

**THE CENTRAL DEPOSITORY & SETTLEMENT CO. LTD.**

**Participation Application  
and  
Master Agreement  
of**

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*print name of Applicant*

We hereby apply to become or to continue, as the case may be, a Participant of The Central Depository and Settlement Co. Ltd. (“CDS”)

in the category of:

Financial Institution \_\_\_\_ Government Institution \_\_\_\_ Foreign Institution \_\_\_\_

to use the following services:

Settlement Services \_\_\_\_\_ Depository Services \_\_\_\_\_

We acknowledge that each Participant executes this standard form participant application in duplicate originals (“Participant Application”) and we agree as follows.

**1. CDS Agreement.** Upon the acceptance and signature by CDS of our Participation Application, it constitutes, together with all Participation Applications accepted by CDS, the rules (“Rules”), procedures (“Procedures”) and user manuals (“Manuals”) adopted and amended in the future by CDS pursuant to the Rules, an effective agreement (“CDS Agreement”).

**2. Master Agreement.** The CDS Agreement is entered into as a single master agreement constituting contractual obligations between the undersigned and all Participants, and between CDS and every one of its Participants, including us and the respective successors, permitted assignees and lawful representatives of each and all.

Every transaction of Participants and of CDS and anything done pursuant to the CDS Agreement is entered into in reliance on the fact that the CDS Agreement forms a single master agreement among Participants, and between Participants and CDS, all of whom would not otherwise transact with one another.

**3. Current Account.** As each individual Transaction of Participant is entered into by Participant, it is blended into the respective current account maintained by CDS for Participant whereby every one of its Transaction is merged with its previous Transaction and these Transactions are thereby automatically extinguished and replaced by new obligations and rights of Participant forming part of its single new Transaction.

**4. Positions and Funds Netting.** Where the Participant and CDS are parties to two or more transactions in relation to Eligible Securities, they will, in effecting settlement of their obligations to deliver securities and make payment of funds, be entitled to net off their respective positions in relation to securities of the same type and class and their accounts to each other in relation to payment of funds so as to replace their separate obligations to deliver securities or effect payment in relation to each individual transaction by a single obligation on the party having the net debit position in relation to securities of the same type and class to deliver securities of that net amount and on the party having a net debit account in relation to funds to effect payments of that debit amount.

**5. Review of CDS Agreement.** We acknowledge that we have reviewed and have in our possession the Participation Application, Rules, Procedures and Manual, as are in effect as of the date hereof. We are sufficiently familiar therewith to understand the representations, obligations, rights, responsibilities, liabilities, exclusions and allocations thereof contained in the CDS Agreement, and we agree to their application and enforcement to and by all Participants and CDS for the purposes of CDS business and services.

**6. Survival.** Notwithstanding our suspension, termination or withdrawal as a Participant, we remain bound by the CDS Agreement as to all matters and transactions occurring when we were a Participant and thereafter occurring with or through CDS.

**7. Assignment.** We cannot assign any rights and obligations under the CDS Agreement without the prior written consent of CDS. CDS may assign all or part of its rights and obligations under the CDS Agreement to any person, so long as CDS remains responsible, and subject to the CDS Act.

**8. Compliance.** We acknowledge that, in providing its services to Participants, CDS may be subject to certain domestic and foreign laws, rules, regulations and treaties, and to agreements entered into, instruments and declarations made and acts done by CDS from time to time. We agree to comply therewith upon being informed by CDS of the relevant provisions thereof.

**9. Severability.** Any provision of the CDS Agreement that is prohibited, unenforceable or invalid shall be ineffective and deemed severed from the CDS Agreement without affecting the enforceability of the remaining provisions thereof.

**10. Interpretation.** The division of the CDS Agreement into sections and subsections, and the insertion of headings is for convenient reference only and does not affect its interpretation thereof. Words importing the singular number includes the plural and vice versa and a word importing a gender includes all genders. Words or phrases with established statutory or jurisprudential meanings which are not otherwise expressly defined in the Rules shall be used in accordance with such meanings.

**11. Priority.** In case of any conflict between the Participation Application and the Rules, Procedures or Manual, the Participation Application prevails and between the Rules and the Procedures or Manual, the Rules prevail.

**12. Governing Law.** The CDS Agreement is construed and governed by the laws of Mauritius and treaties applicable therein, without regard to the conflict of laws provisions thereof.

**13. Arbitration.** Except where an appeal procedure is provided by the Rules, any controversy or claim arising out of or related to the CDS Agreement is settled in Port-Louis, Mauritius, by referral to an arbitrator mutually acceptable to CDS and Participant.

Where the parties to the CDS Agreement fail to agree within thirty (30) days to the appointment of an Arbitrator, a Judge in Chambers, on the application of either party, appoints the Arbitrator. The decision of the Judge in Chambers is final and binding. The appointment of the Arbitrator and proceeding of Arbitration is conducted in accordance with the Code of Civil Procedure in force in Mauritius. Each party bears the cost of arbitration in the proportion decided by the Arbitrator. The arbitral award is final, conclusive and binding on the parties.

The parties are entitled to bring the matter to the courts of Mauritius for enforcement of either the arbitral award or enforcement of the decision of the Arbitrator when such decision is determined to be final and conclusive.

Persons other than those which are parties hereto may, on the motion of either or any such other person or of a party hereto, become a party to or be brought into such arbitration provided any award in such arbitration is enforceable as against such other person.



**THE CENTRAL DEPOSITORY & SETTLEMENT CO. LTD.**

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## **Rule 1.2 Definitions**

In the Rules, Procedures and Manual, unless otherwise specified:

“**Account**” means a Securities Account and a Funds Account;

“**Applicant**” means an Entity who files a Participation Application with CDS;

“**Automated Trading System (ATS)**” or “**ATS Service**” means the software, hardware, communications and network systems, which are used to carry out Transactions or other operations related to Transactions on SEM; *(Added 2/2/2010)*

“**Board of Directors**” means the duly elected board of directors of CDS, including a committee of members of the board of directors appointed by the board of directors to exercise any of its duties or powers under the Rules;

“**Business Conduct Committee**” means the committee set up by the Board of directors of CDS, whose mandate is defined in Rule 1.4

“**Business Day**” means any day on which CDS is open for business as determined by Board of Directors of CDS and notified to participants;

“**CDS**” means The Central Depository & Settlement Co. Ltd. and a Person succeeding to the rights and obligations of CDS in accordance with the CDS Agreement;

“**CDS Agreement**” means the Participation Application, Rules, Procedures and Manual;

“**Closing Price**” means the price of a Futures Contract determined at market close and is the price of the Futures Contract on the last executed Trade during a trading Session; *(Added 2/2/2010)*

“**Contract Class**” means a class comprising all the Futures Contract Series that have the same Underlying and comply with the same standard; *(Added 2/2/2010)*

“**Contract Series**” means Futures Contracts representing a standard set by the SEM, having the same Underlying and the same Expiry Date; *(Added 2/2/2010)*

“**Contract Size**” means the standard size of a given Futures Contract as determined by the SEM and specified in the contract specifications and is the Open Position corresponding to one Futures Contract; *(Added 2/2/2010)*

“**Corporate Actions**” include but are not limited to dividend, bonus, rights, issue of securities as a result of stock split, stock consolidations, subdivision, conversion, schemes of mergers/demergers, amalgamations and capital restructuring; *(Added 2/2/2010)*

**“Custodian Bank”** means a bank regulated pursuant to the Banking Act or any other relevant foreign legislation, and licensed, authorised or recognised by the FSC; *(Amended 10/3/97, 12/4/2013)*

**“Defective Security”** means a Security that is invalid, forged, counterfeit, altered, defective, non-negotiable, the object of a claim or improper delivery, which bears an unauthorized or inappropriate signature or that cannot be rightfully transferred or registered;

**“Depository Service”** means the service provided by CDS and described in Rule 3 whereby CDS records Eligible Securities and Transaction therein;

**“Eligible Security”** means a Security made eligible by CDS to the operation of the Settlement Service or the Depository Service in accordance Rule 3.6;

**“Entity”** includes a company, partnership, association, government and agency thereof;

**“Equity Board”** means the trading board of the SEM where the trading unit is in multiples of 100 Securities subject to a minimum of 100 Securities; *(Added 2/2/2010)*

**“Expiry Date”** means the day on which the final settlement price of a Futures Contract Series is determined; *(Added 2/2/2010)*

**“Exposure”** has the meaning assigned to it in Rule 7.2.5; *(Added 2/2/2010)*

**“FSC”** means the Financial Services Commission established under the Financial Services Act 2007; *(Amended 11/4/08)*

**“Funds Account”** means an account defined in Rule 3.2.7;

**“Futures”** or **“Futures Contract”** means a legal agreement to buy or sell the Underlying Security or index at a fixed future date at a price determined at the time of the transaction where the mode or method of settlement is established in the contract; *(Added 2/2/2010)*

**“Investment Dealer”** has the same meaning as in the Securities Act 2005; *(Amended 11/4/08)*

**“Issuer”** means an Entity who has outstanding issues of or proposes to issue a Security;

**“Long Position”** in a Futures Contract means outstanding purchase obligations in respect of a permitted Futures Contract at any point of time.. A Long Position is represented by a positive quantity in a Securities Account relating to a Futures Contract; *(Added 2/2/2010)*

**“Manual”** means the guide or manual adopted by CDS and modified in accordance with Rule 3 with respect to the computer hardware, software and use of the Services;

**“Margin”** means the collateral deposited by a Participant with the CDS or by a client with a Participant; *(Added 2/2/2010)*

**“Maximum Allowable Exposure”** has the meaning assigned to it in Rule 7.2.2; *(Added 2/2/2010)*

**“Open Position”** means a Long Position or a Short Position in a Securities Account relating to a Futures Contract and is equal to the number of Futures Contracts purchased minus the number of Futures Contracts sold, multiplied by the Contract Size; *(Added 2/2/2010)*

**“Order Book”** means the display in the ATS where orders are routed, registered and matched; *(Added 2/2/2010)*

**“Participant”** means an Entity whose Participation Application to use the Depository Service or Settlement Service has been accepted, signed and delivered by CDS, and who is continued, reinstated or remains as a Participant, and where “Participant” is associated to a Service, a Participant using that Service;

**“Participation Application”** means the form adopted by CDS and modified in accordance with Rule 3 with respect to the use of any of the Services;

**“Procedures”** means the procedures adopted by CDS and modified in accordance with Rule 3.5.2 with respect to the Services;

