

Securities Businessperson (Stock Broker, Securities Dealer and Market Maker) Regulations, 2064 (2008)

In exercise of the power conferred by Section 116 of Securities Related Act, 2063 (2007), Securities Board of Nepal has, upon the approval of the Government of Nepal, made the regulations as follows.

Chapter – 1

Preliminary

1. **Short Title and Commencement:** (1) These Regulations may be called "Securities Businessperson (Stock Broker, Securities Dealer and Market Maker) Regulations, 2064 (2008)".

(2) These Regulations shall be deemed to have been commenced from the date as prescribed by the Securities Board of Nepal.

2. **Definitions:** Unless the subject or the context otherwise requires, in these Regulations,-
 - (a) "Act" means Securities Related Act, 2063 (2007).
 - (b) "Board" means the Securities Board of Nepal established pursuant to Section-3 of Securities Related Act, 2063 (2007).
 - (c) "Director" means the Member of the Board of Directors of the Stock Broker or Securities Dealer or Market Maker and this term also includes the chairperson.
 - (d) "License" means the license issued by the Board pursuant to the Regulation 4 for the operation of securities business.

- (e) "Stock Broker" means a corporate body or a company licensed as Stock Broker from the Board for carrying out the functions pursuant to Sub-regulation (1) of Regulation 27.
- (f) "Market Maker" means a corporate body licensed as Market Maker from the Board pursuant to Sub-regulation (3) of Regulation 27.
- (g) "Securities Dealer" means a corporate body licensed as the Securities Dealer and the Market Maker from the Board for carrying out the functions pursuant to Sub-regulation (3) of Regulation 27.
- (h) "Authorized Representative" means a person appointed by the Stock Broker, the Securities Dealer and the Market Maker and registered with the Board pursuant to Regulation 21 in order to solicit contact and enter into agreement with the clients. However, this term shall not include the person who represents the trading floor and performs the trading on behalf of the Stock Broker or the Securities Dealer and the Market Maker.
- (i) "Securities Businessperson" means the Securities Businessperson as defined pursuant to Part (k) of Section 2 of the Securities Related Act, 2063 (2007).

Chapter – 2

Provisions regarding License

3. **Application to be submitted for Obtaining License:** (1) Any body willing to obtain license for operating securities business as a Stock Broker, Securities Dealer and Market Maker shall require to submit an application in the format given in the Schedule – 1 along with the application fee given in Schedule – 2 and recommendation from Stock Exchange to the Board.

(2) The Stock Exchange while making recommendation for the Stock Broker, Securities Dealer and Market Maker pursuant to Sub-regulation (1) shall require to carry out the procedure as laid down below:-

(a) The Stock Exchange shall determine the number of Stock Broker, Securities Dealer and Market Maker considering the available physical infrastructure, the needs of Stock Exchange and the number of additional Stock Brokers needed with respect to build a competitive securities market.

(b) After identifying the number pursuant to part (a), shall have to select the qualified Stock Broker, Securities Dealer and Market Maker on the basis of practicality as far as possible.

(c) While making selection pursuant to part (b), an additional 25 percent of the number determined pursuant to part (a) is also recommended to the Board.

(d) While specifying the percentage pursuant to part (c), a fraction shall be rounded up to one if it is half or more.

(3) The application to be submitted pursuant to Sub-regulation (1) shall be accompanied with the following details and documents regarding the applicant company or corporate body:

(a) Details pursuant to Schedule – 3 regarding Promoters, Directors and the Executive Chief.

(b) Details and Documents pursuant to Schedule – 4 regarding the applicant company or a corporate body.

(c) If any company or corporate body is a promoter of the Securities Dealer and Market Maker, details and documents pursuant to Schedule – 5 regarding the concerned company or the corporate body.

(4) While conducting examination on the application and information attached thereto received pursuant to Sub-Regulation (1), if it is not found

consistent with the procedure, the Board may demand for additional details or documents

(5) In case of any change in the information supplied along with the application pursuant to Sub-Regulation (1) before providing the license pursuant to these Regulations, the applicant shall be required to inform such changes immediately to the Board.

4. License to be issued: (1) While conducting examination on the application and information attached thereto received pursuant to Regulation 3, if it is found reasonable to provide license on the basis of provisions of the Act and these Regulations, the Board may require the applicant to make necessary arrangement for infrastructure pursuant to the Regulation 5.

(2) Within 30 days of receiving the information of making arrangement of necessary infrastructure pursuant to Regulation 5, the Board shall make on-site inspection and inquiry regarding the infrastructure as prepared by the Stock Broker, Securities Dealer and Market Maker and if the arrangement furnished with regard to the infrastructure is found adequate, license for operation of Securities Business pursuant to Schedule – 6 shall be issued against the fee pursuant to Schedule – 2.

(3) While making inspection and inquiry pursuant to Sub-Regulation (2), if the infrastructure furnished by the Stock Broker, Securities Dealer and Market Maker is deemed insufficient for the operation of securities business, the Board may ask for making additional arrangement allowing maximum of three months time.

(4) The applicants who are disqualified for the license pursuant to these Regulations shall be informed regarding same within seven days of such decision.

5. **Infrastructure to be arranged**: The Stock Broker, Securities Dealer and Market Marker shall be required to arrange minimum infrastructure pursuant to schedule - 7 required for operation of the securities business within six months of getting notice pursuant to Regulation 4 from the Board and shall report to the Board on the completion of the infrastructure.

