

THE CENTRAL DEPOSITORY RULES



ROYAL SECURITIES EXCHANGE OF BHUTAN LIMITED

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CHAPTER 1

TITLE, COMMENCEMENT, AND AMENDMENTS

1. Title

These Rules shall be called the Central Depository (CD) Rules.

2. Commencement

These Rules shall come into force with effect from 2011/ 2012.

3. Amendments

Subject to the prior approval of the Authority, the Board of Directors of RSEBL may amend, add to, alter, modify or repeal any of the provisions of these Rules.

CHAPTER II

PRELIMINARY

4. Interpretation

In these Rules, unless the context otherwise requires:

Account	means an account relating to legal ownership of Securities in the CD Register;
Account Balance	means the quantity of Securities in an Account;
Account Holder	means a Person, who opens and maintains an Account either himself or through any Depository Participant;
Act	means The Companies Act, 2000 and the Financial Services Act, 2011 as amended from time to time;
Agreement	means any agreement between parties;
Authority	means Royal Monetary Authority;
Appeal	means an appeal to the Authority under these Rules;
Board	means the Board of Directors of Royal Securities Exchange of Bhutan Ltd. (RSEB);
Business Day	means any day on which CD is open for business;
CD	means Central Depository of the Royal Securities Exchange of Bhutan Ltd.;
CD Register	means the legal ownership register maintained by CD relating to securities recorded in electronic form in the depository part of the company register;
CD System	means all systems and application programs relevant to the operations of CD including all of the computer hardware and software maintained and used by CD and the software used by a Depository Participant, or an Issuer or his agent to communicate with the CD System;
Chapter	means a chapter of these Rules;
Clearing Account	means an Account opened and maintained for the purpose of temporarily holding therein Securities used exclusively to process Transactions Transmitted to CD on Trade Files;

Clearing House	means the clearing unit of a RSEB;
Corporate Action	means an action taken by an Issuer that affects the financial and/or physical status or the redemption of that security and/or a shareholders meeting.
Dematerialization	means the process by which Eligible Securities are (or Demat) moved to the CD register;
Direct Account Holder	means a person who opens and maintains an account directly with the depository;
Depository Elements	means DP, Issuer, Eligible Pledgee, Custodian & Registrar
Depository (DP) Participant	means any Person entitled to participate in CD under these Rules;
Eligible Security	means securities that have been prescribed by the RSEB as eligible to be admitted into the CD;
Freeze	means the process in which the Account Balance is rendered ineligible for any transaction;
Issuer	means any Person who has issued or proposes to issue any security.
Officer In-charge	means any person occupying the position of the Officer In-charge of CD;
On Market Trades	means trades concluded through a Stock Exchange and cleared through the Clearing House;
Off Market	means transaction of securities of listed companies which occur outside the facilities of the RSEB. Such transaction is conducted through negotiation rather than the auction system. Off market transaction includes transaction of securities between two brokers, placement of shares by the issuer to a person or group of person or any other transaction which the RSEB may deem to be Off-market in nature
Operating Instructions	means the User Manuals or a directive or authorization given by CD in accordance with the Act, the Regulations, or these Rules in connection with the use and availability of the CD System by way of clarifications, procedures, time schedules, amendments, alterations, forms, etc. with regard to the operations of CD;

Person	includes an individual, a company, un-incorporated association, Government agency, a natural person in his or her capacity as a legal representative and anybody or persons recognized as a separate entity.
Pledge	means the Freezing of Securities in the Pledgor's Account in favor of a Pledgee;
Pledgee	means the Account Holder in whose favor the Pledge is created;
Pledgor	means an Account Holder who initiates a Pledge instruction in the CD System;
Principal Account	means an Account where Securities owned by the Depository Participant are held;
Record Date	means the date when rights or entitlements accrue to the Account Holder;
Regulations	mean the Depositories Regulations, as amended from time to time;
Rematerialization	means the process by which Eligible Securities are (or Remat) removed from the CD register to certificated form;
RSEB	means Royal Securities Exchange of Bhutan Ltd.,
Rules	means the Rules of CD as amended from time to time;
Securities	means Securities as defined under The Companies Act 2000 and the Financial Services Act 2011.
Settlement	means the completion of a Transaction by delivery of Securities from one Account to another;
Settlement Date	means a Business Day when the Settlement of a Transaction is due to take place;
State of Emergency	means any: <ul style="list-style-type: none"> (a) fire, power failure or restriction, communication breakdown, accident, flood, war or threat of war, embargo, boycott, labour dispute, unavailability of data processing or any other computer system or facility, act of God which; or (b) other event which, in the opinion of the Board, prevents or significantly hinders the operations of CD;

Stock Broker	means a person that has been granted a license by the Authority under Article 285 of the Financial Services Act , 2011;
Trade File	means an encrypted text file or any other file as determined by CD containing Transactions sent electronically by the RSEB;
Transaction	means any transaction in the CD System which causes a debit or credit to be made to an Account which may be effected by: <ul style="list-style-type: none"> (a) an electronic message, or (b) a set of electronic messages of a kind specified by CD for use in the CD System;
Transmit	means to cause a message or other information to be sent through a medium approved by the Board pursuant to these Rules for communications between the CD System and CD System Users;
Transfer	means moving Securities from one Account to another within a single DP or to another DP;
Transmission	means the Transfer of all Account Balances of an Account Holder to another Account;
Unpledge	means the removal of the Freeze in the Pledgor's Account made as a result of a Pledge;
User Manual	means the CD User Manual for Depository elements issued by CD to CD System Users as amended from time to time;
Warranty	means the unconditional and irrevocable commitment and undertaking of a DP or an Issuer to hold CD free and harmless for any loss or damage that CD may sustain due to causes attributable to the Depository Participant or the Issuer.

5. General Principles of Interpretation

In these rules, unless the context otherwise requires:

- a) if a word or expression is given a particular meaning, another part of speech or grammatical form of that word or expression has a corresponding meaning;
- b) indicates the contrary, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders; and

c) a reference to these Rules, the Procedures, the Fees and Charges Schedule, or the Designated Time Schedule is a reference to these Rules, Procedures, Fees and Deposits Schedule or the Designated Time Schedule as modified or amended from time to time.

d) a reference to power includes a reference to authority and discretion.

6. Headings

In these Rules, headings are for convenience of reference and do not affect interpretation.

7. Conduct, acts and omissions

a. In these Rules, a reference to conduct or engaging in conduct includes a reference to doing or refusing to do any act, including the making of, or the giving effect to an agreement.

b. In these Rules, conduct engaged in on behalf of a person:

(i) by an officer, employee, Depository Participant or other agent of the person within the scope of the actual or apparent authority of the officer, employee, Depository Participant or other agent; or

(ii) by any other person at the direction or with the consent or agreement (whether express or implied) of an officer, employee, Depository Participant or other agent of the person, where the giving of the direction, consent or agreement is within the scope of the actual or apparent authority of the officer, employee, Depository Participant or other agent, is taken to have been engaged in also by the person.

c. If for the purposes of these Rules in respect of conduct engaged in by a person, it is necessary to establish the state of mind of the person, it is sufficient to show that an officer, employee, Depository Participant or other agent of the person by whom the conduct was engaged in within the scope of the actual or apparent authority of that officer, employee, Depository Participant or other agent, had that state of mind.

d. A reference in Rule 7 (c) stated above to the state of mind of a person includes a reference to the knowledge, intention, opinion, belief or purpose of the person and the person's reasons for the person's intention, opinion, belief or purpose.

e. In these Rules, unless the contrary intention appears, a reference to doing any act or thing includes a reference to causing, permitting or authorizing the act or thing to be done.

8. Purpose or Object of Rules

In the interpretation of a Rule, a construction that would promote the purpose or object underlying the Rule (whether that purpose or object is expressly stated in the Rule or not) is to be preferred to a construction that would not promote that purpose or object.

9. Notice, notification and service of documents

- A. In these Rules, a reference to notifying a person of any matter is a reference to transmitting a message containing that matter to the person.
- B. For the purposes of these Rules, a Notice which is transmitted by these Rules to a Depository Participant or Issuer shall be taken to be received by the Depository Participant or Issuer when matters comprised in the Notice show on the computer terminal that is linked to the Computer System of the CD System.
- C. If any Rule requires or permits the giving of notice of any matter to a person, such notice shall be given in writing.
- D. For the purposes of any Rule that requires or permits a notice or document to be given to a person, whether the expression "serve", "give" or "send" or any other similar expression is used, the notice or document may be given:
 - i) to a natural person:
 - a) by delivering it to the person personally;
 - b) by leaving it at, or by sending it by courier or registered post to, the address of the place of residence or business of the person last known to the person serving the notice or document;
 - c) by sending it by facsimile to the person's facsimile number last notified to the person giving the notice or document; or
 - d) by sending it by email to the person's email address that CD has established for the giving of notices or documents to such person;
 - ii) to a company or other body corporate:
 - a) by leaving it at, or sending it by courier or registered post to, in the case of a company, its registered office and, in the case of any other body corporate, its head office;
 - b) by sending it by facsimile to the company's or body corporate's facsimile number last notified to the person giving the notice or document; or

- c) by sending it by email to such company or body corporate's email address that CD has established for the giving of notices or documents to such company or body corporate; or

E. For the purpose of Rule 9 (D)

- i) a notice or document sent by registered post shall be taken to be received on the third business day after the notice or document, in a correctly addressed and stamped envelope or other covering, is put in the registered post;
- ii) a notice or document sent by courier shall be taken to be received at the time of delivery to the correct address;
- iii) a notice or document sent by facsimile shall be taken to be received when the sender's facsimile machine indicates a successful transmission to the correct facsimile number; and
- iv) a notice or document sent by email shall be taken to be received by the addressee when the sender's computer indicates a successful transmission of such notice or document.

10. Defect, irregularities and deficiencies

A decision, resolution, proceeding or act of the CD under these Rules is not invalidated by any defect, irregularity or deficiency of notice or time unless:

- a) a Depository Participant concerned by the defect, irregularity or deficiency requests the CD to resolve that the decision, resolution, proceeding or act is invalid;
- b) the CD reasonably believes that the defect, irregularity or deficiency has caused or may cause substantial injustice which cannot reasonably be avoided; and
- c) the CD accordingly resolves that the decision, resolution, proceeding or act is invalid.

11. Management

Central Depository shall be owned and managed by the RSEB.

CHAPTER III

GENERAL

12. Functions of the Central Depository (CD)

The functions of the CD are to operate a Depository Service;

- a) to provide facilities for holding Eligible Securities in Accounts;
- b) to provide facilities for Dematerialization of Eligible Securities;
- c) to provide facilities for debiting and crediting securities to an account as a result of a Corporate Action;
- d) to provide facilities for the Settlement of Transactions;
- e) to provide facilities for the Pledging, Unpledging, and Confiscation of Eligible Securities;
- f) to provide facilities for the freezing and unfreezing of Eligible Securities;
- g) to provide reports to Depository Participants, Issuers and Direct Account Holders;
- h) perform the functions that are necessary to ensure orderly dealings in admitted or dematerialized securities, or as the authority may time to time prescribe.

13. Powers of the Central Depository (CD)

- a) CD has such powers as are conferred on it by or under:
 - i. the Act;
 - ii. Regulations made under the Act; or
 - iii. these Rules.
 - iv. Any agreement or arrangement with Depository Elements or any other persons
- b) Unless the contrary intention appears, powers conferred on CD by or under these Rules shall be exercised in such manner as the Board may from time to time prescribe in this behalf.
- c) CD may issue Operating Instructions, with respect to:
 - I. the mode of functioning and operation of CD System;

- II. the hardware and software required to be installed and maintained by Depository Participants and Issuers in order to communicate with the CD system;
 - III. manner and form in which the Depository Elements and any other entities shall maintain electronic links when communicating with CD as the case may require;
- d) The CD may, in authorizing any Depository Elements to perform any of the approved functions, impose such requirements or conditions as it considers necessary to ensure orderly deposits, withdrawals, transfers of book entry securities, dealing in securities.

14. Delegation of functions and powers

- I. Unless the contrary intention appears, the Board may delegate any of their powers and functions under these Rules to:-
 - (a) the Officer In-charge of the Central Depository; or
 - (b) any one or more other officers of the RSEB.
- II. Provided that the delegated authority of the officer under Rule (b) above shall discharged his/her duties under the supervision of the Officer In-charge.
- III. Where the Board delegates any of their powers or functions in accordance with Rule 13 (I) stated above, the Officer in-charge may sub-delegate any of the delegated powers.
- IV. A delegation of a power or function, or of a specified class of powers or functions, may be made either generally or as otherwise provided by the terms of delegation.
- V. If any power or function is delegated:
 - (a) performance or exercise by the delegate of the power or function is taken to be performance or exercise by the Board, as the case requires;
 - (b) the delegation does not prevent the performance or exercise of the power or function by the Board, as the case requires; and

15. Preservation of Records

- i. CD shall have the necessary hardware and software, security and backup systems and procedures in place for preservation of electronic depository records. In this regard, CD shall take necessary steps to protect the transmission and storage of data under its system. The data shall be protected from unauthorized access,

manipulation and destruction. The transmission of data shall be in encrypted form and will have to be decrypted at the users end so as to eliminate the possibility of unauthorized interception of data. The backup of data stored under the CD system by CD and the DP shall be kept by CD and the DP respectively. CD shall ensure sufficient security measures, as specified in the Operating Instructions of CD from time to time to prevent unauthorized persons accessing the data of the depository operations.

- ii. CD System shall have the archival facilities to comply with the legal requirement to preserve data for a minimum period of ten years.

16. Binding effect of the Rules

These Rules have the effect of a contract between the Central Depository and all Depository Elements under which each Depository Element agrees with the CD to observe the Rules and to perform the obligations which the Rules impose on the Depository Element, in the manner provided by the Rules.

17. Procedures

- I. The Board may make Procedures for the structure of transactions and parameters of reports in the CD System.
- II. Failure by any Depository Element to comply with any part of the Procedures is a contravention of the Rules.
- III. The CD shall give five (5) business days' notice to Depository Elements prior to implementing changes to the Procedures.

