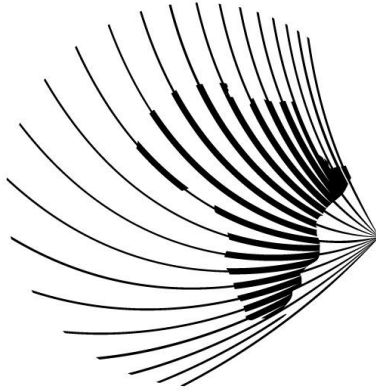


Trop-X (Seychelles) Limited



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**EXCHANGE RULES
DIRECTIVES**

Jan 2014



Trop-X Securities Exchange

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In these Directives, unless otherwise stated or the context requires otherwise, any expression that denotes any gender includes the other gender and the singular includes the plural and vice versa.

The definitions contained in the Trop-X Rules are applicable to these Directives and are incorporated herein by reference.



Trop-X Securities Exchange

1. CAPITAL ADEQUACY REQUIREMENTS

Members must maintain liquid capital which is equal to or more than the amount produced under the sum of:

- a) the higher of a base amount of USD 10, 000 (ten thousand US Dollars) or 12 (twelve) weeks operating capital; and
- b) the total of the capital requirements calculated in respect of:
 - i) Position risk requirement (Section 2);
 - ii) Counterparty risk requirement (Section 3);
 - iii) Large exposure risk requirement (Section 4); and
 - iv) Foreign exchange risk requirement (Section 5); or
 - v) As otherwise determined by **Trop-X**.

Trop-X reserves the right to require **members** to provide such additional liquid capital as it may specify to cover high levels of operational or other risks to which the **member** is exposed.

Members shall calculate their liquid capital in accordance with Table 1 below:

Table 1

Ordinary share capital	X
Preference share capital	X
Share premium account	X
Reserves	X
¹ Audited retained earnings (or accumulated losses)	X
² Unaudited profit (or loss)	X
Owners' equity	XXX



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³ Subordinated loans	X
⁴ Guarantees received	X
Total capital resources	XXX
Less: Impaired capital	XXX
Intangible assets	X
Guarantees provided	X
Material holdings in credit institutions and investment firms	X
Available capital resources	XXX
⁵ Less: Illiquid assets	XXX
Fixed assets, net of related secured loans	X
Investments in unlisted securities	X
Guarantees provided to clearing agencies	X
⁶ Adjusted liquid capital	XXX

¹**Audited retained earnings** after any charges, such as taxation and any proposed distributions to owners.

²**Unaudited Profits:** Trop-X may limit the extent to which unaudited profits are recognised where Trop-X is of the opinion that a **member's** financial reporting and management systems do not provide acceptable levels of assurance regarding the accuracy of reported interim results.

³**Subordinated loan** accounts, including shareholders loan accounts that are legally subordinated in the manner prescribed by Trop-X.

⁴**Guarantees received** by a guarantor who to the satisfaction of Trop-X is of sufficient substance to assure irrevocable performance, for at least 3 (three) months and capable of being drawn upon on presentation.

⁵**Illiquid assets:** a **member** shall deduct from its available capital resources the following **illiquid assets** in determining its adjusted liquid capital:



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- The book value of its tangible fixed assets. Where these fixed assets are used as security for loans it may be reduced to the extent of the secured loan outstanding.
- The book value of its investments in unlisted **securities**, including its investment in any subsidiary company. In addition, a **member** shall make provision for any deficiency in shareholders' **funds** of a subsidiary and taken into account in determining the **member's** counterparty risk requirement.
- The margin required by **Trop-X** in respect of **securities trades** not committed to by a **CAP** on behalf of **non-managed clients**.

⁶ **Adjusted Liquid Capital:** A **member** shall deduct the following amounts from its Adjusted Liquid Capital calculation above when determining its available capital resources:

- The full balance sheet amount of intangible assets including goodwill, capitalised development costs, licences, trademarks and similar rights.
- The maximum current exposure of the **member** arising from any guarantee given, or assets pledged to secure the obligations of a third party.
- The full value of its holdings in credit institutions and investment firms which exceed either:
 - 10% of the capital of the **issuer**; or
 - 10% of the **member's** available capital resources, before deducting these holdings.

1.1. Monitoring and enforcing this requirement

- a) The **member** must comply with these requirements in terms of **Rule 2.6**



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- b) The Capital Adequacy return must be submitted **in writing** to the Markets Supervision and Compliance Division daily by 16h00.
- c) The Markets Supervision and Compliance Division of **Trop-X** will monitor compliance of **members** with this requirement in terms of Section 9 of **the Rules**.
- d) In order to give effect to this requirement, the Markets Supervision and Compliance Division of **Trop-X** is entitled to use its right of inspection in terms of **Rule 2.8**
- e) The Markets Supervision and Compliance Division shall deal with non-compliance with the requirements of this **Directive** in terms of Section 11 of **the Rules**.
- f) On an annual basis each **member** must furnish **Trop-X** with a report **in writing** by its registered **auditor** which demonstrates compliance by the **member** with this requirement.

1.2. Position Risk Requirement

1.1.1 Valuation of Positions for Reporting Purposes

Members must mark to market their positions on at least a daily basis. In the absence of readily available market prices, **members** may use alternative methods of valuation provided that those methods are sufficiently prudent and have been approved in advance by the Head of Markets Supervision and Compliance. Position risk in terms of this requirement is not limited to **listed securities** as **Trop-X** requires that all **member** positions need to be considered holistically with reference to the **members** ability to meet its financial obligations.

1.1.1 Netting

The excess of a **member's** long (short) positions over its short (long) positions in the same **security** will be its net position in that **security**. **The Rules** regarding calculation of a position risk requirement apply to a **member's** position.

A **member** must, each day, sum all of its net long positions and all its net short positions in accordance with the netting requirements above. The sum of the two figures will be the position risk requirement. It shall multiply the result by the method prescribed below in Table 2 to calculate the capital requirement against position risk requirement.



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Trop-X Basic Method for calculating Position Risk Requirements
Table 2

1. Loan Assets	Required capital
a) Government or Government-guaranteed loan stock 1. Less than 1 year to maturity 2. Less than 3 years to maturity 3. More than 3 years to maturity	(Market value "MV") 2% of MV 5% of MV 10% of MV
b) Instruments issued or accepted by a bank Less than 90 days to maturity	2% of MV
c) Marketable securities (excluding floating-rate notes) issued by other parties 1. Less than 1 year to maturity 2. Less than 3 years to maturity 3. More than 3 years to maturity	10% of MV 20% of MV 30% of MV
d) Floating-rate notes 1. Less than 20 years to maturity 2. 20 years and more to maturity	5% of MV 10% of MV
2. Equity Securities	Required capital
Securities listed on Trop-X or a recognized overseas securities exchange a) Securities listed on the Trop-X VCAP Board or equivalent on a recognized overseas securities exchange b) Securities listed on the Trop-X SME Board or equivalent on a recognized overseas securities exchange	30% of MV 25% of MV



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c) Securities listed on the Trop-X Main Board or equivalent on a recognized overseas securities exchange	15% of MV (unless highly liquid where 2(a)(4) applies below)
d) Securities listed on the Trop-X Main Board or equivalent on a recognized overseas securities exchange which are included in a Top 50 (or fewer) index in terms of market cap (i.e. highly liquid stocks)	10% of MV
e) Equity indices	8% of MV
f) Equity exchange traded funds	8% of MV
3. Commodities	Required capital
a) Stock positions in physical commodities.	50% of realisable value
b)	
4. Futures, options and contracts for differences	Required capital
c) Exchange traded futures, options or contracts for differences	1.5 x margin requirement
d) Unlisted forward contracts or written put or call options	The appropriate percentage shown in (2) and (3) above should be applied to the market value of the underlying instruments' position
e) Unlisted purchased put or call options	As for over-the-counter ("OTC") written options but limited to the current market value of the option
f) Unlisted Contracts for Differences	The appropriate percentage shown in (2) and (3) above should be applied to the market value of the underlying instruments' position.
5. Other investments	Required capital



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a) Shares/units in a licensed/registered open-ended mutual fund or other collective investment scheme in Seychelles or a recognized jurisdiction	10% of realisable value
b) Kruger Rand	10% of realisable value
c) An interest in an unregistered futures or options fund	50% of realisable value
d) With-profit life-insurance policies	20% of surrender value
e) Any other investments	100% of amount of asset value

1.3. Counterparty Risk Requirement - General

- a) Counterparty risk is the risk that a counterparty does not fulfil its financial obligations to a **member** exposing that **member** to financial loss which in turn may impact on the **member's** ability to meet its financial obligations for the **settlement of trades in listed securities**.
- b) For each type of counterparty risk that gives rise to a positive credit, a counterparty risk amount must be calculated in accordance with the methods below and may be reduced by Counterparty Risk Weightings in Table 3 below.
- c) A **member** may reduce an unpaid **settlement** amount, premium, deposit or margin call by the amount of **funds** paid by the counterparty or collateral held by the **member** on behalf of the counterparty if the collateral is liquid, valued at mark to market value or another value approved by **Trop-X** and the collateral arrangement is evidenced **in writing**.