6. **License to be Obtained by existing Stock Broker, Securities Dealer and Market Maker**: (1) The Stock Broker, Securities Dealer and Market Maker who have been in operation at the time of commencement of the Act, shall require to submit the application fee as prescribed in Schedule – 2 and the details and documents as following within three months of enforcement of these Regulations for obtaining the license:

- (a) Copy of updated Memorandum and Articles of Association,
- (b) Copy of resolution of Board of Directors regarding obtaining the license,
- (c) Evidence certifying the paid-up capital,
- (d) Original certificate of registration of existing Stock Broker, Securities Dealer and Market Maker permitting them to conduct securities business,
- (e) Details pursuant to Schedule - 3 regarding Directors and the Executive Chief,

(2) The Securities Businessperson who has been in operation at the time of commencement of these Regulations shall require to make arrangement of infrastructure prescribed in Schedule – 7 within three months of commencement of these Regulations and shall report the Board on same.

(3) The Board shall make necessary inquiry regarding the Stock Broker, Securities Dealer and Market Maker submitting the application fee and the details and documents pursuant to Sub-Regulation (1) and shall provide the license in the format pursuant to Schedule – 6.

(4) The Board may make on-site inspection and inquiry regarding infrastructure pursuant to Sub-Regulation (2) arranged by the Stock Broker, Securities Dealer and Market Maker within three months of submission of application pursuant to Sub-Regulation (1).

7. Securities Business may be Operated through Subsidiary Company:

(1) The Bank or Financial Institution established under the prevalent laws may conduct securities business as Stock Broker, Securities Dealer and Market Maker through their respective fully owned subsidiary company.

(2) Notwithstanding anything contained in these Regulations, the provisions regarding capital structure and ownership of and trading by the subsidiaries conducting securities business as Stock Broker, Securities Dealer and Market Maker shall be as prescribed by the Board from time to time.

8. Renewal of License: (1) The Stock Broker, Securities Dealer and Market Maker shall submit an application as prescribed in Schedule - 8 along with the renewal fee as prescribed in Schedule – 2 and renew the license for each fiscal year.

(2) The Stock Broker, Securities Dealer and Market Maker failing to submit the application for renewal within three months of completion of the fiscal year shall not be allowed to conduct trading from the date of completion of such period until the license is renewed.

(3) The Board may withheld the license renewal of the Stock Broker, Securities Dealer and Market Maker who fails to submit the report to be submitted to the Board pursuant to Regulation 35.

9. **Suspension or Cancellation of the License:** The procedure regarding suspension and cancellation of license pursuant to Section 88 and 89 of the Act shall be as provisioned in the Regulations of Securities Board of Nepal.

Chapter – 3

Provisions regarding Capital and Share Ownership

10. **Minimum Capital and the Financial Resources:** (1) The Stock Broker, Securities Dealer and Merchant Banker shall require to maintain minimum paid-up capital as prescribed in Schedule – 9.
- (2) The provisions regarding liquid asset or net capital to be maintained by the Stock Broker, the Securities Dealer and the Merchant Banker shall be as prescribed by the Board time to time.
11. **Provisions regarding Ownership:** (1) Any company willing to obtain license of the Stock Broker shall require having minimum two shareholders.
- (2) The shareholder of the company pursuant to Sub-Regulation (1) shall require being natural persons.
- (3) No person shall be eligible to hold the shares of more than one Stock Broker company.
- (4) The Stock Broker, Securities Dealer and Market Maker shall not be allowed to hold each others' share.
12. **Provisions regarding transfer of Ownership:** (1) The shareholder of the Stock Broker, Securities Dealer and Market Maker Company who is willing to sell or transfer the shares owned by him/her, shall be required to sell or transfer the

shares only to the person, company or corporate body who are qualified and are not disqualified pursuant to these Regulations.

(2) The shareholder of the Stock Broker Company shall not be allowed to sell or transfer the share owned by him/her until completion of one year of obtaining the license or getting shares transferred in his/ her name.

(3) If the shareholder of the Stock Broker is to sell or transfer the shares owned by him/her shall do so only after getting the same recorded at the Board.

(4) The shareholder of the Stock Broker, who is willing to sell the shares owned by him/her, shall be required to submit an application through the concerned Company or the Corporate body along with the evidence that the person willing to purchase the shares fulfill the qualification and do not have the disqualification pursuant to these Regulations and an amount totaling to 0.25 percent of the face value of the shares which are to be sold or transferred, to the Board for getting the transaction recorded.

(5) The person willing to purchase or transfer the shares in his/her name shall submit the details and documents prescribed in Schedule – 3 along with the application to be submitted pursuant to Sub-Regulation (4).

(6) While examining the application and the attached details and documents pursuant to Sub-regulation (4), if the Board deems necessary, may demand for additional details or documents or may seek clarification.

(7) After making examination on the application and the attached details and documents pursuant to Sub-regulation (4) or in the case of demanding additional details pursuant to Sub-Regulation (6), after receiving such details, the Board shall keep the record and provide its information within fifteen days and such sale or transfer of shares shall require to be done within one months of getting notice of having recorded from the Board.

