

Stock Exchange Operation Regulations, 2064 (2008)

First Amendment: Date 18 Ashad 2067 (2 July 2010)

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 "Stock Exchange Operation Regulations, 2064".

(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 the Act.
 - (c) "Stock Exchange" means a market, place or facility for carrying out the purchase, sale or exchange of securities on orderly basis by bringing together the purchasers and sellers of securities.
 - (d) "License" means the license issued by the Board pursuant to the Act for the operation of the stock exchange.

- (e) "Director" means the Member of the Board of Directors of the Stock Exchange and this term also includes the chairperson.
- (f) "Chairperson" means the Chairperson of the Board of Directors of Stock Exchange.
- (g) "Member" means the Stock Broker or Securities Dealer having obtained membership of Stock Exchange.

Chapter – 2

Provisions regarding Recommendation and License

3. **Recommendation from the Board to be received:** (1) Any person willing to establish a corporate body having limited liability pursuant to the prevailing laws, with an objective of operating a Stock Exchange shall be required to obtain recommendation from the Board before establishing such corporate body.

(2) For obtaining the recommendation pursuant to sub-regulation (1) from the Board, the applicant should submit an application in the format as prescribed in schedule -1 along with the application fees as prescribed in schedule – 2 and the documents and information as follows:-

- (a) Proposed Memorandum and Articles of Association,
- (b) Feasibility Study Report,
- (c) Three years business plan including projected financial statement for upcoming three years,
- (d) Copy of Shareholder's Agreement regarding establishment of stock Exchange, if any,
- (e) Information regarding the share ownership of the promoters,

- (f) Information and documents regarding the promoter company or the body corporate willing to establish the Stock Exchange as prescribed in the schedule – 3
- (g) Information of the first Directors of the Stock Exchange as prescribed in the schedule – 4,
- (h) Brief description regarding the provisions to be followed with regard to the listing of securities, providing membership and operation of trading and settlement and clearing of the traded securities,
- (i) Details as follows regarding the infrastructure arrangement for the operation of the Stock Exchange:
 - 1. Details on the location for the office and the area that will be occupied by the office,
 - 2. Provisions regarding organization structure and job responsibility,
 - 3. Description regarding the place arranged for the operation of the stock trading, automation of trading and clearing system, office equipment and technology,
 - 4. Description regarding the measures to be adopted for ensuring the safety of traded securities.
 - 5. Description regarding the information system to be established for the Stock Exchange and trading and means of communication.
 - 6. Provisions to be made for recording the stock transaction and for ensuring security of the documents.
- (j) Maximum number of the stock broker and Securities Dealer that may be licensed by the Stock Exchange within the available infrastructure to be developed for the operation of the stock exchange.

(3) While conducting examination on the application and information attached thereto received pursuant to Sub-regulation (2), if it deems necessary, the Board may require additional information or documents or may ask to clarify on any subject or may even take an interview as per the requirement.

(4) In case of any change in the information supplied pursuant to Sub-regulation (2) or (3) before receiving the approval from the Board, the applicant shall be required to inform such changes immediately to the Board.

(5) While making inquiry on the application received pursuant Sub-regulation (2), if it is found reasonable to issue recommendation based on the provisions of the Act, the Board may provide recommendation for the registration.

4. Application to be submitted for Obtaining License: (1) Any corporate body established under the prevailing laws with an objective to operate the Stock Exchange may submit an application in the format as prescribed in the schedule – 5 to the Board within six months of its establishment.

(2) The application to be submitted pursuant to Sub-regulation (1) shall require to be accompanied by an evidence of submission of license fee pursuant to schedule – 2 and documents as follows:-

- (a) a copy of registration Certificate,
- (b) a copy of resolution of the Board of Directors regarding obtaining the license,
- (c) a document certifying the paid-up capital,
- (d) an updated bank statement from the date of establishment of the body corporate,
- (e) a copy of tax registration certificate,
- (f) if the financial year has been complete, an audited financial reports prepared in the format and standards as prescribed under the prevailing laws,

- (g) draft of bye-laws regarding securities listing, membership of the Stock Exchange and operation and clearing and settlement of Traded Securities,
- (h) draft code of conduct applicable to the Directors and employees,
- (i) information on the infrastructure developed for the operation of stock exchange, if any,
- (j) information on share ownership of the promoters and the paid-up value of shares,
- (k) information regarding the Executive Chief as prescribed in Schedule – 4,
- (l) changes in the status of documents and information as provided for the recommendation pursuant to Regulation 3, if any,
- (m) any other details and information as prescribed by the Board from time to time.