1.1.1 Settlement Risk for Securities Trades

A **member** must hold capital against counterparty risk prior to **settlement date** from time of **trade** until receipt of payment.

The capital requirement shall be:



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- a) For **members** that are also **CSP**, 100% of the difference between **trade** value and market value.
- b) For **members** where the **client** is not provided with **custody services** (in the case of **non-managed client**):
 - i) Where **CAP** has committed – Nil
 - ii) Where **CAP** has not committed:
 - 1 (one) day after **trade** date, 15% of the difference between the **trade** value and the market value;
 - 2 (two) days after **trade** date, 50% (fifty percent) of the difference between the **trade** value and the market value;
 - 3 (three) days after **trade** date, 100% (one hundred percent) of the difference between the **trade** value and the market value.
- c) For an **off-market trade** it is 100% (one hundred percent) of the amount due the day after **settlement date**.

1.1.1 Free of Payment Delivery

- a) 10% (ten percent) of the contract value subject to Free Of Payment Delivery where payment or delivery remains outstanding for less than 2 (two) **business days** following **settlement date**.
- b) 100% (one hundred percent) of the contract value subject to Free of Payment Delivery where payment or delivery remains outstanding for greater than 2 (two) **business days** following the **settlement date**.

1.1.1 OTC Derivatives

- a) 0% (zero percent) for a written option position where the premium has been received;
- b) 100% (one hundred percent) where premium has not been received; or
- c) 13% (thirteen percent) of:



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- i) A current credit exposure being the mark to market valuation of all contracts with a positive credit exposure; and
- ii) The potential credit exposure being the product of the absolute value of the contracts nominal, notional or actual principal amount and the credit exposure in Table 2.

Table 3 Counterparty Risk Weightings

Counterparty	Risk Weightings
Central Bank of Seychelles or Government Guaranteed Entities	0%
Banks	2%
Regulated Financial Institutions	5%
Other	10%

1.1.1 Securities Lending and Borrowing

- a) Counterparty exposure means the amount by which the market value of the equity or debt instruments or **funds** given by the **member** to the counterparty exceeds the market value of the equity or debt instruments or **funds** received by the **member** from the counterparty.
- b) This amount shall be multiplied by Counterparty Risk Weightings in Table 3 above to calculate the Counterparty Risk Requirement.

1.1.1 Margined Financial Instrument

- a) The full value of the outstanding **settlement** amount, premium, deposit or margin call that the counterparty is required to pay the **member**
- b) The full value of the outstanding **settlement** amount, premium, deposit or margin call that is due from an **entity** with respect to **client trades** or principal **trades**.



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1.4. Large Exposure Risk Requirement

- a) A **member** must calculate the excess, where positive, of its long positions over its short positions in all **securities** for each **client** (with the net position in each of the different **securities** being calculated in accordance with the method set out in the position risk requirement above) on a daily basis. The large exposure risk requirement is the sum of all such exposures.
- b) A **member** may not have an exposure to a **client** or another third party the value of which exceeds 25% (twenty five percent) of its liquid capital.
- c) A **member** may not have large exposures, which, in total, exceed 800% (eight hundred percent) of its liquid capital.
- d) Exempt exposures:
 - i) Central Bank of Seychelles;
 - ii) Central Bank of Seychelles backed or Government backed guarantees and **securities**;
 - iii) Exposures secured by **funds** placed with the **member's bank** or **Trop-X** trust account; or
 - iv) Exposures with a maturity of less than 1 (one) year to regulated financial institutions, banking institutions, recognised **Trop-X clearing agencies** and **securities exchanges** in **Seychelles** or a **recognized jurisdiction**.

1.5. Foreign Exchange Risk Requirement

- a) The calculation of a foreign exchange risk requirement applies to a **member's** principal currency positions.
- b) A **member** must calculate its overall net foreign exchange risk requirement in accordance with the procedure set out below. It shall multiply the result by 5% (five percent) in order to calculate the capital requirement against foreign exchange risk on a daily basis.
- c) The net open position in each currency shall consist of the sum of the following positions (positive or negative):



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- i) The net spot position (i.e. all asset items less all liability items, including accrued interest, in the currency in question);
- ii) The net forward position (i.e. all amounts to be received less all amounts to be paid under forward exchange trades).



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2. MEMBER OFFICER COMPETENCY REQUIREMENTS

2.1. Trading Services Provider

Qualification requirements for employees of **members** to be registered with and authorised by **Trop-X** as **Traders** for a **Trading Services Provider** are as follows:

- a) has passed the Trading Services Module conducted by **Trop-X**; and
- b) satisfied Trop-X that they have the requisite knowledge and experience of trading operations by meeting the following criteria:
 - i) has been exempted from or obtained a pass in the following **Trop-X** Registered Persons Qualification Modules:
 - a. Investment Operations Certificate (IOC) of the UK Chartered Institute of Securities and Investments or equivalent offered by a similarly accredited body in a **recognized jurisdiction**; and
 - b. Ethics Module; and
 - c. Seychelles Legal and Regulatory Environment Module; or
 - ii) is an existing **Trading Services Provider** or similar of a **recognised overseas securities exchange**; or
 - iii) has been accustomed to exercising discretion in the trading of equity **securities** for at least 10 (ten) years and has continued to do so; or
- c) has qualified as a Regular Member or Charterholder Member of the Chartered Financial Analyst Institute.

2.2. Custody Services Provider

Qualification requirements for employees of **members** to be registered with and authorised by **Trop-X** as a Custody Services Officer for a **Custody Services Provider** are as follows:

- a) has been exempted from or obtained a pass in the following **Trop-X** Registered Persons Qualification Matrix:
 - i) Investment Operations Certificate (IOC) of the UK Chartered Institute of Securities and Investments or equivalent offered by a similarly accredited body in a **recognized jurisdiction**; and
 - ii) Ethics Module; and
 - iii) Seychelles Legal and Regulatory Environment Module; or



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- b) is an existing **Custody Services Provider** or similar of a **recognised overseas securities exchange**; or
- c) has been accustomed to providing **custody services** for at least 10 (ten) years and has continued to do so.

2.3. Advisory Service Provider

Qualification requirements for employees of **members** to be registered with and authorised by **Trop-X** as Advisory Services Officers for an **Advisory Services Provider** are as follows:

- a) is approved to provide **advisory services** by **recognized overseas securities exchange**; or
- b) has been accustomed to exercising discretion in the **management of securities** or providing **advice** on trades in **securities** for a minimum of 10 (ten) years and continues to do so; or
- c) has been exempted from or obtained a pass in the following **Trop-X** Registered Persons Qualification Matrix:
 - i) Investment Operations Certificate (IOC) of the UK Chartered Institute of Securities and Investments or equivalent offered by a similarly accredited body in a **recognized jurisdiction**; and
 - ii) Ethics Module; and
 - iii) Seychelles Legal and Regulatory Environment Module; or
- d) has qualified as a Regular member or Charterholder member of the Chartered Financial Analyst Institute.

2.4. Compliance Officer

No employee of a **member** shall be eligible to act as the **Compliance Officer** of a **member** unless the employee has:

- a) is approved to be a Compliance Officer by **recognized overseas securities exchange**; or
- b) has been exempted from or obtained a pass in the Investment Operations Certificate (IOC) of the UK Chartered Institute of Securities and Investments or equivalent offered by a similarly accredited body in a **recognized jurisdiction**; and



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- c) has passed the Ethics Module of the **Trop-X** Registered Persons Qualifications Matrix; and
- d) Seychelles Legal and Regulatory Environment Module of the **Trop-X** Registered Persons Qualifications Matrix.

2.5. Settlements Officer

No employee of a **member** shall be eligible to act as the **Settlement Officer** of a **member** unless the employee has:

- a) is approved to be a Settlement Officer by **recognized overseas securities exchange**; or
- b) has been exempted from or obtained a pass in the Investment Operations Certificate (IOC) of the UK Chartered Institute of Securities and Investments or equivalent offered by a similarly accredited body in a **recognized jurisdiction**; and
- c) has passed the Ethics Module of the **Trop-X** Registered Persons Qualifications Matrix; and
- d) Seychelles Legal and Regulatory Environment Module of the **Trop-X** Registered Persons Qualifications Matrix.

3. TRADING AND REPORTING

3.1. Trading and reporting periods and times

Members must be open for business and be ready to post quotations and execute purchase or sale **trades** in **listed securities** during all trading hours set by **Trop-X** below:

Overnight off-market trades	09h30 until 010h00
Continuous trading period	10h00 until 16h00
Intra-day off-market trades	Same day by 18h00
Overnight trading	16h00 till 10h00



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3.2. Additional periods

Market **order** extension period (at the discretion of **Trop-X**).

3.3. Standard trade size

SR 100 and up USD 10 and up	10 securities
SR 10 to 99 USD 1- 10	100 securities
Under SR 10 USD 1	1,000 securities

3.4. Affected person trades (related persons)

Any **trade** executed by a **member** on behalf of an **affected person** must be reported to the Markets Supervision and Compliance Division within 15 (fifteen) minutes of the **trade** being **matched**.