(8) If the Securities Dealer and Market Maker requires to sell or transfer the shares owned by him/her, shall submit the evidence showing the

person or corporate body willing to purchase the shares fulfill the qualification and do not have the disqualification pursuant to these Regulations along with details and other documents prescribed in Schedule – 3 if it is person and prescribed in Schedule – 5 if it is a Company or the Corporate body.

(9) Notwithstanding anything mentioned above in this Regulation, if it is publicly issued securities, the provisions regarding transfer of ownership of this Regulation shall not be applicable.

13. **Disqualification for Ownership:** The person as follows shall not be qualified to be the promoter of the Securities Dealer and Market Maker and to take the ownership of the Stock Broker:-

- (a) Convicted and sentenced against criminal offence of moral turpitude.
- (b) Convicted and sentenced from the court against the case of corruption or fraud
- (c) Is declared insolvent and has not completed five years of such insolvency.
- (d) During the period of remaining in the black list of the Credit Information Bureau.
- (e) Has held the position of interest in any other Stock Broker, Securities Dealer or Market Maker Company,
- (f) Has remained as the Director or the Chief Executive of the Company who possesses the disqualification pursuant to Regulation 14.

14. **Not eligible to be promoter of the Securities Dealer and the Market Maker:**

Any company as follows shall not be qualified for being promoter of the Securities Dealer and the Market Maker:

- (a) Is convicted in the case of insolvency
- (b) If the Company or the corporate body who is to publish their financial statements has failed to publish their audit report for continuous three years.
- (c) Has remained in the black list of the Credit Information Bureau.
- (d) Person having disqualification pursuant to Regulation 13 has remained as Promoter, Director or the Chief Executive.

15. **To be complied by the Existing Stock Broker, Securities Dealer and Market Maker in Operation:** The Stock Broker, Securities Dealer and Market Maker who are in operation at the time of commencement of the Act shall require to maintain the capital, ownership structure and shareholders pursuant to these Regulations within one year of the commencement of these Regulations and shall require to report the same to the Board.

Chapter - 4

Provisions regarding to the Director and the Chief Executive

16. **Appointment of the Director and the Chief Executive:** (1) The Stock Broker, Securities Dealer and Market Maker shall require appointing the Directors and the Chief Executive having qualification and not having disqualification pursuant to these Regulations.

(2) If any new Director or Chief Executive is appointed at the Stock Broker, Securities Dealer and Market Maker, the Board shall have to be reported along with the evidence of fulfilling the qualification pursuant to these Regulations and the details prescribed in Schedule – 3 within seven days of such appointment.

17. **Qualification of the Directors and the Chief Executive:** The qualification of the directors and the chief executive of the Stock Broker, the Securities Dealer and Market Maker shall be as follows:-

- (a) The Chairman of the Board of Directors, Director and the Chief Executive shall require to hold a minimum bachelor degree in economics or commerce or finance or accounts or management from a recognized educational institution or be a certified chartered accountant or equivalent or hold bachelors degree in any other areas and having a minimum of two years experience in accounts, finance or management related functions in industry or commerce or securities market or finance sector.
- (b) Shall require to be a Nepali citizen,

18. **Disqualification of the Directors and the Chief Executive:** The Director or the Chief Executive of the Stock Broker, Securities Dealer and Market Maker shall require not to be having the disqualifications as follows:-

- (a) Insane or of unsound mind,
- (b) Has remained Director, Employee or Auditor of the listed corporate body.
- (c) Has held ownership or position of interest in any other Stock Broker Company.
- (d) Convicted and sentenced against case of criminal offence
- (e) If the person or the Company where s/he had acted as Director or Chief Executive is declared insolvent and has not completed five years of such insolvency.
- (f) Failed to submit the income statement for the purpose of tax
- (g) If the person or the Company where s/he had acted as Director or the Chief Executive has remained in the black list of the Credit Information Bureau.

(h) Has remained as authority or employee of the Board, Stock Exchange or other Securities Businessperson.

19. **Continuation of provisions related to Qualification:** (1) The Stock Broker, Securities Dealer and Market Maker shall require to maintain the qualification required for the Directors and the Chief Executive throughout the period of validity of its license.

(2) The Director or the Chief Executive shall be considered to be automatically terminated from date of failing to meet the qualification pursuant to Sub-Regulation (1) and the Stock Broker, the Securities Dealer and the Market Maker shall immediately report such automatic termination to the Board.

(3) If the situation pursuant to Sub-regulation (2) is raised, the Stock Broker, the Securities Dealer and the Market Maker shall be required to appoint the Director or the Chief executive pursuant to these Regulations within thirty days and report the same to the Board.

20. **To be complied by the Existing Stock Broker, Securities Dealer and Market Maker in Operation:** The Stock Broker, Securities Dealer and Market Maker who have been in operation at the time of commencement of the Act shall require to provide the Director and Chief Executive having the qualification pursuant to these Regulations within three years of commencement of these Regulations and shall report the same to the Board.

Chapter - 5

Provisions regarding Authorized Representative

21. **Appointment and Registration of Authorized Representative:** (1) The Stock Broker, Securities Dealer and Market Maker shall require appointing at least one person having qualification pursuant to these Regulations as an Authorized Representative.

(2) The representative appointed pursuant to Sub-Regulation (1) shall perform securities trading only after getting registered at the Board as an Authorized Representative pursuant to Section 65 of the Act and the Stock Broker, Securities Dealer and Market Maker shall not be allowed to carry out securities trading without getting its authorized representative registered.