**“Reference Price”** in respect of a Futures Contract on a single Security means its last Closing Price or its adjusted Closing Price to account for Corporate Actions in respect of the Underlying Security or its previous day’s Theoretical Price if there was no trade in the Futures Contract on the previous day. For a Futures Contract on an index, the Reference Price shall be its last Closing Price or its previous day’s Theoretical Price if there was no trade in the Futures Contract on the previous day; *(Added 2/2/2010)*

**“Regulatory Authority”** means, with reference to an Entity, a governmental, professional or self-regulatory authority having jurisdiction or authority over that Entity or a business carried on by that Entity;

**“Rules”** means the Rules adopted by CDS and in force under the Securities Act 2005 and modified in accordance with Rule 3 to govern the use and the provision of the Services, and includes their numbered divisions; *(Amended 11/4/08)*

**“Securities”** has the same meaning as in the Securities Act 2005; *(Amended 11/4/08)*

**“Securities Account”** means an account as described in Rule 5.

**“SEM”** means the securities exchange operated by The Stock Exchange of Mauritius Ltd. through whose facilities Eligible Securities are traded; *(Amended 11/4/08)*

**“Services”** means the Settlement Service, the Depository Service and any other service provided from time to time by CDS;

**“Session”** means the period of time during which trading progresses at the SEM in line with the business day’s trading schedule; (*Added 2/2/2010*)

**“Settlement”** means the settlement of Transactions in accordance with the Settlement Service;

**“Settlement Bank”** means a bank regulated pursuant to the Banking Act and which meets requirements that CDS may establish from time to time in the Procedures with respect to the financial ability, personnel, facilities, equipment, procedures of the banks and other relevant matters, and which provides a Participant and CDS with facilities to effect payment in accordance with the Rules and Procedures;

**“Settlement Service”** means the Service provided by CDS and described in Rule 4 whereby CDS provides facilities for the reporting and comparison of data respecting the terms of Settlement of Transactions, the reduction of the number of Settlements of Transactions, the allocation of Settlement responsibilities, and to act as an intermediary in facilitating payments and deliveries of in connection with Transactions;

**“Short Position”** in a Futures Contract means outstanding sell obligations in respect of a permitted Futures Contract at any point of time.. A Short Position is represented by a negative quantity in a Securities Account relating to a Futures Contract; (*Added 2/2/2010*)

**“Theoretical Price”** of a Futures Contract on a particular day means the price of a Futures Contract which is computed as follows:  $F = S (1 + [r - d] * t)$

Where:

F = Theoretical Price of the Futures Contract

S = Closing price/value of the Underlying on that day

r = Repo rate of the Bank of Mauritius

d = Average dividend yield on the index at the end of the last calendar year (if the Underlying is an index) or dividend yield on the Security at the end of the last calendar year (if the Underlying is a single Security)

t = Number of days to expiration/365

(*Added 2/2/2010*)

**“Total Exposure”** has the meaning assigned to it in Rule 7.2.6; (*Added 2/2/2010*)

**“Trade”** means all buy and sell transactions in Futures Contracts effected by Investment Dealers on the SEM through the ATS; (*Added 2/2/2010*)

**“Transaction”** means a transaction in Eligible Securities on a securities exchange or otherwise permitted by the Services involving Eligible Securities or funds or both to effect a deposit, sale, purchase, loan, pledge, gift, transfer, delivery or withdrawal of Eligible Securities, a registration thereof, a change in the information pertaining to a

Securities Account and any other operation provided for in the Procedures. (*Amended 11/4/08*)

**“Underlying”** means an instrument with reference to which Futures Contracts are permitted to be traded by the SEM from time to time; (*Added 2/2/2010*)

**“Underlying Security” or “Underlying Securities”** means a Security with reference to which a Futures Contract is permitted to be traded on the Derivatives Segment of the SEM from time to time; (*Added 2/2/2010*)

**“Volume Weighted Average Price”** of a Security on a particular day means the total value traded on a Security on the Equity Board on that day divided by the total volume traded. (*Added 2/2/2010*)

### **Rule 1.3 Notices**

**1.3.1 Notice to Participants.** Unless otherwise specified, a notice is validly given by CDS to a Participant for the purposes of the Participation Application or the Rules if the notice is given in writing and is delivered to the address provided by the Participant or is sent by confirmed recorded telecommunication or by means of a terminal video display, to the address, telephone or facsimile number provided by the Participant. Each Participant provides CDS with a correct contact name, address, telephone and facsimile numbers on which CDS and Participants can rely for the purpose of this Rule.

**1.3.2 Notice to CDS.** Unless otherwise specified, a notice to be given by Participant to CDS under the Participation Application and the Rules is validly given to CDS when given to the Secretary of CDS in writing delivered at the address of the head office of CDS or sent by confirmed recorded telecommunication at the telecopier number indicated in the Procedures.

### **Rule 1.4 Business Conduct Committee**

#### **1.4.1 Objects of Business Conduct Committee**

There shall be a constituted Business Conduct Committee whose object shall be

- a) to monitor the operations relating to risk management issues and the Guarantee Fund;
- b) to hear complaints from aggrieved Participants who claim to be adversely affected by any decision of CDS with respect to CDS operations in accordance with Rule 2.4;
- c) to make recommendations to the Board of Directors of CDS with respect to Participation Applications in accordance with Rule 2.2.4 and to Termination in accordance with Rule 2.3.3;

**1.4.2 Composition** The composition of the Committee shall be determined by the Board of Directors of the CDS and shall comprise of five members, three of which, including the Chairman, shall not be members of the Board of CDS, nor be Participants or be related to Participants, and not be employed by a Participant.

## **RULE 2            Participation**

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### **Rule 2.1    Applicants**

**2.1.1 Eligibility.** An Entity is eligible to apply for participation in one or more Services if it can be classified as:

a) a “Financial Institution” which is an Investment Dealer, a bank, an insurance company, a collective investment scheme authorized under the Securities Act 2005 and a pension fund incorporated, established or formed pursuant to the laws of Mauritius, (*Amended 11/4/08*)

b) a “Government Institution” which is the Government of Mauritius, the central bank, a local authority, or government agency,

c) a “Foreign Institution” which is an investment dealer trading in securities, a bank, an insurance company, a mutual fund and a pension fund, a government, a central bank, a local authority, or government agency and a central securities clearing house or depository incorporated, established or formed under laws other than the laws of Mauritius, and which are either duly licensed or in good standing with the competent authority and regulated by the laws under which they are formed and, (*Amended 11/4/08*)

d) such other Entity which demonstrates to the Board of Directors that its affairs and capabilities are such that it reasonably expects a material benefit from being a Participant.

**2.1.2 Qualifications.** (1) An Applicant Financial Institution must be in good standing under the laws pursuant to which it is incorporated, established or formed, and the Applicant and its directors, officers and partners must be duly registered or licensed by and be in good standing with the competent Regulatory Authority;

(2) An Applicant Government Institution must own, manage, control or have custody of Eligible Securities;

(3) An Applicant Foreign Institution must i) own, manage or have custody of Eligible Securities, ii) provide evidence to CDS of its financial stability, and iii) satisfy such other requirements or standards satisfactory to CDS for the protection of CDS and other Participants.

### **2.1.3 Conditions for Participation**

**2.1.3.1 Standards.** An Applicant and a Participant demonstrates to the satisfaction of CDS, upon request by CDS, that it meets these standards:

a) it has the financial resources to meet its obligations under the CDS Agreement including Rule 6.2;

b) it has adequate personnel, premises, communication and data processing capabilities, books and records enabling it to fulfill its obligations and operational requirements promptly and accurately;

c) it has made appropriate arrangements with a Settlement Bank to effect payment in accordance with the Rules and Procedures and it authorises Settlement Bank to disclose to CDS information regarding the availability of funds to satisfy Participant's obligations under the CDS Agreement;

d) it satisfies such other standards or submits such other documents or information as the Board of Directors may from time to time determine by resolution for a class of Participants or for the use of the Settlement Service, the Depository Service or any other Service made available from time to time and the FSC to be informed forthwith of any such resolution. *(Amended 11/4/08)*

#### **2.1.3.2 Financial Resources Requirements *(Added 30-7-1999)***

(a) Custodian Banks and Investment Dealers (Government of Mauritius and Bank of Mauritius Securities Segment) shall maintain a minimum qualifying net asset value as set out in the Schedule of Financial Resource Requirements. *(Amended 10/06/2013)*

(b) For the purposes of Rule 2.1.3.2 (c) - (g), the term Participant excludes Custodian Banks and Investment Dealers (Government of Mauritius and Bank of Mauritius Securities Segment). *(Amended 10/06/2013)*

(c) No Participant must permit its adjusted liquid capital to be less than the sum of the fixed expenditure base requirements and the risk requirements as set forth in the Schedule of Financial Resource Requirements, other than pursuant to a specific temporary exception granted by the Business Conduct Committee due to unusual circumstances.

The CDS shall, where any such exception is made, forthwith inform the Commission and provide it with reasons for such exception.

The method of computation of the fixed expenditure base requirements, risk requirement and the adjusted liquid capital is set out in the Schedule of Financial Resource Requirements.

(d) Participant shall furnish such returns and provide such information relating to their financial resources as the CDS may require, within the period specified in the Schedule of Financial Resource Requirements. Copies of the returns should be sent to the Commission as soon as received by CDS.

(e) Participant notifies CDS immediately in writing if Participant has any indication that it may not meet the financial resources requirements prescribed by this Rule, or that any calculation reflects a deficiency.

- (f) CDS may require any Participant and any specific director, officer, employee or auditor thereof to appear personally before CDS and produce its books and records and answer questions, including questions pertaining to any actual or possible violation of this Rule. The CDS will notify the FSC forthwith when taking such actions. *(Amended 11/4/08)*
- (g) CDS or an external auditor designated by CDS shall conduct on-site inspections of Participants when business conduct irregularities and/or capital shortfalls are detected or suspected. The CDS will notify the FSC forthwith when taking such actions. *(Amended 11/4/08)*

In the event such irregularities and / or capital shortfalls, as the case may be, are confirmed by the inspection, the Participant shall bear all costs associated with the above inspection.

The books of the Participants shall be maintained up to date and be open at all times for on-site inspection by CDS.

- (h) Risk requirements must be established after taking into account such adjustments as the Business Conduct Committee may generally make applicable, and also any special adjustments deemed appropriate in individual cases. The CDS will notify the FSC forthwith when making such adjustments. *(Amended 11/4/08)*
- (i) The Business Conduct Committee has full discretion as to the necessity and sufficiency of special adjustments in any particular case, and its decision shall not be limited by the ordinary margin requirements of the CDS but may take into consideration all factors pertaining to the market with regard to the financial resources or future contracts and the affairs as a whole of the Participant involved.