3.5. Types of orders permitted

Types of **orders** permitted on the **Trop-X ATS** include market **orders** and limit **orders** as described below:

- a) market **orders** are **orders** to buy or sell a **security** at the best price or prevailing prices in the market at that point in time. No price is specified for this type of **order**, but the volume must be indicated; and
- b) limit **orders** are **orders** that specify the maximum buying price or the minimum selling price. The volume of the **order** must be indicated. Limit **orders** can have the following attributes:
 - i) time in force;
 - ii) disclosed **order** which is not a hidden **order**;



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- iii) hidden **order** which means an **order** submitted to the **Trop-X ATS** during the continuous **trading** period where the **order** is not visible to other **members** and may **match** in full or in part against disclosed **orders** or other hidden **orders**; and
- iv) qualifiers which modify the conditions of an **order** based on volume, time and price.

3.6. Trop-X matching criteria

Trop-X's matching criteria in terms of **Rule 5.9** are stated below.

3.1.1 Continuous trading period

For continuous **trading** all **orders** entered into the **Trop-X ATS** will be **matched** based on price priority and then time priority and visibility.

- a) Price priority - where the highest **bid** and the lowest **offer** have precedence over all other **orders**. **Orders** are ranked by price sequence in the **Trop-X ATS order** book.
- b) Time priority - where the **orders** have the same price, the first **order** entered takes priority over those entered later.
- c) Visibility - if a large **order** is placed with a smaller disclosed quantity (hidden **orders**) and the disclosed quantity is executed, the **order** will lose its time priority;
- d) Price is given the highest priority in the **Trop-X ATS**. Accordingly, market **orders** will have priority of execution over limit **orders**.

3.1.1 Auction trading periods

For the opening and closing auctions **bids** and **offers** will be **matched** and reported on the following criteria:

- a) each new **order** input is integrated into the **Trop-X ATS** and is dynamically calculated by the **ATS** and disseminated to the market;
- b) valid **orders** from the continuous **trading** session and / or the previous day's close will also participate in the auction, preserving its original time stamp;



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- c) information will include the total number of **securities** on the buy side and total number of **securities** on the sell side;
- d) each new incoming **order** and each cancellation will result in a recalculation;
- e) uncrossing price is displayed;
- f) market **orders** are not permitted and if submitted will be rejected;
- g) hidden **orders** and time in force **orders** are not permitted and will be rejected;
- h) the calculation of the **opening price** and **closing price** will enable the maximum number of **securities** to be **traded**;
- i) where there is more than one price at where the maximum number of **securities** can be **traded**, the highest price will be the **opening price** or the **closing price** as the case may be;
- j) buy **orders** whose price limit price exceeds the **opening price** and sell **orders** whose price limit falls below the **opening price** are executed in their entirety;
- k) the **orders** at the **opening price** or **closing price** are executed on a time priority principle;
- l) all **orders** that can be **matched** at the **opening price** or **closing price** will be **matched**;
and
- m) all **unmatched orders** are automatically transferred to the continuous trading session and recorded on the **orders** price priority, time priority and visibility attributes.

3.7. Approved listed securities

[RESERVED]

4. CLEARING AND SETTLEMENT PROCEDURES

This **Directive** applies to Section 5 and Section 6 of **the Rules** for the trading, reporting, **clearing** and **settlement** obligations of a **member** subsequent to a **trade** and to Section 3.2 of **the Rules** for the provision of **custody services** by a **Trop-X** approved **CSP**.

4.1. Member clearing and settlement requirements

Prior to a **member** being permitted to transact on the **Trop-X ATS** it must:



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- a) have executed agreements with a **CAP**;
- b) provide confirmation to **Trop-X** from the **member's CAP** and **clearing agency** that effective communication is in place with the **member** to effect **settlements** per the **Trop-X Rules**, the **clearing agency** rules and the **CAP's** requirements;
- c) Have a **funds** and a **securities** account at the **Trop-X** approved **clearing agency**, the **member's CAP** and the **Trop-X** approved **securities depository** in the name of the **member** which will be used for the **settlement** of the **members** principle positions;
- d) Monitor and reconcile daily the **members**:
 - i) **Trop-X** trust sub-account;
 - ii) **Trop-X** approved **clearing agency funds** and **securities** sub-accounts;
 - iii) **CAP funds** and **securities** sub-accounts.
- e) if **trading for managed clients**:
 - i) for Pre-Validated Trades, have a **funds** sub-account in the name of the **client** held within the **Trop-X** Trust account; and / or
 - ii) have a **funds** and **securities** sub-account in the name of the **client** with the **Trop-X** approved **clearing agency**.
- f) If **trading** for a **non-managed client** ensure that the **non-managed client** has appointed a **CAP** for **settlement** and has a **securities** account at the **clearing agency**;
- g) Advise **in writing** to **Trop-X**:
 - i) **member's CAP** name;
 - ii) **member's CAP** banking details; and
 - iii) **member's CAP** client reference, **securities** account and **funds settlement** account;



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4.2. Member clearing and settlement obligations

4.1.1 Pre-trade obligations

Ensure that each **non-managed client** has appointed a **CAP** and the details held by that **CAP** agree to the details of the **client** of the **member** in the **Trop-X** approved **clearing agency clearing** system.

Prior to executing a sell **order** a **member** must ensure that:

- a) The **securities** are held in uncertificated form by the **member**, the **member's managed client** or the **non-managed client's CAP**; or
- b) The **member** has evidenced that the **client** owns the **securities** to be sold and these **securities** will be available for **settlement** of a **trade** on **settlement date**; or
- c) Others **trades** have been concluded which provide for an equivalent amount of **securities** being available for **settlement** of a **trade** on **settlement date**; or
- d) A satisfactory **Securities** Lending Agreement is in place which provides for an equivalent amount of **securities** being available for **settlement** of a **trade** on **settlement date**, or
- e) A **corporate action** provides for an equivalent amount of **securities** being available for **settlement** of a **trade** on **settlement date**.

4.1.1 Post trade obligations

- a) Where a **client** fails to meet his obligations a **member** will assume the obligation to **settle** the **trade** through the **member's CAP** and where the **CAP** of a **non-managed client** fails to commit to **settle** a **trade** by 12h00 on S-1 a **member** must, by no later than 15h00 on S-1, ensure that the **CAP** of the **member** commits to **settle** the **trade**.
- b) If a **member** becomes aware that its **client** is not able to **settle** a **trade**, the **member** must make every effort to enter into an arrangement to ensure that the **trade settles** on **settlement date**. If the **member** is unable to enter into such an arrangement, the **member** must immediately notify the Head of Markets Supervision and Compliance Division.



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4.1.1 Member assumes sell-out or buy-in obligations of client

Where a **client** does not meet **settlement** obligations in terms of **these Rules** and the **Directives** and the **member** assumes the obligation to **settle** the **trade**, the **member** may notify the **client** and;

- a) Buy-in **listed securities** for the account of the **client** and claim the difference between the selling consideration and the purchase consideration of these **securities**; or
- b) Sell-out **listed securities** for the account of the **client** and claim the difference between the purchase consideration and the selling consideration for such **securities**; and

The **member** is permitted to sell;

- a) Any other **listed securities** belonging to the **client** and held by or in the custody of the **member**; or
- b) Any other **listed securities** to be delivered to the **client** for any **trades** in **listed securities** previously entered into by the **client** as is necessary to realise an amount equal to the amount still owing by the **client** in respect of these **listed securities**, after the sale or purchase of the **securities** in terms of the above.

4.1.1 Clearing and settlement obligations for an Member

Obligation	Time required for obligation
A member must allocate trades to a client or a member's proprietary account.	By 10h00 on s-2.
A member must communicate to a client detail of trades .	By 10h30 on s-2.
The client is deemed to have accepted the trade unless he notifies the member to the contrary.	By 14h00 on s-2.



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A non-managed client must provide settlement instructions to its CAP upon acceptance of a trade reflected on a communication by the member .	By 15h00 on s-2.
A member must ensure that a managed client will be in a position to settle .	By 12h00 on s-1.
A member must ensure that no allocation corrections (deal adjustments) are made.	After 16h00 on s-2.
Any allocation correction for a non-managed client trade must be communicated to the client within sufficient time to allow for the CAP of the client to commit.	By 12h00 on S-1
A non-managed client must ensure that its CAP has committed to settle the trade .	By 12h00 on S-1
A member must ensure that its CAP has committed to settle its trades .	By 12h00 on S-1

4.1.1 Margin on trades in equity securities

In terms of **Rule 6.4** the margin required is 100% of the **settlement** value and these **funds** are required to be placed at the **member's CAP** by 16h00 on S-1.

4.1.1 Trop-X as lender of last resort

Trop-X may arrange at its discretion to lend **securities** or **funds** to a **member** to effect **settlement**. If a loan is granted each **trade** will be considered on a case by case basis at prevailing market borrowing rates and administration costs.