(3) In order to get registered at the Board as an Authorized Representative, the representative appointed pursuant to Sub-Regulation (1) shall submit an application to the Board accompanied with the details as prescribed in Schedule – 10 and other details and documents as follows:-

(a) Details regarding Authorized Representative on the format as prescribed in Schedule – 3.

(b) Copy of Agreement concluded regarding appointment of Authorized Representative.

(c) Responsibilities prescribed for the Authorized Representative.

(4) After obtaining application pursuant to Sub-regulation (3), if the Board deems necessary, may require additional information or documents or may seek clarification.

(5) While making examination on the application pursuant to Sub-regulation (3), if it deems appropriate, the Board shall register the name in the

register of representative and shall provide the applicant with the registration certificate in the format prescribed in the Schedule – 11.

(6) The representatives who were continuing their duty at the time of commencement of the Act shall submit the application pursuant to Sub-regulation (3) to the Board for getting registered as Authorized Representative within three months of commencement of these Regulations.

(7) Notwithstanding anything contained in these Regulations, with regard to the appointment of the person who shall represent the Stock Broker, Securities Dealer and Market Maker at the trading floor, shall be as per the provisions of the Bye-laws of the Stock Exchange.

22. Procedure of Appointment of Authorized Representative: (1) The Board of Director of the Stock Broker, Securities Dealer and Market Maker shall require to have adopted a resolution at the Board of Directors with the mention of the name of the person to be appointed as the representative and the person to sign on behalf of the Company in the contract to be concluded for such appointment.

(2) While appointing the Authorized Representative the duties and responsibilities of the representative, appointment period and other necessary details shall require to be mentioned in the contract.

(3) The Board, as per the necessity, may specify additional provisions with regard to the appointment and functioning of the Authorized Representative.

23. Qualification of the Authorized Representative: (1) The Authorized Representative of the Stock Broker, Securities Dealer and Market Maker shall require to hold a minimum bachelor degree or equivalent in economics or commerce or finance or accounts or management or law from a recognized educational institution and having a minimum of two years experience

in accounts or finance or law or management function in the field of industry commerce or securities market or finance sectors.

(2) If the qualification of the Authorized Representatives of the Stock Broker, Securities Dealer and Market Maker who have been in operation at the time of commencement of the Act has not been in pursuant to the requirement under Sub-Regulation (1), such Stock Broker, Securities Dealer and Market Maker shall require to appoint the Authorized Representative having qualification pursuant to Sub-Regulation (1) within two years of commencement of these Regulations.

24. Disqualification of the Authorized Representative:- (1) The Authorized Representative of the Stock Broker, Securities Dealer and Market Maker shall not be having the disqualifications as follows:-

- (a) Insane or of unsound mind,
- (b) Convicted and sentenced against the case of criminal offence
- (c) Is declared insolvent and has not completed five years of insolvency.
- (d) Failed to submit the tax as per the prevailing laws.
- (e) Has remained in the black list of the Credit Information Bureau.

(2) No one shall be eligible for appointment as representative of more than one Securities Businessperson.

25. Continuation of provisions related to Qualification: (1) The Authorized Representative shall require to continuously maintain the required qualification pursuant to these Regulations.

(2) The Stock Broker, Securities Dealer and Market Maker shall require to terminate the Authorized Representative from the date of failing to meet the

qualification or of being disqualified pursuant to these Regulations and shall require to inform the Board accordingly.

Chapter – 6

Provisions regarding Trading

26. **Only Registered Securities to be Traded:** (1) The Stock Broker, Securities Dealer and Market maker shall require to conduct trading of the listed Securities having registered with the Board.

(2) Notwithstanding anything mentioned in Sub-regulation (1),), there shall be no objection for the Stock Broker, Securities Dealer and Market Maker for conducting trading of the securities issued by the Government of Nepal and the other securities as prescribed by the Board.

(3) The Stock Broker, Securities Dealer and Market Maker shall require conducting trading pursuant to the provisions of the Act, Regulations framed under the Act and Directives and the Bye-laws of the Stock Exchange.

27. **Functions that may be carried out by the Stock Broker, Securities Dealer and Market Maker:** (1) The Stock Broker may provide brokering services of purchasing or selling the securities in the name of client only as per the client's order.

(2) The Stock Broker shall not be allowed to carry out other business pursuant to these Regulations other than the business as stock broker.

(3) The Securities Dealer and the Market Maker may carry out the functions as follows:-

(a) To purchase or sell the securities on own account

(b) To quote the buying and selling price of the securities and purchase or sell such securities on own account and act as a market maker,

(c) To carry out the underwriting of the securities as provisioned by the Board.

(4) The Stock Broker Company shall not be allowed to make purchase or sale of the securities on its own name or in the name of the Director, Chief Executive, and Representative, employee or any of the members of their respective joint families.

(5) The Securities Dealer and the Market Maker shall not be allowed to carry out the trading of the securities issued by itself.

(6) Notwithstanding anything mentioned in this Regulation, the Board under specified terms and provisions may provide license to Securities Dealer and the Market Maker for functioning as the Stock Broker or carrying out any other securities business or may provide license to the Stock Broker to function as Securities Dealer or the Market Maker.

28. Order from Client to be registered: (1) The Stock Broker shall require receiving the order from the client and shall make transaction only after registering such order.