The CDS shall, where any such adjustment is made, forthwith inform the FSC and provide it with reasons for making such adjustment. *(Amended 11/4/08)*

- (j) Nothing in this Rule shall preclude the FSC to require CDS or any Participant, pursuant to the powers of the FSC under section 18 of the Securities (Central Depository, Clearing and Settlement) Act 1996, to provide it with such document or information as it may require for the purpose of that section. *(Amended 11/4/08)*

**2.1.4 Waiver.** The Board of Directors can waive for an Applicant or a Participant the compliance with any classification, qualification or standard, conditionally or temporarily, if it is unduly severe and not against the best interests of CDS and Participants any such decision to grant a waiver shall be made in writing and shall be notified to the FSC. *(Amended 11/4/08)*

**2.1.5 Change.** An Applicant and a Participant undertake to give immediate notice to CDS upon ceasing to satisfy the applicable classification, qualifications or standards.

**2.1.6 Accounts.** Participant files quarterly unaudited accounts within sixty (60) days of the end of the quarter and audited annual statements with the CDS within ninety (90) days of the end of the year and CDS shall lodge to the FSC copy of the quarterly unaudited accounts and audited annual statements within one week of their submission to CDS. *(Amended 11/4/08)*

**2.1.7 Compliance.** The FSC is notified of any failure on behalf of Participant to comply with the requirements of Rule 2.1.6. *(Amended 11/4/08)*

## **Rule 2.2 Application Procedure**

**2.2.1 Participation Application.** An Applicant for participation signs and delivers to CDS in duplicate originals a Participation Application in the form made available by CDS and for the Service specified therein.

**2.2.2 Mandatory Refusal.** The Board of Directors refuses a Participation Application that is incomplete or deficient or where there are reasonable grounds to believe that the Applicant, a partner, associate, director or officer:

a) has been convicted within ten years preceding the filing of the application or at any time thereafter of:

(1) any criminal offence involving the purchase, sale or delivery of any Security, or the taking of a false oath, or the making of a fraudulent statement, of a false report or bribery or perjury, or burglary, or conspiracy to commit any offence referred to in this clause;

(2) the larceny, embezzlement, extortion, fraudulent conversion, fraudulent concealment, forgery or misappropriation of funds, Securities or their property,

(3) any violation or offence involving breach of fiduciary obligation, or arising out of the conduct of business as an investment dealer, investment adviser, bank, trust company, fiduciary, insurance company or other financial institution, or the material violation of a securities legislation or regulation; *(Amended 11/4/08)*

b) has been permanently or temporarily enjoined or prohibited by order, judgment, or decree of any court or other governmental authority of competent jurisdiction from acting as, or as a person connected with, an investment dealer, investment adviser or underwriter or as an affiliated person or employee of any investment company, bank, fiduciary, insurance company or other financial institution, or from engaging in or continuing any conduct of practice in connection with any such activity, or in connection with the purchase, sale or delivery of any security; *(Amended 11/4/08)*

c) has been suspended or expelled from a national securities exchange, a national securities association or a clearing corporation, or has been barred or suspended from being associated with members of such an exchange, association, clearing corporation ; or

d) has made a misstatement of a material fact or has omitted to state a material fact to CDS in connection with its Participation Application or thereafter.

**2.2.3 Deferral.** The Board of Directors defers its approval of a Participation Application with respect to anyone of the Services until such time as CDS has adequate personnel, facilities, data processing capacity or such operational capability to provide its services to additional Participants without impairing its ability to service existing Participants, to assure the prompt and efficient settlement of Transactions, to safeguard the funds and Eligible Securities, and to carry out its functions in the normal course of business.

However, applicants whose applications are deferred pursuant to this Rule are approved as promptly as the capabilities of CDS permit in the order in which their Participation Applications were filed with CDS.

**2.2.4 Approval.** Upon recommendation of the Business Conduct Committee, the Board of Directors can approve, with respect to any one of the Services applied for, a Participation Application for signature by CDS and delivery to the Applicant who then becomes a Participant. An Applicant whose Participation Application is approved may only use the Service specified in the Participation Application.

## **Rule 2.3 Suspension and Termination**

**2.3.1 Sufficient cause.** Sufficient cause for suspension or termination of a Participant in any Service exists when CDS determines, in its sole discretion, an actual or imminent:

- a) failure to make any payment as required by the Rules or Procedures;
- b) failure to deliver any Security as required by the Rules or Procedures;
- c) unjustified non-performance of a material provision, or repeated breach of any provision, of the CDS Agreement;
- d) non compliance with any disciplinary action or imposition of surcharges and penalties by CDS;
- e) ineligibility, loss of qualification or non compliance with standards for Participation;
- f) adverse effect on the integrity or interests of CDS or Participants by the financial or operating condition, or continuation of the participation, of the Participant;
- g) revocation of the registration or license, expulsion or suspension of the Participant by the regulatory or competent authority having jurisdiction over the Participant;

h) order or decision of a competent judicial or administrative authority enjoining the Participant from engaging in or continuing any conduct or practice related to securities or payment transactions;

or when the Business Conduct Committee, determines that other similar or adequate cause for suspension or termination exists.

**2.3.2 Suspension.** When sufficient cause exists, CDS may suspend the right of a Participant to use any Service or any function within a Service, with respect to any specific one or all transactions or Securities, until CDS determines that the sufficient cause no longer exists.

**2.3.3 Termination.** When sufficient or adequate cause exists and upon recommendation of the Business Conduct Committee, the Board of Directors may terminate the right of a Participant to use any Service. At least five days before the meeting at which termination is to be considered, the Participant is given notice of the time and place of the meeting and the cause for termination. The Board of Directors gives the Participant the opportunity to be heard by the Board of Directors at that meeting.

**2.3.4 Outstanding Items.** CDS determines what actions are taken with respect to Transactions of a suspended or terminated Participant that have not settled or that are not completed. CDS may take any action it deems necessary to maintain the provision and the integrity of the Services, and Participants concerned comply with CDS' instructions. CDS shall forthwith inform FSC of such actions. (*Amended 11/4/08*)

**2.3.5 Withdrawal.** A participant may, on thirty days' prior notice to CDS, cease to be a Participant.

**2.3.6 Reinstatement.** Upon request by a Participant, the Board of Directors may reinstate in any Service a terminated or withdrawn Participant on terms and conditions determined by the Board of Directors.

**2.3.7 Notification to FSC.** The CDS will notify the SEM and FSC forthwith upon suspension, termination, withdrawal or reinstatement of a Participant or of any Change under Rule 2.1.5 and/or in cases of Defferal under Rule 2.2.3. (*Amended 11/4/08*)

**2.3.8 Obligations.** The obligations of a suspended, terminated or withdrawn Participant survive the suspension, termination and withdrawal from any Service. A Participant waives its rights to any damages or action against CDS, its directors, officers or employees, if they were acting in good faith and without negligence, in connection with its suspension, termination or withdrawal or that of another Participant.

**2.3.9 Civil and Criminal Liability.** The suspension, termination or withdrawal of Participant does not prejudice the right of CDS and Participants to take civil or criminal action against the suspended, terminated or withdrawn Participant.

## **Rule 2.4 Complaints and Appeals Procedure**

**2.4.1 Complaint to the Business Conduct Committee.** A Participant who is adversely affected by a decision taken by CDS management under this Rule may file a complaint with the Business Conduct Committee. The Participant notifies the Committee, within ten Business Days from the date the decision is made known to Participant, of the decision and the grounds for the complaint.

Within twenty Business Days from the date Business Conduct Committee is notified, but not earlier than ten Business Days, unless Participant consents to a shorter delay, the Business Conduct Committee gives Participant the opportunity to appear before and to be heard by the Business Conduct Committee.

The Business Conduct Committee is not bound by the technical rules of evidence in the conduct of the hearing of the complaint and deliberation of the decision. All decisions reached by the Business Conduct Committee must be fully substantiated.

**2.4.2 Appeal to CDS.** A Participant who is adversely affected by a decision of the Business Conduct Committee may appeal that decision to the board of directors of CDS.

The Participant notifies the Business Conduct Committee and CDS, within ten Business Days from the date the decision is made known to Participant by Business Conduct Committee, of the decision and the grounds for the appeal. Within ten Business Days of the receipt of the notification the board of directors of CDS considers the appeal in light of representations made by Participant and the recommendations of the Business Conduct Committee.

The Board of Directors of CDS notifies its decision to Participant within a reasonable time after the hearing. No final decision shall become executory until such notification is made.

**2.4.3 Appeal to FSC.** This appeals procedure does not prejudice the right of a Participant who is adversely affected by a decision of the Board of Directors to appeal that decision to the FSC and Participant notifies the Business Conduct Committee and the CDS of any such appeal to the FSC. (*Amended 11/4/08*)

## **RULE 3                    Use and Provision of Services**

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### **Rule 3.1      Participant Authorization and Security**

**3.1.1 Personnel.** Each Participant files with CDS any form required by CDS including a designation, signed by two of Participant's senior officers, of the name, office, telephone and telecopier numbers, and specimen signature of those employees who are duly authorized to legally and validly act on behalf of the Participant in all matters of the Service it is authorized to use, including the ability of such designated personnel to access computer processing activities for on-line functions and facilities.

Such designation becomes effective when CDS acknowledges receipt thereof by signing a duplicate copy remitted to Participant. CDS is authorized and instructed by Participant to rely on such effective form or designation and on any replacement thereof.

**3.1.2 Security.** Participant complies with the Procedures and Manual concerning the reasonable security measures of CDS with respect to its premises, employees and computer processing facilities. Participant is also responsible for taking appropriate and diligent security measures concerning its own personnel, the preservation of access codes and passwords to CDS' computer processing facilities and its operations with CDS.

**3.1.3 Participant Action.** Subject to the requirement of CDS to require further confirmation before acting on an instruction from Participant, CDS is authorized and directed by Participant to rely on and accept any written instruction, telecopied, telephoned or electronic message from any designated personnel of Participant. CDS is not required to verify the source of a telecopied, telephone or electronic message given in accordance with the CDS Agreement.

CDS is not responsible or liable for any act done or omitted to be done in good faith when relying on any erroneous, forged or unclear message given in accordance with the CDS Agreement.

### **Rule 3.2      Payment and Funds Account**

**3.2.1 Service Fees.** Participant pays, within the time, at the place and in the form and manner specified in the Procedures, such fees and surcharges for its use of the Services, as determined in Rule 3.7. Fees and surcharges are billed on a monthly basis or as often as CDS requires as specified in the Procedures.