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5. PENALTIES FOR LATE AND FAILED SETTLEMENT

5.1. Penalties for late and failed settlement

Member's failure to ensure its client's trade is confirmed with CAP per the Rules and Directives .	USD 100 per client per security .
Failure to record the necessary entries in the Trop-X approved clearing agency clearing system for clearing and settlement per the Rules and Directives .	USD 100 per client per security .
Failure to ensure that a client has sufficient securities or funds to settle trades .	USD 100 per client per security .
Late allocations.	USD 300
Where a member assumes obligations of clients .	USD 300
Where a member is unable to settle the trade in terms of these Rules and the Directives which results in Trop-X facilitating the borrowing of securities .	USD 60 plus the brokerage on the trade for which securities are borrowed with a minimum fine of 0.125% of the value of the trade , not exceeding USD 5,000
Where a member is unable to settle the trade in terms of the Rules and the Directives which results in the Trop-X facilitating the borrowing of funds to settle the trade .	USD 300 plus the brokerage on the trade for which funds are borrowed with a minimum fine of 0.125% of the value of the trade , not exceeding USD 5,000.
Where a member introduces a trade which is declared a failed trade in terms of the Rules and Directives .	USD 100 plus double the brokerage with a minimum fine of 0,2% of the value of the trade , not exceeding USD 10,000.

Penalties must be paid within 5 (five) **business days** of the date of invoice unless an appeal is lodged in terms of the **Rules**.

Any appeal against the penalties imposed by the **Trop-X** must be **lodged in writing** by a **member** and received by **Trop-X** no later than 15h00 on the day that the penalty is payable.



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Service	Fee
Securities lending for member settlement.	USD 100 administration fee plus the greater of USD 100 or 3% p.a. above the lending rate obtained by Trop-X on the initial value of the lent securities for the loan period.
Funding for member settlement.	USD 100 administration fee plus an interest charge of 3% p.a. above the Prime Overdraft Rate at Trop-X's banker.
Processing of buy-out and sell-in trades in terms of the Rules and the Directives .	USD 750 administration fee per trade per security payable by the member who introduced the failed trade .

5.2. Payment of fees

A **member** must pay **fees** charged by the **Trop-X** within 5 (five) **business days** of the date of invoice.



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6. CORPORATE ACTIONS

6.1. Publication of Corporate Actions

All **corporate actions** pertaining to **listed securities** deposited by record date in a **Trop-X** approved **securities depository** will be published on **QUANS** and contain at least the following information:

- a) Type of **corporate action**;
- b) The number of **securities** effected;
- c) The price at which the **corporate action** is being offered;
- d) The period for which the offer is open;
- e) The procedure method and timetable for fixing the price; and
- f) If applicable, the default option in the event of non-election from a **member**.

6.2. Elections

- a) **Members** must advise their **CAP** of the **member's** and/or their **client's** elections in the timeframe required.
- b) **Members** must make elections per the **client's** requirements.
- c) Where the **client** does not communicate the election required within the timeframe required this will result in the default election in the conditions applicable in the relevant **corporate action**.
- d) Any elections not made by a **member** or that **member's CAP** will result in the default election set out in the conditions applicable to the relevant **corporate action**.

6.3. General Corporate Action Timeline (t+3 settlement)



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Announcement Date / Declaration Date		RD - 15 or earlier
Finalisation Date		RD - 10 or earlier
LDT	<i>7 days or more</i>	RD - 3
Ex Date		RD - 2
Record date / Election Deadline Date	<i>2 days</i>	RD
Pay Date	<i>1 day</i>	RD + 1, or later

6.1.1 Announcement / Declaration Date

A **corporate action** is announced with or without all the final details. The notice is published via generally accepted market notice system to all **CAP's**. The **CAP's** are responsible to inform all their **clients** about the upcoming **corporate action**.

The announcement must include such information as the **security** name, **ISIN**, event type and all pertinent dates.

6.1.1 Finalisation Date

The initial announcement notification of the **corporate action** can be updated as more information is confirmed. All details of the **corporate action** must be finalised by the finalisation date and a final notification is published on this day. In certain cases the settlement/pay date of a **corporate action** may remain 'to be confirmed' at finalisation date



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but the other salient dates need to be confirmed. No other details of the **corporate action** can change after this date except if authorised by **Trop-X**.

6.1.1 LDT

This is the last day that trading can occur on the **Trop-X ATS** and the holder is still entitled to participate in the **corporate action**. Any **trades** after LDT will exclude entitlements of the **corporate action**.

6.1.1 Ex Date

All **matched trades** on or after Ex date are not entitled to participate in the **corporate action**. Ex date is the first business day after LDT. Any **off-market trades** on or after Ex date but with a **settlement date** on or before record date will be entitled to participate in the **corporate action**.

6.1.1 Election Date Deadline

For an elective event, the election deadline date is the date by which **CAP's** must have received elections from all their **clients**. **CAP's** will usually make the deadline date for their **clients** to elect 1 (one) or 2 (two) days before this date in order to collect all the elections from their **clients**. The **CAP's** then pass on their election to the **securities depository**. The **CAP's** election will be the aggregate of all their **clients'** elections. If no election is received from a **CAP** then the default option for that **corporate action** will be applied to that **CAP's** holding. The same applies for incomplete elections or where the number of **securities** elected on is different to the final size of the account.

6.1.1 Record Date

Record date is the same day as election deadline date. Registered **security** holders as of close of business of RD will be subject to the **corporate action**. For **securities trades** with a 3 (three) **settlement**, the registered **security** holders will not change after the close of business on LDT. Any **off market trades** or stock borrowing/lending **trades** after LDT but **settling** on or before record date must be taken into account regarding any elections.



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6.1.1 Payment Date

Any cash or **security** entitlements resulting from the **corporate action** will **settle** on payment date.

6.4. List of Corporate Actions

6.1.1 Cash Payments

6.4.1.1. Cash Dividend

Issuer distributes cash reserves to **securities** holders. Dividend must be paid out of retained income or current year's profits.

Types:

- Maiden
- Interim
- Final
- Special

No cash payments are made with respect to fractional holdings of **securities**. All **corporate action** payments will be rounded down to the nearest whole number if less than 0.5 **securities** and up to the nearest whole number if greater or equal to 0.5.

6.4.1.2. Capital Repayment

Issuer partly repays the capital in issue by paying the holders a proportion of the paid-up capital of the **security**.

6.4.1.3. Capital Reduction

Cash payment to **securities** holders made out of the Security Premium Account when excess working capital is distributed. The Security Premium Account is the amount of cash an **issuer** raises in excess of the par value of the **securities**.

*The power to reduce **issuer security** capital must exist in the company's Articles of Association.*



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6.4.1.4. Special Dividend

A dividend that is exceptional in either size or date issued. Paid out of excess profits and is nonrecurring.

6.4.1.5. Liquidation Dividend

Cash payment to **securities** holders when an **issuer** winds up and subsequently its listing is terminated.

6.1.1 Change in Quantity of Securities - no cash involved

6.4.2.1. Subdivision / security split

The number of issued **securities** is split into a greater quantity of **securities** of the same class with a corresponding decrease in the par value of each **security**. The effect is that the number of **securities** in issue increases but the total nominal value of the issued **security** capital stays the same. In theory, the market price will decrease in the same ratio as the subdivision.

6.4.2.2. Capitalisation / Bonus Issue

Free issue of **securities** to all **securities** holders. Occurs when the **issuer** would like to convert part of its reserves into new **securities**. The result is that each **securities** holder will hold more **securities**, but their percentage ownership of the **issuer** does not change. The value of each security will decrease. *(Essentially a **security** dividend without election)*

6.4.2.3. Consolidation

The number of issued **securities** is consolidated into a lesser quantity of **securities** of the same class with a corresponding increase in the nominal value of the remaining **securities**. The effect is that the number of **securities** in issue reduces but the total nominal value of the issued **security** capital stays the same. In theory, the market price should rise by the same ratio as the consolidation.

6.1.1 Change in Quantity of Securities – Cash Involved

6.4.3.1. Stock Dividend / Dividend Option

Instead of an **issuer** paying out cash as a dividend, an **issuer** can choose to pay out **securities**. An **issuer** might do this if they want to retain cash for working capital. The new **securities** issued are the same type as the **securities** already in issue. The new **securities** are issued in a ratio to the **securities** already held.



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Securities holders must be able to choose between receiving cash or the **securities**, otherwise the **corporate action** is considered a capitalisation issue.

6.4.3.2. Unbundling

Holding company has one or more subsidiaries. **Issuer** also has cash reserves and investments in **unlisted securities**. **Securities** holders will receive:

- **securities** in the subsidiaries; or
- cash; or
- combination of the above

The holding company may or may not be delisted. **Securities** holders may or may not receive election to choose what they receive.

6.4.3.3. Rights Offer / Claw Back Offer

Existing **security** holders are given the right to buy more **securities** in the **issuer** in proportion to their existing holdings. A rights issue raises **funds** for the **issuer** and it increases the net assets of an **issuer** and will also have an effect on **security** price.