5. **License to be issued:** (1) While conducting examination on the application and information attached thereto received pursuant to Sub-regulation 4, if it deems necessary, the Board may require for the additional information or documents or may require clarification on any subject or may require making amendment.

(2) In case of any change in the information supplied pursuant to Regulation 3 or 4 before receiving license from the Board, the applicant shall be required to inform of such changes immediately to the Board.

(3) If the information and documents submitted along with the application are found to have fulfilled the provisions pursuant to Section 38 of the Act and the provisions of these Regulations ensuring consistency with the requirement to operate the Stock Exchange, the Board may issue the license certificate as prescribed in the Schedule -6.

6. **Infrastructure to be arranged:** (1) The Stock Exchange licensed pursuant to these Regulations shall require readying the necessary infrastructure within six months of obtaining the license.

(2) If the Stock Exchange can not prepare the required infrastructure within the time frame pursuant to Sub-regulation (1) and requests for additional time, the Board may provide additional time of maximum of six months.

(3) The Stock Exchange shall, within the time duration pursuant to Sub-regulation (1) or within the additional time pursuant to Sub-regulation (2), shall provide information to the Board on the following matters:-

(a) details regarding the provisions made by the Stock Exchange with regards to the infrastructure pursuant to part (i) of Sub-regulation (2) of Regulation 3,

(b) details regarding manpower arrangement as prescribed in Schedule – 7.

(4) Within 30 days of receiving the information pursuant to Sub-regulation (3), the Board shall make on-site inspection and inquiry regarding the infrastructure as prepared by the Stock Exchange.

(5) While making inspection and inquiry, if the infrastructure prepared by the Stock Exchange is deemed insufficient for the operation of Stock Exchange, the Board may ask for making the additional arrangement within a specified time.

(6) Only after the Board completes the inspection and inquiry and provides the approval on the infrastructure arranged by the Stock Exchange, the Stock Exchange may conduct trading.

(7) The Stock Exchange shall require to appoint one compliance officer within six months of receiving the license pursuant to these Regulations and provide such information to the Board.

7. **License to be Obtained by the existing Stock Exchange:** (1) The Nepal Stock Exchange Ltd. which had been in operation at the time of commencement of the Act shall require to submit an application to the Board as prescribed in Schedule – 5 for obtaining the license.

(2) The Stock Exchange applying pursuant to Sub-regulation (1) shall, within six months of the commencement of these Regulations, submit the evidence of submitting the license fee as prescribed under the Schedule – 2 along with the information and documents as follows:-

- (a) a copy of the resolution adopted by the Board of Directors regarding obtaining the license,
- (b) a copy of Memorandum and Articles of Association,
- (c) Proposed Bye-laws regarding Members of the Stock Exchange,
- (d) Proposed Bye-laws regarding Securities Listing,
- (e) Proposed Bye-laws regarding operation of Securities trading and clearing and settlement of the transaction,
- (f) updated information regarding organizational structure and job responsibility,
- (g) maximum number of the stock broker and securities dealer that may be issued membership by the Stock Exchange on the basis of available infrastructure arranged for the operation of the stock exchange.
- (h) updated information regarding manpower of the Nepal Stock Exchange Ltd. in the format as prescribed in Schedule – 7,
- (i) Code of Conduct for Directors and employees.

(3) Notwithstanding anything contained in Sub-regulation (2), the Nepal Stock Exchange Ltd., which was in operation at the time of commencement of the Act, may deduct the license fee that has been submitted previously for

obtaining the license for the operation of the Stock Exchange and submit the remaining amount only to the Board.

(4) The Nepal Stock Exchange Ltd., which was in operation at the time of commencement of the Act, shall appoint one compliance officer within six months of obtaining the license and provide such information to the Board.

8. **Renewal of License:** The Stock Exchange shall, within three months of completion of each fiscal year, submit an application as prescribed in Schedule - 8 along with the renewal fee as prescribed in Schedule – 2 and renew the license.

9. **Suspension or Cancellation of the License:** (1) The provisions regarding suspension, cancellation or other proceedings regarding license of Stock Exchange shall be according to the provisions of the Securities Board of Nepal Regulations.

