

ZSE CENTRAL SECURITIES DEPOSITORY RULES

Version 1

JULY 2021

Table of Contents

PART 1	4
PRELIMINARY	4
Title	4
Interpretation	4
PART 2	10
AUTHORITY OF THE ZSE	10
General Powers of the ZSE	10
PART 3	12
Overview of Participation	12
Classes of Participants	12
Eligibility Requirements	13
Continuing Eligibility	15
Application Procedure	15
Conduct of Participants	16
Restriction	17
Suspension	18
Reinstatement	21
Limitation of Liability for Suspension	21
Survival of Obligations	22
Termination	22
Roles and Responsibilities	25
Participant's Financial Soundness	27
PART 4	28
SECURITIES AND ACCOUNTS	28
Accounts	28
Dematerialisation and Rematerialisation	32
Freezing of Depository Accounts	35
Transfer of Balances	36
PART 5	37
OPERATIONS	37
Operating Hours	37
Operating Days	37
Users	37
Action by ZSE Depository	38

Fees and Charges	40
Confidentiality	41
Rights and Uses	44
Disclaimer	45
Notification of Compliance	45
PART 6	46
CLEARING AND SETTLEMENT SERVICES	46
General Provision	46
Rules governing the Settlement Exposure of Participants and Custodian Banks	48
Collateral security	48
PART 7	50
LIABILITY AND INDEMNITY	50
Participant's Liability as Principal	50
Representations and Warranties of Participant	50
PART 8	54
DEPOSITORY SERVICES	54
Service Description	54
PART 9	58
RISK MANAGEMENT	58
Risk Management Principles	58
PART 10	63
GOVERNANCE ARRANGEMENTS	63

These Rules are issued pursuant to the authority granted to Zimbabwe Stock Exchange by the Securities and Exchange Act (*Chapter 24:25*).

PART 1

PRELIMINARY

Title

1. These rules may be cited as the Zimbabwe Stock Exchange (ZSE) Central Securities Depository (CSD) Rules. Rules, 2021.

Interpretation

2. In these rules -

Act	means the Securities and Exchange Act (Chapter 24:25)
Account or Securities Account	means an account maintained by ZSE Depository for a Participant or for a Participant's client , and used for transactions in the Depository Services and Settlement Services
Applicant	means an entity seeking to be admitted as a Participant in ZSE Depository CSD Systems
Authorised Signatory	means an individual designated by a Participant to perform the act(s) of executing and endorsing documents on its behalf.
Board of Directors	means the Board of Directors of the ZSE
Board Committee(s)	means the sub-committees of the ZSE Board
Business	means, the securities services or other services conducted by the Participant or the Central Securities Depository

Business Continuity Procedure	means the processes and procedures a Participant puts in place for continuing operations in the occurrence of failure or prolonged downtime at ZSE Depository main office
Business Day	means any day except a Saturday, Sunday, or any public holiday
Client	means any person to which a Participant provides services deriving from the ZSE Depository CSD System or Services
Corporate Action	means an action taken by an issuer or any other entity or by a third party which affects the holders of securities in terms of entitlements or notifications;
CSD	means the Central Securities Depository system, which includes the computer (hardware and software) system that ZSE Depository uses to administer the book entry transfer of securities.
Custodian	means the holder of a securities (custody) license
Dematerialisation	means the process of converting certificated Securities into Uncertificated Securities, with electronic book entry at ZSE Depository
Defective Security	means a Security that is invalid, forged, counterfeit, improperly altered, or subject to any adverse claim or privilege that cannot be effectively transferred or registered.
Delivery versus Payment (DvP)	means the transfer of the security subject to the transfer of cash whereby the transfers are dependent on one another.
Depository Service	means the service made available by ZSE Depository and described in Part 8 by which ZSE Depository holds Securities on behalf of Participants.

Eligible Securities	means uncertificated securities or immobilized securities held within accounts in ZSE Depository.
Exchange	Has the same definition as defined in section 2 of the Securities and Exchange Act [Chapter 24:25].
Fungibility	means the concept of mutual substitution of individual units of securities between markets.
Issuer	means a person whose securities are listed and traded on the ZSE
Legal Documents	means the ZSE CSD Rules, the Master Terms and the Participation Agreements.
Master Terms	means the terms and conditions for participation in the ZSE Depository as issued by the ZSE from time to time.
Netting	means the calculation of the net amount of cash (and securities) that a participant owes after reconciling all buy and sell trades for that day.
Nominee	means a person or firm into whose name securities or other properties are transferred to facilitate transactions while leaving the customer as the actual owner.
Non-member institute	non-trading member institutions (NMI)-institutions that channel business to ZSE and also registered by SECZ
Private Transaction	means a transaction that involves movement in Securities which is not executed on an Exchange.
RBZ	The Reserve Bank of Zimbabwe
Participant	means an individual and or corporate entity that holds in custody and administers interests in securities and has been admitted as a Participant and is registered by the SECZ

Participation Agreement	means the agreement executed between ZSE Depository and the Participant stating the terms of participation in ZSE Depository
Participant Loss	means any loss, damage, cost, expense, liability or claim suffered or incurred by a Participant, which arises from or is in any way connected with a Service, other than a Loss of Securities.
Pledge	means a Trade involving either <ul style="list-style-type: none"> (i) a delivery of Securities as collateral subject to a security interest in such Securities, or (ii) a payment between Participants subject to repayment under the terms of an agreement between the Participants, in which the Securities or funds that are the subject of the Trade are delivered to the Collateral Account of the pledgee Participant and reflected in the Pledge Account of the pledgor Participant.
Portfolio Statement	means electronic printout showing investor's holdings in the database of the ZSE Depository CSD System.
Regulatory Body	Includes the Securities and Exchange Commission of Zimbabwe, the Zimbabwe Stock Exchange, Reserve Bank of Zimbabwe and any other institution responsible for regulating and overseeing financial activities whether domestic or foreign
Rematerialisation	means the process of converting securities held in book entry form at ZSE Depository into physical certificates.
Reserved Lien Account	means a designated share Account where collateralised securities are held in the interest of the Lender and Borrower during the pendency of the Lien arrangement entered into by the aforementioned Parties

Schedule of Charges	means the list of charges to be paid by a Participant to the ZSE Depository as issued by ZSE from time to time.
SECZ or Commission	means the Securities and Exchange Commission of Zimbabwe established by the Securities and Exchange Act (Chapter 24:25)
Security	Means a security as defined in Section 2 of the Securities and Exchange Act (Chapter 24:25).
Services	Means services as defined in Section 69 of the Securities and Exchange Act (Chapter 24:25).
Authorised Signatory	means an individual designated by a Participant to perform the act(s) of executing and endorsing documents on its behalf.
Special Account	has the meaning given to it in Part 4 means any institution or individual who has been admitted as such by the ZSE;
Stockbroker	means a registered entity duly licenced by the Securities and Exchange Commission of Zimbabwe as a Securities Dealers and also approved as a Stock Broking Firm by The Zimbabwe Stock Exchange or any other Exchange to transact in Securities on its trading floor.
Trade	means a transaction involving Securities or payment or both, which is agreed to by Participants outside the Depository Services, and which is to be settled through the Depository, and includes the making of payment or the delivery of Securities or both, to effect a payment or a sale, purchase, loan, Pledge or other disposition of Securities.
Transfer Secretary	means a Registrar to an issue of any securities and/or a transfer agent in respect of any securities appointed by the Issuer on their behalf, who has been granted the certificate of registration by the Securities and Exchange

Commission of Zimbabwe in terms of the Securities and Exchange Act [Chapter 24:25}

Uncertificated Securities means Securities as defined in section 2 of the Securities and Exchange Act transferrable without a written instrument and are not evidenced by a certificate

ZSE Zimbabwe Stock Exchange Limited

ZSE Depository A department of Zimbabwe Stock Exchange Limited responsible for the operation of the Central Securities Depository

PART 2

AUTHORITY OF THE ZSE

General Powers of the ZSE

3. Subject to Section 69 of the Securities and Exchange Act [Chapter 24:25], the ZSE has authority to carry out the follow –
- a) ZSE shall, subject to approval by the Securities and Exchange Commission of Zimbabwe, be entitled to issue from time to time, instructions, specifications and guidelines, to be known as “Operational Procedures”, relating to the functioning and operation of its Depository, and Participants.
 - b) ZSE shall have power to delete, amend and/or alter the Operational Procedures or any part thereof or issue new or fresh Operational Procedures from time to time.
 - c) ZSE may issue Operational Procedures *inter alia*, with respect to:
 - i. Mode of functioning and operation in the ZSE Depository CSD system;
 - ii. models which shall be required to be followed by the Participants, Issuers, and Transfer Secretaries;
 - iii. hardware and software required to be installed and maintained by Participants, Issuers, Transfer Secretaries, Custodian Banks and Settlement Banks;
 - iv. the fees, system usage charges, deposits, margins, penalties and other monies payable to ZSE Depository by the Participants, Issuers and Transfer Secretaries;
 - v. procedure for dematerialization and rematerialisation of securities;
 - vi. procedure for opening, operating and closing Beneficial Owner’s account with a Participant;
 - vii. conduct of business with the Participants;
 - viii. communication of information relating to transactions and holdings between its Depository, Participants, Issuers, and Transfer Secretaries;
 - ix. reconciliation of records between ZSE Depository and Participants;
 - x. records and books of account to be maintained by Participants;
 - xi. administration, maintenance and investment of the Guarantee Fund set up by its Depository, including the amount, deposits and contributions to the Fund by the various participants in accordance with the Guarantee Fund Procedures and The guarantee Fund Rules;
 - xii. requirements, manner and format for submission of periodic returns by Participants, Issuers, Transfer Secretaries to ZSE Depository in relation to their activities in connection with Zimbabwe Depository Services;

- xiii. manner and form in which the Participants, Issuers, Transfer Secretaries shall maintain continuous electronic means of communication with ZSE Depository;
 - xiv. the working days and hours of the Depository and the hours of business operations.
-
- d) ZSE shall issue, from time to time notices, circulars and information (hereinafter called as “communiqués”) to Participants, Issuers, and Transfer Secretaries for implementation of and/or clarification on any aspect of the Rules or the Operational Procedures or on any procedural or operational issue.
 - e) All such communiqués shall bind the Participants, Issuers, Transfer Secretaries or clearing members with the same force and effect as the Rules and the Operational Procedures.

PART 3

PARTICIPATION

Overview of Participation

- 4.** ZSE Depository has the responsibility for recommending entities to be admitted as Participants on ZSE.
- 5.** Stockbrokers, Non Member Institutions (NMIs), Custodians and their Custodian Banks, Transfer Secretaries and their Issuers, Sponsors and any other participant as may be deemed necessary by ZSE shall make the necessary applications for participation on the ZSE.
- 6.** Any person or entity desiring to be admitted as a Participant on ZSE Depository shall submit an Application for grant of certificate of registration as a Participant to ZSE Depository, in such form together with such fees as may be specified by ZSE. Every application shall be dealt with by ZSE Depository within thirty (30) days of receipt of such application.
- 7.** The Board Committee or Management to whom the powers are so delegated may accept or reject any such application within the stipulated period and shall, if the application is rejected, set out in writing the grounds for such rejection.
- 8.** ZSE shall convey the grounds on which the application has been rejected. The applicant may appeal to the Board of Directors of ZSE against such rejection and the decision of the Board of Directors in this regard shall be final.
- 9.** ZSE may call upon Participants to make contributions towards the Guarantee Fund or provide collateral security, and to pay such fees, deposits, and additional security deposit in cash or any additional guarantee in respect of contribution to the protection of the interests of Beneficial Owners.