(2) The Stock Broker, while making transaction as per the registered order from the client pursuant to Sub-Regulation (1), shall require making transaction on the basis of the price and time priority.

29. Record of the Client to be Maintained: (1) The Stock Broker, before making transaction on behalf of the client, shall maintain record of the client along with full details in the format prescribed in Schedule – 12 or Schedule – 13 for natural person or corporate client as applicable.

(2) At the time of maintaining the record pursuant to Sub-regulation (1), the Stock Broker shall require to inform the client regarding the price fluctuation and other kinds of securities related risks.

30. Transaction to be made through Bank: The Stock Broker, while making transaction of the securities with the Client, shall be required to execute cash transactions through bank only.

31. Use of Cash and Documents of the Client: (1) The Stock Broker shall not be allowed to use any client's cash, securities or documents for own use or for the use of any other client.

(2) The Stock Broker shall require to hand over the cash, securities or documents received after completing the securities trading to the concerned client on the same day or the next day of receiving such amount, securities or documents.

(3) The Stock Broker shall require maintaining separate record for each client clearly showing the account of the securities and cash related to the transactions.

32. Provisions regarding Service Charge and Transaction Fee: (1) The Stock Broker may receive service fee as prescribed in Schedule – 14 from the client against the securities transaction service provided to them.

Provided that, if the Stock Exchange, remaining under the limit prescribed under Schedule – 14, specifies in its bye laws the service fee that the Stock Broker may collect from the client, the Stock Broker shall receive the service fees as accordingly.

(2) The Stock Broker, Securities Dealer and Market Maker shall require depositing the transaction fee prescribed in Schedule - 15 for the purpose of

collecting transaction fee by the Stock Exchange for submission to the Board pursuant to the Section 50 of the Act.

33. Provisions for Trading may be prescribed: (1) The Board may, as per the necessity, prescribe the additional provisions regarding the trading of Government Securities and other special types of securities from time to time.

(2) The Board may, from time to time, prescribe the content in the agreement with the clients including the order receiving from the clients, opening client's account and carrying margin trading.

Chapter 7

Provisions related to Record, Information and Disclosures

34. Maintaining Records and Documents: (1) The Stock Broker, Securities Dealer and Market Maker shall be required to keep the updated record regarding its securities trading and accounts thereof, and records regarding the clients in a transparent and truthful manner.

(2) The Stock Broker, Securities Dealer and Market Maker shall be required to keep its books of accounts and prepare financial reports including profit and loss accounts, balance sheet and cash flow statements in the format and standards as prescribed under the prevailing laws.

(3) It shall be duty of the concerned Stock Broker, Securities Dealer and the Market Maker to prepare the records and details to be maintained pursuant to this Regulation periodically and to make it available to the Board at the time of Board making inspection and inquiry of the same.

35. Reports to be submitted: (1) The Stock Broker, Securities Dealer and Market Maker shall be required to submit its audited financial statement of the

fiscal year and annual report containing activities of that year to the Board within three months of completion of each fiscal year.

(2) The Stock Broker, Securities Dealer and Market Maker shall be required to submit quarterly report on the format as specified by the Board from time to time within thirty days of completion of quarterly period and if there is any variation on the matters mentioned in the previous quarterly report, such information shall be required to be disclosed along with such report.

36. Audit to be carried out through listed Auditor: The Stock Broker, Securities Dealer and Market Maker shall be required to carry out the audit of its accounts and transaction from among the auditors who have been listed by the Board.

37. Information and details to be Submitted: (1) The Stock Broker, Securities Dealer and Market Maker shall be required to submit the following information and details to the Board within the time frame as follows:

- (a) If the branch office or contact office is closed, the Information regarding the same within three days of such closing,
- (b) If the Authorized Representative resigned or s/he is removed from the post, the information regarding the same within seven days of such activity,
- (c) If any amendment is to be made in the Memorandum and Articles of Association, information regarding the same along with the details of amendment before making such amendment,
- (d) Other notice, information and details as specified by the Board from time to time.

(2) The Stock Broker, Securities Dealer and Market Maker shall be required to inform the Board immediately on the matters as follows:-

- (a) change in address, contact telephone number, fax number, email etc.
- (b) If any action is taken or proceedings is initiated under prevailing laws against the Promoter, Director or the Chief Executive of the Stock Broker, Securities Dealer or Market Maker
- (c) If the Promoter, Director or the Chief Executive is listed in the black list maintained by Credit Information Bureau.
- (d) If decides to quit from the security business.

Chapter – 8

Miscellaneous

- 38. **Required to participate in Compensation Fund:** If Compensation fund pursuant to the Act is established for the benefit of the investors, the Securities Businessperson shall require participating on such fund pursuant to the provisions of concerned Regulations.
- 39. **Required to abide by the Business Conduct:** The Stock Broker, Securities Dealer and Market Maker shall be required to abide by the Directives issued by the Board regarding business ethics and codes of conduct.
- 40. **Provide information for opening Branch:** The Stock Broker, Securities Dealer and Market Maker may open its branch office or contact office for the securities transaction only after providing prior information to the Board.
- 41. **Records of the Proceedings:** The Board shall maintain the record of the Stock Broker, Securities Dealer, Market Maker or related person who has been

taken action according to the law against the violation of Act and for the non-compliance of the orders or directives issued by the Board.