(2) The Board may prescribe for the necessary provisions regarding the settlement and clearing of the unsettled transactions including the responsibilities thereof while suspending or cancelling the license of the Stock Exchange.

Chapter – 3

Provisions regarding Bye-laws of Stock Exchange

10. **Provisions to be included in the Bye-laws:** (1) The Stock Exchange, in its Bye-laws, shall require to have included at least the following provisions:

(a) Bye-laws related to Securities Listing:-

1. Provisions regarding listing standards as per the type of the securities, listing procedure, listing suspension, de-listing and re-listing of securities.
2. Provisions regarding the terms to be followed by the listed corporate bodies.
3. Provisions regarding obtaining the updated periodical financial statements and other information from the listed corporate bodies and the mode of dissemination of such information to the investors.
4. If the listed corporate bodies are to be classified into categories, the basis of such categorization.
5. Provisions regarding listing fees.
6. Provisions regarding good corporate governance of the listed companies.
7. Provisions regarding maintaining records of the listed corporate bodies and listed securities.

(b) Bye-laws related to Membership of Stock Exchange:-

1. Provisions regarding providing membership and renewal.
2. Provisions regarding membership fee, membership renewal fees and other fees to be collected from the Members.
3. Provisions regarding surveillance and monitoring of the Members.
4. Provisions regarding the procedures with regard to disciplinary and other actions against the members in the case of violation of the provisions of Act and Regulations and Bye-laws framed under the Act.
5. Provisions regarding maintaining the profile of the clients by the Members.

(c) Bye-laws related to the operation of Securities trading and clearing and settlement-

1. Provisions regarding procedure for the operation of securities trading and the place for trading.
2. Provisions regarding clearing and settlement of traded securities and transfer of securities.
3. Provisions regarding management and safekeeping of the records and documents related to the investors and securities transactions.
4. Provisions regarding client order and issuance of contract note to the parties of transaction.
5. Provisions regarding monitoring of securities trading.
6. Provisions regarding trading suspension in the case of unreasonable fluctuation in the price of securities in the market.
7. Provisions regarding resolution of disputes arising between the members with regard to the securities trading and the management of investor's grievances.
8. Provisions regarding the dissemination of information related to the securities transaction and other market information for the investors.
9. Provisions regarding the procedure to be followed against the member in the case of default in settlement and clearing of traded securities or bad delivery of securities.
10. Provisions for separate trading arrangements according to the types of securities, if any
11. Provisions regarding the issuance of receipt, notice and information that the Member is required to provide to the

clients with regard to the payment of cash and handing over of the certificate and trading.

12. Provisions regarding the submission of the deposit by the Members before commencing the securities business.

(2) The Stock Exchange shall enforce the Bye-laws framed pursuant to Sub-regulation (1) only after obtaining approval from the Board.

(3) If the Board requires amending the Bye-laws or making new Bye-laws by providing the specific time and reason for amendment in bye-laws, the Stock Exchange shall require making amendment or make new draft of Bye-laws and submit to the Board for approval.

Chapter – 4

Provisions regarding Capital and Share Ownership

11. **Capital of Stock Exchange:** (1) The paid-up capital of the Stock Exchange shall be at least fifty million rupees.

(2) The Board may, considering the condition of stock trading and the necessity of financial requirements of the stock exchange, may direct to raise the paid-up capital stipulated pursuant to Sub-regulation (1).

12. **Ownership of the Stock Exchange:** (1) Only banks, financial institutions, securities business person and listed corporate body shall be eligible for the share ownership of the Stock Exchange.

(2) No single company or a corporate body shall be entitled to hold more than 10 percent ownership of the total share capital of the Stock Exchange.

(3) Notwithstanding anything contained in the Sub-regulation (1) and (2), there shall be no objection to continue the current ownership with respect to

the Nepal Stock Exchange Ltd, that was in operation at the time of commencement of the Act, unless the Government of Nepal, Nepal Rastra Bank and Nepal Industrial Development Corporation provides else wise.

(4) The Board may, as per the requirement, amend the maximum limit of ownership pursuant to Sub-regulation (2).

(5) Notwithstanding anything contained in these Regulations, the Board, after obtaining approval from the Government of Nepal, may specify the necessary terms and procedures and make arrangement for allowing others besides the companies and corporate bodies pursuant to Sub-regulation (1) as well to have ownership of the Stock Exchange.

