders completely, the price will be determined by the last sale price -
 - (a) if the last sale price is at or above the highest potential opening price the highest opening price becomes the opening price;
 - (b) if the last sale price is at or below the lowest potential opening price the lowest opening price becomes the opening price; and
 - (c) if the last sale price is in between the highest and lowest potential opening price, the last sale price becomes the opening price;
- (5) Where none of the orders at the opening price, on the larger side of supply and demand, is allocated any shares, the price is adjusted by one trading tick, up in the case where the larger side is the buy side and down where the larger side is the sell side, as long as the new price does not violate any of the above rules or if there are no orders at such price on the smaller side of supply and demand, in either case maintain the original price;
- (6) The orders at the opening price on the smaller side of supply and demand, as well as the orders on the larger side of supply and demand at

better prices than the opening price will be filled completely at the opening price;

- (7) The orders at the opening price on the larger side of supply and demand will be filled based on an average amount per order;
- (8) The average amount is determined by -
 - (a) subtracting the amount of all better priced orders on the larger side of supply and demand from the amount of shares available to trade;
 - (b) then dividing into the result of this subtraction the number of orders at the opening price to create an average available to each;
 - (c) where orders equal or are for less than the average, these orders will be filled completely and a new average is calculated for the remaining orders;
 - (d) the same process will be repeated until there are no orders equal or less than the calculated average. Where the average results in a fraction of a share the fraction must be rounded up for the earlier orders and rounded down for the remainder of the orders so no fractions are allocated. The total of the rounded up and rounded down amounts must equal the amount available;
 - (e) once the fills are allocated to the orders at the opening price on the larger side of supply and demand, the system will check to see if a broker had orders for non-clients filled at the opening price. If so the system will check if any client orders for the same broker at the opening price were only filled partially or not at all. If so, the system will re-allocate the shares given to the non-client orders for that broker at the opening price to the client orders, based on an average per order as described above. If all the shares initially allocated to the non-client orders are not needed to completely fill the client orders of the same broker, they will be re-allocated back to the non-client orders based on an average per order as described above; and
- (9) Any orders left unfilled at the opening price will form the opening bid or offer depending whether the supply (sell orders) or the demand (buy orders) was larger and therefore not completely filled.

After the opening

- 4.12 (1) New orders that do not equal or exceed the opposite side will be booked in time and price sequence;

- (2) orders that do equal or exceed the opposite side will be matched (filled) against offsetting orders on the opposite side, at the price of the existing orders on the opposite side; and
- (3) if the existing offsetting orders do not completely fill the new order, the remaining portion of the new order will be booked at its limit price establishing a new best bid or offer depending on whether it is a buy or sell.

Day-end review of clearing sheets

- 4.14 It is the duty of every member to review the clearing sheets at the end of each trading session. Any discrepancy, erroneous transaction or complaint must be reported to the Exchange not later than 12 noon of the next trading day. Members are encouraged to review continuously their executed trades against the Exchange list maintained by the trading system in order to detect any errors as soon as possible and thereby to avoid expensive mistakes.

DELIVERY AND SETTLEMENT

- 4.14 All prices quoted, unless otherwise stipulated, are cum all.
- 4.15 All orders to sell securities must be covered by securities already deposited and accepted by the Depository.
- 4.16 It is the duty of the selling member, where the relevant share certificate(s) is not already in the control of the Depository, to transfer the security to the Depository.
- 4.17 Settlement of the security position and payment must be effected on T + 3.
- 4.18 Under no circumstances may a member repudiate a transaction concluded in accordance with these rules.
- 4.19 Any member who fails to comply with these trading rules shall be liable to disciplinary action by the Board.
- 4.20 If the broker cannot settle trades within T+3, the defaulting broker(s) shall pay out of its own account or borrow the security or money from the market to complete the settlement within T+3.
- 4.21 The Exchange shall approve all transfers of ownership of securities as gift, inheritance or other non-commercial transactions. Applications for such transfers shall be limited only to an immediate family member and accompanied with a court order verifying that the beneficiary is a relative of the transferor.

MALFUNCTION OF TRADING COMPUTER

Procedure in event of malfunction

- 4.22 (1) Where the trading computer is inoperative for any reason, during such period of in-operation trading shall be conducted manually but in all other respects (subject to paragraph (2)) as if the trading was conducted through the trading computer.
- (2) In the case of manual trading the selling member must complete and sign prescribed floor slips in triplicate which must be initialled by the buying member at the time the transaction takes place; one copy of the contract slip shall be handed by the selling member to the buying member, one copy shall be retained by the selling member and the third copy (original) shall be submitted to the Exchange.
- (3) Any selling member who, without just cause, fails to complete and sign the floor slip, and any buying member who without just cause fails to initial the floor slip in accordance with paragraph (2), will be subject to disciplinary action by the Board.

