

DAR ES SALAAM STOCK EXCHANGE

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**PREPARED BY
THE COUNCIL OF THE
DAR ES SALAAM STOCK EXCHANGE**

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CHAPTER ONE

INTERPRETATIONS AND DEFINITIONS

In these Rules, unless the context requires otherwise:-

"Accrued Interest" shall mean the amount of interest which has accumulated in respect of an interest-bearing security from the last payment up to settlement day.

"Act" shall mean the Capital Markets and Securities Act, Cap. 79.

"Annual Accounts" shall mean the financial statements for the year in question including the balance sheet, the profit and loss account, cashflow statements, directors' report and the notes to the accounts.

"AON" shall mean a short for "All or Nothing" which refers to a single lot of securities which can only be sold in full without being split into smaller lots.

"Applicant for Listing" shall mean a New Applicant or an Issuer which is applying for further securities to be listed.

"Application for Compensation" shall mean such form as may be adopted by the Council for completion by an investor who wishes to apply for compensation from the Fund.

"Application for a Declaration of Default" shall mean such form as may be adopted by the Council for completion by the investor in order to obtain a declaration of default of a Licensed Dealing Member;

"Authorised Central Depository System Operator" shall mean a Licensed Dealing Member of the Dar es Salaam Stock Exchange or any other institution approved by the Council of the Dar es Salaam Stock Exchange to open and operate Central Depository System accounts upon instructions of investors or to operate its own account.

"Authority" shall mean the Capital Markets and Securities Authority established under the Capital Markets and Securities Act, Cap. 79.

Authorized Dealers Representative (ADR) shall mean a natural person licensed in accordance with CMS Act, cap. 79 and permitted by the Council to carry on the business of dealing in securities using the facilities of the Exchange on behalf of the Licensed Dealing Member.

"Best Market" shall mean the current highest bid and the lowest offer in a specific security.

"Bid" shall mean an order by a stockbroker to buy securities at a certain price and shall also refer to a price which a buyer is willing to accept for his securities.

- “Block Certificate”** shall mean a single certificate issued by a Company Registrar of a listed company representing a large number of securities for holders grouped together (in a fungible form).
- “Block-trade”** shall mean lots of shares with a value exceeding Tshs. 100 million which is sufficiently large to exceed the capacity of the market as regulated by block trade rules.
- “Board Lot”** shall mean a standard number of shares or stocks, determined by the Exchange, which can be traded on the market.
- “Bond Registrar”** shall mean the holder of register for the listed bond who shall also be the Transfer Agent for the listed bond.
- “Book-entry”** shall mean the entries made on computer database, within the Central Depository of Securities, to record the ownership or change of ownership of securities.
- “Borrower”** shall mean a holder who has mortgaged securities held or to be held in the Central Depository System as collateral against a loan.
- “Business day”** shall mean any day in the week that is not a Saturday or Sunday, or gazetted holiday, or announced by the Council in a general notice.
- “Capital”** shall mean share capital including preference shares
- “Central Depository System”** shall mean the Central Depository System (CDS) of the Dar es Salaam Stock Exchange.
- “Chairman”** shall mean the Chairman of the Council of the Dar es Salaam Stock Exchange
- “Chief Executive”** shall mean the Chief Executive Officer of the Dar es Salaam Stock Exchange.
- “Clearing Bank”** shall mean a Commercial Bank appointed by Licensed Dealing Member of the Dar es Salaam Stock Exchange to settle transactions effected through the Dar es Salaam Stock Exchange on behalf of the Licensed Dealing Member.
- “Clients Contract Note”** shall mean a record of the details of a transaction, its total value and all charges.
- “Client Depository Account”** shall mean a record in ledger form describing the details of securities investments held by a client in the CDS of the Dar es Salaam Stock Exchange.
- “Clients Reference Number”** shall mean an identification number designated for a client by an Authorised Central Depository System Operator
- “Companies Act”** shall mean Chapter 212 of the Laws of Tanzania.
- “Company Registrar”** shall mean an entity or person who maintains the record of securities holders for the outstanding securities of a listed company.

“Council” shall mean the governing organ of Dar es Salaam Stock Exchange (and in relation to any provision shall include a committee of the Council or the Chief Executive exercising powers under the provision delegated by the Council).

“Date of Default” shall mean the date when the Licensed Dealing Member has been declared to be in default pursuant to the Rules of the Dar es salaam Stock Exchange.

“DATS” shall mean the Dar Es Salaam Stock Exchange Automated Trading System.

“Default Notice” Shall mean such notice as may be issued by the Dar es Salaam Stock Exchange announcing the declaration of default.

“Delivery Confirmation” shall mean a form describing the documents delivered between the Dar es Salaam Stock Exchange, Licensed Dealing Members and the Issuers.

“Deposit” shall mean the delivery and transfer of securities by a client to CDS custody, through an Authorised CDS Operator.

“Depository Receipt” shall mean a document issued by the Dar es Salaam Stock Exchange representing title in respect of securities deposited in the CDS by a client.

“Discretionary Account” shall mean an account in which the client gives an LDM discretion which may be complete or within specific limits as to the purchase, sale of securities including selection, timing and price to be paid or received.

“Enterprise Growth Market Segment(EGMS)” shall mean a market segment for listing emerging, small and medium companies with no track record for investors to estimate their potential earnings before investing or Markets that are categorized as of high risk.

“Exchange” shall mean the Dar es Salaam Stock Exchange (DSE) reference to the Exchange shall also mean the Dar es Salaam Stock Exchange.

“Financial Year” shall mean the period covered by the Company's profit and loss account prepared for the purposes of section 123 of the Companies Ordinance, Cap.212.

“First Tier” shall mean the first tier of listing.

Floor Trader; shall mean a natural person permitted by the Council to exclusively trade on behalf of the LDM after having passed the Induction Course organized by the Exchange.

“Fund” shall mean the Fidelity Fund established by virtue of Section 83 of the Capital Markets and Securities Act, ca-p. 79.

“Fungible” shall mean all securities deposited at the CDS of the DSE in the state of being held together in a single batch and not de-segregated to individual holders.

“Government” shall mean the Government of the United Republic of Tanzania.

“Group” shall mean the Issuer and its subsidiaries.

“High Risk Markets” shall mean markets where companies without a track record on their performance are listed.

“Holding Company” shall mean the same meaning given under section 126 of the Companies Ordinance, Cap.212.

“Investor” shall mean a person who has entrusted cash or securities to a Licensed Dealing Member in connection with transactions in securities listed at the Exchange. Provided, however, that the categories of investors listed hereunder shall not be considered as investors and shall be excluded from claiming against the Fidelity Fund. The categories in question are the following;

- (a) LDMS, financial intermediaries and investment firms holding investment services licenses issued by the Capital Markets and Securities Authority;
- (b) Collective Investment Schemes as defined under Capital Markets and Securities Act, 1994;
- (c) government and recognised administrative authorities in terms of law.
- (d) provincial, regional, local or municipal authorities;
- (e) directors and managers of the defaulting LDMS as well as holders of at least 5% of the capital of such firms and members of the external auditing bodies who audit the accounts of such firms; and

Other companies in the same group of the defaulting stock broking firms.

“Issuer” shall mean a public company or other legal entity whose securities are listed at the DSE or are the subject of an application for listing or any entity with a potential for listing.

“Lender” shall mean a party who accepts securities held in the CDS as collateral for a loan issued.

“Licensed Dealing Member (LDM)” shall mean a body corporate licensed as a dealer or broker in accordance with the Capital Markets and Securities Act, cap. 79, and permitted by the Council to carry on the business of dealing in securities at the facilities of the DSE.

“Listed” shall mean admitted to the official list of the DSE (except where the context requires otherwise); “listing” being construed accordingly.

“Listed Company” shall mean a company, any part of the shares of which has been listed.

“Listed Securities” shall mean the securities of that class which are listed.

“Loan Securities” shall mean interest bearing securities which do not have a share in the equity of the company.

“Market Imbalance” shall mean a situation in the Pre-open Market when the best bid is higher than the best offer.

“Market Index” statistical measurement of the performance of a particular group of securities, using a clearly defined set of rules that makes them comparable regardless of the market conditions.

Main Investment Market Segment (MIMS) shall mean a market segment for listing which caters for companies with a track record and allowing investors to estimate their potential earnings before investing.

“Market Official” shall mean an Exchange Official who manages the trading operations of the DSE in accordance with the Rules of the DSE.

“Member” shall mean a member of the DSE

“Mortgage of Securities” shall mean the use of securities held at the CDS to guarantee performance by a borrower of a contract between borrower and lender.

“Netting” shall mean a process by which gross, or trade-by-trade obligations between counter parties in a transaction are settled by a single transfer of the net amount of funds.

“Net Turnover” shall mean the amount derived from the sale of products and the provision of services falling within an undertaking’s ordinary activities after deduction of sales rebates and any taxes directly linked to turnover.

“New Applicant of listing” shall mean an Issuer, no part of whose shares or debt securities are already listed.

“Nominated Advisor” shall have the same meaning with that given under the Capital Markets and Securities Act, 1994 as amended.

“Odd Lots” shall mean any number of shares that are less than the minimum tradable or board lot.

“Offer” shall mean an order by a stockbroker to sell securities at a certain price and shall also refer to a price which a seller will accept for his securities.

“Official List” shall mean all the securities traded on the Dar es Salaam Stock Exchange.

“Opening Algorithm” shall mean a calculation used at the time of opening the trading session to calculate an opening price for each security.

“Open Outcry” shall mean a trading system where transactions for securities are conducted by way of traders shouting or crying out their orders before the Exchange Official who records the orders on a trading board located in an open atmosphere room.

“Opening Price” shall mean the price for each security obtained after the opening algorithm had taken place. It is the price that is used to effect trade at its initial stage.

“Order” shall mean an instruction from a client to stockbroker to buy or sell securities.

“Pre-Opening” shall mean a state during the trading session where Authorized Dealers Representatives (ADR) or Floor Traders (FT) can enter limit price orders and view order quantity imbalance but during which no orders are executed.

“Price” shall mean the unit price of a security.

“Private Transfer” shall mean a transfer of securities between the transferor and transferee which does not involve monetary consideration effected through the DSE.

“Put through” shall mean an instance where a stockbroker has both buying and selling clients in the same security and amounting to the same size and are executed on a special lots section of the trading boards.

“Queue Priority” shall mean all orders are sorted according to the priority of orders for execution – Queue priority rules as outlined in these Rules.

“Registrar of Companies” shall mean the public officer entrusted to carry out the duties of the Registrar under the Companies Ordinance, Cap.212.

“Regular Order” shall mean all unfilled orders without any special terms where regular orders are given priority in trading over all other orders.

“Rules” shall mean the Rules of the Dar es Salaam Stock Exchange (as may be amended from time to time).

“Second Tier” shall mean the second tier of listing.

“Securities” shall include; shares, stocks, bonds, debentures, units and such other securities as defined under the Capital Markets and Securities Act, 1994.

“Short Sale” shall mean a sale of a security when the seller does not own the security, or have an exercisable right of sale.

“Special Trade” shall mean a trade whose nature is classified by the Council as “special” and posted at the special lot board.

“Special Terms” shall mean all unfilled orders with any special terms and shall include All or None, Minimum Fills and Minimum Blocks.

“Subsidiary Company” shall mean a subsidiary company as defined under Section 127 of the Companies Ordinance, Cap.212.

“Symbol” shall mean a set of characters that identifies the security being traded.

“Tick Size” shall mean the step by step increase or decrease in price by which bids and offers may be raised or lowered and sometimes referred to as spread.

“Trade, Deal, Matches” shall mean terms used interchangeably to refer to a bid and an offer which have been either wholly or partially satisfied.

Trade Range” shall mean the price range established by the Exchange from time to time within which a trade can take place on the market.

“Trading Board” shall mean the facility provided by the Exchange for manual matching during the Board Trading Session.

“Trading Floor” shall mean the room, area and other facilities from time to time designated or made available by the Exchange for effecting trades and other transactions between members during trading session of the Exchange.

“Trading Session” shall mean the designated period during which orders can be executed, amended, cancelled and traded where the beginning and the closing of the trading sessions are signalled by the ringing of the bell by an Exchange Official.

“Transfer of securities to Dar es Salaam Stock Exchange custody” shall mean moving securities from the custody of the transferor to the Exchange custody and such transfer shall not convey any transferor’s beneficiary interests over the securities deposited at the CDS transferee.

“Trust Account” shall mean a bank account opened and maintained by a Licensed Dealing Member of the DSE into which all clients money is deposited as required under the Capital Markets and Securities Act, 1994.

“Verification” shall mean the process of confirming the facts of a client’s claim to a security and the status of the holdings.

Provided that where the masculine gender is referred to the same shall also mean female gender.

The Council may dispense with the strict interpretation of any of the Rules if this is agreed by at least two thirds of the members of the Council for the time being at a meeting of the Council in relation to which the intention to consider the matter has been prominently indicated in the notice of the meeting.

CHAPTER TWO

2.0 ROLES, FUNCTIONS AND ORGANIZATION STRUCTURE OF THE DAR ES SALAAM STOCK EXCHANGE

2.1 The following are the basic roles of the Dar es Salaam Stock Exchange:

2.1.1 *Raising Capital for Businesses*

The Stock Exchange provides companies with the facility to raise capital for expansion through selling securities to the investing public.

2.1.2 *Mobilising Savings for Investment*

When people draw their savings and invest in securities, it leads to a more rational allocation of resources because funds which could have been consumed or kept in idle deposits with banks are mobilised and redirected to promote commerce and industry.

2.1.3 *Redistribution of Wealth*

By giving a wide spectrum of people a chance to buy securities and therefore become part-owners of profitable enterprises, the stock market helps to reduce large income inequalities because many people get a chance to share in the profits of business that were set up by other people.

2.1.4 *Improving Corporate Governance*

By having a wide and varied scope of owners, companies generally tend to improve on their management standards and efficiency in order to satisfy the demands of these shareholders. It is evident that generally, public companies tend to have better management records than private companies.

2.1.5 *Creates Investment Opportunities for Small Investors*

As opposed to other businesses that require huge capital outlay, investing in securities, particularly shares, is open to both the large and small investors because they can buy the number of shares they can afford. Therefore the Stock Exchange provides an extra source of income to small savers.

2.1.6 *Raising Funds for Government*

The Government and even local authorities like municipalities may decide to borrow money in order to finance huge infrastructural projects such as roads construction, sewerage and water treatment works or housing estates by selling Bonds. These bonds can be issued through the Stock Exchange whereby members of the public buy them. When the Government or Municipal

Council gets this alternative source of funds, it no longer has the need to overtax the people in order to finance development.

2.1.6 Barometer of the Economy

At the Stock Exchange, securities' prices rise and fall depending, largely, on market forces. Securities prices tend to rise or remain stable when companies and the economy in general show signs of stability. Therefore the movement of securities prices can be an indicator of the general trend in the economy.

2.2 FUNCTIONS OF THE DAR ES SALAAM STOCK EXCHANGE

- 2.2.1** The basic function of a stock exchange is to facilitate the raising of funds for investment in long-term assets. While this basic function is extremely important and is the engine through which stock exchanges are driven, there are also other quite important functions;
- (a) The mobilization of savings for investment in productive enterprises as an alternative to putting savings in bank deposits, purchase of real estate and outright consumption.
 - (b) The growth of related financial services sector e.g insurance, pension and provident fund schemes which nurture the spirit of savings.
 - (c) The check against flight of capital which takes place because of local inflation, currency depreciation, and limited alternative investment opportunities.
 - (d) Encouragement of the divorcement of the owners of capital from the managers of capital; a very important process because owners of capital may not necessarily have the expertise to manage capital investment efficiently.
 - (e) Encouragement of higher standards of accounting, resource management and public disclosure which in turn affords greater efficiency in the process of capital growth.
 - (f) Facilitation of equity financing as opposed to debt financing. Debt financing has been the undoing of many enterprises in both developed and developing countries especially in recessionary periods.
 - (g) Improvement of access to finance for new and smaller companies. This is futuristic in most developing countries because venture capital is mostly unavailable, an unfortunate situation.
 - (h) Encouragement of public floatation of private companies which in turn allows greater and increase of the supply of assets available for long-term investment.
- 2.2.2** There are many other less general benefits which stock exchanges afford individuals, corporate organizations and even the Government. The Government for example could

raise long term finance locally by issuing various types of bonds through the stock exchange and thus be less inclined to foreign borrowing.

2.3 ORGANIZATION STRUCTURE OF THE DAR ES SALAAM STOCK EXCHANGE (DSE)

The Dar es Salaam Stock Exchange Ltd (DSE) was incorporated on the 19th day of September, 1996 under Cap.212 as a private company limited by guarantee and not having a share capital. The formation of the DSE followed the enactment of the Capital Markets and Securities Act, 1994 which established the Capital Markets and Securities Authority (CMSA), the industry regulatory body established with the mandate of promoting an orderly, fair and efficient capital markets in Tanzania.

2.4 SUBSCRIBERS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE DSE

2.4.1 The creation of the DSE came as a result of Government initiatives through CMSA and various interested stakeholders whose joint concerted efforts facilitated the establishment of the DSE.

2.4.2 The subscribers to the Memorandum and Articles of Association of the DSE are:-

- (a) The National Insurance Corporation of Tanzania Limited (NIC);
- (b) The National Social Security Fund (NSSF);
- (c) The Parastatal Pensions Fund (PPF);
- (d) 1st Adili Bancorp Limited;
- (e) CRDB Bank Limited;
- (f) Solomon & Co. Limited;
- (g) Exim Securities and Investment Limited;
- (h) Tanzania Securities Limited;
- (i) Orbit Securities Co. Limited;
- (j) TOL Limited and
- (k) Futurenet (T) Limited.

2.4.3 After incorporation the following were admitted to the company's membership; Rasilimali Limited, Core Securities Ltd, Vertex International Securities Ltd, National Board of Accountants and Auditors, Tanzania Breweries Ltd, Tanzania Cigarette Company Limited, Tanzania Tea Packers Ltd. and Proper Consult (T) Ltd.

2.4.4 After completion of preparatory work to set up the Exchange, operations and trading commenced on 15th April, 1998.

2.5 THE COUNCIL

2.5.1 The DSE is a Self-Regulatory Organization (SRO) with its own Council, the governing organ which issues policies, guidelines, and directions and makes

Rules in accordance with the provisions of Memorandum and Articles of Association establishing the DSE.

- 2.5.2** The Council of the DSE is the Supreme authority of the Exchange which consists of ten (10) members.
- 2.5.3** The structure of membership consists of three Licensed Dealing Members, institutional investors, professionals, the public and the Exchange Chief Executive who is an ex-officio member.
- 2.5.4** The Memorandum and Articles of Association of Dar es Salaam Stock Exchange Limited allows the Council to formulate Rules with respect to membership, listing, de-listing, dealing/trading, clearing and settlement, and protection of investors to mention but a few.
- 2.5.5** The Council is also empowered to determine the salaries of the Chief Executive, Managers and other officers of the Exchange, and pay any expenses necessary for the smooth and efficient running of the Exchange.

2.6 MANAGEMENT

2.6.1 THE CHIEF EXECUTIVE

2.6.1.1 The Chief Executive is appointed by the Council and is responsible for planning and formulating new development policies for approval by the Council and for ensuring the implementation of these policies. He is in charge of the day today operations of the Exchange. In discharging his functions he is assisted by Managers. Besides being assisted by the Managers there are also other supporting staff who support the Managers.

2.6.1.2 Without prejudice to the generality of the proceeding paragraph the Chief Executive is also responsible for and have powers to -

- (a) ensure that the Managers carry on their duties in accordance with his directives and any other directives issued by the Council;
- (b) keep under constant review current developments in the market and to advise the Council on matters affecting the proper functioning of the Exchange and recommend remedial actions;
- (c) assess and examine the short and long-term development plans of the Exchange and advise the Council on possible new growth areas and / or new services and products;
- (d) keep under review the evolution of practices in the market both locally and internationally and recommend planned improvements and strategic systems change as necessary;
- (e) perform all other functions as may be necessary or incidental for the proper performance and functioning of the Exchange;
- (f) Recruit, train and supervise all Exchange employees and others engaged by the Exchange;

- (g) ensure there is compliance by market professionals to the DSE Rules for the purpose of creating confidence in the market and protecting investors;
- (h) provide mechanisms for evaluating companies applying for listing;
- (i) promote the image of DSE as a Self Regulatory Organization; and
- (j) carry other responsibilities as may be assigned by the Council.

2.6.2 MANAGERS

Reporting to the Chief Executive are the functional Managers. The key functional Managers include:

2.6.2.1 MANAGER, FINANCE AND OPERATIONS

Appointed by the Council and is accountable to the Chief Executive. Responsible for ensuring the effective performance of the following functions:-

- (a) Surveillance of the financial situation of stock broking firms and the maintenance of members' security;
- (b) Accountant to the Exchange;
- (c) Supervising Trading Operations;
- (d) Overseeing Clearing, Delivery and Settlement system at the Exchange;
- (e) Maintenance of proper books of accounts, preparations of quarterly reports to the Council, budget, financial supervision of the affairs of the Exchange and the preparation of statutory accounts;
- (f) Developing prudential financial and procurement system;
- (g) Organize and develop operational and information technology system of the Exchange; and
- (h) Perform other duties as may be assigned by the Chief Executive.

2.6.2.2 MANAGER, CORPORATE SERVICES AND LEGAL COUNSEL

Appointed by the Council and is accountable to the Chief Executive. Responsible for ensuring the effective performance of the following functions:-

- (a) The observance of the listing requirements as well as the continuing listing requirements of listed companies;
- (b) The administration and conduct of trading at the Trading Floor and settlement of any dispute between members relating thereto;
- (c) To organize, service meetings of the Council by providing secretarial functions and coordinate implementation of the Council's decision;
- (d) Act as Legal Counsel to the Exchange and in this capacity develop a self regulatory framework and oversee enforcement and compliance;
- (e) Develop personal and administrative system of the Exchange and maintenance of personnel inventory records and files;
- (f) Conduct market investigations and surveillance to ensure orderly, fair and equitable dealings in securities;

- (g) Distribution of company announcements, Council notices, distribution of benefits to holders of securities and such other documents as are specified by the Council to the members.
- (h) Keeping abreast with and review laws of the country and propose amendments(where desirable) to confirm to securities industry;
- (i) The publication of all material specified by the Council relating to trading and listed securities;
- (j) To liase with Government departments in evolving public policy for the development of the capital markets ; and
- (k) Perform such other duties as may be assigned by the Chief Executive.

2.6.2.3 MANAGER, CLEARANCE AND SETTLEMENT

Appointed by the Council and is accountable to the Chief Executive. Responsible for ensuring the effective performance of the following functions:-

- (a) To oversee the operation of the Central Depository System (CDS) including opening of investors' accounts; depositing of securities in investors' accounts; clearing and settlement processing; updating registers of securities holders as requested by issuers; generation of securities' balance statements for investors;
- (b) To oversee the operation of trading system including entry of trade matches; generation of various trading reports; and updating of securities balances in the investors' CDS accounts;
- (c) To carry out on-going assessment of the effectiveness of the CDS rules and procedures with the aim of improving the efficiency of the CDS operations;
- (d) To advise the DSE Council in the development of short term and long term strategic plans for the CDS and other associated Management Information System (MIS);
- (e) To oversee maintenance of software and computer hardware systems including preparing schedules for software upgrades and hardware maintenance;
- (f) To assess and ensure that the performance of installed computer hardware and information system meets the accepted parameters of operations at the DSE;
- (g) To advise the DSE Council on the appropriate technologies to adopt during the acquisition of software systems, computer hardware and other technological accessories;
- (h) To develop annual financial budget for the Clearance and Settlement department, for incorporation in the DSE annual budget;

- (i) To develop yearly work plans for the Clearance and Settlement department for approval by the DSE Council;
- (j) To work with the Chief Executive Officer and other Managers at the DSE to ensure implementation of the approved work plans;
- (k) Arranging for appropriate training programs for staff in the Clearance and Settlement department;
- (l) To perform such other duties as may be assigned by the Chief Executive from time to time.

2.7 URGENT ACTIONS

The Chairman jointly with another Council member may exercise the power to issue instructions to meet situations which require urgent action to stop malpractice, to protect investors or to safeguard the financial integrity of the Exchange. Such instructions, however, must be reported to the Council for ratification within seven working days.

CHAPTER THREE

3.0 MEMBERSHIP TO THE EXCHANGE

3.1 GENERAL

3.1.1 ADMISSION

- (a) The admission to the DSE membership shall be open to all persons (natural and legal) who have interest in the development of capital markets in Tanzania. There shall be no maximum number of members.
- (b) **Provided** that the Council may admit to associate membership any individual, firm, body corporate or association which is committed to further the objects of the Exchange including applicants falling within the following categories: listed companies, companies with potential for listing, institutional investors and professional associations.
- (c) Associate members must be of good financial standing and integrity and shall be required to comply with the general conditions for associate membership as laid down by the Council, including the payment of subscriptions to the Exchange.
- (d) Applicants for associate membership and associate members shall pay the fees and subscriptions as shall be prescribed by the Council. No associate member shall (unless this is specially decided by the Council) be entitled to remission of fees and subscriptions on account of absence from Tanzania.

3.2 MEMBERSHIP, DISCIPLINE AND FINANCIAL BUSINESS CONDUCT

3.2.1 ELIGIBILITY

3.2.1.1 Natural Persons

Any Tanzanian may be admitted to the DSE membership provided he/she meets the following criteria:-

- (a) She/he is of the age of majority;
- (b) She/he is of sound mind;
- (c) She/he is not judged bankrupt;
- (d) She/he is willing to pay admission as well as annual fees;
- (e) She/he has no criminal record;
- (f) She/he has been not declared unfit to be a member by a Court order;
- (g) She/he has not defaulted in the DSE transactions

- (h) She/He must submit recommendation letters from two reputable referees.

3.2.1.2 Legal Persons

- (a) The following Legal persons may be admitted to the DSE membership: companies incorporated under the Companies Act, 2002, bodies corporate established under the Cooperative Societies Act, Trust Bodies under Trustees Incorporation Ordinance and all statutory bodies.

(b) Provided:-

- (i) The applicant is duly established under the Tanzanian laws and continue to so exist;
- (ii) The applicant is solvent ;
- (iii) The applicant pays the necessary fees

3.3 APPLICATION PROCEDURES FOR ASSOCIATE MEMBERS

An applicant for admission as an Associate Member shall deliver to the Chief Executive a duly completed form in the form and content as shall be prescribed by the Council;

(a) In case of a Company

- i) Certificate of incorporation/registration
- ii) Constitutive documents establishing the bodies corporate such as the relevant constitution, Trustee Deeds, Memorandum and Articles of Association
- iii) The profiles of the Board members and the Principal Officers of the company
- iv) Business Licence, or any legal document evidencing legal existence
- v) Audited accounts for the past three years
- vi) Statutory Declaration by the Principal Officer of the applicant to the effect that the company is not adjudged insolvent
- vii) In case of a Nominated Advisor the applicant must meet all the above conditions plus possession of a license issued by the Capital Markets and Securities Authority in accordance with the Capital markets and Securities Act, 1994 as amended.

In case of an Individual-

An application by an individual or partnership firm for Associate membership shall meet the following conditions:

- (i) The applicant shall declare that she/he is not a member of any Licensed Dealing Members (LDM);
- (ii) That applicant shall declare that she/he is not adjudged bankrupt;
- (iii) The applicant shall declare that he/she does not have criminal records;
- (iv) The curricula vitae indicating the Nationality, occupation/profession

3.4 TERMINATION

The DSE members shall cease to be members if the following happens:

(a) **Natural Persons**

Upon death of an individual, failure to pay requisite fees in three successive years, is judged bankrupt and when informs the DSE of his/her intention to cease his/her membership by filing a three months notice.

(b) **Legal Persons**

If the body corporate is wound up or is under receivership or is de-registered, is declared unfit to be a member by a Court order, cease to exist under whatever reason, resigns voluntarily and fails to pay requisite fees for three successive years

3.5 LICENSED DEALING MEMBERSHIP

No person shall be qualified for admission to Licensed Dealing Membership of the Exchange unless-

- (a) in possession of a currently valid dealer's or broker's license issued under Part IV of the Capital Markets and Securities Act, Cap. 79;
- (b) has been admitted as an associate member of the Exchange in accordance with the Articles; and
- (c) meets the other qualifications as may be set out by the Council.

3.6 APPLICATION PROCEDURE FOR LDMS

3.6.1 An applicant for admission as a LDM shall deliver to the Chief Executive a duly completed application form as shall be prescribed by the Council.

3.6.2 Upon the decision of the Council that the applicant is qualified and fit and proper for LDM, the applicant shall pay the entrance fee and admission fee for the time being payable within the period stipulated by the Council, and the Council shall admit the license holder to Licensed Dealing Membership. As from the date of such payment, the license holder shall be registered as a LDM and be entitled to all the benefits accorded to such members subject to these Rules. Should the payment not be made within the prescribed period, the application shall automatically lapse, unless, consequent upon an appeal by the applicant to the Council, the Council directs otherwise.

3.6.3 Licensed Dealing Membership and Applicants thereto, shall pay the fees and subscriptions as shall be prescribed by the Council. No LDM shall (unless this is specially decided by the Council) be entitled to remission of fees and subscriptions on account of absence from Tanzania.

3.6.4 BANK GUARANTEE

3.6.4.1 Every LDM shall furnish the Exchange with a bank guarantee that shall not be less than the amount prescribed by the Council. Such bank guarantee shall be free of any charges of encumbrances and shall not count for purposes of a DM's share capital prescribed by these Rules. The Bank Guarantee shall be TZS 20 million and 10 million for Dealers and brokers respectively.

3.6.4.2 An LDM who fails to restore its bank guarantee in accordance with the DSE unless shall not be entitled to trade until the guarantee shall have been restored.

