

Statutory Instrument No. 64 of 2003

**BOTSWANA STOCK EXCHANGE ACT
(Cap. 56:08)**

**BOTSWANA STOCK EXCHANGE (LISTING OF GOVERNMENT
SECURITIES) REGULATIONS, 2003
(Published on 2nd December, 2003)**

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SCHEDULE

IN EXERCISE of the powers conferred on the Minister of Finance and Development Planning by section 88 of the Botswana Stock Exchange Act, and after consultation with the Registrar and the Committee, the following Regulations are hereby made -

PART I — *Preliminary*

- | | |
|----------------|--|
| Citation | 1. These Regulations may be cited as the Botswana Stock Exchange (Listing of Government Securities) Regulations, 2003. |
| Interpretation | 2. In these Regulations, unless the context otherwise requires — |
| Cap. 55:01 | <p>“auction” means the sale of securities through open bidding;</p> <p>“authorised persons” means individuals, appointed by members and approved by the Exchange to provide information to, and communicate with, the Exchange in matters relating to these Regulations;</p> <p>“Bank of Botswana” means the central bank established under the Bank of Botswana Act;</p> <p>“banking institution” includes the Bank of Botswana;</p> <p>“beneficial owner of securities” means the end customer or owner of the securities, entitled to all the rights and benefits of a securities owner;</p> <p>“central depository” means a depository where the final settlement of a security transaction is recorded;</p> <p>“clearing” means the matching of orders prior to settlement;</p> <p>“cross trade” means a trade where a member handles both sides of a trade as an agent, or as a principal on the one hand and as an agent on the other in a single transaction;</p> <p>“custodian” means a bank or other financial institution that keeps custody of the records of assets of an individual or corporate client;</p> <p>“Exchange” has the same meaning as in the Act;</p> <p>“extension request” means a request sent by a member, to the Exchange, in a prescribed format to request a one to three day period of extension to settle a trade;</p> <p>“extracts of ownership” means evidence of ownership provided by the holder of the register to a beneficial or nominee owner of government securities;</p> <p>“global certificate” means a certificate or report issued by the Government or the Bank of Botswana, which shows specific holdings of each primary counterparty at primary distribution of government securities;</p> <p>“government securities” means securities issued by the Government which are listed and traded in terms of these Regulations;</p> <p>“holder of register” means the Exchange in its capacity as the holder of the register of beneficial and nominee owners of government securities;</p> |

“immobilisation of securities” means the storage of securities in a depository, with trades effected through a book-entry system;

“international securities identification number (ISIN)” means an internationally recognised identification number for issues of securities;

“list” means making government securities available for trading on the Exchange;

“matching” means a comparison of trade or settlement details provided by counterparties to ensure that they agree;

“member” means a member of the Exchange;

“nominee owner” or “omnibus account holder of securities” means an institution, normally a stockbroker, bank or custodian, named on the register as “holder” of the securities on behalf of the securities’ owners;

“order ticket” means a form which contains the details of a trade completed by a member for his or her client or principal account;

“position limit” means a limit that may be imposed by the Exchange on the number or value of securities that a single member may transact, hold or control;

“primary counterparty” means such institution as may be appointed by the Bank of Botswana from time to time;

“primary distribution” means the issuance for distribution of government securities by the Government;

“register” means a list of owners of securities and their holdings of government securities;

“settlement” means the exchange of securities for money;

“settlement date” means the date upon which settlement takes place, which date, in respect of government securities, means three business days from the trade date;

“settlement report” means a report sent to the Exchange in which a member confirms the settlement of a trade;

“special member” means a member appointed under regulation 15;

“trade date” means the date on which a trade is reported to the Exchange by the purchasing or selling member;

“trade report” means a report made by a member on a specified Exchange format, in which details of a trade are reported to the Exchange; and

“unmatched trade notice” means a notification of an unmatched trade sent to a member by the Exchange.

PART II — Listing and Trading of Government Securities

3. (1) The Ministry of Finance and Development Planning shall list, for trading, government securities or quasi government securities in the Exchange.

Listing and trading in government securities

(2) Government securities shall be exempted from the normal listing requirements of the Exchange, and the requirements for the listing of such securities shall be determined by the Exchange from time to time.

4. A member shall —

- (a) trade in government securities;
- (b) sign a membership agreement with the exchange which agreement shall be prepared by the Committee from time to time; and
- (c) report each trade in government securities to the Exchange in accordance with the provisions of regulation 5.

Duties of a member

Negotiation of trades

5. (1) A trade shall be negotiated between and among members in accordance with the provisions of these Regulations.

(2) Upon a successful completion of a trade, each party to the transaction shall submit a trade report via electronic mail or facsimile or fax to the Exchange within two hours of completion of such trade.