**3.2.2 Transactions.** Every Business Day on which CDS provides Participant with a Transaction report, notional payments between Participants and between Participants and CDS of a debit and credit shown in such report is made in accordance with the

Rules through the Funds Account and within the time, at the place and in the form and manner specified in the Procedures.

**3.2.3 Acceptable Banks.** Payment between Participants and between Participants and CDS are effected by Settlement Banks through the facilities of their settlement account at the Bank of Mauritius

**3.2.4 Refusal.** CDS may at any time and with prior notice to Participants concerned, except when such a course of action is not reasonably possible, refuse that payment be made to or from a Settlement Bank which, in the discretion of CDS, does not meet the requirements set forth in the Procedures. Participant shall forthwith effect payment and arrange for alternate means of payment.

**3.2.5 Payment Final and Irrevocable.** A payment by Participant or drawn on a Settlement Bank is final and irrevocable. Participant cannot revoke, countermand, cancel, return through the payments clearing system or otherwise refuse to pay or attempt to prevent any payment to CDS.

Participant's obligations and liability to CDS and Participants remain outstanding until CDS and Participants receive full, unconditional and irrevocable payment, and are not discharged by the delivery to Settlement Bank of any instruction, form or instrument of payment by Participant or a Settlement Bank for the account of Participant.

If a payment is returned or otherwise not made or reversed for any reason, including the failure or insolvency of a Settlement Bank by which payment is to be made, Participant immediately makes payment in accordance with CDS' instructions.

**3.2.6 Accountability.** Payment by Participant or a Settlement Bank is made without prejudice to the right of Participants and CDS to an accounting (after such payment) of the amounts properly owing between Participant and CDS.

**3.2.7 Funds Account.** In accordance with the Procedures, Participant opens and maintains with CDS a Funds Account, which is used solely for the notional Settlement of funds for obligations pertaining to Transactions, fees and surcharges, and any other payments obligations under the CDS Agreement.

**3.2.8 Settlement Bank Account.** Participant and CDS open and maintain with the Settlement Bank a Settlement Bank account for each Funds Account maintained at CDS. Each Settlement Bank account is used solely for effecting the actual payment of the net funds Settlement obligations of Participants and CDS.

**3.2.9 Settlement Limit.** Except for Custodian Banks, the settlement limit that Participant obliges itself not to exceed at any time is a function of the contribution made by Participant to the Guarantee Fund pursuant to Rule 6.2 and the Procedures.  
*(Amended: 10/3/97)*

**3.2.10 Actual Payment.** At the time prescribed and using one of the following methods of payment set forth in the Procedures for the actual payment of Settlement:

- a) the net debit or credit amount in the Funds Account is communicated to Settlement Bank by CDS for immediate posting to Participant's Settlement Bank account; or
- b) CDS pays a Participant by making available at the office of CDS a cheque drawn on CDS' banker to Participant's order. Participant pays CDS by delivering to CDS a cheque to CDS' order drawn on a Settlement Bank, subject to the Settlement limit.

**3.2.11 CDS Payment Order.** CDS is irrevocably and duly authorized and directed by Participant to:

- a) require and receive an advice from Participant's Settlement Bank with respect to Participant's Settlement limit;
- b) direct Settlement Bank to credit and debit Participant's Settlement Bank account with the amount resulting from Settlement obligations of Participant and CDS; and
- c) direct Settlement Bank to perform other related activities.

Participant makes necessary arrangements with its Settlement Bank to enable CDS to utilize the authorization and direction given hereunder.

### **Rule 3.3 Participant Liability**

**3.3.1 Separate Services.** The Depository Service and the Settlement Service are separate Services of CDS. A Participant in a Service does not have rights, obligations and liabilities for another Service unless it is also a Participant in that other Service.

**3.3.2 Principal.** Participant uses the Services strictly for the purpose for which they are intended under the CDS Agreement.

Where Participant uses any Service on behalf of another Participant or of a non-Participant, so far as the rights of CDS and of other Participants are concerned, Participant is liable as principal for the performance and execution of all obligations under the CDS Agreement.

**3.3.3 Sufficiency and Authority.** At all times, Participant ensures that there are sufficient funds and Securities in the relevant Accounts to fulfill the financial and settlement obligations resulting from its Transactions and instructions to CDS.

Participant also warrants to CDS and other Participants that it has complete power, right and authority to enter into all Transactions and instruct CDS in accordance with the CDS Agreement. Participants enter into an agreement with each client in the substance of the provisions prescribed in the Procedures with regards to account opening and maintenance.

**3.3.4 Responsible Use.** The use by Participant of any Service, including the facilities of another clearing corporation provided through a Service, constitutes the

agreement of every Participant with CDS and other Participants to be bound by the Rules and Procedures, and by all agreements entered into, all instruments, declarations made and other acts done by CDS in respect of that facility or Service used by the Participant. Every Participant observes and complies with and is bound by such rules and procedures of the clearing corporation to the same extent as if Participant were a participant of that service or clearing corporation.

**3.3.5 Indemnification.** Participant indemnifies and holds harmless CDS, its nominee and all Participants, their partners, directors, officers, employees and agents from any loss, damage, cost expense, liability or claim incurred or sustained by them arising from a Participant's instructions, actions or directions, failure or breach of its obligations.

## **Rule 3.4 Provision of Services**

**3.4.1 Depository and Settlement Services.** CDS provides the Settlement Service and the Depository Service as two separate Services which carry separate and distinct rights, obligations and responsibilities.

Where a Participant uses both Services and CDS determines an actual or imminent default of Participant in one Service, CDS is entitled to treat all of that Participant's rights, obligations and liabilities as if Participant is also in default in the other Service.

**3.4.2 Other Services.** CDS may provide such other Service with respect to Eligible Securities or not, including the delivery and receipt, settlement of transactions in and the pledge of Securities or otherwise of a nature commonly performed by a clearing corporation, as CDS may from time to time determine, including the disbursement of money to and the receipt of money from Participants and others in connection with Transactions in Eligible Securities.

**3.4.3 Services to non-Participants.** CDS may from time to time act in delivering Securities to and receiving Securities from persons, firms, or organizations which are not Participants and paying to and receiving from such persons, firms, or organizations amounts payable in connection with such receipts and deliveries.

**3.4.4 Cessation of Services.** CDS, notwithstanding anything herein contained, may in its discretion cease to provide, temporarily or indefinitely, one or more Services or services for any Transaction, class of Transactions or Eligible Securities. CDS promptly notifies Participants of such proposed cessation and notifies Participants of the effective date of such cessation, subject to the approval of the FSC. *(Amended 11/4/08)*

**3.4.5 Participant Identifier.** A Participant is allocated a unique identification code, and each Account is allocated a unique identification code which is used on the face of all forms used by Participant in connection with the Services.

**3.4.6 Waiver.** The time fixed by or pursuant to the Rules and Procedures for the doing of any act or acts may be extended, or the doing of any act or acts required by the Rules and Procedures may be waived or suspended by CDS whenever in its judgment such extension, waiver, or suspension is necessary or desirable.

**3.4.7 Grounds for Waiver.** A written report of any such extension, waiver, or suspension stating the pertinent facts, the identity of the person or persons who authorized such extension, waiver or suspension and the reason for such extension, waiver or suspension was deemed necessary or expedient, is promptly made and filed with CDS records and is available for inspection by any Participant during regular business hours on Business Days.

Any such extension or waiver may continue for more than thirty calendar days after the date thereof unless it shall have been disapproved by the Board of Directors within such period of thirty calendar days.

## **Rule 3.5 Rules, Procedures and Manual**

**3.5.1 Amendment of Rules.** The Board of Directors with the approval of the FSC may from time to time amend the Rules. CDS promptly notifies Participant and the SEM of any proposal to amend the Rules and of the text of the proposed Rule and a brief description of its purpose and effect and their effective date, subject to the approval of the FSC. Participant may, within the time prescribed by the Board of Directors, submit to CDS for its consideration its comments with respect to any such proposal, and such comments are filed with CDS records and copies thereof delivered to the SEM and FSC upon request. (*Amended 11/4/08*)

**3.5.2 Procedures and Manual.** The Board of Directors of CDS may delegate its authority to prescribe and amend the Procedures and Manual to a sub-committee of the Board or the management of CDS. Participant is bound by such Procedures and Manual and any amendment thereto in the same manner as it is bound by the provisions of the Rules.

Participant is given prompt notice of any proposed amendment to the Procedures and Manual. Upon adequate notification of Participant, CDS may, when in its discretion it deems advisable to do so, alter the Procedures and Manual with respect to any particular Transaction.

CDS may from time to time establish Procedures for the processing, copying, retention and destruction of documents used by CDS and Participant, for the establishment of cut off times and for any other purpose in relation to CDS functions.

CDS may adopt Procedures for the receipt and delivery of Eligible Securities at or through the facilities of such other clearing corporation or entity as may be designated by CDS.

In the event of any conflict between the rules of the CDS and any operational and procedural rules made by the CDS, the rules shall prevail.

**3.5.3 Services Advisory Committee.** The Board of Directors may appoint a committee, to be known as the Services Advisory Committee, to advise CDS with respect to its Services, the Procedures, Manual and pricing.

The Committee shall be comprised of representatives of Participants, Issuers of Eligible Securities or transfer agents, and Settlement Banks. The Committee reviews such Services, Procedures, Manual and pricing and makes its recommendation to CDS prior to their implementation.

Such review and recommendations are not necessary if in the opinion of CDS the circumstances require prompt or immediate action or if the matter subject to consideration by the Committee is of a routine or inconsequential nature.

**3.5.4 Forms.** In connection with any Transactions or matters handled through, with, or by CDS under or pursuant to the Rules, Procedures and Manual such forms, lists, instructions, requests, notices, and other documents are used as CDS may from time to time prescribe or issue, and additions to, changes in and elimination of any forms may be made by CDS at any time in its discretion.  
*(Amended 17/07/97)*

**3.5.5 Reports to FSC.** CDS will report to the FSC the following:

- (i) the number of trades reported for settlement
- (ii) the number of trades settled
- (iii) the number of trades that failed to settle on their settlement date and the name of the Participant
- (iv) the total un-netted value of settlements
- (v) the net amounts paid by each Participant and received by the CDS
- (vi) The ratio of net settlement value to total settlement value

In addition to the above, the CDS may furnish other reports in accordance to the CDS Act. *(Amended 11/4/08)*

## **Rule 3.6 Eligible Securities**

**3.6.1 Eligibility Policy.** CDS determines from time to time which Securities are eligible to any particular Service. It is the policy of CDS to accept Securities as eligible, on the request of Participant, to the maximum extent consistent with its operational capabilities.