3.6.5 INDEPENDENCE

No LDM shall directly or indirectly hold a beneficial interest in the share capital of any other LDM.

3.7 EXPULSION

An LDM shall be liable to expulsion in accordance with these Rules if, in any of the particulars or information given by the LDM, any misrepresentation or omission of a material fact shall be found to have been made at the time of application. In the event of expulsion, the LDM shall cease forthwith to have access to the trading and clearing facilities of the Exchange.

3.8 LIABILITY OF DIRECTORS AND OFFICERS

3.8.1 Any director, manager, or officer of a LDM shall together with such LDM be liable under the Rules for any breach, non compliance, violation or contravention of the Act, the Articles or these Rules if such breach, non-compliance, violation or contravention was committed or caused with the consent or connivance of or attributable to any neglect on the part of such director, manager, or officer.

3.8.2 No LDM shall be eligible for election as a member of the Council but a LDM may propose any of its executive directors for such election.

3.8.3 Only executive directors or their duly appointed agents may act as corporate representatives of LDM at general meetings of the Exchange.

3.9 INCAPACITY

3.9.1 An LDM shall be incapacitated in the event of the following:-

- (a) ceasing to have a director and a principal officer qualified as required by the Act; becoming insolvent;
- (b) liquidation of an LDM;
- (c) passing a resolution to wind up or court order being made for the appointment of a liquidator, receiver or winding up against an LDM; all the rights and benefits of and in the membership shall be immediately suspended.
- (d) The personal representative, trustee, receiver, or liquidator as the case may be who shall have full charge, and power over the assets of an LDM shall abide by the Articles, these Rules and the decisions of the Council as if he was the LDM.
- (e) The transfer bought and sold notes shall be executed by the personal representative, trustee, receiver or liquidator as the case may be as transferor and the Nominee as transferee and lodged with the Exchange.

3.10 COMPANY NAME AND ADDRESS

3.10.1 Every LDM shall register with the Exchange the company name under which it carries on the business of dealing in securities as a LDM and no LDM shall without the prior consent of the Council change the company name so registered.

3.10.2 The company name of a LDM registered with the Exchange shall be the same as that registered by such member under the Companies Ordinance.

3.10.3 The Council shall have the power to prohibit any LDM from using any company name.

3.11 A LDM may register with the Exchange more than one business address held for the purpose of dealing in securities. If a LDM registers more than one business address, the Member shall specify one as its principal business address. In this context, business address shall mean a place where, other than the Trading Floor, the business of dealing in securities is frequently carried out by or on behalf of the Member.

3.12 An LDM shall give advance notice of commencement, temporary suspension, cessation and commencement of business to the Council.

3.13 An LDM shall be responsible for all acts done or contracts committed by its directors, employees or agents in its business of dealing in securities.

3.14 An LDM shall keep complete records and accounts of its business of dealing in securities and shall ensure that such records comply with the requirements of the Act.

3.15 DISCIPLINARY PROCEDURE

3.15.1 The Council to require a written explanation from the LDM to be given within 7 days.

3.15.2 The Council shall upon receipt of written explanation deliberate on it through its Disciplinary Committee and make out decision.

3.15.3 Unless the context otherwise requires, references to an "LDM" in Rule 3.15.1 shall be deemed to include any former LDM and a reference to "Membership" shall be construed accordingly.

3.15.4 In all disciplinary matters brought under the consideration of the Council, their decision whether expressed by a resolution or otherwise shall be final and shall be carried out forthwith by every Member concerned.

3.15.5 In any disciplinary matter-

(a) The Council or (its Disciplinary Committee) may resolve to impose any of the penalties specified in these Rules upon an LDM in respect of whom disciplinary action is taken which results in a finding of gross misconduct.

(b) Where such action results in a finding of misconduct but not gross misconduct the penalty imposed shall not exceed a reprimand by the Council. Alternatively or additionally a fine as may be imposed by the Council plus the amount of any improper profit which the LDM may be found to have received.

(c) Where such action results in a finding of minor misconduct but not misconduct or gross misconduct the penalty imposed shall not exceed a reprimand by the Council. Alternatively or additionally a fine as may be imposed by the Council.

3.15.6 Acts of misconduct may consist of any of the following :

(a) Breach of any rules of good Stock Exchange practice;

(b) Failure to comply with a decision of the Council;

(c) Conduct the manner of which is detrimental to the interests of the Exchange;

(d) Conduct the manner of which is dishonourable or disgraceful or improper or unbecoming the character of an LDM;

(e) Failure to have an ADR or Floor Trader on the Trading Floor at any time during a trading session;

(f) Conduct the manner of which is disorderly or involves wilful obstruction of business on the Trading Floor or otherwise;

- (g) Knowing involvement in or conduct, neglect or default which contributes to an act of minor misconduct, misconduct or gross misconduct by an LDM or any of the partners, directors, shareholders, employees or agents thereof;
- (h) Failure on the part of an LDM who knew or ought to have known of any proposed or actual act of minor misconduct, misconduct or gross misconduct by an LDM or any of the partners, directors, shareholders, employees or agents thereof, to take reasonable steps to prevent it or bring to the attention of the appropriate person or otherwise to deal with it as may be appropriate;
- (i) Failure on the part of managing director or director, of an LDM to ensure that the administrative structure of his company is adequate and that its operations are conducted in accordance with good Stock Exchange practices; and
- (j) Failure to pay any fine imposed within the time specified by the Council or any extension of time granted by the Council.

3.16 DISCIPLINARY MEASURES

Subject to Rule 3.21, the penalties which may be imposed under the disciplinary procedure, in descending order of severity, are:

- (a) Expulsion from membership;
- (b) Suspension from trading in any manner whatsoever;
- (c) Suspension of the right of a representative of an LDM to enter the Trading Floor or use any system of the Exchange;
- (d) Censure;
- (e) Reprimand by the Council.
- (f) Payment of Fine/Penalty.

3.17 Disciplinary proceeding against a former LDM shall not be instituted more than one year after the cessation, resignation or lapsing of its membership.

3.18 NOTIFICATION TO THE PUBLIC

The Council may, in their absolute discretion and in such manner as they may think fit, notify or cause to be notified to LDM and to the public:

- (a) That any LDM has become a defaulter or has ceased to be a Member;
- (b) That any LDM has been suspended;

- (c) That any LDM has been censured, suspended or expelled. Such notification shall name the LDM, recite the circumstances of his offence and the penalty imposed; or
- (d) That any LDM has been fined (with the amount of the fine), provided that the fine has been imposed as a penalty additional to censure, suspension or expulsion.

3.19 FINES

3.19.1 A fine imposed under these Rules shall be a debt due from the LDM to the Exchange and payable within the time specified by the Council or any extension of time granted by the Council.

3.19.2 The proceeds of a fine imposed under these Rules shall be credited to the funds of the Exchange.

3.20 SUSPENSION FOR NON-PAYMENT OF FINE

If any LDM shall not pay fine imposed under these Rules the Council may on 14 day's notice suspend such Member from all privileges of membership until the fine is paid.

3.21 DISPUTES BETWEEN MEMBERS

3.21.1 All LDMs are obliged under this Rule to ensure that all disputes arising out of or in connection with the trading business of the Exchange are settled amicably.

3.21.2 That in the event the dispute fails to be settled amicably the parties to the dispute shall resort to the Arbitration procedures prescribed by the Rules of the DSE and that such procedures shall be applicable to any disputes between LDM arising out of or in connection with the trading business of the Exchange.

3.21.3 That neither of the parties to such a dispute shall attempt to enforce by law any claim against the other part, arising out of or in connection with the trading business of the Exchange without first having tried to resolve the dispute amicably and secondly having exhausted the Arbitration process of the Exchange.

3.22 FINANCIAL, ACCOUNTING AND BUSINESS CONDUCT

3.22.1 Each LDM shall at all times adhere to the principles of good business practices in the conduct of its business affairs.

3.22.2 Each LDM shall ensure that all its ADR's and Floor Traders comply with Exchange's Rules or requirements.

3.22.3 The Exchange may require at any time that the name, terms of employment, and actual duties of any person employed by an LDM be furnished to the Exchange, together with such other information with respect to such employee as it may deem appropriate to permit it to enforce compliance with the Rules of the Exchange.

3.22.4 No business shall be transacted on account of an employee or for an account in which an employee has a direct or indirect interest, except with the prior written consent of an executive director of the LDM in respect of each transaction.

3.22.5 An LDM shall not buy or sell securities for a person employed by another LDM.

3.22.6 An LDM shall not employ in its business a person who is not of good standing.

3.22.7 No LDM shall allow clients to use or operate out of its business premises.

3.22.8 Every LDM is required through a principal officer to-

- (a) use due diligence to learn the essential facts relative to every client, every order, every cash account accepted or carried by the LDM and every person holding power of attorney over any account accepted or carried by the LDM;
- (b) diligently supervise all accounts handled by its ADR;
- (c) specifically approve the opening of an account prior to or promptly after the completion of any transaction for the account of or with a client. The designated principal officer approving the opening of the account shall, prior to giving his approval, be personally informed as to the essential facts relative to the client and to the nature of the proposed account and shall indicate his approval in writing on a document which shall become part of the permanent records of the LDM.

3.22.9 All orders to buy or sell securities shall be in writing and be signed by the client.

3.22.10 An LDM shall-

- (a) prior to entering into transactions for an account for a corporation, have on its file a resolution of the directors of the corporation empowering specific directors and officers to trade in securities in an account on behalf of the corporation and to execute all documentation necessary to effect transfers and assignments in connection with trading on the corporation's account;
- (b) Where a resolution of the directors cannot be obtained, the principal officer of the LDM carrying the account shall prepare and sign a memorandum for the Member's files indicating the basis upon which it believes the corporation can properly engage in transaction have been duly authorised to trade on its behalf;
- (c) prior to accepting orders from a third party for the account for any client other than a client referred to in (i) have on file a trading authority signed by the client empowering the third party to enter orders of the account.

3.23 NOMINEE ACCOUNTS

3.23.1 Where an agency account is carried by an LDM, its files shall contain the name of the principal for whom the agent is acting and written evidence of the agent's authority to trade on its behalf. Such files shall be made available to the Exchange at any time on request. Where estate and trustee accounts are involved or where a husband is acting

as agent for his wife, or a wife is acting for her husband, a Member should act on advice from legal counsel as to the documents that should be obtained before opening the account.

3.23.2 All client accounts must be identified and designated by the full name of the client and no LDM shall carry a client account designated only by a number or symbol.

3.23.3 All LDM are required to inform the Exchange promptly of particulars of delinquent accounts.

3.24 PARTICULARS OF CLIENTS

3.24.1 All particulars relating to every client shall be recorded and maintained up to date at the office of the LDM.

3.24.2 Such particulars shall include the identity card and /or passport numbers, residential address and telephone numbers, occupation and name, address of employer if applicable and all information concerning the client that may be useful in identifying such client, in addition to the particulars prescribed by the Council.

3.25 CONTRACT NOTES

An LDM shall forthwith (but not later than the next business day following the relevant dealing) dispatch by ordinary post or hand delivery to its client a contract note in respect of the purchase or sale of securities executed for and on account of the client including the following:

- (a) The name and style under which the LDM carries on business and the address of the principal place at which it so carries on business;
- (b) A statement as to whether the LDM is acting as principal;
- (c) The name of the person to whom the LDM is required to give the contract note;
- (d) The date of the bargain, and the date on which the contract note is made out;
- (e) The quantity and description of the securities that are being acquired and disposed of;
- (f) Except in the case of private transfers, the price per unit of the securities;
- (g) The amount of consideration payable under the contract or, in the case of an exchange, sufficient particulars of the securities exchanged to identify them;
- (h) The rate of amount of commission payable in respect of the contract;
- (i) The amount of stamp duty (if any) and registration charges (if any) payable in connection with the contract and, where applicable, in respect of the transfer;
- (j) The amount of exchange transaction fees or other Exchange charges;
- (k) The fee payable to the Authority by the client; and

(l) The word: "SUBJECT TO THE RULES OF THE DAR ES SALAAM STOCK EXCHANGE"

3.26 STATEMENTS OF ACCOUNT TO DISCRETIONARY CLIENTS

3.26.1 Statements of Account shall be sent to all clients having discretionary accounts on a monthly basis. Statements shall set forth the money balance carried forward, and security position as of the statement date.

3.26.2 Each statement of account sent to a client shall bear a legend as follows:

"A financial statement of this Licensed Dealing Member of the Dar es Salaam Stock Exchange is available for your personal inspection at our offices".

3.27 BROKERAGE

3.27.1 LDM,s must advise their clients as to all the commission rates and other charges to be applied to transactions carried out on the client's behalf before the business is accepted.

3.27.2 LDM's will advise their clients as to the indicative rate of commission which has been approved by the CMSA.

3.27.3 All charges and commissions levied shall be as shown on the contract note.

3.27.4 All bank charges or expenses incurred on behalf of clients shall be borne by the clients concerned.

3.27.5 Where a company make floatation whether by public issue, rights, offer for sale, placing of tender, and an LDM is appointed a sponsoring Member, such Member shall be paid a fee, not being brokerage, as may be negotiated between the parties concerned.

3.28 TRANSFERS

3.28.1 All transfers of securities which are defined under the Act as dealing in securities shall be processed in accordance with the Trading Rules of the Exchange. This shall include private transfers of securities.

3.28.2 Private transfers shall include-

(a) Gifts to parties authorised by law to receive such gifts such as charities and philanthropic legal persons;

(b) Gifts to close relatives which shall include Spouses, children, parents, and grandparents as duly recognised by law;

- (c) Operation of law;
- (d) Administration of estates; and
- (e) Corporate action, through restructuring where there is no transfer of beneficial interests.

3.28.3 All private transfers, shall be approved by the Exchange upon receiving an application from an LDM

3.29 FEES PAYABLE WITH RESPECT TO PRIVATE TRANSFERS

A nominal fee of 25% of the normal Commission at the prevailing market price being transferred shall be payable by the transferee to the LDM subject to a minimum of Tshs. 1,000/ = of which 10% shall be paid to the DSE.

3.30 CLEARING FEES

Every LDM shall pay to the Exchange in respect of business transacted and cleared through the Exchange with respect to clearing, settlement or other related activities the fee of charge prescribed under these Rules.

3.31 PAYMENT TO CLIENT

3.31.1 The amounts due to a client in respect of a bargain shall be paid to the client by a cheque drawn by the LDM (or bankers payment) not later than the business day next following the Clearing house Settlement day, less any fees payable to the Exchange, Authority, and Fidelity Fund by the client

3.31.2 All clients and other fees payable by an LDM in respect of dealings in marketable securities shall be charged to and paid by the Member and not passed on to the client.

3.31.3 The amount deductible from payment to the client under this Rule 3.31.1 due to the Exchange and the Authority shall be remitted directly to the Exchange and Authority by the LDM.

3.31.4 A clients account operated for a person associated with an LDM shall be operated by a principal officer duly authorised by the Member's board of directors and shall be made available for inspection at any time by the Exchange.

3.32 DISCRETIONARY ACCOUNT

3.32.1 No LDM shall exercise any discretionary authority in respect of a discretionary account unless –

- (a) the client has given prior written authorisation to the LDM to exercise discretion on the account.
- (b) the LDM has accepted the discretionary account in accordance with these Rules.

3.32.2 The authorisation given to the LDM shall specify the investment objectives of the client with respect to the particular discretionary account.

3.32.3 Each authorisation or acceptance may be terminated by notice in writing by LDM or the client, as the case may be.

3.33 PROHIBITION ON CREDIT TO CLIENTS

An LDM shall not provide credit to a client.

3.34 EXPOSURE TO A SINGLE SECURITY

3.34.1 No LDM shall permit its exposure to a single security to exceed 100% of its average adjusted net capital.

3.34.2 In sub rule 3.34.1 above, "exposure to a single security" means -

- (a) the net amount of the single security underwritten or sub-underwritten by the LDM;
- (b) the book value of the single security carried on the LDM own account;

3.34.3 Rule 3.35 (a) shall not apply to -

- (a) securities issued by the Government or its agencies ; and
- (b) the LDM arbitrage transactions.

3.35 Every LDM shall maintain records in sufficient details to show particulars of: -

- (a) all moneys received or paid, including moneys paid to, or disbursed from a Trust Account;
- (b) all purchases and sales of securities by persons associated with the LDM and the charges and credit arising therefrom, and the names of the buyer and seller respectively, of each of those securities;
- (c) all income received from commissions, interest and other sources and all expenses, commissions and interest paid;
- (d) all assets and liabilities including contingent liabilities of the LDM;
- (e) all securities that are the property of the LDM, showing by whom the securities, or the documents of title to the securities, are held and, where they are held by some other person, whether or not they are held as security against loans or advances;
- (f) all securities that are not the property of the LDM and for which the LDM or any nominee controlled by it is accountable, showing by whom, and for whom, the securities or the documents of title to the securities are held and the extent to which they are either held for

safe custody or deposited with a third party as security for loans or advances made to the LDM.

3.36 TRUST ACCOUNTS

3.36.1 Each LDM shall establish and keep in a bank or banks in Tanzania one or more Trust Accounts, designated or evidenced as such, into which it shall pay: -

- (a) all amounts (less any commission and other proper charges) that are received from or on account of any person (other than an LDM) for the purchase of securities ; and
- (b) all amounts (less any commission and other proper charges) that are received for or on account of any person (other than an LDM) from the sale of securities and that are not paid to that person or as that person directs not later than the next bank business day following the day on which they were received by the LDM.

3.37 CIRCUMSTANCES UNDER WHICH MONEY CAN BE WITHDRAWN FROM TRUST ACCOUNTS

3.37.1 All amounts received by the LDM for or on account of any person and are required by Rule 3.36 above to be paid into a Trust Account shall be retained in the Trust Account until-

- (a) paid to the person entitled thereto or as such person directs in writing;
- (b) withdrawn for the purpose of defraying commission and other proper charges;
- (c) paid to the LDM moneys to which it is entitled being moneys that were paid into the Trust Account but were not required to be so paid; and
- (d) paid as otherwise authorised by law.

3.37.2 The Trust Accounts shall be designated "clients' account" and shall solely be applied to receive moneys deposited by clients for the purchase of securities and effect payments for securities transacted.

3.37.3 The Trust Accounts shall not under any circumstances be co-mingled with any other bank accounts operated by the LDM; and

3.37.4 The Exchange shall have power to inspect the operations and activities of all Trust Accounts maintained by the LDM at such intervals as may be determined by the Council.

3.38 ANNUAL ACCOUNTS

Each LDM shall submit to the Exchange annual accounts audited by auditors registered by the National Board of Accountants and Auditors, within three months following the end of the LDM's financial year.

3.39 QUARTERLY RETURNS

3.39.1 Each LDM shall, at the end of each quarter of a financial year, submit to the Exchange, a quarterly report indicating the financial performance of the company during that particular quarter. The quarterly financial report that is required by this rule shall be in the manner and form prescribed in the CMS (Accounting and Financial) Regulations 1997 [G.N. N: 14 of 1997].

3.39.2 Where a LDM fails to submit the statements required in Rule 3.57 within the prescribed time, there shall be imposed upon the LDM a charge as may be decided by the Council, for each day that the statements are not submitted, unless an extension of time has been granted. Requests for extension of time must be submitted to the Exchange at least three business days prior to the due date.

3.40 NET CAPITAL AND AGGREGATE INDEBTEDNESS

The net capital and aggregate indebtedness shall carry the same meaning as provided under the CMS (Accounting and Financial requirements) Regulations.

3.41 CODE OF BUSINESS CONDUCT

3.41.1 Fiduciary Responsibility

No LDM shall use the knowledge and information gathered from a client in the course of its business dealings with a client which shall be of a fiduciary nature for the advancement of the LDM's or the LDM's associates' financial interest whether directly or indirectly.

3.41.2 Conflict of interest

- (a) In the event of any conflicts of interest directly or indirectly between LDM and client, the LDM shall not accept the instructions of the client in relation to the transactions in question or shall accept such instructions only upon having informed the client of the possible conflict and the client approving the proposed course of action.
- (b) Actual or potential conflicts of interest include, but not exclusively;
 - (i) Dealing as a principal with the client;
 - (ii) Acting on behalf of the Issuer of the securities; and
 - (iii) Acting for both parties to the deal.

3.41.3 Priority of Client's interests

An LDM shall place all orders through the Trading Floor and shall clearly distinguish business transacted for its clients and business transacted on behalf of persons associated with the LDM. At all times, the LDM shall first consider the interest of its client and its own interest shall be subordinate to that of the client.

3.41.4 Market manipulation

- (a) An LDM shall avoid any practice which may create a false market and may not directly or indirectly participate in any operation by others which shall have a similar result.
- (b) Any knowledge gained by an LDM of a transaction which would result in the creation of a false market should immediately be reported by the LDM to the Exchange.
- (c) A false market includes a market in which the movement in the price of a security or the level of the price of a security is created by the presentation of information which is false, exaggerated or tendentious or is brought about or sought to be brought about by any one LDM or a group of them to deliberately distort the market for financial gain.

3.41.5 Compliance by LDM's and their clients

- (a) An LDM should act in compliance with the letter and spirit of these Rules and the law relating to the securities business and in particular, warn clients where to its knowledge they may be held to be in violation of provisions such as those on insider dealing.
- (b) In the event of the Exchange finding that any bids or offers placed or about to be placed are disorderly or malicious, the LDM shall comply with the order of the Trading Floor Supervisor to set aside or suspend such bids or offers.
- (c) An LDM shall make available for inspection to any client who so requested its last audited balance sheet, its fixed scale of charges and the names of directors or principals of its business.
- (d) An LDM shall comply fully with any inquiries or investigations undertaken by the Exchange or by any other competent authority.
- (e) An LDM, any of its executive directors or employees shall not, without the prior authority of the Exchange, deal in securities of a listed company where such LDM, its director or any of its employee is a director or officer.

3.41.6 Customers' Complaints

- (a) Every LDM shall have in operation a procedure for the handling of complaints from its customers.
- (b) All employees of the LDM who deal with customers shall be made aware of these procedures which must provide for-
 - the complaint to be investigated fully and appropriately by an Executive Director;
 - the complaint to be reported to the Exchange if not settled within seven days of receipt;
 - the notification to the complainant of his right to utilise the Council's shareholders complaints procedure.
- (c) A written record of all complaints made by clients shall be maintained by each LDM.

CHAPTER FOUR

4.0 LISTING RULES FOR THE MAIN INVESTMENT MARKET SEGMENT

4.1 GENERAL

4.1.1 PRELIMINARY

All applicants for listing are required to be of a certain minimum size, have a record of trading of adequate duration under their present management and set out in a formal prospectus sufficient information about their history, prospects and financial conditions to form a reliable basis for market evaluation and that investors are treated with proper consideration at all times by company boards even though the public may only represent a minority of the shareholders.

4.1.2 The Council shall not approve a prospectus unless-

- (a) it contains all such information as investors and their professional advisers would reasonably require and reasonably expect to find there for the purpose of making an informed assessment of :
 - (i) the assets and liabilities, financial position, profits and losses and prospects of the Issuer of the securities, and
 - (ii) the rights attaching to those securities, and
- (b) it contains in addition such other information and particulars and complies with such other requirements prescribed or as may be prescribed by regulations made under the Capital Markets and Securities Act, 1994.

4.2 PROCEDURE

4.2.1 Approval of the Council

No securities shall be admitted for listing without a written approval of the Council.

4.2.2 Sponsorship of Application for Listing

- (a) An applicant for listing shall appoint an LDM of the Exchange to sponsor its application.
- (b) The Sponsoring Member must ensure that the Council is made aware of all information which should be brought to its attention.

- (c) The Sponsoring Member shall be responsible for the lodging of, any documents that are required to be submitted with the application for listing, ensuring that they fully comply with these Rules.
- (d) A Sponsoring Member shall during all times it acts in that capacity satisfy itself that the directors of an Issuer-
 - (i) can be expected to prepare and publish all information necessary for an informed market to take place in the company's securities;
 - (ii) appreciate the nature of the responsibilities they will be undertaking as directors of a listed company; and
- (e) All matters arising in connection with an application for listing shall be channelled through the Sponsoring Member.
- (f) In addition to maintain a Sponsoring Member at the time of application for listing, a Sponsoring Member is also required-
 - (i) at any time if after a breach of these Rules the Council requires a Sponsoring Member to be appointed by the Issuer to give advice on the application of the Rules; or
 - (ii) whenever a Sponsoring Member is required by the Rules to report to the Council in relation to any transaction or matter.
- (g) On application for a listing and if listing is successful during the life of listing the Issuer shall inform the Council in writing immediately upon change of a Sponsoring Member and give reasons thereof
- (h) It shall be the duty of a Sponsoring Member for a new applicant to-
 - (i) take all reasonable steps to satisfy itself that the Issuer has complied with all the relevant conditions for listing and other relevant requirements of the Rules and must ensure that the Issuer is guided and advised as to the application of the Rules.
 - (ii) confirm to the Council in writing that it has obtained written confirmation from the applicant that its directors have established procedures which provide a reasonable basis for them to make proper judgements as to the financial position and prospects of the Issuer and its group and that it is satisfied that this confirmation by the Issuer has been given after due and careful enquiry by the Issuer.

4.2.3 Application for Listing

- (a) An application for listing of securities at the Exchange shall be made to the Chief Executive in the form of Appendix 2 to these Rules.

- (b) The application shall be accompanied by a certificate from the LDM sponsoring the application.
- (c) The Chief Executive shall place before the Council an application for listing as well as recommendations thereon for the decision of the Council which shall be final.

4.2.4 Documents to be submitted With an Application for Listing

The following documents shall be submitted to the Chief Executive by the Sponsoring Member to the issue together with an application for listing;

- (a) Letter to the Chief Executive from the company's Counsel confirming that the applicant is duly constituted as required by Rule 4.6(a) of these Rules;
- (b) Letter to the Council from the Sponsoring Member confirming that the applicant shall comply with these Rules and conditions that the Council shall deem appropriate;
- (c) Three copies of the latest draft of the prospectus to be issued and subsequently three copies of any subsequent drafts forthwith marked up to show changes from the draft first submitted;
- (d) Ten copies of the applicant's audited accounts for the previous three years (two years for the second tier)- or for all previous years if the Issuer has been incorporated for less than such period;
- (e) Ten copies of the applicant's memorandum and articles of association (and of any alterations which are proposed to be made to them prior to listing);
- (f) Details of the existing and intended distribution of the applicant's ordinary shares (including particulars of any beneficial owners of 5% or more of the ordinary shares);
- (g) A copy of all required authorisations with respect to submission for approval by the Council and publication of any prospectus and to the changes in the Issuer's structure;
- (h) Where applicable, a copy of the proposed underwriting agreements and contracts, proposed agreements with securities exchanges for listing of the securities to be offered (where appropriate), proposed agreements or contracts with a Company Registrar; and
- (i) With respect to the public distribution of debt securities, a copy of the proposed trustee agreement and a proposed contract with a guarantor (where applicable).

4.3 BASIC CONDITIONS TO BE FULFILLED BY AN APPLICANT

An applicant for listing must comply with the following requirements:

(a) Issuer to be duly constituted

The Issuer must be duly incorporated as a public company under the law of Tanzania and it must be in conformity with that law and its memorandum and articles of association and must under that law be permitted to issue shares to the public.

(b) Minimum Paid Up Capital

An applicant at the time of listing must have paid up capital at least TZS. 500 million.

(c) Status of the Securities

The securities for which listing is sought must be issued in conformity with the laws of Tanzania and in conformity with the Issuer's memorandum and articles of association or equivalent documents and all authorizations needed for their creation and issue under such law or documents must have been duly obtained;

(d) Minimum Value of Securities to be listed

- (i) An applicant must list securities with the value of at least TZS 2 billion.
- (ii) This requirement shall not apply in the case of further issues of securities of a class which are already listed.
- (iii) However, the Council may admit securities of a lower value to listing provided that they are satisfied that adequate marketability of the securities can be expected.

(e) Transferability of Securities

The securities for which listing is sought must be freely transferable. In exceptional circumstances approved by the Council a company may take power to disapprove the transfer of shares provided that such powers do not disturb the market.

(f) A Company's Period of Existence

- (i) A company must have published or filed annual accounts covering a period of three years preceding application for listing.
- (ii) In exceptional cases, the Council may accept a shorter period if that is desirable in the interests of the company or of investors and the Council is satisfied that investors will have the necessary information available to arrive at an informed judgement on the company and the securities for which listing is sought.

- (iii) The Council may accept a shorter period if for instance the company, although newly established has acquired a business (or businesses) which satisfies the three year trading record requirement under a management which will be continuing to manage the business subsequent to the acquisition by the company.

(g) Financial Information

- (i) The annual accounts must have been drawn up in accordance with the Companies Act, 2002 and must be prepared and independently audited in accordance with the standards regarded by the Council as appropriate for companies of international standing and repute.
- (ii) Indication of compliance with this requirement would be accounts prepared, in all material respects, in accordance with Tanzania Financial Reporting Standards or other standards as may be prescribed by NBAA and Auditing Guidelines published by the National Board of Accountants and Auditors both of which incorporate International Accounting Standards.
- (iii) The auditors must have reported on the accounts without any qualification which in the opinion of the Council is material for the purposes of listing.

(h) Working Capital

- (i) The directors of the applicant must ensure that the working capital available to the group is sufficient.
- (ii) Where working capital is not sufficient, the Council may accept an application for the listing of further securities of a class already listed provided the directors of the Issuer demonstrate satisfactory proposals to provide the additional working capital thought by them to be necessary.

(i) Profit Forecasts

- (i) In respect of an application for listing where a prospectus is required, any published profit forecast made by an applicant in respect of a period for which audited annual accounts have not yet been published must have had its accounting policies and calculations examined and reported upon by the reporting accountants; and
- (ii) the Sponsoring Member must have satisfied itself as to whether the forecast has been by the directors after due and careful enquiry.