18. State of Emergency

- a) CD may declare a State of Emergency in consultation with the Authority if in the opinion of the Board, the operations of CD are significantly hindered by:
 - i) fire, power failure or restriction, communication breakdown, accident, flood, war or threat of war, embargo or boycott, labour dispute;
 - ii) or other unforeseen event.
- b) Immediately the board has determined that such circumstances exist, the CD Officer in-charge or other authorized officer shall contact the Authority to agree that a State of emergency may be declared.
- c) During a State of Emergency the Board may make temporary arrangements for:
 - i) the efficient processing of Transactions;

- ii) the protection of the interests of Depository Participants and Account Holders; and
 - iii) suspending provision of any CD facilities and services to one or more persons.
- d) The Board may specify the period during which such emergency provisions remain in force, but the period shall not exceed one month extendable for such period or periods as may be approved by the Authority.
- e) CD shall promptly notify the Authority and all Depository Elements of the making of temporary arrangements during the State of Emergency.
- f) CD shall set up and maintain a register for recording details of any State of emergency, which is declared in consultation with the Authority, and shall record.
 - i) the date that the State of Emergency came into existence;
 - ii) the person or group of persons affected by the State of Emergency temporary arrangements;
 - iii) the provisions of these Rules which are affected by the State of Emergency temporary arrangements;
 - iv) brief circumstances based on which the Board concluded that a state of Emergency was in existence;
 - v) the officer of the Authority that approved the declaring of the State of Emergency: and
 - vi) any other steps taken by the Board in view of the existence of the State of Emergency.
- g) The register maintained under these Rule 18 (f) stated above shall be kept at the principal place of business of CD and shall be open for inspection by any person during normal business hours.
- h) A Depository Participant that becomes aware of any condition that may lead to a State of Emergency shall immediately inform CD.

19. Central Depository fees and charges

- a) The RSEB shall, with the prior approval of the Board, make a Fees and Charges Schedule specifying fees and charges payable for facilities and services provided by the Central Depository, and the time by which, or period within which, the fees and charges must be paid.
- b) In consideration of the facilities and services provided to it by the Central

Depository, each Depository Element shall pay fees and charges to the Central Depository in accordance with the Fees and Charges Schedule.

- c) The Fees and Charges Schedule may include fees and charges imposed to recover costs, damages and expenses incurred by the Central Depository by reason of a failure by a Depository Element to comply with these Rules.
- d) The Central Depository shall promptly notify Depository Elements of any changes to the Fees and Charges Schedule prior to implementing those changes.

20. Complaints against Depository Participants

- I. If any person gives notice to CD of a complaint against a Depository Participant in relation to:
 - i. use by the Depository Participant of facilities provided by CD; or
 - ii. compliance by the Depository Participant with these Rules, CD shall refer the complaint to an appropriate regulatory authority such as, without limitation, to the Authority.
- II. CD shall also consider the complaint and take such action as it considers appropriate in the circumstances, for example it may serve notice on the Depository Participant that it will terminate the participant's access to the depository unless the participant can demonstrate within a period specified by CD that it has taken action to redress the level of complaints;

21. Complaints against CD

- i) If the Depository Participant has a complaint in relation to:
 - a. any failure, complete or partial, or inefficiency in the performance of any function of CD; or
 - b. any contravention by CD of its obligations under these Rules, such complaint may be referred to the Officer in-charge for determination in accordance with Rule 21. (ii) stated below.
- ii) The reference made to the Officer in-charge under Rule 21 (i) stated above shall be made in writing together with the statement that the complaint is made pursuant to Rule 21 (i) b.
- iii) Upon referral of a complaint, the Officer in-charge shall inquire into all facts, matters and circumstances relevant to the complaint and take such action for the resolution of the complaint as he thinks appropriate in the circumstances.

22. Designated Time Schedule

- I. The Central Depository shall draw-up a Designated Time Schedule specifying

designated times for the transmission of any transactions or requests for any reports made to the Central Depository in accordance with these Rules.

- II. Where any Rule specifies the designated time within which a transaction or a request for a report may be transmitted; and the transmission is made outside that designated time, then the Central Depository shall reject the transmission and notify the originating Depository Element of the rejection.
- III. The Central Depository shall promptly notify Depository Elements of any changes to the Designated Time Schedule prior to implementing those changes.

23. Settlement of Market Trades

- I. Stock Brokers should ensure that there are sufficient securities in their Clearing Accounts to satisfy their market commitments on Pay In Day. Stock Brokers shall transfer securities from their Clearing Accounts to the relevant customer or Principal Account on the day the Securities are received.
- II. CD will process Trade Files, Auction Files, and Pay-out debit and credit instructions from the RSEB on the day they are received in a format as specified in the User Manual / Operating Instructions.
- III. The effect of processing the Trade File and the Auction File will be to block Securities in the Clearing Accounts of Stock Brokers due to deliver Securities in settlement of market Transactions, to the extent that Securities are available.
- IV. The effect of processing the 'Pay Out File' will be to:
 - i. debit Securities from the Clearing Accounts of Stock Brokers due to deliver Securities;
 - ii. credit Securities to the Clearing Accounts of Stock Brokers due to receive Securities in accordance with the 'Pay Out File'.
- V. The delivery by the Stock Exchange of a 'Pay Out File' represents a confirmation from the relevant Stock Exchange that payment has been received from those Stock Brokers due to receive Securities.

CHAPTER IV

APPOINTMENT OF CENTRAL DEPOSITORY PARTICIPANTS

24. Eligibility

- I. Only persons prescribed under the Depository Regulation shall be appointed as Depository Participants. (DP)
- II. The Central Depository may have Participants comprising the following:
 - a) A licensed dealing member of the RSEBL;
 - b) Registrar, Custodian or a person licensed by the Authority as a dealer in securities;
 - c) A company licensed by the Authority under the Financial Services Act, 2011;
 - d) a mutual fund licensed by the Authority;
 - e) Institutional Investors;
 - f) Such other category of persons/institutions as may be determined by the Authority.

25. Admission Requirements

- i) A Certificate of Registration must first be obtained from the Authority to act as a Depository Participant.
- ii) All Depository Participants must meet the technical and performance requirements to the reasonable satisfaction of CD. This will be assessed by:
 - a) the applicants demonstrated ability to communicate reliably with CD in accordance with CD User Manual as demonstrated during pre-commencement testing; and
 - b) where applicable, the applicant has such accounting, settlement and recording systems as are necessary for the purposes of the applicant's existing and anticipated settlement operations;
 - c) the applicant employs or retains such personnel familiar with these Rules and capable of carrying out Instructions as are necessary to allow the applicant to perform its obligations in accordance with these Rules and generate, receive and process Transactions and obtain reports in accordance with the CD User Manual.

26. Applications for Admission as a Depository Participant

- i) An applicant for admission as a Depository Participant shall:

- a. lodge a completed Application for Registration as Depository Participant as specified in Annexure C with a pay order / bank draft for Nu.5,000 (Trading Participants) or Nu.10,000 (all other Participants) made payable to the RSEB;
 - b. lodge a completed Depository Participant Admission Form as specified in Form 01 with CD;
 - c. lodge a pay order / bank draft for the relevant fees, or such other sums of monies payable to CD as specified in the Fees and Deposits Schedule attached as Annexure A;
- ii) CD may require an applicant for admission to CD as a Depository Participant to provide CD with any additional information in relation to the application which CD thinks necessary for the consideration of the application.
- iii) CD may seek information from persons other than the applicant to the extent that CD thinks necessary in considering whether to process an application.
- iv) Subject to any need to disclose information in order to seek other information, or unless disclosure is required by law, CD shall maintain the confidentiality of each application and information contained in or supplied in connection with an application.

27. Non-acceptance of an Application

- I. CD shall not reject an application made under these Rules, unless, before doing so, CD:
 - a) gives notice to the applicant of the reasons why it proposes to reject the application;
 - b) affords the applicant a period of **fifteen** days after giving the notice (or such longer period as the applicant reasonably requires) in which to provide further information or otherwise take steps to address the reasons stated in the notice; and
 - c) after the end of that period, considers whether any further information provided or steps taken by the applicant address the reasons in the notice.
- II. If CD is not satisfied that the applicant meets the requirements, CD may reject the application giving reasons why the application is rejected.
- III. An applicant may appeal against a decision to reject its application to the Authority and the determination of the Authority shall be final and binding upon the applicant and CD.

28. Authority Registration

- I. Following CD's acceptance of the Application, CD will pass the application for registration to the Authority with a recommendation to approve.
- II. Under the Rules the Authority may request additional information and either register or refuse to register the applicant.
- III. Following registration by the Authority, CD will accept the application for Participation and sign an agreement with the Depository Participant as specified in Annexure D.

29. Depository Participant Warranties and Indemnities

A Depository Participant, supplying any information to CD in pursuance of any obligation of the Depository Participant under these Rules, shall:

- (a) be deemed to have warranted to CD that the information supplied is true and correct; and
- (b) indemnify CD against any losses, damages, costs or expenses suffered or incurred as a result of any inaccuracy contained in the information supplied, or
- (c) in committing an act on behalf of or in handling any Eligible Securities belonging to any of the Account Holders shall:
 - (i) be deemed to have warranted that he has obtained the prior authorization of the Account Holders, as the case may be; and
 - (ii) indemnify any person suffering a loss as a result of the unauthorized action or omission by the Depository Participant on behalf of the Account Holders, as the case may be.

30. Termination of CD Participation

- I. With the prior consent of the Authority, CD may, if it is satisfied that it is necessary so to do, at any time and on such conditions as it thinks fit, terminate this Agreement with the Depository Participant by communication in writing under the following circumstances:
 - (a) the Depository Participant no longer meets the eligibility and/or admission criteria to be a Depository Participant as laid down by the Authority, RSEB and / or by CD;
 - (b) upon a petition for winding up being presented in any court or a resolution being passed for winding up of the Depository Participant.

- (c) in the event of the Depository Participant ceasing to carry on business as a Depository Participant with CD;
- (d) in case CD has reasonable grounds to believe that the Depository Participant is approaching financial difficulty or will be unable to meet his/its obligations in relation to CD or its Account Holders;
- (e) in the event of any distress, execution or other process being levied or enforced or served upon or against any property of the Depository Participant;
- (f) in the event of bankruptcy, insolvency, liquidation or winding up of the Depository Participant or the initiation of any proceedings in relation thereto or if CD considers in its absolute discretion that the occurrence of such events is imminent or likely;
- (g) in the event of the appointment of a receiver or administrator of the assets of the Depository Participant or in the event of the Depository Participant suffering a composition with its creditors or in the event of a scheme of arrangement being approved by a court (other than for the purposes of reconstruction or amalgamation) or in the event of CD considering in its absolute discretion that the occurrence of such events is imminent or likely;
- (h) in the event of the Depository Participant's failure to pay, fees or any other charges as required under the Rules or Agreement (including any revised or increased fees, charges or deposits) or furnish additional or collateral securities within such time as may be required by CD;
- (i) in the event of failure of the Depository Participant to fulfill the obligations arising out of the indemnification of CD by the Depository Participant;
- (j) in case CD has reasonable grounds to believe that the Depository Participant has been responsible for negligence or fraudulent or dishonest conduct or has made a material misstatement or omitted to state a material fact in any statement to CD;
- (k) in case the Depository Participant has violated or committed any breach or default in the observance or performance of any provisions of the Act, Regulations, Rules or this Agreement or has failed to comply with any Operating Instructions / User Manual;
- (l) in case the Depository Participant's registration granted by the Authority has expired or has been suspended or cancelled;
- (m) in case the Depository Participant is a member of a RSEB, if the Depository Participant has been expelled or its trading privileges have been suspended by the RSEB;

- (n) in case the Depository Participant is an intermediary (other than as a Depository Participant) as contemplated by the Act, in the event of suspension, termination or deregistration of the Depository Participant as such intermediary by the Authority or by any other regulatory body or authority empowered by law in that behalf;
 - (o) in the event of the Depository Participant failing to redress grievances of Account Holders to the satisfaction of CD;
 - (p) in case CD has reasonable grounds to believe that the Depository Participant has been carrying on its activities in a manner which is detrimental to the interest of CD and/or Account Holders or that the termination of the relationship with the Depository Participant is necessary for the protection of Account Holders or other Depository Participants or to facilitate the orderly performance of services rendered by CD;
 - (q) in case the quality of the services rendered by the Depository Participant is not satisfactory in the opinion of CD as evidenced by the complaints of the Account Holders and/or other Depository Participants.
- II. Provided that CD shall not take any action unless and until CD shall have issued a show-cause notice to the Depository Participant setting out the grounds on which this Agreement is sought to be terminated and the Depository Participant shall have been given a reasonable opportunity of being heard by any officer authorised by CD in that behalf and CD being satisfied on the strength of the report of such officer that it is necessary to terminate this Agreement with the Depository Participant;
 - III. Provided further that CD may, if it considers it fit and proper, before issuing the show-cause notice, issue a notice calling upon the Depository Participant to rectify or remedy the breach or default within such period and on such terms and conditions as CD may deem fit.
 - IV. Without prejudice to any other rights CD may have, in the event of occurrence of any of the events listed hereinabove, CD may suspend with immediate effect, the business or activities of the Depository Participant in CD before issuance of any notice or pending the notice period and/or inquiry under the Rules.

31. Withdrawal by the Depository Participant

- I. The Depository Participant shall be entitled to withdraw as a Depository Participant from CD by issuing to CD a notice in writing giving notice of not less than one month of its intention to cease to be a Depository Participant. CD may, however, require the Depository Participant to continue its business as a Depository Participant in CD for such further period not exceeding three months from the receipt of such notice if CD shall deem it necessary to do so in the interest of the Account Holders or in the orderly functioning of CD. CD shall notify the Account Holders of the Depository Participant, other Depository Participants, Clearing Houses and the Authority within **seven days** of the Depository Participant ceasing to act as such.

- II. The Depository Participant shall not be permitted to withdraw as a Depository Participant from CD unless and until the Depository Participant shall have provided satisfactory evidence to CD of its having:
 - (a) issued notice of its intended withdrawal to all Account Holders holding accounts with it;
 - (b) transferred all accounts of the Account Holders to any other Depository Participant (s) of the Account Holder's choice in CD;
 - (c) ensured that there are no pending instructions or unresolved grievances/ complaints of Account Holders, CD, Issuer or Clearing House;
 - (d) complied with such other terms and conditions as CD may specify.