**3.6.2 Exceptions to Policy.** CDS may refuse to accept a Security as eligible or may discontinue, for any particular Service, the eligibility of any Eligible Security previously accepted for any reason, including any one of the following where:

a) CDS lacks the operational capability or may be unable to obtain sufficient information regarding the Security to permit the performance with respect to such Security of the Services ordinarily rendered by CDS with respect to Securities;

- b) the market for the Security has not demonstrated liquidity sufficient to permit reasonable liquidation of positions therein;
- c) a Security, other than a corporate bond, is neither traded on the SEM nor subject to quotations (representing bona fide offers to Participants to buy and sell in reasonable quantities at stated prices);
- d) a Security of an Issuer who is in default on payments of declared dividends, interest or face value;
- e) a Security the trading of which has been suspended by the order of the FSC, by the SEM or by any other authority having the power to suspend trading in such Security; *(Amended 11/4/08)*
- f) during the preceding six consecutive months the level of activity in CDS concerning the Security or the level of service provided by the transfer agent or the Issuer in connection therewith has been insufficient to render the continued eligibility of the Security practical;
- g) the continued eligibility of the Security may adversely affect the financial condition of CDS or of Participant who uses a Service, as deemed by CDS necessary or appropriate in the public interest in view of the CDS overall capabilities.

**3.6.3 Listed Securities** Notwithstanding the provisions of Rule 3.6.2, the CDS will not refuse to accept nor discontinue the eligibility of a listed security without prior approval of the FSC. *(Amended 11/4/08)*

**3.6.4 Conditions.** CDS may, in its discretion and at any time, impose or remove conditions on any Eligible Security, including constraints on or prohibitions in respect of any Transaction provided that:

- a) prior to imposing or removing such condition, CDS takes reasonable steps to give Participant sufficient prior notice to permit Participant to take alternate means to carry out its Transactions, including the withdrawal of deposited Eligible Securities or to refrain from depositing those to become subject to the condition; and
- b) in exercising its discretion to impose or remove conditions, CDS takes reasonable care in what, in good faith, it considers to be in the best interests of all Participants.

**3.6.5 List.** CDS maintains a list of Eligible Securities and when CDS discontinues the eligibility of a Security for a Service or imposes conditions, CDS notifies Participants thereof, and from and after the effective date specified in such notice, CDS ceases to render such Service or enforces the condition with respect to such Security. Such list is available to Participants and non-Participants on demand for a prescribed fee.

## **Rule 3.7 Fees and Charges**

**3.7.1 Fees.** The fee levied by an investment dealer from its client in respect of services provided to it by CDS Ltd shall be governed by the Securities Act 2005 and regulations made or remaining in force thereunder. The Board of Directors of CDS may determine the other fees and charges to be levied by CDS and FSC shall be kept informed of such fees and charges and any changes thereto. *(Amended 11/4/08)*

**3.7.2 Publication.** Fees and surcharges determined by CDS are set forth in the Procedures and are released to Participants thirty days prior to the effective date thereof.

## **Rule 3.8 Reports and Audits**

**3.8.1 Reports.** The format and contents of the reports for Participant evidencing the records of CDS provided for the Services are determined by CDS and set forth in the Procedures.

**3.8.2 Confirmation.** Before the deadline prescribed in the Procedures, Participant verifies the accuracy, completeness and correctness of all such reports and raises with CDS any discrepancy with Participants' internal records identified by Participant.

After that period, Participant is deemed to have confirmed the accuracy, completeness and correctness of such reports.

**3.8.3 Correction.** CDS may correct or adjust any entry in any report or record maintained by CDS and forthwith notify the Participant concerned, including any manifest error after the confirmation period, provided that the delay does not prejudice CDS or any Participant. Participant conforms its records to those of CDS which prevail over Participants records in case of any discrepancy.

**3.8.4 Best Evidence.** The reports and records of CDS prevail over Participants' internal records and constitute, with respect to any and all Transactions, the best evidence of such Transactions, without prejudice to the right of Participants' clients to prove their ultimate rights, title and entitlements.

**3.8.5 Retention.** Subject to the relevant legislations, CDS determines and sets forth in the Procedures the period for the retention by CDS and Participant of Service records, after which period such records can be discarded or destroyed. CDS is not obligated to retain any of its Service records for longer than 10 years after the date on which entry was made on such records.

**3.8.6 Annual Financial Audit.** The annual financial statements of CDS are audited by a firm of independent public accountants selected by the General Assembly of shareholders of CDS. Such audit shall be conducted with the generally accepted auditing principles.

**3.8.7 Review of Internal Accounting and Procedures.** A study and evaluation is conducted annually by independent public accountants of the suitability of the system

of internal controls of CDS with the objectives of internal control stated by CDS pertaining to:

- a) the accounting of Participant Security Account and Funds Account;
- b) the processing of Transactions in accordance with Participants instructions, the Rules, Procedures and Manuals; and
- b) the integrity and reliability of the data processing facilities of CDS.

**3.8.8 Financial Reports.** Within ninety (90) days after the end of each fiscal year of CDS, CDS provides Participant financial and other statements of CDS audited by independent public accountants for such fiscal year.

Within thirty (30) days after the close of any fiscal quarter, CDS provides to any Participant upon request unaudited quarterly financial statements of CDS.

### **Rule 3.9 Confidentiality**

**3.9.1 Secrecy.** Any information about Participant, Securities Accounts and Funds Accounts obtained by CDS in the course of its operations is kept confidential by CDS unless it is otherwise publicly available.

**3.9.2 Disclosure.** Subject to the provisions of the CDS Act 1996, Participant authorizes and directs CDS to disclose information about Participant, its Funds Account and its Securities Accounts and those under its management:

- a) to the respective auditors of CDS and of Participant to the extent required to perform their duty;
- b) to directors, employees, agents and legal counsel of CDS, to the extent required to perform their duty;
- c) to the Issuer of securities held for Participant in Securities Accounts under its management;
- d) as required by order of a court, or order of or under an agreement with a regulatory authority having jurisdiction over Participant or holders of Securities Accounts;
- e) to a securities exchange, clearing agency or self-regulatory organization which services Participant;
- f) limited to Securities held for Participant, as required by any person concerning the influence of the votes of security holders, the offer to acquire or exchange securities or any other matter related to the affairs of the Issuer of such Eligible Securities;
- g) which is in a statistical, summary or other format that does not identify Participant, holders of Securities Accounts or a group of Participants; and

h) for the purpose of enabling or assisting the Bank of Mauritius to discharge its functions under the Bank of Mauritius Act, the Banking Act or any other written law;

Before disclosing the information under d), CDS notifies the Participant concerned of the request unless specifically prohibited to do so.

### **3.10 CDS Liability**

**3.10.1 Exclusion.** When acting in good faith and without negligence, CDS is not liable to any Participant or holders of Securities Accounts under its management for:

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

b) any other special, indirect or consequential loss, damage, expense, liability or claim;

c) any loss in respect of which the Participant indemnifies CDS;

which is suffered or incurred by any Participant or holders of Securities Accounts under its management arising from or related to the Services.

**3.10.2 Limitation.** CDS' liability in respect of any Service to any Participant, for a loss not excluded by the Rules and arising from any cause, does not in any event exceed the net amount that CDS recovers from its insurers or any other person for any such loss.

Where more than one Participant or holders of Securities Accounts suffer or incur a loss for which CDS accepts such limited liability, the net amount recovered by CDS is distributed among all such Participants and holders of Securities Accounts in a fair and equitable manner determined by CDS.

**3.10.3 Insurance.** CDS takes reasonable steps to obtain and maintain one or more policies of insurance for such amounts and coverage as CDS may reasonably determine in the best interests of CDS and Participants, and provided such insurance is available at a reasonable cost. A policy of insurance maintained by CDS is open to Participant inspection at the time and place determined by CDS.

CDS notifies Participants of any material reduction in the coverage or amount of any policy of insurance maintained by CDS.

## **RULE 4            Settlement Service**

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### **Rule 4.1 Service Description**

**4.1.1 Settlement.** The Settlement Service is a Service whereby CDS acts as an intermediary in making payments or deliveries or both in connection with Transactions in Eligible Securities and provides facilities for the comparison of data respecting the terms of settlement of Transactions, to reduce the number of settlement of Transactions, or for the allocation of settlement responsibilities arising from Transactions.

**4.1.2 Clearance and Settlement through CDS.** The reporting and confirmation of a Transaction to CDS constitutes the agreement of Participants and CDS to clear and settle such Transaction through the Services in accordance with the CDS Agreement.

**4.1.3 Non-Participants.** No Transaction can be effected through the Settlement Service if a party to the Transaction is not a Participant. A non-Participant appoints a Participant to act as the agent of such non-Participant.

**4.1.4 Transaction Feed.** No amendment may be made to any Transaction reported to CDS without the approval of the SEM and, when not entered into on the SEM, by all Participants involved in the Transaction.

**4.1.5 Simultaneous Delivery and Payment.** The settlement of Transactions is by means of delivery of Eligible Securities coinciding with payment of funds.

### **Rule 4.2 Settlement of Transactions**

**4.2.1 Mandatory Settlement.** All SEM trades in Eligible Securities between Participants, unless the Procedures prescribe otherwise, are reported and submitted for clearance to CDS and for settlement by Participants through the Settlement Service and the Depository Service.

**4.2.2 Transaction Settlement.** Transfers of Eligible Securities between custodians and securities companies, as well as donations, hereditary transfers (subject to relevant approval), sales on attachment, foreclosures on execution, pledges, free deliveries, loans and other dispositions of Eligible Securities may be settled within the Services through Participants in such Services.

**4.2.3 Transactions Report.** On every Business Day that one or more Transactions are recorded in Participant's Account, CDS combines the Transactions and provides Participant with reports and at such time as are set forth in the Procedures.

**4.2.4 Settlement Date.** Except for Transactions on Government of Mauritius Securities/Bank of Mauritius Bills, on the third Business day following the Business day on which Transaction took place, when Eligible Securities and the net available Settlement limit in the Participants' Accounts are sufficient to cover the Eligible Securities and funds elements of the Settlement, the Transaction is automatically settled by the Services. The clearing and settlement of transactions on Government of Mauritius Securities/Bank of Mauritius Bills will be effected as set forth in the Procedures. *(Amended 17/9/2001, 8/12/2003)*

**4.2.5 Settlement Mode.** Upon Settlement of a Transaction, the transferer's Securities Account is debited with the Eligible Securities being the object of the Transactions and the Participant's Funds Account is credited with the corresponding payment therefor. Simultaneously, the transferee's Securities Account is credited with Eligible Securities being the object of the Transactions and the Participant's Funds Account is debited with the corresponding payment therefor.