DISPUTES

Disputes

- 4.23 Any dispute between members, orders and whether arising from a breach of these rules or otherwise, shall be reported immediately to the Exchange.
- 4.24 The computer records of orders and transactions maintained by the Exchange are admissible evidence of transactions of members.
- 4.25 Any adjustment to a member's trading records kept by the Exchange can only be made after a dispute has been reported to and a decision made by the Exchange. Any such decision shall be final and conclusive and binding on the parties involved.

Public access to Exchange information

- 4.26 Any client who has had a trade executed on his behalf shall have the right to obtain from his member broker, a copy of the "timed stamped" trading ticket for his order and to examine the Exchange's detailed order and trade information relating to his order and/or trade.
- 4.27 The aggregate trade information collected by the Exchange and the statistics prepared therefrom is the sole property of the Exchange. A member and his clients shall not object to the Exchange's use of the order and trade information

collected and created within the Exchange's systems.

- 4.28 The Exchange shall make available to the public all general information collected and created for a reasonable fee as determined by the Board and as approved by the RMA.

CHAPTER 5

CODE OF CONDUCT

PRINCIPLES OF BEST PRACTICE

Integrity

- 5.01 A member should observe high standards of integrity and fair dealing.

Skill care and diligence

- 5.02 A member should act with due skill, care and diligence.

Market practice

- 5.03 A member should observe high standards of market conduct.

Information about clients

- 5.04 A member should seek from clients it advises, or for whom it exercises discretion, any information about their circumstances and investment objectives which might reasonably be expected to be relevant in enabling it to fulfil its responsibilities to them. A member must complete, have the client sign and approve the "new account Form" prescribed by the Exchange for each client.

Information for clients

- 5.05 A member should take reasonable steps to give a client it advises, in a comprehensible and timely way, any information needed to enable him to make a balanced and informed decision. A member should similarly be ready to provide a client with a full and fair account of the fulfillment of its responsibilities to him.

Conflicts of interest

- 5.06 A member should either avoid any conflict of interest arising or, where conflicts arise, should ensure fair treatment to all its clients by disclosure and by internal rules of confidentiality, declining to act, or otherwise. A member should not place its interest above those of its clients and, where a properly informed client would reasonably expect that the member would place the client's interests above its own, the member should live up to the client's expectation.

Client assets

- 5.07 Where a member has control of or is otherwise responsible for assets belonging to a client which it is required to safeguard, it should arrange proper protection

for them by way of segregation and identification of those assets or otherwise, in accordance with the responsibility it has accepted. In particular, a member must segregate in a separate account those securities held for its clients that are not required for collateral against the indebtedness of the particular client. Where these securities are not held in the depository, the segregated securities must be physically held apart from those securities held as collateral and the member's own securities. Where the securities are held in the depository, the member must specify to the depository the amount of each security to be kept out of the segregated account. The depository will automatically put securities into the segregated account and take shares out of the non-segregated account where possible. The member must give instructions to the depository to move the appropriate number of shares from one account to the other in order to maintain proper segregation of the accounts.

Financial resources

- 5.08 A member should ensure that it maintains adequate financial resources to meet its investment business commitments and to withstand the risks to which its business is subject.

Internal organization

- 5.09 A member should organize and control its internal affairs in a responsible manner, keeping proper records, and should have adequate arrangements to ensure that all employees are suitable, adequately trained and properly supervised together with defined compliance procedures.

Relations with the Exchange and the RMA

- 5.10 A member should deal with the Exchange and the RMA in an open and cooperative manner and keep the Exchange and the RMA promptly informed of anything concerning the member which might reasonably be expected to be disclosed to it.

CONDUCT OF BUSINESS

- 5.11 A member shall comply strictly with and adhere to the provisions of the Financial Institutions Act, the articles and these rules.

Conduct unbecoming

- 5.12 A member shall not do anything that would adversely affect the goodwill or public image of the Exchange or its members.

Dealings on own account

- 5.13 A member purchasing or selling on its own account shall inform its client in

advance of this fact, where practical. In the anonymous matching at the opening, a member's non-client orders may be matched with those of its clients by the system. This would be considered beyond the reasonable control of the member and not be a violation of this rule. Members must be careful in the trading of securities with a limited number of orders where it would be obvious that the member's non-client order would likely match with those of its clients. In these latter cases the clients should be advised.

Dealings in suspended shares

- 5.14 Under no circumstances shall a member deal in a suspended share, except to settle a trade executed prior to the suspension of such shares.