(6) If any foreign company or corporate body is willing to take ownership of the Stock Exchange, it is required to obtain an approval for making investment or doing business in Nepal pursuant to prevailing laws or shall require receiving an approval from the Government of Nepal.

13. **Disqualification for holding the Ownership:** The Company or Corporate body having the following state shall not be eligible to own the shares of Stock Exchange:

- (a) If declared insolvent for loan default
- (b) If the income statement is not submitted for the tax purpose pursuant to the prevailing laws.
- (c) If the corporate body having responsibility to make its financial statements public has failed to make the audited financial statements public continuously for three years.
- (d) If share ownership of any other Stock Exchange is held.

14. **Provisions regarding Transfer of Ownership:** (1) It shall not be allowed to sell the shares owned by the shareholder of the Stock Exchange until a three years period from the date of obtaining the license is complete.

(2) If any share of Stock Exchange is sold after completion of the period pursuant to Sub-regulation (1), such share may not be re-sold until the expiry of one year of the date of such share transfer.

(3) The shareholder of the Stock Exchange, who is willing to sell the shares owned, shall be required to submit application to the Board through the concerned Stock Exchange.

(4) The application pursuant to Sub-regulation (3) shall be accompanied with the information and documents of the Company or the corporate body willing to purchase the shares as specified in Schedule – 3.

(5) While examining the application and the attached information and documents pursuant to Sub-regulation (3), if the Board deems necessary, may require additional details or documents or may seek clarification.

(6) After making examination on the application and the attached information and documents pursuant to Sub-regulation (3), the Board, under the provisions of the Act and these Regulations, shall grant approval for the sale of the shares.

(7) Notwithstanding anything contained elsewhere in these Regulations, this regulation shall not restrict Government of Nepal, Nepal Rastra Bank and Nepal Industrial Development Corporation who were shareholders of Nepal Stock Exchange Ltd. at the time of commencement of these Regulations from selling their shares.

15. **Shares to be Sold:** (1) Notwithstanding anything contained elsewhere in these Regulations, if the Board cancels the license of Securities Businessperson or the securities of corporate body get de-listed, the concerned Company or the

Corporate Body shall require to sell shares owned by it within three months of cancellation of the license or of getting de-listed.

(2) The Company or Corporate Body whose license as Securities Business person has been cancelled at the time of commencement of these Regulations shall complete selling the share owned by it within six months from the commencement of these Regulations.

(3) If the shares could not be sold pursuant to Sub-regulation (1) or (2), the Stock Exchange shall execute the sale of share owned by the concerned company or body corporate and shall make the sale within three months through auction to the company or body corporate that are qualified under these Regulations.

(4) If shares could not be sold pursuant to Sub-regulation (3), the Stock Exchange having informed the Board may follow alternative method.

(5) While making sale of the shares of Stock Exchange pursuant to this Regulation, it shall be required to sell only to the companies or corporate bodies who are qualified pursuant to these Regulations and the information and documents regarding the company or corporate body purchasing the shares according to Schedule – 3 and if the sale is made through auction, details regarding same shall be submitted to the Board within one months of such actions.

Chapter - 5

Provisions regarding to the Director and the Chief Executive

16. **Qualification of the Directors and the Chief Executive**: The qualification of the directors and the chief executive of the Stock Exchange shall be as follows:-
- (a) A two-third of the directors and chief executive of the Stock Exchange shall be required to have minimum bachelor degree in economics or

commerce or finance or accounts or management or commercial law from a recognized educational institution or be a certified chartered accountant and having a minimum of five years experience in one or more than one field of capital market or industry or commerce or finance or accounts or commercial law or management.

- (b) Shall require to be a Nepali citizen, except the Government of Nepal otherwise approves.

17. **Disqualification of the Directors and the Chief Executive:** The Director or the Chief Executive of the Stock Exchange shall not be having the disqualifications as follows:-

- (a) Insane or of unsound mind,
- (b) If convicted and sentenced for imprisonment against criminal offence of moral turpitude and not completed five years of completion of the term of such punishment,
- (c) If convicted and sentenced by the court for corruption or fraud and not completed five years of completion of the term of the punishment,
- (d) 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 insolvency.
- (e) If the company have failed to submit the income statement for the purpose of tax or has remained the Director or Chief Executive of the Company that has not submitted the income statement for the purpose of tax clearance pursuant to the prevailing laws.
- (f) 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.