32. Consequences of Termination / Withdrawal

- I. Without prejudice, CD shall be entitled to set off any claims or rights of the Depository Participant against any amounts due to CD or any other persons entitled to any claim against the Depository Participant through CD, notwithstanding that such claim may have arisen after the date of termination of Agreement.
- II. CD shall, upon termination of Agreement by CD or on receipt of communication in writing from the Depository Participant conveying its decision to withdraw from CD and/or to terminate Agreement, notify all other Depository Participants and initiate suitable steps for the protection of the interests of Account Holders and other Depository Participants. CD shall notify other Depository Participants, Clearing Houses, Issuers and the Authority within **seven days** of the termination of Agreement.
- III. The Depository Participant shall be required to meet all his/its outstanding obligations to CD, whether incurred while the Depository Participant was acting as such or incurred thereafter but arising out of any action or dealings by the Depository Participant.
- IV. On termination of Agreement or on withdrawal by the Depository Participant from CD, every Account Holder holding an account with the Depository Participant shall have the option to either get his securities held with the Depository Participant transferred to another Depository Participant. Notwithstanding anything stated above even after such termination or withdrawal, the Depository Participant shall continue to act as a Depository Participant for the limited purpose of either getting the securities held with the Depository Participant transferred to another Depository Participant.
- V. Upon termination of Agreement, CD shall give notice in writing to all Account Holders holding accounts with the Depository Participant calling upon the Account Holders to have their accounts transferred to any other Depository Participant

within fifteen days from the receipt of such notice. In the event of there being any Account Holders who have failed to have their accounts transferred to any other Depository Participant as aforesaid, CD shall nominate one or more Depository Participants to whom such accounts shall stand transferred for the time being provided however that no debits in respect of the securities in such transferred account shall be effected until such time as the concerned Account Holder shall have entered into an agreement with any other Depository Participant.

- VI. Notwithstanding termination of Agreement by CD or withdrawal by the Depository Participant, the provisions of Agreement and all mutual rights and obligations arising there from shall, except in so far as the same is contrary to or inconsistent with such termination or withdrawal, continue to be binding on the parties in respect of all acts deeds, matters and things done and Transactions effected during the period when Agreement was effective.

CHAPTER V

RIGHTS AND OBLIGATIONS OF DEPOSITORY PARTICIPANTS

33. Representation

No person shall hold themselves out as a Depository Participant unless they have been registered with the Authority and admitted as a Depository Participant and remain in good standing with RSEB/CD.

34. Assignment

No Depository Participant shall assign its business and/or functions as a Depository Participant or entrust the control or conduct of its business and/or functions to any person except with the prior written approval of CD and subject to such terms and conditions as CD may stipulate from time to time.

35. Fees, etc

- I. The Depository Participant shall pay to CD such fees, recoverable costs as are specified in the Fees and Deposits Schedule – **Annexure A**. Such fees and costs shall be subject to change or revision from time to time by CD provided that CD shall, before effecting any increase in the fees and charges payable, give the Depository Participant at least one month's notice in that behalf.
- II. The Depository Participant's responsibility and liability for payment to CD of all fees, costs, dues and penalties is unconditional and such amounts shall be payable by the Depository Participant to CD irrespective of whether the Depository Participant has received payment of or recovered any amount from the concerned Account Holder or not, such recovery from the Account Holder being the sole responsibility of the Depository Participant.
- III. In the event of the Depository Participant failing to make payment of the fees and charges, as the case may be, by the respective due dates, then the Depository Participant, shall be liable to pay interest to CD on such delayed payment at the highest prevailing Bank Rate.
- IV. Every Depository Participant shall be primarily responsible for payment to CD of all fees, dues, and penalties in respect of all transactions carried out by or through that Depository Participant irrespective of whether the Depository Participant has recovered any such amount from the concerned Account Holder or not, such recovery from the Account Holder being the sole responsibility of the Depository Participant.

36. Interface with CD

- I. The Depository Participant shall install at its premises allocated for CD related activities such computers, printers, communication equipment and uninterruptible power supply units, systems software and any other equipment, hardware and software as may be specified by CD and shall upgrade or replace the same from time to time as may be specified by CD.
- II. The Depository Participant shall, from time to time, at its own cost, carry out such addition, modification, upgrade or replacement of the said hardware and / or software as may be specified by CD.
- III. CD shall provide necessary Operating Instructions / User Manual from time to time to the Depository Participant, as may be necessary for effective and prompt conduct of the business relating to depository operations.
- IV. The Depository Participant shall, in respect of its operations as a Depository Participant, procure and maintain at its own cost such systems, procedures, means of communication, infrastructure, hardware, software, security devices and back-up facilities as CD may specify.
- V. The Depository Participant shall comply with all systems and procedures recommended by CD and shall allow access to its systems to one or more teams of professionals in the event of a problem with the interface with CD.
- VI. The Depository Participant shall inform CD of any proposed change in address of its registered office or the location of the premises where the equipment for interface with CD are situated, at least **seven** days before the date of such change.

37. Communicating with CD

- I. Each Depository Participant shall:
 - a. establish and maintain an interface with CD in accordance with the User Manual as amended from time to time in this behalf; and
 - b. ensure proper administration of passwords and security access to the CD network so that no person other than the Depository Participant itself has access to that interface with CD by preventing breach of any security access procedures and requirements as specified in the User Manual / Operating Instructions.
- II. Depository Participant shall promptly give notice to CD if it:
 - (a) is aware of any fact or matter; or
 - (b) intends to take any action, that may affect its capacity to communicate reliably with CD in accordance with the CD Instructions in this behalf.

- III. CD shall promptly give notice to the Depository Participant if CD's ability to communicate with the Depository Participant in accordance with CD Instructions in this behalf is or may be impaired.
- IV. If a Depository Participant gives notice to CD or if CD gives notice to a Depository Participant, CD may take such steps as it considers necessary or desirable for the integrity or orderly operation of CD, including giving advice or directions to the Depository Participant to:
 - (a) restore communications; or
 - (b) prevent or minimize impairment to communications, between CD and that Depository Participant, as the case requires.
- V. If CD gives advice or directions to a Depository Participant under Rules 37 (IV) stated above, the Depository Participant shall observe and give effect to that advice or those directions.
- VI. CD may on reasonable notice require a Depository Participant to undertake additional testing of the Depository Participant's ability to meet the communication requirements if:
 - (a) CD reasonably believes that the number of erroneous Transactions Transmitted by, or electronic communications problems with, that Depository Participant warrants such action;
 - (b) CD introduces significant new software that will affect the Depository Participant's ability to meet those performance requirements;
 - (c) the Depository Participant gives notice to CD under Rule 37 (IV) stated above; or
 - (d) the Depository Participant fails to give notice to CD under Rule 37 (IV) stated above but CD becomes aware that the Depository Participant has effected or proposes to effect:
 - (i) any change to its interface with CD; or
 - (ii) any changes to its interface with CD or computing environment that alter or may alter its capacity to communicate with CD.

38. Reports

- i. Reports as may be prescribed from time to time in the procedures may be obtained from the Central Depository by;
 - a) any account holder in relation to his accounts,
 - b) any pledgee in relation to any securities pledged;
- ii. CD shall provide, among others, for the following reports to be available from the CD and the Depository Participant;
 - (a) Account Balance;
 - (b) Account Activity;
 - (c) Inter Account Report
 - (d) Intra Account Report
 - (e) Pledge Activity Report;
 - (f) Pledge Position Report;
 - (g) Deposit Request Report;
 - (h) Deposit Approval Report;
 - (i) Withdrawal Request Report;
 - (j) Withdrawal Approval Report;
 - (k) Entitled List Report;
 - (l) User Exception Report
 - (m) Audit Log Search Report

39. Confirmation of statements by the CD

The CD shall on payment of such fee as may be prescribed from time to time, confirm or verify on application made by any person, a statement of holdings provided by the Depository Elements to their clients.

40. Integrity and Secrecy

A Depository Participant shall maintain high standard of integrity, promptitude and confidentiality in all dealing with its clients.

41. Disclosure of Client's Business

A Depository Participant shall not disclose:

- a) information relating to the clients investments, or
- b) other information of a confidential nature of its clients to any other person without the express authority of the client.

42. Abuse of Client's Information

A Depository Participant shall not use the knowledge and information of a confidential nature gained from a client in the course of its business with the client for the advancement of its financial interests or those of the member's associates whether directly or indirectly.

43. Notifications

- I. The Depository Participant shall, upon discovering any loss of any Securities, or documents, that may have come into the hands of the Depository Participant in the course of its business, forthwith notify CD, and the relevant Account Holder.
- II. The Depository Participant shall notify CD as soon as possible of any change in respect of any of the particulars with regard to any of the matters contained in the Depository Participant Admission Form submitted to CD.
- III. The Depository Participant shall provide a list of officials authorized by it along with their specimen signatures duly attested by its Chief Executive Officer to interact on its behalf with CD. Any change in such list including additions, deletions or alterations thereto shall be similarly communicated to CD
- IV. The Depository Participant shall notify CD forthwith:
 - (a) upon a petition for winding up being presented in any court or a resolution being passed for winding up of the Depository Participant;
 - (b) any scheme being framed for merger, amalgamation or reconstruction of the Depository Participant;
 - (c) on its becoming aware of the presentation of any application or petition for its bankruptcy, insolvency, liquidation or attachment of its property;
 - (d) upon its becoming aware of any distress, execution, attachment or other process being threatened or levied by any statutory or revenue authority against the Depository Participant or its property for recovery of any taxes, duties, levies, penalties, cesses or dues;
 - (e) upon any application being presented to any court for attachment of the assets or properties of the Depository Participant;

- (f) upon convening of any meeting to consider a resolution for the appointment of a liquidator or receiver or administrator in respect of any of its properties or any other change in circumstances which could materially affect its capacity to act as a Depository Participant;
 - (g) upon its being declared a defaulter or being suspended or its membership being terminated by RSEB or the Authority.
 - (h) in the event of the Depository Participant being an intermediary (in any capacity other than as a Depository Participant) as contemplated by the Financial Services Act 2011, upon suspension or termination or de-registration of the Depository Participant as such intermediary by the Authority or any other regulatory body or authority empowered to do so.
 - (i) in the event of the Depository Participant ceasing to meet any of the eligibility and / or admission criteria laid down by the Authority and / or CD.
 - (j) upon the Depository Participant becoming aware of any event or occurrence which is reasonably likely to materially affect its commercial viability or existence or its ability to perform his / its obligations under any Agreement with CD or which constitutes a material adverse change in the eligibility criteria laid down by CD or by the Authority or any other regulatory authority under any law in force for the time being.
- V. In the event of any notification under Rule 43 (IV), CD may suspend the Depository Participant if it considers that it is in the interests of investors to do so.

44. Record Retention

- I. The Depository Participant shall preserve for a minimum period of ten years all original documents relating to its usage of CD.
- II. In particular the Depository Participant shall preserve the following documents in such a way that they can be retrieved within a reasonable period of time, if requested by CD or the Authority:
 - (a) Account Opening Forms;
 - (b) Customer Agreements;
 - (c) written authority from the Account Holder for all transactions;
 - (d) any complaints from investors and / or Account Holders relating to the usage of CD.

- III. The Depository Participant shall inform CD of any proposed change in address of the location of the premises where its records are situated, at least **seven** days before the date of such change.

45. Complaints

Depository Participants shall provide a report to CD by the 5th Business Day of each month, in such format as CD may specify from time to time, giving details of:

- (a) complaints received from customers during the previous month relating to the use of CD;
- (b) complaints resolved during the previous month; and
- (c) unresolved complaints from previous periods, reasons for delay and the actions being taken to resolve them.

46. Liabilities

- I. Every Depository Participant shall indemnify CD, employees and agents from all harm, loss, damage, injury, taxes, penalties, levies, and duties whatsoever, and from and against all suits, action, arbitration, disciplinary action, prosecution or other proceedings (including all costs, charges and expenses relating thereto) suffered or incurred by CD, its officers, employees or agents or any of them, whether directly or indirectly on account of or as a result of any act, deed, matter or thing made, done, committed or omitted, or suffered or permitted or caused to be done by the Depository Participant, its officers, employees, servants or agents contrary to or inconsistent with or in breach of any provision(s) of the Act, Regulations, these Rules, or the terms, conditions and covenants contained in its Agreement with CD or by reason of any mistake, error, misfeasance, wilful misconduct, misrepresentation, fraud, forgery, theft, misappropriation or breach of trust by the Depository Participant, its officers, employees, servants or agents or on account of the Depository Participant failing to meet any of its obligations and/or liabilities to CD and / or to any of its Account Holders and/or to any Depository Participants, Issuers, and RSEB.
- II. For the purpose of determining whether a Depository Participant is liable for any acts or omission under the Act, Regulations, these Rules, Agreements, Operating Instructions issued by CD, the acts or omissions, whether done intentionally or not, of its officers, employees, servants and agents, shall be deemed to be acts or omissions of the Depository Participant.
- III. In case where CD, employees and agents suffer or incur harm, loss, damage, injury, taxes, penalties, cesses, duties, suit, action, arbitration, disciplinary action, prosecution or other proceedings (and all costs, charges and expenses relating thereto) suffered or incurred by them or any of them, whether directly or indirectly on account of or as a result of any act, deed, matter or thing made, done, committed or omitted, or suffered or permitted or caused to be done or

any default or breach of the Act, Regulations, these Rules, Agreements, and Operating Instructions / User Manuals issued by CD or any misrepresentation, fraud, forgery, theft, misappropriation or breach of trust by the Depository Participant, its officers, employees, servants or agents or on account of the Depository Participant failing to meet any of its obligations and / or liabilities to CD, CD shall have the right to recover from such Depository Participant, such amount as CD may deem fit and appropriate.

CHAPTER VI

ELIGIBLE SECURITIES

47. Prescription of Securities as Eligible Securities

- I. RSEB shall determine the Securities that are eligible to be held in CD with the prior approval of the Authority, which may include, but is not limited to, unlisted Securities of all types, Government bonds and treasury bills, mutual funds, commercial papers, certificates of deposit, and other debt instruments.
- II. All securities listed on a RSEB shall be deemed to be eligible securities. Issuers who wish to list new securities on an Exchange shall advise CD of their listing application at the same time as they apply to the Exchange.
- III. CD shall publish from time to time, a list of securities that are to become Eligible Securities from a Specified Date.
- IV. In declaring any securities to be Eligible, CD shall be guided by all or any of the following criteria:
 - a) the listing of such Security on a RSEB;
 - b) whether it is a government or private debt Security;
 - c) investor interest in dealing in such Security;
 - d) whether the Issuer of the Securities has the capacity to communicate reliably with CD in accordance with User Manual.
- V. Prior to the specified date the Issuer shall:
 - (a) provide an undertaking / opinion on the validity of the issue i.e. proper corporate authorizations and regulatory compliance;
 - (b) sign an agreement with CD in the form specified in Annexure B or such other form as may be mutually agreed;
 - (c) pay such initial fees as specified in the Fees and Deposits Schedule;
 - (d) install a computer with the minimum capacity as specified in the User Manual;
 - (e) load onto that computer such interface software as is supplied by CD;
 - (f) undertake such testing as may be required by CD.