The rights become tradeable as a separate **security** called a nil paid letter (NPL). The NPL's have a subscription price which the **security** holder will pay to convert the NPL into a **security**. The subscription price is usually at a discount to the market price of the **security** to make the rights issue attractive. They may be taken up by the **security** holder or allowed to lapse. If all the rights are not taken up by **security** holders, the remaining **securities** may be sold on market.

TAKE-UP

The second step in a right issue. NPL's are either taken up and converted into **securities** with the payment of the subscription price or they lapse. They are then delisted. When the rights offer is underwritten, then the NPL's not taken up are bought by the underwriter and there are no withdrawal of **securities**.

6.4.3.4. Odd-Lot Offer

When a listed **issuer** attempts to reduce admin expenses by decreasing the total amount of **security** holders in the market. It will attempt to reduce the number of 'odd-lot' **security** holders. An 'odd-lot' is a **security** holding of less than 100 (one hundred) **securities**. **Security** holders are given the option to either:

- retain their odd-lot holding



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- top up their holding to 100 (one hundred) **securities**
- sell their odd-lot holding

The default option is for the odd-lot holding to be sold.

6.1.1 Specific Issuer of Securities for Cash

The **issuer** issues **securities** for cash to specific investors from the unissued portion of its authorised **security** capital. An **issuer** might do this to raise extra capital or to take advantage of market conditions. The **security** holders will have waived their rights to retain their percentage holdings at an earlier General Meeting.

6.1.1 General Issue of Securities for Cash

The **issuer** issues **securities** for cash to the general market. Similar to 'Specific issue of **securities** for cash'. This is not in proportion to **security** holder rights. The **security** holders will have waived their rights to retain their percentage holdings at an earlier General Meeting.

6.1.1 Conditional Offer

An offer made to **security** holders of an **issuer** conditional upon the occurrence of some event (e.g. **security** holder meeting, regulatory approval, etc). Typically during a takeover bid, predator will make an offer to **security** holders conditional upon it being accepted by a certain percentage of the **security** holders.

6.1.1 Unconditional Offer

Offer to **security** holders where there are no conditions preventing the offer from happening.

- Cash/Security offer: offer to **security** holders to sell their **securities** to a third party for cash or **securities** in another listed **issuer**.
- Partial and/or hostile offer: offer to **security** holders at a specific date to sell part of their holdings to a third party for cash or **securities** in another listed **issuer**.

6.5. Corporate Action Announcements – Static Data Changes

6.1.1 Suspension

Securities are suspended from **trading** for a period of time. Usually occurs when a material event is about to happen that will have a large effect on the **security** price. This can be



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implemented by the **securities exchange** if the **issuer** fails to comply with the listing requirements.

6.1.1 Termination

Securities are withdrawn from the **exchange**. The **issuer** doesn't necessarily delist as there may be other instruments still listed.

6.1.1 Change of Authorised Security Capital

Usually done after obtaining the necessary approval from the **security** holders and **Trop-X**.

6.1.1 Name Change

The registered name of an **issuer** changes.

6.1.1 Suspension Lifted

Announcement that a trading suspension is lifted by the **securities exchange**.

6.1.1 New Listing

Announcement that a new listing is approved by the **securities exchange**.

6.1.1 Nominal Value / PAR Value Change

Announcement that an **issuer's** nominal value / par value has changed.

6.1.1 Security Incentive Scheme

The listed **issuer** allocates **securities** to its employees instead of paying them cash bonuses. Staff may have to pay for the **securities**, but at a discount to market value.

6.1.1 Voluntary Wind Up

Voluntary winding up of an **issuer**.

6.1.1 Withdrawal of Listing

The withdrawal of a proposed listing of **securities** or it can also mean the withdrawal of already **listed securities** (e.g. withdrawing **securities** not taken up in a rights offer or not taken up in a stock dividend). It does not mean the delisting of an **issuer** or its instruments.

6.1.1 Sector Transfer

Listed **issuer** moves its listing from one sector to another sector. The **issuer** has usually changed its core business or the **securities exchange** has changed the sector classification and structure.



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6.1.1 Security Buy Back

Stock repurchases are often used as a tax-efficient method to put cash into **security** holders' hands, rather than paying dividends. Sometimes companies do this when they feel their stock is undervalued on the open market. Another motive for stock repurchase is to protect the **issuer** against a takeover threat.

Issued **security** capital held by the **issuer** (called treasury stock) is essentially the same as unissued capital and is not an asset to the **issuer**. Treasury **securities** simply reduce ordinary **security** capital.

6.1.1 Minority Offer

When the holding **issuer** of a subsidiary holds the majority of the **securities** in the subsidiary and the rest of the **securities** are held by minority **security** holders. An offer is made to buy the minorities out.

6.1.1 Additional Securities: Acquisition

An issue of **securities** in consideration for an acquisition of assets or an acquisition of, or merger with, another **issuer** in consideration for **securities** of that other **issuer**. The **security** holders will have waived their rights to retain their percentage holdings at an earlier General Meeting. *(A merger when new securities are issued)*

6.1.1 Reverse Take-over Listing

An acquisition by a listed **issuer** of a business, an unlisted **issuer** or assets where the value/amount of the acquisition is 100% or more of the original market value of the listed **issuer**, or which would result in a fundamental change in the business or in a change in board or voting control of the listed **issuer**.

6.1.1 Scheme of Arrangement

A general event type used to describe complex deals and arrangements between listed companies. In essence, a third party proposes a scheme of arrangement to purchase **securities** in a listed **issuer** by offering either:

- a) a new **issuer**
- b) cash
- c) combination of the above

Security holders will either have the election to accept or the scheme may be mandatory.



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6.1.1 Interest Payment

Interest is paid to **security** holders of interest bearing **securities** at a fixed or variable rate.

6.1.1 Partial Redemption

Essentially same as capital redemption. Applies to preference **securities** and debentures.

6.1.1 Change of Board

Issuer moves it's listing from one **Board** to another **Board** (e.g. VCAP to SME)

6.1.1 Conversion of Securities

This occurs when convertible **securities** are converted in accordance with the relevant trust deed. Holders of convertible debentures, convertible preference **securities**, deferred **securities** and options have the right to convert all or part of such instruments into ordinary **securities** each year and by a certain closing date, sometimes involving paying a conversion take-up price.

6.6. Operational Procedures for each Corporate Action

6.1.1 Cash Payments

This refers to a Cash Dividend, Capital Repayment, Capital Reduction, Special Dividend or Liquidation Dividend.

- a) **Issuer** declares a dividend (announcement date). This needs to be at least 15 (fifteen) days before record date (RD).
- b) Final notice of event is sent on Finalisation Date.
- c) At end of day on LDT all **security** holders that will receive the cash payment are known (as long as there are no **trades** that can **settle** in a shorter time than the standard **settlement** time)
- d) The market price of the **securities** on Ex date will in theory decrease by the amount of the cash payment. This is totally due to market supply and demand and no manual adjustments are made.
- e) At the end of record date the **security** holders as per the **security** holder registry will receive the cash payment. These **security** holders will not have changed since LDT as long as there has been no **off-market trades settling**.
- f) All cash settles on pay date. The **issuer** will pay the **CAP** who will pay the **member CSP nominee** for **managed clients** or the beneficial owners of the **securities**.



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6.1.1 Change in Quantity of Securities – No Cash Involved

a) **Subdivision/Securities Split**

- i) **Issuer** announces the **security** split (announcement date). This needs to be at least 15 (fifteen) days before record date (RD).
- ii) Final notice of event is sent on Finalisation Date.
- iii) At end of day on LDT all **security** holders that will participate in the **security** split are known (as long as there are no **trades** that can **settle** in a shorter time than the standard **settlement** time i.e. T+3)
- iv) Adjustments to the quantity of **securities** need to be made before market open on ex date. All **securities** will be multiplied by the adjustment factor. E.g. for a 2 for 1 **security** split the adjustment factor would be 2 – the quantity of **securities** would be multiplied by 2. at market open on ex date there would be twice as many **securities** outstanding in the market.
- v) At the end of record date the **security** holders as per the **security** holder registry will participate in the event.
- vi) The resultant **securities** from the **corporate action settle** on pay/**settlement date**.

b) **Capitalisation Issue/Bonus Issue**

- i) **Issuer** announces the **security** split (announcement date). This needs to be at least 15 (fifteen) days before record date (RD).
- ii) Final notice of event is sent on Finalisation Date.
- iii) At end of day on LDT all **security** holders that will participate in the **security** split are known (as long as there are no **trades** that can **settle** in a shorter time than the standard **settlement** time i.e. T+3)
- iv) Adjustments to the quantity of **securities** need to be made before market open on ex date. All **securities** will be multiplied by the adjustment factor. E.g. for a 2 (two) for 1 (one) **security** split the adjustment factor would be 2 (two) – the quantity of **securities** would be multiplied by 2 (two). At market open on Ex date there would be twice as many **securities** outstanding in the market.
- v) At the end of record date the **security** holders as per the **security** holder registry will participate in the event.
- vi) The resultant **securities** from the **corporate action settle** on pay/**settlement date**.

c) **Consolidation**

- i) **Issuer** announces the consolidation (announcement date). This needs to be at least 15 (fifteen) days before record date (RD).