- (g) Has remained as the Director or the Chief Executive of the Corporate Body who have failed to disclose its audited financial statement publically for three consecutive years.
- (h) Has remained substantial shareholder of any other Stock Exchange or has held any position of interest thereon.

18. **Continuation of provisions related to Qualification:** (1) The Stock Exchange shall require to maintain the qualification stipulated for the directors and chief executive throughout the period of validity of its license.

(2) The director or chief executive shall be considered to be automatically terminated from date of failing to meet the qualification pursuant to Sub-regulation (1).

(3) If the situation pursuant to Sub-regulation (2) is raised, the Stock Exchange shall require informing the Board immediately and appointing the Director or Chief executive having the stipulated qualification and not having any disqualification pursuant to the Act and these Regulations within three months and shall require informing the Board.

19. **Appointment of the Director and the Chief Executive:** (1) The Directors shall elect the Chairperson of the Stock Exchange from among the Directors.

(2) The Board of the Directors shall appoint the Chief Executive of the Stock Exchange.

(3) Not more than one person from a single Company or Corporate Body shall be eligible to be the Director of the Stock Exchange.

(4) The Stock Exchange shall appoint at least two independent Directors having the following qualifications in the Board of Directors within three months of obtaining the license pursuant to these Regulations:-

- (a) Having the qualifications to be the Director pursuant to Regulation 16 and not having the disqualification pursuant to Regulation 17,
- (b) Not having ownership or not holding any position of interest in the Stock Exchange or Securities Businessperson or in the company or body corporate holding ownership in those institutions.
- (c) Has not remained substantial shareholder of any listed Corporate Body.

(5) Before appointing the independent Director pursuant to Sub-regulation (4), the Stock Exchange shall require to report the Board regarding the fulfillment of qualification of such Director.

(6) In case of new appointment of Director or Chief Executive at the Stock Exchange, the Board shall require to be reported within seven days of such appointment.

(7) While reporting the Board pursuant to Sub-regulation (5) or (6), it shall also be required to submit the information of the Director or the Chief Executive in the format as prescribed in Schedule – 4.

(8) The Nepal Stock Exchange Ltd., that was in operation at the time of commencement of the Act shall require appointing independent Directors having qualification pursuant to Sub-regulation (4) within one year of the commencement of these Regulations and shall require reporting to the Board accordingly.

20. **Meeting of the Board of Directors:** (1) The meeting of Board of Directors of Stock Exchange shall be required to be held at least twelve times a year.

However, the gap between any two consecutive meetings shall not be more than two months.

(2) Upon receiving the written request from at least one third of the Directors, the Chairman shall require to call for the meeting of Board of Directors on anytime.

(3) If any agenda to be discussed on the meeting of Board of Directors is of personal interest of any Director, such Director shall not be eligible to attend the meeting.

21. **Not to be applicable to the Stock Exchange already in Operation:**

Notwithstanding anything contained in these Regulations, until the Government of Nepal, Nepal Rastra Bank and Nepal Industrial Development Corporation sell their shares in Nepal Stock Exchange Ltd., the provisions of these Regulations regarding appointment of the Directors and Executive Chief shall not be applicable.

Chapter - 6

Provisions regarding Securities Trading

22. **Trading to be conducted for Registered Securities only:** (1) The Stock Exchange shall require facilitating trading only for those securities issued pursuant to the Act.

(2) Notwithstanding anything contained in the Sub-regulation (1), there will be no objection in facilitating the trading of the securities issued by the Government of Nepal and the other securities as specified by the Board.

23. **Trading of the Un-listed Securities:** (1) The Stock Exchange may operate an over-the-counter market for facilitating the purchase, sale or exchange of unlisted or de-listed securities.

(2) Where in case of making the provisions pursuant to Sub-regulation (1), the Stock Exchange is required to enclose the information regarding the trading procedures and provisions and submit an application to the Board for obtaining the approval.

(3) While making examination on the application received pursuant to Sub-regulation (2), if it is considered reasonable the Board may grant its approval.

(4) While providing approval pursuant to Sub-regulation (3), the Board may prescribe the necessary terms and conditions.