Classes of Participants

- 10.** Participants in ZSE Depository may include the following:-
 - a. The Reserve Bank of Zimbabwe;
 - b. a bank duly licensed by the RBZ or a central bank in its jurisdiction;

- c. a holder of Securities (Custody) licence;
- d. a holder of Securities (trustee) licence
- e. a holder of a Securities (transfer) licence;
- f. Holders of securities (dealers) licence registered on ZSE may be admitted as indirect participants.
- g. Holders of securities (dealers) licence registered on ZSE as Market Makers
- h. a clearing corporation of recognized Exchanges;
- i. Individuals operating a Special Account with ZSE;
- j. any other person or entity as the Commission may prescribe.

Eligibility Requirements

- 11.** In evaluating eligibility for inclusion as a Participant, ZSE will take into consideration the applicant's status as determined by the relevant Regulatory Body. To qualify for registration as a Participant and to remain as such, a person or entity, with the exception of persons in section 10(a) above, shall satisfy the ZSE that it has fulfilled the requirements of the Commission and that:
- a. it is one of the eligible classes of Participants stipulated in section 10 above.
 - b. it has the management and human resources with appropriate experience necessary for its operation as a Participant;
 - c. it is managed by persons who are of good character, possess an acumen of Capital Market operations and a high degree of business integrity;
 - d. The Applicant (including any director or any person holding any substantial interest in or being otherwise in a position to control the affairs of the Applicant, where the Applicant is a company incorporated according to the Companies and Other Business Entities Act [Chapter 24:31]) should not have been convicted in any of the five years immediately preceding the filing of the application in any matter involving misappropriation of funds and securities, theft, embezzlement of funds, fraudulent conversion, forgery or any other offence involving moral turpitude;
 - e. it has the financial resources to meet its obligations as a Participant and complies with the criteria set out in the Master Terms;
 - f. it must replace immediately on request from the ZSE Depository any Securities deposited by it which are at any time found to be defective;
 - g. it has adequate insurance to cover the liabilities associated with its participation, including those liabilities that existed before or accrued after it ceased to be a Participant;
 - h. it has adequate systems, procedures, facilities and technical capacity enabling it to fulfil its obligations and operational requirements;

- i. it has submitted its audited financial statements;
- j. it has completed all documentation required by ZSE Depository;
- k. it has and maintains adequate security, systems, procedures and policies to protect the information, data, records and documents relating to Accounts and the affairs of Clients against any unauthorized access, use, alteration, destruction or dissemination;
- l. it has back-up procedures that ensure the integrity of records as well as the ability to recover such records.
- m. It has located its disaster recovery hardware and related facilities off-site and complies with any other security and disaster recovery procedures as required by ZSE;
- n. it has made arrangements for the supervision of its compliance with these rules and Master Terms;
- o. where it deposits Securities with ZSE Depository , it has indemnified ZSE against any claims relating to the ownership or interest in such Securities;
- p. it shall pay all fees and levies as determined from time to time by ZSE and in accordance with these rules and Master Terms; and
- q. it complies with any other criteria relating to the business of the Participant which ZSE may from time to time specify.

12. To qualify for registration as a Participant and to remain as such, a Transfer Secretary shall satisfy ZSE that it has fulfilled the requirements of the Commission and that it is in compliance with Section 11, b, c, d, f, g, h, j, k, o, p above.

- 13.** For its securities to be deposited on the ZSE Depository:
- a. an Issuer of Eligible Securities must be admitted by the ZSE and ZSE Depository ;
 - b. the Issuer shall make an application to the ZSE and ZSE Depository, and the application shall be accompanied by payment of fees prescribed by both the ZSE and ZSE Depository.
 - c. The Issuer shall either itself or through its Transfer Secretary balance and reconcile the aggregate of the central securities account with the ZSE Depository on a daily basis.

Sub-sections 13 (a), (b) and (c) shall remain as continuing obligations as long as a Participant remains on the ZSE Depository. In order to remain admitted, an Issuer must comply with the Act, the Listing Rules and CSD Rules of the ZSE.

Continuing Eligibility

- 14.** Any Participant which ceases to satisfy any of the participation criteria set out in sections 11, 12 and 13, must immediately notify ZSE in writing. If a Participant gives notice to ZSE, such notice may require the Participant to consult with ZSE on the measures necessary to ensure its continued participation.
- 15.** ZSE may examine the financial stability and operational capability of a Participant to ensure continued satisfaction of the participation criteria.
- 16.** Where a Participant has ceased to satisfy any of the eligibility requirements, ZSE may suspend or terminate the status of the Participant.

Application Procedure

- 17.** Application for Participation must be made to the ZSE, on a form as stipulated by these rules and supported with the following documents where applicable:
 - a. Certified copy of the certificate of incorporation;
 - b. Certified copies of the memorandum and articles of association of the Participant;
 - c. Copy of latest audited accounts or audited statement of affairs and management accounts for companies in operation for less than one year;
 - d. Certified copy of the applicant's operating licence where applicable;
 - e. a copy of tax clearance certificate;
 - f. Evidence of payment of application fees;
 - g. In addition to the information specifically required in terms of the Rules, the Board of Directors may require from an Applicant:
 - i. any further information that the Board of Directors considers appropriate and reasonable, and
 - ii. may institute investigations where necessary, to verify information submitted by the Applicant in support of an application;
 - iii. that the Board of Directors interview the Applicant or one or more representatives of the Applicant;

- 18.** An undertaking that all information provided for the purposes of the application are authentic and reliable.
- 19.** ZSE may, after examining an Applicant's compliance with the eligibility requirements and the information submitted in accordance with these rules, decide either to admit the Participant or reject the application.
- 20.** If the application is accepted, ZSE shall not later than 30 days after receipt of the application, endorse the application and shall notify the Commission of the acceptance of this Participant.
- 21.** Upon notification to the Commission, ZSE Depository shall within seven (7) days:-
- a.** notify the Participant of the date on which it may commence operations; and
 - b.** notify all Participants within the category of participation in which the successful Applicant has been accepted, of such Participant's acceptance, and the date on which the Participant may commence operations.
 - c.** Notwithstanding that an Applicant has been accepted by ZSE as a Participant where there results a change in the circumstances of the Applicant or material changes in its financial or operational state prior to the Applicant's commencement of participation in ZSE Depository to which ZSE considers capable of adversely affecting the Applicant's participation, ZSE shall have the right to defer the Applicant participation pending when ZSE is satisfied of such Applicant's capability for participation.
 - d.** ZSE must publish a list of Participants as updated at least once a year.
- 22.** Were an application has been rejected, the ZSE shall within seven (7) days notify the applicant of the rejection and provide the reasons for such rejection.
- a.** An Applicant whose application has been rejected may only reapply after a period of three (3) months from the date of rejection, unless the ZSE determines otherwise.

Conduct of Participants

- 23.** In performing their functions in terms of these rules and Master Terms, a Participant must:

- a. carry out their Business in a prudent manner and with due regard to the rights of other Participants, Clients, Issuers and ZSE;
- b. act with integrity, proper skill, care, diligence, and due regard to the rights of other Participants, Clients, Issuers and ZSE;
- c. maintain knowledge of and comply with the Act, ZSE Membership, Trading and the Rules of the Exchange to which it is a member Master Terms and all applicable laws relating to ZSE
- d. not participate or assist in any acts of violation of the Act, Membership and Trading Rules, these rules, Master Terms and all applicable laws relating to ZSE and report any suspicion or contraventions to ZSE or the Commission; and
- e. maintain and comply with its information systems security policy at all times.

Restriction

Reasons for restriction

- 24.** ZSE may restrict the right of a Participant to use the ZSE Depository CSD System and any feature thereof, in the following circumstances:
- a. Where ZSE determines that the Participant is unable to properly use the CSD System and any feature thereof, due to operational or technical problems with the Participant's own systems or the systems of third parties, or due to events over which the Participant has no control;
 - b. Where the Participant requests ZSE to do so due to a technical or administrative fault;
 - c. When ZSE determines that such action is necessary to protect the interests of the ZSE System or any feature thereof, and is in the best interest of all other Participants;
 - d. Where the Participant is unable to meet any of its obligations to the ZSE.

Notification of Restriction

- 25.** Prior to restricting the right of a Participant to use the ZSE Depository CSD System under Section 24), ZSE shall give at least five (5) business days written notice of its intention to do so, which notice shall specify the reason(s)

for the restriction; provided that ZSE Depository shall be fully entitled to give such shorter period of notice as in its sole judgment is justified, having regard to the particular circumstances.

Length of Restriction

- 26.** The restriction imposed on a Participant under Section 24 shall remain in effect until such time as the ZSE Depository determines that the circumstances, which resulted in the imposition of the restriction, have been rectified by the Participant to the satisfaction of ZSE Depository.

Suspension

Mandatory Suspension

- 27.** ZSE Depository may suspend a Participant's access to and utilization of the Services, or any element thereof, for the following reasons;
- a. If it determines, on the evidence available to it that the Participant is in such financial or operating condition that its continuation as a Participant would cause a significant disruption to the services or would jeopardise the interests of ZSE, other Participants and clients.
 - b. The Participant ceases to be eligible for participation in ZSE or to satisfy the qualification or standards set by these rules;
 - c. The registration or license of the Participant has been cancelled or suspended by the Commission or any relevant Regulatory Body; or
 - d. An application has been made for the winding up of the company or in the event of bankruptcy, insolvency, or the appointment of a curator or liquidator.

Discretionary Suspension

- 28.** ZSE may suspend a Participant if ;
- a. in breach of the Act, ZSE Depository Rules, the rules of the Exchange to which it belongs, these rules and the Master Terms;
 - b. it fails to comply with all the conditions of participation;
 - c. Participant commits a breach of the provision of the Rules that ZSE Depository in its discretion considers to be a significant breach;

- d. Participant fails to settle agreed fees and charges as set out by ZSE Depository;
- e. Participant is engaging in or is about to engage in an unsafe or unsound practice which in the opinion of ZSE Depository is likely to hinder the satisfactory functioning of the ZSE Depository CSD System.

Requested Suspension

- 29.** A Participant can request suspension for a limited period, not exceeding one (1) day, where due to temporary technical or other serious operational issues, they believe they are temporarily unable to fulfil their obligations under these Rules.

Notification of Suspension

- 30.** Where a decision is taken to suspend a Participant pursuant to sections 27 and 28, ZSE Depository shall give at least five (5) days written notice of its intention to do so specifying the reason(s) for suspension. The ZSE Depository may provide a shorter notice period having regard to the particular circumstances.
- 31.** Within the notice period, a Participant shall be afforded an opportunity to make representations to the ZSE Depository in support of the continued participation on the CSD.
- 32.** Where the ZSE Depository finds no merit in the representations made by the Participant it will proceed to suspend the Participant.
- 33.** Where a Participant requests suspension under section 29, the Participant shall be suspended as soon as the request is received by ZSE Depository.
- 34.** ZSE Depository shall promptly inform the Commission and all other Participants of the suspension of a Participant.

Length of Suspension

- 35.** The suspension of a Participant under section 27 and 28 shall remain in effect until such time as ZSE Depository determines that the circumstances

which resulted in suspension have been rectified by the Participant to the satisfaction of ZSE Depository.