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- ii) Final notice of event is sent on Finalisation Date.
- iii) At end of day on LDT all **security** holders that will participate in the consolidation are known (as long as there are no **trades** that can **settle** in a shorter time than the standard **settlement** time i.e. T+3 (**off-market trades**))
- iv) Adjustments to the quantity of **securities** need to be made before market open on Ex date. All **securities** will be multiplied by the adjustment factor. E.g. for a 1 (one) for 2 (two) consolidation the adjustment factor would be 0.5 (one half) – the quantity of **securities** would be multiplied by 0.5 (one half).
- v) At market open on Ex date there would be half the number of **securities** outstanding in the market.
- vi) At the end of record date the **security** holders as per the **security** holder registry will participate in the event.
- vii) The resultant **securities** from the **corporate action** settle on pay/**settlement date**.

6.1.1 Change in Quantity of Securities – Cash Involved

a) **Stock Dividend/Dividend Option**

- i) **Issuer** announces the dividend option (announcement date). This needs to be at least 15 (fifteen) days before record date (RD).
- ii) Final notice of event is sent on Finalisation Date.
- iii) At end of day on LDT all **security** holders that will participate in the consolidation are known (as long as there are no **trades** that can **settle** in a shorter time than the standard **settlement** time i.e. T+3 (**off-market trades**))
- iv) On Ex date the **security trades** Ex div and the market price of the stock will decrease.
- v) Election date is the same as record date. This is the deadline by which the **securities depository** must receive all elections from **CAP's**. This means that **CAP's** and **Members** will make their own election deadlines dates 1 (one) or 2 (two) days before this to receive all elections from their **clients**.
- vi) The **securities depository** will elect on its total holdings in terms of the election instructions received from each **clearing agency** (i.e. the election is the aggregate of each **CAP** by **security** custody account (SCA)).
- vii) The **CAPs** elect on their holdings per SCA in terms of the instructions received from each of their **clients**. The **CAP's** election will be the aggregate of each individual **client's** election instruction.
- viii) There is always a default option, and if no election is received for any **securities**, the default option is applied.



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- ix) Record date – when electing, all parties (**CAP's, Members and Members' clients**) will have to anticipate their holdings for record date by taking into account all unsettled **trades** concluded on or before LDT.
 - x) At the end of record date the **security** holders as per the **security** holder registry will participate in the event.
 - xi) The resultant **securities** and cash from the **corporate action settle** on **pay/settlement date**.
- b) **Unbundling**
- i) **Issuer** announces the unbundling (announcement date). This needs to be at least 15 (fiteen) days before record date (RD).
 - ii) Final notice of event is sent on Finalisation Date.
 - iii) At end of day on LDT all **security** holders that will participate in the unbundling are known (as long as there are no **trades** that can **settle** in a shorter time than the standard **settlement** time i.e. T+3 (**off-market trades**))
 - iv) On Ex date the **security trades** Ex the event. If there are new **securities**, these will be listed on Ex date and become **tradeable**.
 - v) If there is an election, election date is the same as record date. This is the deadline by which the **securities depository** must receive all elections from **CAP's** via the **clearing agency**. This means that **CAP's** and will make their own election deadlines dates 1 (one) or 2 (two) days before this to receive all elections from their **clients**.
 - vi) The **securities depository** will elect on its total holdings in terms of the election instructions received from each **clearing agency** (i.e. the election is the aggregate of each **CAP** by security custody account (SCA)).
 - vii) The **CAPs** elect on their holdings per SCA in terms of the instructions received from each of their **clients**. The **CAP's** election will be the aggregate of each individual **client's** election instruction.
 - viii) There is always a default option, and if no election is received for any **securities**, the default option is applied.
 - ix) Record date – when electing, all parties (**CAP's, Members and Members' clients**) will have to anticipate their holdings for record date by taking into account all unsettled **trades** concluded on or before LDT.
 - x) At the end of record date the **security** holders as per the **security** holder registry will participate in the event.
 - xi) The resultant **securities** and/or cash from the **corporate action settle** on **pay/settlement date**.



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6.1.1 Rights Offer/Claw Back Offer

Announcement Date / Declaration Date	RD 15 or earlier	RD - 15
Finalisation Date		RD - 10 or earlier
LDT	<i>7 days or more</i>	RD - 3
Ex Date		RD - 2
Record date	<i>2 days</i>	RD
Issue Date	<i>1 day</i>	RD + 1
LDT	<i>+ - 2 weeks trading of rights</i>	RD - 3
Ex Date		RD - 2
Election Deadline / RD		RD
Issue / Pay Date		RD + 1, or later

- a) **Issuer** announces the rights issue (announcement date). This needs to be at least 15 (fifteen) days before record date (RD).
- b) Final notice of event is sent on Finalisation Date.



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- c) At end of day on LDT all **security** holders that will participate in the rights issue are known (as long as there are no **trades** that can **settle** in a shorter time than the standard **settlement** time i.e. T+3 (**off-market trades**))
- d) On Ex date the **security trades** Ex the rights issue and the market price of the stock will decrease. The rights are issued (called nil paid letters (NPL)) as a separate **security**. If the rights issue is renounceable, the NPL's can be traded on market. If the rights issue is non-renounceable, the NPL's are not tradeable.
At the end of record date the **security** holders as per the **security** holder registry will receive the NPLs. These **security** holders will not have changed since LDT as long as there have been no **off-market trades** settling.
- e) The NPL's **settle** on Issue/Pay date. The rights then **trade** (renounceable rights issue) for about another 2 (two) weeks.
- f) LDT is the last trading day for the rights.
- g) The NPL's are delisted on Ex date.
- h) Election date is the same as record date. This is the deadline that the **securities depository** must receive all elections from the **clearing agency**. This means that **CAPs** and **Members** will make their own election deadlines dates 1 (one) or 2 (two) days before this to receive all elections from their **clients**.
- i) The **securities depository** will elect on its total holdings in terms of the election instructions received from each **clearing agency** (i.e. the election is the aggregate of each **CAP** by **security** custody account (SCA)).
- j) The **CAP's** elect on their holdings per SCA in terms of the instructions received from each of their **clients/members**. The **CAP's** election will be the aggregate of each individual **client's** election instruction.
- k) The default option is for the rights to lapse. If no election is received for any **securities**, the default option is applied.
- l) Record date – when electing, all parties (**CAPs**, **Members** and **Members' clients**) will have to anticipate their holdings for record date by taking into account all unsettled **trades** concluded on or before LDT.
- m) The subscription price of the rights needs to be paid from **clients** to **CAPs** to the **issuer** on Pay date and the resultant **securities** are allocated.

6.1.1 Odd-Lot Offer

- a) **Issuer** announces the odd-lot offer (announcement date). This needs to be at least 15 (fifteen) days before record date (RD).
- b) Final notice of event is sent on Finalisation Date.



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- c) At end of day on LDT all **security** holders with a total holding of less than 100 (one hundred) **securities** are known (as long as there are no **trades** that can **settle** in a shorter time than the standard **settlement** time i.e. T+3 (**off-market trades**))
- d) Nothing to happen on Ex date.
- e) Election date is the same as record date. This is the deadline that the **securities depository** must receive all elections from **CAP's**. This means that **CAP's** and **members** will make their own election deadlines dates 1 or 2 days before this to receive all elections from their odd-lot **clients**.
- f) The **securities depository** will elect on its total holdings in terms of the election instructions received from each **CAP**. i.e. The election is the aggregate of each **CAP** by **securities** custody account (SCA).
- g) The **CAP's** elect on their holdings per SCA in terms of the instructions received from each of their **clients/members**. The **CAP's** election will be the aggregate of each individual **client's** election instruction.
- h) The default option is to sell any odd-lot, and if no election is received for any odd-lot holding, these **securities** will be sold.
- i) Record date – when electing, all parties (**CAP's, Members and Members' clients**) will have to anticipate their holdings for record date by taking into account all unsettled **trades** concluded on or before LDT.
- j) At the end of record date the **security** holders as per the **security** holder registry will participate in the event.
- k) The resultant cash from the **corporate action settles** on pay/**settlement date**.

6.1.1 Specific or General Issue of Securities for Cash

Issuer issues more **securities** to the market or specific investor.

6.1.1 Conditional or Unconditional Offer

Affects whether another **corporate action** will occur or not. The actual event will occur as usual.