Dealing with suspended member

- 5.15 Under no circumstances shall a member deal with another member whose trading rights have been suspended, except to settle a trade executed prior to the suspension of the member.

Independence

- 5.16 A member must take reasonable steps to ensure that neither it nor any of its agents offers or gives, or solicits or accepts, any inducement which conflict with the duties owed to clients.

Material interest

- 5.17 Where a member has a material interest in a transaction to be entered into with or for a client, or a relationship which gives rise to a conflict of interest in relation to such a transaction, the member must not either advise, or deal in the exercise of discretion, in relation to that transaction unless it takes reasonable steps to ensure fair treatment for, and to inform, the client.

Clients' understanding

- 5.18 A member must not recommend a transaction to a client, or act as a discretionary manager for a client, unless it has taken reasonable steps to enable the client to understand the nature of the risks involved.

Members' representatives

- 5.19 A member must satisfy itself on reasonable grounds and on a continuing basis that its representatives are fit and proper to act for it in such a capacity; and must also similarly satisfy itself that it has adequate resources to monitor and enforce compliance by its representatives with high standards of business conduct.

Client order priority

- 5.20 A member should deal with client and own account orders fairly and in due turn and ensure that a client should always have priority over its own orders and over the orders of "non-clients". A "non-client" account is an account in which the member company, any officer or director of the member, any sales representative or any authorized trader has interest direct or indirect.

Timely execution

- 5.21 Once a member has agreed or decided in its discretion to effect or arrange a client order, it must effect or arrange the execution of the order as soon as reasonably practicable in the circumstances.

Best execution

- 5.22 A member must provide best execution for its clients.

Fair and Timely allocation

- 5.23 A member must ensure that a transaction it executes is promptly allocated to the client and non-client orders in accordance with the procedures set out in the trading rules 4.11 and 4.12. A member must not aggregate orders for clients or for clients and non-clients when entering the orders into the Exchange's trading system. Consequently the allocation made by the Exchange on the individual order should be the same as the member would make to his client's or non-client's orders. A daily sequence number from the client's "time stamped" order in the member's office could be input as a code on the order, to ensure proper allocation.

Churning

- 5.24 A member must not make a personal recommendation to deal, or deal or arrange a deal in the exercise of discretion for any client, if the dealing would reasonably be regarded as too frequent in the circumstances.

Suitability

- 5.25 A member must take reasonable steps to ensure that it does not make any personal recommendation to a client, or effect or arrange a discretionary transaction with or for a client, unless the recommendation or transaction is suitable for him having regard to the facts about that client of which it is, or reasonably should be, aware.

Contract note

- 5.26 Where a member effects a securities transaction with or for a client the member must ensure that the client is sent with due despatch a note containing the essential details of the transaction.

Complaints procedures

- 5.27 A member must introduce procedures to ensure -
- (a) the proper handling of complaints from clients relevant to the member's compliance with the securities regulatory system;
 - (b) that any appropriate remedial act, on these complaints is promptly taken;
 - (c) where the complaint is not promptly remedied, that the client is advised of any further avenue for complaint available to him under the securities regulatory system and, in particular, his right to complain to the Exchange and the RMA.

Compliance

- 5.28 A member must take reasonable steps, including the establishment and maintenance of procedures, to ensure that its officers and employees act in conformity with -
- (1) the member's responsibilities under the securities regulatory system;
 - (2) the requirements of the statutory restrictions on insider dealing; and
 - (3) appropriate arrangements on propriety in personal dealings.

FORBIDDEN MARKET PRACTICES

False markets and trading

- 5.29 (1) A member shall not intentionally create or cause to be created, or do anything with the intention of creating, or knowingly assist any other person in the creation of-
- (a) a false or misleading appearance of active trading in any securities traded on the Exchange; or
 - (b) a false market in respect of any securities traded on the Exchange.
- (2) For the purposes of paragraph (1) a false market is a market in which a movement in the price of a share is brought about or sought to be brought

about by contrived factors including, but not limited to, buyers and sellers acting in collaboration with each other, or any act which has the effect of preventing or inhibiting the free negotiation of market prices, or the employment of any fictitious transaction or device or any other form of deception or contrivance.

- 5.30 A member shall not with the intention of depressing, raising or causing fluctuations in the market price of any securities effect or purport to effect any purchase or sale of any such securities which involves no actual change in the beneficial ownership of those securities, nor shall any member knowingly assist any other member or any other person to effect any such purchases or sales.

Dissemination of information about false trading

- 5.31 A member shall not circulate or disseminate or authorize or assist in the circulation or dissemination of any statement or information to the effect that the price of any securities will or is likely to rise or fall when, to his knowledge, the rises or falls or likely rises or falls are attributable to any action which, if done by a member, would be in contravention of rule 5.29 and 5.30.