(3) In each given day, a party to a transaction shall report daily trades to the Exchange not later than 1400 hours.

(4) A trade reported after 1400 hours on any given day shall be recorded as the next business day trade which day shall be the trade date for that specific transaction.

(5) The trade report submitted by a member to the Exchange under sub-regulation (2) shall be in the form of an order ticket as set out in Form A of the Schedule.

(6) The Exchange may prescribe such additional trading and reporting requirements as it considers necessary.

Matching of reports

6. (1) The Exchange shall, upon receipt of a trade report from each party to the trade or from a member performing a cross trade, match the report, and send confirmation to each party, of the transaction that the trade is a "match" and has been locked-in for execution.

(2) The Exchange shall send the confirmation referred to in sub-regulation (1) within two hours of receipt of both parties' trade reports.

Publication of trade reports

7. (1) The Exchange shall —

(a) summarise and publish trade reports made under this part in the Exchange's Daily Market Report; and

(b) send the Daily Market Report to members by electronic mail at the close of business each day.

(2) The Exchange's Daily Market Report shall be available at the premises of the Exchange, in hard copies, for members and the public.

(3) The Exchange's Daily Market Report, which shall include a summary of trades in government securities, shall be made available to the media on a daily basis.

Unmatched trade reports

8. (1) Where the Exchange receives trade reports which do not match, the Exchange shall send, to each member, an "unmatched trade notice", under which particulars of the report received from each member shall be given.

(2) A member shall correct or amend the unmatched trade report and resend the corrected or amended report, as the case may be, to the Exchange within 30 minutes of the receipt of the notification under sub-regulation (1).

(3) Where the Exchange does not receive the corrected or amended report within the 30 minutes provided for under sub-regulation (2) or the resubmitted report is unmatched, the Exchange may cancel the trade report.

(4) Where the Exchange Committee concludes that the cancellation of the trade under sub-regulation (3) is not reasonable or practical, as the case may be, the member or members causing a trade to remain unmatched shall be liable to a charge or a disciplinary action by the Exchange Committee.

(5) A member shall be liable to a charge of an amount not exceeding P10 000 or subjected to a disciplinary action by the Exchange Committee in respect of the following activities —

(a) sending unmatched trade reports;

(b) not sending matched trade reports on time; or

(c) not sending any report at all.

PART III — Clearance and Settlement

9. A member to a transaction shall have a maximum of three days from the trade date to clear and settle the transaction.

Settlement of trades

10. The parties to a trade shall, within two days from the date of the trade, confirm in writing, to the Exchange, the availability of funds or securities for settlement on the settlement date.

Confirmation of funds

11. (1) A stockbroker who trades in government securities shall have a standing letter of credit or other credit facilities of at least P5 million or shall use the services of a credit agency or settlement bank to guarantee settlement of trades.

Requirement of standing letter of credit

(2) If a member fails to settle the trade on the settlement date, the banking institution shall step in to settle the trade.

(3) A stockbroker referred to in sub-regulation (1) shall provide evidence of an executed contract with the credit agency or settlement bank to the Exchange for approval.

(4) The Exchange may impose position limits on a member.

(5) The Exchange may, from time to time, amend the requirements and procedures for settlements as it considers necessary.

12. (1) A party to a trade shall notify the Exchange by electronic mail or facsimile that a trade has been settled on the day of settlement.

Notification of settlement

(2) The notice referred to in sub-regulation (1) shall specify such details of the trade as may be required by the Exchange.

(3) The Exchange shall send confirmation of receipt of a settlement report to the counterparties of the settled trade not later than the next business day.

(4) A member who fails to submit a settlement report on the due date or submits a report late shall be liable to a charge not exceeding P25 000.

13. (1) A trade which remains unsettled after three days shall be deemed to be a "failed to settle trade".

Unsettled trade

(2) A member whose trade is unsettled shall submit a report of an unsettled trade to the Exchange.

(3) A member who submits a report under sub-regulation (2) may —

(a) request, in writing, for a settlement extension of not more than 2 days from the Exchange; or

(b) in writing, report to the Exchange that there is no intention to settle the trade.

(4) The reports made under the provisions of sub-regulation (3) shall be part of the order ticket.

(5) A member who fails to settle a trade shall be liable to a charge not exceeding P10 000.

14. (1) The Exchange shall, upon receipt of a report of unsettled trade made under regulation 13 —

Confirmation of report of unsettled trade

(a) confirm its receipt of extension to settle a trade to both parties; or

(b) confirm its receipt of the "no intention to settle" report and inform the counterparty of the report.

(2) The Committee shall charge such fee for an extension to settle a trade as shall be determined by it periodically by way of administrative rules.