- VI. The Issuer shall, from time to time, at its own cost, carry out such addition, modification, upgrade or replacement of the said hardware and/or software as may be specified by CD.

48. Revocation of Eligible Securities

- I. Subject to prior consent of the Authority, CD may remove any securities from the list of Eligible Securities if:
- (a) the Issuer is in continuous breach or default of its obligations under the Act, the Regulations or these Rules and fails to rectify or remedy such breach or default, or;
 - (b) the Issuer does not have or has ceased to have the operational capability to provide the services referred to herein;
 - (c) the Issuer has defaulted in the payment of CD fees, or;
 - (d) it is otherwise in the interest of the Account Holders to do so.
- II. CD shall not remove any Security from the list unless:
- (a) CD shall have issued at least one months notice in writing to the concerned Issuer calling upon the Issuer to show cause as to why the said security should not be removed as aforesaid, and;
 - (b) the Issuer shall have been given a reasonable opportunity of being heard in that behalf.
- III. If CD revokes the Eligibility of any Securities, CD shall promptly give notice of the revocation to:
- (a) the Issuer of the Securities;
 - (b) if the Securities are Government debt securities;
 - (c) Depository Participants and Direct Account Holders; and
 - (d) the Authority.
- IV. A notice shall state:
- (a) the time and date on which the removal is effective; and
 - (b) the reason for the removal
 - (c) the action that will be taken with respect to Securities recorded in the CD Register.

- V. If CD gives notice that any Securities of an Issuer shall be removed from the list of Eligible Securities, the Issuer may Appeal against the revocation by making a written appeal to the Authority, with a copy to CD, which
- (a) identifies the decision against which appeal is made;
 - (b) sets out the grounds of the appeal; and
 - (c) is given no later than **fifteen** days after receipt by the Issuer of the notice.
- VI. CD shall suspend the removal of the Security from the list of Eligible Securities until the results of the appeal to the Authority are known.

49. Ongoing obligations

- I. Once a Security has been declared as Eligible Security by CD, the Issuer shall be bound by the Act, Regulations and the Rules of CD as amended from time to time.
- II. CD shall provide the Issuer with a copy of the Regulations, Rules, User Manual and any relevant Directives and shall provide updates to these documents before they come into effect.
- III. The Issuer shall inform CD of any proposed change in the address of the Registered Office of the Issuer as also of any change of the location of the premises of share registration facilities at least **fifteen** days before the date of such change.
- IV. The Issuer shall provide CD with a list of officials authorised by it along with their specimen signatures attested by the Chief Executive Officer/ Managing Director to interact on its behalf with CD and shall similarly advise CD of any change.

50. Corporate Events

- I. The Issuer shall provide information to CD:
 - a. of all further issues in respect of the said security, if any, such as rights, bonus, public offerings etc., with all relevant details such as opening and closing dates, issue size, issue price, record date, book closure date, proportion, pari passu status etc. along with a copy of the offer document;
 - b. of the date from which new securities arising out of conversions, further issues, final call payments, etc., become pari passu with its existing securities;

- c. of all details relating to the Initial Public Offer of a security for which listing is sought or which the Issuer wishes to be added to the list of Eligible Securities;
 - d. of any other corporate action / event that took place in the last two years within **five** business days of a request by CD.
- II. Where an Issuer issues Securities to existing Account Holders (e.g. bonus and rights issues) the Issuer shall furnish to CD:
 - (a) evidence of corporate and regulatory compliance that the issue of securities has been approved by regulatory body as may be legally required;
 - (b) the allotment details in accordance with the User Manual or in such other manner as is agreed in writing with CD, of all Securities that are credited to the Depository Register;
 - (c) except that no allotment shall be made until authority has been received from CD.
- III. Where an initial public offering is to be made in fully dematerialized form the Issuer shall require an applicant for new shares to open an Account with a Depository Participant or to open a Direct Account.

51. Details / Particulars to be Furnished by CD to the Issuer

- I. In accordance to the User Manual, the CD shall provide the following information to the issuer:
 - b. all information in respect of the Issuer's Security as recorded in the CD Register giving particulars of members and status of their holdings detailing Securities under Pledge, under Freeze, free balance, and total balance;
 - c. Corporate Actions setup during the day;
 - d. Corporate Actions processed;
 - e. IPOs processed during the day;
 - f. Securities that have been eliminated;
 - g. report on cash and non-cash calculation for Corporate Actions;
 - h. report on cash entitlement for Corporate Actions.
- II. The aforesaid information shall be provided to the issuer within 5 business days of the receipt of the request from the issuer.

52. Freeze of Securities

- A. Every Account Holder shall have an option to freeze securities in his account with the Depository Participant so as to render inoperable for a period of time. The Central Depository shall freeze the securities of an Account Holder maintained with his Depository Participant on written instructions received from the Account Holder.
- B. The Central Depository shall freeze the securities of an Account Holder on the orders of the Government, Authority, or any order passed by a court tribunal, or any statutory authority in this regard.

53. Release of Freeze

- I. Where the freeze is established for a specified period of time, then the freeze will be automatically released at the end of that period without further action by the Account Holder, the Depository Participant or the CD.
- II. In other cases the frozen Account may only be released on instructions of the authority under whose directions such Account was frozen. An Account shall be released on instructions in writing from the Account Holder, where it has been frozen at the instance of an Account Holder, and on receipt of instructions from CD pursuant to the passing of any order of freezing by the court, tribunal or the Authority.

54. Suspension of Securities

- I. Every Account Holder shall have an option to suspend his securities in his account with the Depository Participant so as to render it inoperable for a period of time. The Central Depository shall suspend the securities of an Account Holder on written instructions received from the Account Holder.
- II. The Central Depository shall suspend the securities of an Account Holder on the orders of the Authority, or any order passed by a court in this regard.

55. Release of Suspension of Securities

- I. The suspended Securities may only be released on the instructions of the authority under whose directions such Securities were suspended. Securities in an Account shall be released on instructions in writing from an Account Holder, where it has been suspended at the instance of the Account Holder, and passing of any order of suspension by the court or the Authority.

CHAPTER VII

STRUCTURE, ESTABLISHMENT AND MAINTENANCE OF ACCOUNTS

STRUCTURE OF ACCOUNTS

56. Opening of Securities Account.

Any person wishing to invest in securities shall first open a securities account through the Depository Participant or directly with the CD.

57. Categories of Account

A Depository Participant may open the following accounts depending on the category under which it is admitted:

- (a) **Principal Accounts** for the purpose of holding its own Securities available to all Depository Participants;
- (b) **Customer Accounts** for the purpose of holding Securities of Account Holders available to Full Service Participants as well as Custody Participants;
- (c) **Investor Service Accounts** which shall be limited to clients who hold 5% in any of the listed securities as prescribed by the CD. The Investor Services Account shall be opened by the CD for such a client at the office of the CD and shall be for the entire holdings of the investor in all securities.
- (d) **Clearing Account** for the purpose of settling market obligations; available to:
 - (i) Trading Participants and Full Service Participants to settle their market obligations;
 - (ii) Settlement Agent Participants and Custody Participants to settle the market obligations of their customers who are Stock Brokers;

58. Securities that may be held in Accounts

There is no restriction on the type of securities that may be held in customer or Principal Accounts.

59. Opening of a Customer Account

- I. A person may open a Customer Account with one or more Depository Participants.
- II. A Depository Participant shall, before opening an Account:

- (a) make such inquiries as may be necessary and exercise due care and caution in ascertaining the identity of the intending Account Holder;
 - (b) obtain, from the investors a completed CD Account Opening Form, which contains at least the information shown in Form 02.
- III. Accounts may not be opened for minors, individuals of unsound mind, or persons who are undischarged bankrupts.
- IV. The Participant shall open an Account for the Account Holder in accordance with the User Manual / Operating Instruction.
- V. All Customer Accounts shall bear such details of the Account Holder supplied by the Depository Participant as specified in the CD Account Opening Form, Form 02.

60. Suspension of Account

- I. Every Account Holder shall have an option to suspend his Account with the Depository Participant so as to render it inoperable for a period of time. The Central Depository shall suspend the Account of an Account Holder maintained with it on written instructions received by the Depository Participant in that regard from the Account Holder.
- II. The Central Depository shall suspend the Account of an Account Holder on written instructions received by it in this regard from the orders of the Authority, or any order passed by a court in this regard.

61. Release of Suspension of Account

The suspended Account may only be released on the instructions of the authority under whose directions such Account was suspended. An Account shall be released on instructions in writing from an Account Holder, where it has been suspended at the instance of the Account Holder, and on receipt of instructions from CD pursuant to the passing of any order of suspension by the court or the Authority.

62. Closure of Account by Account Holder

- I. An Account Holder, may, at any time terminate the agreement with the Depository Participant without assigning any reason by calling upon the Depository Participant to close his Account, provided no instructions remain pending or unexecuted and charges remain payable by the Account Holder to the Depository Participant. In such event the Account Holder may close his Account by executing written instructions to the Central Depository if no balances are standing to his credit in the 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:

- (a) by transfer of all existing balances in his Account to one or more of his other Account(s) held with any other Depository Participant(s);
- II. An Account shall not be closed if there exist any Securities in the Account which are pledged or if the closure of such Account would result in breach or violation of any decree or order or injunction of any court, tribunal or statutory or revenue authority.
- III. In the event of the Depository Participant ceasing to be a Depository Participant, the Account Holder may request for the Transfer of the Securities in its Account to an Account opened with another Depository Participant.

63. Rights and Obligations of Depository Participants

- I. Depository Participants are responsible to their customers for the safe keeping of their Securities and shall be liable to compensate customers if Securities are dealt with in an inappropriate manner, e.g. without proper instructions from the customer.
- II. Securities belonging to different customers shall be segregated, and shall not be mixed with the Securities of other customers.

64. Rights and Obligations of Account Holders

- I. Every Account Holder shall be primarily responsible for:
 - a. The veracity of all statements and particulars set out in the CD Account Opening Form as specified in Form 02.
 - b. Ensuring that the securities to the credit of his Account are sufficient to meet the transaction issued to the Depository Participant for effecting any transaction.
 - c. The beneficial owner shall be entitled to all rights and benefits and be subject to all liabilities in respect of his/her securities held in the CD.
 - d. Nominee names shall be allowed in the records of the CD.
 - e. informing the Depository Participant at the earliest of changes in the account particulars such as address, bank details, status, authorization, mandates, nomination, signature, etc;
 - f. furnishing the accurate identification details whilst subscribing to any issue of Securities;
- II. Every Account Holder shall be entitled to a statement of the account of that Account Holder from his Depository Participant as and when required by the Account holder. However, that a Depository Participant may provide such Statements at such shorter

periods as may be agreed upon between the Depository Participant and the Account Holder on payment of such charges by the Account Holder as may be specified by the Depository Participant.

- III. Every Account Holder shall scrutinize every Statement of his Account received from a Depository Participant for the accuracy and veracity thereof and shall be obliged to point out any mistakes, inaccuracies or discrepancies to the Depository Participant within a fortnight of the receipt of such Statement.
- IV. Subject to the Depository Participant's right of lien and subject to any orders, injunctions, directions or instructions issued by a court, the Authority or by CD, every Account Holder shall be entitled to have the instructions issued by him to the Depository Participant with whom such Account Holder has an Account carried out with utmost dispatch on the same day on which the instructions are issued and failing that before the close of working hours of the immediately succeeding Business Day provided however, that subject to the above, the Account Holder may issue standing instructions to the Depository Participant for crediting his Account in accordance with the instructions.

65. Information to CD

The Depository Participant shall provide such information relating to Account Holders and their accounts with the Depository Participant as may be required by CD from time to time.

66. Changes to Account Details

If at any time a change occurs in the Account details supplied by a Depository Participant to CD, the Depository Participant shall:

- (a) promptly notify the change to CD; and
- (b) ensure that in accordance with the User Manual, the Account details reflect the change.

67. Processing of Transactions

In the event of multiple instructions received from the Account Holder relating to transfer of securities which exceed the balance in the Account, the sequence of execution of instructions by the Depository Participant shall be as follows:

- (a) in the event of the Account Holder specifying the sequence of execution of instructions, in the same sequence as specified by the Account Holder to the extent it can be executed with the balance available in that Account Holder's Account with the Depository Participant;
- (b) in the absence of specific instructions from the Account Holder in the chronological order in which such instructions are received from the Account

Holder, to the extent it can be executed with the balance available in that Account Holder's Account with the Depository Participant.

CHAPTER VIII

DEPOSITORY TRANSACTIONS

68. Initiation

- I. CD shall not effect any Transaction or take any other action upon the instructions of a Depository Participant if it would violate any applicable law, decree or order of a court or the Authority.
- II. The Depository Participant shall not enter a Transaction into the CD System without an appropriate written instruction from the customer.
- III. Nothing herein contained shall prevent CD from effecting any Transaction or refusing to give effect to any Transaction in compliance with any decree or order of a court or an order of the Authority.
- IV. Every Depository Participant shall carry out instructions received from any Account Holder as soon as practicable and in any event before the close of Business on the next Business Day.

69. Rectification

CD reserves the right to rectify any erroneous Transaction made to an Account. In the event of CD carrying out any rectification, CD shall inform the concerned Depository Participant of such rectification.

70. Validation of Transactions

- I. A Depository Participant shall only Transmit Transactions that comply with the Transaction requirements specified in the User Manual.
- II. Subject to these Rules, CD shall accept for processing any valid Transaction Transmitted to it by a Depository Participant.
- III. If a Transaction Transmitted to CD by a Depository Participant is not Valid, CD shall, in accordance with the User Manual:
 - (a) reject the Transaction; and
 - (b) notify the Depository Participant of that rejection and the reason for the rejection.
- IV. CD shall only carry out instructions to the extent that securities are available in an Account.

- V. CD shall execute instructions in the time sequence in which they are received from the Depository Participant.