(j) Overseas Listings

Where a new applicant already has securities listed on an overseas stock exchange, it must be in compliance with the requirements of that Exchange.

(k) Conflict of Interest

- (i) Where a company has a relationship with a substantial shareholder who could result in a conflict of interest between its obligations towards that shareholder and its duties to the general body of shareholders, the conflict could render the company unsuitable for listing.
- (ii) In this Rule substantial shareholder means any shareholder entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the company or one which is in a position to control the composition of a majority of the board of directors of the company.

(l) Payments other than in cash

Where any fee or other remuneration or consideration is to be paid or given to any director, officer, technical adviser or promoter otherwise than in cash, the Council reserves the right to reject any application for listing of the company's securities. In case of doubt, the Chief Executive should be consulted as soon as possible.

(m) Distribution of Shares

- (i) At least 25%, being not less than 1 million shares, (10% being not less than 500,000 shares, for the second tier) of any class of securities must, not later than the time of admission to listing, be in the hands of the public (i.e. persons who are not associated with the directors or major shareholders);and
- (ii) the company must have at least 1000 shareholders (300 for the second tier).

Provided that exceptionally, a lower percentage and /or a fewer number of shares may be accepted by the Council where the amount of securities of the same class and the extent of their distribution would enable the market to operate properly.

(n) Fully Paid Up Shares

Shares must be fully paid up prior to their admission for listing, with the exceptions of right issues which shall be fully paid within 3 months of listing.

(o) Goodwill

- (i) Where a company is dependent for a significant part of its assets or profits on intangible property rights or on contracts or concessions with or from third parties, the prospectus must make full disclosure of the terms of such rights or concessions (including all provisions relating to their termination or renewal) so as to enable investors to make an informed judgement of the value of the securities of the company.
- (ii) If, prior to the admission of a company to listing, the company has engaged in transactions or arrangements which have had the effect of enhancing the value or extent of intangible assets shown or reflected in the financial statements of the company, the Council may, if it considers

that this might prejudice the interests of investors treat this as rendering the company unsuitable for listing.

(p) Memorandum and Articles

Provisions of the memorandum and articles of association of the applicant must comply with the requirements set out in appendix 6.

(q) Listing of Securities of the Same Class

Where the application for listing is made in respect of any class of security-

- (i) if none of the securities of that class are already listed the application must relate to all securities of that class issued or proposed to be issued;
- (ii) if some of the securities of that class are already listed the application must relate to all further securities of that class issued or proposed to be issued,

listing must be sought for all further issues of a class of securities already listed not more than one month after allotment.

(r) Warrants or Options to Subscribe

- (i) In the absence of exceptional circumstances, the issue of options or warrants to subscribe equity must be limited to an amount equal to 10% of the issued equity capital at the time the warrants or options are issued. Employee's share schemes shall not be taken into account for the purpose of this limit.
- (ii) Where an application for listing is made for options or warrants to subscribe, the terms of issue must be such that the unit of dealing (whether trading separately) is an option or warrant to subscribe for one share.
- (iii) Where the terms of the subscription rights change (e.g on a capitalisation issue), the Sponsoring Member must ensure that the officially published quotations continued to be based on the right to subscribe for one share.
- (iv) The terms for the exercise for options or warrants to subscribe must not be capable of variation or suspension at the discretion of the Issuer or of its directors (though they may contain specific arrangements for variation in the subscription price or number or shares to take account of alterations to the share capital of the company).

(s) Options or Warrants not accompanying other securities

- (i) In general, where application is made for listing of options or warrants to subscribe or purchase securities, not being options or warrants accompanied by other securities, the Council will apply the same requirements as would apply to the securities to be subscribed or purchased.

- (ii) However, where such an application is contemplated, the Chief Executive should be consulted at an early date as to the requirements which will apply.

(t) Exchangeable or Convertible Securities Warrants or Options

- (a) Securities convertible or exchangeable into other class of securities or options or warrants to subscribe or purchase such other class may be admitted to listing only if that other class of securities is (or will become at the same time):-
 - (i) a class of listed securities ; or
 - (ii) a class of securities listed or traded on another regulated, regularly operating, and recognized open market.
- (b) However, the Council may admit such securities, options or warrants to listing in other circumstance if they are satisfied that holders have the necessary information available to form an opinion concerning the value of the underlying securities to which such securities, options or warrants relate.

(u) Minimum Number of Shareholders

The company must have at least 1000 shareholders.

Provided that exceptionally, a fewer number of shareholders may be accepted by the Council where the amount of securities of the same class and the extent of their distribution would enable the market to operate properly.

(v) Audit Committee

The applicant company must have in place an Audit Committee established as per the CMSA Guidelines on Corporate Governance for Listed Companies.

4.4 LISTING OF PREFERENCE SHARES

4.4.1 A company applying for a listing of preference shares must meet the following criteria:-

- (a) must already have obtained a listing of its ordinary shares;
- (b) must offer at least 1,000,000 issued preference shares of the class to be listed. Further issues of shares of a class already listed are not subject to these limits;
- (c) must ensure that the total amount of preference shares of the company must not exceed 100% of shareholders' funds less intangible assets;
- (d) must enter into a contract with the Exchange on such terms as the Exchange may require for the protection of shareholders.

4.4.2 Provided that sub-clauses (a) and (c) shall not be deemed to exclude an application for the listing of preference shares in circumstances where the securities in question are unconditionally and irrevocably guaranteed by the Government.

4.4.3 Provided further that the Council where in its opinion such a course of action may be justified may allow, on such terms and conditions as it deems appropriate, a listing of preference shares-

(a) without prior listing of ordinary shares and/or

(b) notwithstanding the fact that the gearing ratio of preference shares to ordinary shareholders funds less intangible assets, exceeds 100%.

4.5 PROVISIONS RELATING TO PROSPECTUSES

4.5.1 Publication of Prospectus

All new applicants are required to publish a prospectus. A prospectus will be required to be published for every subsequent issue unless the Council, because of the special nature of the issue, grants a dispensation from such a requirement on the grounds that there is no benefit to the existing shareholders or the general public in requiring a prospectus, e.g in the case of a bonus issue, conversion of loan stock or capital reorganization.

4.5.2 Approval of Prospectus Prior to Publication

A prospectus must not be published until it has received the formal approval of the Authority in its final form.

4.5.3 Requirements as to Prospectus

The prospectus must comply with the requirements of the Companies Ordinance and those of the Authority as well as the further requirements set out in Appendix 7.

4.6 OTHER REQUIREMENTS

4.6.1 Requirements of the Council

4.6.1.1 Prior to a listing becoming effective, the Chief Executive must have confirmed to the Council that all requirements of the Council relating to the prospectus and the issue of securities for which listing is sought have been fulfilled by an applicant.

4.6.1.2 The Registrar of the applicant is situated within Tanzania.

4.6.1.3 Furthermore, the applicant's Reporting Accountants and Auditor are independent of each other.

4.6.2 Listing Undertaking

Prior to a listing becoming effective, the applicant must have entered into a Listing Undertaking in the form set out in Appendix 3 which undertaking shall be delivered to the Exchange.

4.6.3 Listing Fees

An applicant for listing of securities at the Exchange shall pay such application, initial and annual listing fees as shall be laid down by the Council from time to time.

4.7 ADMISSION TO LISTING

4.7.1 Timing of Admission

Admission of any securities to listing shall become effective after all procedures and substantive requirements have been complied with and an official notice to that effect has been issued by the Council.

4.7.2 Continuing Obligations to be observed

An Issuer admitted to listing shall comply with all continuing obligations indicated in the Letter of Undertaking annexed as Appendix 8 to these Rules as well as such requirements as may be determined by the Council from time to time.

4.8 LISTING ON OTHER STOCK EXCHANGES

An Issuer, admitted to listing at the DSE, shall seek the permission of the Council before applying to list on another stock exchange.

4.9 SUSPENSION AND CANCELLATION OF LISTING

4.9.1 Suspension

4.9.1.1 The Council may at any time and in such circumstances as it deems fit suspend or cancel a listing. The Council will not hesitate to do so in order to protect investors and to ensure an orderly market.

4.9.1.2 Suspension may be either with or without the request of the Issuer. Any such request must be made to the Chief Executive by the Issuer's Sponsoring Member or in exceptional cases by the Issuer itself.

4.9.1.3 Where listing has been suspended, the procedure for lifting the suspension will depend on the circumstances and the Council reserve the right to impose such conditions as they consider appropriate.

4.9.2 Cancellation

The continuation of a suspension for a prolonged period without the Issuer taking adequate action to obtain restoration of listing is likely to lead to the Council cancelling the listing. There may also be cases where the listing should be cancelled without suspension intervening (for example a significant change in the company rendering it unsuitable for listing).

4.6.3 Referrals

4.9.3.1 Resolution of Issues

- (a) All matters concerning listings should be addressed by a Sponsoring Member to the Chief Executive provided that when a matter has to be determined by the Council, the Sponsoring Member may be accompanied by the representatives of the Issuer and other advisers any of whom may address the Council.
- (b) The Council reserves the right to limit the number of persons involved in such hearings.

CHAPTER FIVE

LISTING RULES FOR THE ENTERPRISE GROWTH MARKET SEGMENT (EGM)

5.0 PRELIMINARY

All applicants for listing are required to be of a certain minimum size, have a record of trading of adequate duration under their present management and set out in a formal prospectus sufficient information about their history, prospects and financial conditions to form a reliable basis for market evaluation and that investors are treated with proper consideration at all times by company boards even though the public may only represent a minority of the shareholders.

5.1 The Council shall not approve a prospectus unless:

- a) It contains all such information as investors and their professional advisers would reasonably require and reasonably expect to find there for the purpose of making an informed assessment of:
 - (i) The assets and liabilities, financial position, profits and losses and prospects of the Issuer of the securities, and
 - (ii) The rights attaching to those securities, and
- b) It contains in addition such other information and particulars and complies with such other requirements prescribed or as may be prescribed by regulations made under the Capital Markets and Securities Act, 1994.

5.2 APPROVAL OF THE COUNCIL

No securities shall be admitted for listing without a written approval of the Council.

5.3 SPONSORSHIP OF APPLICATION FOR LISTING

An applicant for listing on EGMs shall appoint a Nominated Advisor. The Nominated Advisor shall perform all the following duties:

- a) An applicant for listing on EGMs shall appoint a Nominated Advisor to sponsor its application. The Nominated Advisor must ensure that the Council is made aware of all information which should be brought to its attention. The Nominated Advisor shall be responsible for the lodging of, any documents that are required to be submitted with the application for listing, ensuring that they fully comply with these Rules.
- b) A Nominated Advisor shall during all times it acts in that capacity to satisfy itself that the directors of an Issuer-

- i) Can be expected to prepare and publish all information necessary for an informed market to take place in the company's securities;
 - ii) Appreciate the nature of the responsibilities they will be undertaking as directors of a listed company; and
- c) All matters arising in connection with an application for listing shall be channelled through the Nominated Advisor.
- d) In addition to maintain a Nominated Advisor at the time of application for listing, a Nominated Advisor is also required:
 - (i) At any time if after a breach of these Rules the Council requires a Nominated Advisor to be appointed by the Issuer to give advice on the application of the Rules; or
 - (ii) Whenever a Nominated Advisor is required by the Rules to report to the Council in relation to any transaction or matter.
- e) On application for a listing and if listing is successful during the life of listing the Issuer shall inform the Council in writing immediately upon change of a Nominated Advisor and give reasons thereof
- f) It shall be the duty of a Nominated Advisor for a new applicant to:
 - (iii) Take all reasonable steps to satisfy itself that the Issuer has complied with all the relevant conditions for listing and other relevant requirements of the Rules and must ensure that the Issuer is guided and advised as to the application of the Rules.
 - (iv) Confirm to the Council in writing that it has obtained written confirmation from the applicant that its directors have established procedures which provide a reasonable basis for them to make proper judgements as to the financial position and prospects of the Issuer and its group and that it is satisfied that this confirmation by the Issuer has been given after due and careful enquiry by the Issuer.
- g) Appraise the DSE on the readiness of the Issuer to list on the EGM;
- h) Either on its own or in conjunction with others, appraise the Issuer's project for the purposes of seeking listing;
- i) Certify/Confirm to the DSE that the Issuer is a viable investment;
- j) Ensure that the price of Issuer's shares is objectively determined;
- k) Undertake to continue advising the Issuer as long as the Issuer remains listed on EGMs; and
- l) Ensures that the Issuer complies with post-listing continuous obligations.

5.4 APPLICATION FOR LISTING

5.4.1 An application for listing of securities at the Exchange shall be made to the Chief Executive in the form of **Appendix 2** to these Rules. The application shall be accompanied by a certificate from the Nominated Advisor sponsoring the application.

5.4.2 The Chief Executive shall place before the Council an application for listing as well as recommendations thereon for the decision of the Council which shall be final.

5.5 DOCUMENTS TO BE SUBMITTED WITH AN APPLICATION FOR LISTING

When applying for listing in the EGMs the Nominated Advisor shall furnish the Exchange with the following documents together with an application for listing:

- (a) Letter to the Chief Executive from the company's Legal Counsel confirming that the applicant is duly constituted as required by Rule 5.6(a) of these Rules;
- (b) Three copies of the latest draft of the prospectus to be issued and subsequently three copies of any subsequent drafts forthwith marked up to show changes from the draft first submitted;
- (c) Ten copies of the applicant's memorandum and articles of association (and of any alterations which are proposed to be made to them prior to listing);
- (d) Details of the existing and intended distribution of the applicant's ordinary shares (including particulars of any beneficial owners of 5% or more of the ordinary shares);
- (e) A copy of all required authorisations with respect to submission for approval by the Council and publication of any prospectus and to the changes in the Issuer's structure;
- (f) Where applicable, a copy of the proposed underwriting agreements and contracts, proposed agreements with securities exchanges for listing of the securities to be offered (where appropriate), proposed agreements or contracts with a Company Registrar; and
- (g) With respect to the public distribution of debt securities, a copy of the proposed trustee agreement and a proposed contract with a guarantor (where applicable).
- (h) Ten copies of an Agreement between the Issuer and Nominated Advisor as per the guidance provided under Appendix 16 to these Rules;
- (i) Letter to the Council from the Nominated Advisor confirming that the applicant shall comply with these Rules and conditions that the Council shall deem appropriate;
- (j) Ten copies of the Issuer's technical feasibility study report; and
- (k) Ten copies of the Issuer's business plan which is for five years.

5.6 BASIC CONDITIONS TO BE FULFILLED BY AN APPLICANT

An applicant for listing must comply with the following requirements:

5.6.1 Issuer to be duly constituted

The Issuer must be duly incorporated as a public company under the laws of Tanzania and it must be in conformity with its memorandum and articles of association and must under that law be permitted to issue shares (or other relevant securities) to the public.

5.6.2 Minimum Paid Up Capital

An applicant at the time of listing must have paid up capital of at least TZS 200 million.

5.6.3 Status of the Securities

The securities for which listing is sought must be issued in conformity with the laws of Tanzania and in conformity with the Issuer's memorandum and articles of association or equivalent documents and all authorizations needed for their creation and issue under such law or documents must have been duly obtained.

5.6.4 Minimum Value of Securities to be listed

- (a) An applicant must list securities with the value of at least TZS 200 million.
- (b) The requirement under this rule shall not apply in the case of further issues of securities of a class which are already listed.
- (c) The Council may admit securities of a lower value to listing provided that they are satisfied that adequate marketability of the securities can be expected.

5.6.5 Transferability of Securities

The securities for which listing is sought must be freely transferable. In exceptional circumstances approved by the Council a company may take power to disapprove the transfer of shares provided that such powers do not disturb the market.

5.6.6 A Company's Period of Existence

- (a) A company applying for listing under the EGMs shall not be required to publish or file annual accounts covering a period of three years preceding application for listing.
- (b) However, a company must have a five year business plan and a technical feasibility study report to assist investors to have the necessary information

available to arrive at an informed judgement on the company and the securities for which listing is sought.

5.6.7 Financial Information

- (a) The annual Financial Statements as well as Interim Financial Statements must have been drawn up in accordance with the Companies Act 2002 and must be prepared in accordance with the International Financial Reporting Standards and independently audited by the auditor registered by the National Board of Accountants and Auditors (NBAA).
- (b) The auditors must have reported on the financial statements without any qualification which in the opinion of the Council is material for the purposes of listing.

5.6.8 Working Capital

- (a) The directors of the applicant must ensure that the working capital available to the group is sufficient.
- (b) Where working capital is not sufficient, the Council may accept an application for the listing of further securities of a class already listed provided the directors of the Issuer demonstrate satisfactory proposals to provide the additional working capital thought by them to be necessary.

5.6.9 Profit Forecasts

In respect of an application for listing where a prospectus is required, any published profit forecast made by an applicant in respect of a period for which audited annual accounts have not yet been published must have had its accounting policies and calculations examined and reported upon by the reporting accountants, and the Sponsoring Member must have satisfied itself as to whether the forecast has been prepared by the directors after due and careful enquiry.

5.6.10 Overseas Listings

Where a new applicant already has securities listed on an overseas stock exchange, it must be in compliance with the requirements of that Exchange.

5.6.11 Conflict of Interest

- (a) Where a company has a relationship with a substantial shareholder who could result in a conflict of interest between its obligations towards that shareholder and its duties to the general body of shareholders, the conflict could render the company unsuitable for listing.
- (b) In this rule, substantial shareholder means any shareholder entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the company or one which is in a position to control the composition of a majority of the board of directors of the company.

5.6.12 Payments other than in cash

Where any fee or other remuneration or consideration is to be paid or given to any director, officer, technical adviser or promoter otherwise than in cash, the Council reserves the right to reject any application for listing of the company's securities. In case of doubt, the Chief Executive should be consulted as soon as possible.

5.6.13 Distribution of Shares

- (a) At least 20% being not less than 500,000 shares of any class of securities must, not later than the time of admission to listing, be in the hands of the public (i.e., persons who are not associated with the directors or major shareholders).
- (b) Provided that exceptionally, a lower percentage may be accepted by the Council where the amount of securities of the same class and the extent of their distribution would enable the market to operate properly.

5.6.14 Minimum Number of Shareholders

The company must have at least 100 shareholders. Provided that exceptionally, a fewer number of shareholders may be accepted by the Council where the amount of securities of the same class and the extent of their distribution would enable the market to operate properly.

5.6.15 Fully Paid Up Shares

Shares must be fully paid up prior to their admission for listing, with the exceptions of right issues which shall be fully paid within 3 months of listing.

5.6.16 Goodwill

- (a) Where a company is dependent for a significant part of its assets or profits on intangible property rights or on contracts or concessions with or from third parties, the prospectus must make full disclosure of the terms of such rights or concessions (including all provisions relating to their termination or renewal) so as to enable investors to make an informed judgement of the value of the securities of the company.
- (b) If, prior to the admission of a company to listing, the company has engaged in transactions or arrangements which have had the effect of enhancing the value or extent of intangible assets shown or reflected in the financial statements of the company, the Council may, if it considers that this might prejudice the interests of investors treat this as rendering the company unsuitable for listing.

5.6.17 Memorandum and Articles of Association

Provisions of the memorandum and articles of association of the applicant must comply with the requirements set out in **Appendix 6**.

5.6.18 Listing of Securities of the Same Class

Where the application for listing is made in respect of any class of security-

- (a) if none of the securities of that class are already listed the application must relate to all securities of that class issued or proposed to be issued;
- (b) if some of the securities of that class are already listed the application must relate to all further securities of that class issued or proposed to be issued,

and listing must be sought for all further issues of a class of securities already listed not more than one month after allotment.

5.6.19 Warrants or Options to Subscribe

- (a) In the absence of exceptional circumstances, the issue of options or warrants to subscribe equity must be limited to an amount equal to 10% of the issued equity capital at the time the warrants or options are issued.
- (b) Employee's share schemes shall not be taken into account for the purpose of this limit.
- (c) Where an application for listing is made for options or warrants to subscribe, the terms of issue must be such that the unit of dealing (whether trading separately) is an option or warrant to subscribe for one share.
- (d) Where the terms of the subscription rights change (e.g on a capitalisation issue), the Sponsoring Member must ensure that the officially published quotations continued to be based on the right to subscribe for one share.
- (e) The terms for the exercise for options or warrants to subscribe must not be capable of variation or suspension at the discretion of the Issuer or of its directors (though they may contain specific arrangements for variation in the subscription price or number or shares to take account of alterations to the share capital of the company).

5.6.20 Options or Warrants not accompanying other securities

- (a) In general, where application is made for listing of options or warrants to subscribe or purchase securities, not being options or warrants accompanied by other securities, the Council will apply the same requirements as would apply to the securities to be subscribed or purchased.

- (b) Where such an application under paragraph (a) is contemplated, the Chief Executive should be consulted at an early date as to the requirements which will apply.

5.6.21 Exchangeable or Convertible Securities Warrants or Options

- (a) Securities convertible or exchangeable into other class of securities or options or warrants to subscribe or purchase such other class may be admitted to listing only if that other class of securities is (or will become at the same time-
 - (i) a class of listed securities; or
 - (ii) a class of securities listed or traded on another regulated, regularly operating, and recognized open market.
- (b) The Council may admit such securities, options or warrants to listing in other circumstance if they are satisfied that holders have the necessary information available to form an opinion concerning the value of the underlying securities to which such securities, options or warrants relate.

5.6.22 Period Moratorium

In case a company applying for listing under the EGMs has less than three years track record, its promoters shall be locked-in (not be allowed to exit) for a period of three years from the time of listing.

5.6.23 Net Tangible Assets

The company shall have at least 50% of its net assets situated within Tanzania.

5.6.24 Certificate of Comfort from relevant Regulators

Companies intending to list under the EGMs shall obtain comfort letters from institutions regulating their operations.

5.6.25 Audit Committee

The applicant company must have in place an Audit Committee established as per the CMSA Guidelines on Corporate Governance for Public and Listed Companies.

5.7 LISTING OF PREFERENCE SHARES

5.7.1 A company applying for a listing of preference shares must meet the following criteria:

- (a) have had obtained a listing of its ordinary shares;

- (b) offer at least 1,000,000 issued preference shares of the class to be listed but further issues of shares of a class already listed are not subject to these limits;
- (c) ensure that the total amount of preference shares of the company must not exceed 100% of shareholders' funds less intangible assets;
- (d) enter into a contract with the Exchange on such terms as the Exchange may require for the protection of shareholders.

5.7.2 Paragraphs (a) and (c) shall not be deemed to exclude an application for the listing of preference shares in circumstances where the securities in question are unconditionally and irrevocably guaranteed by the Government.

5.7.3 Where in the opinion of the Council such a course of action may be justified, the Council may allow, on such terms and conditions as it deems appropriate, a listing of preference shares-

- (a) without prior listing of ordinary shares and/or;
- (b) notwithstanding the fact that the gearing ratio of preference shares to ordinary shareholders funds less intangible assets, exceeds 100%.

5.8 PROVISIONS RELATING TO PROSPECTUSES

5.8.1 Publication of Prospectus

- (a) All new applicants are required to publish a prospectus.
- (b) A prospectus will be required to be published for every subsequent issue unless the Council, because of the special nature of the issue, grants a dispensation from such a requirement on the grounds that there is no benefit to the existing shareholders or the general public in requiring a prospectus, e.g. in the case of a bonus issue, conversion of loan stock or capital reorganization.

5.8.2 Nature of the Prospectus

The prospectus must comply with the requirements of the Companies Act and those of the Authority as well as the further requirements set out in **Appendix 7**.

5.8.3 Approval of Prospectus prior to Publication

A prospectus must not be published until it has received the formal approval of the Authority in its final form.

5.9 OTHER REQUIREMENTS

5.9.1 Requirements of the Council

- (a) Prior to a listing becoming effective, the Chief Executive must have confirmed to the Council that all requirements of the Council relating to the prospectus and the issue of securities for which listing is sought have been fulfilled by an applicant.
- (b) The Registrar of the applicant is situated within Tanzania.
- (c) The applicant's Reporting Accountants and Auditor are independent of each other.

5.9.2 Listing Undertaking

Prior to a listing becoming effective, the applicant must have entered into a Listing Undertaking in the form set out in **Appendix 3** which undertaking shall be delivered to the Exchange.

5.9.3 LISTING FEES

An applicant for listing of securities at the Exchange shall pay for such application, initial and annual listing fees as shall be laid down by the Council from time to time.

5.10 ADMISSION TO LISTING

Timing of Admission

Admission of any securities to listing shall become effective after all procedures and substantive requirements have been complied with and an official notice to that effect has been issued by the Council.

5.11 CONTINUING OBLIGATIONS

Continuing Obligations to be observed

The Issuer's Nominated Advisor shall indicate in the Letter of Undertaking annexed as **Appendix 17** to these Rules that it will ensure that the Issuer comply with all continuing obligations as well as such requirements as may be determined by the Council from time to time.

5.12 LISTING ON OTHER STOCK EXCHANGES

An Issuer, admitted to listing at the DSE, shall seek the permission of the Council before applying to list on another Stock Exchange.

5.13 SUSPENSION AND CANCELLATION OF LISTING

5.13.1 Suspension

- (a) The Council may at any time and in such circumstances as it deems fit suspend or cancel a listing. The Council will not hesitate to do so in order to protect investors and to ensure an orderly market.

- (b) Suspension may be either with or without the request of the Issuer. Any such request must be made to the Chief Executive by the Issuer's Sponsoring Member or in exceptional cases by the Issuer itself.
- (c) Where listing has been suspended, the procedure for lifting the suspension will depend on the circumstances and the Council reserve the right to impose such conditions as they consider appropriate.

5.13.2 Cancellation

- (a) The continuation of a suspension for a prolonged period without the Issuer taking adequate action to obtain restoration of listing is likely to lead to the Council canceling the listing.
- (b) There may also be cases where the listing should be cancelled without suspension intervening (for example a significant change in the company rendering it unsuitable for listing).

5.14 REFERRALS

Resolution of Issues

- (a) All matters concerning listings should be addressed by a Sponsoring Member to the Chief Executive provided that when a matter has to be determined by the Council, the Sponsoring Member may be accompanied by the representatives of the Issuer and other advisers any of whom may address the Council.
- (b) The Council reserves the right to limit the number of persons involved in such hearings.

5.15 LISTING FEES

An applicant for listing under the EGMs shall pay listing fees as shown in the table below:

| Type of Fee | EGMS |
|---|---|
| Initial Listing Fees (when a company comes to the market for the first time) | 0.1% of market capitalization subject to a minimum of TZS 1 million and a maximum of TZS 10 million. |
| Additional Listing Fees (payable by a company already listed when seeking listing of additional securities) | 0.01% of market capitalization subject to a minimum of TZS 1 million and a maximum of TZS 10 million. |
| Annual Listing Fees (payable annually by all listed companies) | 0.025% of market capitalization subject to a minimum of TZS 1 million and a maximum of TZS 5 million. |

CHAPTER SIX

LISTING RULES FOR DEBT SECURITIES

6.0 BASIC CONDITIONS TO BE FULFILLED BY AN APPLICANT

- 6.1** Where a listing is sought for debt securities, selected information from previous sections on equities and the following additional requirements shall be fulfilled:
- 6.1.1** Aggregate nominal value of the debt securities; if this amount is not fixed a statement to that effect, together with the nature, number and numbering of the debt securities and the denominations;
 - 6.1.2** Summary of the rights conferred on the holders thereof, and particulars of the securities (if any) therefor;
 - 6.1.3** Where debt securities are issued by way of conversion or replacement of debt securities previously issued, a statement of all material differences between the securities for the old debt securities and the securities for the new debt securities, or, if appropriate, a statement that the securities for the new debt is identical with all security for the old debt securities;
 - 6.1.4** Except in the case of continuous issues, the issue and redemption prices and nominal interest rate; if several interest rates are provided for, an indication of the conditions for changes in the rate;
 - 6.1.5** Procedures for the allocation of any other advantages and the method or calculating such advantages;
 - 6.1.6** Arrangements for the amortisation of the loan, including the repayment procedures;
 - 6.1.7** Currency of the loan and any currency option; if the loan is denominated in units of account, the contractual status of such units.

6.2 LISTING OF LOAN SECURITIES

- 6.2.1** A company applying for a listing of loan securities must meet the following criteria;
- (a) it must have already obtained a listing of its ordinary share capital;
 - (b) it offers at least Tshs 30 million Issued loan capital of the class to be listed;
 - (c) further issues of shares of a class already listed are not subject to these limits;
 - (d) its total loan capital does not exceed 100% of shareholders' funds less intangible assets;
 - (e) it enters into a contract with the Exchange on such terms as the Exchange may require for the protection of bondholders.

Provided that paragraphs (a) and (c) shall not be deemed to exclude an application for the listing of loan securities in circumstances where the securities in question are unconditionally and irrevocably guaranteed by the Government.

Provided further that the Council where in its opinion such a course of action may be justified, may allow, on such terms and conditions as it deems appropriate, a listing of loan securities-

- (i) without prior listing of ordinary shares; and/or
 - (ii) notwithstanding the fact that the gearing ratio of total loan-capital to shareholders funds less intangible assets, exceeds 100%.
- (f) Except in the case of continuous issues, an indication of yield. The method whereby that yield is calculated must be described in a summary form.
- (g) Details of any guarantee of or surety for the payment of principal or interest.
- (h) In addition-
- (i) Names, function, description and head office of the trustee or other representative of the debt security holders;
 - (ii) The main terms of the documents governing such trusteeship or representation and in particular the conditions under which such trusteeship or representation may be replaced.
- (i) Summary of clauses subordinating the loan to other debts of the Issuer already contracted or to be contracted.
- (j) Indication, where necessary, that the subscriptions may be reduced.
- (k) Possibility or early closure of the period during which the issue or offer of securities (except in the case of continuous issues) will remain open after publication of the prospectus or information memorandum.