- 36.** Where a Participant's listing is suspended and the Participant fails to take action to obtain the restoration thereof within one hundred and eighty days, the ZSE may terminate the listing

Appeal against Suspension

- 37.** The provisions of Section 38 shall apply to appeals of suspension.
- 38.** A Participant who is suspended under sections 27 and 28 of these Rules may appeal to the ZSE Board of Directors.
- a. The appeal shall be by way of notice in writing, issued by the Participant to ZSE Depository within five (5) days from the day on which the Participant receives notification of its suspension.
 - b. The appeal shall include a clear and concise statement setting forth the basis on which the appeal against the suspension is being made.
 - c. The failure of a Participant to issue notice of the appeal within the time period provided in these rules shall constitute a waiver by that Participant of its right to a hearing.
 - d. The Board of Directors shall arrange for a hearing to be held within five (5) days after receipt of notice of the appeal from a Participant. The Board of Directors shall notify the Participant in writing of the date, place and time of the hearing at least five (5) days prior to the date set for the hearing. The hearing shall be held within twenty (20) days from the date on which notice of the appeal is received by the Board of Directors, unless otherwise agreed between the parties.
 - e. The appeal shall be heard by the ZSE Board with at least two representatives of the Participant in attendance.
 - f. At the hearing, the Participant shall be afforded an opportunity to be heard. The Participant must make available to the ZSE Board all relevant documents on which it relies in support of the appeal.
 - g. The ZSE Board shall advise the Participant of its decision in writing within five (5) days after conclusion of the hearing.
 - h. The ZSE shall within fourteen (14) days after completion of the proceedings furnish the Commission with a report of the proceedings.

- i. If an appeal of suspension is successful, the Participant shall be reinstated immediately.
- j. If an appeal against a suspension is unsuccessful, the Participant has the right to further appeal to the Securities and Exchange Commission of Zimbabwe, as provided for in Section 108 of the Securities and Exchange Act [24:25].

Reinstatement

- 39.** A suspended Participant may at any time be reinstated by the ZSE Depository. The Participant must:
- a. give notice to ZSE Depository requesting reinstatement;
 - b. meet the eligibility requirements for participation;
 - c. demonstrate to the satisfaction of ZSE Depository that it has discharged all of its liabilities and indebtedness (if any) to ZSE Depository and other Participants arising from any service;
 - d. pay a reinstatement fee to be determined by ZSE; and
 - e. meet any other requirements as prescribed by the ZSE.
- 40.** ZSE may approve or reject a request for reinstatement at its discretion. Where a request for reinstatement is rejected, ZSE shall promptly inform the Participant of its decision stating its reasons and shall advise the Participant on steps required to be taken for reinstatement to be considered.

Limitation of Liability for Suspension

- 41.** ZSE Depository shall not incur any liability as a result of anything done by it *bona fide* in the exercise of its power or the exercise of any function or duty conferred on or imposed by or under a Participation Agreement, these rules or the Master Terms which results in the restriction of the rights of a Participant to use the ZSE CSD System.
- 42.** Neither shall ZSE Depository be liable for any loss, damage, cost, expense, liability or claim suffered or incurred by any Participant, arising from the restriction or suspension of a Participant or the termination of an entity's designation as a Participant in the system.

- 43.** The ZSE shall not be liable for its decision to take any such action against a Participant, including any loss of opportunity, profit, market, goodwill, interest or use of securities, or any other special indirect or consequential loss, damage, cost, expense, liability or claim. Each Participant irrevocably releases ZSE Depository from any such liability.

Survival of Obligations

- 44.** The liabilities and obligations of a Participant to ZSE Depository and clients arising from the use of any Service pursuant to these rules shall remain enforceable upon the suspension, termination or withdrawal of the Participant.

Termination

- 45.** If the Committee considers that adequate cause exists, it shall recommend to the ZSE Board that a Participant be terminated from participation in the Services. Upon consideration of this recommendation, the ZSE Board shall give the Participant an opportunity to make representations to the Board before its participation is terminated. The Participant's representatives may include a legal counsel.
- 46.** At least 5 days before the meeting of the Board of Directors, at which the termination of a Participant is to be considered, ZSE Depository shall give to the Participant notice in writing of the meeting and a summary of the reasons for the proposed termination.
- 47.** Participation shall cease as of the date and hour specified by the ZSE Board where they decide to terminate the Participation Agreement.
- 48.** ZSE Depository shall within 30 days notify the Commission and other Relevant Regulatory Bodies on the proceedings resulting in the termination of such participation.
- 49.** The Participant shall be afforded an appeal against the Board's decision to the Commission pursuant to section 108 of the Securities and Exchange Act.

Grounds for Termination

- 50.** The ZSE Board shall determine the events that constitute reasonable grounds for the termination of a Participant, which include:
- a. the suspension of the Participant;
 - b. continued suspension for a period of more than 180 days;

- c. the failure of the Participant to pay to ZSE Depository any fee or charge within five (5) Business Days after demand for payment is given by ZSE Depository to the Participant;
- d. the failure of the Participant to cure its breach of any provision of these rules, Master Terms or Participation Agreement within five (5) Business Days after notice of the breach and demand for amendment is given by ZSE Depository to the Participant.
- e. the appointment of a curator or liquidator in respect of the Participant or its business or the insolvency of the Participant;
- f. the withdrawal of the license of a Participant by SECZ or other relevant Regulatory Authority; or
- g. such other events considered by the ZSE Board as constituting adequate cause.

Withdrawal by Participant

51. If a Participant at any time wishes to withdraw from participating on the ZSE Depository, the Participant must:

- a. give at least 30 (thirty) days prior written notice to ZSE Depository;
- b. cease to be a Participant at a time determined by ZSE Depository; and
- c. have satisfied all its obligations and met any other requirements that ZSE Depository deems necessary for the withdrawal from ZSE Depository including:
 - i. entering into satisfactory arrangements regarding outstanding obligations and potential liabilities and ensured that all outstanding Services of that Participant is completed and the Participant no longer has any outstanding obligations of any kind to other Participants, Clients, Issuers or ZSE Depository;
 - ii. transferring all Securities Accounts to other Participants on the instruction of Clients and where Clients have not provided such instructions, to other Participants as determined by ZSE Depository,
 - iii. placing all of its records in custody as determined by ZSE Depository.

52. ZSE Depository shall thereafter notify the Commission and any other Regulatory Body of the withdrawal of the Participant.

53. ZSE Depository shall notify other Participants within the category of participants in which such Participant participates, of the intention of a Participant to terminate its participation within 10 (ten) Days of having received notification to that effect from such Participant.

- 54.** No Participant may cede, transfer or assign participation, or any rights or obligations in respect thereof, without the prior written consent of the ZSE Depository, and then only to a person who is a Participant within the category of participation in which such Participant participates, and who complies with these rules and Directives. The ZSE Depository may, so far as possible, take into account the wishes of the Clients with holdings controlled by the Participant.
- 55.** Withdrawal from the system will not entitle a Participant to any refund of operating costs which it has paid or incurred and will incur a withdrawal fee covering administrative costs.

Effects of termination of participation

- 56.** The termination of participation is dependent on the Regulatory Body exercising such power. The following shall apply:
- a. If the termination of participation is ordered by the Commission; the ZSE Depository shall discontinue such Participant from normal Service.
 - b. If the termination of participation is effected by the ZSE, or any other Exchange to which the Participant belongs; the ZSE Depository may continue to recognize the Participant and render certain services to them until the limitation or termination of participation is reconsidered or reversed.
 - c. If the termination of participation is effected by the ZSE Depository as a result of a debt owed by the Participant, ZSE Depository may discontinue all services.
- 57.** Upon termination of participation:
- a. Securities Accounts must be transferred in accordance with the relevant provisions of the Act and or as directed by the Commission and shall remain active within ZSE Depository notwithstanding any appointment or decision of a curator or liquidator, and all transactions or events in respect of such Securities.
 - b. Accounts must be completed in terms of the Act, Rules and Master Terms; and any action so taken by ZSE pursuant to the Act, Rules and Master Terms, is binding upon a curator or liquidator and shall not be capable of being reversed or rescinded by such curator or liquidator;
 - c. The Participant shall remain liable for the payment of, fulfilment of and compliance with all fees and charges, obligations, undertakings, warranties, indemnities and commitments of the Participant, the cause of which arose prior to the date of termination of participation;

- d. Notwithstanding Section 56 all cash entitlements shall not be deposited into the account of the terminated Participant but shall remain deposited in a trust account held by a Participant appointed by the Commission until such time as the entitlements may be able to be allocated to the respective Clients of the terminated Participant;
- e. the Participant may no longer make use of the ZSE Depository CSD System; and
- f. Where applicable, a Participant shall cause all unencumbered Securities held on its behalf in a Nominee owned or controlled by ZSE Depository to be transferred to another Participant within the records of the Nominee owned or controlled by ZSE Depository or such other person as nominated by ZSE Depository. The records representing such Securities shall be transferred to the other Participant nominated by the ZSE;
- g. The Participant nominated by the ZSE cannot transfer their rights or responsibilities to another Participant.
- h. Encumbered securities shall only be transferred to a Participant as contemplated in this section, when, and if, the securities have been released from their encumbrance.

Roles and Responsibilities

Participant

- 58.** A Participant shall:
- a. ensure they have arrangements in place to fund their activities in the ZSE Depository.
 - b. be responsible for the accuracy and completeness of all its messages and communications to ZSE Depository.
 - c. have the appropriate technical capability, including adequate business continuity arrangements, so as not to hinder the smooth operation of the ZSE Depository CSD System.
 - d. in the event of a prolonged technical problem, request that ZSE Depository suspends it from the ZSE Depository CSD System. It will be the responsibility of the Participant requesting the suspension to implement the required business continuity procedures to ensure that all outstanding commitments are settled.
 - e. Inform the ZSE Depository of any system failure, within a half-an-hour (½-hr) of the discovery of the failure and advise its plan for restoring normal operations.

- f. notify ZSE Depository, at least thirty (30) days in advance, and in writing of any such hardware and/or software changes which will impact the Participant's participation in ZSE Depository.
- g. settle trades on behalf of its clients and itself;
- h. make payments due to the client on the same day the trade was settled on behalf of the client;
- i. maintain a securities account for a client in respect of securities deposited and reflect the number or nominal value of each kind of securities deposited in a securities account.
- j. disclose to clients the fees and charges required for its services;
- k. notify a client in writing or as otherwise agreed to by the client of any entry made in the client's securities account.
- l. balance and reconcile the aggregate of the securities account with the central securities accounts on a daily basis.
- m. not give or effect an instruction which would result in the Securities Accounts maintained by the Participant reflecting a debit balance.
- n. operate a central securities account with the ZSE Depository and may deposit, withdraw, transfer, pledge or cede securities.
- o. on request, disclose to an issuer information about the securities issued by that issuer and recorded in a securities account.
- p. maintain records relating to all deposits or withdrawals of Securities in the Securities Accounts including:
 - i. the name of the client whose Securities Account is affected
 - ii. the name of the Issuer of the Securities
 - iii. the quantity and description of the Securities
 - iv. the date of any entry in the Securities Account.

ZSE Depository

59. ZSE Depository shall be responsible for:

- a. The admission of Participants.
- b. Providing the service of collective custody of securities, the day-to-day business operations of ZSE Depository, and the day-to-day management of all routine daily activities;
- c. Providing all systems hardware, software and utilities;
- d. Maintaining records of shareholders of registered securities.
- e. Invoking business continuity arrangements for the ZSE Depository CSD system;
- f. Providing access to the ZSE Depository CSD System to approved users;
- g. Providing detailed requirements and operational procedures in the Master Terms including data and reports to Participants.
- h. Serving as a sub registry for all quoted securities.