71. Transfer to Linked Account

- I. An Account Holder who wishes to transfer Securities from his Account to a Linked Account with another Participant shall give instructions to his Depository Participant or to CD.
- II. The Participant or CD, as appropriate, shall enter the Transaction into the CD System in accordance with the User Manual.
- III. On the Settlement Date specified in the Transaction, the Securities will be debited from the balance in the Account managed by the Participant who enters the transaction and credited to the Linked Account.

72. Matched Transaction

- I. An Account Holder who wishes to transfer Securities through the mechanism of a matched transaction shall give a completed Off Market Transfer Request Form 13 to his Participant.
- II. An Account Holder may use this mechanism where:
 - (a) payment for a transaction is due to take place outside of the Stock Exchange; or
 - (b) for any other reason at the discretion of the Account Holder and with the agreement of both Participants.
- III. An investor who wishes to transfer Securities through the mechanism of a matched transaction shall give a completed Off Market Transfer Request Form (Form 13).
- IV. On receipt of an Off Market Transfer Request Form 13 for either receipt or delivery of Securities, the CD shall enter the Transaction into the CD system in accordance with the User Manual.
- V. CD shall ensure that the proposed transfer has the appropriate approval required by the Authority prior to entering the Transaction into the system.
- VI. The CD System will compare the details in the two Transactions entered by both parties. Where the details match the Transfer will be accepted. Where the details do not match, or only one transaction has been entered the mis-match will be reported to the counterparty.
- VI. On Settlement specified in the matched Transactions, the Securities will be debited from the balance in the delivering Account and credited to the receiving Account.

The CD shall inform the transactions made to the respective Depository Participants or the Account Holders.

73. Transmission (Non-Commercial Transaction)

Transfer of ownership relating to Non-Commercial Transactions shall be limited to an immediate family member only subject to the approval of the Authority and accompanied with a court order.

74. Transmission on Death

- I. Every Account Holder shall be entitled, whether at the time of opening an Account with a Depository Participant or at any time thereafter to nominate a person who shall be entitled, upon the death of the Account Holder, to succeed to the Securities held in such Account. Where any Account is opened or stands in the names of two or more persons, the nomination in favour of such nominee shall be made jointly by all such persons. The Account Holder(s) may revoke such nomination or substitute the same with a fresh nomination at any time.
- II. Where an Account stands in the name of, more than one person, then, in the event of the death of any of them, notwithstanding any nomination as aforesaid, the Securities standing to the credit of such Account shall vest in the surviving Account Holder(s).
- III. Where an Account stands in the name of a sole person, in the event of the death of the Account Holder, the Securities standing to the credit of such account shall vest in the nominee and where no such nomination is made, succession to such Securities shall be determined in accordance with directives of the Royal Court of Justice in favour of the heirs or legal representatives of the deceased against production of the necessary representation to the estate of the deceased by way of Probate, Letters of Administration or Succession Certificate, as may be applicable.
- IV. Securities may be transferred in case of death of the Account Holder by filling up the transmission request form specified in Form 14.

75. Pledge

- I. Securities deposited in the CD may be pledged as collateral.
- II. Account Holders (Pledgors) may pledge securities held in their accounts to a Pledgee who is a Participant or has an Account with CD. The Pledgor and the Pledgee may hold Accounts through two different Depository Participants.
- III. For the purpose of creation of any Pledge of Securities, CD shall, on an Application by an Account Holder, issue a certificate of holdings to the Account Holder, certifying that the Account Holder is entitled in its name to such number of Securities of such Issuer as are proposed to be Pledged. This can be shown by

the Pledgor to the Pledgee as evidence of the Pledgor having holdings in his name which are available for pledging.

- IV. The Pledgor shall forward a Pledge Request Form as specified in Form 15 to CD. The form shall be signed by both Pledgor and Pledgee who have agreed between themselves the terms and conditions of the Pledge.
- V. The CD shall enter a Pledge Request Instruction into the CD System in accordance with the User Manual. CD shall make available details of the request to the Pledgee in accordance with the User Manual.
- VI. Upon acceptance of the Pledge, CD shall mark the lien on the Securities pledged in the System.
- VII. All proceeds and entitlements of pledged securities belong to the pledgor, without prejudice to the right of the pledgor to pledge such proceeds and entitlements.
- VIII. Upon default by the pledgor, the pledgee will give appropriate instructions to CD to make a Pledge Call. The instructions to make Pledge Call must be confirmed by a letter from the Depository Participant. The securities will then be moved from the defaulting client's account in the CD to the Client account of the DP as mentioned in the Pledge Call instructions.

76. Unpledge

- I. No entry of pledge shall be cancelled by the pledgor without prior concurrence of the pledge. The pledgor shall request cancellation of the pledge by forwarding an Unpledge Request Form as specified in Form 16 to the CD. On receipt of the form, the CD shall electronically register the cancellation request.
- II. Upon acceptance of the unpledge request by the pledgee, the CD shall electronically unmark/release the lien on the securities no longer pledged.

77. Confiscate

The pledge may confiscate the pledged securities by forwarding a Confiscate Request Form as specified in Form 17 to CD. CD will transfer the securities from the pledgors Account subject to satisfactory instructions of the pledge.

CHAPTER IX

CORPORATE ACTIONS, MERGERS/TAKEOVERS

78. Advice relating to Corporate Actions

- I. The Issuer shall advise CD of all Corporate Actions simultaneously with the intimation to RSEB in case of listed Securities and in case of unlisted Securities with prior notice of **seven** Business Days from the Record Date of the Corporate Action.
- II. On receiving such an advice, the details of the Account Balances and Account Holders, shall be provided to the Issuer in accordance with the User Manual within **five** Business Days of the Record Date.

79. Cash Distributions

The Issuer shall distribute dividend, interest and other monetary benefits directly to the Account Holders on the basis of the list provided by CD.

80. Distributions of Securities

- I. Issuers shall distribute Securities through the CD system in respect of;
 - a. a public offer of shares;
 - b. Bonus Shares issued to the Account Holders;
 - c. Rights Shares issued to the Account Holders;
 - d. any other Corporate Action resulting in the issue of shares to Account Holders or the cancellation of shares or the redemption of debt Securities held by Account Holders.
- II. Securities may be distributed through the CD System provided that:
 - (a) the issuer has the approval from the Authority or other appropriate regulatory body to issue the Securities;
 - (b) the newly created Security is an Eligible Security.

81. Allotment

On receipt of allotment details from the Depository Participant, CD shall cause the necessary credit entries to be made in the Account of the relevant Account Holders.

CHAPTER X

MISCELLANEOUS PROVISIONS

82. Prohibition against Variation of Contract

- I. All contracts agreements or memoranda governing the contractual relationship between the CD, Depository Participants and Account Holders (notwithstanding anything in the application forms and all other forms for any other authorised functions of the CD) shall be made on forms prescribed by the CD. No Depository Participant shall vary, delete, amend or include any term or condition in the aforesaid forms without the prior written approval of the CD.
- II. No Depository Participant shall enter into any additional agreement, whether supplemental or principal, with their depositors, which may exclude, exempt, disclaim, reduce, limit or waive any liability for loss, damage or liability on the part of the Depository Participant for any willful act, omission, neglect, fraud or error on the part of such Depository Participant , as a Depository Participant.

83. Depository Participant's Refusal to Act

- I. Where a Depository Participant who is a member of the RSEB refuses to act on the instructions of any of its depositors in carrying out any of its functions related to depositor's transactions relating to any book-entry security by reason that the depositor has defaulted (or is about to default) in his obligations relating to any trade order or otherwise, it shall be the duty of the Depository Participant to notify the CD immediately (and where reasonably possible the depositor), stating the reason for such refusal.
- II. Where the CD, after investigating the matter, is not satisfied with the reason given by the Depository Participant for its refusal to act, the CD may, in consultation with the RSEB, instruct such Depository Participant to carry out the depositor's instructions or direct the Depository Participant to act appropriately to resolve the matter.
- III. Failure on the part of the Depository Participant to inform the CD under Rule 87(I) or to comply with its instructions under Rule 87(II) may result in the suspension of such Depository Participant as provided in these Rules.

84. Exclusion

When acting in good faith and without negligence, the CD shall not be liable to any Depository Participant or holders of securities accounts under its management for:

- a) any loss of opportunity, profit, market, goodwill, interest or use of money or securities;

- b) any other special, indirect or consequential loss, damage, expense, liability or claim, which is suffered or incurred by any Depository Participant or Account Holders of securities under its management arising from or related to the services.

85. Confidentiality

The CD, Depository Participant and their agents shall keep confidential, all information about the CD, Depository Participant and depositors obtained by virtue of the operation of the CD system, save such information as may already be in the public domain. However, the CD shall provide any information to the Authority for the purpose of enabling or assisting the Authority to exercise any function under any written law or rules.

86. Disaster Recovery

- I. The CD will be accessible through the Local Area Network (LAN) at the Trading Floor of the RSEB, a Wide Area Network (WAN) connection to CD Elements' offices and a secure internet facility provided by the CD.
- II. The CD shall take regular backup of data and keep backup media in a fireproof safe at a remote location.
- III. Where the network connectivity of the Wide Area Network or the internet access provided by the CD is interrupted, Depository Participants shall connect to the CD System through the Local Area Network on the Floor of the Exchange.

87. Inspection of Records by the CD

- I. If the CD has reason to suspect that:
 - a) a contravention of these Rules has occurred; or
 - b) an CD Element has engaged in activity that has affected or may affect the integrity or orderly operation of the CD System,

the CD may by notice require any CD Element to permit the CD to inspect any record in connection with any action performed by the CD Element or any record in the custody of the CD Element.
- II. If the CD gives notice to an CD Element under Rule 88(I), the notice shall specify:
 - (a) a description of the records to be inspected;
 - (b) the date and time at which the inspection shall take place (which may be the

time at which the notice is given); and

(c) the general nature of the matter giving rise to the inspection.

- III. Where the CD seeks to inspect any records in the custody, power or possession of an CD Element, that CD Element shall:
- i. permit inspection of the records in accordance with the notice;
 - ii. provide such assistance as the CD may reasonably require; and
 - iii. bear any costs incurred by it in complying with the notice.

88. Reprimand

Notwithstanding any other power conferred on the CD in the Act, these rules or the Regulations, the CD may reprimand or caution any Depository Participant, Issuer or other users for any breach of any of the provisions of these Rules.

89. Right of Appeal

Any Depository Participant, Issuer, or Account Holder aggrieved by any action of CD shall have the right of appeal to the Authority against such actions.

90. Consideration of Appeal

- I. If the Appeal is heard by the Authority, the appellant may appear himself or through his authorized representative. However, a Depository Participant shall not be entitled to appoint an advocate as his representative except with the prior permission of the Authority.
- II. The time limit for the disposal of an appeal to the Authority shall be two months from the date of making such appeal or such extended time as may be decided by the Authority.

91. Manner of Dealing with Third Party Claims

In the event of any claim made by any person in respect of any Securities held in an Account being received in writing by the Depository Participant through whom the Securities are held, either directly from the claimant or through CD, the Depository Participant shall forthwith intimate CD and the Account Holder of such claim provided however that CD shall not act on such claim or notice in the absence of an appropriate order or directive of a competent court, tribunal or authority in respect of such claim. Where such claim is received by CD, CD shall forthwith advise the Depository Participant of such claim.

92. DISCLAIMER AND INDEMNITY

I. Disclaimer

Where any loss or damage is caused to or incurred by any party or person on account of any act of commission or omission or default in complying with the provisions of the Act or the Regulations or these Rules or CD Instructions or the Agreements executed in pursuance thereof or on account of the negligence or fraud on the part of any Depository Participant, Issuer, or Stock Broker or their employees, or agents, in the event of CD making good or being required to make good such loss or damage (or any part thereof) to such party or person, CD shall be entitled to recover the amount so made good by it from the Depository Participant, Issuer, or Stock Broker in default.

II. Indemnity

Each and every Depository Participant, Issuer, and Stock Broker shall indemnify and keep indemnified and saved harmless CD and every other Depository Participant, Issuer, Stock Broker from and against all harm, loss, damage, injury and penalty suffered or incurred and all costs, charges, and expenses incurred in instituting and / or carrying on and / or defending any suits, action, litigation, arbitration, disciplinary action, prosecution or any other legal proceedings suffered or incurred by any Depository Participant, Issuer, and Stock Broker on account of or as a result of any act of commission or omission or default in complying with the provisions of the Act or the Regulations or these Rules or CD Instructions or the Agreements executed in pursuance thereof or on account of the negligence on the part of that Depository Participant, Issuer, and Stock Broker its employees, or agents.

93. Jurisdiction

All disputes between CD and Depository Participant(s) or issuer(s) or Stock Broker(s) or Account Holder(s) under these Rules will be subject to the jurisdiction of the Royal Court of Justices, Bhutan.

CD RULES ANNEXURE - A

FEES PAYABLE FOR DEPOSITORY SERVICES

Sl.No.	Type of Fees	Rate of Fees	Minimum Fee (Nu)	Basis of Fees	Payable by	When Payable
1	Transaction Fee (Secondary Market)	0.00025		Market value of securities	Participants /Account holders	Month end
2	Annual Fees for Equity Securities (No. of shareholders) 1) 1 - 5000 2) 5001 - 10,000 3) 10,001 - 15,000 4) > 15,001		50,000 90,000 120,000 150,000	Fixed annually fee per eligible securities	Issuer	Annually in advance
3	IPO/Additional Issues	0.00025	25,000	Issue Price	Issuer	With Application
4	Annual Fees Debt Securities	0.00025	25,000	Issue Price	Issuer	Annually in advance
5	Transmission Fees (NCT)	1 percent	100	Face Value	Applicant	With Application
6	Pledging Fee	0.00030	100	Market value of securities	Applicant	With Application
7	Off Market Transfer(Matched Transaction) a) Nu.50 million - Nu.100 million b) Nu.100 million - Nu.500 million c) Nu.500 million - 1000 million d) Nu.1000 million to Nu.1500 million e) Above Nu.1500 million	1 percent Nu.1,000,000 + 0.001 Nu.1,500,000 + 0.0005 Nu.2,000,000 + 0.0007 Nu.3,000,000 + 0.0009		Total Value Total Value Total Value Total Value Total Value	Applicant/Issuer Applicant/Issuer Applicant/Issuer Applicant/Issuer Applicant/Issuer	With Application With Application With Application With Application With Application

Notes on Fees: -

1. **Transaction Fees** are payable by participants/account holders in respects of all transaction that affect an account such as:
 - a. Delivery to or from a clearing account in satisfaction of a market trade or net delivery instruction.
 - b. Pledge

The secondary transaction fees are levied at the rate of 0.00025 on the market value of shares.