Employment of fraudulent or deceptive devices etc.

- 5.32 A member shall not, directly or indirectly, in connection with any transaction with any member or any other person, involving the purchase, sale or exchange of securities employ any device, scheme or artifice to defraud that member or person, or engage in any act, practice, or course of business which operates as a fraud or deception or is likely to operate as a fraud or deception of that member or person.

Prohibition of fixing, etc. prices for securities

- 5.33 A member shall not, either alone or with another member or any other person, effect or knowingly assist in effecting any series of transactions for the purchase or sale of securities, or the purchase or sale of any securities, for the purpose of pegging the price of such securities. Temporary stabilizing to cushion the effect of short term disparities in supply and demand is allowed, if disclosure of this activity has been made with the approval and guidance of the Exchange.

False or misleading statements about securities

- 5.34 A member shall not, directly or indirectly, for the purposes of inducing the sale of the securities of any company, make or knowingly assist any other person to make with respect to the operations or the past or future performance of the company:-

- (a) any statement which is at the time and in the light of the circumstances in which it is made, false or misleading with respect to any material fact and which he knows or has reason to believe to be false or misleading; or
- (b) any statement which is, by reason of the omission of a material fact, rendered false or misleading and which he knows or has reasonable grounds for knowing is rendered false or misleading by reason of the omission of that fact.

Insider dealing

- 5.35 A member shall not participate in any insider dealing in relation to any securities traded on the Exchange or knowingly assist any member or any other person to participate in any such insider dealing. For the purposes of this rule insider dealing shall have the same meaning as in article 28 of the Financial Institutions Act.

CHAPTER 6

FINANCIAL AND ACCOUNTING REQUIREMENTS

FINANCIAL REQUIREMENTS

Obligation to meet minimum capital requirement

- 6.01 Every member shall have and maintain at all times a minimum paid up capital of one million Ngultrum, or such other sum as may be prescribed from time to time by the RMA.

Excess Net Free Capital

- 6.02 (1) Every member shall maintain at all times excess net free capital as defined in these rules.
- (2) For the purposes of this rule:
- a. "Excess Net Free Capital" means the amount by which the "Net Free Capital" exceeds the "Minimum Capital Required". -
 - b. "Active Assets" means those assets that are cash, bank deposits, marketable securities, and accounts receivable and do not include Membership in the Exchange, fixed assets, pre-paids, depreciation, accruals etc.
 - c. "Liabilities" means all liabilities that are not subordinated to the general creditors.
 - d. "Liquid Capital" means the excess of active assets over liabilities.
 - e. "Provisions" means the amount of deductions made from liquid capital to provide for unsettled accounts and for securities holdings.
 - f. "Net Free Capital" means the amount by which liquid capital exceeds provisions.
 - g. "Adjusted Liabilities" means the amount of liabilities after deducting the following assets- cash, bank debit balances, securities owned having a margin rate of 5% or less and receivables from "Defined Financial Institutions".
 - h. "Defined Financial Institutions" mean the Bank of Bhutan, Bhutan Development Finance Corporation, Royal Insurance corporation of Bhutan, Unit Trust of Bhutan, Royal Monetary Authority, The

Government of Bhutan and its wholly owned Agencies and Departments

- i. "Minimum Capital Required" means the greater of Nu300,000.00 or 10% of the first Nu5,000,000.00 of adjusted liabilities, then 8% of the next Nu5,000,000.00 of adjusted liabilities, then 6% of any remaining adjusted liabilities.
 - j. "Under Margined" means that the debit balance of an accounts exceeds the aggregate of 50% of the market value of fully listed securities plus 90% of the market value of Corporate bonds and debentures not in default, plus 95% of the market value of Government bonds and notes, or the credit balance of an account does not exceed 200% of the market value of all securities short in the account.
 - k. "Market Value" means the last sale price of the security on the Exchange during the previous trading session.
 - l. "Short Sale" means the sale of securities not owned, which must be borrowed to complete delivery, with the intention to buy back the securities at a later time at a lower price, thereby resulting in a profit.
- (3) Members must prepare monthly a capital calculation to ensure that they are in compliance with the Exchange's requirements as follows:
- a. Prepare a trial balance;
 - b. Review every account receivable and account payable to determine the under margined amount of each;
 - c. Calculate the amount of provision to be made for the securities owned or sold short, using the following rates-
 - 50% of market value for fully listed securities
 - 10% of market value for Corporate bonds and debentures not in default
 - 5% of market value of Government bonds and notes
 - 100% of market value of all other securities long;
 - d. Determine the amount of positive liquid capital by deducting the liabilities from the active assets;
 - e. Determine the amount of positive net free capital by deducting the provisions for undermargined accounts and securities owned or sold short;
 - f. Determine the amount of adjusted liabilities by deducting the

amounts of cash, bank debit balances, securities owned having a margin rate of 5% or less, and receivables from defined financial institutions from the liabilities;

- g. Determine the minimum capital required by taking the greater of Nu300,000.00 or the aggregate of 10% of the first Nu5,000,000.00 of adjusted liabilities, plus 8% of the next Nu5,000,000.00 of adjusted liabilities, plus 6% of the remainder of the adjusted liabilities;
- h. Determine the positive excess net free capital by deducting the minimum capital required from the net free capital.