6.2.2 Documents to be filed with an application for the listing of Bonds, Debenture and Loan Stock

- (a) The documents which must be filed in support of an application for Bonds, debentures and Loan Stock shall be similar to those required in support of an application for ordinary shares as outlined in these Rules, except that the following additional information should be included:
- (i) full title of issue;

- (ii) a certificate or copy of the document constituting the loan capital including all relevant details;
- (iii) any special legislation under which the debt securities have been created;
- (iv) details of any assets which may be used as security for the debt;
- (b) final repayment date and any earlier repayment dates;
- (c) date from which interest becomes payable and the due dates for interest;
- (d)
- (e) where listing is sought for fixed income securities, particulars of the profits cover for interest and of the net tangible assets, the interest rate, if not already indicated above, must be stated.

6.2.3 Where, for any reason, one or more of the documents mentioned herein cannot be produced a statement to this effect has to be submitted.

6.2.4 Application Procedure

(a) Government and other Legal persons

These requirements apply to debt securities issued by-

- (i) the Government;
 - (ii) other legal persons which are not limited liability companies which are set up or governed by a special law or pursuant to such law or those whose debt securities to be issued are unconditionally and irrevocably guaranteed by Government; and
 - (iii) other statutory bodies.
- (b) In the case of securities issued by the Government and any body corporate falling under the description in (i) above, the Council will have regard to information already available to the public in deciding on the application of these requirements.
- (c) The following documents must be submitted in draft form where appropriate for approval, at least fourteen days prior to intended publication of the listing particulars or equivalent offering document:
- (i) four copies of the listing particulars or equivalent offering document, formal notices and in the case of issues by Issuers falling within paragraphs (1)(b) and (c) above any other document intended for publication by the Issuer or on its behalf.
 - (ii) Four copies of any application form to purchase or subscribe securities.

- (d) in the case of issues other than debt securities issued by Government, the following documents must also be lodged with the Exchange:
- (i) an application by the Issuer for admission to listing in the form set out by these Rules signed by a duly authorised official of the Issuer;
 - (ii) an application by the sponsoring member, if any;
 - (iii) payment of the appropriate charge for listing and, where relevant, the annual charge;
 - (iv) four copies of the listing particulars or equivalent offering document satisfying all the requirements for the contents of such documents one of which must be dated and signed by a duly authorised official of the Issuer or by his agent or attorney authorised in writing;
 - (v) where any document referred to in paragraph (iv) above is signed by an agent or attorney, a certified copy of his authority;
 - (vi) a copy of any consent, order and/or resolution authorising the issue.
- (e) The contents of the equivalent offering document are set out in Rule 17 below.
- (f) The contents of the listing particulars applicable to bodies falling under this Rule must reflect the general requirements of listing particulars with modifications and exceptions appropriate to the circumstances.
- (g) Where application is made for the admission of securities by the Government or a body corporate falling under this section and listing particulars are required, admission will not be granted unless the listing particulars or equivalent offering document has first been published in the manner referred to in paragraph (18) below.
- (h) Save as permitted by the Listing Committee listing particulars or equivalent offering document may not be circulated, or made available publicly, unless they have first been published as required by this section. Circulation is however permitted of draft listing particulars or equivalent offering document, clearly marked as such, for the purposes of arranging underwriting.
- (i) The minimum requirements regarding publication are as follows:
- (i) where the listing particulars or equivalent offering document are not published in full in a local daily newspaper, a local newspaper must carry a formal notice;

- (ii) where the listing particulars or equivalent offering document are published in a newspaper they must be accompanied by a statement that they are available at specific addresses;
- (iii) a formal notice in a local daily newspaper must state at least the following:
 - (aa) the name of the Issuer;
 - (bb) the amount and title of the securities for which listing is sought;
 - (cc) the name of any guarantor of the principal or interest on such securities;
 - (dd) in the case of a fixed-income security with a facility to issue further tranches of the security, the total amount of the security which could be issued under such an arrangement; and
 - (ee) the name of the sponsoring member, if any.

6.2.5 Requirements for contents of offering documents of the Government Securities

- (a) This Rule applies to issues by the Government and sets out the basic requirements for the contents of offering documents issued by it.
- (b) The Council shall have regard to information already available to the public in deciding on the application of these requirements and shall require the following:-
 - (i) name of the issue;
 - (ii) statement that-
'Application has been made to the Council of the Dar es Salaam Stock Exchange for (the securities which should be stated) to be admitted to the Official List'.
 - (iii) amount and title of the securities for which listing is sought;
 - (iv) authority under which the securities are issued;
 - (v) names and addresses of the bankers and sponsoring member, if any;
 - (vi) details of the revenue and capital against which the security is charged and of the revenue cover for interest, if appropriate;

- (vii) terms and conditions of issue for the securities, particulars;
- (viii) the rights conferred as regards income and capital, with information as to the amount and application of any sinking fund, any right of the authority to redeem before maturity, any rights of conversion, or other similar rights and the securities upon which any loan is charged, if any.
- (ix) In addition to interest payment dates, the dates on which a balance is struck for the purpose of payment should be stated if this is included in the condition of issue or other provisions; and
- (x) the price at which and terms upon which the securities have been issued or agreed to be issued, and whether the same has or has not been paid up in full. If not paid up in full, particulars of all payments still to be made with due dates of payment must be given;
- (xi) That each copy of the offering document must contain an application form which may be used to apply for the securities to be offered.

6.3 MINIMUM VALUE OF SECURITIES TO BE LISTED

- 6.3.1** An Applicant must list securities with the value of at least TZS 300 million for companies falling under the MIMS and TZS150 for companies falling under EGM.
- 6.3.2** The requirement under this Rule shall not apply in any case of further issue of securities of a class which are already listed.
- 6.3.3** The Council may admit securities of a lower value to list provided that they are satisfied that adequate marketability of the securities can be expected.

CHAPTER SEVEN

7.0 TRADING RULES

7.1 GENERAL CONDITIONS

7.1.1 Exchange Dealings

- (a) The Exchange does not recognize in its dealings any parties other than its own LDMs. Every deal transacted on the Exchange therefore, whether for the account of the LDM effecting it or for the account of the LDM's client, shall be executed by the LDM according to the Rules of the Exchange.
- (b) An application to annul a transaction in the Exchange shall not be accepted by the Council except on a specific allegation of fraud or willful misrepresentation or upon prima facie evidence of such material mistake in the deal as in their judgement renders the case one which is fitting for their adjudication.

7.1.2 Trading Sessions

- (a) Trading sessions shall be held on such days and times as the Council shall from time to time determine by Notice.
- (b) The Council of the Exchange will publish a notice on the Trading Floor, at least two business days before any changes are made to the trading times for any securities.
- (c) Market opening and closing times shall be established by the Exchange and may be different for each category of listed securities. No transactions shall be effected before the opening or after the closing signal.

7.1.3 Trading Restricted To Trading Sessions

All purchases and sales of listed securities must take place using *DATES* in accordance with these Rules.

7.1.4 Access To The Trading Floor/Dates

- (a) The access to the Trading Floor/DATES is limited to:
 - (i) ADRs and Floor Traders;
 - (ii) Exchange personnel;
 - (iii) Any other person duly authorised by the Chief Executive.

7.1.5 Instructions from Clients

It is the responsibility of an LDM to ensure that they receive bona fide instructions from clients and that they have effective procedures for identifying the persons from whom they take instructions to effect transactions.

7.1.6 Instructions May Be Received From Clients:

- (a) Instructions from Clients may be received-
 - (i) Directly on completion of the appropriate Order Form; or
 - (ii) By completing the appropriate Order Form but utilizing Financial Intermediaries; or
 - (iii) Through their appointed attorneys agents and in accordance with the terms set out in the powers of attorney; or
 - (iv) In accordance with a Client's Agreement Letter.
- (b) In the case of (ii) and (iii) the Exchange has to be informed of the person authorised to act on behalf of the client.
- (c) At no stage shall an LDM offer or bid for securities unless he has a genuine request by a client in accordance with this Rule. The Market Official may require any LDM to prove that a genuine request exists and the LDM shall comply. This Rule does not apply in the case where an LDM takes a position as principal in accordance with these Rules.

7.2 OWNERSHIP OF SECURITIES

7.2.1 The ownership of a security together with all its rights and interests in respect of which the transaction has been effected passes from the seller(s) to the buyer(s) with effect from the moment of trade execution.

7.2.2 Following the close of the trading session, the Exchange shall pass the necessary entries in the registers of holders of the relevant securities maintained under the CDS to reflect the transactions effected during the trading session.

7.3 FUNCTIONS OF THE LDM

7.3.1 The selling LDM will use its best endeavours to sell the listed securities on the first trading day following the receipt of instructions from its client.

- 7.3.2 The selling LDM shall be responsible to ensure that its client is the registered holder of the security by way of verification. It must also ascertain that there is enough available holdings to be sold and that there is no charge registered against these holdings in the CDS. If it results that the holdings are not sufficient to meet the order or that there is a charge against the holdings, the order will be rejected by the DATS.
- 7.3.3 The buying LDM shall use its best endeavours to buy the listed securities on the first trading day following the receipt of instructions from its client.
- 7.3.4 Both the selling and buying LDMs shall be responsible to collect the sufficient details of their clients to enable the production of the Client Contract Notes. This information must be supplied before the trade execution. In the event that sufficient details of the client are not available, the order will not be validated by the DATS.

7.4 SHORT SELLING

- 7.4.1 Short sales are prohibited. A short sale is a sale of a security when the seller does not own the security, or have an exercisable right of sale.
- 7.4.2 The DATS will be linked to the CDS to determine the existence of securities before trading is executed.

7.5 DUTIES TO THE CLIENT

- 7.5.1 An LDM must submit client bids and offers to the trading process in a timely manner and for each security, in the order in which they were received.
- 7.5.2 An LDM must give priority to client bids and offers over bids and offers placed by an LDM acting as a principal.
- 7.5.3 An LDM must stamp client orders.
- 7.5.4 An LDM may be offered by the Exchange to explain any of its actions.

7.6 DISPUTES AND IRREGULAR DEALS

- 7.6.1 The settlement of disputes concerning the terms of transactions shall be decided by the Market Official and his decisions shall be final.
- 7.6.2 Any deal which in the opinion of the Market Official is irregular or is in contravention of the Rules of the Exchange or the CMS Act and its Regulations shall be reported immediately to the Chief Executive.
- 7.6.3 Any deal executed through the DATS is binding on both parties unless reversed by the Chief Executive within the settlement period following an

appeal. If after an investigation an error is detected, the Chief Executive may take any action which he deems fit including the cancellation of the trade.

7.7 TRADING DELAYS AND HALTS

The Chief Executive has the authority to take such decisions as may be required to delay the opening of trading in any listed security in order to assist in the orderly opening or trading of such security.

7.8 "FIRM ORDERS "MY ORDER IS MY BOND"

7.8.1 All recorded bids and offers shall be firm and cannot be cancelled except where bids and offers have been overtaken by new market events and developments or as shall be determined by these Rules.

7.8.2 However, a bid or offer posted may be cancelled anytime as long as it has not been matched **provided** a cancellation is subject of instructions from the client.

7.9 SYSTEM FAILURE

7.9.1 Failure in any of the systems installed in the Exchange for trading purposes shall be immediately reported to the Market Official who shall take the necessary action to suspend or close trading or to operate under a manual system as directed by the Chief Executive.

7.9.2 Every effort should be made in order to resume the orderly conduct of trading as soon as possible.

7.9.3 Under no circumstances shall the Exchange be responsible for damages arising from any such failure, error or defect in the equipment.

7.10 RECORDS AND REPORTS

All trades executed on the DATS shall be recorded in the form prescribed by the Exchange from time to time.

7.11 TRADING PROCEDURES

7.11.1 The purpose of this section is to give a detailed account of the trading procedures.

7.11.2 Trading Sessions

(a) The Trading Sessions shall be conducted between 10:00 a.m. and 12 noon each business day except where varied according to notices published by the Exchange.

(b) Securities will be traded continuously every business day except as notified by the Exchange.

7.11.3 Trading Hours

- (a) The start of trading shall commence at exactly 10:00 a.m.
- (b) Trading session of the Exchange shall be supervised by the Market Official or by any Exchange Official permanently or temporarily appointed by the Chief Executive to carry out those duties.

7.12 ATTENDANCE AT TRADING SESSIONS

- 7.12.1** Each LDM shall have an ADR or Floor Trader present for the duration of each trading session.
- 7.12.2** Any ADR may attend a trading session.
- 7.12.3** No unauthorized person shall be permitted on the Trading Floor or to access the DATS.
- 7.12.4** The Chief Executive shall have the discretion to refuse access of any person to the Trading Floor or DATES except for the Authority's supervisory or authorized staff.
- 7.12.5** Trading may commence provided a minimum of three LDMs are represented.

7.13 PERSONS PERMITTED TO DEAL

- 7.13.1** Only ADR and Floor Traders are permitted to deal on DATS.
- 7.13.2** LDMs shall ensure that their ADRs or Floor Traders comply at all times with the Trading Rules, any directives from time to time made by the Exchange and other Rules of the Exchange. Any failure to comply with any of such Rules shall render the approval of the ADR liable to immediate revocation without notice and render the Member liable to disciplinary proceedings for failure to ensure compliance.
- 7.13.3** An ADR or Floor Traders shall not transact any business for any LDM other than the one in respect of which approval has been sought and granted by the Council.

7.14 TRADING AS PRINCIPAL

- 7.14.1** An LDM, through an ADR, may trade as a principal, whether the counterpart is trading as a principal or as an agent for a client.
- 7.14.2** An LDM may trade, through its ADR, in accordance with the Trading Rules, as a principal, as the counterpart to an order in which the LDM, is acting as agent to a

client, provided that the LDM declares the same, in advance of execution, to the client.

7.14.3 An LDM, through its ADR, must declare that he it is trading as a principal by the time the order is placed on the DATES.

7.14.4 Orders executed on behalf of the directors or ADR of the LDM shall be considered as principal orders.

7.15 DEFINITION OF ORDERS

Allowable orders are the following:

(a) Limit Order:

An order which has a specified price when it is posted for execution.

(b) Market Order:

An order which does not have a specified price when it is posted for execution. This type of order must be executed promptly at the best price obtainable and will have priority over limit order at the same price levels and assumes an initial price limit value normally based on the price most advantageous in the market. A Market Order trades through a range of prices starting at the best price in the market.

7.16 VALIDITY OF BIDS AND OFFERS

To be valid, bids and offers must be made:

(a) during the trading session;

(b) to all members generally and without discrimination, and in the manner prescribed by these Rules.

7.17 TICK SIZES AND TRADE RANGES

7.17.1 Orders must be placed within the defined tick sizes as specified by the Exchange. All trades shall be executed within the trade ranges as set by the Exchange.

7.17.2 The Exchange shall have the right to adjust tick sizes and trade ranges in the light of market conditions.

7.17.3 Any trades effected at prices which are outside the stipulated trade range will be cancelled.

7.18 MINIMUM LOT SIZE

The minimum number of shares or minimum lot size shall be 100 shares.

7.19 SPREADS (TICKS)

Bids and Offers will be advanced in the following minimum spread or tick sizes:

Table 1

| Stock Price (Shs) | Tick Size (Shs) |
|----------------------|--------------------|
| Less than 200 | 2.5 |
| 200-499 | 5.00 |
| 500-999 | 10.00 |
| 1000 and over | 20.00 |

7.20 DIVISION OF MARKET

7.20.1 Unless stated otherwise, the market for listed securities is divided into equity and debt market.

7.20.2 The equity market is divided into the normal lot, odd lot and block trades.

7.20.3 The block trades are sub-divided into pre-arranged trades and All or None (AON) trades.

7.21 ODD LOTS

These are lots numbering less than the minimum lot size and shall be traded at a separate trading section.

7.22 BLOCK TRADES

7.22.1 To facilitate the processing of large blocks of securities without causing a substantial effect on price, the Exchange provides special procedures for block transactions.

7.22.2 Block trades are lots of shares with a value exceeding Tshs. 100mln.

7.23 PRE-ARRANGED TRADES

Pre-arranged trades are trades where buyers and sellers have been identified and only require to be matched.

7.24 BLOCK TRADES EXCEEDING MARKET CAPACITY

- 7.24.1** When an LDM receives an order to buy or sell listed securities which in its opinion is of sufficient size to exceed the capacity of the Market and thereby wishes to seek a matching order, it must consult with the Exchange before attempting to create such a matching order.
- 7.24.2** If the Exchange decides that the proposed bargain is of a size to exceed the capacity of the Market, the Exchange may give permission to the member to approach other members to attempt to match the bid/offer in whole or in part, provided always that the member approaches only other members of the Exchange and/or its own clients.
- 7.24.3** The Exchange may, however, taking into consideration the maintenance of an orderly market and the interest of investors, order that such securities be offered for sale pursuant to a public offer by way of prospectus or equivalent offering document.
- 7.24.4** For the purpose of such an offer, and without prejudice to the powers of the Council to require such information as it may consider appropriate in the circumstances, the provisions relating to Listing Particulars under the Listing rules, shall *mutatis mutandis* apply to such prospectus or equivalent offering document.
- 7.24.5** Where irrespective of the market value or volume, the securities offered for sale represent 10% or more of the voting power at a general meeting of the listed company the securities shall be tendered upon publication of a notice of sale by the holder stating the following:-
- (a) A summary of the company's audited accounts
 - (b) Quarterly or semi- annual results where available;
 - (c) A summary of the management and key personnel of the company;
 - (d) The procedure for application or bids and allotment;
 - (e) The costs of the offer for sale;
 - (f) The offer price per share;
 - (g) The opening and closing dates.
 - (h) The details of the resultant proposed block trade must be fair to all clients involved and be so decided by the Exchange.

- (i) The Chief Executive must be given sufficient prior notice in order to be able to advise the members of such a proposed block trade by the close of business of the day before such block trade is to be effected. The advice of the Chief Executive shall include the number of shares and/or the nominal amount of the security and the agreed price.

7.25 PLACING ORDERS

7.25.1 Orders are matched according to fixed rules and execution prices are set.

7.25.2 Price and volume details of all completed transactions are electronically communicated immediately to all the LDMs involved.

7.26 TRADING PHASES

The trading day at the DSE will be divided into following time periods

- | | | |
|---------------------|---|--------------------|
| (a) Pre-open | - | 10.00 |
| (b) Open-Auction | - | 10.30 |
| (c) Regular trading | - | 10.30 – 12.00 noon |
| (d) Close | - | 12.00 noon |

7.27 PRE-OPEN

7.27.1 During the pre-open, orders can be entered or cancelled. However, no trades take place. Orders during this period are held in the DATS but are not executed by the execution engine.

7.27.2 The market status will be displayed as 'PRE-OPEN'.

7.27.3 For traders' information, the pre-opening order quantity imbalance is continuously calculated and disseminated. Each new incoming order and each cancellation results in a recalculation. Price information is not displayed.

7.27.4 No market orders are allowed during pre-open. If submitted they will be rejected.

7.27.5 Orders cannot be placed on the odd lot board during pre-open.

7.27.6 Orders which are entered during pre-open with Fill or Kill (FOK) or Immediate or Cancel (ICC) qualifiers will not be accepted by the system.

7.28 OPEN AUCTION

- 7.28.1** The opening price is the price level at which the greatest number of securities could be executed.
- 7.28.2** In case of a tie between many prices the highest price will be taken as the opening price.
- 7.28.3** All trades will be executed at the same price – the opening price.
- 7.28.4** At open-auction the system executes as many trades as possible at the calculated opening price.
- 7.28.5** Bids and offers do not have to balance in quantity for a successful open auction to occur.
- 7.28.6** Orders at the opening price may remain partially filled or unexecuted due to an imbalance in the bids and offers.
- 7.28.7** If the security does not trade during open-auction the price of the first trade after auction will be its opening price.
- 7.28.8** Odd lot orders are not considered for execution during open-auction.
- 7.28.9** During open-auction the market status will be displayed as 'AUCTION'.
- 7.28.10** Opening Algorithm:
- Step 1:** Establish maximum volume price.
 - Step 2:** Match all possible orders using price and time priority at the opening price.
 - Step 3:** Match from the side of the market with the least orders against the side that fills most of orders above and below the price.
 - Step 4:** Orders at the equilibrium price are satisfied on a pro rata basis as follows:
 - (a) Pro-rating takes place in blocks of 100 units (Normal lot).
 - (b) Orders above 100 units prorated in blocks of 100 units.
 - (c) If demand cannot be met allocation is by time priority.

For debt security pro-rating will take place according to its trading unit which is dependant on its par value.

Step 5: All unmatched orders will be stored in the order book when the market opens. These orders will be stored in price/time priority order with orders of equal price given time priority.

7.28.11 Open Auction Example:

(a) Order Book

- (i) In the *DATS* supply and demand is represented in the form of an order book.
- (ii) This is the compilation of all buy and sells orders on hand for a specific security at a certain point in time.
- (iii) In the middle of the table all possible price increments are shown in descending order

Table 2

| Buy Orders | | | Price (TZS) | Sell Orders | | |
|---------------|--------------|--------------------------|----------------|-------------------------|--------------|-------------|
| Bid | Cumulative | | | Cumulative | | Orders (B) |
| Orders (A) | Per price | From Highest Price | | From Lowest Price | Per Price | |
| 200+400 | 600 | 600 | 101.00 | | | |
| 300 | 300 | 900 | 100.50 | | | |
| 400 | 400 | 1300 | 100.00 | | | |
| 500 | 500 | 1800 | 99.50 | 3800 | 700 | 700 |
| 800+1000 | 900 | 2700 | 99.00 | 3100 | 600 | 200+300+100 |
| 1000 | 1000 | 3700 | 98.50 | 2500 | 600 | 100+200+300 |
| | | | 98.00 | 1900 | 300 | 300 |
| | | | 97.50 | 1600 | 300 | 100+200 |
| | | | 97.00 | 1300 | 1300 | 100+500+700 |

- (iv) The two columns directly beside the price column are decisive.
- (v) Here all the orders from the least favourable prices onwards are accumulated for both sides.
- (vi) On demand side the orders with the highest purchase limits through to the lowest are added continuously.
- (vii) On the supply side, the accumulation starts with the lowest sell price to the highest price.

- (viii) In columns (A) and (B) orders are displayed in sequence of entry (from left to right) at each price level.

(b) Open – Auction

A typical execution sequence for opening using the rules described in 5.28 (iv) Opening algorithm for the example data given in Table 1 above would be as follows:

- (i) The maximum volume price is 99.00 (2700 shares/debentures) {Step 1}
- (ii) The Buy side has the least orders 2700 versus 3100 on the Sell side. {Step 3}
- (iii) 2500 securities which have a better price on the Sell Side than the opening price can be executed first leaving 2700-2500=200 securities to be prorated at the opening price {Step 2}
- (iv) The pro-rating of orders at the opening price will be b100 for s200, and b100 for s300 {Step 4}
- (v) All unexecuted orders will be stored in the order book when the market goes into regular trading {Step 5}

7.29 REGULAR TRADING

7.29.1 Method of Transaction

The criteria for execution during regular trading are as follows:

(a) Price Priority

The highest bid and lowest offer have precedence over all others. Orders are ranked by price sequence in the execution engine.

(b) Time Priority

When bids or offers are at the same price, the earliest one takes priority over those delivered later. Rules for fixing prices and matching orders during regular trading are listed below.

Rule 1

If a new order (either a market or a limit order) matches a limit order in the order book, the price of the limit order initially in the order book limits the transaction price. The order book thus dictates the price.

Rule 2

- (i) If a new limit order matches a market order in the order book, the price of the newly entered limit order becomes the execution price.
- (ii) If there is a limit order on the opposite side of the order book (in addition to the market order) and if this limit is more favourable for the new incoming limit order, the trade between the new limit order and the market order takes place at the favourable price (i.e. the price of the initial limit order).
- (iii) An example: A newly arrived purchase order is at 99.50 is matched to an existing market order. Due to rule 2, the price is 99.50. If a sell order with a price limit of 99.00 were in the order book (in addition to the market order), this price would have been better from the purchaser's point of view than the price of 99.50 and would therefore be the transaction price between the newly arrived purchase order and the existing market order.

Rule 3

- (a) If two market orders are matched, the last traded price becomes the transaction price.
- (b) If there is a limit order on the opposite side of the order book (in addition to the market order) whose price is more favourable for the newly arrived market order than the reference price (last traded price) then the more favourable price is applied for the transaction between the two market orders.
- (c) An example of this: A market sell order arrives. A transaction is done with an existing market order on the purchase side. According to Rule 3(a), the last traded price becomes the transaction price. Let us assume this is 98.00. If besides the market order on the purchase side, a limited order of 98.50 were available, this price would be better than the reference price (TZS 98) from the seller's standpoint. The transaction between the two market orders would therefore be executed at 98.50.

7.29.2 Unexecuted or partially filled orders are placed in the order book.

7.29.3 During Regular Trading the market status will be displayed as "OPEN"

7.29.4 Regular Trading Example

An example of a multi-stage matching process based on a new incoming order is as follows:

Table 3

| | | |
|--|-------|------|
| Security ABC | | |
| Round lot size 100 securities, price increment TZS 0.25 reference price TZS 99 | | |
| Purchase | Price | Sale |

| Number per price | | Number per price |
|------------------|-------|------------------|
| 500 | 88.00 | |
| 200 | 98.50 | |
| | 99.00 | 400 |
| | 99.50 | 200+300 |

- (i) A purchase order for 700 securities at 99.50 arrives. Matching starts with the order to sell 400 securities at 99.00. The price is determined by the sell limit order according to the first rule.
- (ii) 400 securities at 99.00
- (iii) 300 securities remain from the new order. They are matched against the next order – sell 200 securities at 99.50. Since there are two orders at 99.50, they are ranked in order of entry. The order of 200 securities is older. Again the first rule is applicable. Second trade: 200 securities at 99.50.
- (iv) The remaining 100 securities are now matched to the sell order of 300 securities at 99.50. Again the first rule applies.
- (v) Third trade: 100 securities at 99.50.

7.29.5 The newly arrived purchase order (700 at 99.50) is then executed. The order book now looks as follows:

Table 4

| Purchase Number per price | Price | Sale Number per price |
|---|-------|--------------------------|
| 500 | 98.00 | |
| 200 | 98.50 | |
| | 99.50 | 200 |
| Reference price (i.e. last traded price): 99.50 | | |

7.30 ENTERING ORDERS

- 7.30.1** Clients who have accounts with the CDS shall place their orders with the brokers, either directly or through a custodian bank.
- 7.30.2** Orders shall be entered by the brokers through the *DATS* trading terminals, which are then transmitted on-line to the *DATS*.
- 7.30.3** The *DATS* trading terminals may be located in the member firm's offices or at the Trading Floor.
- 7.30.4** The trading terminal performs three functions, display of market data, display of trader's orders and executions, and acceptance of new orders, amendments and cancellation of orders.

7.30.5 The *DATS* acknowledges the receipt of an order, marks it with a time stamp, and checks it for validity. If it is technically valid, processing continues. If not, it is returned with the appropriate comment. No checks apart from those explicitly stated in these rules will be performed on order size or price.

7.30.6 The *DATS* maintains an order book per board, divided into bids and offers.

7.30.7 The prices are determined and orders executed according to specific rules detailed in the *DATS* Rules.

7.31 ORDER LOG BOOK

All buying and selling orders shall be listed in an order log book which at least contains the following information:

- (a) A unique order number;
- (b) The date and time of receipt of the order;
- (c) The type of order (i.e. bid or offer);
- (d) The name or symbol of the listed company;
- (e) The number of shares or debentures to be traded;
- (f) The trading price and any conditions;
- (g) The expiry condition of the order; if any;
- (h) The client ID;
- (i) The financial intermediary code, if applicable.

7.32 TYPES OF ORDERS

There are two types of orders that can be placed in the *DATES*

- (a) Limit orders
- (b) Market orders

7.33 LIMIT ORDERS

This is an order in which the maximum buying price or minimum selling price is specified.

7.34 MARKET ORDERS

- 7.34.1** A market order is defined as an order to buy or sell a security at the best price or prices prevailing in the market at that point in time.
- 7.34.2** To prevent market orders being executed at extreme prices due to the presence of existing orders it is necessary to protect market orders by having a protection price.
- 7.34.3** The “protection price” is calculated by the system every time a market order is placed.
- 7.34.4** The protection price is calculated on a fixed percentage of the ‘touchline’ price.
- 7.34.5** For market buy orders, protection would be applied to the touchline bid price, and for market sell orders protection would be applied to touchline offer price.
- 7.34.6** After attaching the protection price to the market order, the order will be executed similar to any other limit order.
- 7.34.7** Price is given the highest priority in the system. Thus market orders will stand a better chance of execution than limit orders.
- 7.34.8** The balance unexecuted quantity of the order, if any, will be stored in the system for “n” (60) configurable seconds and then cancelled if unexecuted.
- 7.34.9** Market orders do not appear in the normal order book.

7.35 TOUCHLINE

- 7.35.1** The touchline bid is the highest bid price and the touchline offer is the lowest offer price in the market available at that point in time.
- 7.35.2** If bids or offer are unavailable for the day the touchline is defined as the previous closing price.
- 7.35.3** For the first day of trading of an IPO the touchline is defined as the issue price.