***23a. May Purchase Directly:** (1) Notwithstanding anything mentioned in this Regulations, with regard to the securities to be purchased by the Government of Nepal pursuant to the Agreement concluded in between Government of Nepal and International or multinational Organization, the securities may be purchased outside the Stock Exchange directly.

(2) The transaction pursuant to sub-regulation (1) as conducted by the Government of Nepal shall be recorded in the Stock Market and then after the clearing and settlement is carried out.

24. Stock Exchange to collect the Transaction fees: (1) With regard to the provision of depositing the transaction fees pursuant to Section 50 of the Act, the Stock Exchange shall require to deposit the amount against the transaction fees collected from the Stock Broker, Securities Dealer and Market Maker within the end of every month for the amount received from the previous month's transactions.

(b) The Stock Exchange failing to submit the amount within the time pursuant to Sub-regulation (1) shall submit the amount along with the interest

* As added by the Stock Exchange Operation (First Amendment) Regulations, 2067 (2010)

amount pursuant to Sub-section (3) of Section 50 of the Act within 3 months of completion of the stipulated time.

Chapter 7

Provisions related to Record, Information and Disclosures

25. Maintaining Records and Documents: (1) The Stock Exchange 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.

(2) Along with the records and documents to be maintained pursuant to the prevailing laws, the Stock Exchange, in addition, shall keep fair and accurate records of the followings:-

- (a) Minute books of General Assembly, Board of Directors and different permanent committees.
- (b) Details regarding Members and representatives of the Stock Exchange,
- (c) Details regarding listed Corporate Bodies and listed Securities,
- (d) Financial details and reports received from the listed companies regarding price sensitive information, notices and statements,
- (e) Records including the name of the body corporate that had got its securities traded in the Stock Exchange, price and quantity of each Security, Businessperson involved in the trading and serial number of the transaction.
- (f) Other details as specified by the Board from time to time.

(3) The format for the records to be maintained pursuant to Sub-regulation (2) may be prescribed by the Board.

26. Details and Reports to be submitted: (1) The Stock Exchange shall submit the following information, details and reports within the stipulated period to the Board:-

- (a) The audited financial reports and the annual report highlighting the performance for the fiscal year within three months of completion of each fiscal year.
- (b) Quarterly report within thirty days of completion of the quarterly period.
- (c) Details of the daily transactions on same day or on the following day before the start of the trading session,
- (d) Agenda and minutes of the General Assembly within 30 days of completion of the General Assembly,
- (e) If the Stock Exchange suspends the membership, withdraws suspension or cancels the membership, the details including the name of concerned securities businessperson, details of the action and the reason thereof within seven days of such suspension, withdrawal of suspension or cancellation of membership,
- (f) Resolutions of the Board of Directors and the different committees established by the Stock Exchange regarding securities listing, membership of the Stock Exchange, market operation and clearing and settlement of Securities inspection and disciplinary related matters as demanded by the Board within the time as specified by the Board,
- (g) In case of the Stock Exchange making inspection of the Stock Broker and Securities Dealer, report regarding same within thirty days of completion of such inspection,
- (h) Other notifications, information and details as prescribed by the Board from time to time.

(2) Notwithstanding anything contained in the part (a) of Sub-regulation (1), if it is unable to submit the audited financial report, the Stock Exchange, under condition to submit the audited report later, may submit the financial report certified by the Management to the Board.

(3) In the case of submission of the financial report certified by the Management pursuant to Sub-regulation (2), the details of deviation in the report certified by the Management from the audited report, if any, shall also be mentioned while submitting the audit report.

(4) The format of the details and the reports to be submitted to the Board by the Stock Exchange pursuant to part (a), (b) and (c) of Sub-regulation (1) and the contents of such report may be prescribed by the Board.

(5) Besides the information as prescribed under Section 46 of the Act, the Stock Exchange shall immediately provide the Board with information on the matters as follows:-

- (a) If it is known that any Member of the Stock Exchange has violated the provisions of the Act and Regulations, Byelaws and Directives framed under the Act,
- (b) If trading of the listed securities is suspended or suspension is withdrawn or gets de-listed,
- (c) If any proceeding pursuant to the prevailing laws has been initiated against the Promoter, Director or the Chief Executive,
- (d) If the Promoter, Director or the Chief Executive is placed in the black list of Credit Information Bureau,
- (e) If the Stock Exchange establishes any committee regarding securities listing, membership of Stock Exchange and securities trading, information regarding structure, functions, duties and powers of such committees,
- (f) If there is any change in the structure, functions, duties and power of the committee established pursuant to part (e) or if it is dissolved.