Duty of Exchange member

- 6.03 If a member becomes aware of its inability to comply with the excess net free capital requirements, it shall forthwith -
- (1) notify the RMA and the Exchange; and
 - (2) cease dealing in securities otherwise than for the purpose of giving effect to any agreement or arrangement entered into before the time when it becomes so aware and to effect transactions that would immediately increase net free capital or reduce minimum capital requirements.

CLIENT MONEY

Segregation of client money

- 6.04 (1) A member shall pay forthwith all client money coming into its hands for or from a client into a specially created client bank account, held at a bank approved by the Exchange, which is segregated from any account holding money belonging to the member.
- (2) A member shall account properly and promptly for client money and in particular shall ensure that -
- (a) client money and other money do not become mixed;
 - (b) the member can at all times be sure how much client money stands to the credit of each client;
 - (c) money belonging to one client is not used for another client.

Restriction on withdrawal of client money

- 6.05 (1) Money may be withdrawn by a member from a client bank account only if -

- (a) it is not client money;
 - (b) it is properly required for payment to or on behalf of a client;
 - (c) it is properly required for or towards payment of a trading debt, including commissions and fees, due to the member from a client; or
 - (d) it is properly transferred to another client bank account or into a bank account in the clients own name.
- (2) A member may withdraw money from a client bank account for or towards payment of its own fees or commission, other than those included in the settlement of trades, only if -
- (a) the member has given the client 7 calendar days notice of its intention and adequate detail of the breakdown of the proposed payment, and the client has not objected;
 - (b) the fees or commission accord with the arrangements agreed with the client; or
 - (c) the amount is agreed in writing by the client.

ACCOUNTING RECORDS

Duty to keep accounting records

- 6.06 (1) A member shall keep for each individual client account, inventory account and general ledger account, accounting records on a settlement date basis, which are sufficient to show and explain its transactions (whether effected on its own behalf or on behalf of others) and which shall:-
- (a) disclose with reasonable accuracy the financial position of the member at any point of time;
 - (b) demonstrate whether or not the member is at any point in time complying with the minimum capital and liquid funds requirements;
 - (c) enable the member to prepare true and fair balance sheets and profit and loss accounts as at any date and which comply with these rules.
- (2) The accounting records for all individual client accounts, inventory accounts and general ledger accounts shall, in particular, contain:-
- (a) entries from day to day of all sums of money received and expended by the member, and the matters in respect of which the receipt and expenditure takes place;
 - (b) a record of all income and expenses of the member explaining their nature;

- (c) entries from day to day of all purchases and all sales by the member distinguishing those which are made by the member on its own account and those which are made by the member on behalf of others;
- (e) entries from day to day of:-
 - (i) all money which is paid into or out of a client bank account maintained for the purposes of rule 6.04; and
 - (ii) receipts and payments of client money not passed through such a client bank account, identifying the persons to or from whom such receipts and payments are made;
- (f) a record of the balance on each client bank account;
- (f) a record of the balances with individual clients stating the name of each client and the amount held and received for that client;
- (g) sufficient information to explain the member's dealings with each client bank account; and
- (h) (i) details of all securities which are the property of the member, showing by whom they are held and whether, if held otherwise than by the member itself, they are so held as collateral against loans or advances; and
 - (ii) details of all securities which are not the property of the member but for which the member is accountable, showing by whom and for whom they are held distinguishing those which are deposited with a third party whether as security for loans or advances made to the member or any related person or for any other purpose.

Records to be kept up to date

6.07 The obligations under these rules are continuing obligations and continuous performance of them is required to ensure that records are at all times up to date.

Audit Trail

6.08 (1) Information required by these rules to be recorded shall be recorded in such a way as to enable a particular transaction to be identified at any time and traced through the accounting system of the member.

- (2) All records shall be arranged, filed, indexed and cross referenced so as to permit prompt access to any particular record.

Conformity with accounting standards

- 6.09 The accounting records required to be kept by a member shall conform with statements of standard accounting practices issued by such body or bodies as may be prescribed by the RMA.