2. **Annual Fees on Issued Eligible Securities** is payable by the Issuers based on the Number of shareholders.

3. **Fresh Issue/IPO /Additional Issues Fees** is payable by the Issuers at the rate of 0.00025 on the issue price of the Securities or the market price of Securities issued or minimum fee of Nu.25,000/-
4. **Annual Fees for Corporate Debt Securities** is payable by the Issuer at the rate of 0.00025 on the issue price of the Securities issued or Minimum fee of Nu.25,000/-.
5. **Annual Fees for RGOB Debt Securities** is payable by the Issuer at the rate of 0.00025 on the issue price of the Securities issued or Maximum fee of Nu.750,000/-.
6. **Application Fee for Statement** payable by Account Holder with the application/statement request.
7. The Depository may fix such reduced level of charges or allow discounts (e.g. based on transaction volumes) to all or a particular category of customers or a particular type of eligible security. (e.g. Government Securities) in the furtherance of its business as it deems fit.
8. However, increase in any fees and charges shall have the prior approval of the Authority.
9. The Depository shall promptly notify the concerned Participant and Issuer of any changes to the Fees and Deposits Schedule prior to implementing those changes.

CD RULES ANNEXURE B

AGREEMENT BETWEEN CENTRAL DEPOSITORY AND ISSUER

This Agreement is drawn on this ____ day of _____, between **Central Depository of Royal Securities Exchange of Bhutan Limited**, having its Registered Office at Norzin Lam, RICBL Building, Post ox # 742, Thimphu (hereinafter called "CD") of the One Part; AND _____ having its office/registered office at _____ hereinafter called the "**Issuer**" of the Other Part. WHEREAS CD has agreed to declare the Issuer's _____ (hereinafter called "**the said security**") as being eligible to be held in CD;

AND WHEREAS the Issuer is desirous of entering into an agreement with CD to facilitate the holding and transfer of securities in CD, which CD has agreed to do; AND WHEREAS the said security has been allotted an Securities Identification Code _____

NOW THEREFORE, in consideration of the mutual promises herein contained, the parties hereto do hereby agree and covenant with each other as follows:

1. General Clauses

- 1.1 Words and expressions used but not defined in this Agreement but defined under, The Companies Act 2000, The Financial Services Act 2011, The Depository Regulation, or the Rules of CD shall have the meaning assigned to them under the aforesaid Acts, Regulations or Rules as the case may be.
- 1.2 Unless otherwise warranted by the context or meaning thereof, the words or expressions "Account Holder", "Issuer", and "Depository Participant" used herein shall mean an Account Holder, Issuer, and Depository Participant to an issue in relation to CD and the terms "Act", "Regulations", "Rules", and "Operating Instructions" shall mean "The Companies Act 2000, The Financial Services Act 2011, The Depository Regulation, or the Rules of CD and the Operating Instructions / User Manual issued by CD respectively.
- 1.3 The Issuer shall be bound by The Companies Act 2000, The Financial Services Act 2011, The Depository Regulation, or the Rules of CD and agree to abide by the CD Rules and the Operating Instructions / User Manual issued from time to time by CD in the same manner and to the same extent as if the same were set out herein and formed part of this Agreement.
- 1.4 The Issuer shall continue to be bound by the CD Rules and Operating Instructions / User Manual, even after ceasing to be an Issuer in so far as may be necessary for completion of or compliance with its obligations in respect of all matters, entries or transactions which the Issuer may have carried out, executed, entered into, undertaken or may have been required to do, before ceasing to be an Issuer and which may have remained outstanding, incomplete or pending at the time of its ceasing to be an Issuer.

2. Securities Identification Code

CD shall allocate a Securities Identification Code to the Issuer (Issuer ID).

3. Connectivity and Communication

The Issuer and CD shall establish and maintain an electronic means of communication with each other.

4. Information / Documents to be Furnished by the Issuer to CD

- 4.1 The Issuer shall, furnish to CD, a copy of the letter approving listing and permitting commencement of trading in respect of the said security issued by RSEB within **five** business days from the date

hereof and in the event of any fresh issue of securities ranked *pari passu* with the existing security within **five** business days from the date of issuance of such letter.

- 4.2 Such information shall be furnished to CD on the same day on which it is required to be furnished to RSEB where the said security is listed and in all other cases within **two** business days of the Issuer taking a formal decision in that behalf;

5. Details/Particulars to be Furnished by CD to the Issuer

- 5.1 CD shall furnish to the Issuer the details/particulars of Account Holders holding securities in dematerialized form as of record date. Such details/particulars shall be provided by CD within such time as may be specified in the Operating Instructions / User Manual.
- 5.2 In addition to the above, CD may in its discretion provide, as and when required by the Issuer, on payment of such charges as may be specified by CD, details of Account Holders and any other details or particulars in respect of the said security.

6. Corporate Action / Benefits

- 6.1 CD undertakes to provide a list of Account Holders with relevant details to the Issuer as of the book closure date/record date or specified date. CD shall indemnify the Issuer for any loss that may be caused to the Issuer by reason of any incorrect or inaccurate information relating to Account Holders and/or their holdings being furnished by CD to the Issuer.
- 6.2 The Issuer shall, in respect of the said security, provide timely information to CD about all corporate action including book closure date, record dates, dates for payment of interest or dividend, dates for the annual general meeting and other meetings, dates of redemption or maturity of securities, dates of conversion of debt into equity, dates of exercising warrants, details of other corporate action such as merger, amalgamation or reconstruction of the Issuer, reduction of capital, forfeiture, re-issue, conversion of debt into equity, sub-division or consolidation etc. and such other information as may be specified by CD from time to time.
- 6.3 The Issuer shall be responsible for timely intimation of all corporate action to CD and the accuracy thereof as also for distribution of all corporate benefits. The Issuer shall also be solely responsible for accuracy of advice as to corporate benefits conveyed by the Issuer to CD. The Issuer shall indemnify CD for any loss that may be caused to CD by reason of any incorrect or inaccurate information furnished by the Issuer to CD.

7. Events Requiring Immediate Intimation by the Issuer to CD

- 7.1 The Issuer shall notify CD forthwith:

- (a) upon a petition for winding-up of the Issuer being presented in any court or a resolution being passed for winding up of the Issuer;
- (b) any scheme being framed for merger, amalgamation or reconstruction of the Issuer;
- (c) on its becoming aware of the presentation of any application or petition for its bankruptcy, insolvency, liquidation or attachment of its property;
- (d) upon its becoming aware of any distress, execution, attachment or other process being threatened or levied
- (e) by any statutory or revenue authority against the Issuer or its property for recovery of any taxes, duties, levies, penalties or dues;

- (f) upon any application being presented to any court for attachment of the assets or properties of the Issuer;
- (g) in case of any change in its financial conditions which may lead to its insolvency or winding-up or if it suffers a composition with its creditors;
- (h) upon convening of any meeting to consider a resolution for the appointment of a liquidator or receiver or administrator in respect of any of its properties or any other change in circumstances which could materially affect the business of the Issuer;
- (i) upon a receiver or administrator being appointed by any court in respect of the assets or properties of the Issuer;
- (j) upon any notice being received by the Issuer from RSEB on which any securities issued by the Issuer are listed or permitted to be traded, suspending trading or terminating listing of such securities on the Exchange, including any show-cause or other notice threatening such action;
- (k) upon the Issuer becoming aware of any event or occurrence which is reasonably likely to materially affect its commercial viability or existence or its ability to perform its obligations under this Agreement.

8. Confidentiality

- 8.1 The parties hereto shall keep strictly confidential all technical and business information including but not limited to that which may be disclosed or confided to it by the other in the course of the performance of the obligations under this Agreement or under the CD.
- 8.2 Rules and neither party hereto shall disclose the same to any third party without prior approval of the other party hereto.
- 8.3 Either party hereto shall be at liberty to permit inspection or allow extracts to be made at any time of such details, particulars, data or information relating to any Account Holder and/or his account to such extent and in such manner as may be required by any law in force for the time being and to provide or disclose such details, particulars, data or information relating to any Account Holder and/or his account as may be required or directed by any court, tribunal, the Government, the Authority or any regulatory or revenue authority empowered by law in that behalf or as may be required for compliance with any obligations in law or for enforcement of any of its rights or for protection of its interest without reference or recourse to the other provided however that save and except as mentioned hereinabove, the Issuer shall not divulge or permit or suffer to be disclosed any such details, particulars, data or information relating to any Account Holder and/or his account, to any party or person and shall hold such details, particulars, data and information in strict confidence.

9. Change in Address

The Issuer shall inform CD of any proposed change in the address of the Registered Office of the Issuer as also of any change of the location of the premises where the equipment for maintenance of computerized records, backup facilities and communication with CD are situated, at least **fifteen** business days before the date of such change.

10. Prohibition Against Assignment

The functions, rights or obligations under this Agreement shall not be assigned or delegated to any party or person (including any Registrar to an Issue and/or Share Transfer Agent) by the Issuer without the express prior written consent of CD. Any purported assignment or delegation in contravention of the terms of this Agreement shall be null and void.

11. Indemnity

- 11.1 The Issuer agrees and undertakes to indemnify and keep indemnified and saved harmless CD, its employees or agents from against all claims, demands, penalties, suits, action, litigation, arbitration, prosecution and any proceedings whatsoever and all costs, charges and expenses relating thereto and any harm, loss, damage or injury suffered or incurred by CD and/or any of its Depository Participants by reason of or as a consequence of the Issuer furnishing any false or incorrect information to CD or permitting dematerialization of securities in breach of any order, decree, injunction, covenant or law in force or permitting dematerialization of securities on the strength of certificates or documents which are found to be forged, counterfeit, fake or cancelled or in respect of which duplicates / replacements / renewals have been issued or the Issuer otherwise committing any default in observance of its obligations under the CD Rules or Operating Instructions / User Manual or under this Agreement.
- 11.2 CD agrees and undertakes to indemnify and keep indemnified and saved harmless the Issuer from and against all harm, loss, damage or injury, claims, demands, suits, actions, litigations, prosecutions and all other proceedings whatsoever and all cost, charges and expenses relating thereto suffered and incurred by the Issuer by reason of or as a consequence of any breach, default or negligence on the part of CD, its employees or agents in complying with its obligations under the Act, the Regulations, the CD Rules, this Agreement or Operating Instructions / User Manual.

12. Force Majeure etc.

Notwithstanding anything contained herein or in the CD Rules, neither party hereto shall be liable to indemnify or compensate the other for any breach, nonperformance or delay in performance of any obligations under this Agreement or for any harm, loss, damage or injury caused to the other due to causes reasonably beyond its control including but not limited to storm, flood, lightning, earthquake, fire, blast, explosion or any other act of God, war, rebellion, revolution, insurrection, embargo or sanction, blockade, riot, civil commotion, labour action or unrest including strike, lock-out or boycott, interruption or failure of any utility service, enemy action, criminal conspiracy, act of terrorism or vandalism, sabotage, unanticipated technological or natural interference or intrusion, loss or damage to any other data communications linkage, loss of connectivity or any other irresistible force or compulsion.

13. Service of Notice

- 13.1 Any notice or communication required to be given under this Agreement shall not be binding unless the same is in writing and shall have been served by delivering the same at the address set out hereinabove against a written acknowledgement of receipt thereof or by sending the same by pre-paid registered post at the aforesaid address or transmitting the same by facsimile transmission, electronic mail or electronic data transfer at the number or address that shall have been previously specified by the party to be notified.
- 13.2 Notice given by personal delivery shall be deemed to be given at the time of delivery.
- 13.3 Notice sent by post in accordance with this clause shall be deemed to be given at the commencement of business of the recipient of the notice on the **third** business day next following its posting.
- 13.4 Notice sent by facsimile transmission, electronic mail or electronic data transfer shall be deemed to be given at the time of its actual transmission.

14. Severability

If any provision of this Agreement shall be held or adjudged by any competent court, tribunal or regulatory authority to be unlawful, void or unenforceable or if any such provision is rendered void or unenforceable by reason of any statutory amendment, notification or any judicial decision, such provision shall to the extent required to be severed from this Agreement and rendered ineffective as far as possible

without modifying the remaining provisions of this Agreement but shall not in any way affect the validity or enforcement of the rest of the provisions of this Agreement which shall continue to apply with full force and effect.

15. No Waiver

Neither party hereto shall be deemed to have waived, abandoned or relinquished any right, power, privilege or remedy available to it under this Agreement or in law except by a writing executed in that behalf and no failure or delay on the part of any of the parties hereto in the exercise of such right, power, privilege or remedy shall operate as a waiver thereof or as a waiver of any preceding or succeeding breach by the other party to this Agreement nor shall any single or any partial exercise of any right, power, privilege or remedy preclude any other or further exercise of such or any other right, power, privilege or remedy available under this Agreement or otherwise available in law or in equity it being agreed that all such rights, powers, privileges and remedies are several and cumulative of each other.

16. Governing Law

This Agreement shall be governed by and construed in accordance with the laws in force in Kingdom of Bhutan.

17. Jurisdiction

The parties hereto agree to submit to the exclusive jurisdiction of the Royal Court of Justice, Kingdom of Bhutan.

18. Headings

The headings in this Agreement are for convenience and reference only and shall in no way affect the construction or interpretation of this Agreement. Unless the context otherwise requires, words denoting the singular shall include the plural and vice versa and any reference to any statute, enactment or legislation or any provision thereof shall include any amendment thereto or any re-enactment thereof.

19. Execution of Agreement

This Agreement is executed in duplicate and a copy each shall be retained by each of the parties hereto.

IN WITNESS WHEREOF the parties hereto have hereunto set and subscribed their respective hands and seals to this Agreement in duplicate on the day, _____ month, _____ year _____ .