(2) The Board may deprive the company, corporate body or person who has been included in the record pursuant to Sub-Regulation (1) or any company or corporate body involving such person from receiving the services available pursuant to securities related laws.

42. To be as per these Regulations: These regulations shall be applicable in the matters specified under it and the rest shall be according to other regulations issued under the Act.

43. Amendment or change in the Schedule: The Board, having obtained prior approval of the Government of Nepal, may amend or make changes in the Schedule according to the requirement.

44. Repeal and Saving: (1) The provisions of the Securities Transaction Regulations, 1993 relating to Stock Broker, Securities Dealer and the Market Maker have, hereby, been repealed.

(2) Anything done or action taken or proceedings under the provisions repealed pursuant to Sub-regulation (1) shall be deemed to have been done or taken under corresponding provisions of these Regulations.

Schedule-1

(Related to Sub-Regulation (1) of Regulation 3)

Format for the Application to be submitted for the License

Date:-

Ms Securities Board of Nepal

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Subject: **Request for License.**

As we are desirous to operate securities business assubject to the Securities Related Act and the Regulations framed under the Act and other prevailing laws, this application, along with the fees and information and documents as prescribed, have been submitted to you for granting the License .

We are qualified and have fulfilled the required provisions as for carrying out the securities business. The attached documents and information is true and factual, none of the details have been concealed or are expressed with exaggeration. If convicted to have concealed relevant fact or to have presented wrong documents or information, we hereby submit to bear with consequences according to the terms of the law.

Director and Chief Executive

Name

Signature

Applicant company or body corporate:

Name:

Address: Zone..... District..... VDC/Municipality
Locality (Tole)..... Block No. Tel No Fax..... email.....

Seal of body corporate

Schedule-2

(Related to Sub-Regulation (1) of Regulation 3, Sub-Regulation (2) of Regulation 4, Sub-Regulation (1) of Regulation 6 and Sub-Regulation (1) of Regulation 8)

Application fee, license fee and annual fee

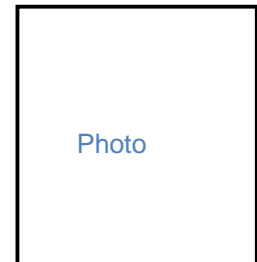
	Application fee	License fee	Annual fee
1.	Stock Broker Rs.5,000/-	Rs.40,000/-	Rs.25,000/-
2.	Securities Dealer Rs.8,000/-	Rs60,000/-	Rs.40,000/-
3.	Market Maker Rs.8,000/-	Rs60,000/-	Rs.40,000/-

Schedule - 3

(Related to part (a) of Sub-Regulation (3) of Regulation 3, part (e) of Sub-Regulation (1) of Regulation 6, Sub-Regulation (5) and (8) of Regulation 12, Sub-Regulation (2) of Regulation 16 and part (a) of Sub-Regulation (3) of Regulation 21)

Profile of the Promoter/Director/ Chief executive/Authorized Representative

1. Name:
2. Permanent address: Zone....District....VDC/Municipality....
Tole (area): Ward No.....House/Block No...Phone...Email...
3. Present address: Zone...District...VDC/Municipality
- Tole (area)... Ward No...House/Block No...Phone No...Fax...Email...
4. Father's Name:
5. Grand father's Name:
6. Name of husband or wife:
7. Academic qualification:
8. Professional experience:
9. Training:
10. Details regarding having ownership or holding position of interest of any kind in other company or body corporate, if any,
11. Details regarding relationship with any other Promoter, Directors, Chief Executive or Authorized Representative of the related Company or Corporate Body, if any,
12. Details regarding relationship with Directors or Chief Executive or Representatives of the Stock Exchange or other Stock Broker or Securities Dealer and Market Maker, if any,
13. Details regarding any action taken or action pending under the securities related laws or any other prevailing laws against self or the company or the body corporate or the Director or Chief Executive of the company or the body corporate with which s/he is affiliated, if any,
14. Declaration on having fulfilled qualification required for and not having disqualification as stipulated for holding the ownership/director/chief executive/authorized representative.



Signature.....

Document to be attached:

1. Evidence of Tax Clearance for up to last fiscal year.
2. Declaration of not being listed in the black list of Credit Information Bureau.
3. Copy of documents verifying qualification, experience and affiliation, if any, with other institutions.
4. Copy of citizenship certificate

Schedule - 4

(Related to part (b) of Sub-Regulation (3) of Regulation 3)

Details related to the applicant Company or Corporate Body.

- a. Copy of registration certificate
- b. Copy of Memorandum and Articles of Association
- c. If the body corporate is established under the special Act, copy of related Act and subsidiary Regulations and by-laws
- d. Feasibility study report according to the type of securities business as proposed by the applicant
- e. Three years business plan including projected financial statements for the up coming three years
- f. Copy of resolution of the Board of Directors regarding obtaining the license.
- g. Details of name, full address, contact telephone and share ownership of the owners with five percent or more of the paid up capital
- h. Audited financial statements of the last financial year in the format and standards as prescribed by law
(The corporate body not completing fiscal year after its establishment may produce updated financial statement for the interim period verified by the management)
- i. Details regarding the paid up capital and the shares that have been owned or to be owned by the Promoters
- j. Details regarding organization and job description to be prepared for the operation of securities business
- k. Name, address, qualification, experience of the representative specified pursuant to Section 64 of the Act and details regarding agreement concluded for working as the representative
- l. Details regarding office space provisioned for the operation of securities business, its area, office equipment and means of communication, manpower, record of securities transaction and provision for safety of records.
- m. If any infrastructure has been already provisioned, details regarding same.
- n. Details regarding the ownership in other companies or body corporate, if any,
- o. Copy of agreement concluded in between the shareholders, if any.
- p. Details regarding recommendation of the Stock Exchange mentioning the eligibility of being member of the Stock Exchange
- q. Certificate of Tax registration pursuant to the prevailing laws
- r. Receipt certifying the paid up capital
- s. Declaration of not being listed in the black list of the Credit Information Bureau
- t. Other details and documents as prescribed by the Board time to time.