Retention of records

- 6.10 A member shall preserve its accounting records at its registered address for 5 years from the date on which they are made, together with every contract note received by the member and a copy of every contract note issued by it, and thereafter may dispose of them only with the prior written consent of the RMA.

Availability of accounts for inspection

- 6.11 Every member shall make all books of account and other records required to be kept under these rules available to the Exchange and the RMA for inspection, or audit by any auditor appointed by the Exchange and the RMA, when required by the Exchange or RMA to do so.

FINANCIAL STATEMENTS

Balance Sheet and Profit and Loss Account

- 6.12 (1) A member shall prepare for each financial year (which shall be a calendar year) annual financial statements which shall consist of a balance sheet and a profit and loss account made up to the last day of the financial year.
- (2) The balance sheet shall give a true and fair view of the assets and liabilities and the state of affairs of the member as at the end of the financial year.
- (3) The profit and loss account shall give a true and fair view of the profit or loss of the member for the financial year.
- (4) A member shall submit his annual financial statements to the Exchange and the RMA within 3 months after the end of the financial year to which they relate together with its auditor's report.

QUARTERLY REPORTING STATEMENTS

- 6.13 (1) Every member shall within 30 calendar days of the end of each quarter of its financial year, unless such time period is extended in writing by the Exchange, submit to the Exchange a Quarterly Reporting Statement in the form prescribed by the Exchange: Provided that if requested by the Board a member shall submit a Quarterly Reporting Statement to the Exchange within such shorter period as the Board may stipulate (not being less than 14 days) after the end of a quarter.
- (2) When submitting the Quarterly Reporting Statement under paragraph (1) the member shall also provide a declaration, in the form prescribed by the Exchange, stating, inter alia, that it has at all times during the relevant period complied with the financial requirements specified under rules 6.01 and 6.02 and a signed declaration in the prescribed form by the accounting or other officer responsible for the preparation of the Quarterly Reporting Statement.
- (3) The Quarterly Reporting Statement shall be signed by a director.

AUDIT

Appointment of Auditor

- 6.14 (1) A member shall appoint an auditor to audit its annual accounts (including all client accounts).
- (2) The auditor must be selected from the panel maintained by the Royal Audit Authority and be independent of the member.
- (3) It is the duty of the member to ensure that the auditor shall have a right of access at all times to the accounting and other records of the member and all other records relating to its business.
- (4) The auditor shall have a right to require from the member, its officers and employees such information and explanation as the auditor thinks fit for the performance of his duties as auditor.

Auditor's report

- 6.15 The auditor's report shall state whether in the opinion of the auditor:-
- (a) the annual financial statements of the member have been properly prepared in accordance with these rules;
- (b) in the case of the balance sheet, a true and fair view is given of the state of affairs of the member as at the end of the financial year;
- (c) in the case of the profit and loss account, a true and fair view is given of

- the profit or loss of the member for the financial year;
- (d) the member has, throughout the financial year, kept proper accounting records in accordance with the requirements of rule 6.06;
 - (e) the balance sheet and the profit and loss account are in agreement with the accounting records of the member; and
 - (f) he has obtained all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of his audit.

MONITORING OF FINANCIAL AND ACCOUNTING REQUIREMENTS

Exchange right to demand documents

- 6.16 Every member shall within 7 days, or such period as the Exchange may specify of the receipt of a written demand from the Exchange, submit to it such statements, books, records, accounts and other documents as the Exchange may demand. The Exchange may at the request of the RMA make such documents available to the RMA for inspection. Where the Exchange exercises this discretion, the authority is deemed to have been given by the member concerned.

Power of Exchange to make surprise checks

- 6.17 (1) Officers or employees of the Exchange or such persons appointed by the Exchange may from time to time inspect the books maintained by the member relating to its business and financial position. Every member shall provide or allow such officers or employees or appointed persons access to its premises, accounts, books, documents, papers and records necessary for the discharging of its duty, with or without prior notice.
- (2) Any expenses incidental to or consequential upon an inspection ordered under paragraph (1) by the Exchange shall be borne by the member concerned, unless the Exchange otherwise determines.
- (3) A member shall not be entitled to claim against the Exchange, officers or employees of the Exchange or any appointed person for any loss or damages whatsoever relating to an inspection ordered under this rule.

Power of person authorised by Exchange

- 6.18 (1) Any person appointed under rule 6.17 shall be deemed to have been authorised by the member concerned to obtain direct from such member's auditor reporting on the accounts any information or explanation which he may consider necessary for the purpose of carrying out his duties.