- i. Keeping the Commission fully informed of all operational or management issues that could compromise the safety and efficiency of the ZSE Depository CSD System.

Client Mandate

- 60.** A Participant must obtain a written mandate from its Client governing the relationship between them. The mandate must be signed by the Client prior to the commencement of any action by the Participant for or on behalf of the Client.
- 61.** Where a Client's Securities Account has been transferred to a new Participant pursuant to these rules, the mandate must be signed with the new Participant within 30 (thirty) calendar days of such transfer.
- 62.** The mandate must contain at least provisions that:
 - a. the Client shall be bound by these rules and the Master Terms;
 - b. require disclose to the Participant information about a beneficial, limited or other interest in Securities deposited by a Client;
 - c. in case of a conflict between a client's mandate and the provision of the Act or the Rules or Master Terms then to the extent of such conflict, the provisions of the Act or the Rules or Master Terms shall prevail;
 - d. the Client indicates whether the Securities held or to be held are to be registered in the name of the Client or in the name of a nominee.

Participant's Financial Soundness

- 63.** A Participant shall at all times ensure that it has valid financial cover in the form of funds and secondary cover in the form of insurance in respect of:-
 - a. The Participant's actual and potential/contingent liabilities;
 - b. Conditional and contingent liabilities to ZSE;
 - c. Liabilities which existed before, or after a person has ceased to be a Participant.
- 64.** ZSE may prescribe the criteria for valid financial cover in the Master Terms.

PART 4

SECURITIES AND ACCOUNTS

Accounts

- 65.** ZSE Depository shall;
- a. open for Participants one or more securities accounts,
 - b. run and maintain securities positions of the Participants accounts, and
 - c. run and maintain securities positions of Clients in the account of each Participant.

Beneficial ownership

- 66.** The rights and obligations of beneficial owners are as follows:
- a. A Beneficial Owner may open one or more accounts with one or more Participants and may close one or more accounts with any or all Participants or transfer his securities in one account with a Participant to another account with the same Participant or with any other Participant.
 - b. The Beneficial Owner shall pay such fees, charges and deposits to the Participant, as may be mutually agreed upon, for the purpose of opening and maintaining accounts, for carrying out the instructions and for rendering such other services. The Participant shall be entitled to change or revise the said fees, charges or deposits from time to time subject to such prior notice as may be agreed between the parties
 - c. Every Beneficial Owner shall be primarily responsible for:
 - i. the authenticity of all statements and particulars set out in the Securities Account Opening Form and in the agreement with the Participant;
 - ii. the authenticity and genuineness of all documents submitted to the Participant at the time of opening of an account with the Participant.
 - iii. representation as to the title to the securities submitted to the Participant for dematerialization.
 - iv. ensuring that the securities to the credit of his/her account are sufficient to meet the instructions issued to the Participant for effecting any transaction.
 - v. informing the Participant of the changes in the account particulars of the Beneficial Owner such as address, bank details, status, authorisations, mandates, nomination, signature, etc.
 - vi. furnishing the accurate identification details whilst subscribing to any issue of securities.

- d. Every Beneficial Owner shall be entitled to a portfolio statement of the accounts from their Participant. Such portfolio statements of account shall;
 - i. be made available at least once every month in respect of every account if there has been at least a single transaction during the month and
 - ii. be made available once at the end of each quarter (even if there are no transactions in the account) in respect of all accounts.However, the time period may be shortened by mutual agreement between the Participant and the Beneficial Owner.
- e. ZSE Depository shall separately provide electronic portfolio statements as well as electronic notifications in the event of a transaction.
- f. In the event of dispute between the Beneficial Owner and a Participant and the Participant is not furnishing the statement of account ZSE Depository shall provide directly or cause to provide through such Participant a portfolio statement of the account of such Beneficial Owner for such period as requested by the Beneficial Owner. Any such ad-hoc statement requests shall attract an administration fee.
- g. Every Beneficial Owner shall scrutinize every portfolio statement of his/her account received from Participant for the accuracy thereof and shall be obliged to point out any mistakes, inaccuracies or discrepancies to the Participant within a fortnight of the receipt of such portfolio statement.

Types of Accounts within the ZSE Depository

- 67.** ZSE Depository may operate the following Accounts:-
- a. **Proprietary account** - on which ZSE Depository will run securities positions in the name and for the account of Stockbroker and other authorized Participants.
 - b. **Client account** - on which ZSE Depository will run securities positions in the name and for the account of the clients of Stockbrokers and other authorized Participants.
 - c. **Registry account** - on which ZSE Depository will run securities positions directly for the holders of securities, who do not transfer their securities to the client account.

- d. **Nominee account** - on which ZSE Depository will run securities positions in the name of custodian/agent holding shares owned by their clients.
- e. **Omnibus Account** - on which ZSE Depository will run securities positions in the name of custodians holding a pool of shares belonging to several clients.
- f. **Special account** - on which ZSE Depository will run securities positions in the name and for the account of authorized Participants not requiring a license from SECZ.
- g. **Segregated (Custodian Bank) account** - on which ZSE Depository will run securities positions of eligible investors at beneficial owners' level.
- h. **Lien account** - on which ZSE Depository will run securities positions of clients of in the name of Lenders until a debt is discharged under a loan contract.

68. *Central Securities Accounts*

- a. Only ZSE Depository may open, maintain and close one or more Central Securities Accounts for Participants on the instruction of the Participants.
- b. A Participant may request ZSE Depository to open one or more Central Securities Accounts in the name of the Participant with each account reflecting:
 - i. the number or nominal value of individual Securities deposited with ZSE Depository by that Participant for its own account and all entries made in such account; and
 - ii. the number or nominal value of individual Securities deposited with ZSE Depository by that Participant for the account of its Clients and all entries made in such account.

69. *Nominee Accounts*

- a. A client's securities shall not be registered in a nominee account without the client's consent. The custodian, Non Member Institution or Stockbroker shall inform the client of the legal effect of registering securities in a nominee account.

- b. A custodian, Non Member Institution or Stockbroker authorized to hold securities owned by its clients shall apply to the Commission for approval to hold these in a nominee account and accept payment on behalf of its client from issuers of securities.
- c. The custodian, Non Member Institution or Stockbroker holding securities in nominee accounts shall maintain a record of each individual client. The record shall include the names and numbers of clients associated with securities in the nominee accounts.
- d. The custodian, Non Member Institution or Stockbroker shall provide ZSE Depository with information on the identities of clients who are owners of securities held in a nominee account upon receipt of a request from ZSE Depository.

70. *Closing and account*

- a. The Beneficial Owner may at any time terminate the agreement with the Participant without assigning any reason therefore by calling upon the Participant to close his/her account, provided no instructions remain pending or unexecuted and no fees or charges remain payable by the Beneficial Owner to the Participant.
- b. Beneficial Owner shall make an application to the Participant in the format specified by ZSE Depository. The Beneficial Owner may close his/her account provided there are no Securities credited in his/her account. In case any balances of securities exist in the account sought to be closed, the account may be closed in one of the following ways:
 - i. by rematerialisation of all existing balances in his account;
 - ii. by transfer of all existing balances in his/her account to one or more of his/her other account(s) held with any other Participant(s);
 - iii. by rematerialisation of a part of the existing balances in his/her account and by transferring the rest to one or more of his/her other account/s with any other Participant(s).
- c. The Participant shall initiate the procedure for transfer of balances or for rematerialisation of securities in the Beneficial Owner's account, as the case may be, within a period of two working days from the date of receipt of instructions from the Beneficial Owner.
- d. The Beneficial Owner's account shall not be closed if there exist any securities in the Beneficial Owner's account which are pledged or hypothecated or the account is unreconciled or if the closure of such account would result in breach or violation of any decree or order or injunction of any Court or statutory or revenue authority.

71. Termination of agreement by participant

The Participant shall be entitled to terminate the agreement with the owner forthwith in the event the Beneficial Owner:

- a. fails to pay the fees or charges as may be mutually agreed upon within a period of thirty days from the date of demand made in that regard;
 - b. submits for dematerialisation any certificates or other documents of title which are forged, fabricated, counterfeit or stolen or have been obtained by forgery;
 - c. submits for dematerialisation any certificates or other documents of title which the transfer whereof is restrained or prohibited by any regulatory directive, order or decree of a Court or tribunal, SECZ or any statutory or revenue authority or under any covenant or undertaking given to any regulatory authority;
 - d. committing or participating in any fraud or other act of moral turpitude in his dealings with the Participant;
 - e. otherwise performs an act of misconduct in any manner.
- 72.** The Participant may terminate the agreement provided the Participant shall have issued at least one month's prior notice in writing to the Beneficial Owner on that behalf.
- 73.** In the event of the Participant terminating the agreement, the Participant shall call upon the Beneficial Owner to specify whether he/she desires to have the security balances in his/her account transferred to his/her account with another Participant or to have the same rematerialised in the manner specified in these rules and the Participant shall accordingly close the account of the Beneficial Owner.
- 74.** Where the agreement is terminated by the Participant for any reason not attributable to the Beneficial Owner, the cost, charges and expenses involved in the transfer of the Beneficial Owner's account to any other Participant or rematerialisation of securities in such account shall be borne by the Participant.
- 75.** Upon termination of the agreement, if the Beneficial Owner fails to specify the account with any other Participant to which the existing balances are to be transferred or if the Participant fails to take necessary steps to have the securities in such account transferred to the Beneficial Owner's account with some other Participant, ZSE Depository shall;
- a. nominate any other Participant to whom such account shall be transferred for the time being, provided that no transaction in respect of securities transferred shall be effected until the Beneficial Owner has entered into an agreement with the Participant to whom such account has been so transferred by ZSE Depository.

Dematerialisation and Rematerialisation

76. The ZSE will maintain records of ownership of all Securities, which have been dematerialized and lodged with ZSE.

77. Eligible Securities for dematerialization are:

- a. Shares, scripts, stocks, bonds, debentures, debenture stock or other securities as defined in the Securities Act of like nature in or of any incorporated company or body corporate.
- b. Units of mutual funds, rights under collective investment schemes and venture capital funds, commercial papers, certificate of deposit, securitized debt, money market instruments and government securities.
- c. Other securities as ZSE may prescribe from time to time.

78. The process for dematerialization of shares shall be as follows:

- a. The dematerialisation process begins with the opening of an account with a Participant by filling out an Account Opening Form, which formalises the relationship between the client and the Participant.
- b. The applicant will be given a unique client ID number, which must be quoted in all correspondence with the Participant.
- c. A Beneficial Owner may convert his/her securities held in physical form into Dematerialised form by making an application to the Participant in a Securities Deposit Form specified by ZSE Depository along with the relevant security certificates;
- d. The Beneficial Owner has to submit a request to the Participant, along with the certificates of securities to be dematerialised. Before submission, the Beneficial Owner or their nominated Participant has to deface the certificates by writing "**SURRENDERED FOR DEMATERIALISATION**".
- e. The Issuer or Transfer Secretary verifies that the form is duly completed and the number of certificates, number of securities and the security type (such as equity and debenture) are as given on the share or debenture certificate
- f. The Issuer or Transfer Secretary will scrutinise the form and the certificates. This scrutiny involves:
 - i. Verification of client's signature and Identification number on the Security Deposit Form with the specimen signature (the signature on the account opening form). If the signature differs, the Issuer or Transfer Secretary should ensure the identity of the Beneficial Owner.
 - ii. Comparing the details on the share certificate(s) (e.g. number of shares, status, and distinctive numbers) with the Beneficial Owner account held by the current Transfer Secretary.