Schedule – 5

(Related to part (c) of Sub-Regulation (3) of Regulation 3 and Sub-Regulation (8) of Regulation 12)

Information and documents to be submitted by the Company or the Corporate Body willing to take share ownership of the Securities Dealer and Market Maker

- (a) Copy of registration certificate
- (b) Copy of Memorandum and Articles of Association
- (c) If the body corporate is established under the special Act, copy of related Act and subsidiary Regulations and by-laws
- (d) Copy of resolution of the Board of Directors regarding obtaining ownership of the Securities Dealer and the Market Maker.
- (e) Audited financial statements of the last financial year in the format and standards as prescribed by law and annual report describing activities performed during the year
(The corporate body not completing fiscal year after its establishment may produce updated financial statement and activity report for the interim period verified by the management)
- (f) Details of name, full address, contact telephone and share ownership of the owners with five percent or more of the paid up capital
- (g) Declaration of the Company or the Corporate body that it does not have disqualification for holding the ownership of the Securities Dealer or the Market Maker pursuant to the Regulations,
- (h) Details regarding any action taken under the securities related laws or any other prevailing laws against the company or the body corporate or the Director or Chief Executive, if any,
- (i) Details regarding the ownership in other companies or body corporate, if any,
- (j) Declaration by the Company or the Corporate Body that it is not listed in the black list of the Credit Information Bureau
- (k) Evidence of submitting income statement for the purpose of tax clearance pursuant to prevailing laws.
- (l) The following information and documents regarding the Directors and the Chief Executive:-
 - Name and full address
 - In case of having ownership or holding any position of interest in another Company or the Corporate Body, details regarding same.

Schedule – 6

[Related to Sub-Regulation (2) of Regulation 4 and Sub-Regulation (3) of Regulation 6]

Securities Board of Nepal

Kathmandu

License for operating Securities Business

License No:

This license is hereby issued to M/s....., having its head office at to operate the Securities Business subject to the provisions of the Securities Related Act and Regulations, Bye-laws, arrangements made there under as well as other prevailing Laws.

This license, except renewed, shall be valid up to

Authorized signature:

Name:

Designation:

Date:

Seal of the Board:

Schedule - 7

(Related to Sub-Regulation (2) of Regulation 6)

Minimum Infrastructure to be prepared by the Securities Business Person (the Stock Broker, the Securities Dealer and the Market Maker)

1. Minimum infrastructure to be prepared by the Stock Broker
 - (a) Area of the office shall be of minimum 200 square feet.
 - (b) Minimum three sets of computer, printer, fax and telephone
 - (c) Minimum five employees with at least one graduate degree holder
 - (d) Provisions regarding organizational structure and division of job
 - (e) Office shall have to be established in a location convenient for public access.

2. Minimum infrastructure to be prepared by the Securities Dealer and the Market Maker
 - (a) Area of the office shall be a minimum of 500 square feet.
 - (b) Minimum five sets of computer, printer, fax and telephone
 - (c) Minimum seven employees with at least two graduate degree holders
 - (d) Provisions regarding organizational structure and division of job.

Schedule - 8

(Related to Sub-Regulation (1) of Regulation 8)

Format of Application to be submitted for the Renewal of License

Date:-.....

M/S Securities Board of Nepal

.....

Reference: **Request for renewal of license.**

As the license granted to operate the securities business as.....subject to the Securities Related Act, 2063 (2007) provided by you is valid until, I hereby submit this application along with the license and the annual fees as prescribed for renewal of the same.

Authorized Signature:

Name:

Position:

Seal of body corporate:

Schedule – 9

(Related to Sub-Regulation (1) of Regulation 10)

Paid-up Capital (Minimum)

1. Stock Broker	Rs. 20,00,000/-
2. Securities Dealer	Rs. 2,00,00,000/-
3. Market Maker	Rs. 2,00,00,000/-

Schedule – 10

(Related to Sub-Regulation (3) of Regulation 21)

Format for Application to be submitted for registration of the Authorized Representative

M/S Securities Board of Nepal

Date:

.....

Subject: **Request for registration of Authorized Representative**

As I have agreed and also concluded agreement for working as an Authorized Representative ofsubject to the Securities Act and Regulations framed under that Act and other prevailing laws, this application, along with the fees and information and documents as prescribed, has been submitted to you for getting registered with that Board.

The attached documents and information is true and factual. If convicted to have concealed relevant fact or to have presented wrong documents or information, I hereby submit to bear with consequences according to the terms of the law.

Applicant:

Signature:

Schedule – 11

(Related to Sub-Regulation (5) of Regulation 21)

Securities Board of Nepal

Kathmandu

Authorized Representative Registration Certificate

Representative Registration No.:

This Certificate has hereby been issued to M/s
resident of to function as an Authorized Representative of
..... subject to the Securities Act and the Regulations framed
under the Act and other prevailing laws hereof.