Example

Table 4 represents the order book for security ABC

Table 5

| Bid | Price | Offer |
|-----|-------|-------|
| | 100 | 100 |
| | 97.00 | 100 |
| | 95.00 | 300 |

| | | |
|---------|-------|-----|
| | 90.00 | 200 |
| 400 | 88.00 | |
| 100+200 | 87.50 | |
| 300+100 | 87.00 | |

7.35.4 As per the above example, the touchline bid price is TZS 88.00 and the touchline offer price is TZS 90.00

7.36 TICK SIZES AND TOUCHLINES

7.36.1 Orders must be entered within the defined tick sizes as specified by the Exchange.

7.36.2 All trades shall be executed within the touchlines as set by the Exchange.

7.36.3 The Exchange shall have the right to adjust tick sizes and touchlines in the light of market conditions.

7.37 DISCLOSED AND UNDISCLOSED VOLUMES

7.37.1 An order may specify the total share volume and may specify a lesser amount that is disclosed to the market.

7.37.2 A disclosed volume may be entered for an order.

7.37.3 The disclosed volume may not exceed the total volume.

7.37.4 For an order where disclosed volume is not specified, it is implicitly equal to the total volume.

7.37.5 Undisclosed volume amounts are private; they are only seen by the LDM entering the order.

7.37.6 If an order can be filled on initial entry, it will be filled to the extent of the volume of the order.

7.37.7 A partial fill will result in the remaining order volume being posted with the full original disclosed volume provided sufficient volume remains.

7.37.8 The disclosed quantity acts as the roll-in quantity upon the original order entry.

7.37.9 Roll-in quantity cannot be changed except by changing the disclosed quantity.

7.37.10 A change in the disclosed volume will not change the total or remaining volume.

7.37.11 An increase in disclosed volume will cause a new time stamp and change in queue priority.

7.37.12 A decrease in disclosed volume will not cause a new time stamp.

7.37.13 Partial fill diminishes current volume without replenishment from undisclosed volume.

7.37.14 The total disclosed volume must be traded before a new roll-in quantity is brought in.

7.37.15 Once the total disclosed volume is traded, another amount equal to the disclosed volume will be rolled-in with a new effective time stamp.

7.38 PROTECTION PRICE

7.38.1 The protection price is the touchline price plus or minus the allowed percentage variation.

7.38.2 The percentage variation allowed on the touchline price is a configurable percentage applicable to all listed securities. It is set at the discretion of the Exchange and will be made known to LDMs.

7.38.3 The protection price limits the possible price at which market orders can be executed.

7.38.4 For a sell market order the protection price is calculated in the following manner:

$$\text{Protection Price} = \text{Touchline Offer Price} - (\text{Protection \%} \times \text{Touchline Offer Price})$$

7.38.5 For a buy market order the protection price is calculated in the following manner:

$$\text{Protection Price} = \text{Touchline Bid Price} + (\text{Protection \%} \times \text{Touchline Bid Price})$$

7.38.6 Example

(a) Broker X places a market order for buying 1000 securities of security ABC. The touchline while placing the order is TZS 90 (offer) and TZS 88 (bid) – see table 4.

(b) Assume the protection % is 10%. In this case the protection price would be TZS 96.8 i.e. TZS 88 (being the touchline bid price) + [10% x 88 (touchline bid price)].

(c) The order book is:

Table 6

| Price Markers | Price | Offers | |
|---------------------|-------|--------|--------|
| | | Orders | Broker |
| Protection 97 (bid) | 100 | 100 | Z |

| | | | |
|-----------------------|----|-----|---|
| | 97 | 100 | Y |
| | 95 | 300 | B |
| Touch line 90 (offer) | 90 | 200 | A |
| Touch line 88 (bid) | | | |
| Protection 81 (offer) | | | |

(d) Broker X's market order would thus get executed as following:

- (i) 200 @ 90 for A
- (ii) 300 @ 95 for B
- (iii) 100 @ 95 for Y

(e) Since the order for sale from broker Z has a higher price than the protection price, it will not be matched. The balance unexecuted order quantity of 400 securities will remain for 60 seconds with touchline protection. If unexecuted by then it will be cancelled.

7.39 ORDER ATTRIBUTES

7.39.1 Orders can have the following attributes:

- (a) Qualifiers
- (b) Time in force
- (c) Minimum fill quantity
- (d) Disclosed quantity

7.39.2 These attributes can be used by the brokers' to tune the execution strategy of an order to a limited degree.

7.40 ORDER QUALIFIERS

7.40.1 Order qualifiers modify the execution conditions of an order based volume, time and price constraints.

7.40.2 No qualifiers

Orders will be executed at a specified price or better. If a partial execution occurs the remainder will be added to the order book and will remain in the order book till executed, cancelled, or expired.

7.40.3 Fill or Kill (FOK)

Requires the immediate purchase or sale of a specified quantity, at a given price or better. If the whole order cannot be filled immediately, it is killed.

(These orders do not get entered into the order book). FOK orders cannot be entered into the odd lot section or captured by the system during pre-open.

7.40.4 Immediate or Cancel (ICC)

Requires immediate purchase or sale of a specified quantity at a specified price or better for all or part of the order. If no immediate execution occurs the order is cancelled. If an immediate partial execution occurs the remainder is immediately cancelled. IOC orders cannot be entered into the odd lot section or captured by the system during pre-open.

7.40.5 TIME IN FORCE (TIF)

Time in force choices limit the lifetime of an order in the book.

7.40.6 Good till cancelled (GTC)

The order remains valid till cancelled or for 5 market days. Only normal lot orders may contain the time in force GTC.

7.40.7 Good till day (GTD)

The order is cancelled at the end of the specified trading day if unexecuted (maximum 5 days). Only normal lot orders may contain the time in force GTD.

7.40.8 Day order (DAY)

The order is cancelled at the end of the trading day.

7.41 MINIMUM FILL QUANTITY

7.41.1 The system does not allow a minimum fill quantity to be entered for normal lot orders.

7.41.2 However a minimum fill quantity can be specified on odd lot orders. This will enable lot orders to be executed in blocks of minimum fill.

7.42 DISCLOSED QUANTITY

7.42.1 The order size will be revealed as the disclosed quantity and not as the full order quantity.

- 7.42.2** The disclosed quantity will cause the executions to occur in blocks of disclosed quantity.
- 7.42.3** When a block of disclosed quantity is executed the balance order loses its time priority. Disclosed quantities must be greater than 25% of the order size.
- 7.42.4** When the total quantity for an incoming order is matched to an existing order in the order book, the incoming order's undisclosed quantity is ignored as it will not be visible to the market at the time of execution.
- 7.42.5** Orders with a specified disclosed quantity that appear in the order book, and hence have market visibility, will be executed in blocks of disclosed quantity in the manner specified above.

7.43 ALTERATION OF ORDERS (Change Former Order – CFO)

An LDM may change the terms of an order already entered in the trading system in the following manner:

- (a) If the **security** or the **order type** (buy or sell) needs to be changed, the order must be cancelled and re-entered.
- (b) If any of the following changes are effected, a new effective time stamp will be given to the order
 - (i) Change in price
 - (ii) Increase in disclosed volume
- (c) If any of the following changes are effected, the order will keep its original effective time stamp:
 - (i) Decrease in disclosed volume;
 - (ii) Changes in undisclosed volume.

7.44 CANCELLATION OF ORDERS

An order can be cancelled as long as it had not yet been matched. During trading, LDMs can remove groups of orders or all of their orders from the trading system.

7.45 PRIORITY OF ORDERS FOR EXECUTION – QUEUE PRIORITY

- 7.45.1** Orders that cannot be immediately executed are queued for future execution in a specific order based on a queue priority.
- 7.45.2** The factors used to determine the queue priority in order of consideration are:

(a) Price

The price on an order determines its primary priority for execution. An order can be specified with a limit price or a market price. For both buy and sell, the higher priority price is defined as the better price, i.e. a buy order at a higher price will take priority over other buy orders at a lower price and a sell order at a lower price will take priority over other sell orders at a higher price.

(b) Capacity

The capacity of an order determines its secondary priority for execution. At a single limit price, orders of clients (agency orders) will have precedence over those of LDMs and their employees (principal orders).

(c) Time of Entry

The time of entry of an order governs its priority on a First In First Out (FIFO) basis. Orders entered in the *DATS* are given a time stamp noting their actual date and time of entry. At a single capacity band (agency or principal) a limit price, the earliest time of entry take priority in the queue;

- 7.45.3** An order entered prior to the current trading session is given priority in the queue over orders entered during the current trading session;
- 7.45.4** All new orders entered in the current trading session during Pre-Open are considered equal in time priority for the purpose of At the Open (Opening Algorithm);
- 7.45.5** If any portion of an order remains unfilled after the At the Open (Opening Algorithm) its time priority will be based on the actual time of entry during Pre-open.
- 7.45.6** An order that participates in a fill that does not entirely deplete the current disclosed volume (i.e. is partially traded) will retain its effective time of entry and its position in the queue;
- 7.45.7** When undisclosed quantities are included in an order, a new effective time stamp will be given when undisclosed volume is rolled-in to the disclosed volume. Roll-in occurs when disclosed volume is reduced to zero (vide Disclosed and Undisclosed Volumes section);
- 7.45.8** Changing the terms of order may result in a new effective time stamp and may change the relative priority position of the order in the queue. Whether or not a new time stamp is assigned depends on the nature of the change to the order (vide the Alteration of Orders – Change Former Order (CFO) section).

7.46 ORDER VALIDATION

7.46.1 Input orders are validated for correctness prior to forwarding to the *DATS*.

7.46.2 The following validation checks will be on run on an order prior to forwarding it to the *DATS*:

- (a) Valid trading lot size
- (b) Valid security code
- (c) Trading permitted on security (is it de-listed/suspended etc)
- (d) Price difference exceeding n% of the previous closing price will not be accepted
- (e) Price changes for main board and odd lot board are

Table 7

| Stock Price (Shs) | Tick Size (Shs) |
|----------------------|--------------------|
| Less than 200 | 2.5 |
| 200-499 | 5.00 |
| 500-999 | 10.00 |
| 1000 and over | 20.00 |

- (f) Valid client/LDM ID combination
- (g) Volume is within foreign limit rules
- (h) Check with CDS that the seller holds the required number of shares/debentures.

7.46.3 An order that passes the validation checks is accepted by the *DATS*.

7.46.4 Accepted orders will contain an Exchange allocated order ID, which is used for all future references to the order.

7.46.5 If the order fails validation then it is rejected. Until an order has been accepted by the *DATS* it is not valid.

7.47 VALIDITY OF BIDS AND OFFERS

To be valid, an order must specify:

- (a) the name or symbol of the listed security;
- (b) whether the order is to buy or sell;

- (c) the number of shares or stock to be traded;
- (d) explicit instructions regarding the trading price;
- (e) any conditions which must be met prior to the order becoming effective, if any e.g. limit order or market order;
- (f) the underlying client ID on whose behalf the order is being effected; and
- (g) the financial intermediary code, if applicable.

7.48 LOT SIZES

7.48.1 The trading lot size of each listed security is specified by the Exchange.

7.48.2 The following lot sizes are configurable:

(a) Equity

The order size for normal lot orders is 100 shares, or multiples of 100, and is not dependent on the issue price of the shares. Orders which are for less than a 100 shares are executed on the odd lot board. An order for a mixed lot (for e.g. 120 shares) has to be separately entered as normal and odd lot orders.

(b) Debt

The order size for normal lot orders is dependent on the par value of the debenture.

7.49 ORDER EXECUTION

7.49.1 All trades that occur on the exchange are executed by the *DATS*.

7.49.2 When an LDM inputs an order through the *DATS* trading terminal, the order is forwarded to the *DATS*.

7.49.3 Within the *DATS* the state of the order is tracked allowing the current status to be determined and the transaction history from the initial submission to be viewed.

7.49.4 Orders will be queued in price, capacity and time order and are available for modification or cancellation prior to execution.

7.49.5 Orders will be matched according to one of two methods; Open Auction or Regular trading.

7.50 NEW ISSUES PRICE DISCOVERY

Due to large price swings for a new issue, and in order to allow for large premium on IPO's etc price discovery is completely based upon the market rather than issue price.

7.51 ODD LOT TRANSACTIONS

- 7.51.1** Odd lots are listed in a separate order book in price and order of entry.
- 7.51.2** They can only be entered as limit orders.
- 7.51.3** For execution, odd lots are matched against each other using the same rules as for normal lots.
- 7.51.4** Orders that comprise of one or several normal lots and an additional odd lot must be entered as such by the broker as separate orders.
- 7.51.5** Minimum fill can be specified on an odd lot order.
- 7.51.6** Odd lot orders cannot be entered during pre-open.
- 7.51.7** Odd lot orders are not considered for execution during open-auction.
- 7.51.8 Visibility**

The odd lot book will be visible to the whole market.

7.51.9 Statistics

Odd lot executions will not update the indices or the last traded price.

7.52 BLOCK TRADES

7.52.1 Pre-arranged Trades

- (a) Pre-arranged block trades as they are already negotiated trades must be entered with the contra LDM codes.
- (b) Until both sides of the order with corresponding contra LDMs have been entered the block trade is deemed not to have been activated.
- (c) A pre-arranged trade will be entered by both parties specifying the security, client, contra LDM code and price.
- (d) The crossing is deemed to be entered when both parties have completed the entry.
- (e) If the seller does not have an adequate CDS balance the order will be rejected. The order will also be rejected if there is a mismatch in quantity of the two entered orders.

7.52.2 Price determination mechanism

The pre-arranged trades will execute at the entered price.

7.52.3 Amendments

Crossing orders cannot be amended but can be cancelled by the LDMs.

7.52.4 Order life time

Unmatched pre-arranged trades are expired in “n” (15) configurable minutes.

7.52.5 Price constraints

Prearranged trades shall not take place at a price below 5% of the previous closing price.

7.52.6 Trading unit

To be crossed the parcel must be:

- (i) More than 5% of the issued quantity of securities OR
- (ii) Greater than TZS 100,000,000/=.

7.52.7 Visibility

- (a) Orders placed on the crossing board will not be visible in the normal market data displays and hence will not put price pressure on other trading.
- (b) The trade will be displayed as an execution.

7.52.8 Statistics

Prearranged trades will not update the indices and closing price.

7.52.9 Clearing the order Book

Prearranged trades are not required to clear the Order book.

7.52.10 All or None Blocks

- (a) The first AON block bid/offer sets the block size for the auction and must be entered with contra LDM code.

- (b) All subsequent bids and offers will be for this fixed parcel size and do not require contra LDMs. Only the best bid and offer for the AON block is retained.
- (c) No AON blocks of other parcel sizes for the same security will be accepted till the auction is concluded for that security. This transaction follows an announcement from the Exchange of the securities being auctioned and operates for a fixed period of time.
- (d) At the end of the time period the best two orders are matched using the procedure described below.
- (e) AON orders cannot be cancelled or changed. If an order that is worse than a current order is put in then it will be rejected.
- (f) The price determination for AON block trades is as follows:
 - (i) If the buy side is constant and the sell side is bettered then the best sell price is the trade price.
 - (ii) If the sell side is constant and the buy side is bettered then the best buy price is the trade price.
 - (iii) If both sides are as entered the initial price is the execution price.
 - (iv) If a bid is reversed the active side's price is the execution price.

7.52.11 Bidding Constraints

- (a) The bidding constraints will limit the way an AON parcel can be bettered. In all the cases below the parcel size is constant.
- (b) For initial entry both Buy and Sell orders must be entered with the same quantity and prices with appropriate contra LDM code.
- (c) The price must be better for subsequent orders and the contra LDM code is not required.
- (d) Once a side has been bettered then only that side can be bettered, unless the parcel is reversed by the Exchange.
- (e) A client cannot better his own bid/offer already on the order book.

7.52.12 Bidding procedure

- (a) The bidding process starts after the initial bid and offer have been entered on the board.
- (b) The AON parcel will be concluded at 12.00 noon on the 3rd market day.

- (c) The three market days will include the day on which the initial bid and offer are entered on the *DATS*.
- (d) However, if there is widespread interest in the parcel with intense bidding taking place, the Exchange will, at its discretion allow bidding to continue after 12.00 noon.
- (e) In the event, the parcel will be conducted as soon as the bidding stops.
- (f) After 12:00 noon bidding must take place within very short intervals (2-3 minutes from previous bid) and if an interested LDM does not continue with improving their bid within short time intervals, the Exchange will deem the LDM is no longer interested in the parcel.

7.52.13 Amendments

AON Parcels cannot be amended or cancelled by the LDMs.

7.52.14 Order life time

All or None parcels are concluded 3 market days after the initial bid and offer have been entered on the board – at 12.00 noon on the 3rd day.

7.52.15 Price constraints

AON parcels do not have price range constraints and are completely decoupled from all other books.

7.52.16 Trading Unit

To be an all or none block the share quantity must be greater than 5% of the issued quantity or greater than TZS 100,000,000/-=.

7.52.17 Visibility

The AON order book which contains only the best bid and offer is visible to all the brokers. The execution will be reported.

7.52.18 Statistics

AON trades will update only the turnover and the number of securities traded.

7.53 AMENDMENT/CANCELLATION OF ORDERS

7.53.1 Once an order is submitted to the Exchange, it can be required either be cancelled or amended by the LDM if conditions permit.

7.53.2 Cancellation of Orders

- (a) Orders can be cancelled by their respective LDMs at any point prior to execution.
- (b) If partially executed any Un-executed portion, of an order can be cancelled.
- (c) Orders for AON block trades are irrevocable (i.e once an order has been placed it cannot be cancelled or changed except with special permission from the Exchange).
- (d) Pre-arranged block trades allow cancellations only.

7.53.3 Amend Order

- (a) The following fields for an order can be changed prior to execution, or for any unexecuted portion of an order:
 - (i) Price
 - (ii) Volume
- (b) An order amendment will cause an order to lose or gain priority.

7.54 TRADE CANCELLATION

Executed trades can be cancelled with the consent of the Exchange and mutual agreement of both brokers within the settlement period.

7.55 MARKET CLOSE

As the market is in the process of being closed the market status will be displayed as 'CLOSING'. When the market is closed the market status will be displayed as 'CLOSE'.

7.56 CLOSING PRICE

7.56.1 Closing price will be defined as the Volume Weighted Average Price (VWAP) of trades executed during the last one hour of trading of the specified security (please refer Example 1).

7.56.2 If the security does not trade during the last one hour the closing price will be the VWAP calculated for the period of time it has traded (please refer Example 2).

7.56.3 After close of trading, no activity can occur until the pre-opening begins on the next business day.

7.56.4
$$\text{VWAP} = \frac{\text{in total value traded period}}{\text{total volume traded in period}}$$

7.57 DISSEMINATION OF MARKET INFORMATION

The Exchange system provides the means for market participants and investors to gain access to market information on a real time basis.

7.58 TRADING HALTS

7.58.1 Market Halt

- (a) The market can be halted at the discretion of the Exchange during pre-open and regular trading hours.
- (b) During a market halt the market status will be displayed as "HALT".
- (c) The Exchange can subsequently lift the halt on the market and the market will return to the status prior to imposing the halt.

7.58.2 Security Halt

The Exchange may impose a trading halt on a security in the following instances:

- (a) prior to the announcement of any price sensitive information;
- (b) to obtain a clarification from the company on a rumor/report regarding the company which has been brought to the attention of the Exchange;
- (c) when there is unusual movement in price/volume of a security.

7.58.3 Trading in the security will resume as soon as the announcement/clarification from the company is disseminated to the market.

7.58.4 A trading halt may be imposed for a time period during a market day or the halt may extend beyond one day until the company issues a statement to the Exchange for dissemination.

7.58.5 The DSE has set a circuit breaker for individual securities (known as trip percentages). When the price of a security exceeds the trip percentage, trading in the security is automatically halted.

7.59 CONTRACT NOTES

7.59.1 An LDM who transacts sales or purchases of securities on behalf of a client must issue a Contract Note to the client within one business day after the trade.

- 7.59.2** Such a Contract Note must bear the words “Licensed Dealing member of the Dar es Salaam Stock Exchange” and “This contract is issued in accordance with the Rules of the Dar es Salaam Stock Exchange”.
- 7.59.3** The Contract Note will state clearly the name of the security, the price at which the trade was executed, the quantity of the security, the commission charged by the LDM, any other charges and the net amount to pay or receive.
- 7.59.4** It will also state whether the LDM was acting as agent or principal in transacting the business.

7.60 DEPOSITORY UPDATES

- 7.60.1** The CDS will be updated on line, as executions occur.
- 7.60.2** The CDS will be queried for client position when a sell order is submitted.
- 7.60.3** If the client has sufficient shares/debentures, the client’s shadow balance will be deducted with the corresponding amount of securities preventing the client from placing more securities than the client owns on the market.
- 7.60.4** Thus, a client’s shadow balance displays the number of securities of a specified security for which the client has pending sell orders.
- 7.60.5** On execution the balance and shadow balance will be updated to reflect the results of the execution.

7.61 HOLDING QUERY

Member firms have the facility of querying their client’s holding for a specified security from their trading terminals. However, custodian account positions are not visible to brokers.

7.62 BONDS TRADING RULES

The following Rules in addition to the established practices of trading securities at the DSE shall be applicable to trading of LISTED BONDS on the DATS.

7.62.1 LISTED BONDS

- (a) Only listed bonds will be traded on the DATS.
- (b) All transactions of listed bonds must be effected through the DSE (This will be for control purposes and to ascertain that there is only one central price discovering process to avoid any market distortions prevalent in parallel markets).

- (c)
- (d) All transfers of listed bonds must be effected through the DSE CDS.

7.62.2 BONDS TRADING SECTION

All bonds shall be traded on a separate section and may not be mixed with other classes of securities.

7.62.3 TRADING HOURS

Trading sessions for Bonds shall be conducted at the same time as that for equities. No transactions shall be effected before the opening and or after the closing of the market.

7.62.4 AUTHORIZED BOND DEALERS

Only ADRs shall be allowed access the DATS to deal in bonds.

7.62.5 QUOTATIONS BASED ON FLAT OR CLEAN PRICE

- (a) Prices quoted on the boards shall be on the basis of flat or clean price where the quotations shall exclude the accrued interest.
- (b) The buyer shall pay the seller the dirty price.
- (c) The licensed bond dealer must however indicate the accrued interest separately in the client contract note.

7.62.6 VALUE DATE

The value date for bonds transactions will be T+3 and the settlement date will be T+3 by 11.00 a.m.

7.62.7 TRADING EX-COUPON (XC)

- (a) For the purpose of trading bonds, books closure for interest payments will be the seventh calendar day (seventh day inclusive) before the actual bondholders register closure-date by the Bond Registrar.
- (b) Bonds shall be traded ex coupon on the seventh day before the actual bondholders register closure-date.

7.62.8 TRADING EX PRINCIPAL

Redeemable bonds (amortizable bonds) shall be traded ex principal on the seventh day before the principal repayment date as applied under the ex coupon rule.

7.62.9 DELIVERY AND TRANSFER

- (a) Deliveries and transfers for listed bonds shall be effected through the CDS within three days following transactions via a DVP (Delivery Versus Payment) system at the DSE.
- (b) All bonds traded at the DSE shall be deposited into the CDS before the transactions are posted on the DATS. This shall be considered to be a delivery of the securities into the CDS.
- (c) Bond Dealers shall be required to verify ownership with the Bond Registrar as required by the Rules before depositing the securities into the CDS.
- (d) On day T (transaction date) by 3 p.m.
 - (i) The DSE shall send a Trade Confirmation Report to the concerned LDMS for confirmation of traded transactions.
 - (ii) The DSE shall send a copy of the executed Trade Confirmation Report to the Bond Registrar.
- (e) The book entry for effecting the transfer of securities shall be effected within the CDS on T+3 at 11:00 a.m. according to the DSE Rules.
- (f) Immediately after transfers by book entries are effected at the DSE-CDS on T+3 by 11:a.m, a report shall be sent to the Bond Registrar of the bond together with complete sets of transfer forms.
- (g) For Government bonds, the BOT-CDS shall effect a book entry at exactly 11:00 a.m. by debiting the bonds account and crediting the buyers account with the exact volume of securities traded on the basis of instructions from the CDS at the DSE-CDS.

7.62.10 SETTLEMENT: DVP T+3

- (a) (T in "T+3" stands for the transaction date)
- (b) Bonds transactions executed at the DSE shall be settled in a T+3 settlement cycle within the settlement arrangement in place under the existing Rules of the DSE.

7.62.11 OWNERSHIP OF BONDS

- (a) The ownership of a bond together with all its rights in respect of which the transactions was effected passes from the seller(s) to the buyer(s) immediately a transaction is executed on the DATS.
- (b) On the value date the DSE shall effect the necessary entries in the CDS accounts of the clients to reflect the transactions effected during relevant trading session.

7.62.12 ACCRUED INTEREST

- (a) Client contract notes for bonds transactions shall show the amount of accrued interest separately.
- (b) The amount shall be calculated by reference to the rate specified in the security and the number of days which have elapsed from the last payment date up to the settlement day.

7.62.13 MARKET REPORTS PUBLICATION

- (a) The DSE shall prepare and release an official market report for circulation and publication in the press after every trading session.
- (b) The report shall contain the latest prices dealt in each bond and any other information as the DSE may from time to time specify.

CHAPTER EIGHT

8.0 CUSTODY OF SECURITIES AT THE DAR ES SALAAM STOCK EXCHANGE

8.1 GENERAL

- 8.1.1 The CDS of the DSE acts like a bank for securities where various securities are deposited in safe custody to facilitate deliveries for DSE trades.
- 8.1.2 Depository of securities into the CDS is voluntary, save, in cases of Initial Public Offers (IPOs) where Issuing Companies are obliged to deposit and where trading is to take place.
- 8.1.3 By depositing securities into the CDS, the delivery of the securities in settlement of DSE trades can be achieved with entries into the CDS instead of physically exchanging certificates (scrip).
- 8.1.4 The securities deposited into the CDS may be withdrawn or pledged.
- 8.1.5 The Companies Act (Cap.212) requires that the DSE should have Rules for appropriate custody of securities deposited into the CDS and further, such Rules are to be approved by the Authority.

8.2 NATURE OF INTEREST IN CDS ACCOUNTS

- 8.2.1 Securities deposited into the CDS shall be held in custody by the DSE in trust for the beneficial holders.
- 8.2.2 A transfer of securities into the DSE, CDS by a holder shall not convey any transferor's beneficiary interests over the securities deposited.
- 8.2.3 The beneficial owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of his securities held by a depository.

8.3 STRUCTURE OF THE CDS ACCOUNTS

The CDS accounts shall consist of-

- (a) Listed securities which can only be held through Licensed Dealing member;
- (b) Non-listed securities which can be held through both Licensed Dealing Members and non-Licensed Dealing Members CDS Operators.

- (c) Clients of both the Licensed Dealing Members and non-Licensed Dealing Members CDS Operators.

8.4 CRITERIA FOR ADMISSION OF CDS OPERATORS

8.4.1 Authorised CDS Operators who are Licensed Dealing Members

No person shall be qualified for admission to Licensed Dealing Membership of the Exchange unless-

- (a) in possession of a currently valid dealer's or broker's license issued under Part IV of the Capital Markets and Securities Act, 1994;
- (b) has been admitted as an associate member of the Exchange in accordance with the Articles; and
- (c) meets the other qualifications as may be set out by the Council.

8.4.2 Application procedure for LDMS

- (a) An applicant for admission as a LDM shall deliver to the Chief Executive a duly completed application form as shall be prescribed by the Council.
- (b) Upon the decision of the Council that the applicant is qualified and fit and proper for LDM, the applicant shall pay the entrance fee and admission fee for the time being payable within the period stipulated by the Council, and the Council shall admit the license holder to Licensed Dealing Membership.
- (c) As from the date of such payment, the license holder shall be registered as a LDM and be entitled to all the benefits accorded to such members subject to these Rules.
- (d) Should the payment not be made within the prescribed period, the application shall automatically lapse, unless, consequent upon an appeal by the applicant to the Council, the Council directs otherwise.
- (e) Licensed Dealing Membership and Applicants thereto, shall pay the fees and subscriptions as shall be prescribed by the Council.
- (f) No LDM shall (unless this is specially decided by the Council) be entitled to remission of fees and subscriptions on account of absence from Tanzania.

8.4.3 Bank Guarantee

- (a) Every LDM shall furnish the Exchange with a bank guarantee that shall not be less than the amount prescribed by the Council.

- (b) Such bank guarantee shall be free of any charges of encumbrances and shall not count for purposes of a LDM's share capital prescribed by these Rules.
- (c) The Bank Guarantee shall be TZS. 20 million and TZS 10 million for Dealers and brokers respectively.
- (d) An LDM who fails to restore its bank guarantee in accordance with the DSE unless shall not be entitled to trade until the guarantee shall have been restored.

8.4.4 Authorised CDS Operators who are not Licensed Dealing Members

Any application to be Non-LDM CDS Operator shall meet the following criteria:

- (a) No Non-LDM shall be admitted as a CDS Operator without obtaining a written approval of the Council.

(b) Application Procedures

- (i) An application to be Non-LDM CDS Operator shall be made to the Chief Executive (**Appendix 12**);
- (i) The Chief Executive shall place before the Council an application from the applicant as well as recommendations thereof for the decision of the Council which should be final.

(c) Documents to be Submitted With an Application to be Non-LDM CDS Operator

The following documents shall be submitted to the Chief Executive by the applicant to be Non-LDM CDS Operator;

- (i) Letter to the Chief Executive from the applicant's Legal Counsel confirming that the applicant is duly incorporated as a company under the laws;
- (ii) An undertaking that the applicant shall comply with the CDS Rules and conditions that the Council shall deem appropriate (Appendix 12);
- (iii) A certificate of incorporation together with three copies of the applicant's Memorandum and Articles of association;
- (iv) Current business license issued by relevant authorities;
- (v) A confirmation that the applicant has the requisite technical expertise to deal with securities custody (company registrar);

- (vi) A copy of contract relating to custody services/company registrar services between the applicant and its clients;
- (vii) Business history of the applicant for last three years;
- (viii) Copies of the annual report for the last 2 years;
- (ix) A confirmation that the applicant has appropriate safekeeping measures (such as vaults and other security measures) to store securities and other physical records at its end.