6.7. Corporate Actions Requiring Static Changes in the Trop-X ATS

- a) Suspension
- b) Termination
- c) Change of authorised security capital
- d) Name change
- e) Suspension lifted
- f) New listing



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- g) Nominal value / par value change
- h) Security incentive scheme
- i) Voluntary winding up
- j) Withdrawal of listing
- k) Sector transfer

7. TROP-X FEES

7.1. Members

Application Fee	2500
Annual Fee	2500
Each Officer or Trader	500 /annum
Sponsor Advisor (>5 issuers)	1000/each per annum

7.2. Data

No Fees for now

7.3. Trading Fees

VCAP, SME and Main Boards	5 basis points
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7.4. Trade Types and Fees

Trade Name and description	Trade Type	Cost
ATS matched trade during the continuous auction period	M	Value Model
ATS matched Auction Trade during the opening and closing auction periods	AU	Value Model
Reported ATS Give Up Trade between two parties reported to the exchange with the fee netted per line of security	GU	USD 1.75 per line of security
Reported ATS Book Over	BO	Value Model
Reported ATS Corporate Finance Transactions	CF	Value Model



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Reported ATS Late Trades	LT	Value Model
Reported Transaction Corrections	TC	USD 12.50

8. TRUST ACCOUNT FOR MEMBERS' CLIENT MONIES

No institution will hold more than 25% (twenty five percent) of the **Trop-X** trust funds. The Seychelles Rupee trust funds will be placed predominantly in the major registered **Seychelles banks** and foreign currency accounts with foreign **banks**. Foreign Banks must have at least a national short-term credit rating that is defined as "highest credit quality" (Fitch: F1). Instruments rated by other credit rating institutions, as approved by **Trop-X** from time to time, may be included provided that such rating is at least equivalent to an F1 rating by Fitch. Authorised foreign **banks** will be required to have a short-term credit rating equivalent to or better than an A-1 rating.

9. GUARANTEE FUND

In terms of **Rule 8.1 (d)**, claims against the **Guarantee Fund** shall be limited to USD 500,000 (five hundred thousand US Dollars) per claim for each default event.

In terms of **Rule 8.9 (a)** all claims paid by the **Guarantee Fund** to **members** and **prejudiced clients** of **Members** shall be limited USD 500, 000 (five hundred thousand US Dollars) in respect of any one default event.



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10. Code of Conduct for Members

10.1. General duties of members

10.1.1. A member must:

- a. at all times render securities services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the securities services industry;
- b. at all times exercise independent, impartial and professional judgement;
- c. conduct him- or herself in such a manner and implement such actions to further the objects of the Act; and
- d. maintain knowledge of and comply with all applicable laws, rules and regulations governing his or her activities.
- e. When publishing or intending to publish to clients a price-sensitive recommendation, research or analysis, it must not knowingly effect an own account transaction in the investment concerned or in any related investment until the client for whom the publication was principally intended have had or are likely to have had, a reasonable opportunity to react to it.

10.1.2. No member may:

- f. engage in any conduct likely to bring the securities services industry into disrepute.
- g. Not knowingly profit or seek to profit, either for its own account, the account of a client or any third party, from inside information in the hands of any of its officer, employees or agents, or assist anyone with such information to make a profit from it.
- h. A member shall ensure that its employees and representatives act in accordance with this Code of Conduct and all legislative requirements, as well as all Rules, Listing Requirements and Directives issued by the Exchange or the Authority.



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- i. A member shall at all times ensure that it has adequate resources, be it financial, physical and human, to ensure compliance with this code of conduct, legislation and Rules and Requirements of the Exchange.
- j. A member shall at all times keep confidential information relating to a client unless required under law, a clearing house, or Trop-X.

10.2. Conflicts of Interest

- 10.2.1. if a member has a material interest in a transaction to be entered into with or for a client, or a relationship which gives rise to a conflict of interest in relation to the transaction, the member shall not knowingly either advise, or deal in the exercise of discretion, in relation to that transaction unless the member has:
 - 10.2.2. fairly disclosed that material interest or relationship, as the case may be, to the client;
or
 - 10.2.3. taken reasonable steps to ensure that neither the material interest nor relationship adversely affects the interest of the client.

10.3. Furnishing of advice

10.3.1. A member must, before advising a client –

- k. take reasonable steps to seek from the client current information about the client's financial situation, investment experience, particular needs and objectives in connection with the securities service required, to enable the a member to provide the client with sound advice;
- l. conduct an analysis, based on the information obtained, for the purpose of advising the client;
- m. identify the securities that will suit the client's risk profile and financial needs, subject to any contractual arrangement.



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- 10.3.2. A member must take reasonable steps to ensure that the client understands the advice and the risks involved and that the client is in a position to make an informed decision.
- 10.3.3. A member must not mislead a client as to the advantages or disadvantages of a contemplated transaction and that all communications are made clearly and fairly.
- 10.3.4. A member must ensure that services provided to a client are done under written agreement detailing services provided.
- 10.3.5. The agreement should be signed by the client and retained by the member.
- 10.3.6. such agreement shall not seek to exclude any liability under any law or under any rules made by the Securities Authority.
- 10.3.7. Such agreement may not exclude any liability owed to a client for failure to exercise the degree of skill, care and diligence that may reasonably be expected of it in the provision of securities business services.

10.4. Disclosure to clients

- 10.4.1. a member must take reasonable steps to ensure that a client to whom it provides securities business services is given adequate information about its identity and business address and the identity and status within the firm and other relevant representatives with whom client has contact.
- 10.4.2. When a member renders a securities service, representations made and information provided to a client by the member –
- 10.4.3. must be factually correct;
- 10.4.4. must be provided in plain language, avoid uncertainty or confusion and not be misleading;
- n. must be adequate and appropriate in the circumstances of the particular securities service, taking into account the factually established or reasonably assumed level of knowledge of the client;



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- o. must be provided timeously so as to afford the client reasonably sufficient time to make an informed decision about the proposed transaction;
- p. may be provided orally and must, if the client so requests, be confirmed in writing within a reasonable time before the transaction is undertaken;
- q.
- r. must, if provided in writing or by means of standard forms, be in a clear and readable print size, spacing and format;
- s. must, as regards all amounts, sums, values, charges, fees, remuneration or monetary obligations mentioned or referred to therein, be reflected in specific monetary terms: Provided that where any such amount, sum, value, charge, fee, remuneration or monetary obligation is not reasonably pre-determinable, its basis of calculation must be adequately described; and
- t. need not be duplicated or repeated to the same client unless material or significant changes affecting that client occur, or the relevant securities service renders it necessary, in which case a disclosure of the changes to the client must be made without delay.

10.4.5. A member –

- u. must disclose full and accurate information about the fees and any other charges that may be levied on clients;
- v. must disclose the nature and amount of any other remuneration receivable by it and attributable to the client;
- w. must disclose, in every transaction, whether the member is dealing with a client in its capacity as an agent or on its own account;
- x. must provide best advice taking into account the desires and circumstances of a particular client, and may not advise clients with the sole purpose of maximising the income of the member;
- y. may not disclose any confidential information acquired or obtained from a client about such client, unless the written consent of the client has been obtained



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beforehand or disclosure of the information is required to further the objects of the Act or is required under any law;

- z. must act promptly on and in accordance with the instructions of a client, and exercise any discretion in a responsible manner;
- aa. must advise a client in advance of any restrictions or limitations that may affect the access of that client to his or her funds or securities;
- bb. must provide a general explanation of the nature and material terms and risks of a relevant transaction to a client, so as to enable the client to make an informed decision; and

10.5. [Best Execution](#)

10.5.1. a member shall effect or arrange the execution of an order as soon as is reasonably practicable after it has agreed or decided in its discretion to effect or arrange a client order;

10.5.2. a member must take reasonable steps to find and deal on the terms which are the best available to the client when dealing with or for a client.

10.5.3. A member must ensure that a transaction it executes is promptly allocated.

10.5.4. Client orders aggregated with orders for a members own account must be allocated:

- cc. Without giving unfair preference to itself or to any of those for whom it dealt;
- dd. Priority shall be given to satisfying client transactions.

10.6. [Custody services](#)

10.6.1. members holding custody of client's securities shall:

- ee. keep safe or arrange for the safekeeping of any documents evidencing title, relating to them;



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- ff. ensure that any securities the member buys or holds for a client are properly registered in the client's name or with the consent of the client, the name of an appropriate nominee.

10.7. Clearing of Client Assets

10.7.1. In order to clear client assets, the member must either be a clearing agency participant or appoint a clearing agency participant to clear and settle all client transactions.

10.7.2. All Clearing Agency Participant agreements must include the following as a minimum:

10.7.3. Set out in adequate detail in adequate detail the basis on which clearing services are to be provided by the clearing agency participant;

10.7.4. Set out in adequate detail the rights and obligations of each party to the agreement;

10.7.5. Set out clear margin requirements;

10.7.6. Detail all fees, duties, levies and charges;

10.7.7. Provide for action to take in the event of default; and

10.7.8. Must use the dispute resolution per the Rules and Directives of Trop-X and AfriClear.

10.8. Complaints Procedure

10.8.1. Members shall have internal procedures to ensure the proper handling of complaints from clients in accordance with the Trop-X Rules.

10.8.2. Members shall maintain a client complaints file that contains copies of client complaints and outcomes of such complaints.

