

SECTION 17

RULES ON THE PROCEDURE TO BE FOLLOWED CONSEQUENT TO A DIRECTION RECEIVED BY CSE FROM SEC IN TERMS OF SECTION 23 OF THE SEC ACT, AS AMENDED

- 17.1** If the CSE is directed by the SEC, in terms of Section 23 of the SEC Act No.36 of 1987, as amended, to arrange for a Stockbroker/Stock Dealer Participant to take over the outstanding contracts relating to transactions in Securities of another Stockbroker/Stock Dealer Participant, the following procedure shall be followed by the CDS, upon been directed to do so by the CSE.
- 17.2** The CDS will publish a notice in the *newspapers in all 3 languages informing the settlement failure of the Stockbroker/Stock Dealer Participant, the direction issued by the SEC and the action that should be taken by Account Holders who maintain their Securities in CDS through such Stockbroker/Stock Dealer Participant.*
- 17.3** The Account Holders who hold Securities with the Stockbroker/Stock Dealer Participant in default will be given the opportunity of transferring their Securities from such Stockbroker/Stock Dealer Participant to any other Participant of their choice within 30 Market Days of the publication of the notice referred to in Rule 2 above, provided that there are no encumbrances and outstanding payments to the Stockbroker/Stock Dealer Participant on the Securities concerned.
- 17.4** In the case of Securities purchased where settlement is due or where there are encumbrances, the Account Holder will be permitted to transfer the Securities to an alternative Participant only if and when such obligations are duly settled, subject however to any restrictions imposed by an order of Court.
- 17.5** The CDS would provide details of Securities not transferred by Account Holders within 30 Markets Days of the publication of the notice to the Stockbroker/Stock Dealer Participant concerned and request confirmation from such Stockbroker/Stock Dealer Participant within 7 Market Days as to whether such Securities can be transferred, and if not, the reasons for same and details of any encumbrances attached to such Securities. In the event information is not received within 7 Market Days after such request, it will be presumed that the Securities can be transferred and that there are no encumbrances attached to such Securities, subject however to any restrictions imposed by an order of Court.
- 17.6** Based on the information provided by the Stockbroker Participant/Stock Dealer Participant, the CDS may take one of the following steps with regard to the Securities that are not encumbered, as declared by the Stockbroker/Stock Dealer Participant or deemed not encumbered in terms of Rule 5:
- (i) Initiate action to transfer such Securities to another Participant/s appointed by the CDS in the following manner.

- (a) Request Participants who are interested in taking over the Securities Accounts of the Stockbroker/Stock Dealer Participant in default to write to CDS expressing their interest which shall not be subject to any condition.
 - (b) If more than one Participant expresses interest the CDS will decide on what basis the outstanding Securities Accounts are to be distributed amongst the Participants who have expressed interest.
- (ii) If no Participant has expressed interest in taking over the Securities Accounts of the Stockbroker/Stock Dealer Participant in default the CDS shall;
 - (a) suspend such accounts or
 - (b) make arrangements with the relevant Listed Companies to issue Securities certificates in the names of the respective Account Holders, according to their holdings deposited with the Stockbroker/Stock Dealer Participant, and dispatch such certificates to the Account Holder.

17.7 Securities that are encumbered, as declared by the Stockbroker/Stock Dealer Participant in terms of Rule 5 shall be suspended by the CDS.

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

17.9 Securities remaining suspended subsequent to the application of the above procedure may be transferred to any other party with the approval of the SEC.