**4.2.6 Payment of Settled Transfers.** All net funds payment obligations arising on Settlement date are effected and settled through the Settlement Bank of each Participant at the end of the Business Day on Settlement date through the crediting and debiting by the Settlement Bank of the respective Settlement Bank Account of the Participants based on the net position of each Participant as a result of Settlement.

**4.2.7 Effect of Settlement.** Upon completion and settlement of the Eligible Securities and payment therefor and subject to Rule 3.2.6, the Transaction is final and irrevocable and cannot be unwound.

**4.2.8 No Restrictions.** Participants are not permitted to attach any condition or restriction on the Settlement of Transactions and such conditions and restrictions that are imposed contrary to the Rules and Procedures are void and ineffective, and non-compliance therewith does not invalidate Settlement.

**4.2.9 Good Title.** A transferee Participant or holder of an Account under its management acquires good, valid and incontestable title to Eligible Securities obtained by means of a Transaction settled through the Services.

**4.2.10 Netting.** Transactions may be cleared by setting any of them off against any other Transaction in accordance with the CDS Agreement

### **Rule 4.3 Loan Post**

**4.3.1 Loan Post.** All loans of securities from one Participant to another are contracts between Participants and are made through the loan post. The CDS loan post is a facility whereby CDS releases the name of any Participant willing to lend Eligible Securities through the Depository Service. All securities loaned and moneys deposited as security for such loans are delivered and paid through the Services.

**4.3.2 Client's Authorization.** A Participant having authority to do so from a client may loan to another Participant margineable Eligible Securities held for such client, provided that nothing in such authorization justifies Participant in loaning more

of such Eligible Securities than is fair and reasonable in view of the indebtedness of such client. To determine what is fair and reasonable, Participant maintains a separate list identifying the client and the Eligible Securities loaned.

**4.3.3 Borrowing Procedure.** A Participant wishing to borrow Eligible Securities contacts the Participant prepared to make such loan directly and enters into an agreement determined entirely by the parties thereto, without the intervention of CDS.

The loan post settles the terms of the agreement for the loan between the borrower and the lender Participants and, when so settled, confirms the same to each of them through the Settlement Service.

**4.3.4 Deposit of Money with Lender.** A loan is made against deposit by the borrower Participant of a sum equal to such percentage as such forth in the Procedures, of the market value of the said Eligible Securities based on the closing price on the day preceding the day when the loan is reported to the CDS and is made either flat or with interest or premium as agreed upon by the borrower and the lender Participants. When Eligible Securities held for a client are loaned, the management of the money deposited shall be agreed upon between the lender Participant and its client, without the intervention of CDS and shall not be the responsibility of CDS. *(Amended 11/4/08)*

**4.3.5 Marking to market.** The lender Participant may, at any time on any clearing day, require the borrower Participant to furnish margin equivalent to the amount by which the then current market price exceeds the sum of money on deposit with the lender Participant, and the borrower Participant may, by like requisition, require the lender Participant to refund such money as is necessary to reduce the amount of deposit for the loan to such current market price.

**4.3.6 Repayment.** The borrower Participant shall return the Eligible Securities loaned and the lender Participant shall return the money deposited, on the repayment date specified in the agreement between the two Participants or such other date that may be subsequently agreed upon between the two Participants. If the repayment of the loan is not completed by the return of the securities and money deposited, the loan may be closed out and fines may be imposed on the defaulting Participant as set forth in the Procedures. *(Amended 11/4/08)*

**4.3.7 Lender's right to dividend.** During the continuance of the loan, dividends, rights and other entitlements pertaining to the Eligible Securities remain with the lender Participant. Claims may be requisitioned from the borrower Participant through the Settlement Service and upon receipt of the claim item deliver the same or the proceeds thereof to the lender Participant.

## **RULE 5            Depository Service**

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### **Rule 5.1 Service Description**

**5.1.1 Depository.** The Depository Service is a Service of a system for the central handling of securities whereby CDS acts as a custodian of Eligible Securities where all Eligible Securities of a particular class or series of any Issuer deposited within the system are treated as fungible and may be transferred, loaned, pledged or subject to other operations, all by entries in the records of CDS without physical delivery of Eligible Securities certificates, or otherwise to permit or facilitate the settlement of Transactions without physical delivery of Eligible Securities certificates.

**5.1.2 Securities Accounts.** To use the Depository Service, Participant opens and maintains with CDS one or more Securities Accounts for the recording of the deposit or withdrawal of securities and for dealing in such securities. These accounts may comprise a Participant Securities Account and a Client Securities Account to comply with segregation requirements for client Eligible Securities.

**5.1.3 Disclosure.** Participant when opening a client Securities Account should ensure that Participant has particulars of the client's identity.

**5.1.4 Accounts.** A Client Securities Account and a Participant Securities Account may, in accordance with the Procedures and the Manual, record Eligible Securities in:

- a) a Collateral Account, for Eligible Securities pledged to Participant and held by CDS subject to Participant's instructions only;
- b) a Pledge Account, for Eligible Securities pledged by one Participant or Account holder to another Participant or Account holder and held by CDS for and subject only to the instructions of that Participant;
- c) a General Account, for Eligible Securities available and unencumbered held by Participant or by the holder of a Securities Account.

**5.1.5 Operations.** The Depository Service and its facilities are extended by CDS and made available to Participants and clients who can maintain Securities Accounts only under the responsibility of Participants and solely upon instructions received from Participants and determined to be in accordance with the CDS Agreement.

Any instruction to change, update or make a correction to a Securities Account of a client is given to CDS by a Participant in accordance with the Procedures.

**5.1.6 Failure.** Where CDS is unable to effect a transfer, pledge, withdrawal of Eligible Securities or other Transaction, on its records because of an extraordinary

event, CDS is not liable to compensate any person who incurs a loss as a result of a delay in effecting the transfer, pledge, withdrawal or other Transaction to the extent that it proves that it took reasonable corrective action.

**5.1.7 Buy-Ins.** Where there is not a sufficient quantity of Eligible Securities in a Securities Account to fulfill the delivery requirements of a Settlement or Transaction, CDS may debit the Funds Account of the Securities Account holder's Participant, as security, with an amount equal to the value of such Eligible Securities plus any amount determined by CDS to protect CDS, Participants and the integrity of the Depository Service. Where the Securities Account holder fails to deliver the required Eligible Securities in accordance with the Procedures, CDS may buy a sufficient quantity of said Eligible Securities required to fulfill the delivery requirements of the Settlement or Transaction. The purchase price and related costs and surcharges are an amount owing from the Securities Account holder's Participant to CDS. CDS will notify the FSC of any Buy-In procedure that is initiated.

Notwithstanding the above provision, where failure to deliver the required Eligible Securities results from the non-confirmation of a trade by a Custodian Bank, CDS may either allow the Custodian Bank to confirm the sale Transaction after the Settlement Date or allow the Participant that effected the sale Transaction to contract a securities loan in order to settle the sale Transaction. Buy-in procedures will be aborted, provided that the confirmation from the Custodian Bank or the reporting of the loan transaction by the Participant is submitted to the CDS before the buy-in session takes place as set forth in the procedures. (Amended 17/9/2001, **11/4/08**)

## **Rule 5.2 Deposit and Transfer**

**5.2.1 Procedure.** Eligible Securities are deposited and transferred in the Depository Service in accordance with the Procedures and Manual.

**5.2.2 Credit.** Upon confirmation of the authenticity of the deposited security certificates by the registry of the Issuer the CDS credits the Eligible Securities to the Securities Account in accordance with Participant's instructions.

*Such confirmation shall be given by the registry of the Issuer within five business days of the deposit. (Amended: 10/2/99)*

## **Rule 5.3 Pledge**

**5.3.1 Pledgor and Pledgee.** A pledge of Eligible Securities by a Participant or its client is effected by the pledgor Participant reporting, and the pledgee Participant confirming, through the Settlement Services, the pledge Transaction for the quantity or face value of Eligible Securities to be pledged to the pledgee Participant or its client.

**5.3.2 Pledge Accounts.** Eligible Securities pledged through the Settlement Service are credited to the pledgee's Collateral Account and recorded in the pledgor's Pledge Account, and are dealt with strictly and exclusively in accordance with the

instructions of the pledgee Participant, without regard to the pledgor Participant. CDS has no obligation to verify the terms of the pledge or compliance therewith by either Participant or non-Participant parties to a pledge.

**5.3.3 Unavailable Position.** Eligible Securities that are pledged in accordance with the Rules, Procedures and Manual are no longer eligible for Settlement of other Transactions unless first released by the pledgee Participant.

**5.3.4 Entitlements.** All proceeds and entitlements of Eligible Securities under pledge in a Pledge Account pertain and belong to the pledgor, without prejudice to the pledgor to constitute a pledge of such proceeds and entitlements.

**5.3.5 Foreclosure.** In the event a Participant or non-Participant pledgor defaults on the principal obligation that is the subject of a pledge, the pledgee Participant instructs CDS, who complies, to transfer to the pledgee Participant those Eligible Securities in the pledgor Participant's Pledge Account to the Securities Account of the pledgee Participant or its client. CDS notifies the pledgor forthwith.

**5.3.6 Release.** Promptly after the termination of the pledge for reason of payment and performance of the principal obligation or other reason or consideration, the pledgee Participant enters the appropriate instruction to CDS to release the Eligible Securities from the pledgor's Pledge Account and record them in the pledgor's Securities Account.

**5.3.7 Obligation of CDS.** When a pledgor fails to perform the principal obligation for which the pledge was created or continued, CDS has the authority from the pledgor Participant to maintain the securities in the pledgee's Collateral Account until instructed to release the Eligible Securities under pledge by the pledgee Participant, without any liability of CDS.

## **Rule 5.4 Withdrawal**

**5.4.1 Procedure.** Eligible Securities are withdrawn from Securities Accounts in accordance with the Procedures and Manual.

**5.4.2 Debit.** Upon verifying that the withdrawal of Eligible Securities is valid, CDS debits the Eligible Securities from the Securities Account in accordance with Participant's instructions and those Eligible Securities withdrawn are no longer eligible for Transactions.

**5.4.3 Retirement.** Eligible Securities that expire, are redeemed or canceled are retired by CDS from the Depository Service and the Securities Accounts, unless CDS is instructed otherwise by Participant.

## **Rule 5.5 Entitlements**

**5.5.1 List of Account Holders.** On receipt of a demand from an Issuer or its agent for a list of the names of Participants and non-Participants for whom CDS holds Eligible Securities of a class issued by the Issuer in any Securities Account, CDS provides the Issuer or its agent with a list setting out

- (a) the name and address of, and
- (b) the number or amount of Eligible Securities of the class held for each such Participant and non-Participants made up as of the date specified in the demand of the Issuer or its agent.