- (2) In any case where the information obtained under paragraph (1) or any other matter arising out of his enquiries leads the person appointed under rule 6.16 to consider that further information should be obtained by the Exchange regarding the member's state of affairs, he shall be deemed to be authorised to report accordingly to the Exchange.
- (3) All accounts and other information obtained by the person appointed under rule 6.17 shall be retained by the Exchange and shall be regarded as confidential and disclosure of information contained or derived therefrom shall not be made to any body or persons except that the Exchange may at the request of the RMA furnish a copy of his report to the RMA and the authority for doing so is deemed to have been given by the member concerned. The member shall have the right to obtain a copy of such report.

CHAPTER 7 DISCIPLINE

INSPECTION BY THE EXCHANGE

- 7.01 The Exchange may, at any time, on notice or otherwise:-
- (1) conduct an inspection to ensure that a member is in compliance with the Exchange's rules; or
 - (2) require the member to furnish the Exchange with such information as it may require within a reasonable time and verified in such a manner as the Exchange may specify.

INVESTIGATION BY THE EXCHANGE

- 7.02 The Exchange may conduct an investigation in respect of a member where it appears to the Exchange, either on its own initiative, as a result of a complaint received or in the light of an inspection conducted under rule 7.01(1):-
- (1) that there are circumstances suggesting that the member is not fit and proper to carry on the business of dealing in securities;
 - (2) that there has been a contravention by the member of the Financial Institutions Act, the Regulations, or any regulation made under either, the articles or of these rules; or
 - (3) to be appropriate or desirable for the protection of investors.
- 7.03 The Exchange may appoint such individuals to conduct an investigation and may call upon such outside assistance in connection therewith as it sees fit.
- 7.04 The Exchange shall notify the member of the reasons for an investigation, unless it appears to the Exchange that such notification may inhibit the conduct of the investigation.

COOPERATION OF MEMBER REQUIRED

- 7.05 A member shall co-operate fully with any inspection or investigation that may be carried out under these rules and shall give all necessary assistance including:-
- (1) furnishing to the Exchange promptly, or within such reasonable time as may be specified by the Exchange, such information and accounts as the Exchange may require for the purposes of the investigation;
 - (2) permitting its directors, officers or other employees to be interviewed by or on behalf of the Exchange, ensuring as far as possible that they are made

available for interview and answer truthfully and fully any questions put to them;

- (3) giving at all times full access to any premises where the member carries on its business or maintains records; and
- (4) permitting documents, records or other material in its possession or under its control to be produced, inspected and, where necessary, copied by the Exchange.

PROCEDURE FOR HEARING

7.06 In conducting a hearing before the Board, the Exchange may regulate its sittings and apply such rules on procedure and practice as it sees fit, provided that -

- (1) the Exchange shall be governed by the rules of natural justice and shall give the member a reasonable opportunity to make written or oral representations, to call witnesses and to cross examine any witness called against it;
- (2) the Exchange with the approval of the Board, may determine the issue on written representations if, having regard to the nature and gravity of the matter in issue, it is satisfied that it is suitable for such determination and the member consents to such a procedure being adopted;
- (3) in determining the issue by way of oral hearing in front of the board, the Exchange -
 - (a) shall hear the matter in private;
 - (b) may at its discretion permit the member to be legally represented and to call witnesses to give evidence before it.
- (4) where the matter in issue against a member is found to be proved, which shall be on a balance of probabilities, the Board shall, before exercising its disciplinary powers, allow the member, or anyone on its behalf, to address the Board in mitigation of penalty.

POWERS OF BOARD

7.07 The Board may exercise any of the following powers:-

- (1) declare that there is no case for the member to answer;
- (2) decide that no further action should be taken;
- (3) issue a private warning or reprimand to the member;
- (4) issue a notice of public censure against the member;

- (5) impose a fine on the member in such amount as may be considered appropriate;
- (6) suspend or revoke the registration of the member's directors, officers, authorised traders and/or sales representatives; and shall in each such case make a written record of any action so taken.

POWER OF BOARD TO EXPEL OR SUSPEND

7.08 The Board may expel a member from membership of the Exchange or suspend all or any of a member's rights of membership for a fixed or continuing period by making an expulsion order or a suspension order where the Board is satisfied, in the light of an investigation conducted by the Exchange pursuant to rule 7.02, that the member:-

- (1) has ceased to be fit and proper to carry on the business of dealing in securities;
- (2) has contravened any provision of these rules or of the Financial Institutions Act, the Regulations, or any regulation made under either, or the articles;
- (3) has provided the Exchange with false, inaccurate or misleading information in purported compliance with any requirement under these rules; or
- (4) in any other case where the Board feels such action to be appropriate for the protection of investors.

MEANING OF MEMBER IN THIS CHAPTER

7.09 For the purposes of the disciplinary rules contained in this Chapter, the word "member" includes its directors, authorised traders and sales representatives where the context admits.

