

SECTION 13

CLEARING AND SETTLEMENT OF MARKET CONTRACTS DENOMINATED IN FOREIGN CURRENCIES TRADED ON THE CSE

For the avoidance of doubt, Market Contracts denominated in Foreign Currencies shall only be cleared and settled by Limited Clearing Members which are Custodian Banks.

13.1 SETTLEMENT OF MARKET CONTRACTS DENOMINATED IN FOREIGN CURRENCIES

13.1.1 Inter - Clearing Member Settlement of Funds

- (i) The inter-Clearing Member settlement of funds for Shares denominated in Foreign Currency traded on the CSE, shall take place by 12.30 hours on the Settlement Date, i.e. T+2, through the appointed settlement bank/s as per the Settlement Schedules issued by the Clearing House. The inter-Clearing Member settlement shall be completed by 12.30 hours on the Settlement Date.
- (ii) A Clearing Member's obligation on any Settlement Date to make payment in respect of Trades carried out by such Clearing Member in respect of Shares denominated in Foreign Currency shall be set off against such Clearing Member's entitlement to receive funds on the Settlement Date for such Trades carried out by the Clearing Member.

The Clearing House shall issue, on each Market Day, a Settlement Schedule, which shall reflect the debits and credits that have been entered into the Clearing Member's account and the net amount to be settled by each Clearing Member on a particular Settlement Date in respect of transactions relating to Shares denominated in Foreign Currency.

- (iii) The Clearing Member shall, for Trades executed on the CSE pertaining to Shares denominated in Foreign Currency, make available sufficient Cleared Funds in the settlement bank by 10.30 hours on the Settlement Date to settle the payment obligations arising out of transactions carried out by such Clearing Member based on the Settlement Schedule issued by the Clearing House.
- (iv) The Clearing House shall debit or credit itself and the Clearing Members with the amounts payable and receivable in accordance with these Rules.

13.1.2 Settlement of Securities

- (i) The selling Clearing Member shall ensure that the required number of Foreign Currency denominated Shares are available in the seller's Client Account on the Trade Date. The Clearing House shall, by arrangement with the CDS, ensure that such quantity of Shares are locked-in the seller's Client Account in order for delivery of such Shares to the buyer's Client Account on the Settlement Date.
- (ii) The settlement of Foreign Currency denominated Shares by delivery thereof, pursuant to a Trade, shall take place on the Settlement Date referred to in Rule

13.1.2 (i), only upon the receipt of confirmation of the settlement of funds from the appointed settlement bank.

13.1.3 Trade Affirmations/Rejections by Clearing Members

- (i) Trades in Foreign Currency denominated Shares shall be affirmed or rejected by the respective Clearing Member by 13.30 hours on T+1, in the format prescribed by the Clearing House from time to time.
- (ii) If a Clearing Member fails to affirm a Trade carried out by a Trading Participant prior to the stipulated time period referred to in Rule 13.1.3 (i) for any reason whatsoever, such failure to affirm shall be considered as a rejection of the Trade by the Clearing Member.
- (iii) In the event of a rejection of a Trade of Shares denominated in Foreign Currency, such rejection shall result in a cancellation of such Trade and the Clearing House shall notify the CSE to cancel such Trade.
- (iv) In the event, a Trade in Foreign Currency denominated Shares is cancelled in accordance with this Rule 13.1.3 (iii), the Clearing House shall issue an amended Settlement Schedule to the relevant Clearing Members and the settlement banks.

13.2 Defaults in Settlement of Funds by a Clearing Member

13.2.1 Responsibility of the Clearing Member

The integrity and stability of the Securities market is dependent on the due settlement by a Clearing Member of each Trade in Foreign Currency denominated Shares to be cleared and settled by such Clearing Member. The failure to do so will result in loss of public trust and confidence in the credibility of the market. Accordingly, it is the sole obligation and the responsibility of the Clearing Member to ensure that each Trade is duly settled on the Settlement Date. This fundamental premise with regard to settlement of Market Contracts will accordingly form the basis for the provisions of Rules 13.2 and 13.3.