**5.5.2 Examination.** After submitting a request to CDS, a holder of a Securities Account with Eligible Securities of an Issuer may during a Business Day examine a list in intelligible form of the records of CDS that relate to such Eligible Securities of the Issuer held by it made up as of a specific date at a reasonable time after submission of the request and may also make extracts therefrom, and any other person may do so upon fulfilling the requirements set forth in the Procedures.

**5.5.3 Stock Dividend.** All dividends and distributions in the form of Eligible Securities are distributed through the Depository Service. The amount of dividends in the form of Eligible Securities is determined by the Issuer thereof and credited to Securities Accounts in accordance with the Issuer's instructions.

**5.5.4 Other Corporate Action.** CDS may from time to time provide supplemental services for other types of corporate actions through the Depository Service in accordance with the Procedures.

## **Rule 5.6 Declarations**

**5.6.1 Constraints.** Participant shall not knowingly permit Transactions in Eligible Securities in the Depository Service to be held in contravention of any applicable charter, by-law, legislation, regulation or order.

**5.6.2 Declarations.** Participant provides or causes to provide, as and when required, a declaration containing such information with respect to any Eligible Security in a Security Account to comply with:

- a) a lawful request of the Issuer of the Eligible Security made to comply or facilitate compliance with any legislation, rule, regulation, order of a court or administrative or regulatory body, by-law or provision to which the Issuer is subject; or
- b) with any legislation, regulation, or order of a court or administrative or regulatory body.

## **RULE 6                      Participant Indemnity**

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**Rule 6.1      Pledge**        To secure payments due or the performance of any obligation of Participant, Participant pledges to CDS, as collateral for its obligations under the CDS Agreement:

- a) all Participant contributions made by Participant to any guarantee fund established in accordance with the Rules;
- b) all Eligible Securities of Participant; and
- c) All Eligible Securities in the Securities Accounts under its management for which final and irrevocable payment is not made by the Participant. (*Amended: 10/3/97*)

The rights of CDS as pledgee over the assets pledged hereunder is subject to Participant's use of any Service being suspended, terminated or withdrawn.

### **Rule 6.2      Guarantee Fund**

**6.2.1 Custodian Banks.**        For the purposes of Rule 6.2, the term Participant excludes Custodian Banks and Investment Dealers (Government of Mauritius and Bank of Mauritius Securities Segment). (*Amended: 10/3/97, 10/06/2013*)

**6.2.2 Guarantee Fund.**        The Board of Directors shall establish or operate a guarantee fund to satisfy a loss sustained by CDS caused by Participant's failure to satisfy its obligations. The Board of Directors determines the calculation formula for and the acceptable forms of contributions to the fund, the circumstances under which contributions made in the form of Eligible Securities are devalued, their refund, their custody and their utilization by CDS as set forth in the Procedures.

**6.2.3 The owner of the fund.**        Although the fund is administered by CDS in accordance with CDS Rules it is owned by the Participants and the CDS as contributors to the fund. (*Amended: 1/7/98*)

**6.2.3.1 Participant may withdraw capital contribution.**        A Participant's initial contribution to the fund and any contribution required to be made by a Participant following draw down is included in the capital of that Participant. When a Participant withdraws from CDS, its unused contribution to the fund shall be returned to the Participant but no other part of the fund (including cash contributions made by the CDS based on transactions effected by the Participant) shall be repayable to the Participant. (*Amended: 1/7/98*)

**6.2.4 Management of the fund.**        The fund is managed in accordance with an investment policy decided by the Business Conduct Committee.

**6.2.5 Participant Liability.** Upon default by Participant in its obligations, CDS:

- a) applies the defaulting Participant's contributions to satisfy such obligations;
- b) requires the defaulting Participant to immediately pay the amount by which the loss exceeds Participant's contribution; and
- c) applies contributions of other Participants on a pro-rata basis to the remaining amount of the loss.

**6.2.6 Deficiencies.** Whenever an amount is paid out of the guarantee fund contribution of a Participant, whether by pro-rata charge or otherwise, such Participant is liable promptly to make good the deficiency in its deposit resulting from such payment. If the payment is made as a result of a pro-rata charge, a participant is not liable to make good more than an additional 100% of the amount of its current required contribution if:

- a) within five (5) business days following the pro-rata charge, the Participant notifies CDS that it is terminating its participation in CDS;
- b) no Transactions are submitted to CDS after the giving of such notice; and
- c) the participant meets all its outstanding obligations to CDS within the five business days following the date of its termination as a Participant.

**Rule 6.2.7 Application of the Guarantee Fund.** If any Participant fails to discharge any obligation under the CDS Agreement, or if CDS suffers any loss or expense due to a Participant, then CDS can apply the Participant's contribution to the discharge of such obligation, expense or loss.

If the amount of the undischarged obligation, expense or loss exceeds that amount of the Participant's contribution, and if the Participant fails to pay CDS the amount of the deficiency on demand by CDS, the amount of the deficiency is to be paid out of the guarantee fund and charged pro rata against all other Participants' contributions. A participant who fails to pay the deficiency remains liable to CDS for the full amount of such deficiency until payment thereof.

When a pro rata charge is made against a Participant's contribution to the Guarantee fund, CDS promptly notifies the Participant of the amount of the charge and the reasons therefore.

The amount of any deficiency, obligation, expense or loss is determined by CDS without reference to the possibility of any subsequent recovery in respect thereof, but the net amount of any such recovery is applied in accordance with the Procedures of the CDS.

## **RULE 7 Clearing and Settlement of Futures Contracts** *(Added 2/2/2010)*

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### **Rule 7.1 Trade Recording and Confirmation**

**7.1.1** Trades in Futures Contracts executed on the Automated Trading System of the SEM are automatically fed to the system of CDS and are recorded in the Securities Accounts of clients or in the proprietary Securities Account of a Participant if the latter is trading as principal. The Open Position in a Securities Account relating to a Futures Contract is updated immediately after the execution of a Trade allocated to that Securities Account.

**7.1.2** Custodian banks are required to confirm Trades that have been allocated to their clients, within 1 hour after the close of trading on the day the Trade is executed. A Trade that is not accepted by a custodian bank shall be allocated to the Investment Dealer that executed the Trade and shall be settled by the latter.

**7.1.3** The total number of gross Open Positions in all Securities Accounts relating to a Contract Class shall not exceed any maximum limit specified by the SEM. When the limit is reached, the SEM shall purge all existing orders in the Contract Class from the Order Book.

**7.1.4** The total number of gross Open Positions in all Securities Accounts relating to a Contract Class registered with a Participant, shall not exceed any maximum limit specified by the SEM. When the limit is reached, the SEM shall purge all existing orders in the Contract Class placed by the Participant from the Order Book.

**7.1.5** The total number of the gross Open Positions in all Securities Accounts of a client relating to a Contract Class, shall not exceed any maximum limit specified by the SEM. When the limit is reached, the Participant shall purge all existing orders in the Contract Class placed by the client from the Order Book.

### **Rule 7.2 Margin Requirements**

**7.2.1** No Participant is allowed to clear and settle Transactions in Futures unless it deposits an initial Margin with CDS. The Margin shall be in the form of a cash deposit or an irrevocable Letter of Credit which is exercisable immediately on demand by CDS, or in any other form that is acceptable to CDS. The Margin shall be used by CDS to pay the settlement obligations resulting from the daily marking to market of the Participant's Open Positions in Futures, in the event of a default by the Participant.

**7.2.2** The Margin deposited by a Participant allows the Participant to open positions in Futures, for its clients and for its own account, up to a Maximum Allowable Exposure which shall be equal to the amount of the Margin divided by the higher of 7% or, the mean absolute daily value/price change of the Underlying of the Futures Contract plus 3.5 standard deviations. The mean absolute daily value/price change

and standard deviation of the Underlying are calculated at the close of trading on each Business Day on a rolling basis for a period covering the last 30 Business Days. The Maximum Allowable Exposure is updated at the same time. If there is more than one Contract Class that is traded on the SEM at any time, the Contract Class whose Underlying has the highest mean absolute daily value/price change plus 3.5 standard deviations, will be used as reference for calculating the Maximum Allowable Exposure.

**7.2.3** No Participant is allowed to accept an order from a client to buy or sell Futures unless the latter deposits an initial Margin with the Participant. The Margin to be deposited by the client shall be in the form of a cash deposit or in any other form that is acceptable to the Participant.

**7.2.4** The Margin deposited by a client allows the client to hold open positions in Futures up to a Maximum Allowable Exposure as calculated in Rule 7.2.2.

**7.2.5** The Exposure of a Securities Account relating to a Futures Contract is equal to the absolute Open Position in that Securities Account multiplied by the last Closing Price of the Futures Contract. If there is no Trade in a Futures Contract on a particular day, then the Exposure of a Securities Account relating to a Futures Contract on that day, shall be equal to the absolute Open Position in that Securities Account multiplied by the Theoretical Price of the Futures Contract on that day. In such a situation, the same Theoretical Price shall be used to calculate the Exposure on the next day till the Closing Price is determined on that day.

**7.2.6** The Total Exposure of a Participant is the aggregate of the Exposures of all Securities Accounts relating to Futures registered with the Participant.

**7.2.7** The ATS shall not allow any order that can potentially cause the Total Exposure of a Participant to exceed its Maximum Allowable Exposure, into the Order Book. When the Maximum Allowable Exposure of a Participant is exceeded, the ATS shall not allow the Participant to place any new order and the SEM shall forthwith purge all the existing orders of the Participant from the Order Book.

**7.2.8** When the Maximum Allowable Exposure of a Participant is exceeded, the Participant shall deposit additional Margin to CDS to cover the excess over the limit and to provide cover for new positions.

**7.2.9** The ATS shall not allow any order that can potentially cause the Exposure of a client to exceed its Maximum Allowable Exposure, into the Order Book. When the Maximum Allowable Exposure of a client is exceeded, the ATS shall not accept any new order that is allocated to that client and the Participant shall forthwith purge all existing orders of the client from the Order Book.

**7.2.10** A Participant shall not accept an order from a client if the client's Maximum Allowable Exposure is exceeded. When the Maximum Allowable Exposure of a client is exceeded, the client shall deposit additional Margin to its Participant to cover the excess over the limit and to provide cover for any new positions.

## **Rule 7.3     Marking to Market**

**7.3.1** Futures are cash settled on a daily basis. The profit or loss on the Open Positions of each client and each Participant is computed by daily marking to market as set out in Rules 7.3.2 to 7.3.7. If the Underlying of a Futures Contract is an index, the price of the Futures Contract is the value of the index in terms of number of index points and one index point is equivalent to one Rupee.