- (g) If there is any change in the management or organization structure of the Stock Exchange.

27. Information to be provided to the Investors: (1) The Stock Exchange shall require disclosing publicly the information regarding suspension of trading or withdrawal of suspension of any listed securities on the same day of the trading session or on the next day before the commencement of the trading session.

(2) The Stock Exchange shall notify the information of listing or de-listing of the securities on the same day or on next day before start of the trading session and shall publish the information in a national daily within seven days of such action.

(3) The Stock Exchange shall publish the information regarding granting of membership or suspending membership or withdrawing suspension or cancelling membership on the same day or on the next day before the start of the trading session and shall publish the information in case of granting or cancelling membership in a national daily within seven days of such action.

(4) The Stock Exchange shall publish the information including the name of the corporate body that had its security traded in Stock Exchange in that particular day, price and quantity of each securities, Securities Businessperson involved in the transaction and transaction serial number on the same day or on the next trading day before the start of the trading.

(5) The Stock Exchange shall immediately make public the notification regarding financial details received from the listed company and any price sensitive notices, information and details.

(6) The Board may, from time to time, may prescribe other news, information and details to be made public by the Stock Exchange.

(7) The Stock Exchange shall require maintaining the record mentioning the time of receiving and making public the news, information and

details pursuant to Sub-regulation (5) and such record shall be required to be updated.

Chapter – 8

Miscellaneous

28. **Stock Exchange may open Branch.** With the prior approval of the Board the Stock Exchange may open branches within the territory of Nepal.
29. **Stock Exchange required to issue Membership:** If any company or corporate body holding license to work as the Stock Broker or Securities Dealer submitted application for the membership of the Stock Exchange along with the license obtained from the Board, the Stock Exchange shall require to provide the Membership within one months of receiving such application.
30. **Amendment in the provisions of Memorandum and Articles of Association:**
- (1) If the Stock Exchange is to make amendment in any provisions of its Memorandum and Articles of Association, it is required to get prior approval from the Board.
 - (2) In order to obtain the approval pursuant to Sub-regulation (1), it is required to submit application to the Board mentioning the details of required amendment in Memorandum and Articles of Association.
 - (3) On receiving the application pursuant to Sub-regulation (1), the Board, considering the necessity and the rationale, may provide approval.

31. Records of the action taken against the Stock Exchange and the Concerned Person to be maintained:

(1) The Board shall maintain the records of the Stock Exchange and the concerned Chief Executive or Directors, who have been taken actions pursuant to the provisions of Act for non-compliance to the laws regarding Securities and the directives or orders issued by the Board.

(2) The Board may prevent the corporate body and the person or any company or the corporate body involving such person that are included in the record pursuant to Sub-regulation (1) from obtaining the services available pursuant to the Securities laws.

32. To be as per this Regulation: These regulations shall be applicable in the matters specified under it and the rest shall be according to other regulations issued under the Act.

36. Repeal and Saving: (1) The provisions of the Securities Trading Regulations, 1993 relating to Stock Exchange have, hereby, been repealed.

(2) Anything done or action taken or proceedings under the repealed provisions 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 (2) of Regulation 3)

Format of Application to be submitted by the corporate body operating the Stock Exchange for obtaining the recommendation from the Board

Date:-

Ms Securities Board of Nepal

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Subject: Request for obtaining recommendation for being registered as the corporate body operating the Stock Exchange.

As we are desirous to register a corporate body operating the Stock Exchange subject to the Securities Act, 2063 (2007) and the Regulations framed under that Act and other prevailing laws, this application, along with the fees, information and documents as prescribed, is hereby submitted to you for providing recommendation to the concerned office.

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

Promoters of proposed Stock Exchange

Name	Signature
1.	
2.	
3.	
4.	

