



# **STOCK EXCHANGE OF MAURITIUS**

## **MARKET MAKING RULES**

## STOCK EXCHANGE (MARKET MAKING) RULES

*Rules made by The Stock Exchange of Mauritius Ltd. under Section 13 of the Securities Act 2005*

### 1. Introduction and short Title

These rules, which may be cited as the Stock Exchange (Market Making) Rules 2024, are intended to improve liquidity on the SEM by establishing clear obligations for Market Makers. These rules specifically apply to ordinary shares, debt securities, structured products and other types of securities, in accordance with the definition of securities in the Securities Act and as may be decided by the SEM, which are listed on the Official Market. These rules do not apply to securities listed on the EXP Board, ETFs and debt securities issued by the Government of Mauritius.

### 2. Registration

- a) **Eligibility:** Market Makers shall be registered with the SEM and shall demonstrate to the SEM's satisfaction that they have adequate financial resources, infrastructure, and expertise. While it is not mandatory for Market Makers to be a Trading Member of the SEM, they shall execute their market making activities through a registered investment dealer. Market Maker includes any licensed investment dealer who is a Trading Member of SEM, any foreign investment dealer authorised under the Securities (Authorisation of Foreign Investment Dealers) Rules who is a Trading Member of SEM or any other entity/individual, registered with the SEM, placing an order through a Trading Member.
- b) **Registration Process:** Applicants shall enter into a market making agreement with the SEM with regard to the specified securities they intend to cover along with a commitment to comply with all applicable laws, regulations, and rules set forth by the SEM.
- c) **CDS Account:** Market Makers shall be required to open a separate Central Depository & Settlement Co. Ltd (CDS) securities account to be used only for the purpose of their market making activities and inform the SEM and the CDS of the securities account number. Trades executed on this market making securities account cannot be re-allocated to any other securities account outside of the post-trade window allowed under existing rules. Securities held in the market making securities account cannot be transferred to any other securities account other than by the execution of a trade on the Automated Trading System.

### 3. Obligations

- a) **Ongoing Obligations:** Market Makers shall maintain an active presence in the market by providing buy and sell quotes for the specified securities during the continuous trading session of the market either on demand or through displayed orders on the market. The Market Maker shall provide liquidity in the securities, ensuring that there is sufficient depth in the market to accommodate trading volumes.

- b) **Maximum Spread** – The maximum spread is the maximum allowable difference between the best ask and the best bid orders placed by the Market Maker. Market Makers shall be able to quote bids and offers within fifteen minutes after the start of the continuous trading session and shall ensure that the spread remains within the permissible limit.
- c) **Minimum Quote Size:** The minimum quote size is the minimum number of shares that a Market Maker shall offer to buy (bid) or sell (ask) at the quoted price.
- d) **Adjustment in the Maximum Spread and Minimum Quote Size:** Any adjustment as may be necessary to the maximum spread and the minimum quote size shall be determined by SEM in consultation with the Market Maker for each specified security taking into account the unique characteristics of the security. The maximum spread and the minimum quote size requirements may be adjusted based on volatility, trading volume, and other market conditions, subject to the SEM's approval.
- e) **Price Improvement Obligations:** A Market Maker shall aim to provide liquidity improvement opportunities for investors when possible, offering better prices than the current best bid/offer.
- f) **Obligation to inform the Issuer:** A Market Maker shall submit to the SEM a written proof of its appointment by the issuer of the security to make a market in that security before the commencement of any market making activities.
- g) **Compliance:** Market Makers shall comply with all applicable laws, regulations, and rules set forth by the SEM. This includes adhering to rules regarding fair trading practices, reporting obligations, and maintaining transparent records of all market making activities.
- h) **Market Rigging:** Market Makers shall refrain from engaging in any form of market rigging, including but not limited to creating artificial prices, carrying out a fictitious or artificial transaction or device that affects the price of securities, spreading false or misleading information, or executing trades that mislead other market participants. Any form of market rigging is strictly prohibited and subject to disciplinary action by the SEM.
- i) **Public announcements:** Market Makers are required to provide any announcements that need to be made public to the SEM and ensure that these announcements are also published on their respective websites.
- j) **Failure to meet Market Making obligations:** Market Makers shall promptly notify the SEM in writing if they are unable to fulfill their market making obligations for any given trading session. This notification shall include the reasons for the failure to perform and any corrective measures being taken to ensure compliance in future sessions.

## 4. Exemptions and Relief in Stressed Market Conditions

- a) **Application for Relief:** Market Makers may apply for temporary relief from their obligations during stressed market conditions. The application shall include a clear justification, and the SEM shall assess the request on a case-by-case basis.
- b) **Stressed Market Conditions:** Stressed market conditions may include extreme volatility, severe market disruptions, or other extraordinary events as determined by the SEM.
- c) **Temporary Suspension:** In cases of significant market stress, the SEM may temporarily suspend market making obligations for specific securities or the entire market, depending on the severity of the situation.

## 5. Sanctions and Penalties

**Monitoring and Enforcement:** The SEM shall monitor the Market Maker's performance to ensure compliance with these rules. Regular reviews shall be conducted, and any breaches shall be flagged for further investigation.

### **Sanctions for Non-Compliance:**

- a) **Private Warnings:** Initial breaches of obligations may result in formal warnings and corrective action requirements.
- b) **Public Warnings:** The SEM may, following a private warning, publish on its website the fact that a Market Maker has been warned for breaches to these rules.
- c) **Suspension:** Persistent failure to meet obligations may result in the temporary suspension of the Market Maker.
- d) **Deregistration:** In extreme cases, the SEM may deregister the Market Maker.

## 6. Reporting and Transparency

- a) **Transparency:** A Market Maker shall publish the name and symbol of each specified security on its website.
- b) **Reporting:** Market Makers shall submit regular reports (contents and frequency of which to be determined by the SEM) to the SEM on their market making activities.

## 7. Deregistration

- a) **Minimum Commitment Period:** No market maker shall apply for deregistration within one (1) months of their initial registration as a Market Maker for a specified security.
- b) **Notice Period for Deregistration:** Market Makers shall notify both the market and the Exchange of their intention to deregister at least one (1) month before the intended deregistration date.
- c) **Public Announcement:** The Market Maker shall make a public announcement of its intention to deregister at least one (1) month prior to the effective date of the deregistration.

## 8. Amendments

**Periodic Review:** The SEM reserves the right to amend these rules from time to time to ensure they remain effective in promoting liquidity and fair-trading practices.

Any proposed amendments to the rules shall be communicated to the market and shall involve consultation with market participants, including market makers to ensure that the proposed amendments continue to meet the needs of the market.

## 9. Fees

The SEM shall determine from time to time the fees for trades effected by Market Makers and shall publish such fees on its website.