SIGNED AND DELIVERED
by the withinnamed
Central Depository
by the hand of its Officer in-charge _____



in the presence of: _____

Name & Address of witness: _____

SIGNED AND DELIVERED
by the withinnamed Issuer
by the hand of its _____



in the presence of: _____

Name & Address of witness: _____

CD RULES ANNEXURE C

Application for Registration as Depository Participant

[In case of statutory organizations, banks or insurance companies, stock dealers or stock brokers, providing information specified in serial numbers 1 – 7 shall suffice]

1	Name of the Applicant	:	
2	Address of the Applicant	:	
	(Change in address shall be informed in writing to the Commission and the relevant Depository within three working days)	:	
3	The Depository in which the applicant desires to be a Participant	:	
a)	Name & address	:	Central Depository, Royal Securities Exchange of Bhutan Ltd., Norzin Lam, RICBL Building, Post Box # 742, Thimphu
b)	Code Number :	:	
c)	Date code conferred :	:	
4	Registration applied for in which category of service provider?	:Participant
5	Legal status of the applicant	:	Company / Statutory Organization
	(Cross out whichever is not applicable. In case of statutory organizations, banks or insurance companies, attested photocopy of the relevant Act / Registration Certificate and last audited annual report to be enclosed)	:	
6	Name and authority of the signatory on behalf of the applicant (Please attach copy of authority)	:	
7	Applicant's a) Office Phone ,Fax, E-mail b) Chief Executive Officer's Phone, Fax, E-mail	:	
8	If the applicant is a Company, provide the names, addresses of directors giving details of shareholding or business relationship with any other company / institutions	:	
10	Is the applicant; a Merchant Banker, Portfolio Manager, Trusty of a Mutual Fund, Custodian or Asset Management Company?	:	
11	At any time has the applicant or any of its directors been penalised under any criminal offences involving forgery, perjury or fraudulent activities? If so, when, where, what type of crime?	:	
12	Is the applicant or any of its directors at any	:	

	time been declared insolvent or of unsound mind by any court? If so, when, where?		
13	Is the applicant or any of its directors a bank defaulter? If so, which bank and what amount?	:	
14	Authorised representative of the applicant (if any)	:	
a)	Name	:	
b)	Father's Name	:	
c)	Permanent Address	:	
d)	Current Address	:	
e)	Office Address	:	
f)	Educational qualification	:	
15	Number of employees of the applicant	:	
16	Other information	:	

I declare that, the information stated above are true to the best of my knowledge and belief.

For and on behalf of

Date.....

.....
Seal and signature of the applicant

Recommendation / Comments of the Central Depository

Date:.....

.....
Seal and signature of the Officer In-charge

CD RULES ANNEXURE D

AGREEMENT BETWEEN CENTRAL DEPOSITORY AND A DEPOSITORY PARTICIPANT

This Agreement is drawn on this ____ day of _____, between **Central Depository of Royal Securities Exchange of Bhutan Limited**, having its Registered Office at Norzin Lam, RICBL Building, Post ox # 742, Thimphu (hereinafter called "CD") of the One Part; AND _____ having its office/registered office at _____ hereinafter called the "**Depository Participant**" of the Other Part.

WHEREAS CD has agreed to declare the Depository Participant had furnished to CD an application dated _____ for grant of certificate of registration as a Depository Participant by the Royal Monetary Authority of Bhutan (RMA), hereinafter called "the Authority";

AND WHEREAS CD has agreed to forward the said application to the Authority for grant of a certificate of registration to the Depository Participant.

AND WHEREAS CD has agreed to admit the Depository Participant to CD as a Depository Participant subject to grant of certificate of registration by the Authority as aforesaid, on the terms and conditions recorded hereinbelow.

NOW THEREFORE in consideration of CD having agreed to admit the applicant as a Depository Participant in CD, the parties hereto do hereby agree and covenant with each other as follows:

1. General Clauses

- a. Words and expressions used but not defined in this Agreement but defined under, The Companies Act 2000, The Financial Services Act 2011, The Depository Regulation or the Rules of CD shall have the meaning assigned to them under the aforesaid Acts, Regulations or Rules as the case may be.
- b. The Depository Participant shall be bound by The Companies Act 2000, The Financial Services Act 2011, The Depository Regulation or the Rules of CD and agree to abide by the CD Rules and the Operating Instructions / User Manual issued from time to time by CD in the same manner and to the same extent as if the same were set out herein and formed part of this Agreement.
- c. The Depository Participant shall continue to be bound by the CD Rules and Operating Instructions / User Manual, even after ceasing to be an Depository Participant in so far as may be necessary for completion of or compliance with its obligations in respect of all matters, entries or transactions which the Issuer may have carried out, executed, entered into, undertaken or may have been required to do, before ceasing to be an Issuer and which may have remained outstanding, incomplete or pending at the time of its ceasing to be an Depository Participant.

2. Fees and charges

The Depository Participant shall, pay to CD such fees, charges and deposits as are specified in the Fees Schedule in the Rules. In the event of the Depository Participant failing to make payment of the fees and charges, as the case may be, by the respective due dates specified by CD in the Fees and Charges Schedule as specified in the Rules or by its Operating Instructions / User Manual, then, in addition to any other rights or remedies that may be available to CD against the Depository Participant, the Depository Participant, shall be liable to pay interest to CD on such delayed payment at the highest prevailing Bank Rate, or part thereof on the quantum of such delayed payment. Such fees and charges shall be subject to any change or revision from time to time by CD provided however that CD shall, before effecting any increase in the fees and charges payable by the Depository Participant as aforesaid, give the Depository Participant at least one months notice in that behalf.

3. Hardware and Software to be installed by the Depository Participant

- a. The Depository Participant shall install at its premises allocated for CD related activities such computers, printers, communication equipment and uninterruptible power supply units, systems software and any other equipment, hardware and software as may be specified by CD from time to time.
- b. The above hardware and software set-up shall be utilized by the Depository Participant exclusively for the CD specific application module and even if there be any spare processing or data storage capacity, the same shall not be used for any other application including the Depository Participant's back-office systems or operations.

4. Connectivity and Systems

- a. The Depository Participant and CD shall establish and maintain an electronic means of communication with each other.
- b. The Depository Participant shall comply with all systems and procedures recommended by CD and shall allow access to its systems to one or more teams of professionals with expertise or specialized skill in auditing the performance of computerised systems designated by CD for periodic assessment of compliance with systems and procedures.

5. Information to be furnished by the Depository Participant to CD

The Depository Participant shall submit the following to CD within such period as is specified herein below:

- a) Where the Depository Participant is a member of RSEB commits any breach or violation of or defaults in compliance with the Rules of the RSEB or of any rules or regulations made by the Authority in that behalf or its operations, activities or membership is suspended or terminated by RSEB, the nature of the default and

the reason for such default, suspension or termination to be communicated forthwith upon such occurrence;

- b) The Depository Participant shall notify CD at the earliest of any change in respect of any of the particulars with regard to any of the matters contained in the Depository Participant Admission Form submitted to CD.

6. Obligations of the Depository Participant

The Depository Participant shall, before entering into any agreement with or opening any account of any Account Holder:

- a. make all such inquiries as may be expedient and exercise due care and caution in ascertaining the bonafides and track record of the intending Account Holder;
- b. scrutinize and satisfy itself as to the authenticity and validity of all documents relating to the securities in respect of which the account is intended to be opened;
- c. The Depository Participant shall not effect any debit or credit to the account of a Account Holder unless:
- d. The Depository Participant shall preserve for a minimum period of ten years, all original documents such as account opening forms, agreements with Account Holders and instructions received from Account Holders.

7. Obligations relating to Depository Participant's own accounts

- a. The Depository Participant shall not commingle the securities held by it in its own right in CD with those held by it as the Depository Participant on behalf of the Account Holders.
- b. The Depository Participant shall comply with such procedures for deposit and withdrawal of securities to and from any of its own accounts (as distinguished from the accounts of the Account Holders with it) as may be laid down under the CD Rules and Operating Instructions / User Manual.

8. Maintenance of records

- a. The Depository Participant shall preserve for a minimum period of ten years all original documents relating to its usage of CD.
- b. In particular the Depository Participant shall preserve the following documents in such a way that they can be retrieved within a reasonable period of time, if requested by the Authority:
 - i. Account Opening Forms;
 - ii. Customer Agreements;
 - iii. written authority from the Account Holder for all transactions;

- iv. any complaints from investors and/or Account Holders relating to the usage of CD.

9. Form of Agreement to be binding

Notwithstanding anything contained herein the Depository Participant shall strictly adhere to the form of the draft agreements as provided by CD in respect of every agreement that may be entered into by the Depository Participant with every Account Holder and clearing member respectively and no variation, modification, addition, alteration or deletion thereto shall be effected except with prior written consent of CD in that behalf. The Depository Participant shall be solely responsible for any statement or representation made or any obligation or liability undertaken by it in so far as the same is contrary to or inconsistent with or is in excess of the said draft agreement and/or the CD Rules and Operating Instructions / User Manual or which is otherwise not authorized by CD.

10. Inspection by CD

CD shall be entitled to carry out inspection of the facilities, systems, records and books of the Depository Participant relating to all dealings of the Depository Participant with it through such persons as may be authorized in that behalf by CD and the Depository Participant shall permit the persons so authorized entry into its premises during regular business hours on any working day and shall allow access to its facilities, systems, records and books and permit copies thereof to be made.

11. Authorized Representative

The Depository Participant shall, simultaneously with the execution of this Agreement furnish to CD, a list of officials authorized by it, who shall represent and interact on its behalf with CD. Any change in such list including additions, deletions or alterations thereto shall be forthwith communicated to CD.

12. Confidentiality

- a. The parties hereto shall keep strictly confidential all technical and business information including but not limited to that which may be disclosed or confided to it by the other in the course of the performance of the obligations under this Agreement or under the Rules and neither party hereto shall disclose the same to any third party without prior approval of the other party hereto.
- b. Either party hereto shall be at liberty to provide or disclose such details, particulars, data or information relating to any Account Holder and/or his account as may be required or directed in writing by any court, the Authority or to the concerned Issuer or Clearing House or as may be required for compliance with any obligations in law or for enforcement of any of its rights or for protection of its interest without reference or recourse to the other or to the concerned Account Holder provided however that save and except as aforesaid, neither party shall divulge or permit or suffer to be disclosed any such details, particulars, data or information to any party

or person and shall hold such details, particulars, data and information in strict confidence.

13. Change in Address

The Depository Participant shall inform CD of any proposed change in address of its office/registered office as also of any change in location of the premises where the equipment for maintenance of computerised records, back-up facilities and communication with CD are situated, at least **seven** days before the date of such change.

14. Prohibition against Assignment etc.

The functions, rights or obligations under this Agreement shall not be assigned or delegated to any party or person by the Depository Participant without the express prior written consent of CD. Any purported assignment or delegation in contravention of the terms of this Agreement shall be null and void.

15. Suspension and Termination

CD may, if it is satisfied that it is necessary so to do, at any time and on such conditions as it thinks fit, terminate this Agreement with the Depository Participant by communication in writing under the following circumstances:

- a) the Depository Participant no longer meets the eligibility and/or admission criteria to be a Depository Participant as laid down by the Authority and/or by CD;

16. Withdrawal by the Depository Participant

- a. The Depository Participant shall be entitled to withdraw as a Depository Participant from CD by issuing to CD a communication in writing giving notice of not less than a month of its intention to terminate this Agreement with CD with effect from the expiry of the said period of one month or such further period as may be specified in the notice. CD may, however, require the Depository Participant to continue its business as a Depository Participant in CD for such further period not exceeding three months from the receipt of such notice if CD shall deem it necessary to do so in the interest of the Account Holders or in the orderly functioning of CD. CD shall notify the Account Holders of the Depository Participant, other Depository Participants, Clearing Houses and the Authority within seven days of the Depository Participant ceasing to act as such.
- b. The Depository Participant shall not be permitted to withdraw as a Depository Participant from CD unless and until the Depository Participant shall have provided satisfactory evidence to CD.

17. Consequences of Termination / Withdrawal

- a. CD shall, upon termination of this Agreement by CD or on receipt of communication in writing from the Depository Participant conveying its decision to withdraw from CD and/or to terminate this Agreement, notify all other Depository Participants and initiate suitable steps for the protection of the interests of Account Holders and other Depository Participants. CD shall notify other Depository Participants, Clearing Houses, Issuer and the Authority within **seven** days of the termination of this Agreement.
- b. The Depository Participant shall be required to meet all his/its outstanding obligations to CD, whether incurred while the Depository Participant was acting as such or incurred thereafter but arising out of any action, transaction or dealings by the Depository Participant.

18. Service of Notice

- a. Any notice or communication required to be given under this Agreement shall not be binding unless the same is in writing and shall have been served by delivering the same at the address set out hereinabove against a written acknowledgement of receipt thereof or by sending the same by pre- paid registered post at the aforesaid address or transmitting the same by facsimile transmission, electronic mail or electronic data transfer at number or address that shall have been previously specified by the party to be notified.
- b. Notice given by personal delivery shall be deemed to be given at the time of delivery.

19. Severability

If any provision of this Agreement shall be held or adjudged by any competent court or regulatory authority to be unlawful, void or unenforceable or if any such provision is rendered void or unenforceable by reason of any statutory amendment, notification or any judicial decision, such provision shall to the extent required be severed from this Agreement and rendered ineffective as far as possible without modifying the remaining provisions of this Agreement but shall not in any way effect the validity or enforcement of the rest of the provisions of this Agreement which shall continue to apply with full force and effect.

20. Governing Law

This Agreement shall be governed by and construed in accordance with the laws in force in Kingdom of Bhutan.

21. Jurisdiction

The parties hereto agree to submit to the exclusive jurisdiction of the Royal Court of Justice, Kingdom of Bhutan.

22. Headings

The headings in this Agreement are for convenience and reference only and shall in no way affect the construction or interpretation of this Agreement.

23. Interpretation

Unless the context otherwise requires, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine and vice versa and any reference to any statute, enactment or legislation or any provision thereof shall include any amendment thereto or any reenactment thereof.

24. Execution of Agreement

This Agreement is executed in duplicate and a copy each shall be retained by each of the parties hereto.

IN WITNESS WHEREOF the parties hereto have hereunto set and subscribed their respective hands and seals to this Agreement in duplicate on the day_____ month_____, year_____ .

SIGNED AND DELIVERED
by the withinnamed
Central Depository
by the hand of its Officer in-charge _____



in the presence of: _____

Name & Address of witness: _____

SIGNED AND DELIVERED
by the withinname Participant
by the hand of its _____



in the presence of: _____

Name & Address of witness: _____

CD RULES ANNEXURE E

AGREEMENT BETWEEN A DEPOSITORY PARTICIPANT AND THE PERSON SEEKING TO OPEN AN ACCOUNT WITH THE DEPOSITORY PARTICIPANT

This Agreement is drawn on this _____ day of _____ between _____ situated at _____ hereinafter called the **"Depository Participant"** of the **One** _____ part; AND _____ situated at _____ hereinafter called **"the Account Holder"** of the **Other Part**.