**7.3.2** The first marking to the market is conducted on the same day after a position is opened. The profit or loss on this position is computed as the difference between the Trade price and the day's settlement price multiplied by the number of Futures Contracts traded and the Contract Size. The day's settlement price is the Closing Price of the Futures Contract on that day. On the day the position is opened, a client holding a Long Position will make a loss if the day's settlement price is lower than the Trade price while a client holding a Short Position will make a profit in such a situation. A client holding a Long Position will make a profit if the day's settlement price is higher than the Trade price while a client holding a Short Position will make a loss in such a situation.

**7.3.3** On trading days other than the day when the position is open and the day when the Futures Contract expires, the profit or loss on an Open Position in each Futures Contract is computed as the difference between the previous day's settlement price, which is the Closing Price of the Futures Contract on the previous day (except if there was no trade in the Futures Contract on the previous day), and the day's settlement price, which is the Closing Price of the Futures Contract on that day (except if there is no trade in the Futures Contract on that day), multiplied by the Open Position. On such trading days, a client holding a Long Position will make a loss if the day's settlement price is lower than the previous day's settlement price while a client holding a Short Position will make a profit in such a situation. A client holding a Long Position will make a profit if the day's settlement price is higher than the previous day's settlement price while a client holding a Short Position will make a loss in such a situation. If there is no trade in a Futures Contract on a particular day, that day's settlement price shall be the Theoretical Price of the Futures Contract on that day.

**7.3.4** Where an Open Position is closed by executing an offsetting Trade, the profit or loss is computed as the difference between the Trade price for the close-out and the previous day's settlement price, which is the Closing Price of the Futures Contract on the previous day (except if there was no trade in the Futures Contract on the previous day), multiplied by the number of Futures Contracts traded and the Contract Size. A client who closes a Long Position that was opened before the close-out date will make a loss if the Trade price is lower than the previous day's settlement price while a client who closes an open position will make a loss in such a situation. A client who closes a Long Position that was opened before the close-out date will make a profit if the Trade price is higher than the previous day's settlement price while a client who closes an open position will make a loss in such a situation. If there is no trade in a Futures Contract on a particular day, that day's settlement price shall be the Theoretical Price of the Futures Contract on that day.

**7.3.5** Where a position is opened and closed during the same Session, the profit or loss is computed as the difference between the Trade price for the close-out and the Trade price for the opening, multiplied by the number of Futures Contracts traded and the Contract Size. A client who closes a Long Position on the same day that the position was previously opened will make a loss if the Trade price for the close-out is lower than the Trade price for the opening while a client who closes a Short Position on the same day that the position was previously opened will make a profit in such a situation. A client who closes a Long Position on the same day that the position was previously opened will make a profit if the Trade price for the close-out is higher than the Trade price for the opening while a client who closes a Short Position on the same day that the position was previously opened will make a loss in such a situation.

**7.3.6** Marking to market on the Expiry Date of the Futures Contract will be as set out in Rules 7.3.2 to 7.3.5 except that the day's settlement price will be the Volume Weighted Average Price of the Underlying Security on that day instead of the Closing Price of the Futures Contract. If the Underlying is an index, the day's settlement price on the Expiry Date (the final settlement price) shall be the closing value of the index calculated using Volume Weighted Average Prices of all the index constituents during the trading Session on the Expiry Date. In case no Transaction takes place in an Underlying Security or in any of the index constituents on the Expiry Date, the Volume Weighted Average Price on the last day on which the Underlying Security or the specific index constituent was traded, will be used.

**7.3.7** If there is no Trade in a Futures Contract on a particular day other than the Expiry Date, the settlement price on that day shall be the Theoretical Price of the Futures Contract on that day.

## **Rule 7.4 Settlement**

**7.4.1** Profits and losses resulting from the daily marking to market are settled among Participants on a net basis on the next Business Day.

**7.4.2** After the marking to market of the Open Positions in all Securities Accounts relating to Futures registered with each Participant at the close of trading on each Business Day, the net settlement obligation of the Participant for Futures Transactions in respect of that Business Day is determined by subtracting the total profits from the total losses. Clearing is done by multilateral netting whereby a single net settlement obligation is determined for each Participant vis-à-vis all of the other Participants.

**7.4.3** CDS shall provide a settlement instruction showing the net settlement obligation of each Participant for Futures Transactions in respect of each Business Day, to the Participant and its Settlement Bank by 15:00 Hrs on that Business Day. Transfer of funds among Participants shall take place through their Settlement Banks and the Bank of Mauritius on the next Business Day.

**7.4.4** CDS shall provide a settlement instruction showing the amount to be paid and/or received by each Settlement Bank relating to the net settlement obligation of

each Participant for Futures Transactions in respect of each Business Day, to the Bank of Mauritius by 10:00 Hrs on the next Business Day.

**7.4.5** Each Participant shall provide funds in its account with its Settlement Bank, for the amount of its net settlement obligation for Futures Transactions in respect of each Business day, by 9:30 Hrs on the next Business Day.

**7.4.6** Each Participant shall make arrangements with its Settlement Bank for the latter to submit debit instructions to the Bank of Mauritius for the amount of the net settlement obligation of the Participant for Futures Transactions in respect of each Business day, by 10:30 Hrs on the next Business Day.

**7.4.7** The Bank of Mauritius shall transfer the funds relating to the net settlement obligation of each Participant for Futures transactions in respect of each Business Day, among the accounts of the Settlement Banks of the respective Participants by 11:30 Hrs on the next Business Day and shall confirm the transfer of funds to CDS by 12:00 Hrs.

## **Rule 7.5 Settlement Default**

**7.5.1** Each Participant shall make arrangements with its Settlement Bank for the latter to inform CDS by 10:30 Hrs on any Business Day if the Participant fails to provide funds in its account for the settlement of its net settlement obligation for Futures Transactions in respect of the previous Business Day, in accordance with Rule 7.4.5.

**7.5.2** In the event of a shortfall of funds in the account of a Participant with its Settlement Bank, CDS and the Bank of Mauritius shall postpone the transfer of funds to 14:00 Hrs on the same Business Day and Rules 7.5.3 to 7.5.7 shall apply.

**7.5.3** CDS shall transfer the Open Positions in Securities Accounts relating to Futures registered with the defaulting Participant to the Guarantee Fund's Securities Account and use the Margin deposited by the defaulting Participant to make good for any shortfall of funds. If the Margin provided by the defaulting Participant is not sufficient for making good the shortfall, the standby line of credit of the Guarantee Fund and other resources available to the Guarantee Fund shall be used to make good for the shortfall. The standby line of credit shall be used to provide immediate liquidity and the other financial resources available to the Guarantee Fund shall be claimed in the following order:

- a) Defaulting Participant's Margin
- b) All other letters of credits provided to CDS by the defaulting Participant
- c) Defaulting participant's cash contribution to CDS
- d) Cash contributions made by CDS to the Guarantee Fund

If the shortfall of funds is higher than the total amount available under a) to d) above, CDS shall close the Open Positions relating to the excess, off-market by compulsorily reducing the opposite Open Positions in all Securities Accounts registered with all other Participants on a pro-rata basis.

**7.5.4** CDS shall provide amended settlement instructions to the relevant Settlement Banks and the Bank of Mauritius by 13:00 Hrs.

**7.5.5** CDS shall instruct the Settlement Bank of the Guarantee Fund to submit debit instruction relating to the shortfall of funds to the Bank of Mauritius by 13:30 Hrs.

**7.5.6** The Bank of Mauritius shall transfer the funds among the accounts of the Settlement Banks by 14:00 Hrs and shall confirm the transfer of funds to CDS by 14:30 Hrs.

**7.5.7** The CDS shall close the Open Positions in the Guarantee Fund's Securities Accounts on the next Business Day by submitting offsetting orders on the ATS through an Investment Dealer. After execution of the offsetting orders, the Trades will be marked to market and settled by the Guarantee Fund in accordance with Rule 7.4.

If the offsetting orders cannot be matched during the trading session due to lack of liquidity, the CDS shall close the Open Positions in the Guarantee Fund's Securities Accounts off-market by compulsorily reducing the opposite Open Positions in all Securities Accounts registered with all other Participants on a pro-rata basis as set out in Rule 7.5.10.

If the total amount available to the Guarantee Fund from the following sources:

- a) Defaulting Participant's Margin;
- b) All other letters of credits provided to CDS by the defaulting Participant;
- c) Defaulting participant's cash contribution to CDS; and
- d) Cash contributions made by CDS to the Guarantee Fund,

is lower than any loss arising after marking to market the offsetting Trades, CDS shall close the Open Positions relating to the excess, off-market by compulsorily reducing the opposite Open Positions in all Securities Accounts registered with all other Participants on a pro-rata basis.

**7.5.8** The defaulting Participant shall remain liable to CDS for all amount paid out of the Guarantee Fund, including expenses and any losses, for the settlement and closure of the Open Positions in Securities Accounts relating to Futures registered with the Participant. A penalty equal to 0.2% of amount of the shortfall shall be charged to the Participant. The Participant shall be suspended from using all the services of CDS and from trading on the SEM unless it makes good its obligations towards CDS.

**7.5.9** The CDS shall forthwith inform FSC and SEM of any settlement default giving full details of the Participant and amount involved.

**7.5.10** The number of opposite Open Positions to be closed compulsorily off-market in each Securities Account registered with the other Participants is equal to the ratio of the Open Position in that Securities Account to the total number of opposite Open Positions multiplied by the total number of Open Positions to be closed as a result of the default, rounded to the nearest whole number.

**7.5.11** If a Participant's client fails to make payment to the Participant for any loss, the Participant shall use the Margin deposited by the client to settle the loss. The Participant may then close the Open Positions of the client by executing offsetting orders on the ATS. If the Participant is a Custodian Bank, it may instruct any Investment Dealer to execute the offsetting orders on the ATS to close the Open Positions of the client.

## **Rule 7.6     Adjustments for Corporate Actions**

**7.6.1** When there is a Corporate Action on an Underlying Security of a Futures Contract on a single Security, adjustments shall be made, if so required, to the Contract Size, the Reference Price of the Futures Contract and Open Positions, or a combination of these features, as set out in the rules of the SEM.

## **Rule 7.7     Expiry**

**7.7.1** The Expiry Date of a Futures Contract Series shall be as set out in the rules of the SEM. On the Expiry Date of a Futures Contract Series, CDS shall perform the last marking to market for the series and all open positions shall be closed after settlement on the next Business Day.