(d) Basic Conditions to be Fulfilled by an Applicant

An applicant to be Non-LDM CDS Operator must comply with the following requirements:

- (i) An applicant must be duly incorporated as a company under the laws of Tanzania;
- (ii) Has been admitted as an associate member of the CDS or the Exchange in accordance with the Articles;
- (iii) Posses a valid business license.

(e) Bank Guarantee

- (i) Every Non-LDM CDS Operator shall furnish the Exchange with a bank guarantee that shall not be less than the amount prescribed by the Council. Such bank guarantee shall be free of any charges of encumbrances;
- (ii) A Non-LDM CDS Operator who fails to restore its bank guarantee in accordance with the DSE Rules shall not be entitled to access CDS facilities of the Exchange until the guarantee shall have been restored.

(f) Company Name and Address

- (i) Every Non-LDM CDS Operator shall register with the Exchange the company name under which it carries its business as a CDS Operator and shall give advance notice to the Council of changing the company name so registered.
- (ii) The company name of a Non-LDM CDS Operator registered with the Exchange shall be the same as that registered by such member under the Companies Act.
- (iii) A Non-LDM CDS Operator may register with the Exchange more than one business address held for the purpose of CDS operations.

- (iv) If a Non-LDM CDS Operator registers more than one business address, the CDS Operator shall specify one as its principal business address.

(g) Other Requirements

(i) Requirements of the Council

Prior to an approval to be Non-LDM CDS Operator the Chief Executive must have confirmed to the Council that all requirements of the Council relating to an application to be Non-LDM CDS Operator have been fulfilled by an applicant.

(ii) CDS Fees

An applicant to be Non-LDM CDS Operator shall pay such entry and annual fees as may be laid down by the Council from time to time (**Appendix 13**).

(iii) Timing of Council Approval

Approval of any Non-LDM CDS Operator shall become effective after all procedures and substantive requirements have been complied with and an official notice to that effect has been issued by the Council.

(iv) Suspension

- (i) The Council may at any time and in such circumstances as it deems fit suspend or expel Non-LDM CDS Operator in order to maintain the integrity of the market and/or where there is a serious violation of the Rules.
- (ii) Where Non-LDM CDS Operator has been suspended, the procedures for lifting the suspension will depend on the circumstances and the Council reserves the right to impose such conditions as they consider appropriate.

(v) Expulsion

- (i) The continuation of a suspension for a prolonged period without the Non-LDM CDS Operator taking adequate action to obtain its restoration is likely to lead to the Council expelling the Non-LDM CDS Operator.
- (ii) There may also be cases where the expulsion without suspension intervening, particularly when there is gross violation of the Rules.

(vi) Resolution of Issues

- (i) All matters concerning CDS shall be addressed by a Non-LDM CDS Operator to the Chief Executive provided that when a matter has to be determined by the Council, the CDS Operator may be accompanied by the its representatives and other advisers any of whom may address the Council.
- (ii) The Council reserves the right to limit the number of persons involved in such hearings.

8.5 BASIC INFORMATION IN THE ACCOUNTS

8.5.1 Accounts of both Authorised CDS Operators shall contain the following basic information:

- (a) Name of CDS Operator;
- (b) Address of CDS Operator;
- (c) Nationality;
- (d) Authorised CDS Operator's Code;
- (e) CDS Account Number;
- (f) Banker's Address and Account Number;
- (g) Name(s) of Securities Deposited;
- (h) Securities Code(s);
- (i) Quantities and Description of Securities Held; and
- (j) Amount of Securities Frozen for any reason.

8.5.2 Accounts of clients of Authorised CDS Operators shall contain the following;

- (a) Name of Client;
- (b) Name and Address of CDS Operator;
- (c) Nationality;
- (d) Authorised CDS Operator's Code;
- (e) CDS Account Number;

- (f) Name(s) of Securities Deposited;
- (g) Securities Codes;
- (h) Quantities and Description of Securities Held;
- (i) Amount of Securities Frozen if any; and
- (j) Client's Reference Number which shall be issued by the Authorised CDS Operator.

8.5.3 Accounts held by non-LDMs Authorised CDS Operators shall be applied exclusively for non-trading activities including custody, mortgaging etc. Trading in those securities shall take place only after the securities have been transferred to a Client's Account established through an LDM.

8.5.4 A client who holds a CDS account opened through an Authorised CDS Operator may transfer to another Authorised CDS Operator. In this case, the former account must be closed and a new one opened through a succeeding Authorised CDS Operator.

8.5.5 The transfer procedure shall be as follows:-

- (a) A client shall, in writing inform the current Authorised CDS Operator of his intention to move to another Authorised CDS operator;
- (b) A client shall, in the information letter, instruct that Authorised CDS Operator to transfer a given number of securities from the account operated that Authorised CDS Operator, to the account opened by the succeeding CDS Operator;
- (c) A client shall, while instructing the Authorised CDS Operator, surrender his Depository Receipt issued to him in respect of the securities in question to the CDS Operator for onward transmission to the CDS for cancellation and issuance of new Depository Receipt,
- (d) The Authorised CDS Operator shall, upon receipt of the client's information and instructions write a letter to the CDS directing the CDS to transfer the specified securities to the account opened for that purpose by another Authorised CDS Operator, PROVIDED that the client's instructions are not in defiance of any provisions of the Agreement between the Authorised CDS operator and client.
- (e) Where the Authorised CDS Operator refuses or neglects to authorize the transfer of securities as instructed by the client, the client shall report the matter to the Exchange and the

Exchange shall issue directions on what to be done which shall be final, upon hearing both parties.

- (f) The DSE shall maintain Specimen Signatures of all CDS Account Holders which shall be referred to for verification whenever instructions are made to deal with depository accounts.

8.6 NON LISTED SECURITIES CDS OPERATORS

8.6.1 Council Approval

No non-listed securities shall be deposited in the CDS without a written approval of the Council.

8.6.2 Sponsorship of Application to Deposit Non-Listed Securities

- (a) The Issuer applying to deposit non-listed securities shall appoint an Authorized CDS Operator to sponsor its application.
- (b) The Authorized CDS Operator must ensure that the Council is made aware of all information which should be brought to its attention.
- (c) The Authorized CDS Operator should be responsible for the lodging of any documents that are required to be submitted with the application for depositing non-listed securities.

8.6.3 Application to Deposit Non-Listed Securities

- (a) An application to deposit non-listed securities in the CDS shall be made to the Chief Executive in the form of **Appendix 11**.
- (b) The application shall be accompanied by a letter from the Authorized CDS Operator sponsoring the application;
- (c) The Chief Executive shall place before the Council an application to deposit non-listed securities in the CDS as well as recommendations thereof for the decision of the Council.

8.6.4 Documents to be Submitted With an Application to Deposit Non-Listed Securities

The following documents should be submitted to the Chief Executive by the Sponsoring CDS Operator together with an application to deposit non-listed securities:-

- (a) Letter to the Chief Executive from the company's Counsel confirming that the applicant is duly constituted as required by Rule 4.6(a) of the DSE Rules;

- (b) Letter to the Chief Executive Officer from the Sponsoring CDS Operator confirming that the applicant shall comply with the CDS Rules and conditions that the Council shall deem appropriate;
- (c) Ten copies of the applicant's memorandum and articles of association (and of any alterations which are proposed to be made to them prior to public issue);
- (d) A copy of an approval from the CMSA allowing the Issuer to issue shares to the public.

8.6.5 Basic Condition to be fulfilled by an Applicant

An applicant for depositing non-listed securities in the CDS must comply with the following requirements:

(a) Issuer to be duly constituted

The Issuer must be duly incorporated as a public company under the laws of Tanzania;

(b) Status of the Non-Listed Securities

The securities for which an application to deposit in the CDS is sought must be issued in conformity with the laws of Tanzania;

(c) Distribution of Shares

At least 10% being not less than 500,000 shares of any class of securities must, not later than the time of being approved to be deposited in the CDS, be in the hands of the public (i.e. persons who are not associated with the directors or major shareholders) and the company must have at least 300 shareholders. Provided that exceptionally, a lower percentage and /or a fewer number of shares may be accepted by the Council;

(d) Fully Paid Up Shares

Shares must be fully paid up prior to their approval to be deposited in the CDS, with the exceptions of right issues which shall be fully paid within 3 months of being approved to be deposited;

8.6.6 Other Requirements

(a) Requirements of the Council

Prior to an approval to deposit non-listed securities in the CDS listing becoming effective, the Chief Executive must also have confirmed to the Council that the Registrar of the applicant has been appointed and is situated within Tanzania; \

(b) CDS Fees

An applicant to deposit non-listed securities at the CDS shall pay application and annual CDS fees as may be prescribed by the Council from time to time (See **Appendix 13**).

(c) Continuing Obligations to be Observed

An Issuer approved to deposit non-listed securities in the CDS should undertake to comply with all continuing obligations as well as such requirements as may be determined by the Council from time to time by completing and submitting a Letter of Undertaking annexed as **Appendix 12**.

(d) Suspension

- (i) The Council may at any time and in such circumstances as it deems fit suspend or cancel the CDS custody of non-listed securities in order to maintain the integrity of the market and/or where there is a serious violation of the Rules.
- (ii) Where CDS custody has been suspended, the procedures for lifting the suspension will depend on the circumstances and the Council reserves the right to impose such conditions as they consider appropriate.

(e) Cancellation

- (i) The continuation of a suspension for a prolonged period without the Issuer taking adequate action to obtain restoration of the CDS custody of non-listed securities is likely to lead to the Council canceling the CDS custody for the securities.
- (ii) There may also be cases where the cancellation without suspension intervening, particularly when there is gross violation of the Rules.

(f) Resolution of Issues

- (i) All matters concerning CDS custody of non-listed securities shall be addressed by a Sponsoring CDS Operator to the Chief Executive provided that when a matter has to be determined by the Council, the CDS Operator may be accompanied by the representatives of the Issuer and other advisers any of whom may address the Council. T
- (ii) The Council reserves the right to limit the number of persons involved in such hearings.

8.7 CONFIDENTIALITY

- 8.7.1** The holding of securities in the CDS account is subject to the Confidentiality Rules of the DSE.
- 8.7.2** Authorised CDS Operators through which clients accounts are opened are also under an obligation not to disclose any information on their clients' accounts to third parties without written consent of the clients.

8.8 LEDGER BALANCE REPORT

- 8.8.1** The DSE shall produce and maintain a Ledger Balance Report on all depository client accounts.
- 8.8.2** The Report shall be in the form of a Depository Statement which shall contain the following information;
 - (a) The name of the client;
 - (b) The name and quantity of the securities held;
 - (c) The portion of the client's holdings that may have been mortgaged;
and
 - (d) The balance of securities available for transfer or settlement.
- 8.8.3** The Ledger Balance Report will be available to all account holders through the Authorised CDS Operators on request.

8.9 REGISTER OF SECURITIES HOLDERS

- 8.9.1** The DSE shall maintain and continuously update a register of existing securities holders and net balance of their holdings in the CDS.
- 8.9.2** The DSE shall send updated registers of securities holders to the Issuers (listed companies) on a regular basis or whenever requested.
- 8.9.3** The holders of securities of listed companies who wish to inspect their companies' Registers of Members shall do so by contacting the registered offices of the companies.

8.10 SAFE KEEPING OF SECURITIES/DOCUMENTS AT THE DSE

- 8.10.1** The DSE shall procure and maintain strong fireproof safe cabinets for the safe keeping of clients' securities which are deposited into its custody.
- 8.10.2** The DSE shall establish and maintain a tracking mechanism capable of instantly establishing the location of any security deposited at the DSE or in transit between the DSE and the Issuer or DSE and Authorised CDS Operator.
- 8.10.3** The DSE shall take necessary steps to protect the transmission and storage of data under the CDS. The data shall be protected from unauthorised access, manipulation and destruction.
- 8.10.4** There shall be available a backup of data stored under the CDS at the DSE at an off-site location and the Authorised CDS Operators shall also be required to maintain an off-site backup for all their client's transactions.

8.11 SCHEDULE OF DSE CDS EVENTS

- 8.11.1** Members must ensure that they follow the Schedule of Activities outlined below or as may be changed by the DSE from time to time.
- 8.11.2** Members must comply with the schedule as provided below:

| TIME | REGULAR EVENT |
|-------------|---|
| 08.00 Hours | <ul style="list-style-type: none">• DSE Offices opens |
| 09.00 Hours | <ul style="list-style-type: none">• Securities are deposited and accounts opened by Authorised CDS Operators. Securities to be available for trading on the next business day.• Confirm action of previous day's trades with LDMs. |
| 10.00 Hours | <ul style="list-style-type: none">• Trading Session |
| 11.00 Hours | <ul style="list-style-type: none">• DSE transfers ownership in CDS accounts (5 days previous) |
| 12.00 Hours | <ul style="list-style-type: none">• Trading Session closes |
| 12.40 Hours | <ul style="list-style-type: none">• Market Report Release |
| 12.50 Hours | <ul style="list-style-type: none">• DSE sends confirmed Trade Confirmation Reports |

| | |
|-------------|--|
| | to the LDMs and their Clearing Banks (two days previous) |
| 14.00 Hours | <ul style="list-style-type: none"> • Depository Receipts available from the DSE |
| 15.00 Hours | <ul style="list-style-type: none"> • DSE Transmits Trade Confirmation Report to LDMs • Clearing Banks informs DSE of money movements that have taken place as per DSE instructions |
| 15.30 Hours | <ul style="list-style-type: none"> • DSE receives Withdrawal, Mortgage and Release Request Forms |
| 16.00 Hours | <ul style="list-style-type: none"> • Deadline for receiving Withdrawal, Mortgage or Release Request Forms |

8.12 AUTHORISED DIGNATORIES

8.12.1 DSE shall maintain a register of the signatures of its personnel who are authorised to execute CDS documents.

8.12.2 Authorised CDS Operators shall maintain Registers of signatures of their personnel who are authorised to execute CDS documents and furnish the same to the DSE.

8.13 OPENING CENTRAL DEPOSITORY ACCOUNTS AT THE DSE

8.13.1 General

- (a) All CDS accounts will be opened through Authorised CDS Operators.
- (b) All Authorised CDS Operators shall enter into Agreement(s) with the DSE in respect of their own as well as their clients' securities deposited in the CDS.
- (c) The selling LDMs cannot proceed to the Trading Floor to sell any securities before they have established that their clients have opened CDS accounts into which securities, the subject of a sale order(s), have already been deposited and a CDS Depository Receipt issued.
- (d) The buying LDMs cannot proceed to the Trading Floor to buy any securities before they have established that their clients have opened CDS accounts and cheques deposited by their buying clients have been cleared for payment or cash received.
- (e) The responsibility for the identity of clients and the *bona fide* ownership of their securities lies solely on the LDMs as provided under the Capital

Markets and Securities (Conduct of Business) Regulations and the Rules of the DSE.

8.14 ACCOUNT OPENING PROCEDURES

- 8.14.1** Every client wishing to open a CDS account may approach an Authorised CDS Operator.
- 8.14.2** The Authorised CDS Operator shall provide the client with the CDS Depository Account Application Form .
- 8.14.3** The client will provide personal details to the Authorised CDS Operator by completing and signing the CDS Depository Account Application Form [CDS 1(a) for individuals and CDS 1(b) for Body Corporates] and the Transfer Form TD 1(a) together with the standard Agreement between an Authorised CDS Operator and a client relating to CDS operations.
- 8.14.4** The client shall deliver the respective securities to the Authorised CDS Operator.
- 8.14.5** The Authorised CDS Operator shall open a reference account for the client and provide the client with a receipt acknowledging that securities have been received for custody by the operator.
- 8.14.6** A Client shall enter into an Agreement with the Authorised CDS Operator in respect of securities to be deposited in the CDS.
- 8.14.7** The Authorised CDS Operator shall collect the securities, the signed Transfer Form [TD 1(a)] and present them to the Registrar of the Issuer for verification.
- 8.14.8** The Authorised CDS Operator shall complete a Custody Delivery Confirmation Slip [DSE 2(b)] in duplicate detailing all the documents delivered and present them to the DSE.
- 8.14.9** The documents to be presented to the DSE with the Custody Delivery Confirmation Slip shall include;
- (a) Depository Account Application Form;
 - (b) Certificates for securities;
 - (c) CDS Deposit Request Form [CDS 2(a)] (where certificates are being deposited); and
 - (d) Transfer Form(s) [TD 1(a)] duly signed and verified.
- 8.14.10** Upon the receipt of the Custody Delivery Confirmation Slip and the required documents, the DSE shall endorse a RECEIPT stamp on the Custody Delivery Confirmation Slip and the Deposit Request Form where applicable.

8.14.11 After the RECEIPT stamp has been endorsed by the DSE, the Authorised CDS Operator shall retain a copy of the Custody Delivery Confirmation Slip and CDS Deposit Request Form.

8.14.12 The DSE shall open a CDS Client Account designated by a CDS account number.

8.14.13 The CDS shall issue a Depository Receipt [CDS 2(c)] in the name of the client whose certificates have been deposited and deliver the receipt to the client through the Authorised CDS Operator.

8.14.14 After opening the CDS Client's Account, the DSE shall deliver the respective certificates together with the relevant documents to the company Registrar of the Issuer who shall issue a Block Certificate in the name of the DSE.

8.15 DEPOSIT OF SECURITIES INTO THE CDS DURING IPOs

8.15.1 General

- (a) The CDS performs custodial functions providing for the deposit and transfer of securities deposited therein.
- (b) Securities may be deposited by holders through Authorised CDS Operators as well as by Issuers during Primary Issues (IPOs).
- (c) Listed companies have undertaken that all transfers of securities listed at the DSE will be processed through the Exchange.
- (d) Investors who subscribe for securities of companies during IPOs need to acknowledge and accept that securities allotted to them will be deposited by Issuers directly into the CDS.
- (e) It is recognised that the processing of applications for subscriptions or purchase of shares shall be carried out by Issuers.
- (f) The Issuers will issue application forms and appoint agents for receipt of the forms and accompanying payments.
- (g) The Issuer will allot securities applied for during Primary Issues and make arrangements for their deposit into the CDS of the DSE.
- (h) CDS account holders who have securities deposited by Issuers at the DSE, may, if they wish withdraw those securities for custody of their own choice.

8.15.2 Application Procedure

- (a) Every Issuer which intends to be listed or is listed at the DSE shall in its prospectus, adopt an Application Form which contains a provision to the effect that;

"the (share) certificate shall be transferred into the custody of the DSE Central Depository subject to the several conditions on which the securities shall be issued by the Issuer. This transfer shall not convey any transferor's beneficiary interests over the securities to be deposited at Central Depository of the transferee".

- (b) Every Issuer whose securities have been listed and accepted to be held in the DSE depository shall enter into an agreement with the DSE in respect of the securities to be deposited.
- (c) Every Issuer which intends to be listed or is listed at the DSE shall appoint Authorised CDS Operators who have been approved by the DSE as receiving agents.
- (d) Authorised CDS Operators shall endorse clients' reference numbers to every application form submitted to the Issuers through them for the purpose of facilitating the CDS accounts opening.
- (e) Authorised CDS Operators shall provide applicants with Allotment DSE CDS Specimen Signature forms which shall be duly completed by the applicants and submitted to Issuers together with application forms.
- (f) Allotment of securities pursuant to a Primary Issue is the responsibility of the Issuer.
- (g) After allotment, the Issuer shall transmit to the DSE an Allotment Report in such format as will be prescribed by the DSE.

8.15.3 Opening of CDS Accounts

- (a) Upon receipt of an Allotment Report from the Issuer, the DSE shall open an account for every allottee and deposit therein securities allotted to the allottees.
- (b) After opening accounts for allottees, the DSE shall issue CDS Depository Receipts [Form CDS 2(c)] in the names of the allottees and transmit the receipts to the allottees through designated Authorised CDS Operators.

8.16 STEPS INVOLVED IN PROCESSING A SELL AND A BUY ORDER

8.16.1 Initiation of a Sell Order

- (a) A selling client (securities holder) will approach an LDM who shall provide the client with a Sell Order Form [SO].
- (b) The client shall complete and sign the Sell Order Form [SO] instructing an LDM to sell the securities as directed and simultaneously deliver to the LDM the respective CDS Depository Receipt.
- (c) The client shall complete and sign a CDS Sell Transfer Form [TD 1(d)] instructing the DSE to transfer the securities from the CDS account of the selling to the CDS account of the buying client.
- (d) The Licensed Dealing Member shall verify the securities held in the CDS account of the selling client.

8.16.2 Note:

The selling LDMs cannot proceed to the DSE Trading Floor to sell before they have verified the selling clients' holdings at the CDS.

8.17 EXECUTION OF A SELL ORDER

- 8.17.1** After verification of the selling clients' holdings with the CDS, the selling LDM will proceed and post the order at the Trading Floor.
- 8.17.2** The Sell Order shall be executed in accordance with the Trading Rules and Procedures of the DSE.
- 8.17.3** The selling LDM shall, after a trade is executed, complete and sign a Trading Confirmation Slip [Form DSE 1] in triplicate capturing all the details of the specific transaction.
- 8.17.4** The buying LDM will commit to the transaction by countersigning the same Trading Confirmation Slip.
- 8.17.5** A Trading Confirmation Slip shall bear a number which shall be used by the DSE in the process of effecting transfer of ownership of securities through the CDS.

8.18 INITIAL OF A PURCHASE ORDER

- 8.18.1** A buying client will approach an LDM who shall provide the client with a Purchase Order Form [PO].
- 8.18.2** The client shall complete and sign a Purchase Order Form [PO] instructing the LDM to purchase the securities as directed.
- 8.18.3** The client shall issue a cheque or present cash to the LDM.

- 8.18.4** The client shall sign a Purchase Transfer Form [Form TD 1(b)].
- 8.18.5** The LDM shall issue a receipt evidencing payment and deposit the cheque or cash in a Trust Account.

8.19 EXECUTION OF A PURCHASE ORDER

- 8.19.1** After deposited cash or cheques have been cleared into the Trust Account, the buying LDM shall proceed to the Trading Floor of the DSE and post the order.
- 8.19.2** The buying order will be executed in accordance with the Trading Rules and Procedures of the DSE.
- 8.19.3** The buying LDM shall, after a trade is executed, countersign the Trading Confirmation Slip prepared by the selling LDM.
- 8.19.4** A Trading Confirmation Slip shall bear a number which shall be used by the DSE in the process of crediting the buying clients' account and debiting the selling client's account at the CDS.

8.20 EFFECTING TRANSFER OF OWNERSHIP OF SECURITIES THROUGH THE CDS

- 8.20.1** On T+5 the CDS shall transfer the ownership of traded securities in book entry form by debiting the selling clients' CDS Account and crediting the buying clients' CDS Account with the same volume of the securities traded.
- 8.20.2** The ownership transfer is effected by matching the Sell Transfer Form [Form TD 1(d)] and Purchase Transfer Form [Form TD 1(b)] by using the DSE Trading Confirmation Slip Number as the key matching identity.
- 8.20.3** Where the selling client sells less securities than those held in the clients CDS account, the client shall still own the remaining balance.
- 8.20.4** The Company Registrar shall not issue replacement certificate(s) until notified by the DSE.
- 8.20.5 Note:**
- (a) No transfer forms will be sent to the Company Registrars.
 - (b) All transfers will be undertaken internally through the CDS.
 - (c) Updated registers of all securities holders will be sent to the Company Registrars on a regular basis or at such other times as may be requested by the Issuers.

- (d) The Company Registrars shall be required to provide the DSE with all important dates having a bearing on corporate action which affect the entitlements of CDS accounts holders.

8.21 WITHDRAWING CERTIFICATES FROM THE CDS

8.21.1 General

- (a) In principle, CDS account holders are permitted to withdraw all or part of securities they hold in their accounts.
- (b) However, once a request for withdrawal of securities has been made, no dealings in those securities shall take place.

8.21.2 Withdrawal Procedure

- (a) A client who wishes to withdraw securities from a CDS account shall complete and sign a Withdrawal Request Form[CDS 2(b)] provided by an Authorised CDS Operator.
- (b) The Authorised CDS Operator shall verify that a client who has completed a Withdrawal Request Form holds the respective securities in the relevant account and in sufficient quantities to cover the volume of securities which are the subject of withdrawal.
- (c) A separate Withdrawal Request Form shall be completed for each security to be withdrawn from a CDS account.
- (d) Complete Withdrawal Request Forms and respective Transfer of Shares From DSE Custody Forms [TD 1(e)] duly signed shall be delivered by an Authorised CDS Operator to the DSE between 15.30 and 16.00 hours.
- (e) If there is any error on the Withdrawal Request Form, the DSE will inform the Authorised CDS Operator of the error and instruct the operator to retrieve the Withdrawal Request Form for correction and re-submission.
- (f) Upon receipt of a duly completed Withdrawal Request Form, the DSE shall freeze the CDS account or portion of securities to be withdrawn within the account.
- (g) After freezing a CDS account or a portion of securities applied to be withdrawn in a CDS account, the DSE shall complete the Transfer From DSE Custody Form [TD 1(e)] and present it to the Company Registrar of the Issuer together with the related Block Certificate.

- (h) After receipt of a copy of a Withdrawal Request Form, Transfer From DSE Custody Form and related Block Certificate, the Company Registrar shall within fourteen days issue an adjusted Block Certificate in the name of the DSE less the quantity of securities withdrawn and another certificate for the withdrawn securities in the name of the withdrawing CDS account holder.
- (i) The Company Registrar shall transmit to the DSE the adjusted Block Certificate and the certificate in the name of the CDS account holder to the DSE which shall immediately after receipt of the certificates, debit the CDS account of the withdrawing client and present the certificate in the name of the client to the respective Authorised CDS Operator for onward transmission to the client.
- (j) An Authorised CDS Operator who receives a certificate withdrawn by a client from the CDS shall acknowledge receipt of the certificate by signing a DSE Delivery Confirmation Slip.
- (k) Any error or discrepancy in a certificate shall be immediately reported to the DSE by the Authorised CDS Operator.

8.22 MORTGAGING OF SECURITIES

8.22.1 General

- (a) In principle, deposit of securities to DSE custody does not bar the holder from mortgaging such securities as collateral.
- (b) Where deposited securities are mortgaged as collateral to a lender by a borrower, a borrower is not necessarily required to deliver physical certificate(s) to a lender as the mortgage can be effected through entries in the CDS records.
- (c) Once securities deposited in the DSE have been mortgaged as collateral, they cannot be traded while they are still held as collateral.
- (e) Authorised CDS Operators have a professional duty and responsibility to inform their clients of the nature, implications and risks of a mortgage of securities held in the custody of the DSE Central Depository.

8.22.2 Mortgaging Procedure

- (a) Every investor (borrower) wishing to mortgage securities deposited in the CDS as collateral shall approach an Authorised CDS Operator.

- (b) The Authorised CDS Operator shall provide the investor with the DSE Mortgage Request Form [Form MR 1] and the Mortgage Transfer of Shares Form [TD 1(c)]
- (c) The investor (borrower) shall complete and sign the MR1 form in triplicate and sign the Mortgage Transfer of Shares Form [TD 1(c)].
- (d) The investor (borrower) shall deliver the forms to the lender and obtain the lender's signature.
- (e) After obtaining the lender's signature the borrower shall, through the Authorized CDS Operator, deliver the forms to the DSE for STAMPING.
- (f) The stamped copies shall be distributed to both the borrower and lender through the Authorised CDS Operator.
- (g) The DSE shall make entries to the borrower's depository account to reflect the mortgage.
- (h) After the entries have been made, the mortgage of securities is completed and the securities are segregated within the depository system from the borrower's accounts that are used for settlement of trades.
- (i) During the period in which the collateral is mortgaged the securities cannot be used for settlement by either party (i.e. the borrower as well as lender).
- (j) Authorised CDS Operators shall maintain records of all mortgages effected on securities held in the CDS by their clients.

8.22.3 Entitlement on Mortgaged Securities

The DSE shall ensure that entitlements (dividends, interests, bonus shares, rights etc) on securities mortgaged as collateral shall be transmitted to the borrower as the "owner" of the securities as long as the said securities have not been duly seized by the lender.

8.22.4 Access to Collateral by the Lender

- (a) The lender may seize the securities deposited in the CDS which have been mortgaged as collateral by the borrower by submitting a written request to the DSE.

- (b) A lender shall through an Authorised CDS Operator, submit to the DSE a request to seize the securities mortgaged as collateral which shall consist of:
 - (i) A Mortgage of Shares Transfer Form [TD 1(c)]duly signed in blank by the borrower;
 - (ii) A CDS Depository Account Application Form (if account does not exist); and
 - (iii) A copy of the Mortgage Request Form.
- (c) The DSE shall make entries into the depository account to move the seized collateral to the lender's depository account.
- (d) The DSE shall, through the Authorised CDS Operator, inform the borrower of the seizure of the mortgaged securities.

8.22.5 Mortgage Release

- (a) To release the collateral, the borrower shall complete and sign the DSE Mortgage Release Form (Form MR 2) in triplicate.
- (b) The borrower shall deliver the Mortgage Release Forms [MR 2] to the lender for signature before delivering them to the DSE through the Authorised CDS Operator.
- (c) The Authorised CDS Operator shall, deliver the Mortgage Release Forms to the DSE together with a copy of the Mortgage Request Form that registered the collateral at the CDS.
- (d) The DSE shall make entries in the depository records to release the specified amount of securities mortgaged as collateral back to the borrower's account (i.e. de-segregate them).
- (e) After the entries have been made, the DSE shall deliver, through the Authorised CDS Operator, duly stamped copies of the Mortgage Release Forms (MR 2) to the borrower and lender.
- (f) Upon release of a mortgage a lender shall surrender to the borrower form TD 1(c) originally executed by the borrower to facilitate collateral.

