

SECTION 18

RULES ON THE PROCEDURE TO BE FOLLOWED CONSEQUENT TO A DIRECTION RECEIVED BY CSE FROM THE SEC

- 18.1 If the CSE is directed by the SEC, in terms of Section 23 of the SEC Act, to arrange for a Stockbroker/Stock Dealer Participant to take over the outstanding contracts relating to transactions in Securities of another Stockbroker/Stock Dealer Participant, the following procedure shall be followed by the CDS, upon been directed to do so by the CSE.
- 18.2 The CDS will publish a notice in the newspapers in all three (3) languages informing the settlement failure of the Stockbroker/Stock Dealer Participant pursuant to any condition stipulated in Section 23 of the SEC Act, the direction issued by the SEC and the action that should be taken by Account Holders who maintain Client Accounts in the CDS through such Stockbroker/Stock Dealer Participant.
- 18.3 The Account Holders who maintain Client Accounts in the CDS through the Stockbroker/Stock Dealer Participant in default will be given the opportunity of transferring their Securities from such Stockbroker/Stock Dealer Participant to any other Participant of their choice within thirty (30) Market Days of the publication of the notice referred to in Rule 18.2 above, provided that there are no encumbrances and outstanding payments to the Stockbroker/Stock Dealer Participant on the Securities held in the Client Accounts concerned.
- 18.4 In the event of any of the Securities in such Client Account is subject to an encumbrance, the Account Holder will be permitted to transfer the Securities to an alternative Participant only if and when such obligations are duly settled, subject however to any restrictions imposed by an order of Court.
- 18.5 The CDS would provide details of Securities held in such Client Accounts that are not transferred by the Account Holders within thirty (30) Markets Days of the publication of the notice to the Stockbroker/Stock Dealer Participant concerned and request confirmation from such Stockbroker/Stock Dealer Participant within seven (7) Market Days as to whether such Securities held in the Clients Accounts can be transferred, and if not, the reasons for same and details of any encumbrances attached to such Securities. In the event information is not received within seven (7) Market Days after such request, it shall be presumed that the Securities are free from encumbrances and can be transferred, subject to any restrictions imposed by an order of Court.
- 18.6 Based on the information provided by the Stockbroker Participant/Stock Dealer Participant, the CDS may take any one of the following steps with regard to the Securities held in the Client Account that are not encumbered, as declared by the Stockbroker/Stock Dealer Participant or deemed not encumbered in terms of Rule 18.5:
 - (i) Initiate action to transfer such Securities to another Participant/s appointed by the CDS in the following manner.
 - (a) Request Participants who are interested in taking over the Securities in the Client Accounts of the Stockbroker/Stock Dealer Participant in default to write to CDS expressing their interest which shall not be subject to any condition.
 - (b) If more than one Participant expresses interest the CDS will decide on

what basis the outstanding Securities in the Client Accounts are to be distributed amongst the Participants who have expressed interest.

- (ii) If no Participant has expressed interest in taking over the Securities in the Client Accounts of the Stockbroker/Stock Dealer Participant in default the CDS shall;
 - (a) suspend such Client Accounts, or
 - (b) make arrangements with the relevant Listed Entities to issue securities certificates in the names of the respective Account Holders, according to their holdings deposited with the Stockbroker/Stock Dealer Participant, and dispatch such certificates to the Account Holder.

- 18.7 Securities held in the Client Account that are encumbered, as declared by the Stockbroker/Stock Dealer Participant in terms of Rule 18.5 shall be suspended by the CDS.

- 18.8 Account Holders who subsequently settle outstanding payments and encumbrances shall obtain a certificate to that effect from the Stockbroker/Stock Dealer Participant and request for a transfer of Securities to another Participant.

- 18.9 Securities in the Client Account that remain suspended subsequent to the application of the above procedure may be transferred to any other party with the approval of the SEC.