13.2.2 Default of Payment

- (a) If a Clearing Member:
 - (i) is aware that the fund settlement in respect of a Trade in Foreign Currency denominated Shares on the Settlement Date is likely to be defaulted due to a potential failure by the buyer to make sufficient Cleared Funds available to such Clearing Member; and/or
 - (ii) is unable to reasonably ascertain that the fund settlement in respect of a Trade on the Settlement Date will take place,

such Clearing Member shall, by 15.00 hours on T + 1, notify the Clearing House, in writing, that such Trade is likely to be defaulted. Upon the receipt of such notification, the Clearing House shall isolate such Trade and issue an amended Settlement Schedule, excluding the obligations arising out of such Trade. The amended Settlement Schedule shall be sent to the respective Clearing Members and the appointed settlement banks for settlement on the next Market Day.

Provided however that provisions of this Rule 13.2.2 (a) shall not be construed in any manner howsoever to be in derogation of the obligation and responsibility of the Clearing Member to ensure due settlement of each Trade as set out in Rule 13.2.1.

For the avoidance of any doubt and without prejudice to the provisions of Rule 13.3.1, the Clearing House shall be entitled to take disciplinary action against any Clearing Member who fails to issue notification or issues any notification in violation of the provisions of this Rule 13.2.2(a)

- (b) The Clearing House shall, by arrangement with the CDS, ensure that the Securities relating to a Trade that is isolated and removed from the Settlement Schedule in terms of Rule 13.2.2(a) are not transferred from the seller's Client Account to the buyer's Client Account in the CDS on the Settlement Date.
- (c) If Trades are isolated in terms of Rule 13.2.2(a), the Clearing House shall (i) notify the CSE to cancel such Trades and (ii) communicate an amended Settlement Schedule to the relevant Clearing Members.
- (d) In the case of any Trade that is not isolated in terms of Rule 13.2.2(a), if the buying Clearing Member fails to make available on the Settlement Date, sufficient funds for the full settlement of such Trade in the manner set out in Rule 13.1.1(iii) above, the Trade shall be deemed to be a defaulted Trade. Accordingly, the Securities shall not be transferred from the seller's Client Account to the buyer's Client Account in the CDS. The Clearing House shall initiate enforcement action against the defaulting Clearing Member in accordance with Rule 13.3 below.

13.3 Liabilities of a Clearing Member in respect of a Fund Settlement Failure

If a Clearing Member defaults in settlements of funds in respect of any Trade on a particular Settlement Date in terms of Rule 13.1.1 for any reason whatsoever including any failure by the buyer/s to make sufficient Cleared Funds available to the Clearing Member,

(a) such Clearing Member shall pay to the Clearing House a fine to be determined by the Clearing House at its discretion from time to time; and

(b) the Clearing House shall take the following action in enforcement of the provisions of these Rules:

- (i) The Clearing House shall impose and the Clearing Member shall pay a processing fee of USD 500 or equivalent thereof for each instance of a fund settlement failure by a Clearing Member on a given Settlement Date.

The Clearing Member shall pay such processing fee to the Clearing House within Two (2) Market Days from the date of imposition of such processing fee,

- (ii) If a Clearing Member fails to meet the fund settlement obligations in terms of Rule

13.1.1 of these Rules,

- (a) on two (2) separate occasions within any given period of six (6) months; or,
- (b) .on three (3) separate occasions within any given period of one (1) year,

the Clearing House shall, in addition to the processing fee referred to in Rule 13.3.1(b)(i), prohibit such Clearing Member from carrying out any Clearing or Settlement functions through the Clearing House with immediate effect for a period of three (3) Market Days.

- (iii) The Clearing House shall publish a notice on the website of the Clearing House notifying the public of the fund settlement default by the Clearing Member and the corresponding enforcement action taken by the Clearing House.
- (iv) Notwithstanding the prohibition referred to in Rule 13.3.1(b)(ii), the Clearing Member shall continue to honor its obligations with regard to fund settlement to other Clearing Members.