8.23 SETTLEMENT OF DSE TRADES

- 8.23.1** Settlement of a trade involves the delivery of securities against receipt of payment (Delivery Versus Payment).

8.23.2 Trades that are executed through the facilities of the DSE are recorded in a computer system for eventual settlement.

8.23.3 Trades executed at the DSE are settled in a (T+5) settlement cycle.

8.23.4 Settlement of trades at the DSE employs a trade-for-trade settlement mechanism. Each trade is considered separately for settlement. To settle, a selling LDM must have enough securities in his client's DSE depository account. The DSE settlement system will debit the depository account for the sold securities and credit the depository account of the buying client.

8.23.5 As each trade is settled, the DSE system will record the amount of funds owed by the buying LDM and the amount of funds owed to the selling LDM. As each trade is settled, the system will up-date the running net balance for each counterpart.

8.23.6 On T+5, the DSE LDMs' Clearing Banks will either deliver or receive a single net payment to or from counter- parties.

8.23.7 Settlement Procedures

- (a) Each LDM of the DSE shall appoint a bank which maintains a current account at the Bank of Tanzania for purposes of settling transactions executed at the DSE.
- (b) The DSE shall enter the details of trades executed into its computer system and produce a Trade Confirmation Report for each trading session.
- (c) The Trade Confirmation Report shall contain the following details;
 - (i) Trade date;
 - (ii) LDMs identification;
 - (iii) Counterpart's identification;
 - (iv) Security traded;
 - (v) Quantity bought or sold;
 - (vi) Price per security;
 - (vii) Trading Confirmation Slip No.;
 - (viii) Consideration; and
 - (ix) Delivery and settlement date.
- (d) The DSE shall transmit a Trade Confirmation Report to each LDM at 15.00 hours every trading day.
- (e) Each LDM shall carefully review the Trade Confirmation Report to ensure that the details of trades have been captured correctly. Any error shall be communicated to the DSE

immediately and not later than 10.00 hours on the business day following execution of the trade (T+1).

- (f) To effect the trade corrections, an LDM shall adopt the following procedure;
 - (i) Point out and clearly mark any correction on the Trade Confirmation Report;
 - (ii) Attach a Trade Correction Slip duly signed by an authorised person;
 - (iii) Deliver the Trade Correction Slip accompanied by a copy of the corrected Trade Confirmation Report by hand or fax to the DSE not later than 10.00 hours on the business day following execution of the trade (T+1);
 - (iv) Verify that corrections have been made when the DSE sends a notice of correction.
- (g) The DSE shall send a confirmed Trade Report to each Clearing Bank on the second day following execution of a trade (T+2).
- (h) The DSE shall, on the third business day after the trade date, review the settlement report to obtain the net amounts owed between Clearing Banks of the LDMs.
- (i) At 09.00 hours on (T+4), the DSE shall send a confirmed Trade Report to instruct the LDM's Clearing Banks to effect payment transfers between LDMs' Clearing Banks on T+5.
- (j) The LDM's Clearing Bank shall, at 11.00 hours on the settlement date debit or credit the Trust accounts of the LDMs held at the Clearing Banks with a net payment due and net receipt due respectively as per instructions of the DSE.
- (k) At 11.00 hours on settlement date, the DSE shall transfer ownership of securities in its book-entry records by debiting the CDS accounts of the selling clients and crediting the CDS accounts of the buying clients.
- (l) At 15.00 hours on settlement date, the Clearing Bank shall notify the DSE of the money movements that have taken place based on the instructions provided by the DSE.

8.23.8 Failure to Deliver Securities

(a) General

- (i) It is understood that under the DSE Rules selling LDMs cannot proceed to the DSE Trading Floor to sell securities before they have verified their selling clients' holdings at the CDS.
- (ii) However, it is possible that due to negligence, LDMs may not verify the holdings of their selling clients at the CDS and therefore leading to a failure to deliver the required securities on settlement dates.
- (iii) It is therefore necessary that punitive and procedural measures be taken to ensure that LDMs diligently discharge their verification obligations.
- (iv) A buy-in procedure has been installed.

(b) Buy-In Procedure

- (i) If a trade fails to settle on settlement day due to insufficient securities in the CDS account of the seller (failure to deliver), a fine shall be imposed on the LDM who effected the trade and a buy-in will be conducted by the DSE against the defaulting LDM.
- (ii) The DSE shall immediately when available, purchase the necessary quantity of securities from the market at the market price. Where the securities are not readily available, the DSE shall continue to source for such securities from the market during subsequent trading sessions.
- (iii) The LDM against whom the buy-in is conducted shall be responsible to pay all the expenses associated with the buy-in and such other fine(s) as may be prescribed by the Council.
- (iv) The securities purchased by the DSE shall be used to complete the failed settlement.

8.23.9 Failure to Settle (Payment) Trades

(a) General

- (i) It is understood that buying LDMs cannot proceed to the DSE Trading Floor to buy securities before they have received payment from their buying clients.
- (ii) However, it is possible that due to negligence, LDMs may not receive payment from their buying clients and therefore leading to a failure to settle payments for confirmed trades.

- (iii) It is therefore necessary that punitive and procedural measures be taken to ensure that LDMs diligently discharge their payment receipt obligations.
- (iv) A sell-out procedure has been installed.

(b) Sell-Out Procedure

- (i) If an LDM fails to effect payment for bought securities during settlement day, a fine shall be imposed on the LDM who effected the trade and a sell-out will be conducted by the DSE against the defaulting LDM.
- (ii) The DSE shall immediately sell the necessary quantity of securities to the market at the market price. Where the securities are not readily bought, the DSE shall continue to offer such securities to the market during subsequent trading sessions.
- (iii) The LDM against whom the sell-out is conducted shall be responsible to pay all the expenses associated with the sell-out and such other fine(s) as may be prescribed by the Council.
- (iv) The funds obtained by the DSE shall be used to complete the failed settlement.

8.23.10 Backup Arrangements

(A) GENERAL

- (i) It is understood that backup facilities for CDS records are essential to maintain the continuity of activities in case of system failures or other disaster.
- (ii) The DSE as well as Authorised CDS Operators will be obliged to maintain backup facilities.

(b) BACKUP

- (i) The DSE shall maintain an off-site backup of CDS operating system and the records.
- (ii) Authorised CDS Operators shall also maintain in-house backup records of CDS accounts which are within their domain (i.e. for themselves and their clients).

- (iii) The existence of backups by Authorised CDS Operators shall be verified by the DSE from time to time.

8.23.11 LEGAL PROCEEDINGS

(a) General

- (i) It is recognised that disputes relating to securities held in the custody of the DSE may occur.
- (ii) Where such disputes occur, representations may be made by the DSE on the state of CDS accounts at particular times.

(b) Testimony by DSE

In the event of a dispute relating to securities held in the CDS the Chief Executive of the DSE or his designated representative may upon being duly summoned by a Court or Tribunal, appear before such Court or Tribunal and testify as to the state of holdings in the CDS.

CHAPTER NINE

DAR ES SALAAM STOCK EXCHANGE (LISTING OF FOREIGN COMPANIES) RULES, 2003

9.0 Interpretation

In these Rules the following words shall have the meanings thereby assigned;

“Approved stock exchange” means a stock exchange approved under the Capital Markets and Securities Act, 1994.

“Authority” means the Capital Markets and Securities Authority established by the Capital Markets and Securities Act, 1994.

“DSE” means the Dar es Salaam Stock Exchange.

“Foreign company” means a company incorporated outside the United Republic of Tanzania.

9.1 Cross Listing of Securities

9.1.1 A company already admitted to a listing in a recognised stock exchange may, subject to compliance with the listing requirements of the DSE and approval of the Authority apply for a cross listing at the DSE.

9.1.2 An application for cross listing of securities at the DSE shall simultaneously be made to the Chief Executive of the Authority and Chief Executive of the DSE by a sponsoring Licensed Dealing Member of the DSE.

9.1.3 An application for cross listing of securities shall be accompanied by;

- (a) An Information Memorandum containing information prescribed under the Capital Markets and Securities Act, 1994;
- (b) A Letter of No-objection from the stock exchange of primary listing;
- (c) A Letter of No-objection from the capital markets regulatory authority of the country of primary listing; and
- (d) A Legal Opinion by an Advocate practicing in Tanzania.

9.2 Cross Listing Fee

9.2.1 Upon admission to a listing, a cross listed company shall pay a listing fee amounting to 0.1% of the market capitalisation subject to a minimum of one million shillings and maximum of ten million shillings.

9.2.2 For every year during which a listing subsists, a cross listed company shall pay an annual listing fee amounting to 0.05% of the market capitalisation subject to a minimum of two million shillings and a maximum of ten million shillings.

9.3 Continuing Listing Requirements

A cross listed company shall comply with all the continuing listing requirements of the DSE.

9.4 Transactions in Cross Listed Securities.

Transactions in cross listed securities shall be subject to the Clearance, Settlement and Depository Rules of the DSE.

CHAPTER TEN

DAR ES SALAAM STOCK EXCHANGE (FOREIGN INVESTORS) RULES, 2003

10.0 Interpretation

In these Rules the following words shall have the meanings thereby assigned:

“Authority” means the Capital Markets and Securities Authority established by the Capital Markets and Securities Act, 1994.

“Central Depository System” means the Central Depository System installed at the DSE.

“DSE” means the Dar es Salaam Stock Exchange.

“foreign investor” means a person who or a body corporate which intends to acquire or has acquired securities in a listed company and –

- (a) in the case of an individual, means a person who is not a citizen of the United Republic of Tanzania; and
- (b) in the case of a body corporate, means a body corporate in which more than fifty percent of its shareholding is held by-
 - (i) persons who are not citizens of the United Republic of Tanzania; or
 - (ii) body or bodies corporate not incorporated in the United Republic of Tanzania;

10.1 Permission for Investment by Foreign Investors

A foreign investor may subject to the limits prescribed in the Capital Markets and Securities (Foreign Investors) Regulations, 2003, acquire the securities of an issuer in respect of which the issuer is making an application for listing or which are already listed at the DSE.

10.2 Appointment of Custodian

10.2.1 A foreign investor shall prior to the acquisition of securities at the DSE appoint a custodian who is an Authorized CDS Operator.

10.2.2 The custodian shall be responsible for maintaining a record of securities of a respective foreign investor as well as implementing duly received instructions of the investor

10.3 **Deposit of Certificates (Securities) Into the Central Depository System**

- 10.3.1** Where foreign investors acquire securities during an Initial Public Offer or Initial Issue, those securities shall be deposited by the issuer into the Central Depository System of the DSE.
- 10.3.2** Securities acquired by foreign investors during secondary trading at the DSE shall also be deposited into the Central Depository System of the DSE.
- 10.3.3** Upon the entry into force of these Rules, all foreign investors who hold shares in companies listed at the DSE shall deposit those shares into the CDS of the DSE through an Authorised CDS Operator
- 10.3.4** Securities deposited into the Central Depository of the DSE shall be held in accordance with the Central Depository Rules of the DSE.
- 10.3.5** The DSE shall, by the last day of every month furnish to the Authority a report showing details of the holdings of securities by foreign investors as at the last day of that month.
- 10.3.6** A Licensed Dealing Member shall –
- (a) on every application for the securities of an issuer; or
 - (b) on the transfer of the securities of a listed company to an investor,
- declare whether the applicant or the transferee, as the case may be, is a citizen of Tanzania or a foreign investor or, foreign institutional investor.
- 10.3.7** No Licensed Dealing Member shall effect an order for the purchase of securities of a listed company if such purchase will result in a breach of the limits prescribed for foreign investors under these Rules.
- 10.3.8** The DSE shall prepare in respect of each day a report showing-
- (a) the number of securities of each listed company traded on that day: and
 - (b) the number of securities of each listed company then available for purchase by foreign investors, and shall furnish such report to the Authority before the commencement of trade on the next trading day.
- 10.3.9** The DSE shall publish every report prepared under this Rule at its public gallery.

CHAPTER ELEVEN
INVESTOR PROTECTION
FIDELITY FUND

11.0 Preliminary

The Exchange has established a Fidelity Fund which shall be used for the purposes of compensating investors who will suffer pecuniary loss as a result of or in connection with any default by the LDMs.

11.1 Claims

11.1.1 Only an investor may make a claim against the Fund and he shall submit such claim to the Chief Executive of the Exchange.

11.1.2 Such claim shall be confined to loss or misappropriation by the LDM of cash or securities held by such a firm on behalf of the investor in connection with, arising out of, or in contemplation of transactions in securities listed on the Exchange where-

- (a) it is established that an investor has made a claim in writing to his LDM by registered letter and this has not been satisfied within a maximum period of two (2) weeks from submission of the claim;
- (b) upon receipt of a claim the Chief Executive shall ask the claimant to fill in an Application for Declaration of Default. The Chief Executive shall submit such application to the Council.

11.1.3 The Council shall cause a copy of the Application for Declaration of Default to be served on the LDM at its registered place of business. The respondent shall have a right to answer in writing to the facts alleged in the said application within seven (7) days from the date of service of the application and shall cause a copy of such answer to be served on the Council.

11.1.4 On expiry of the period aforementioned the DSE Management shall file the Application with the Council together with any relevant documents.

11.2 Declaration of Default

11.2.1 The Council may, upon an Application for a Declaration of Default by an investor, declare the LDM to be in default if the firm-

- (a) is guilty of any negligent act, error, omission or breach of professional duty; or

- (b) is guilty of any dishonest or fraudulent act or omission perpetrated with the manifest intent to cause an investor to sustain a pecuniary loss; or
- (c) has suspended payment of monies or outstanding balances due to investor or clients as required.

11.2.2 Subject to the rules of Natural Justice, the Council shall regulate its procedures in determining a Declaration of Default.

11.2.3 A declaration of Default shall be effective as from the day it is given in the decision of the Council, which shall therein premise the reasons leading to its deliberation.

11.2.4 The Council shall convey its deliberations to the DSE Management and the DSE Management shall take the appropriate disciplinary action it deems necessary as per the Council's directive(s).

11.3 Default Notice

The Chief Executive shall post a copy of the Default Notice on the Notice Board of the Exchange forthwith and shall serve such Default Notice on the LDM in default.

11.4 Application for Compensation

11.4.1 Investors who consider that they may be entitled to make a claim for compensation under these Rules shall complete the Application for Compensation Form and submit it to the DSE without delay but not later than four (4) months from the date of issue of the Default Notice.

11.4.2 Each Application for Compensation shall be submitted to the Disciplinary Committee for its deliberations.

11.5 Exclusion from Compensation

11.5.1 A Claim for Compensation shall not be considered if the investor is adequately protected in respect of his loss under any other existing compensation or insurance scheme and the Council may postpone its decision in relation to a claim for compensation until the amount payable under such other scheme is determined.

11.5.2 The following may constitute grounds for rejecting an Application for Compensation from an investor, but this list is not intended to be exhaustive;

- (a) if the investor has contributed in any way to the financial difficulties of the firm in default; or
- (b) if the application is found to contain any inaccuracy or omission, unless this is clearly immaterial or is shown by the investor to be wholly innocent; or

- (c) where, in the opinion of the Council, the investor has so conducted himself in his dealings with LDM in default, as to be in breach of applicable law or regulations, including these Rules.

11.6 Limit of Compensation

- 11.6.1** The amount which may be paid out to an investor shall be 80% in respect of all claims which have been made by the investor subject to a maximum of Tshs._____ provided that the total compensation paid from the Fund in any one year shall not exceed 50% of the balance available in the Fund.
- 11.6.2** Subject to the above limits the Council shall have absolute discretion to determine the amount of any payment which it may make by way of compensation and may authorise that compensation in the form of cash or securities as it may deem necessary.

11.7 Reduced or Interim Payments

- 11.7.1** Where the Council is satisfied that in principle, compensation is payable but considers that immediate payment in full would not be prudent, having regard to other applications for grant of compensation made or likely to be made or to any uncertainty as to the amount of the investor's overall net claim, it may determine to pay an appropriate lesser sum in final settlement or to make a payment on account.
- 11.7.2** A payment on account shall be treated as the payment of a compensation sum and shall not inhibit the Council from making a determination in respect of any balance.
- 11.7.3** The Council may also determine to make a payment on account or to pay a lesser sum where the investor has a prospect of recovery in respect of the claim from any third party or through an application for compensation to any other person.

11.8 Assignment of Rights

- 11.8.1** As a pre-condition to receiving compensation from the Fund under these Rules, the investor seeking compensation shall be required to transfer to the Exchange his claim against the LDM in default.
- 11.8.2** The investor will be required to subrogate his rights to the Exchange, to the extent that the claim has been satisfied under these Rules.
- 11.8.3** Investors, will therefore, be required to sign such documentation as may be necessary to effect this assignment and to confirm that they have not received any payment from any other scheme or from the LDM in default since making the claim and prior to any payment being made to such investor under these Rules.

11.9 Powers of the Council

- 11.9.1** The Council shall hold, manage and apply monies of the Fund in accordance with these Rules, although the express powers given do not restrict its general powers of management.

11.9.2 The monies available in the Fund shall be invested from time to time as the Council directs, having regard to the need for prudence.

11.9.3 The Council may borrow money or otherwise incur indebtedness for the purpose of the fund, in any way and in any terms it thinks fit, provided that such borrowings do not exceed the net asset value of the Fund.

11.10 Revenue of the Fund

The revenue of the Fund shall consist of:

- (a) all monies paid to the Exchange by member companies and member firms;
- (b) the interest and profits accruing from the investment of the Fund;
- (c) all monies paid to the Fund by the Exchange;
- (d) all monies recovered by or on behalf of the Exchange in the exercise of any rights of action;
- (e) all monies paid by an Insurer under a contract of insurance or indemnity entered by the Council of the Exchange under Section 103 of the Capital Markets and Securities Act, 1994;
- (f) all other monies lawfully paid into the Fund.

11.11 Payment out of the Fund

The payments out of the Fund shall consist of;

- (a) monies as determined and directed by the Council to be paid in settlement of the investor/s justified claims; and
- (b) any administrative expenses.

11.12 Records

The Council shall cause proper records to be kept in respect of the transactions of the Fund.

11.13 Cooperation with the Council and Disciplinary Committee

The LDM shall cooperate with the Council and Disciplinary Committee in making available all information, books and documents and shall otherwise render all such assistants as is necessary or desirable to assist the Disciplinary Committee to perform these functions under these Rules.

CHAPTER TWELVE

SECURITIES MARKET INDICES

12.0 INTRODUCTION

Securities indices are important statistical tools that enable portfolio managers and other investors to measure their portfolio's performance against a commonly used yardstick within the stock market.

12.1 DEFINITION

An index is a statistical measurement of the performance of a particular group of securities, using a clearly defined set of rules that makes them comparable regardless of the market conditions. It measures the movement of securities prices on hourly, daily, weekly, monthly, quarterly and yearly basis as desired.

12.2 BENEFITS OF SECURITIES INDICES INCLUDE:

- (i) **Summarizes the entire market**
An Index is usually composed of companies from all sectors of the economy. The index provides an easy way to quantify the performance of the stock exchange and economy as a whole. It is used as a benchmark by investment advisors and individual investors to compare the results of various investment strategies versus a buy and hold strategy.
- (ii) **Allows for a self-regulating market**
Arbitrageurs can easily identify any price discrepancies in the market and correct the market to ensure prices are accurate.
- (iii) **Leading Indicator**
Stock prices are equivalent to the present value of future cash flows. If future cash flows are expected to change (increase or decrease) the index will reflect these expectations.
- (iv) **Marketing Instrument**
Outside investors can compare the performance of the exchanges' index to other indices around the world. A strong return will increase public awareness, and foreign investment on the exchange.

12.3 INDEX MANAGEMENT COMMITTEE

- (i) There shall be an Index Management Committee composed of market participants to manage the process of building indices. The composition of this committee shall be

structured in such a way that it represents the Exchange, Fund Managers, Practitioners, Academicians and Stockbrokers. The Committee's mandate is to ensure that the management and ongoing operation of the index is independent and transparent.

- (ii) The Exchange shall, through the Index Management Committee develop its indices as it deems fit.
- (iii) The CMSA shall have access to all the information of the Index Management Committee.

12.4 DUTIES AND RESPONSIBILITIES OF THE INDEX MANAGEMENT COMMITTEE

The duties and responsibilities of the Index Management Committee shall include:

- (i) To establish the criteria and procedures for selection of the constituents of the DSE Indices.
- (ii) To determine the base year period and value of the indices.
- (iii) To formulate a scientific and transparent methodology of indices calculation.
- (iv) To review, monitor and maintain periodically the new indices.
- (v) To consider the development of sector indices.

12.5 PERIODIC REVIEW OF INDICES CONSTITUENTS

- (a) The Committee shall meet semi-annually or any time as the circumstances may demand, to review the constituents of the indices. The constituent reviews will be based on data collected. Details of the outcome of the review shall be published as soon as possible after the Index Management Committee meeting has concluded.
- (b) The periodic review of constituents will be conducted using the following steps:
 - (i) Create database of all securities listed on the Dar es Salaam Stock Exchange;
 - (ii) Apply all liquidity tests set out in these Rules;
 - (iii) Exclude securities which do not fulfil criteria set out in the Rules;
 - (iv) Rank all eligible securities by market capitalisation, largest first and smallest last;
 - (v) Where a greater number of securities qualify to be included in the index than those qualifying to be removed, the lowest ranking securities presently included in the index will be removed to ensure that the number of securities remains constant. Likewise, where a greater number of securities qualify to be removed from the index than those qualifying for inclusion, the highest ranking securities which are presently not in the index will be included to match the number of securities being removed at the periodic review.

- (vi) Adjust share weightings for availability to all investors.

12.6 CHANGES TO CONSTITUENT COMPANIES

(a) Removal and Replacement

- (i) If a constituent is de-listed, or ceases to have a firm quotation, or is subject to a takeover offer which has been declared wholly unconditional or has, in the opinion of the Index Management Committee, ceased to be a viable constituent as defined by the Rules, it will be removed from the list of constituents and replaced by the reserve list security ranking highest by full market capitalisation as at close of business on the day preceding the inclusion of the replacement security.
- (ii) The removal and replacement are effected simultaneously, before the start of business on the day following the day on which the event justifying removal was announced. Announcement after close of business are normally deemed to be made on the following business day. In the case of a takeover, the qualifying event is an announcement that the offer has been declared wholly unconditional.

(b) Mergers, Restructuring and Complex Takeovers

- (i) If the effect of a merger or takeover is that one constituent is absorbed by another constituent the resulting company will remain a constituent of the Index, and a vacancy will be created. This vacancy will be filled by selecting the highest ranking security from the reserve list as at close of business on the day preceding the inclusion on the replacement security.
- (ii) If a constituent company is taken over by a non-constituent company, the original constituent will be removed and replaced by the merged entity. In the event that the merged entity is ineligible for the DSECI, it will be replaced by the highest ranking security from the reserve list as at close of business on the day preceding the removal of the original constituent.
- (iii) If a constituent company is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents if their market capitalisation(s) are large enough to qualify, and if they qualify in all other respects. The lowest ranking constituent of the index is removed.

(c) New Issues

- (i) If, in the view of the Index Management Committee, a new issue is so large that the effectiveness of the index as a market indicator would be significantly and adversely affected by its omission, the Committee may decide to include the new issue as a constituent of the index at the earliest practicable opportunity. In such a case, the timing of the inclusion of the new constituent will be at the discretion of the Index Management Committee.
- (ii) New issues of companies which do not qualify for early entry but which meet the criteria for eligible securities will be eligible for inclusion in the next review.

- (iii) If the Index Management Committee decides to include a new issue as a constituent security other than as part of the normal periodic review procedure, this decision must be publicly announced at the earliest practicable time.

(d) Suspension of Dealing

Where a suspension of a constituent lasts for more than 30 calendar days and in the opinion of the Index Management Committee is unlikely to return to the market, it will be deleted from the index. When a stock is otherwise removed following suspension of its quote, the stock will be removed at its suspension price unless otherwise decided by the Committee.

(e) Treatment of re-listing companies

- (i) Securities which were removed from the DSECI shares index, which on re-listing are larger than the smallest constituent of the index, shall be re-instated in the index at the price at which they were removed and the lowest ranking constituent of the index will be selected for removal. The addition and deletion of stocks occur simultaneously, such that there are always 20 constituent companies.
- (ii) Securities which on re-listing are smaller than the smallest constituent of the index, shall then be re-instated in the same index at the price at which they were removed after the close of the index calculation on the trading day prior to re-listing.

12.7 CHANGES TO CONSTITUENT WEIGHTINGS

- (i) Adjustments to reflect a major change in the amount or structure of a constituent company's issued capital must be made before the start of business on the day on which the change takes effect (e.g. the Ex Date for a rights or capitalisation issue).
- (ii) Adjustments to reflect less significant changes (e.g. the issue of an additional block of shares under an employees' equity scheme) would be implemented as soon as possible following the announcement of the change.

APPENDIX 1

FEES STRUCTURE

Equities

| Consideration | Brokerage Commission | Transaction Fee | Fidelity Fee | Total Cost to Investor |
|-----------------------------|----------------------|-----------------|--------------|------------------------|
| On the first Tshs. 10m | 1.70 | 0.28 | 0.02 | 2.00 |
| On the next Tshs. 40m. | 1.50 | 0.28 | 0.02 | 1.80 |
| On any sum above Tshs. 50m. | 0.80 | 0.28 | 0.02 | 1.10% |

Minimum commission = 1,000/=

Bonds

| Transaction size | Applicable Commission |
|--|-----------------------|
| Up to Tshs. 40m. | 1/16% |
| On any additional | 1/32% |
| Amount exceeding Tshs. 40m. Minimum commission | Tshs. 5,000/= |

APPENDIX 2

APPLICATION FOR LISTING OF SECURITIES AT THE DAR ES SALAAM STOCK EXCHANGE

.....
(Name of Company)

Hereby applies for the listing of the following securities at the Dar es Salaam Stock Exchange (hereinafter called "the Exchange");

.....
1. The Company was established in (country)

.....
Under (Law)on (date).....

Issued with incorporation certificate number (if any)
.....

2. Address of the registered office
.....
.....

3. Address of each office at which a Shareholders' Register is kept
.....
.....
.....

4. Has application been made for listing on any Stock Exchange?
.....
.....

(if so, what is the Exchange (s) and the result)
.....
.....

5. Have Certificates been issued and posted to all holders of securities of which listing is requested?

.....
.....

(if not, state proposed date

issue).....

6. **AUTHORISED CAPITAL**

(show separately the number and denomination of each class of shares)

.....
.....
.....

7. **ISSUED CAPITAL**

(show separately any different classes of shares, the amount paid up on each class, and the dividend and voting rights attaching to each class)

.....
.....
.

How many forfeited shares (if any) does the company hold?

.....

Was there any agreement with the company by the vendors or promoters that the whole or part of any cash consideration should be used for the purpose of applying for shares?

.....

(if so, give details, and state the number involved).....

.....
.....

8. **PARTICIPATION RIGHTS**

Have any rights been granted to any person or to any class of persons to participate in any issue? (if so, give particulars)

.....
.....

9. Last day of Financial Year.....

- 10. Month in which Annual General Meeting is usually held.....
- 11. Month(s) in which Dividend (s) is (are) usually paid.....
- 12. Full list of shareholders and their holdings as at the date of application.
- 13. Details of Directors' interests in shares or debentures of the company.
- 13. (Give a brief history of the company, or if applicable, the Company Group and details of issues by the Company of securities of all classes in the last five years, indicating issues for consideration other than cash.

.....

14. BUSINESS

(State the main business , the main products produced or service performed, whether a material part of the business is dependent upon patents, trade marks, assets or rights of a similar nature and if the Company or Group carries on differing operations, a statement showing the contributions (figure or percentage) of such differing operations to its trading results to be supplied.

.....

15. PROSPECTS

(Give Director's estimate of profits from each class of business during the trading year and any dividends they expect to pay therefrom. Also state any factors known to the Directors which may affect profits in the long term).

.....

16. SUBSIDIARIES AND ASSOCIATES*

(Give a list of all subsidiaries stating in each case, the name, nature of business and percentage holding. Similar details should be provided for every other company in which the company hold more than ten percent of the ordinary share capital).

.....

17. OFFICES*

(List Managing Director , the Manager and the Secretary. State the duration of the appointment of any Director not subject to retirement by rotation. State if any Director is entitled to any participation in profits, and if so , the extent thereof).

.....
.....
.

18. ACCOMPANYING DOCUMENTS

- (a) Evidence of approval by the Capital Markets and Securities Authority of the prospectus and application for listing.
- (b) Copies of all contracts referred to in the prospectus, etc including underwriting agreement (if any) and /or the sponsorship agreement between the issuer and the Nominated Advisor in case of applicants for listing on the Enterprise Growth Market.
- (c) Memorandum and Articles of Association. The MEMARTS should contain provisions(s) relating to observance of good corporate governance principles as per the guidelines on the same issued by the Authority.
- (d) Specimen certificate for each class of security to be listed
- (e) Annual accounts for the three latest years, except to the extent that they are reflected in a prospectus or memorandum of sale . In case a company applying for listing has no track record, it should show evidence as to the appointment of Audit Committee.
- (f) Copies of all prospectuses and memoranda of sale issued in the last three years.
- (g) Letter of Undertaking.
- (h) Application and Listing Fees.
- (i) Letter of undertaking by Nominated Advisor as per format and content provided under Appendix 17 to these Rules.

1 The Common Seal of the Company is hereunto affixed in the presence of :

2 Director

3 Director/Secretary

4 Date

5 * if a prospectus is to accompany this application, please ignore these sections.

6 + if a company has traded for less than three years, accounts since incorporation should be submitted.