CHAPTER 8

PAYMENT OF FEES LEVIES AND CHARGES

FEES LEVIES AND CHARGES

- 8.01 The Board may from time to time for the purposes of the administration of the Exchange and its securities market impose fees, levies and charges in such respects and on such terms as the Board may prescribe.
- 8.02 Without limitation to the generality of rule 8.01, the Board may impose fees and charges in respect of:-
- (1) an application for membership;
 - (2) a monthly subscription by members;
 - (3) the registration of authorised traders and sales representatives.

AMOUNT

- 8.03 The amount of any fees, levies and charges which the Board may impose shall be notified to members by means of a General Notice.

REVISION

- 8.04 The amount of any fees, levies and charges imposed by the Board pursuant to these rules may from time to time be revised by the Board as it shall in its absolute discretion think fit and the Board shall notify such revised fees, levies and charges by General Notice.

GENERAL NOTICE

- 8.05 The Board shall also prescribe the time and method of payment of any fees levies and charges imposed pursuant to these rules by General Notice and all members shall comply with the requirements, instructions or directions contained in such General Notice including the payment of interest, penalty or fine for late payment of such fees, levies and charges.

TRADING FEE

- 8.06 The fee to be paid by all members on the trades they execute and on both sides where a member represents both sides, the buyer and the seller, shall be .0003 of the principal value of the trade. This fee may be revised by the Board in accordance with rule 8.04.

MINIMUM COMMISSION

- 8.07 The minimum amount of commission to be charged of all trades executed by a member, except those executed for the member's own proprietary account, shall be as follows:
- a) 2 percent of the first Ngultrum 20,000.00 principal amount of the transaction, with a minimum charge of Ngultrum 25.00;

- b) 1.5 percent of the next Ngultrum 80,000.00 principal amount of the transaction;
- c) 1 percent of the next Ngultrum 100,000.00 principal amount of the transaction; and
- d) the amount of commission to be charged on the principal amount of the transaction in excess of Ngultrum 200,000.00 is freely negotiable between the member and the client.

The minimum commission may be revised by the Board in accordance with rule 8.04.

NON COMMERCIAL TRANSACTIONS

- 8.08 The transaction fee for gift, inheritance and other non commercial for change of beneficial ownership shall be levied at 1% of the principal amount at face value with minimum ceiling limit of Nu.100[*] to the transferee.

* Note : The revision of fees was based on the decision of the 29th Board meetings.

CHAPTER 9

REQUIREMENTS FOR QUOTED COMPANIES

A. General

9.01 Companies that have issued securities to more than 50 securities holders must be quoted on the Exchange in accordance with the Companies Act of the Kingdom of Bhutan, 1989.

B. Quotation fee

9.02 Companies that are quoted on the Exchange must pay a quotation fee of Ngultrum 1,000.00 per annum, commencing when the quotation service is made available to the company and its securities holders.

C. DISCLOSURE

Corporate disclosure policy

9.03 Generally and apart from compliance with all the specific requirements of this Chapter, the issuer shall keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group that -

- (1) is necessary to enable them and the public to appraise the financial position of the group;
- (2) is necessary to avoid the establishment of a false market in its securities; and
- (3) might reasonably be expected materially to affect market activity in and the price of its securities.

D. NOTIFICATION

Board meetings

9.04 The issuer shall, on a confidential basis, inform the Exchange of the details of the declaration, recommendation or payment of a dividend is expected to be decided or at which any announcement of the profits or losses for any year, half-year or other period is to be approved for publication or any other major event that is likely to have an influence on the price of the securities or would affect an investors decision to purchase or sell the securities is to be decided upon, at least three clear business days in advance of the date fixed for such board meeting.

After board meetings

9.05 The issuer shall inform the Exchange immediately after approval by or on behalf of the board of -

- 1) any decision to declare, recommend or pay any dividend or to make any other distribution on its listed securities and the rate and amount thereof;

- 2) any decision not to declare, recommend or pay any dividend which would otherwise have been expected to have been declared, recommended or paid in due course;
- 3) any preliminary announcement of profits or losses for any year, half-year or other period;
- 4) any proposed change in the capital structure, including any redemption of its listed securities; and
- 5) any decision to change the general character or nature of the business of the issuer or group.

Changes

9.06 The issuer shall inform the Exchange immediately of any decision made in regard to –

- (1) any proposed alteration of the issuer's articles;
- (2) any changes in its Board of Directors;
- (3) any change in the rights attaching to any class of listed securities and any change in the rights attaching to any shares into which any listed debt securities are convertible or exchangeable; and
- (4) any changes in its secretary, auditors or registered address.