- g. Once the form and security count are verified, the Issuer or Transfer Secretary will issue an acknowledgement duly signed and stamped.
- h. Where the securities are not in order they are returned to the Beneficial Owner and acknowledgment is obtained. The Issuer or Transfer Secretary shall reject the request and return the share certificate(s)
- i. A single share certificate is used to dematerialise that certificate and none other.
- j. In respect of depositing the shares into the CSD, the Participant shall verify the nature of the security, its status with reference to the list of International Securities Identification Number (ISIN) code.
- k. Where the securities are in order, the details of the request as mentioned in the form are entered in the CSD system.
- l. The CSD system shall electronically authorise the creation of appropriate credit balances in the Beneficial Owner's account.
- m. The CSD system shall credit the client's account automatically. The Participant must inform the client of the changes in the client's account following the confirmation of the request.
- n. Share certificates that Issuers or Transfer Secretaries deem to be compromised will not be dematerialised. The combination and sequence of full names of holders as printed on the physical certificate should be identical with the names initiating the dematerialisation request, unless there is an improvement on the details per the KYC requirements.
- o. The process of dematerialization will be complete once the investor's account has been successfully credited by ZSE Depository and the Transfer Secretary is advised as such.

79. An investor seeking to rematerialize a dematerialized security shall submit a duly completed Certificate Request Form to ZSE through the investor's Participant.

80. The Process for rematerialisation of securities shall be as follows:

- a. The Participant shall ensure that the request for rematerialisation emanates from the Beneficial Owner and is duly authorised.
- b. A Participant holding its own securities in the CSD may at any point withdraw any of its security balances with the CSD by making an application to that effect to ZSE Depository.
- c. The Beneficial Owner shall make the request of withdrawal of the balance in his account in the Withdrawal Form as specified in the Operational Procedures.
- d. On receipt of the Withdrawal Form, the Participant shall check whether sufficient relevant security balance is available in the account of the Beneficial Owner.

- e. If there is a sufficient balance, the Participant shall accept the request and inform ZSE Depository to block the balance of the relevant security in the account of the Beneficial Owner to the extent of the quantity for which rematerialisation is sought and electronically advise the request to ZSE Depository.
- f. ZSE Depository will advise electronically all such accepted dematerialisation requests to the Issuer or its Transfer Secretary on a daily basis.
- g. On receipt of such acceptance from the Issuer or its Transfer Secretary, ZSE Depository shall reduce the security balances to the extent of the dematerialized securities in the respective Participant's or the respective Beneficial Owner's account as the case may be

Freezing of Depository Accounts

- 81.** Every Beneficial Owner shall have an option to freeze his account (either for debits, credits or both) with the Participant so as to render it inoperable.
- 82.** ZSE Depository or the Participant shall freeze the account of a Beneficial Owner on written instructions received by the ZSE or a Participant from the Beneficial Owner concerned in the form specified by the Operational Procedures.
- 83.** ZSE Depository or the Participant shall freeze the account of a Beneficial Owner in the manner specified in the orders or directions of any regulatory authority made or given under any law for the time being in force.
- 84.** An account frozen shall be activated on instructions in writing from the Beneficial Owner, where it has been frozen at the instance of a Beneficial Owner, and on receipt of instructions from any regulatory authority which instructed the freezing.
- 85.** The Participant shall not effect any debit entry or any such other transaction unless the instructions or order for freezing the account has been withdrawn, revoked, vacated, set aside or modified as aforesaid. However, the Participant shall credit benefits to a frozen account.
- 86.** ZSE Depository shall freeze or direct a Participant to freeze an account opened by the Participant with itself in respect of securities held by the

Participant in its own name, as ZSE Depository deems fit or as instructed by any regulatory body.

Transfer of Balances

- 87.** No Participant shall initiate any debit or credit in the account of any Beneficial Owner except on the instructions of the Beneficial Owner or their nominated representative, on sanction or instructions of ZSE Depository. The reasons shall be recorded in writing by ZSE Depository.
- 88.** The mode and the form of authorisation shall be specified in the Operational Procedures.
- 89.** Where there is a transfer of security from the account of one Beneficial Owner of one Participant to the account of a Beneficial Owner of another Participant, both Participants must advise such instructions for delivery and receipt respectively, to ZSE Depository. After the instructions are matched in the CSD system, such transfer shall be effected by ZSE Depository.
- 90.** In the event of a Participant ceasing to be a Participant, the Beneficial Owner of that Participant may, either request for the rematerialisation of securities or request for the transfer of securities in its account to an account opened with another Participant.

PART 5

OPERATIONS

Operating Hours

- 91.** Operating hours shall:
- a. be set by ZSE Depository in consultation with the Participants.
 - b. be detailed in the Master Terms and will identify among others cut-off times for all ZSE transactions.
- 92.** ZSE may provide access to the ZSE System at hours outside of those of the Operating Hours after receiving a written request from the Participants wishing to access the system.
- 93.** Settlement of the cash leg of a securities trade, and transfer of securities ownership will only occur during the Operating Hours.

Operating Days

- 94.** ZSE Depository will operate on all Business Days.

Users

- 95.** Individuals are authorized to act on behalf of a Participant in respect of the Services in the capacities set out below, and they are appointed or terminated as set out in the Master Terms.
- a. **Authorised Signatory:** is authorized and empowered to act on behalf of the Participant for all purposes of the Services.
 - b. **User:** A User has access to the specific system activities designated by the User Administrator appointing the User.
 - c. **Authorised Individual:** is appointed by the Authorised Signatory. An Authorised Individual may perform any of the duties set out in the Procedures, including:
 - i. signing documents required to be delivered in connection with the participation of the Participant in any Service;
 - ii. admission to the ZSE Depository Office or other premises; and
 - iii. taking delivery of and to sign receipts for Securities, cheques, money, and other forms of payment

Action by a Participant

96. ZSE shall be entitled to rely on, and each Participant shall be bound and responsible to the ZSE and other Participants for:

- a. every communication, transaction, authorization or instruction validated by an authentication mechanism assigned to the Participant; and
- b. every act, document signed, or communication, transaction, authorization or instruction given by, any of its Authorised Signatory or Authorized Individuals;

regardless of the medium by which it is communicated, and whether or not it is within the scope of the authority given by the Participant to the Person making it (provided it is within the scope of the system activities designated by the Participant to be used by the Person).

97. Subject to the foregoing, ZSE Depository shall not be required to check the source of any communication, nor to confirm whether any other Person from whom a communication has been received on behalf of the Participant has been authorized by the Participant to send such a communication.

98. ZSE Depository shall have no responsibility or liability for;

- a. an act taken in good faith in reliance upon, and a Participant shall be bound by, a communication, transaction, authorization, instruction, act or document, notwithstanding any error that may occur in the course of transmission or recording of it,
- b. any error that may exist in any magnetic tape, document or any other medium delivered to ZSE Depository,
- c. any forgery or fraud by a Participant authorized personnel, or any other error, misunderstanding or lack of clarity in any communication, transaction, authorization, instruction act or document.

Action by ZSE Depository

Actions under Rules

99. ZSE Depository may take any action referred to in these rules by any one of its officers or agents. The Board of Directors shall exercise its authority by a resolution duly passed by the Board. Upon request by a Participant, ZSE may provide a certified copy of any resolution of the Board of Directors relating to an action taken under the rules that affects the Participant.

Use of the System by Non-Participants

- 100.** ZSE Depository may provide limited system functionality to a Person who is not a Participant for the sole purpose of effecting transactions on its own behalf. Before such limited system functionality is implemented, it shall be described and agreed upon in the Master Terms.

Records and Data

- 101.** ZSE shall maintain the following records and documents:-
- i. Records of securities dematerialized and rematerialized;
 - ii. The names of the transferor, transferee and dates of transfer of securities;
 - iii. A register and index of beneficial owners;
 - iv. Details of the holdings of securities of beneficial owners at the end of each day;
 - v. Records of instruction received from and communication with Participants, Issuers, Transfer Secretary(s) and beneficial owners;
 - vi. Records of approval, notice, entry and cancellation of pledge, or hypothecation;
 - vii. Register of Participants indicating their details; and
 - viii. Such other records as may be specified by the Commission for carrying on the activities as a depository.
- 102.** A Participant shall maintain in physical and electronic copies (where applicable) the following records and documents:
- i. Records of all the transactions entered into with a depository and with a client;
 - ii. Details of securities dematerialised, rematerialised on behalf of whom it has entered into an agreement with;
 - iii. Records of instructions received from clients and statements of accounts provided to clients;
 - iv. Records of approval, notice, entry and cancellation of pledge or hypothecation; and
 - v. Any other records as the ZSE may prescribe in the Master Terms.
- 103.** ZSE Depository shall prescribe in the Master Terms the data to be provided to the Participants. Data provided by ZSE Depository may be organized by various categories, including type of transaction or class of Securities. Each Participant must review all data provided by ZSE Depository for errors and omissions.

- 104.** In any instance in which ZSE Depository is required to provide a report to a Participant, ZSE Depository may instead calculate and provide to a Participant the necessary data, in a format that enables the Participant to review and use, and to preserve or discard, the data (but without altering the data in any way). The provision of such data satisfies all obligations ZSE Depository may have with respect to any report.

Fees and Charges

105. *Admission Fees*

- a. ZSE Depository shall from time to time establish entrance fees to be paid by an applicant whose application to become a Participant, or to use a Service or Function, has been approved.
- b. ZSE shall not be obligated to consider an application until it has received payment of the applicant's entrance fees.
- c. If an application is rejected, ZSE Depository may refund the admission fees.
- d. If an application is accepted, ZSE Depository shall not refund the admission fees for any reason, including the suspension, termination or withdrawal of the Participant.

106. *Fees*

- a. ZSE Depository may charge and the Participants shall pay fees for the use of each Service as determined by ZSE from time to time.
- b. A schedule of fees shall be included in the Master Terms.
- c. The fees may include penalties for failure to comply with the rules and the procedure manuals.
- d. These fees may be revised from time to time by the ZSE Depository.
- e. ZSE shall give notice to Participants of any increase in fees not less than 30 days prior to the implementation of such increase.
- f. The Board of Directors may specify a shorter notice period or may implement the revised fees immediately.

107. *Fees and Charges for Sundry Expenses*

- a. A Participant shall pay to ZSE Depository the amount charged by ZSE for any expense caused directly by the Participant. Such expenses include the cost of producing records pursuant to a claim, an order or

other legal process in any litigation or legal or regulatory proceeding or investigation.

- b. A Participant shall also pay any taxes and other government charges levied or imposed on the Participant in respect of the Services, admission fees, user fees and charges.

Confidentiality

- 108.** Any information relating to ZSE Depositor, a Client, or accounts obtained by a Participant in the course of its operations, must be kept confidential by the Participant, unless:
- i. the Participant is required to disclose the information before any court or by any law;
 - ii. the information is in the public domain;
 - iii. the Participant has obtained the prior written consent of the owner of the information; or
 - iv. the information must be disclosed to ZSE in terms of the Rules and Master Terms.
- 109.** A Participant which divulges or makes known any confidential information in contravention of section 106 shall be guilty of improper conduct and subject to disciplinary action in terms of these rules.
- 110.** ZSE Depository shall keep confidential all information disclosed to it by a Participant except to the extent that ZSE Depository may disclose such information to third parties where:
- i. the information is required to be disclosed in terms of any law;
 - ii. the information is in the public domain;
 - iii. ZSE Depository has obtained the prior written consent of the owner of the information.
- 111.** ZSE Depository shall preserve the confidentiality of any information concerning a Participant or provided by a Participant that becomes known to ZSE Depository through the operation of any Service, exercising the same degree of care as it uses with respect to its own confidential information.
- 112.** ZSE Depository will not use such information except for operation of the Services.