Authorized Signature

Name:

Designation:

Signature:

Date:

Seal of the Board:

Schedule – 12

(Related to Sub-Regulation (1) of Regulation 29)

Client's Identity Details (If natural person)

1. Client's details:
Name:
Citizenship Certificate Number:
Date and District of issuance of Citizenship:
Name of Father/Mother:
Spouse Name:
Name of Grandfather/Father in Law:
Profession of Client:
If working in any office/institution, name and address of the office/institution body:
.....

2. Permanent Address: Zone District
..... V.D.C/Municipality Tole Ward
No.
Block No. Phone No. Fax.....
Email

3. Present Address: Zone District
..... V.D.C/Municipality Tole Ward
No.
Block No. Phone No. Fax.....
Email

4. Name of Bank/Financial Institution used by Client for Securities transaction:
Name:
Address:
Account No:

5. If transaction is carried out for dependent/mentally disable as a Guardian,
Name of Dependent/ Relation with Guardian Date of Birth Birth Registration
mentally disable Certificate No. and
Place of issue
.....
.....

Signature of the Client:
Date:

For Office Use Client Identity Registration No.: Date: Certifying Authority: Signature:

Included:

1. Copy of Citizenship Certificate
2. In case of dependent, copy of Birth Certificate
3. In case of mentally disable, proof of being guardian pursuant to laws.

Schedule – 13

(Related to Sub-Regulation (1) of Regulation 29)

Client's Identity Details (If Company or Corporate Body)

1. Name of the Company or the Corporate Body:
Registration No. and Date:
Business area of the Company or the Corporate Body:
Permanent Account Number (PAN) of the Company or the Corporate Body:

2. Address: District V.D.C/Municipality
Ward No. Block No. Phone No.
Fax..... Email

3. Name of the Bank/Financial Institution to be used by the Company or the Corporate Body for its securities transaction
Name:.....
Address:.....
Account No.....

4. Name and Address of the Director and Chief Executive:
Name Designation V.D.C/Municipality Tole. Ward no. Phone No. Email

Name of the Chief Executive:

Signature:

Date:

Seal of the Office:

Included:

1. Copy of Certificate of incorporation of the Company or the Corporate Body
2. Copy of resolution of the Board of Directors regarding filling up the client identity form for doing securities transaction

For Office Use Client Identity Registration No.: Date: Certifying Authority: Signature:

Schedule – 14

(Related to Sub-Regulation (1) Regulation 32)

Service Charge to be received against Stock Brokerage

1. Service charge receivable against share brokerage for each sale and purchase transaction of the shares:

(a) for transaction up to Rs. 50,000/-	- 1%
(b) for transaction from more than Rs. 50,000/- up to Rs.5,00,000/-	- 0.9%
(c) for transaction from more than Rs. 5,00,000/- up to Rs. 10,00,000/-	- 0.8%
(d) for transaction of any amount more than Rs. 10,00,000/-	-0.7%

2. Service charge receivable against share brokerage for each transaction of sale and purchase of bonds issued by Government of Nepal or bonds issued by government organizations under full guarantee of Government of Nepal or bonds issued by Nepal Rastra Bank:

(a) for transaction up to Rs. 5,00,000/-	- 0.20%
(b) for transaction from more than Rs. 5,00,000/- up to Rs.50,00,000/-	- 0.10%
(c) for transaction of any amount more than Rs. 50,00,000/-	- 0.05%

3. Service charge to be received against share brokerage for each transaction of sale and purchase of securities other than that mentioned above in S.N. 1 and 2:

(a) for transaction up to Rs. 5,00,000/-	- 0.75%
(b) for transaction for more than Rs. 5,00,000/- up to Rs.50,00,000/-	- 0.60%
(c) for transaction of any amount more than Rs. 50,00,000/-	- 0.40%

Note:

- (a) Notwithstanding anything mentioned above in S.N. 1, 2 and 3, the service charge to be received against share brokerage shall not be less than Rs. 25/-
- (b) Stock Broker shall not be allowed to receive any other amount from client other than above mentioned service charge for the transaction service.

Schedule – 15
(Related to Sub-Regulation (2) of Regulation 32

**Transaction fees to be deposited by the Stock Broker, the Securities Dealer
and the Market Maker**

1. Transaction fees to be deposited by the Stock Broker:
 - (a) If it is a share, 0.015% of each transaction amount of sale and purchase.
 - (b) if it is a debenture issued by Government of Nepal or guaranteed by Government of Nepal or issued by Governmental Organizations with full guarantee or issued by Nepal Rastra Bank, 0.005% of each transaction amount of sale and purchase
 - (c) If it is other than the securities mentioned above in part (a) and (b), 0.010% of each transaction amount of sale and purchase.

2. Transaction fees to be deposited by the Securities Dealer and the Market Maker
 - (a) If it is a share, 0.005% of each transaction amount of sale and purchase.
 - (b) if it is a debenture issued by Government of Nepal or guaranteed by Government of Nepal or Governmental Organization with full guarantee or Nepal Rastra Bank, 0.001% of each transaction amount of sale and purchase
 - (c) If it is other than the securities mentioned above in part (a) and (b), 0.002% of each transaction amount of sale and purchase.