(3) The Exchange may reject an unreasonable request for an extension to settle a trade and shall notify the applicant of its refusal in writing and the reasons for such a refusal.

(4) The Exchange shall cancel the trade of a member who has failed to settle the trade and whose request for an extension to settle the trade has been rejected under the provisions of sub-regulation (3).

(5) A member whose trade is cancelled under the provisions of sub-regulation (4) shall be subjected to a disciplinary action by the Committee in accordance with the members' rules.

Payment of interest by member on a settlement extension

15. (1) A member who is granted a settlement extension shall pay interest to the counterparty on the principal amount based on the prevailing market rates.

(2) The interest under sub-regulation (1) shall accrue on a daily basis until the trade is settled.

PART IV — *Appointment of Special Members*

Appointment of special members

16. (1) The Minister may, on application by a primary counterparty, appoint such primary counterparty to be a special member.

(2) A special member shall be appointed from primary counterparties who have been designated as such by the Bank of Botswana.

(3) An application by a primary counterparty to be appointed as a special member shall be in Form B set out in the Schedule.

(4) A special member shall have the following rights and duties —

(a) to trade only government securities on the Exchange with other members;

(b) to be exempted from such of the Exchange regulatory requirements as may be determined by the Committee from time to time;

(c) to be exempted from the registration requirement of a stockbroker; and

(d) to only execute cross trades in government securities on the Exchange.

(5) The Committee shall charge a special member such membership fee as the Committee may determine in the members' rules.

Duties of a special member

17. A special member shall process, report, maintain and keep all the records of trading in government securities and related agreements in accordance with procedures such as may be prescribed by the Committee and notified in writing to the members from time to time.

Affirmation of financial status of special members by BOB

18. (1) The Bank of Botswana shall, on a monthly basis, not later than the 5th business day after the end of the month, send a written affirmation to the Exchange on the financial status of each special member.

(2) The Bank of Botswana shall, in writing, notify the Exchange of a special member who has capital less than 20% over the minimum capital of a primary counterparty.

(3) The notice under sub-regulation (2) shall be delivered to the Exchange not later than the next business day upon discovery of the financial status of a special member by the Bank of Botswana.

Cancellation of appointment of special member

19. The Minister may, upon advice by the Exchange, cancel the appointment of a special member who —

(a) has ceased to be a primary counterparty; or

(b) frequently contravenes the provisions of these Regulations to the extent that the business of the Exchange is adversely affected.

- 20.** (1) After the auction of government securities is completed, each issue shall be deemed to be listed in terms of the Act and these regulations.
- (2) The Committee shall allow automatic listing of government securities upon presentation of a global certificate of registration of the securities.
- (3) The fee payable by the issuer of government securities shall be in accordance with the members' rules.

Auction and listing of government securities

PART V — Auction and Registration of Government Securities

21. Government securities shall be immobilised at the Bank of Botswana, and, therefore, transfer of ownership shall be by way of book-entry only.

Immobilisation of securities

22. (1) The Bank of Botswana shall provide the Exchange, which is the holder of the register for government securities, with registration information once an auction is completed.

Bank of Botswana to provide information of registration to Exchange

(2) Upon the written request of an owner, an extract of ownership shall be delivered from the holder of the register to the beneficial owner or nominee owner, as the case may be.

(3) The fee payable for providing an extract of ownership shall be as provided for under the members' rules.

23. Information on the buying and selling of government securities shall be shared between the Exchange, the Ministry and the Bank of Botswana for the purpose of maintaining a transparent, fair, equitable and efficient trading of the government securities.

Sharing of information

24. The Exchange shall, from time to time, furnish the Bank of Botswana in writing or by such other method as may be agreed between the Bank and the Exchange, with all the information of ownership and the transfer of ownership of government securities which are traded on the Exchange.

Exchange to furnish information to Bank of Botswana
Data file to be maintained

25. The Exchange shall maintain an issuer data file, which contains the following minimum data for each issue-

- (a) the official name of the issue;
- (b) the ISIN for each issue;
- (c) the data on the number and class of securities authorised;
- (d) the number of securities of each class issued; and
- (e) the ISIN of each class of securities assigned by the Exchange.

26. The Exchange shall, upon a written request of a member, make available to a government securities' holder or owner, or member, information that refers to his or her own account, client's or nominee account only.

Entitlement to interests to be made known to security holders, etc.

27. All entries in the register shall be maintained by the Exchange and shall contain the following minimum information —

Contents of the Exchange register

- (a) a recovery system which shall ensure that in the event of a catastrophic damage to equipment, premises or files, the Exchange will be able to restore operations promptly without loss or damage to the integrity and confidentiality of the information in the system;
- (b) a system of accounting for the storage of supplementary documentation;
- (c) a system that ensures the processing of information received from persons who are authorised to provide such information;
- (d) a system through which files of all correspondence or inquiries between authorised persons and the Exchange shall be recorded and maintained;
- (e) a system through which a securities' holder list is maintained and into which information of all redeemable government securities and the holders thereof is recorded.

SCHEDULE

Form A

Order Ticket
(regulation 5(5))

FIRM NAME		SELL		NEW A/C	DATE
LISTED <input type="checkbox"/>	OTC <input type="checkbox"/>	GOVE <input type="checkbox"/>	TICKET NO		
QUANTITY	SYMBOL	DESCRIPTION OF SECURITY	ORDER PRICE	MARKET <input type="checkbox"/>	LIMIT <input type="checkbox"/>
<input type="checkbox"/> GTC <input type="checkbox"/> DAY <input type="checkbox"/> OTHER	ACCOUNT NO.	ORDER IS PRINCIPAL AGENT	CLIENT		
		AUTHORIZED BY: SIGNATURE:			
SOLICITED <input type="checkbox"/>	UNSOLICITED <input type="checkbox"/>	COUNTER-PARTY TRADE TICKET NO.		COUNTER-PARTY DEALER NO.	
MEMBER USE ONLY					
<input type="checkbox"/> READY TO SETTLE T - 2		<input type="checkbox"/> REQUESTED FOR EXTENSION T + 3			
<input type="checkbox"/> SETTLED T + 3					

FOR MEMBER USE ONLY:

EXECUTION TIME: _____

EXECUTION DATE: _____

EXECUTION PRICE: _____

CANCELLED TIME _____

CANCELLED TIME: _____

EXTENSION REQUEST _____

INTENT NOT TO SETTLE

EXPLANATION:

FOR BSE USE ONLY:

MATCHED

UNMATCHED

SETTLED

APPROVED EXTENSION REQUEST

RECEIVED BY: (FULL NAMES)

SIGNATURE:

TIME:

DATE:

FIRM NAME		BUY		NEW A/C	DATE
LISTED <input type="checkbox"/>	OTC <input type="checkbox"/>	GOVE <input type="checkbox"/>	TICKET NO		
QUANTITY	SYMBOL	DESCRIPTION OF SECURITY	ORDER PRICE	MARKET <input type="checkbox"/>	LIMIT <input type="checkbox"/>
<input type="checkbox"/> GTC <input type="checkbox"/> DAY <input type="checkbox"/> OTHER	ACCOUNT NO.	ORDER IS PRINCIPAL AGENT	CLIENT		
SOLICITED <input type="checkbox"/>		UNSOLICITED <input type="checkbox"/>		COUNTER-PARTY TRADE TICKET NO.	COUNTER-PARTY DEALER NO.
MEMBER USE ONLY					
<input type="checkbox"/> READY TO SETTLE T - 2		<input type="checkbox"/> REQUESTED FOR EXTENSION T + 3			
<input type="checkbox"/> SETTLED T + 3					

FOR MEMBER USE ONLY:

EXECUTION TIME: _____
 EXECUTION DATE: _____
 EXECUTION PRICE: _____

- CANCELLED TIME _____
- CANCELLED TIME: _____
- EXTENSION REQUEST _____
- INTENT NOT TO SETTLE

EXPLANATION:

FOR BSE USE ONLY:

MATCHED
 UNMATCHED
 SETTLED

APPROVED EXTENSION REQUEST
 RECEIVED BY: (FULL NAMES)
 SIGNATURE:
 TIME:
 DATE:

Application for Appointment as a Special Member
(regulation 16(3))

Applicant's full name (*name of firm*).....

Address:.....

Please review our application and intercede us with the Botswana Stock Exchange Committee for affiliation with the Botswana Stock Exchange as a special member.

We undertake to sign a membership agreement with the Botswana Stock Exchange.

The following documents are attached to the application —

- (a) notarised copy of the charter envisaging all the changes at the time of submission;
- (b) registration form issued by the Department of Taxes for inclusion in the tax payers register and assignment of the identification number;
- (c) application by a proxy, which includes no more than two persons, who will be authorised to act within the membership agreement concluded with the Exchange and transfer orders to the Exchange for the purposes of servicing the account; and
- (d) a copy of a licence issued by the authorised body to the candidate for the appropriate activities.

NB: For brokerage companies – stock exchange membership certification document (for those companies, which are the members of the Exchange).

Full name of representative:.....

Signature of representative:..... Date:.....

For Official Use Only:

Application approved/not approved

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

MADE this 26th day of November , 2003.

B. GAOLATHE,
*Minister for Finance and
Development Planning.*