- 113.** Confidentiality obligations shall not preclude the disclosure of confidential information to any of ZSE's officers, directors, employees or agents that is reasonably necessary for the operation of the Services.

Release of Information

- 114.** Each Participant authorizes ZSE Depository to release any information concerning the Participant or provided by a Participant:
- i. to the auditors of ZSE Depository, of the Participant and of other Participants, as may reasonably be required to perform their duties;
 - ii. to the legal counsel of ZSE Depository, as may reasonably be required to perform their duties;
 - iii. To an issuer, information about the securities held by that issuer and held by Participants in a central securities account;
 - iv. as may be required from time to time by order or statutory direction or other process of a court or Regulatory Body having, in the opinion of ZSE Depository, jurisdiction over ZSE;
 - v. pursuant to any statutory or regulatory requirement;
 - vi. to the Exchanges, or self-regulatory organization of which the Participant is a member or the services of which the Participant uses in connection with its participation in ZSE Depository, or to any insurer of the Participant; and
 - vii. to the Commission about the securities held by a Participant in a central securities account.
- 115.** ZSE Depository shall take all reasonable steps to avoid releasing any information that may identify a particular client or customer of a Participant.
- 116.** When ZSE Depository is required to disclose confidential information concerning a Participant that is directed exclusively to the activities of a particular Participant, it shall give notice to the Participant of the request before making the disclosure unless the terms of any applicable statute, regulation, ruling or order prohibit such notice.
- 117.** When ZSE Depository releases confidential information, it shall request the recipient to treat such information as confidential.

Confidentiality of ZSE Information

- 118.** Each Participant shall preserve the confidentiality of:
- a. the ZSE Depository CSD System; and

- b. any information concerning ZSE Depository or provided by ZSE Depository, that at the time of disclosure, is marked as confidential or is disclosed orally as confidential and that becomes known to the Participant through the operation of any Service, or in anticipation of any new service, including any on-going projects, records, data and reports. In preserving such confidentiality, each Participant shall exercise the same degree of care as it uses with respect to its own confidential information.
- c. Such confidentiality obligation shall not apply to any information that is or becomes generally available to the public, otherwise than as a result of the breach of the Rules.

119. Such confidentiality obligation shall not preclude the disclosure of such confidential information to any of Participant's officers, directors, employees, clients or customers in the manner authorized in the Rules, or agents that is reasonably necessary:

- a. for the use or proposed use of the Services or any new service by the Participant;
- b. or for the development or operation of Services or any new service by ZSE Depository; or
- c. to achieve the purposes for which ZSE Depository disclosed the confidential information.

120. The obligations of each Participant pursuant to Section 108 shall be in addition to and shall not derogate from any other obligation of confidentiality arising from any agreement or legislation binding on the Participant.

121. ZSE authorizes the Participant to release any confidential information concerning ZSE Depository :

- a. to the auditors of the Participant, as may reasonably be required to perform their duties;
- b. to the legal counsel of the Participant, as may reasonably be required to perform their duties; and
- c. as may be required from time to time by order, summons, subpoena, statutory direction or other process of, or pursuant to an agreement with, a court, Regulatory Body or other administrative or regulatory agency, having, in the opinion of the Participant jurisdiction over the Participant.

Rights and Uses

Trade-marks

- 122.** The “ZSE Trade-marks” are those words and logos identified as such in the Master Terms. In addition, certain words, phrases, names, designs, numbers or logos may constitute trade-marks, service marks, trade names, domain names or intellectual property of ZSE or other third parties (collectively the “Other Marks”).
- 123.** Each Participant acknowledges and agrees that it acquires absolutely no rights or licenses in or to the ZSE Trade-marks or Other Marks, other than the limited, non-exclusive, revocable and non-transferable right to use as outlined in these Rules. Any unauthorized use by the Participant of the ZSE Trade-marks or Other Marks or any other intellectual property right or proprietary right of ZSE is strictly prohibited.
- 124.** Each Participant shall promptly notify ZSE of any conflicting use or any act of infringement or passing off which comes to its attention involving the ZSE Trade-Marks or Other Marks or any variation or imitation thereof by unauthorized persons. Each Participant shall cooperate with ZSE to take any steps ZSE considers necessary to prevent further unauthorized use, including but not limited to, cooperating with ZSE in any proceedings involving the ZSE Trade-marks or Other Marks.

Ownership

- 125.** The Participant acknowledges and agrees:
- a. that all right, title and interest in and to the Services, including all patents, copyright, trade secrets and other intellectual property rights in any part of the world, are owned by ZSE or its suppliers and are protected by copyright and other intellectual property laws;
 - b. and that copyright subsists in the Services, including the selection, arrangement and assembly of Security Information and other information in Services;
 - c. and that such copyright is owned by ZSE or its suppliers.

All rights not expressly granted in the Rules are reserved.

- 126.** Each Participant shall promptly notify ZSE of any unauthorized use of the Services and other information owned by ZSE or its suppliers, and agrees to cooperate with ZSE and its suppliers to take any steps ZSE considers necessary to prevent further unauthorized use. These include but are not limited to, cooperating with ZSE and its suppliers in any proceedings involving the Services and other information owned by ZSE or its suppliers.
- 127.** Each Participant will preserve or reproduce on all records, data and reports (including all copies made by Participant), and will not alter any proprietary, confidential or other notices and legends contained on the originals supplied to Participant by ZSE, or as may otherwise be required by ZSE.
- 128.** Each Participant shall not take any action that purports to create a claim, lien or encumbrance on, or assignment of, any of the Services. Any act by the Participant, voluntary or involuntary, purporting to create a claim, lien or encumbrance on, or assignment of, any of the Services shall be void.

Disclaimer

- 129.** Certain Services provided by ZSE Depository to the Participants are dependent upon the provision to and use by ZSE Depository of information, including Security Information, from third parties. ZSE represents that it has the right to grant Participants the right to use the Services and the ZSE Depository CSD System, but otherwise does not guarantee or make any representations or warranties whatsoever, and there are no conditions, express or implied, in fact or in law, with respect to the accuracy, adequacy, timeliness, completeness, sequence, merchantable quality or fitness for any particular purpose of any such information, which is provided on an “as is”, “as available” basis.

Notification of Compliance

- 130.** Upon reasonable notice, at the request of ZSE Depository, a Participant shall within a reasonable time provide to ZSE Depository a statement in the form provided by ZSE Depository, signed by an [Authorised Signatory] on behalf of the Participant, confirming that the Participant’s use of Services is in compliance with the Rules.

PART 6

CLEARING AND SETTLEMENT SERVICES

General Provision

Provisions

- 131.** For Participants in ZSE Depository, who are also members of the ZSE or of any other trading platform or organized securities market, ZSE Depository will render the services of determining, calculating, netting and facilitating the settling of obligations, arising from securities transactions concluded on the ZSE or that other trading platform or organized securities market with book-entry transfer of securities in the participants' accounts and cash transfer (clearing and settlement services) in a manner, prescribed by this Section.
- 132.** All trades concluded on the ZSE or other trading platform or organised securities markets are subject to clearing and settlement through ZSE Depository.

Clearing and Settlement

- 133.** The reporting and confirmation of a trade to ZSE Depository constitutes the agreement of Participants and ZSE Depository to clear and settle such trade through the CSD system in accordance with the ZSE Depository Agreement.
- 134.** No trade can be effected through the CSD if a party to the trade is not a Participant. A non-Participant who desires to effect trades through the CSD shall appoint a Participant to act on their behalf as the agent of such non-Participant.
- 135.** No amendment may be made to any trade reported to ZSE Depository without the approval of the responsible duly registered Exchanges registered and, when not entered into on the Central Securities Depository, by all Participants involved in the trade.

- 136.** The settlement of trades is by means of delivery of Eligible Securities coinciding with payment of funds, Delivery versus Payment, where securities will be settled gross and funds on a multilateral net basis.

Settlement of Transactions

- 137.** All trades between Participants in securities of issuers admitted on the CSD, unless the Procedures prescribe otherwise, are reported and submitted for clearance to ZSE Depository and for settlement by Participants through the RBZ.
- 138.** On every Business Day that one or more trades are recorded in Participant's Account, ZSE Depository combines the trades and provides Participant with reports and at such time as are set forth in the Operational Procedures.
- 139.** On the approved Settlement day, when Eligible Securities are available in the Participants' Trading Accounts and are sufficient to cover the Eligible Securities and funds elements of the Settlement, the trade is automatically settled by ZSE Depository in liaison with the RBZ.
- 140.** Upon Settlement of a trade, the transferor's Securities Account is debited with the Eligible Securities being the object of the trade and the Participant's Funds Account is credited with the corresponding payment. Simultaneously, the transferee's Securities Account is credited with Eligible Securities being the object of the trade and the Participant's Funds Account is debited with the corresponding payment.
- 141.** All net funds payment obligations arising on Settlement date are effected and settled through the Custodian Bank of each Participant at T+1 09:30am Central African Time on Settlement date through the crediting and debiting by the RBZ of the respective Custodian Bank's Account based on the net position of each Participant as a result of Settlement.
- 142.** Upon completion and settlement of the Eligible Securities and payment the trade is final and irrevocable and cannot be unwound.
- 143.** Participants are not permitted to attach any condition or restriction on the Settlement of trades and such conditions and restrictions that are imposed contrary to the Rules and Procedures are void and ineffective, and noncompliance therewith does not invalidate Settlement.

Rules governing the Settlement Exposure of Participants and Custodian Banks

- 144.** The Participant's Exposure (in respect of each Participant will be computed by ZSE Depository daily on a post-trade rolling basis, taking into consideration the settlement risk on account of purchases and sales pending settlement on T+3 entered into by such Depository Participants.
- 145.** The Participant Exposure will be calculated daily on a rolling basis based on trades pending settlement. The transactions pending settlement will be netted off to determine the Participant's due-by or due-to position.
- 146.** The Participant Exposure to the market shall be managed through the lodging of collateral security at the RBZ by each participant.

Collateral security

- 147.** Each Participant shall enter into a collateral security agreement with the ZSE Depository. The security agreement shall govern the determination, lodging and maintenance of collateral security by Participants.
- a) The collateral security to be deposited by each Participant shall take into account the Participant's exposure to the market calculated on a multilateral net basis and the settlement cycle.
 - b) The collateral security required from each Participant shall be recalculated on a monthly basis taking into consideration the exposures for the preceding month. In the event that the collateral level has increased the Participant shall be requested to top up the security.
 - c) No withdrawals are permitted in the event that the calculated collateral is less than the amount deposited.
 - d) The collateral security of a Custodian Bank shall be held in the following forms:
 - i. Cash denominated in United States Dollars (USD) deposited with the RBZ.
 - ii. Marketable securities subject to the agreement and approval of all Depository Participants and the RBZ. A discount shall be applied to any non-cash assets held as collateral.
 - e) The Collateral security shall be used solely for the purpose of meeting shortfalls on the settlement obligations of the Participant.
 - f) The ZSE Depository shall have full power of attorney to withdraw from the collateral account amounts required to be withdrawn to meet any shortfall on the Participant's settlement obligations. The Participant shall not withdraw any amount from the collateral sub-account, without the prior written approval of ZSE Depository.