10.9. Record-keeping



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- 10.9.1. A member must maintain proper, complete, accurate and secure records.
- 10.9.2. A member must have appropriate procedures and systems in place to store and retrieve in a manner safe from destruction a record of all –
- gg. instructions relating to a securities service rendered to a client, including verbal instructions given by the client to the a member; and
 - hh. documentation relating to the contractual arrangement between the member and the client.
- 10.9.3. Records may be kept in electronic or voice recorded format.
- 10.9.4. Members need not keep the records themselves but must be capable of making such records available for inspection within seven days.
- 10.9.5. A record referred to in 4.2(a) must be kept for a period of at least six months after the instruction has been given. A record referred to in 4.2(b) must be kept for a period of at least five years after the contractual relationship has been terminated.
- 10.10. **Inducements**
- 10.10.1. A member must take reasonable steps to ensure that it and any person acting on its behalf does not offer, give, solicit or accept any incentive, remuneration, consideration, commission, fee or brokerage (“valuable consideration”) as an inducement if it is likely to conflict with any duty that the member owes to its clients in respect of securities services provided to those clients or any duty that the recipient of the inducement owes to its clients.
- 10.10.2. Without limiting the generality of 5.1, any valuable consideration offered, given, solicited or accepted as an inducement by a member or any person acting on its behalf, in terms of an agreement with a third party or a client which relates to the provision of securities services by the member to one or more clients, and which does not directly relate to, and assist in the provision of, such services to such clients or does not otherwise directly benefit the clients of the recipient of such valuable consideration, shall constitute an inducement prohibited in terms of 5.1.



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10.10.3.A member who, in terms of an agreement with a third party, directly or indirectly accepts any valuable consideration as an inducement in respect of a securities service rendered to a client, or for which the member may become eligible, must disclose to the client in writing before the rendering of such service, the existence of the agreement, the nature, extent, value and frequency of receipt of such valuable consideration to the extent that such information is known prior to the rendering of the service, and the identity of the other person providing or offering the valuable consideration.

10.11. [Advertisements](#)

10.11.1. Advertising material of a member -

- ii. must provide accurate, complete and unambiguous information about any security or security service;
- jj. must emphasise the risk of loss and uncertainty of future results;
- kk. must discern fact from opinion; and
- ll. may not be comparative in relation to another member.

10.12. [An advertisement by a member –](#)

10.12.1. may not contain any statement, promise or forecast which is fraudulent, untrue or misleading;

- mm. must, if it contains –
 - i. performance data (including awards and rankings), include references to their source and date;
 - ii. illustrations, forecasts or hypothetical data -



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(aa) contain support in the form of clearly stated basic assumptions (including, but not limited to, any relevant assumptions in respect of performance, returns, costs and charges) with a reasonable prospect of being met under current circumstances;

(bb) make it clear that they are not guaranteed and are provided for illustrative purposes only; and (cc) also contain, where returns or benefits are dependent on the performance of underlying assets or other variable market factors, clear indications of such dependence;

- iii. a warning statement about risks involved in buying or selling a security, prominently render or display such statement; and
- iv. information about past performances, also contain a warning that past performances are not necessarily indicative of future performances; and
- v. must, if the investment value of a financial product mentioned in the advertisement is not guaranteed, contain a warning that no guarantees are provided.

10.13. Safekeeping and separation of funds and assets

10.13.1.A member must provide for -

- nn. the necessary resources and functionality to ensure that clients are able to contact the member easily and timely;
- oo. the separation and identification of the assets of a client and the assets of the member: and
- pp. the proper accounting for the assets of each client.

10.13.2.A member may not utilise the assets of clients to finance its business activities.



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10.14. Confirmation Notes

- 10.14.1. when a member causes a sale or purchase of securities with or for a client it must ensure that within 24 hours or as soon as is reasonably practicable, the client is sent a contract note containing the essential details of the transaction;

10.15. Client statements

- 10.15.1. A member must provide to a client a written statement which complies with this Code of Conduct.

10.15.2. Statements shall be provided to clients -

- qq. at regular intervals which may not exceed three months, unless the client consents in writing not to receive the statements because they are able to access the information made available by the member through electronic means, such as the internet, on a continuous basis; or
- rr. at such intervals of less than three months as the client requests, although the member shall not be obliged to provide statements more frequently than monthly; or
- ss. monthly if the client's portfolio as managed by the member includes any open positions in listed derivative instruments; or
- tt. at such intervals as may be agreed between the member and a professional client.

10.15.3. In the case of Investment Managers, statements shall be provided to clients at regular intervals stating:

- uu. the value of the portfolio or account at the beginning and the end of the period;
- vv. its composition at the end of the period; and
- ww. in the case of a discretionary portfolio or account, changes in its composition between the beginning and the end of the period.



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- 10.15.4. A client statement must contain such information as is reasonably necessary to enable the client to –
- a. produce a set of financial statements;
 - b. determine the composition of the securities comprising the portfolio held by the member or for which the member is accountable to the client and the changes thereto over the reporting period, if applicable; and
 - c. determine the market value of the securities comprising the portfolio held by the member or for which the member is accountable to the client and the changes therein over the reporting period, if applicable.
- 10.15.5. To provide the client with the information necessary for them to review the operation of their account and make appropriate investment decisions, a client statement must contain at least the following information:
- a. the quantity, description and market value of each investment comprising the portfolio held by the member or for which the member is accountable to the client, at the reporting date;
 - b. the amount of funds held by the member or which has been invested by the member on behalf of the client and for which the member is accountable to the client, at the reporting date;
 - c. if any of the securities are reflected in a foreign currency, the relevant currency exchange rate at the reporting date must be reflected;
 - d. securities purchased or sold during the reporting period;
 - e. receipts and payments of funds during the reporting period;
 - f. details of income earned and expenditure incurred during the reporting period;
 - g. non-cash transactions during the reporting period, including non-cash components of corporate actions and option expiries;



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- h. securities transferred into and out of the portfolio during the reporting period;
 - i. identification of those securities which at the reporting date were loaned to any third party but for which the member is still accountable to the client;
 - j. the quantity, description and market value of any securities, or the amount of funds, held as collateral by the member on behalf of the client in respect of any loans made by the client;
 - k. identification of those securities or funds which at the reporting date were utilised to secure loans to the client or borrowings made on behalf of the client;
 - l. identification of those securities or funds which at the reporting date were utilised as margin in respect of open positions in any financial product;
 - m. in respect of investments in listed derivative instruments, a description of the underlying financial product, index, commodity or thing, the expiry month and in the case of options, the exercise or strike price; and
 - n. if the statement reflects any securities or funds which are not held by the member and for which the member is not accountable to the client, it should clearly indicate that fact in relation to such securities or funds.
- 10.15.6. The information referred to in subparagraph 8.4 may be provided to the client in separate statements either during the reporting period or as at the reporting date.
- 10.15.7. A client statement shall be provided either to the client or to an agent or third party nominated by the client in writing.
- 10.16. **Internal control and risk management**
- 10.16.8. A member shall employ the resources, procedures and technological systems necessary for the effective conduct of its business.
- 10.16.9. The system of internal control employed by the member shall be designed to ensure that –
- o. the relevant business can be carried on in an orderly and efficient manner;



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- p. financial and other information used or provided by the authorised
- q. all transactions and financial commitments entered into are recorded user is reliable;
- r. and are within the scope of authority of the member or the officer or employee acting on behalf of the member;
- s. there are procedures to safeguard the assets of the member and assets belonging to any other person for which the a member is accountable, and to control liabilities; and
- t. there are measures, so far as is reasonably practicable, to minimize the risk of loss to the member or the clients of the a member from any irregularity, fraud or error and to detect any irregularity, fraud or error should they occur so that prompt remedial action may be taken by the member or the management of the a member.

10.16.10. A member shall as far as is reasonable adopt sound risk management principles and procedures.

10.16.11. The principles and procedures of risk management shall be designed to ensure that the records of the member are maintained in such a manner as to promptly disclose financial and business information that will enable the member or the management of the member to -

- a. identify, quantify, control and manage the risk exposures of the member;
- b. make timely and informed business decisions;
- c. monitor the performance and all aspects of the business of the member;
- d. monitor the capital of the member to ensure compliance with the capital adequacy requirements imposed in terms of the rules of the applicable self-regulatory organisation.



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10.16.12. A member must be able to describe and demonstrate the objectives and operation of such systems, principles and procedures referred to in paragraphs (1) to (4) above to its auditor, the applicable self-regulatory organisation and the Registrar.

10.17. Training of Employees and Agents

- a. A member shall ensure that its officers, employees and other representatives are aware of their obligations under the Act and its regulations, and that they act in conformity with them;
- b. A member shall ensure that its officers, employees and other representatives are aware of their obligations under the Rules and the Listing Requirements, and that they act in conformity with them;
- c. A member shall establish and maintain procedures for each of its officers, employees and other representatives and shall further ensure that such persons do not give advice or provide services of a nature that is beyond their competence.

10.18. Guarantees and insurance cover

A member must, if, and to the extent required by the exchange, maintain appropriate guarantees or professional indemnity or fidelity insurance cover to mitigate the risks inherent in his or her business and to which clients are exposed.

10.19. Waiver of rights

A member may not request or induce in any manner a client to waive any right or benefits conferred on the client by or in terms of this Code, or recognise, accept or act on any such waiver by the client, and any such waiver is void.

10.20. Exemption

A member is exempted from complying with the requirements of paragraphs 3, 4(2)(b) and 4(2)(f) of this Code when dealing with a professional client.