WHEREAS the Account Holder has furnished to the Depository Participant the duly filled-in application in the specified form requesting the Depository Participant to open an account with the Depository Participant;

NOW THEREFORE in consideration of the Depository Participant having agreed to open an account in the name of the Account Holder and render services to the Account Holder as a Depository Participant, the parties hereto do hereby agree and covenant with each other as follows:

1. General Clauses

- 1.1 Words and expressions used but not defined in this Agreement but defined under, The Companies Act 2000, The Financial Services Act 2011, The Depository Regulation or the Rules of CD shall have the meaning assigned to them under the aforesaid Acts, Regulations or Rules as the case may be.
- 1.2 The parties hereto shall be bound by the Companies Act 2000, The Financial Services Act 2011, The Depository Regulation and agree to abide by the Rules and Operating Instructions issued from time to time by Central Depository of the Royal Securities Exchange of Bhutan limited in the same manner and to the same extent as if the same were set out herein and formed part of this Agreement.

2. Unique Identification Number

Central Depository shall allocate a unique identification number to the Account Holder (Account Holder ID) for the Depository Participant to maintain a separate Account for each Account Holder, unless the Account Holder instructs the Depository Participant to keep the securities in an Omnibus Account of the Depository Participant. The Depository Participant shall however ensure that the securities of the Account Holders shall not be mixed with the Depository Participant's own securities.

3. Responsibilities of the Account Holder

The Account Holder shall be responsible for:

- (a) the veracity of all statements and particulars set out in the account opening form, supporting or accompanying documents and the Agreement;
- (b) the authenticity and genuineness of documents submitted to the Depository Participant along with or in support of the account opening form;

4. Depository Participant to Act only on Instructions of Account Holder

- 5.1 The Depository Participant shall act only on the instructions or mandate of the Account Holder or that of such person(s) as may have been duly authorized by the Account Holder in that behalf.
- 5.2 The Depository Participant shall not effect any debit or credit to and from the account of the Account Holder without appropriate instructions from the Account Holder.
- 5.3 The Depository Participant shall maintain adequate audit trail of the execution of the instructions of the Account Holder.

5. Redressal of Grievances / Complaints of Account Holder

The Depository Participant shall promptly attend to all grievances / complaints of the Account Holder and shall resolve all such grievances / complaints as it relate to matters exclusively within the domain of the Depository Participant within one month of the same being brought to the notice of the Depository Participant and shall forthwith forward to and follow up with Central Depository all other grievances / complaints of the Account Holder on the same being brought to the notice of the Depository Participant and shall endeavor to resolve the same at the earliest.

6. Termination

9.1 The Depository Participant shall be entitled to terminate this agreement in the event of the Account Holder:

- i. commits or participates in any fraud or other act of moral turpitude in his / its dealings with the Depository Participant;
- ii. otherwise misconducts himself in any manner.

7. Depository Participant not Liable for Claims Against Account Holder

The Depository Participant shall not be liable to the Account Holder in any manner towards losses, liabilities and/or expenses arising from the claims of third parties or for any fees, charges, taxes, duties, levies or penalties levied, imposed or demanded by the Government, statutory or revenue authority in respect of securities credited to the Account Holder's account.

8. Confidentiality

The Depository Participant shall be at liberty to provide or disclose such details, particulars, data or information relating to the Account Holder and/or his account as may be required or directed in writing by any court, tribunal, the Authority or any other regulatory or revenue authority empowered by law in that behalf or by CD or the concerned Issuer or Clearing House through CD or as may be required for compliance with any obligations in law or for enforcement of any of its rights or for protection of its interest without reference or recourse to the Account Holder provided however that save and except as aforesaid, the Depository Participant shall not divulge or permit or suffer to be disclosed any such details, particulars, data or information to any party or person and shall hold such details, particulars, data and information in strict confidence.

9. Force Majeure etc.

Notwithstanding anything contained herein or in the Rules, neither party hereto shall be liable to indemnify or compensate the other for any breach, non-performance or delay in performance of any obligations under the Agreement or for any harm, loss, damage or injury caused to the other due to causes reasonably beyond its control including but not limited to storm, flood, lightning, earthquake, fire, blast, explosion or any other act of God, war, rebellion, revolution, insurrection, embargo or sanction, blockade, riot, civil commotion, labour action or unrest including strike, lock-out or boycott, interruption or failure of any utility service, enemy action, criminal conspiracy, act of terrorism or vandalism, sabotage, unanticipated technological or natural interference or intrusion, loss or damage to satellites, loss of satellite linkage or any other data communications linkage, loss of connectivity or any other irresistible force or compulsion.

10. Severability

If any provision of the Agreement shall be held or adjudged by any competent court, tribunal or regulatory authority to be unlawful, void or unenforceable or if any provision is rendered void or unenforceable by reason of any statutory amendment, notification or any judicial decision, such provision shall to the extent required be served from the Agreement and rendered ineffective as far as possible without modifying the remaining provisions of the Agreement but shall not in any way affect the validity or enforcement of the rest of the provisions of the Agreement which shall continue to apply with full force and effect.

11. Governing Law

The Agreement shall be governed by and construed in accordance with the laws in force in Kingdom of Bhutan.

12. Headings

The headings in the Agreement are for convenience and reference only and shall in no way affect the construction or interpretation of the Agreement.

13. Interpretation

Unless the context otherwise requires, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine and vice versa and any reference to any statute, enactment or legislation or any provision thereof shall include any amendment thereto or any reenactment thereof.

14. Jurisdiction

The parties hereto agree to submit to the exclusive jurisdiction of the Royal Court of Justice, Kingdom of Bhutan.

15. Execution of Agreement

This Agreement is executed in duplicate and a copy each shall be retained by each of the parties hereto.

IN WITNESS WHEREOF the parties hereto have hereunto set and subscribed their respective hands/seals to this Agreement in duplicate on the day _____, month, _____ year _____.

Legal
Stamp

SIGNED AND DELIVERED

By the within named Depository Participant
by the hand of its authorized representative:

Legal
Stamp

SIGNED AND DELIVERED

by the within named Account Holder
in the presence of: _____
Name & Address of witness: _____

CD RULES ANNEXURE F

FORM – 01

DEPOSITORY PARTICIPANT ADDMISSION FORM

Please complete all details in CAPITAL letter. Application must be completed in full. All supporting documents should be attached separately with the application. All signatures in the application must be original.

Date: -----

We wish to open Depository Participant Account in our names as per the following details:

FULL NAME

ADDRESS

TELEPHONE NO:-----, FAX NO:-----.

email :-----

Contact Person Details

Name of Registered Contact Person

Designation of Registered Contact Person and Email Address

TELEPHONE NO:-----, FAX NO:-----.

Name of Operational Contact Person

Designation of Operational Contact Person and Email Address

TELEPHONE NO:-----, FAX NO:-----.

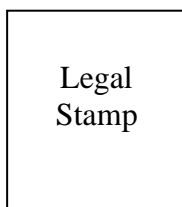
Declaration

This declaration must be signed by the Managing Director / CEO and one other Director.

We are hereby applying for admission as a Depository Participant. We warrant that we have truthfully and fully answered the above and have provided all relevant information for purposes of our admission.

We declare that all information stated in this application is complete and true.

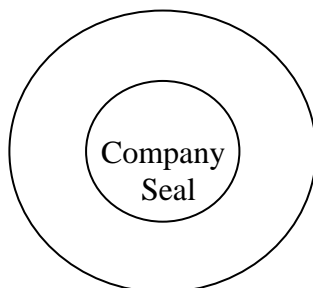
For or on behalf of (Company Name).....



Signature of Managing Director / CEO

Signature of Director

Name (in capital letter)



Name (in capital letter)

Date

Date

CD ACCOUNT OPENING FORM FOR INDIVIDUAL
(One time only if the client is registered with the same Depository Participant)

Date

D	D	M	M	Y	E	A	R

[illegible]

--	--	--	--	--	--	--	--

[illegible][illegible][illegible][illegible]

CD ACCOUNT OPENING FORM FOR INSTITUTIONS

Please complete all details in CAPITAL letters. **Please fill all names correctly. Names once captured cannot be changed.** All communications shall be sent to the correspondence address.

Date

D	D
<input type="text"/>	<input type="text"/>

M	M
<input type="text"/>	<input type="text"/>

Y	E	A	R
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Name of Company

Contact Details

Present Address

Post Box No. ----- Dzongkhag-----

Contact Person & Designation -----

Contact No.							
-------------	--	--	--	--	--	--	--

Bank Details for dividend mandate (Mandatory)

Current Account No.

Branch Name

[illegible][illegible][illegible][illegible]

Standing Instructions

I/ We authorize you to receive credits automatically into my / our account* Yes

No

7

*if not ticked it will be assumed Yes by default.

DECLARATION

The Rules and Regulations of the Depository and Depository Participant pertaining to an account which are in force now have been read by me/us and I/We have understood the same and I/we agree to abide by and to be bound by the rules as are in force from time to time for such accounts. I/We also declare that the particulars given by me/us are true to the best of my/our knowledge as on the date of making such application. I/We further agree that any false/misleading information given by me or suppression of any material fact will render my account liable for termination and further action.

Legal
Stamp

Seal & Signature of the company

For use by Brokerage Firm

[illegible]

Date

--	--	--	--	--	--	--	--

Name of Company

Name of Account Holder

[illegible]

Depository Participant ID						

Quantity to be transferred

--	--	--	--	--	--	--	--

Name of Account Holder

[illegible]

Depository Participant ID							

To be filled in only in the case of transfer with change of ownership

Reason for Transfer

[illegible]

Legal
Stamp

Signature of Account Holder

Royal Monetary Authority's Approval

Name _____

Designation

Signature

FOR USE BY CENTRAL DEPOSITORY

CD System generated Transaction ID

--	--	--	--	--	--	--

Name _____

Designation

Signature

OFF MARKET TRANSFER REQUEST FORM

Please fill in all the details in CAPITAL letters.

Application No. Date Delivery ☐ Receipt ☐**Delivering Account Holder**

Name of Account Holder

Account No.

Depository Participant ID

Receiving Account Holder

Name of Account Holder

Account No.

Depository Participant ID

Details of securities to be transferred (filled in on separate forms by deliverer and receiver)

Sl.No.	Security Name	Delivery / Receipt Quantity	
		In figures	In words

Cash Transfer? Yes ☐ No ☐ Not applicable ☐Trade Date Settlement Execution Date

Reason for Off Market Transfer

Signature of Account Holder

Legal Stamp

Royal Monetary Authority's Approval

Name

Designation

Signature

FOR USE BY CENTRAL DEPOSITORYCD System generated Transaction ID

Name

Designation

Signature

TRANSMISSION REQUEST FORM
Please fill in all the details in CAPITAL letters.

Application No.

Date

Name of Company

Transferor Details

Account No.

Depository Participant ID

Quantity to be transferred

Transferee Details

Account No.

Depository Participant ID

Reason for Transmission

Signature of Account Holder

**Legal
Stamp**

CD Participation Certificate

The transmission request form has been verified with the details of the Account Holder and it is certified that it is in order. The proposed transmission has the appropriate approval of the Authority as required.

Securities standing to the credit of a deceased Account Holder shall vest in his/her nominee/s and where no nomination was made, succession to such securities has been determined in accordance with law in favour of the heirs or legal representatives of the deceased against production of the necessary representation to the estate of the deceased by way of probate, letters of administration or succession certificate, as applicable.

CD System generated Transaction ID

Name

Designation

Signature

FORM 15**PLEDGE REQUEST FORM**

Please fill in all the details in CAPITAL letters. Account Holders (Pledgors) may pledge securities held in their accounts to a Pledgee who is a Participant or has Account with CD. Pledgors are cautioned that pledging of securities may lead to its confiscation by the pledge.

Application No.

Date

Pledge Request Number

(CD System Generated Number)

I/We request you to pledge the following securities held in my / our account.

Pledgor's details

Name of Account Holder

Account No.

Depository Participant ID

Pledgee's Details

Name of Account Holder

Account No.

Depository Participant ID

Details of Securities Offered for pledge

Sl.No	Name of Security	In figures (Quantity)

Pledge Expiry Date

I/We declare that the particulars given by me/us above are true to the best of my/our knowledge. I/We are aware that pledging of my/our securities may lead to its confiscation at the discretion of the Pledgee.

Legal
Stamp

Signature of Account Holder
(Pledgor)

FORM 15 CONTD.

I/We agree to accept the above securities for pledge and a pledge be created in my/our favour. This pledge is subjected to the Act, regulations, and Rules as are in force from time to time and also to the pledge agreement into by me/us with the pledgor/s mentioned above

Legal
Stamp

Signature of Account Holder
(Pledgee)

FOR USE BY CENTRAL DEPOSITORY

Name

Designation

Signature

FORM 16**PLEDGE CANCELLATION FORM**

Please fill in all the details in CAPITAL letters. The pledgee shall request cancellation of the pledge by forwarding this form to CD who shall electronically register the cancellation request in the system.

Application No. Date

--	--	--	--	--	--	--	--

I/We request you to set up Unpledge request on my/our behalf.

Original Pledge Request No Original Pledge Date **Pledgor's details**

Name of Account Holder

Account No Depository Participant ID **Pledgee's Details**

Name of Account Holder

Account No Depository Participant ID **Details of Securities to be Unpledged**

Sl.No	Name of Security	In figures (Quantity)

Reason for Unpledge**Signature of Account Holder**
(Pledgee)

FOR USE BY CENTRAL DEPOSITORY

Name

Designation

Signature

CONFISCATE REQUEST FORM

Please fill in all the details in CAPITAL letters. The pledgee may having setup the confiscate request in the system proceed with confiscation of the securities by forwarding this form to the CD. CD will transfer the securities from the pledgors Account subject to satisfactory instructions of the pledge.

Application No.

Date

I/We request you to set up Unpledge request on my/our behalf.

Original Pledge Request No Original Pledge Date

Pledgor's details

Name of Account Holder

Account No.

Depository Participant ID

Pledgee's Details

Name of Account Holder

Account No.

Depository Participant ID

Details of Securities to be Confiscated

Sl.No	Name of Security	In figures (Quantity)

Reason for confiscation

Signature of Account Holder
(Pledgee)

FOR USE BY CENTRAL DEPOSITORY

Name

Designation

Signature