Schedule-2

(Related to Sub-regulation (2) of Regulation 3, Sub-regulation (2) of Regulation 4
and Sub-regulation (2) of Regulation 7 and Regulation 8)

Application fee, license fee and annual fee

- | | |
|---------------------------------------|----------------|
| 1. Application fee for recommendation | Rs. 25,000/- |
| 2. License fee | Rs. 5,00,000/- |
| 3. Annual fee | Rs. 3,00,000/- |

Schedule - 3

(Related to part (f) of Sub-regulation (2) of Regulation 3, Sub-regulation (4) of Regulation 14 and Sub-regulation (5) of Regulation 15)

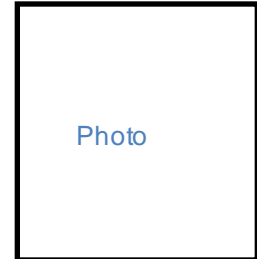
Details related to the body corporate willing to establish or own the share of Stock Exchange.

1. Copy of registered certificate
2. Copy of Memorandum and Articles of Association
3. If the body corporate is established under the special Act, copy of related Act and subsidiary regulations and bye-laws
4. Copy of resolution of the Board of Directors regarding having ownership of the Stock Exchange.
5. Audited financial statement of last three years of accounts maintained in the prescribed format pursuant to prevailing laws and accounting standard and yearly report including activities of each year,
(On behalf of a company or a body corporate not completing 3 years of its establishment, financial statement and report of the available year may be furnished.)
6. Name, full address, contact telephone and share ownership of the owners with holding ownership of five percent or more of the paid up capital,
7. Declaration that the company or the body corporate is not in the black list of the Credit Information Bureau
8. Details regarding any action taken or action pending under the securities related laws or any other prevailing laws against 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,
9. Tax registration certificate,
10. Details regarding the ownership in other companies or body corporate, if any,
11. Declaration of not having disqualification for holding the ownership of Stock Exchange pursuant to Regulation 13,
12. Details and documents relating to the Director and Chief Executive as follows:-
 - (a) Full Name and Address
 - (b) Ownership or any kind of involvement in any other companies or body corporate, if any

Schedule-4

(Related to part (g) of Sub-regulation (2) of Regulation 3, part (k) of Sub-regulation (2) of Regulation 4 and Sub-regulation (8) of Regulation 19)

Profile of the director/ chief executive



1. Name:
2. Permanent address: Zone....District....VDC/Municipality
Tole (area): Ward No.....House/Block No...Phone...Fax.....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 Directors or Chief Executive of other Stock Exchange, if any,
12. Details regarding relationship with Directors, Chief Executive or Representatives of Stock Broker or Securities Dealers, 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 the director or chief executive of the Stock Exchange.

Signature.....

Document to be attached:

1. Evidence of Tax Clearance for up to last fiscal year.
2. Evidence of removal of name from black list of Credit Information Bauru, if black listed previously.
3. Copy of documents verifying qualification, experience and affiliation, if any, with other institutions.
4. Copy of citizenship certificate

Schedule - 5

(Related to Sub-regulation (1) of Regulation 4 and Sub-regulation (1) of Regulation 7)

Format of Application for obtaining License

Date:-

Ms Securities Board of Nepal

.....

Reference: Request for license.

Being desirous to operate the Stock Exchange subject to the Securities Related Act, 2063 and the Rules, Regulations framed under that Act and other prevailing laws, this application, along with the information and documents as prescribed, is submitted to you for obtaining the License.

The attached documents and information is true and factual, none of the details have been hidden or are expressed with exaggeration. If convicted to have concealed relevant fact or to have presented wrong document or information, we hereby submit to bear with consequences according to the terms of the law.

Directors and the Chief Executive:

Name:

- 1.
- 2.
- 3.
- 4.

Applicant body corporate:

Name:

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

Seal of body corporate

Schedule – 6

[Related with Sub-regulation (3) of Regulation 5]

Securities Board of Nepal

Kathmandu

Stock Exchange Operation License

This license is hereby issued to Ms....., having its head office at to operate the Stock Exchange 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, unless renewed, shall be valid up to

Authorized signature:

Name:

Designation:

Date:

Schedule - 7

(Related to part (b) of Sub-regulation (3) of Regulation 6 and part (h) of Sub-regulation (2) of Regulation 7)

Details regarding human resources

S.No.	Full Name	Address	Date of Appointment	Designation	Job responsibility	Academic qualification

Schedule - 8
(Related to Regulation 8)

Format of Application to be submitted for the Renewal of License

Date:-.....

M/S Securities Board of Nepal

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Reference: Request for renewal of license.

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

Authorized Signature:

Name:

Position:

Seal of body corporate: