

Securities Exchange Rules, 2050 (1993)

Date of Publication in the Nepal Gazette

2050/2/13 (26 May, 1993)

Amendment

1. The Securities Exchange (First Amendment)

Regulation, 2052 (1995)

2052/8/25 (11 Dec, 1995)

2. The Securities Exchange (Second Amendment)

Regulation, 2054 (1997)

2054/11/25 (9 Mar, 1998)

In exercise the power conferred by Section 34 of the Securities Exchange Act, 2040 (1983), Government of Nepal has made the following Rules.

Chapter-1

Preliminary

1. **Short Title and Commencement**: (1) These Rules may be called the “Securities Exchange Rules, 2050 (1993).”

(2) It shall come into force immediately.

2. **Definitions** : Unless the Subject or context otherwise requires, in these Rules,-

(a) “Act” means the Securities Exchange Act, 2040 (1983).¹(b)

“Broker” means the Securities Entrepreneur who has obtained the license for carrying out the Transaction of Securities pursuant to Clause (a) of sub-rule (1) of Rule 29.

¹ Amended by Second Amendment.

- ² (c) “Market Maker” means the Securities Entrepreneur who has obtained the license for carrying out the Transaction of Securities pursuant to Clause (b) of sub-rule (1) of Rule 29.
- ³ (d) “Securities Dealer” means the Securities Entrepreneur who has obtained the license for carrying out the Transaction of Securities pursuant to Clause (d) of sub-rule (1) of Rule 29.
- ⁴ (d1) “Issuing and Sales Manager” means the Securities Entrepreneur who has obtained a license for carrying out the Transaction of Securities pursuant to Clause (d) of sub-rule (1) of Rule 29.
- ⁵ (e) “Under Writing” means an act of taking responsibility to buy all or some part of the left unsold Securities issued through public method or circular method.
- (f) “Internal Information” means the information, message, Particulars or data which has not been published publicly, which affects to the quantity or value of the Transaction of Securities.
- ⁶ (g) “Promoter Shareholder” means a person who signs in the Memorandum and Article of Association in capacity of promoter while registering the company and agrees to take minimum One Hundred Shares.

² Amended by Second Amendment.

³ Amended by Second Amendment.

⁴ Inserted by Second Amendment.

⁵ Amended by Second Amendment.

⁶ Amended by Second Amendment.

Chapter-2

Provisions Relating to the Securities Board

⁷ 3. **Functions, Duties and Powers of the Board** : The Board shall have the following functions, duties and powers in addition to the functions and duties provided in Section 5 of the Act :-

- (a) To execute or cause to execute the policy of Government of Nepal in relation to the Transaction of Securities.
- (b) To inspect or supervise the working plan arrangement of the Stock Exchange and Securities Entrepreneur for regularising and systematising the Transaction of Securities.
- (c) To prescribe the terms and conditions to be followed by the Securities Entrepreneur while issuing and managing the sales of the Securities.
- (d) To prescribe the terms and conditions to be followed by Stock Exchange and Securities Entrepreneur while carrying out the Transaction of Securities.
- (e) To approve the Bye-Laws of the Stock Exchange.
- (f) To approve the number of employee needed to the Board and appoint.
- (g) To obtain the information, data or particulars of the Corporate Body which have listed their Securities as per necessity and to arrange the system of viewing, if the investor desires to see it.

⁷ Amended by Second Amendment.

- (h) To make necessary arrangement for the operation of the Stock Exchange in healthy, competitive, regular and systematic manner.

4. **Allowances and Facilities:** (1) The meeting allowance to be obtained by each member who participates in the meeting of the Board shall be as prescribed by Government of Nepal.

(2) In case any member has to travel in regard to the act of the Board he shall receive the daily and travel allowances and other facilities as prescribed by Government of Nepal.

5. **Functions, Duties and Powers of the Chairman:** The functions, duties and powers of the Chairman shall be as follows:-

- (a) To act as the administrative chief of the Board.
- (b) To operate and cause to operate in his direction and control the daily businesses to be performed by the Board.
- (c) To supervise and control the employee working in the Board.
- (d) To cause to call the meeting of the Board and to chair the meeting.
- (e) To cast vote in case of tie in the meeting of the Board.
- (f) To execute or cause to execute the decisions made by the Board.
- (g) To carry out or cause to carry out the other functions entrusted by Government of Nepal or the Board.
- (h) To carry out other necessary functions in relation to operate the functions of the Board in systematic manner

remaining under the Act, these Rules and the decisions made by the Board.

6. **Terms and Conditions, and Facilities of the Chairman:** (1) The monthly remuneration of the Chairman and allowances and other facilities entitled to obtain by him/her shall be as prescribed by Government of Nepal.

(2) After termination the tenure of service of the Chairman Government of Nepal may reappoint or designate him/her.

(3) The Chairman shall be entitled to obtain the facility of leave as obtained by the employee.

7. **Provisions Relating to the Employee of the Board:** (1) There shall be employee in the Board in number as determined by the Board.

(2) The appointment, transfer, promotion remuneration, facility and other terms and conditions of the employee to be appointed pursuant to sub-rule (1) ⁸ shall be as prescribed in the Bye-Laws.

8. **Government of Nepal may Provide Grant to the Board:** Government of Nepal may provide an amount to the Board as grant deemed necessary for the operation of the functions of the Board.

9. **Fund of the Board:** The Board shall have its separate fund and the fund shall consist the following amounts:-

- (a) The amount of aid or grant obtained from Government of Nepal, Nepal Rastra Bank and other native and international organization.
- (b) The amount received from registration of Securities,
- (c) The amount received while granting the license to operate Stock Exchange and renewal fee.

⁸ Amended by Second Amendment.

- (d) The amount received by selling the property of the Board and mobilising the sources of the Board.
 - ⁹ (e) The amount deposited in the Board among the amount of transaction fee received by the Stock Exchange.
 - ¹⁰ (e1) The amount paid by the Securities Entrepreneur for registration.
 - (f) The amount received by any other sources.
10. **Arrangement of the Revolving Fund** : (1) The Board shall establish a revolving fund and each year the amount as prescribed by the Board shall be deposited in the fund.
- (2) The Board may deposit the amount deposited in the revolving fund in the fix account and invest it in the securities issued by Government of Nepal.
- (3) The amount except the earning from the amount deposited in the revolving fund shall not be expensed.
11. **Account and Audit of the Board**: (1) The account of the income and expenditure of the Board shall be maintained in a manner and a way as prescribed by the Board.
- (2) The audit of the account of the Board shall be done by the Department of Auditor General or by the auditor as appointed by the Auditor General.

Chaper-3

Provisions Relating to Stock Exchange

12. **To Submit an Application for Obtaining the License to Operate the Stock Exchange**: (1) The Corporate Body desirous to operate or cause

⁹ Amended by Second Amendment.

¹⁰ Inserted by Second Amendment.

to operate Stock Exchange shall submit an application in format of Schedule-1 to the Board for obtaining the license to operate the Stock Exchange. The fee as prescribed in Schedule-2 shall have to be enclosed along with the application to be submitted in such manner.

(2) The following particulars and documents shall have to be enclosed with the application pursuant to sub-rule (1):-

- (a) The Memorandum and Article of Association or Constitution of the Corporate Body.
- (b) In case the Corporate Body has been constituted under any specific Act, the Rules and Bye-Laws made under that Act.
- (c) Details of the movable and immovable properties.
- (d) Name, surname, address of the promoters and Board of Directors and the shares to be taken by them.
- (e) The details of qualification and experience of Promoter.
- (f) Name and qualification of the Executive Chief and the details of experience.
- (g) The matters relating to the operation place of the Stock Exchange, scope of Transaction and membership.
- (h) The feasibility study report relating to the Transaction of the Securities mentioned the statements of the projection at least of three years the income and expenditure also.
- (i) Other matters as prescribed by the Board.

13. **To Issue the License for Operation of the Stock Exchange:** (1) If an application of any Corporate Body for obtaining the license for the operation of the Stock Exchange pursuant Rule 12 is received, the Board

shall issue the license in format of Schedule-3 for the operation of Stock Exchange if it deemed appropriate while conducting the necessary inquiry upon the application remaining under sub-rule (2).

(2) In case the Corporate Body which has submitted an application for the operation of the Stock Exchange fulfill the following terms and conditions, the Board shall issue the license for the operation of the Stock exchange to such Corporate Body :-

- (a) Should be Incorporated as to limit the liability the of the shareholders and Member.
- (b) Should be mentioned clearly the provision that it shall not distribute the profit to the shareholders and members in the Article of Association or the constitution of the Corporate Body.
- (c) Should be mentioned the provision that only the Securities Entrepreneur except the other Corporate Body as prescribed by Government of Nepal, Nepal Rastra Bank or Government of Nepal shall be the member and shareholder.
- (d) The member of the Board of Directors and the Executive Chief of the Corporate Body has gained the experience in the field of the Transaction of Securities or related field.
- (e) Should be seen strong and satisfactory fiscal condition of the Corporate Body.
- (f) Should have appropriate provisions in relation to the following matters in the Article of Association or Constitution:-

- (1) Provisions relating to grant the membership.

- (2) Provisions relating to the qualification required for membership.
- (3) Provisions relating to the discipline to be followed by the person who has obtained the membership, disciplinary action and removal from membership.
- (4) Provisions relating to listing the Securities to be transacted.
- (5) Provisions relating to cancellation of the registered Securities and procedures to be followed therefor.
- (6) Provisions relating to regularise systematise the Transaction to be carried out by the person who has obtained the license.
- (7) Provisions relating to make available and publication of necessary notices for the information of investors.
- (8) Provisions relating to check giving false and misleading notices relating to the Transaction of Securities and carrying out the fraud and illegal Transaction.
- (9) Provisions relating to examine and inspection of the acts done by the Broker or Securities Entrepreneur.
- (10) Provisions relating to the manner of getting details of Transaction and notices from the

Broker or Securities Entrepreneur and procedures therefor.

- (11) Provisions relating to not allowing to invest the amount by the Broker or Securities Entrepreneur deposited by the investor.

14. **May Demand Additional Details:** (1) Notwithstanding anything contained elsewhere in this Act, while examining the details and documents enclosed along with the application submitted for obtaining the license for operation of Stock Exchange by any Corporate Body, if the Board deemed necessary may demand other details and documents in addition.

(2) Until not submitting the additional details and documents by the concerned Corporate Body as demanded by the Board pursuant to Sub-section (1), the license for the operation of Stock Exchange shall not be given to such Corporate Body.

- ¹¹14A. **Stock Exchange Shall have to Submit Statements and Reports :** (1)

The Stock Exchange which starts the Transaction of Securities after obtaining the permission to operate the Stock Exchange pursuant to Rule 13, shall submit the following statements to the Board from time to time :-

- (a) Statements relating to the decisions made by the General Assembly and the Board of Directors in relation to the management and operation of the Stock exchange.
- (b) Statements relating to the Securities Entrepreneur and their representatives.

¹¹ Inserted by First Amendment.

- (c) Statements relating to the security obtained from the Securities Entrepreneur.

(2) The Stock Exchange shall submit an annual report of the acts it has carried out in relation to the Transaction of Securities to the Board within three months from the date of expiry of every fiscal year. In the annual report so submitted, the following matters shall be mentioned also:-

- (a) Statements relating to the Transaction of Securities carried out during one fiscal year.
- ¹² (b) Statements of the proceedings which has been taken against any Securities Entrepreneur.
- (c) Statements of the Securities which have been listed or which listing has been cancelled during one fiscal year.

¹³ 15. **License Fee** : (1) The Corporate Body which has obtained the license to operate the Stock Exchange pursuant Rule 13 shall submit the yearly license fee pursuant to Schedule-2 to the Board within 6 months from the date of expiry of each fiscal year.

(2) The Corporate Body which has obtained the license to operate the Stock Exchange without submitting the yearly license fee within the time limit as prescribed in sub-rule (1) shall not operate Stock Exchange.

¹⁴ 15A. **Stock Exchange may Open Branches**: The Stock Exchange may, having obtained the prior approval of the Board, open branches and sub-branches within the Nepal to cause to raise participation on the Transaction of Securities and to broaden the operation of Transaction.

¹² Amended by Second Amendment.

¹³ Amended by Second Amendment.

¹⁴ Inserted by Second Amendment.

16. **Procedures to Suspend and Cancel the License:** (1) Before suspending or cancelling the license of any Stock Exchange Pursuant to Section 7E of the Act, the Board shall provide reasonable opportunity to the concerned Stock Exchange to improve its activities.

(2) If the Stock Exchange does not improve its activities within the time limit provided in accordance to Sub-rule (1), the Board may suspend the license of such Stock Exchange up to Six months.

(3) Within the suspension time of the license of any Stock Exchange pursuant to sub-rule (2), If such Stock Exchange fulfils the terms and conditions to be fulfilled, the Board may make free the suspension of such license prior to expire the time limit of suspension.

(4) If the Stock Exchange does not fulfill the terms and conditions to be fulfilled within the time limit of suspension of license of the Stock exchange pursuant to Sub-rule (2), the Board shall suspend the license of such Stock Exchange.

Chapter-4

Registration and Issue of the Securities

17. **To Submit an Application for the Registration of Securities** : (1) Any Corporate Body shall, for the purpose of Section 7F of the Act in order to register the Securities, submit an application to the Board in format of Schedule-4. Along with the application to be submitted in such a manner the fee to be paid for the registration of Securities in accordance to Schedule-5 shall have to be enclosed as well.

(2) The concerned Corporate Body shall enclose the following Statements and documents along with the application to be submitted pursuant to sub-section (1).

- (a) Memorandum and Article of Association of Corporate Body.
- (b) If the Corporate Body is incorporated under any Act, the Rules, Bye-laws, and statement made under that Act.
- (c) Description of movable and immovable properties.
- (d) Types, number and amount of printed value and time limit of Securities issued or to be issued and if arrangement of specific right has been made in relation to any Securities, such matters.

¹⁵ (d1) If the Securities to be issued are debentures or bonds, the reason and rational for such issuance of debentures or bonds and the decision in respect thereof made by the Board of Directors of the Corporate Body, and the statements of major acts to be carried out from the amount to be raised by such issuance debentures or bonds.

¹⁶ (d2) If the Securities to be issued are the certificates of unit saving scheme and collective saving scheme, statements of the power of issuing such certificates and the legal status, trust deeds or deeds of contract, targeted group of such scheme and policy relating to the investment of such scheme, system of the distribution of economic profit, provision relating to the expenditure deduction, provision relating to purchasing, selling and transfer of the Securities and other provisions to be made for operating such scheme and providing investment management service.

¹⁵ Inserted by First Amendment.

¹⁶ Inserted by First Amendment.

- (e) Other terms and conditions and the facilities of the issuance of Securities.
- (f) If the Securities are to be issued in premium and discount, the reason and rational for issuance.
- (g) In case the value among the Securities issued before and to be issued at present is differed, the reason and rational to be differed.
- (h) In case Securities have issued earlier, types, number amount of such Securities and statements in relation to the Transaction carried out within past Three Years.
- (i) The arrangement made or to be made relating to issuance and sales management, and guarantee of the Securities which are going to be issued.
- (j) The arrangement made in relation to the distribution of profit or bonus.
- (k) The arrangement relating to the representation to the Board of Directors, if the Securities are shares.
- (l) If it is audited, the statements of profit and loss of past Three years and the projected profit and loss account of coming three years and balance-sheet name and address of the Auditor.
- (m) If the Corporate Body is newly incorporated, the report of the feasibility study and name and address of the expert who have prepared such report, and the statement of projected profit and loss, and balance-sheet of coming three years.

- (n) Name, surname of the promoter shareholders, the number of shares to be taken by them and mode of payment of the amount and if the arrangement is made as to be represented to the Board of Directors from shareholders, such arrangements.

¹⁷ (n1) If a promoter shareholder remained as a promoter having ownership of ten percent or more shares is a Corporate Body, registration certificate of such Corporate Body, Memorandum and Article of Association, statements of Transaction and statements of audited profit and loss account of the last year, balance-sheet and the copy of the decision made by the Board of Directors of such Corporate Body regarding the incorporation of a new Corporate Body.

- (o) Name and surname of the Board of Directors, Manager and Chief Officer and their functions, duties, and powers.

- (p) Name surname and qualification of the person who have prepared the Memorandum, Article of Association and statements.

- (q) If any agreements have been made in relation to provide the management or other services, such matters.

- (r) Other necessary matters as prescribed by the Board.

- (s) Other financial statements as prescribed by the Board.

¹⁸ (3) The statements and documents to be submitted by the Board of the Corporate Body pursuant to sub-rule (2) shall be submitted having certified from at least two Directors, the Directors so certifying the

¹⁷ Inserted by First Amendment.

¹⁸ Inserted by First Amendment.

statements and documents shall be responsible personally as well as collectively for the acts they have certified.

18. **To Register the Securities** : (1) In case an application has been received of any Corporate Body for the registration of Securities pursuant Rule 17, the Board shall, after conducting necessary inquiry upon the statements and documents enclosed along with the application, if deemed appropriate having registered such Securities in the register book as provided in Schedule-6, mention the name, address, types of Transaction, statements of capital and other necessary matters of the concerned Corporate Body in the register book.

(2) While conducting the inquiry upon the statements and documents received along with the application for the registration of Securities under Sub-rule (1), the Board may ask the concerned Corporate Body to submit other statements and documents in addition deemed necessary by the Board as well.

(3) Until not submitting the additional statements and documents as demanded by the Board pursuant to Sub-rule 2, the Securities of Such Corporate Body shall not be registered.

- ¹⁹18A. **Consultation may be Made with the Stock Exchange**: While registering the Securities pursuant to Rule 18, the Board may, if it deems necessary, consult to the Stock Exchange.

19. **To Grant the License for Issuing the Securities**: (1) After registering the Securities in the register book pursuant to Rule 18, the Board shall grant the license to the concerned Corporate Body in format of Schedule-7 for issuing the Securities.

(2) While granting the license Pursuant to sub-rule (1) for issuing the Securities, the Board may prescribe the terms and conditions to be

¹⁹ Inserted by First Amendment.

followed by the concerned Corporate Body. To follow the terms and conditions prescribed by the Board shall be the duty of the concerned Corporate Body.

²⁰ 19A. **Underwriting to be Made** : Where a Corporate Body incorporated with the objective of carrying out industrial acts has not made the evaluation of the project for the propose of borrowing debt from any bank or financial institution shall issue the Securities only after making the Securities under written ²¹from the Securities Entrepreneur.

²² 19B. **Sale of the Securities** : (1) The Corporate Body which has obtained permission to issue the Securities through the Securities pursuant to Rule 19 shall sell such Securities through ²³Securities Entrepreneur.

(2) While selling the Securities pursuant to sub-rule (1) the Corporate Body shall have to conclude an agreement ²⁴with the Securities Entrepreneur which have obtained the membership. The Corporate Body shall give a notice to the Board enclosing thereto the copies of agreement so concluded to the effect that it is going to sell the Securities.

²⁵ 19C. **Sale of the Securities Taken by the Promoters**: The promoter who has taken more than Five Percent shares of the issued shares of any Corporate Body shall inform to the Board before selling the shares taken by them.

20. **To Submit Statements**: (1) In case the Corporate Body which has listed its Securities has to make any changes on declared terms and conditions in issuing the Securities in a state of not holding the first yearly general

²⁰ Inserted by First Amendment.

²¹ Amended by Second Amendment.

²² Inserted by First Amendment.

²³ Amended by Second Amendment.

²⁴ Amended by Second Amendment.

²⁵ Inserted by First Amendment.

assembly, and fiscal and financial structure, such matters and the decision made in the first yearly general assembly shall have to submit to the Board within Thirty Five days of such holding. After having received the information of such changes on terms and conditions or fiscal and financial structure, the Board shall publish such matter in any main news paper of national standard for the information of the investors.

(2) The Board may demand the Corporate Body which has listed its Securities any statements, data or notice related with such transaction and to provide such statements data or notice to the Board shall be the duty of the concerned Corporate Body.

21. **The statements and Documents Remained in the Board to be Shown**
: Any statements, data or notice relating to the Securities remained in the Board may be viewed after having paid the fee as determined by the Board, if the investors so desires.

Chapter-5

²⁶ Provisions Relating to the Listing and Operation of the Transaction of Securities

- ²⁷22. **To Submit an Application for the Registration of Securities** : (1) A Corporate Body shall apply to the Stock Exchange in form No. 1 of Schedule-8 for listing the shares and along with the listing fee pursuant to Schedule-9 in form No. 2 of Schedule-8 for the registration of debenture, bond, unit and other Securities.

(2) The other statements and documents to be enclosed with the application for listing the Securities shall be as prescribed in the Bye-laws of the concerned Corporate Body.

²⁶ Amended by Second Amendment.

²⁷ Amended by Second Amendment.

²⁸ 23. **Listing and Renewal of the Securities** : (1) After having received the application for listing the Securities pursuant to Rule 22, the Stock Exchange shall, upon making the necessary inquiry and if deemed appropriate to list the Securities having registered the Securities within thirty days from the date of receipt of application provide the information to the applicant in format of Schedule-10 and if the Securities can not be listed the information to that effect shall have to be given to the applicant.

(2) The Corporate Body which has listed the Securities pursuant to Sub-rule (1) shall, having paid the annual fee as prescribed in Schedule-9, renew the listing of Securities within Three months from the date of expiry of each fiscal year.

(3) The Securities which is not renewed pursuant to Sub-rule (2) is not allowed to exchange.

(4) Notwithstanding anything contained in sub-rule (1) and (2) the Stock Exchange may make separate provisions for the Transaction of Securities which have obtained the concession as not be listed pursuant to the Act.

²⁹ 23A. **To Conclude an Agreement**: (1) The Stock Exchange shall, before listing the Securities pursuant to Rule 23, conclude an agreement with the Corporate Body which have causes the listing of Securities. In such agreement, the Corporate Body shall have to expressed the commitment that the concerned Corporate Body shall forth with give the notice or information that affects transaction price of Securities to the Stock Exchange, that such notice or information shall be made public so that all the concerned parties get notice of it, and that it shall assist in the acts

²⁸ Amended by Second Amendment.

²⁹ Inserted by First Amendment.

of regulating or causing to regulate and manage the Transaction of their own Securities to be carried out through the Stock Exchange.

(2) Having made the listing of the Securities by concluding an agreement pursuant to sub-rule (1), the Stock Exchange shall inform the Board of such matters and shall also publish the same in the news papers to inform the investors.

³⁰23B. **To Give Notice:** The Corporate Body which ³¹has listed its Securities shall give the notice of the following subjects to the Stock Exchange from time to time:-

- (a) If it has to amend the Memorandum or Article of Association,
- (b) If it has to distribute interim dividend in the Securities,
- (c) If it has to distribute bonus share as profit,
- (d) If the transfer of ownership, renewal unification or division of the Securities is to be stopped,
- (e) If the business of the Corporate Body is to be stopped due to natural calamities, accidental event, lock-out or any other causes.

24. **To Submit Statements:** ³²(1) A Corporate Body shall, in addition to the Statement of income and expenditure of past year, balance-sheet of profit and loss and yearly progress report, submit the following fiscal statements to the Board and concerned Stock Exchange within four months from the expiry of fiscal year :-

- (a) Statements relating to the cash flow of previous year,
- (b) Statements relating to the production capacity or transaction capacity of the Corporate Body,

³⁰ Inserted by First Amendment.

³¹ Amended by Second Amendment.

³² Amended by Second Amendment.

- (c) Statements relating to purchase, sale and stock,
- (d) Statements of main exported and imported items,
- (e) Statements relating to income and expenditure, if the Transaction has carried out in foreign currency,
- (f) Transaction carried out by itself, opinion of management on it, in case more than twenty five percent of differences arise in production or transaction capacity of the Corporate Body, the comment of management on it.
- (g) Other statements as prescribed by the Board or Stock Exchange.

(2) In addition to the statements to be submitted in accordance to Sub-rule (1), the agenda submitted to the general assembly, subject of discussion and the full statements of decision made in the general assembly to the ³³Board and Stock exchange market within seven days of the completion of general assembly.

(3) In addition to the statements submitted pursuant to sub-rule (1), each year, within one month from the expiry of half yearly time period, shall have to be submitted the half yearly progress report along with the activities of such period.

(4) In case the ownership of shares taken by any Board of Directors is changed or in case the number of shares taken by any Board of Director is changed, the notice to that effect shall have to be given to the ³⁴Board and Stock Exchange Market.

(5) In case any Corporate Body made changes in its property as affecting any type of effect to the value of Securities listed by it or Transaction or conclude any agreement or contract relating to the

³³ Amended by Second Amendment.

³⁴ Amended by Second Amendment.

management, the information therefor shall have to be given to the³⁵ Board and Exchange Stock Market.

(6) Notwithstanding anything mentioned elsewhere in this Rule, the Board and Stock Exchange may demand the necessary statements, data or information to the concerned Corporate Body in relation to the Securities listed to it and to provide such statements, data or information to the³⁶ Board and Stock Exchange Market shall be the duty of Concerned Corporate Body.

25. **Responsibility to Submit the Statements:** In case any loss or damage occurred to any investor, by the reason of not sending the statements, data or information in time or if sent in false or incorrect manner by the authority of concerned Corporate Body which has to sent the statements, data or information relating to the Securities in accordance to Rule 24 he/she shall be responsible personally or collectively.

26. **Not to be Carried Out Internal Transaction:** The person involved to the management of any Corporate Body shall not carry out the internal Transaction with the objective of benefiting to him/her or any person related with him/her on the basis of internal information or messages.

³⁷26A. **To Conclude a Contract** : (1) Prior to exchange the Securities with the customer, the Securities Entrepreneur shall have to conclude a contract with the customer in prescribed format remaining under the terms and conditions as provided in the Bye-Laws of concerned Stock Exchange.

(2) The Securities Entrepreneur shall give the receipt or evidence of the Securities taken for sale from the customer and shall have to up date the record therefor.

³⁵ Amended by Second Amendment.

³⁶ Amended by Second Amendment.

³⁷ Inserted by Second Amendment.

³⁸26B. **The Board may Prescribe the Entrepreneurial Code of Conduct to be followed by the Entrepreneur**

(1) The Board may prescribed the Entrepreneurial Code of Conduct to be followed by the Securities Entrepreneur while carrying out the Transaction of Securities to make the Exchange of Securities pure, healthy and systematic.

(2) Before granting the membership to the Securities Entrepreneur, the Stock Exchange may cause the necessary bond as to follow and cause to be followed the Entrepreneurial Code of Conduct as prescribed in Sub-rule (1).

³⁹26C. **To Provide to view or Copy the Particulars and Documents Relating to the Securities:**

In case an investors desires to view or copy or particulars and documents relating to the Securities remained in possession of Stock Exchange except the particulars relating to the Transaction of Securities made by the customer or Securities Entrepreneur, it shall have to give to see or copy by taking the fee as prescribed in the Bye-Laws of the concerned Stock Exchange.

⁴⁰26D. **To Make Insure the Transaction of the Securities:** The Securities Entrepreneur shall insure the Transaction of Securities as prescribed by the Board.

27. **To Publish the Particulars:** The Stock Exchange shall publish the particulars of the listed Securities and information relating to the Securities for the information of investors.

⁴¹27A. **Transfer of the Securities:** (1) Where the Securities listed in the Stock Exchange have been purchased and sold through the.

³⁸ Inserted by Second Amendment.

³⁹ Inserted by Second Amendment.

⁴⁰ Inserted by Second Amendment.

⁴¹ Inserted by First Amendment.

⁴².....Securities Dealer and therefore a correspondence is made from the Stock Exchange, appending thereto the document of sale and certificate of the Securities has been received for the transfer of such Securities, by cancelling the name of the seller, into the name of the buyer.

(2) Where a shareholder or ⁴³Securities Entrepreneur which has obtained membership by unifying or spicing the shares mentioned in the Share certificate and changing into the prescribed lot, demands for separate certificates the concerned corporate Body shall, after receiving fee as per rule, shall issue separate certificates.

(3) If a person who has purchased securities desires to sell such securities before transferring such securities in to his name and submits an application along with the documents he has obtained for the purpose of selling the securities and the certificate of securities, it shall be certified that such securities are registered in the Corporate Body.

(4) Where a person has sold the securities into his/her name, to any other before maintenance of final records in his/her name and if an application, appending thereto the documents so sold and the certificate of securities, the concerned Corporate Body shall directly transfer such securities into the name of last buyer.

(5) Notwithstanding anything contained in sub-rule (1), (2), (3) and (4), the concerned Corporate Body may refuse to transfer the securities in the following conditions :-

(a) Where a court or officer of competent authority has suspended the transfer of the Securities,

⁴² Deleted by Second Amendment.

⁴³ Amended by Second Amendment.

(b) Where the purchase and sale have been made in less number than the minimum unit prescribed by the Corporate Body.

(c) Where the purchase and sale have been made so that it exceeds the maximum number which a person can hold into his name.

⁴⁴27B. **Declaration of the Interest, Dividend or Bonus Share** : The interest, dividend or ⁴⁵bonus share in the Securities shall be provided to the person who hold the ownership of the Securities at the time of the ⁴⁶declaration of its interest, dividend or bonus share.

⁴⁷27C. **Transaction of Securities may be Carried out Outside the Stock Exchange** : In case more than Five percent of shares issued by a listed Corporate Body is to be traded in a lot such Transaction may be carried out side the Stock Exchange.

Provided that, such transaction shall, after obtaining the prior approval of the Stock Exchange in writing, be carried out through a ⁴⁸Securities Entrepreneur which has obtained the membership.

⁴⁹28. **To Submit an Application to be registered as Securities Entrepreneur**: (1) The Corporate Body desirous to carry out the Transaction of Securities as Securities Entrepreneur pursuant to Section 18 of the Act shall submit an application to the Board in format of Schedule-11 along with the fee as prescribed in Schedule-12.

(2) In the Memorandum and Article of Association which has submitted the application pursuant to Sub-rule (1) or in the law

⁴⁴ Inserted by First Amendment.

⁴⁵ Amended by Second Amendment.

⁴⁶ Amended by Second Amendment.

⁴⁷ Inserted by First Amendment.

⁴⁸ Amended by Second Amendment.

⁴⁹ Amended by Second Amendment.

incorporating such Corporate Body there must be the main objective of such Corporate Body as carrying out the Transaction of Securities.

Provided that in the case of bank or financial institution, this Regulation does obstruct to grant the certificate as Securities Entrepreneur even if the Transaction of Securities is secondary objective than its main objective.

(3) In case any changes statement has been changed in the statements submitted along with the application the concerned Securities Entrepreneur shall submit the notice therefor to the Board within seven days.

⁵⁰29. **Registration of the Securities:** (1) After having received the application in accordance to Rule 28, the Board shall, upon taking the necessary inquiry pursuant to Section 19 of the Act, if deemed necessary to register such Corporate Body as Securities Entrepreneur, having register such Corporate Body within thirty days from the date of receipt of the application, grant the Certificate of Securities Entrepreneur as to carry out any or more than one of the following functions:-

- (a) To purchase, sale or exchange the Securities in the name of customer.
- (b) To carry out the Transaction of any one or more than one Securities among the treasury bill issued by Government of Nepal or issued in the Security of Government of Nepal or mutual fund issued publicly or unit or the ordinary shares of at least three Corporate Bodies or other Securities by purchasing or selling in its name or from its name by the objective of providing liquidity in those Securities.

⁵⁰ Amended by Second Amendment.

- (c) To buy some or all newly issued Securities in its own name with the object of selling through the Stock Exchange Securities issued either through public issue method or circulation method by a Corporate Body, to carry out the Transaction of Securities through Broker in the name of customer or its own by concluding investment arrangement contract with customer with the objective of making investment arrangement.
- (d) To provide the pre issue and post issue services to arrange the sales management of Securities to be newly issued either through public issue method or circulation method by a Corporate Body and to under write the issued Securities.
- (e) To register the newly issued shares, to take responsibility relating to cancelling the name and transfer into the record and transfer of the securities, to act as a trustee of the securities, to provide concealing service relating to the securities as Entrepreneur, to carry out other functions prescribed by the Board by taking approval of Government of Nepal and to carry out other functions relating to the Securities.

(2) While examining the application pursuant to sub-rule (1) if needed any particulars or document in addition or if deemed necessary to cause to omit or submit any matter in the application the Board shall give an order to the applicant and only after the fulfillment of the acts as per the order given in such manner the Board shall take the decision as to register the name of applicant as Securities Entrepreneur.

(3) While examining pursuant to sub-rule (1), in case it can not be registered as Securities Entrepreneur the Board shall give the notice thereof with reason within Thirty days from receipt of application.

(4) Notwithstanding anything mentioned in sub-rule (1), the certificate as to carry out other functions except the function of Clause (a) shall not be granted to the Securities Entrepreneur who acts as a Broker.

⁵¹30. **To Take Certificate who is Carrying out the Transaction of Securities** : The person, firm, company or Corporate Body carrying out the Transaction of Securities by obtaining the membership of Stock Exchange at the time of commencement of these Rules shall have to obtain the certificate by registering name into the Board as the Securities Entrepreneur.

⁵²31. **Provision Relating to the Capital of the Corporate Body Which Carry out the Transaction of Securities** : (1) The authorised capital and paid up capital of the Corporate Body desirous to be registered as Securities Entrepreneur should be as prescribed in Schedule-14.

(2) In the case of Corporate Body desirous to carry out more than one function of Transaction the paid up capital should be different for the different function as prescribed by the Board.

⁵³32. **The Qualification for Securities Entrepreneur** : (1) To be registered as the Securities Entrepreneur, the qualification of Board of Directors and Executive Chief of the Corporate Body or the Chief Employee who takes the responsibility for carrying out the Transaction of Securities shall be as follows :-

⁵¹ Amended by Second Amendment.

⁵² Amended by Second Amendment.

⁵³ Amended by Second Amendment.

- (a) Must be a Nepalese citizen, except provided the approval by Government of Nepal,
- (b) Must have attained 21 years age,
- (c) Must have obtained an experience of two years in the field of industry and commerce by obtaining the bachelor degree in the field of business administration or commerce or economics or must have five years of working experience of Stock Exchange, bank, financial institution or insurance company,

(2) Notwithstanding anything mentioned in sub-rule (1), the qualification of this Rule shall not be essential to the person who is carrying out the Transaction by obtaining the membership of the Stock Exchange at the time of commencement of this Act.

32A ⁵⁴

⁵⁵33. **Disqualification** : The Board of Directors or Executive Chief of the Corporate Body desirous to be registered as the Securities Entrepreneur shall not have to the following disqualification :-

- (a) Should not be mad or insane,
- (b) Should not be insolvent,
- (c) Not yet lapsed Five years of one has served imprisonment by the decision of court of law in a criminal offence.
- (d) Should not be a member of the Corporate Body which has obtained the certificate of Securities Entrepreneur,
- (e) Should not be a member of other Corporate Body which have obtained the license of Securities Entrepreneur,

⁵⁴ Deleted by Second Amendment.

⁵⁵ Amended by Second Amendment.

- (f) Should not be involved in contraction or other personal interest of the corporate body which have obtained the license of Securities Entrepreneur.

⁵⁶34. **Renewal of the Securities Entrepreneur Certificate:** The Securities Entrepreneur shall have to renew the Securities Entrepreneur Registration Certificate by submitting the application to the Board along with the fee as prescribed in Schedule-12 in format of Schedule-15 to renew the Securities Entrepreneur Registration Certificate within fifteen days from the date of expiry of completion of fiscal year.

(2) In case the Securities Entrepreneur registration Certificate could not be renewed within the time limit of sub-rule (1), the Securities Entrepreneur may submit an application to the Board along with twenty five percent fee in addition to renewal fee mentioning the reasons therefor within 6 months from the expiry of such time limit to renew the Securities Entrepreneur Registration Certificate.

(3) The Board shall cancel the Securities Entrepreneur Registration Certificate of such Securities Entrepreneur in case the Securities Entrepreneur does not submit an application to renew the Securities Entrepreneur Registration Certificate within the time limit of sub-rule (1).

(4) The Corporate Body whose Securities Entrepreneur Registration Certificate has been cancelled is not allowed to carry out the transaction of Securities.

34A ⁵⁷

34B ⁵⁸

⁵⁶ Amended by Second Amendment.

⁵⁷ Deleted by Second Amendment.

⁵⁸ Deleted by Second Amendment.

⁵⁹35. **The Securities Entrepreneur shall Deposit the Security** : (1) The Securities Entrepreneur shall, prior to carry out the Transaction of Securities, deposit the amount as prescribed by the Board in any commercial bank as prescribed by the Board as Security, such amount shall only be use for the purpose of payment of the liability in relation to the Securities.

(2) While prescribing the amount of security pursuant to Sub-rule (1), it shall be prescribed on the basis of types of Transaction, number of transaction and the amount of Transaction to be carried out by the Securities Entrepreneur.

(3) Notwithstanding anything mentioned in sub-rule (1) and (2), the Board may provide the exemption to the Securities Entrepreneur which is carrying out the Transaction of Securities by depositing the security as prescribed by the Board before the commencement of this Regulation as not to deposit separate security.

⁶⁰36. **Service Fee**: (1) The Securities Entrepreneur may take the service fee as prescribed in Schedule-16 to the customer for providence the service of the Transaction of Securities or related thereto.

(2) The Securities Entrepreneur shall deposit an amount from the amount of service fee pursuant to sub-rule (1) to the concerned Stock Exchange as prescribed in the Bye-Laws of the concerned Stock Exchange.

⁶¹37. **The Statements and Reports to be Submitted by the Securities Entrepreneur** : The Securities Entrepreneur shall submit the following financial statements in addition to the balance-sheet of profit and loss account of past fiscal year and financial report to the Board :-

⁵⁹ Amended by Second Amendment.

⁶⁰ Amended by Second Amendment.

⁶¹ Amended by Second Amendment.

- (a) Statements relating to the cash flow,
- (b) Statements relating to the Transaction of Securities,
- (c) Report relating to the concept or comment of management relating to the Transaction of Securities,
- (d) Other statements as prescribed by the Board.

38. ⁶²

39. ⁶³

40. ⁶⁴

41 ⁶⁵

⁶⁶42. **The Board May Prescribed the Format of Record** : (1) The Board may be prescribed the format of statements, data or notice relating to the Transaction of Securities to be maintained by the Corporate Body which have listed its Securities, Stock Exchange and Broker working as Securities Entrepreneur, Market Maker, Securities Entrepreneur, issuing and sales manager and Corporate Body carrying out other functions relating to the Securities.

(2) It shall be the duty of all concerned to maintain the record up to date by carrying out the Transaction in format prescribed pursuant to sub-rule (1).

43. To insect and inquire: (1) Board may inquire through member, officer, persons or other person of corporate body, of the application of information is available against the action against pursuant to Act and Rules which is done by securities registered autonomy body, capital

⁶² Deleted by Second Amendment.

⁶³ Deleted by Second Amendment.

⁶⁴ Deleted by Second Amendment.

⁶⁵ Deleted by Second Amendment.

⁶⁶ Amended by Second Amendment.

market of person who have obtained membership of board, firm of autonomous body.

(2) To be prescribed of appointed the inspection or inquire authority pursuant to Sub-section (1), the board also may designate the method and procedure of such inspects or inquires officer

(3) The authority person who appoint or inspect in pursuant to Sub-section (1), should submit their report in board.

(4) The basis of report pursuant to Sub-section (1), the board may cancel the registration of autonomous body, suspend or cancel the concerned license of securities market or may order to cancel the registrations of concerned who have achieved the membership of securities market, firm company autonomous body.

(5) To give order pursuant to Sub-section (4), the body has to give chance to submit their clearance about their charge for concerned person, firm, company or autonomous body.

44. Delegation of Power: (1) The board may delegate some of all not of its powers to any Sub-committee chairperson or member.

(2) The chairperson may delegate power in own responsibility to officer personal as per necessary.

45. Not to be provided insider news: Member of board, member of autonomous body or concerned any person should not provide the publicly unpublished document, information or news for insider dealing.

Provided that, any transaction which is carried as regularity of office shall not see deemed to be violation of insider trading

46. Alterations and change in the schedules: Government of Nepal may publishing notification in the Nepal Gazatte effect necessary alteration or change in the schedule.

⁶⁷**47. Framing and Enforcement of Directives:** The Board may frame and issue directive order to make the procedures relating to the well management of the Transaction of Securities by the efficient implementation of the Act and this Regulation. It shall be the duty of all the concerned to abide by the directives so issued

Note: Schedule is not included

Nepal Law Commission

⁶⁷ Inserted by First Amendment.