- g) In the event that ZSE Depository has requested that the RBZ transfer money from the collateral account of the Participant to meet a shortfall on its settlement obligations, the Participant shall replenish that amount by no later than 11.00 am Central African Time on the first business day following the date of transfer. In the event the Participant fails to replenish its collateral, ZSE Depository shall have the right to immediately suspend the Participant from participating in securities settlement.

148. *Procedure to monitor Participant exposure*

- a. ZSE Depository shall prepare a schedule computing the exposure of each Participant on a daily basis taking into consideration the provisions contained in these Rules. The exposure in respect of each Participant shall be communicated by ZSE Depository to the respective Participant or Custodian Bank on a daily basis.
- b. ZSE Depository shall monitor the exposures of the Depository Participants on an ongoing basis. Notwithstanding, the requirement for monthly recalculation of collateral security, ZSE Depository can request that the Custodian Bank increase the amount of collateral at any point in time during the month in the event that the Participant's exposure reaches the level of the collateral lodged.
- c. The Participant shall have 48 hours to meet the request for a top-up of collateral security. In the event the Participant fails to meet the top-up request, ZSE Depository shall have the right to immediately suspend the Participant from participating in securities settlement.
- d. If the Participant does not comply with these requirements it shall constitute a violation of these Rules.
- e. If the Participant is in breach of the collateral security requirement, ZSE Depository shall notify members of the Exchanges not to execute any purchase orders or short sales on behalf of the Depository Participant(s) until such time as the Participant complies with the Rules. Any trades carried out by members of the Exchanges before the Participant complies with the collateral security requirements shall not be settled through the ZSE Depository CSD system.

PART 7

LIABILITY AND INDEMNITY

Participant's Liability as Principal

- 149.** A Participant who utilizes any Service shall be liable as principal for all obligations incurred with respect to such Service, whether the Participant is acting on its own behalf or on behalf of another Person or directly on its own behalf or through another Person.

Representations and Warranties of Participant

- 150.** A Participant who gives instructions to ZSE Depository to effect a deposit, withdrawal, transfer or Pledge of a Security, a payment, or any other Transaction, represents and warrants to ZSE Depository and to the other Participants that the Participant has full power, right and authority to make the deposit, withdrawal, transfer, Pledge, payment or other Transaction in accordance with its instructions.

151. Indemnity by Participant Regarding Services

- a. Each Participant shall indemnify and hold harmless ZSE Depository and all other Participants, and their respective partners, directors, trustees, officers, employees and agents, from and against any loss, damage, cost, expense, liability or claim (including the cost of legal counsel to advise on or defend against such claims) suffered or incurred by or made against it, arising from:
- i. any interruption, malfunction or disruption of any Service to the extent caused or contributed to by any negligent, reckless, wilful, fraudulent or dishonest act or omission of the Participant or of any director, trustee, officer, partner, employee, contractor or agent of the Participant done while acting in the course of office or employment or made possible by information or opportunities afforded by such office or employment;
 - ii. any incorrect instructions, information or documentation provided to ZSE Depository by the Participant; and

- iii. any breach by the Participant of its obligations, representations or warranties under the Legal Documents.

152. Indemnity by Participant Regarding Securities

- a. Each Participant shall indemnify and hold harmless ZSE Depository and all other Participants, and their respective partners, directors, officers, employees and agents, from and against any loss, damage, cost, expense, liability or claim (including the cost of legal counsel to advise on or defend against such claims) suffered or incurred by or made against it, arising from:
 - i. the deposit by the Participant of a Defective Security;
 - ii. the determination that the registration of any Security deposited by the Participant is or would be invalid, improper, defective, subject to any adverse claim or privilege or cannot be effectively and rightfully transferred;
 - iii. any incorrect instructions, information or documentation (whether concerning a Security, the deposit or withdrawal of a Security or otherwise) provided to ZSE Depository by the Participant;
 - iv. the entry of incorrect details identifying a Security;
 - v. the purchase, sale, redemption or cancellation of Securities by the Issuer as a result of the information contained in a declaration provided by the Participant; or
 - vi. any breach by the Participant of its obligations, representations or warranties under the Legal Documents.

153. Indemnity by Participant on Claims against ZSE and Others

- a. Each Participant shall indemnify and hold harmless, the ZSE, its directors and employees from and against any indemnified claim as described in section 153 (b), suffered or incurred by or made against them by any person with regards to the Services.
- b. For the purposes of this Rule, an indemnified claim is any loss, damage, cost, expense, liability or claim (including the cost of legal counsel to advise on or defend against such claims) that arises from or is in any way connected with a Service, and which is described in the Rules, or which relates to:
 - i. Securities held by ZSE for the Participant or

- ii. any action taken or omitted by ZSE with respect to Securities held for the Participant at the time such action is taken or omitted.
- c. ZSE shall give to the Participant notice of any matter in which an indemnified person may require an indemnity from the Participant, and shall explain to the Participant how the indemnified claim is related to the Participant's obligation to indemnify.
- d. The indemnified person and the Participant shall cooperate fully with one another in the investigation, negotiation, settlement or defence of the indemnified claim.
- e. ZSE Depository shall give the Participant an opportunity to contest the indemnified claim at the Participant's own expense provided that the Participant gives assurance (acceptable to ZSE Depository in its sole discretion) of payment of any loss, damage, cost, expense, liability, award or claim that might be incurred by ZSE Depository as a result of such proceeding.
- f. The Participant providing the indemnity shall have conduct of the litigation, provided that ZSE Depository may choose at its own expense to be separately represented by its own counsel in such proceedings or to assume the conduct of the litigation. The Participant's obligation to indemnify ZSE Depository shall not be affected by the fact that ZSE Depository exercises its right to such representation or conduct of the litigation.
- g. The Participant or ZSE Depository shall inform one another if either receives or proposes to make an offer of settlement with respect to an indemnified claim.
- h. If the Participant proposes to make or accept any settlement of an indemnified claim, it shall give notice to ZSE Depository and ZSE Depository shall either agree to accept the settlement or direct that the proceeding continue.
- i. If ZSE Depository directs that the proceeding continue, ZSE shall not seek any indemnity from the Participant for the amount by which any final settlement or award exceeds the settlement amount proposed by the Participant.
- j. If ZSE Depository proposes to make or accept any settlement of an indemnified claim, it shall give notice to the Participant and the Participant shall either agree to accept the settlement or direct that the proceeding continue.
- k. The Participant may direct that the proceeding continue only if it provides any additional assurance requested by ZSE Depository in its sole discretion of payment of any loss, damage, cost, expense, liability, award or claim that might be incurred by ZSE Depository as a result of such proceeding.

1. If the Participant directs that the proceeding continue, the Participant shall be solely responsible for the amount by which any final settlement or award exceeds the settlement amount proposed by ZSE Depository, in addition to its responsibility to indemnify ZSE Depository with respect to the settlement amount.

154. *Liability and Indemnity*

- a. ZSE Depository shall not be liable to any Participant for any loss of opportunity, profit, market, goodwill, interest or use of money or Securities, or any other special, indirect or consequential loss, damage, cost, expense, liability or claim (in this Rule, a "consequential loss") suffered or incurred by any Participant arising from any Service, including a consequential loss arising from or associated with a Participant Loss or a Loss of Securities. ZSE Depository shall not be liable to any Participant for any loss, damage, cost, expense, liability or claim suffered or incurred directly by a Participant and or where same loss, damage, cost, expense, liability or claim arises from any action taken by ZSE Depository in accordance with a lawful direction given by a Regulatory Body having jurisdiction over ZSE Depository.
- b. A nominee, or a partner, director, officer, employee or agent of ZSE Depository, shall have no personal liability to a Participant for any act or omission in relation to the Services other than liability for a fraudulent act of the individual concerned. The foregoing exclusion of individuals' personal liability shall not affect ZSE Depository's liability for a Participant Loss or a Loss of Securities.

PART 8

DEPOSITORY SERVICES

Service Description

155. *General Provisions*

The Depository Service is a Service provided by the ZSE Depository by which the ZSE Depository holds Securities on behalf of Participants. A Participant may deposit Securities into or withdraw Securities from ZSE and ZSE may accept Securities from a Participant for deposit, and credit the account of the Participant with the Securities it deposits.

156. *Holding of Securities*

ZSE holds the Securities in the Depository Service on behalf of each Participant to whose Accounts such Securities are from time to time credited and subject to the instructions of that Participant.

157. *Safekeeping of Securities*

- a. Only Securities that ZSE Depository has determined are eligible may be deposited into or held in the Depository Service. The ZSE Depository may determine from time to time that a particular Security shall be ineligible for the Depository Service or for any Service.
- b. The procedure to deposit securities for safekeeping shall be as follows:
 - i. Delivery of a Security to ZSE by a Participant shall be credited to the owner of the Security in the account of the Participant in ZSE.
 - ii. Participants may deliver Securities to or deposit Securities with ZSE Depository (in the name and account of the Participant or in the name and for the account of the Participant's clients) on any Business Day and during such hours as may be prescribed by ZSE Depository.
- c. All Securities shall be in the form prescribed by ZSE from time to time. ZSE Depository shall refuse to accept Securities if they are not lodged in the format specified by ZSE.
- d. Each Participant warrants to ZSE that all Securities delivered to or deposited with ZSE are valid, genuine and in good delivery form; neither the initial receipt by ZSE of such Securities nor the crediting of such receipt to the Participant's nominated account position shall constitute a waiver of such warranty.
- e. If ZSE determines at any time that Securities previously delivered by a Participant to ZSE were invalid, not genuine, or not in good delivery form, ZSE shall return such Securities to the Participant and adjust the Participant's account position accordingly.

158. *Pledging and Hypothecation*

- a. The pledgor and the pledgee must each have an account in the CSD System to create a pledge. However, the pledgor and the pledgee may hold accounts through two different Participants.
- b. For the purpose of creation of any pledge or hypothecation of securities, ZSE Depository or a Participant shall, on an application by any Beneficial Owner, confirm that the Beneficial Owner is entitled, in its name, to such number of securities of such Issuer as are proposed to be pledged or hypothecated.
- c. ZSE Depository shall on receipt of an application for the creation of pledge or hypothecation by the Beneficial Owner supported by relevant documentation, within five business days from the date of receipt thereof, create and record the pledge or hypothecation by electronically locking or freezing the securities held in the account of the pledger by transferring the securities in a sub account marked "PLEDGED" and shall issue an advice of the same to the pledgor and pledgee.
- d. ZSE Depository or a Participant shall not refuse permission to the pledgor or hypothecator to create a pledge or hypothecation in respect of securities available for pledge or hypothecation unless operations in respect of those securities are restrained or frozen by virtue of any regulatory directive and shall advise the intending pledgor and pledgee of its decisions setting out its reasons for such refusal.
- e. Unless otherwise ordered by a Court of competent jurisdiction, no entry of pledge or hypothecation shall be cancelled by ZSE Depository without the prior concurrence of the pledgee. On receipt of notice of cancellation of the pledge or hypothecation from the pledgee, ZSE Depository shall unlock or release the securities forthwith for which the pledge or hypothecation was created. ZSE Depository on cancellation of the pledge or hypothecation shall inform the pledger and subsequently transfer the securities.
- f. Subject to the provisions of the pledge/hypothecation documents, the pledgee/ hypothecatee may invoke the pledge or hypothecation, as the case may be through his/her Participant and on such invocation, ZSE Depository shall register the pledgee/hypothecatee as Beneficial Owner of such securities and shall amend its records accordingly. Thereafter, ZSE Depository shall immediately inform the Participants of the pledgor and the pledgee of the change and who in turn shall make necessary changes in their records and inform the pledgor and pledgee respectively.
- g. ZSE Depository shall, before registering the pledgee as a Beneficial Owner, obtain the prior correspondence from the pledger or hypothecator.

159. *Transfer Secretary Services*

- a. An issuer with securities on the ZSE Depository CSD System can appoint ZSE Depository to be its Transfer Secretary.
- b. The Issuer of the securities and ZSE will enter into an agreement for provision of such service on a bilateral basis.
- c. In the event that ZSE Depository acts as a Transfer Secretary, all the securities will be issued in electronic form.
- d. ZSE will also be responsible for all the corporate actions of the Issuer.

160. *Corporate Actions*

- a. The Issuer or its Transfer Secretary shall advise ZSE Depository of all corporate actions simultaneously with the advice to Exchanges in case of listed securities and in case of unlisted securities with prior notice of seven calendar days from the date of corporate action.
- b. On receiving the advice as stated above, the details of the holdings of the Beneficial Owners shall be provided electronically by ZSE Depository to the Issuer or its Transfer Secretary as of the cut-off date (relevant to that particular corporate action) for the purpose of distribution of corporate benefits within three (3) working days of the record date or the book closure date.
- c. The Issuer, its appointed Transfer Secretary or ZSE Depository shall distribute dividend, interest and other monetary benefits and also ineligible securities directly to the Beneficial Owners on the basis of the list provided by ZSE Depository.
- d. The Issuer or its Transfer Secretary may, if the benefits are in the form of securities, distribute such benefits to the Beneficial Owners through ZSE Depository by electronically crediting the account of the concerned Beneficial Owner provided that :
 - i. the newly created security is an eligible security and has been admitted to the CSD;
 - ii. The concerned Beneficial Owner has consented to receive the newly created securities through the CSD in dematerialised form.
- e. In such case, the Issuer or its Transfer Secretary shall provide allotment details of all Beneficial Owners to ZSE Depository.
- f. On receipt of allotment details, ZSE Depository shall cause the necessary credit entries to be made in the account of the Beneficial Owner concerned.

161. *Securities Lending and Borrowing*

Any Beneficial Owner intending to lend or borrow securities, may do so in the manner determined by ZSE Depository from time to time, and in accordance with the laws prevailing at the time.

162. *Private Transactions*

- a. No entries relating to private transactions shall be entered in the securities account without the prior approval of the Exchange on which the security is traded.
- b. Instances where transfers of eligible securities between custodians and between custodians and their clients are permitted include:
 - i. Transfer of eligible securities between custodians and between custodians and their depositors with no change in the beneficial ownership of the securities;
 - ii. Hereditary transfer of securities already deposited in the ZSE Depository CSD System subject to relevant approval;
 - iii. Donations subject to relevant approval;
 - iv. Gifts subject to relevant approvals;
 - v. Foreclosures on execution; and
 - vi. Other dispositions of eligible securities with prior regulatory approval.
- c. ZSE Depository may charge the participant or its client for the processing of private transactions.

PART 9

RISK MANAGEMENT

Risk Management Principles

163. *General Risk Management Principles*

- a. ZSE Depository Service may employ a variety of mechanisms to manage the risk of default by a Participant in the Services. Such mechanisms include:
 - i. monitoring the status and activities of Participants;
 - ii. requesting reports and audits of Participants;
 - iii. adoption by Participants of adequate internal controls;
 - iv. the exercise of ZSE' rights of retention and set off;
 - v. assuming control of a security or securities belonging to Participants; and
 - vi. the use of Lines of Credit to ensure payment of a suspended Participant's obligations.

164. *Monitoring of Participants*

The ZSE shall monitor participants in one or more of the following ways:

- a. Reviewing of the Transactions, Settlement obligations and activity in the system of that Participant.
- b. Ensuring the due performance by the Participant of its obligations to protect the interests of ZSE Depository and other Participants.
- c. Regularly assessing the financial stability and regulatory status of the Participants.

165. *Reports and audits – Participant*

- a. ZSE Depository shall determine the nature and type of reports, accounts and records, which a Participant shall maintain for the purpose of the requirements of the Rules.
- b. A Participant must introduce and maintain internal controls and procedures to ensure that the Securities accounts held by it are audited on a regular basis.
- c. Every Participant must annually report (through the annual independent report) to ZSE Depository whether or not:
 - i. the Participants' internal controls and procedures, in so far as they relate to the Business of the Participant, provide reasonable assurance as to the integrity and reliability of the accounts;

- ii. the audit procedures and internal controls and procedures are based on established policies and procedures, implemented by trained and skilled personnel;
 - iii. the adherence to the implemented internal controls and procedures is continuously monitored by the Participant;
 - iv. the Participant complies with the requirements of the Rules regarding maintenance of Securities Accounts;
 - v. the Participant is maintaining high ethical standards, thereby ensuring that the business of the Participant is conducted in a manner which is above reproach.
- d. The Participants must submit the report required in terms of section 165 (c) within 90 (ninety) calendar days after the financial year-end of the Participant.
 - e. A Participant must report any material malfunction in controls, procedures and systems to ZSE Depository as soon as reasonably possible after it has come to the directors' or officers' of the Participant's attention.
 - f. ZSE Depository shall conduct on-site inspections or audit to ensure that the Participant has the necessary internal controls and procedures in place and is implementing them.
 - g. A Participant must conduct a full Disaster Recovery test bi-annually on its relevant internal systems and related infrastructure and report to ZSE Depository within 30 days after results of such test.
 - h. A Participant must advise ZSE in writing of any material change to its shareholding or corporate structure that is likely to affect the risk profile of the Participant.

166. *Internal Controls*

- a. The internal controls and procedures of the Participant must be designed to ensure that:
 - i. the business of the Participant can be carried on in an orderly and efficient manner;
 - ii. the financial and other information used or provided by the Participant is reliable;
 - iii. all transactions and commitments entered into by the Participant relate to the Business of the Participant are recorded as prescribed by the Act,

- Rules and Master Terms and are within the scope of authority of the Participant and of the officer or employee acting on its behalf;
- iv. there are procedures to safeguard and segregate the Participant's assets and assets belonging to other persons to which the Participant is accountable, and to control liabilities;
 - v. there are measures in place to detect, identify and mitigate the risk of losses to the Participant and its Clients from any irregularity, fraud or error in terms of the Act, Rules and Master Terms;
 - vi. on a daily basis the Client's Records of the aggregate quantity of the Securities of each class and type of Securities held by it are the same as those held by the Participant on their behalf; and
 - vii. on a daily basis, the Participant's Records of the aggregate quantity of the Securities of each class and type held by it are the same as those held by ZSE Depository on its behalf.

167. *Risk Management*

A Participant must adopt a risk management and procedures policy and be able to describe and demonstrate the objectives and operation of these.

168. *Compliance Officer*

- a. A Participant must appoint a compliance officer in line with the requirements stipulated in Statutory Instrument 100 of 2010.
- b. Except where ZSE Depository may otherwise determine, a Participant must not carry on business for more than 3 (three) months in any continuous period of twelve months unless such Participant has appointed a compliance officer in terms of the Rules.
- c. In the absence of a duly appointed compliance officer or where a compliance officer post has become vacant, a temporary compliance officer must be appointed for a period not longer than 3 (three) months.
- d. The primary functions of the compliance officer are to:
 - i. review the daily monitoring, controlling and reconciling of the Securities Accounts of the Participant;
 - ii. review on a daily basis, that the total of the balances of the Securities Accounts held for all Clients for each class and type of Securities held by the Participant agree with the aggregate amount for those Securities reflected in the Records of the Participant;
 - iii. review on a daily basis, that the Participant Records of the aggregate quantity of the Securities of each class and type held by it are the same as those held by ZSE Depository on its behalf;

- iv. review the effectiveness of the internal controls and risk management procedures;
- v. monitor that the Client mandates referred to in the Rules are in place; and
- vi. Monitor the compliance by the Participant of all Rules and Master Terms.
- vii. Report to the senior management of the Participant any apparent breach by the Participant, its officers and employees, of the provisions of the Act, Rules and Master Terms;
- viii. Report to the senior management of the Participant any discrepancy or irregularity detected in terms of the Rules and Master Terms and any other issue considered by the compliance officer to be irregular;
- ix. Report the breach, discrepancy and or irregularity to ZSE Depository, if the Participant fails to rectify the breach, discrepancy or irregularity reported to it in terms of Rules within 24 (twenty four) hours, the directors of the Participant or the compliance officer, must report which report shall include a description of any action taken by the Participant to rectify the breach, discrepancy or irregularity;
- x. submit a bi-annual report signed by the chief executive officer or designated officer of the Participant and the compliance officer, relating to the Business of the Participant which indicates any material problems that the directors or compliance officer have experienced during the preceding six (6) months and how these have been or are to be addressed. The report must include a disclosure and analysis of the impact on the solvency of the company of any material problems or losses experienced, risk management, internal controls and procedures implemented to mitigate the risks introduced, as well as any material claims of which the directors or compliance officer are aware.

169. *Security measures and controls*

- a. A Participant must take all reasonable security measures, including establishing and maintaining such procedures as may be necessary to protect information, data, records, certificates, documents of title and other documents relating to clients, and in particular, relating to their Securities Accounts, against any unauthorised access, alteration, destruction or disclosure. The Participant must ensure that:
 - i. a formal security clearance programme for all staff and contract personnel, including a confidentiality agreement is in place;
 - ii. it has the necessary security systems to protect against the inappropriate or unauthorised access of its hardware, software and related procedures;
 - iii. it maintains adequate information security according to the standards specified by ZSE Depository and ensure that it informs ZSE Depository immediately in the event of a breach;

- iv. a documented security manual for standards and practices is compiled and enforced by the Participant;
- v. it adequately secures its physical premises and ensures that those responsible for this function report to a senior official of the Participant;
and
- vi. adequate segregation of duties of staff members exist to prevent unauthorised transfers between Clients' Securities Accounts.

PART 10

GOVERNANCE ARRANGEMENTS

170. *Amendments to Rules*

- a. ZSE Depository may amend the Rules periodically after consultation with Participants.
- b. Participants will be notified in writing of any amendment to the Rules before implementation of any changes.
- c. Participants may submit proposals for changes in the Rules. Such proposals should fully describe the purpose and benefit of the change being proposed and should be delivered to the ZSE Depository. ZSE Depository will consider the proposal and determine the acceptability or otherwise of proposals to change the rules.
- d. SECZ approval is required to effect any amendment to the Rules.

171. *Disputes between Participants*

- a. The Participants agree that every effort shall be made to resolve amicably by direct negotiation, any disagreement or dispute arising between them in connection with these Rules.
- b. Where attempts at direct negotiation have been unsuccessful, notification of intent to dispute must be sent to the other participant and the ZSE setting out a full description of the matters in dispute within fourteen (14) days of such intention arising.
- c. The ZSE shall, depending on the nature of the dispute appoint an appropriate Arbitrator to resolve the dispute within seven (7) days of receiving the notification in terms of section 171 (b) above.
- d. The Participants shall bear the cost of Arbitration equally between them.
- e. Notwithstanding the provisions of this section 171, the Participants undertake to continue to operate and perform their respective obligations under these Rules and the Master Terms pending resolution of a dispute.