APPENDIX 3

**LETTER OF UNDERTAKING TO COMPLY WITH LISTING
REQUIREMENTS OF THE DAR ES SALAAM STOCK EXCHANGE**

The Chief Executive Officer

Dar es Salaam Stock Exchange Limited,

P.O. Box 70081

DAR ES SALAAM

.....

(Name of Company)

In consideration of the Dar es Salaam Stock Exchange ("the Exchange") granting the Company's application for the listing of securities described in the Company's form of Application HEREBY UNDERTAKE AND AGREE to comply with the continuing obligations of listing on the Exchange set out in the Annex to this Undertaking, as amended or supplemented from time to time by the listing Rules of the Exchange.

The above Undertaking has been signed by us;

As.....(Director

(NAME)

.....

(Secretary)

(NAME)

Pursuant to authority granted to us by Resolution of the Board of Directors of the Company on.....

Date

Signature.....Director

Date

Signature.....Secretary

APPENDIX 4

CONTINUING OBLIGATIONS OF LISTING

- 1.0** The Company shall advise the Exchange by written statement delivered by hand or Fax transmission in accordance with Exchange procedures immediately a decision has been taken on any of the following matters :-
- 1.1 All dividends and/or cash bonuses recommended or declared together with the dates of closure of register and dates of payment of such dividends or cash bonuses
 - 1.2 The decision to pass any dividend or interest payment.
 - 1.3 The financial results for the financial year and the first six months of each financial year (interim report) - such results are required to be announced within three months of the end of the period concerned but are not required to be audited - the format and contents of such announcements are to be in accordance with guidelines issued by the Exchange (see Attachment 1 to this annex).
 - 1.4 Short particulars of any of new capital whether to be issued as capitalization or by way of rights to shareholders.
 - 1.5 Any changes in the Directorate, the Secretary, Auditors and Legal Advisors and the date of the financial year end.
 - 1.6 Any sale or purchase of assets which could materially alter the company's business or capital structure.
 - 1.7 Any other information necessary to enable the shareholders to appraise the position of the company and to avoid the establishment of a false market in the listed securities.

Such information should not be passed by the company to any third party until it has been released to the market by the Exchange.

- 2.0** The Company shall forward to the Exchange as soon as issued:

- 2.1 11 copies of the Annual Report and Accounts.
- 2.2 11 copies of half yearly interim statement.
- 2.3 11 copies of all Resolutions increasing the capital and all notices relating to further issues of capital or any other circular.
- 2.4 11 copies of the Chairman's speech.

- 3.0** The Company shall pay a quotation fee within 30 days of quotation being granted in respect of every application for a quotation of bonus, rights or other issues by the Company. We further agree to pay an annual quotation fee based on the quoted capital of the Company on 1st July, of every calendar year.

4.0 We agree to recognize and register only those transfers of the quoted shares where the transactions have gone through one of the members of the Dar es Salaam Stock Exchange.

5.0 The Company agrees: -

5.1 To declare dividends and announce bonus or rights issues not less than three weeks prior to the first date on which the Registers are to be closed for determining the shares of pari passu with the exception of the dividend declared at the time of making the issue or the next dividend.

5.2 To apply prior to issue for quotation in respect of all bonus or rights issues or other allotments even where the new shares rank pari passu with existing quoted shares or pari passu with exception of the dividend declared at the time of making the issue or the next dividend.

6.0 The Company agrees in relation to its listed Securities: -

6.1 To maintain its register of shareholders on the CDs operated by the DSE in accordance with the DSE Rules as maybe amended from time to time by the Council. For transfers to be certified against certificates or against temporary documents and to be returned on the day of receipt or, should that not be a business day, on the first business day following their receipt, and split and return renounceable documents within the same period.

6.2 To provide the rights and benefits of shareholders in the Company, as set out in the Memorandum and Articles of the Company to all those who are recorded in the Central Depository System as the beneficial owners of shares in the Company.

7.0 The Company agrees that: -

7.1 All circulars to holders of listed securities together with notices of meetings, proxy forms and notices by advertisement to holders of listed bearer securities will be submitted to the Exchange in draft form for approval before they are published. Drafts of any proposed amendment to the Company's Memorandum and Articles of Association or equivalent documents will be submitted to the Exchange (but in the case of listed debt securities, this is only required where the amendment would affect the rights of the holders of such securities.)

7.2 Draft documents should be submitted through the Company's Sponsoring Member and not by the company direct. Four copies of each document are required, which should be submitted in sufficient time for approval and, if necessary, re-submission prior to final printing.

7.3 It is not necessary to submit draft of the annual accounts nor, if the business of the meeting is only the routine business of an annual general meeting, the notice convening the annual general meeting of the related form of proxy. It is not necessary to submit a draft of a half-yearly report or preliminary profit statement so long as it conforms with Exchange Guidelines.

7.4 Changes to articles of association must conform with the requirements of **Appendix 6** to the listing Rules.

7.5 Whenever shareholders are sent a notice of meeting which includes any business, other than routine business at an annual general meeting, an explanatory circular will accompany the notice or, if the business is to be considered at or on the same day as an annual general

meeting, an explanation will be incorporated in the Directors' Report. An explanatory circular will also accompany any notice of meeting sent to holders of listed debt securities.

- 7.6** The company will forward to the Chief Executive six copies of all circulars, notices, reports, announcements or other documents at the same time as they are issued and four copies of all Resolutions passed by the company other than Resolutions concerning routine business at an annual general meeting.
- 7.7** The Company will send proxy forms, with provision for two-way voting on all Resolutions intended to be proposed, with the notice convening a meeting of holders of listed securities to all persons entitled to vote at the meeting.
- 7.8** Copies of all Directors' service contracts of more than one year's duration or, where any such contract is not reduced to writing, a Memorandum of the terms thereof, must be made available for inspection at the registered office of transfer office during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of the notice convening the annual general meeting until the date of the meeting and made available for inspection at the place of meeting for at least 15 minutes prior to the meeting and at the meeting. The company must state in a note to the notice convening the annual general meeting the place and time at which copies or, as the case may be, memoranda of all such service contracts will be available for inspection or, if so, that there are no such contracts.
- 7.9** Any information which is notified to the company in respect of the interests (or changes in such interests), including options, whether or not held through another party (corporate or otherwise), of each Director, including his spouse and children under the age of 18 years in, and, so far as is known to the company, or each holder of 5% or more of , the share capital of the company, must immediately be notified to the Exchange. The notification to the Exchange must include the date on which the transaction amount and class of securities concerned.
- 8.0** A company must ensure that each of its Directors is obliged to notify it of all information needed to comply with this requirement.
- 9.0** The company must adopt rules governing dealing by Directors in the listed securities of the company in terms not less than those of the model code issued by the Exchange.

10.0 Note:

Breach by a Director of a provision of the model code(or of any legislation concerning insider dealing) could result in the Council ruling that the Director is not a fit person to be a Director of a listed company and could affect the suitability of the company for continued listing.

ATTACHMENT 1

GUIDELINES ON HALF –YEARLY REPORTS AND PRELIMINARY PROFITS STATEMENTS OF THE FULL YEAR.

1. The half –year report of preliminary profits statement of the full year must consist of figures and, in the case of the half-yearly report, an explanatory statement relating to the group's activities and profit or loss during the relevant period.
2. The figures, in table form, must state at least the following:-
 - a) net turnover;
 - b) profit or loss before taxation and extraordinary items;
 - c) taxation on profits (Government taxation and , if material, overseas and share of associated companies to be shown separately);
 - d) minority interests;
 - e) profit or loss attributable to shareholders, before extra-ordinary items;
 - f) extraordinary items (net of taxation);
 - g) profit or loss attributable to shareholders;
 - h) rates of dividend(s) paid and proposed and amount absorbed thereby;
 - i) earnings per share expressed as Tshs. Per share (compared on the figures shown for profits after taxation as defined in International accounting Standards);
 - j) Balance sheet
 - k) comparative figures in respect of (a) to (j) inclusive for the corresponding previous period.

Notes:

- i) Where any of the items specified above are unsuited to the company's activities, appropriate adjustments should be made. Where the requirements of this paragraph are unsuitable to the company's activities or circumstances, the Council may require suitable adaptations to be made.
- ii) The Exchange may authorise the omission from a half- yearly report of information required by items (a), (b),(e), (g) and (so far as it relates to those items) items (j) above and by 3, below if they consider that disclosure of such information would be contrary to the public interest or seriously detrimental to the company, provided that, in the latter case, such omission would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the shares in question. The company or its representatives will be responsible for the correctness

and relevance of the facts on which any application for such exemption is based. The Council may authorize the omission from a half-yearly report of any other information and from the preliminary profits statement of any information either on the grounds referred to above or if they consider such omission otherwise necessary or appropriate.

3. The explanatory statement in the half-yearly report must include any significant information enabling investors to make an informed assessment of the trend of the group's activities and profit or loss together with an indication of any special factor which has influenced those activities and the profit or loss during the period in question, and enable a comparison to be made with the corresponding period of the preceding financial year. It must also, as far as possible, refer to the group's prospects in the current financial year.
4. Where the accounting information given in a half-yearly report has been audited that fact must be stated. If the accounting information contained in a half-yearly report has been audited by the company's auditor, his report thereon including any qualifications must be set out in the half-yearly report.

APPENDIX 5

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES

- 1.0** The purpose of the code is to provide protection against misinformed criticism both of the company and individual directors, it is against the law to deal on the basis of 'insider' information: i.e material information which is not generally available to the public.
- 2.0** Directors are always thought to be in possession of more information than can at any particular time be published. Accordingly they must accept that they cannot at all time feel free to deal in their companies' securities, even when legal obligations would not prohibit them from doing so.
- 3.0** In order to avoid this criticism the Council considers it undesirable for directors to buy or sell their company's securities:
 - (a) where a director for his own protection, should be told not to deal because there is a price sensitive matter under discussion of which he is himself unaware (perhaps because it has not yet been made known to the board) which is likely ultimately to call for an exceptional announcement.
 - (b) The periods immediately prior to the regular announcements of results and dividends.
- 4.0** The purpose of the model code is to give guidance on these two occasions so as to enable companies to establish an agreed procedure which would provide general protection against misinformed criticism both for the company and for the individual directors, given that, under legal obligations, a director might otherwise be free to deal.
- 5.0** The Council sees the model code as setting a minimum standard of good practice against which companies should measure their own company codes. The model code should therefore be seen as setting guidelines rather than rigid rules to be followed in every detail.
- 6.0** The following model rules should be used as guidelines for companies in formulating their own codes:
 - 6.1** Directors shall not deal in their companies' securities on considerations of a short-term nature
 - 6.2** A director shall not deal in any of the securities of the company at any time when he is in possession of unpublished price-sensitive information in relation to those securities.
 - 6.3** The same restriction shall apply to dealings by a director in the securities of any other listed company when by virtue of his position as a director of his own company, he is in possession of unpublished price-sensitive information in relation to those securities.
- 7.0** At other times, a director WHO IS NOT PROHIBITED FROM DOING SO BY LEGAL OBLIGATIONS can feel free to deal subject to the provisions of the rules which follow:-
 - 7.1** Director should not deal in any securities of his own company without first notifying the chairman (or other director (s) appointed for the specific purpose), and receiving acknowledgement. In his own case chairman should first notify the board at a board

meeting, or alternatively notify the other director(s) appointed for the purpose and receive acknowledgement.

- 7.2** Immediately following any dealing by him (or in which he has material interest) a director shall notify details of the dealing (including number of shares, price and date of transaction) to the person appointed to receive notification by him under rule 2.1 above and shall receive an acknowledgement.
- 7.3** The procedure established within the company should, as a minimum, provide for there to be a written record maintained by the company that the appropriate notification (including notification of any dealing) was given and acknowledged, and for the director concerned to have written confirmation to that effect.
- 7.4** During the periods of two months immediately preceding the preliminary announcement of the company's annual results and of the announcement of the half-yearly results together with dividends and distributions to be paid or passed a director should not purchase any securities of the company nor should he deal in securities in the circumstances set out in basic principle 5 above; nor should he sell any such securities, unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met. In any event he must comply with the procedure in rule 2 above.
- 7.5** Companies producing quarterly results should consult the Chief Executive on the formulation of modified dealing procedures appropriate to their case.
- 7.6** The restrictions on dealings by a director contained in this code should be regarded as equally applicable to any dealings by the director's spouse or by on behalf of any infant child and any other dealings in which he has a material interest. It is the duty of the director, therefore, to seek to avoid any such dealing at a time when he himself is not free to deal.
- 7.7** Any director of the company who acts as trustee of a trust should ensure that his co-trustees are aware of the identity of any company of which he is a director so as to enable them to anticipate possible difficulties. A director having funds under management should likewise advise the investment manager.
- 7.8** Any director who is a beneficiary, but not a trustee, of a trust which deals in securities of the company should endeavour to ensure that the trustees notify him after they have dealt in such securities on behalf of the trust, in order that he in turn may notify the company. For this purpose he should ensure that the trustees are aware of the companies of which he is a director.
- 8.0** A list of directors' dealing in the securities of the company since the date of the previous list should be circulated to members of the board with the board papers.
- 9.0** The directors of a company should as a board and individually endeavour to ensure that any employee of the company or director or employee of a subsidiary company who, because of his office or employment in the company or a subsidiary, is likely to be in possession of unpublished price-sensitive information in relation to the securities of any listed company, deals in those securities in accordance with this model code.

APPENDIX 6

REQUIREMENTS FOR MEMORANDUM AND ARTICLES OF ASSOCIATION

1. GENERAL

The Regulations of all companies seeking admission to the Official List of the Exchange must contain the various provisions as set out in this Part. In addition to complying with the provisions of this Part, applicant companies must comply with the provisions of the Companies Act, 2002.

2. CAPITAL

2.1 The company shall not issue shares to transfer a controlling interest without prior approval of shareholders in general meeting.

2.2 A director may participate in an issue of shares to employees only if he holds office in an executive capacity and shareholders in general meeting have approved of the specific allotment to be made to such director.

2.3 The total proceeds from the issue of preference shares shall not exceed the total proceeds from the issue of ordinary shares at any time.

2.4 The rights attaching to shares of a class other than ordinary shares shall be expressed.

2.5 Whether the company has power to issue further preference capital ranking equally with, or in priority to preference shares already issued, shall be indicated.

2.6 Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and balance sheets, and attending general meetings of the company.

Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of undertaking, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preference shares is in arrears for more than six months.

2.7 Capital paid on shares in advance of calls shall not whilst carrying interest, confer a right to participate in dividends.

2.8 Offers of new shares to other than existing shareholders must be approved by an ordinary resolution of the company in accordance with the Companies Act, 2002.

2.9 New shares shall be offered to the existing shareholders of the company in proportion, as nearly as the circumstances admit to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to have been declined. After expiration of that time, or on the receipt of an intimation from

the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of those shares in such manner as they think more beneficial to the company. The directors may likewise so dispose of any new shares which (by reasons of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the directors, be conveniently offered under this sub-paragraph.

- 2.10 Subject to the provisions of the Companies Act, 2002, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder or by an LDM of the Exchange acting on behalf of their client, as the directors of the company shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding Shs.500/= as the directors may from time to time require. In the case of destruction, loss or theft a shareholder or person entitled to whom such renewed certificate is given shall also bear the cost of the loss and pay to the company all expenses incidental to the investigations by the company of the evidence of such destruction, loss or theft.

3. FORFEITURE AND LIEN

The Company's lien on shares and dividends from time to time declared in respect of such shares, shall be restricted to unpaid calls and installments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the company may be called upon by law to pay in respect of the shares of the member of deceased member.

4. TRANSFER AND TRANSMISSION

- 4.1 The company shall accept for registration transfers in the form approved by the Council including the electronic transfer of shares in the CDS.
- 4.2 Any fee charged by the company for the subdivision, consolidation, exchange or registration of securities shall not exceed such rates as are from time to time specified by the Council.
- 4.3 There shall be no restriction on the transfer of fully paid securities which are listed or are to be listed in the case of a limited liability company, except where required by law.
- 4.4 Any Regulations which entitle a company to refuse to register more than three persons as joint holders of a share must be expressed to exclude the case of executors or trustees of a deceased shareholder.
- 4.5 The company shall promptly notify the Exchange of any attachment or prohibitory orders restraining the company from transferring securities out of the names of the registered holders thereof.
- 4.6 Transfers of fully-paid shares shall not be required to be executed by or on behalf of the transferee.

5. BORROWING POWERS

The scope of, or restriction on, the borrowing powers of the Board of Directors shall be expressed.

6. DIRECTORS

In addition to the provision of the Companies Act, 2002 dealing with the contents of the Regulations in respect of Directors, the following provisions must be complied with.

- 6.1 Where provision is made for the directors to appoint a person as a director either to fill a casual vacancy, or as an addition to the Board, any directors so appointed shall hold office only until the next following ordinary general meeting of the company, and shall then be eligible for re-election.
- 6.2 Fees payable to non-executive directors shall be by fixed sum, and not by a commission on or percentage of profits or turnover.
- 6.3 Fees payable to non-executive directors shall not be increased except pursuant to a Resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.
- 6.4 A director shall not vote in regard to any contract or proposed contract or arrangement in which he has directly or indirectly a personal material interest.
- 6.5 The Company's regulations must embody the rules relating to the retirement and appointment of directors of a public company which are contained in the Companies Act, 2002.
- 6.6 A Managing Director shall be subject to the control of the Board.
- 6.7 The continuing directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to the regulations of the company, the continuing directors may, except in an emergency, act only for the purpose of increasing the number of directors to such minimum number, or to summon a general meeting of the company.
- 6.8 Where two directors form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two directors are competent to vote in the question at issue, shall not have a casting vote.
- 6.9 The Company in general meeting shall have power by ordinary resolution to remove any director (including a managing or other Executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office.
- 6.10 The company may not make a loan to any director or to a close relative of director and may not give any guarantee or provide any security for any such loan made by any other person.

7 ACCOUNTS

The interval between the close of financial year of the company and issue of the audited accounts relating to the said year shall not exceed three months.

8. WINDING UP

- 8.1 The basis on which shareholders would participate in a distribution of assets on a winding up shall be expressed.
- 8.2 On the voluntary liquidation of the company, no commission or fee shall be paid to a liquidator unless it shall have been ratified by shareholders. The amount of such payment shall be notified to all shareholders at least seven days prior to the meeting at which it is to be considered.
- 8.3 Where any Mining Company is wound up within twelve months of its shares being first listed on the Exchange, on a distribution of assets to shareholders share capital issued for cash shall rank in priority to share capital issued to vendors or promoters for consideration other than cash to the extent of the cash contribution.

9. ALTERATIONS OF REGULATIONS

Companies admitted to the Official List shall not delete, amend or add to any of their existing Regulations which have previously been approved by the Exchange, unless prior written approval has been sought and obtained from the Exchange for such deletion, amendment, or addition.

10. PRINCIPLES OF OF GOOD GOVERNANCE

Companies admitted to the Official list of the Exchange shall be required to adhere to the Principles of Good Governance as per the Authority's Guidelines on Corporate Governance for Listed and Public Companies, 2002.

APPENDIX 7

ADDITIONAL REQUIREMENTS OF CONTENTS OF PROSPECTUS

GENERAL NOTE:

The following items (except any items in respect of which the Exchange has granted an express dispensation) must be included in prospectus issued by a company making application for its shares to be listed in Tanzania but which has no shares already listed in Tanzania. In the case of a company which has shares already listed and which is making a further issue of shares by way of rights, the items marked are not applicable.

1. THE ISSUER, THE PERSONS RESPONSIBLE FOR PROSPECTUSES, THE AUDITORS AND OTHER ADVISERS

- 1.1 Name of the Issuer, registered office and head office if different from the registered office.
- 1.2 Date of incorporation and length of life of the Issuer, except where indefinite.
- 1.3 Country of incorporation of the Issuer.
- 1.4
 - a) Legislation under which the Issuer operates and legal form which it has adopted under that legislation and a brief history of the initial organisation of the business.
 - b) The nature and results of any bankruptcy, receivership or similar proceedings with respect to the Issuer.
 - c) The nature and results of any other material reclassification, merger or consolidation of the Issuer or any of its significant subsidiaries.
- 1.5 Place of registration of the Issuer and the number with which it is registered.
- 1.6 Names, home or business addresses (in the case of legal persons their registered offices) and functions of the persons giving the declaration required by item 1.7 below and where they give a declaration only as to part of the Prospectus, an indication of the part.
- 1.7 Declaration by the directors of the Issuer in the following form with appropriate modifications:-

“The directors of the Company, whose names appear on page {---} accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information”.

Note: In cases where the directors of the Issuer are responsible for part of the prospectus, the directors of another company being responsible for the remainder, the declaration should be appropriately adapted. Examples are a recommended take-over,

an issue of guaranteed debt securities and an issue of convertible debt securities when the Issuer of such securities is not the Issuer of the shares into which they are convertible. In exceptional cases the Exchange may require other persons to give, or join in, the declaration in which case the prospectus should also be modified appropriately.

Where responsibility is accepted for part only of the prospectus, that part must be indicated.

- 1.8 In the case of a statement of report attributed to an expert, a statement that he has given and has not withdrawn his written consent to the issue of the prospectus with the statement included in the form and context in which it is included.
- 1.9 Names, addresses and qualifications of the auditors who have audited the Issuer's annual accounts in accordance with International Auditing Standards for the preceding three financial years.
- 1.10 Names and addresses of the Issuer's bankers whether as lenders, providers of credit facilities, or guarantor of any indebtedness, the Issuer's sponsoring member firm and the solicitors to the Issuer.

2. THE SECURITIES FOR WHICH APPLICATION IS BEING MADE

2.1 Statement that:

- a) "Application {has been} {will be} made to the Dar es Salaam Stock Exchange for {the securities} to be officially listed."
- b) Note: The relevant securities should be stated.
- c) "A copy of this prospectus has been delivered to the Authority for approval and the Registrar of Companies for registration".
- d) "The securities offered have not been approved or disapproved by the Authority".
- e) "Prospective investors should carefully consider the matters set forth under the caption risk factors", and include an indication.
- f) Whether or not all the securities have been sold or are available in whole or in part to the public in conjunction with the application.

2.2 Other stock exchanges where admission to listing is being or will be sought.

2.3 Stock exchange (if any) on which securities of the same classes are already listed.

2.4 If securities of the same class have not yet been admitted to listing but are dealt in on one or more other markets which are subject to regulation, are in regular operation and are recognized and open, an indication of such markets.

- 2.5** Details of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and / or issued.
- 2.6** Nature and amount of the issue.
- 2.7** Number of securities which have been or will be created and/ or issued, if predetermined.
- 2.8** Description of the shares for which admission is sought, and in particular the number of shares and nominal value per share, or, in the absence of nominal value, the accounting par value or the total nominal value, the exact designation or class, and coupons attached.
- 2.9** Summary of the rights of the shares for which admission is sought, and in particular the voting rights, entitlement to share in the profits, capital, pre-emptive rights to subscribe to new issues of shares, creation or issue of further shares of equal priority with the shares for which listing is applied for , redemption (where applicable), and., in the event of liquidation, in any surplus, any other special rights and provisions with respect to annual general meetings of shareholders and election and removal of directors.
- Where there is or is to be more than one class of shares of the Issuer in issue, like particulars must be given for each additional class.
- 2.10** Time limit (if any) after which entitlement to dividend lapses and an indication of the party in whose favour the lapse operates.
- 2.11** Summary of the provisions of the Issuer's memorandum and articles of association or equivalent documents regarding changes in capital or variation of class rights whether or not such provisions are more stringent than required by law.
- 2.12** Statement regarding tax on the income from the securities withheld at source in Tanzania.
- 2.13** Indication as to whether the Issuer assumes responsibility for the withholding of tax at source.
- 2.14** Arrangements for transfer of the securities and (where permitted) any restrictions on their free transferability) e.g. provisions requiring transfer to be approved).
- 2.15** Fixed date(s) if any) on which entitlement to dividends arises.
- 2.16** Names and addresses of the Company Registrars and paying agents for the securities who must be situated in Tanzania.
- 2.17** The following information concerning the terms and conditions of the issue and marketing, public or private, of the securities in respect of which the application for admission is made where such issue of marketing is being effected at the same time as admission or has been effected within the 12 months preceding admission in the case of shares or within 3 months in the case of debt securities.
- a) A statement of any right of pre-emption exercisable in respect of the securities and of any disapplication of such right. Where applicable, a

statement of the reasons for the disapplication of such right; in such cases, the directors' justification of the issue piece, where the issue is for cash; and if the disapplication of the right of pre-emption is intended to benefit specific persons, a statement of such persons.

- b) Total amount of the public or private issue or marketing and the number of securities offered, where applicable by category.
- c) If the public or private issue of marketing has been or is being made simultaneously on the markets of two or more countries and if a tranche has been or is being reserved for certain of these, an indication of any such tranche.
- d) Issue price of offer or marketing price, stating the nominal value or, in its absence, the accounting par value of the amount to be capitalized; the issue premium and the amount of any expenses specifically charged to the subscriber or purchaser; the methods of payment of the issue or offer price, particularly as regards the paying -up of securities, which are not fully paid.
- e) Procedure for the exercise of any rights of pre-emption; the transferability of subscription rights; the treatment of subscription rights not exercised.
- f) Period during which the issue or offer of securities (except in the case of continuous issues of debt securities) will remain open after publication of the prospectus, and the names of the receiving bankers.
- g) Methods of, and time limits for delivery of the securities and a statement whether temporary documents of title will be issued.
- h)
 - i) Names, addresses and descriptions of the persons underwriting or guaranteeing the issue for the Issuer.
 - ii) Where not all of the issue is underwritten or guaranteed, a statement of the portion not covered.
- i) Indication or estimate of the overall amount/ or of the amount per share, of the charges relating to the issue payable by the Issuer, stating the total remuneration of the financial intermediaries, including the underwriting commission or margin, guarantee commission, placing commission or selling agent's commission (which must be separately disclosed).
- j) Estimated net cash proceeds accruing to the Issuer from the issue (except in the case of continuous issues of debt securities) and intended application of such proceeds including transient use of the proceeds.

2.18 Statement by the directors that in their opinion the working capital available to the group is sufficient, or, if not, how it is proposed to provide the additional working capital thought by the directors to be necessary.

2.19 The following information concerning admission of shares:

- a) if known, the dates on which the shares will be admitted to listing and on which dealing will commence;
 - b) indication of any of the following which have occurred during the last financial year and the current financial year;
 - i) public take –over offers by third parties in respect of the Issuer’s shares,
 - ii) public take-over offers by the Issuer in respect of other companies’ shares;
 - c) statement of the price or exchange terms attaching to such offers and the outcome thereof.
- 2.20** If, in conjunction with the issue of shares, shares of the same or another class are subscribed or sold privately, details must be given of the nature of such operations and of the number and characteristics of the shares concerned.
- 2.21** Where the securities for which listing is sought are offered by way of rights or allotted by way of capitalisation of reserved or undistributed profits to the holders of an existing listed security, the pro rata entitlement, the last date on which transfers were or will be accepted for registration for participation in the issue, how the securities rank for dividend or interest, whether the securities rank *pari passu* with any existing listed securities, the nature of the document of title, its proposed date of issue and the treatment of any fractions must be stated, and
- a) in the case of a rights issue, how securities not taken up will be dealt with the time, not being less than 21 days, in which the offer may be accepted; and
 - b) in the case of a capitalisation issue, whether or not the documents of titles are renounceable.

3 GENERAL INFORMATION ABOUT THE ISSUER AND ITS CAPITAL

- 3.1** Amount of the authorised and issued capital and the amount of any capital agreed to be issued, the number and classes of the shares of which it is composed with details of their principal characteristics, including nominal value; if any part of issued capital is still to be paid up, an indication of the issued capital is still to be paid up, an indication of the number, or total nominal value, and the type of the securities not yet fully paid up, broken down, where applicable, according to the extent to which they have been paid up.
- 3.2** A legal opinion as to whether:
- (a) the existing capital of the issuer and any proposed changes thereto is in conformity with applicable laws and has received all necessary authorisations; and
 - (b) any other material items with regards to the legal status of the Issuer and the proposed issue.

- 3.3** Where the Issuer has authorised but unissued capital or it committed to increase the capital, an indication of:
- (a) the amount of such authorised capital or capital increase and, where appropriate, the duration of the authorisation;
 - (b) the categories of persons having preferential subscription rights for such additional portions of capital;
 - (c) the terms and arrangements for the shares issue corresponding to such portions; and
 - (d) whether the Issuer has any intention to issue additional shares of the class to be listed within twelve months after initial listing.
- 3.4** If 10% or more of the voting capital of the Issuer (unclassified shares being regarded a voting capital) will remain unissued (disregarding unissued shares reserved for issue against exercise of subsisting conversion rights or options) a statement that (apart, where applicable, from issues or proposed issues specified in the prospectus) no material issue of shares (other than to shareholders pro rata to existing holdings) will be made within one year without prior approval of the shareholders in general meeting.
- 3.5**
- a) Amount of any outstanding convertible debt securities.
 - b) Indication of the conditions governing and the procedures for conversion, exchange or subscription of such securities.
- 3.6** *Summary of the operation during the three preceeding years which have changed the amount of the issued capital of the Issuer and if material the capital of any member of the group and /or the number and classes of shares of which it is composed, stating whether issued for cash or other consideration which shall be described. Intra group issues by wholly owned subsidiaries and pro rata issues by partly owned subsidiaries may be disagreed. Such summary must also state the price and terms of such issues, including particulars of any discounts or other special terms granted and (if not already fully paid) the dates when any installments are payable with the amount of all class or installments in arrears. If there are no such issues, an appropriate negative statement must be made.
- 3.7** Indication of the persons, so far as known to the Issuer, who directly or indirectly, jointly or severally, exercise or could exercise control over the Issuer and particulars of the proportion of the voting capital held.
Joint control means control exercised by two or more persons who have concluded an agreement which may lead to their adopting a common policy in respect of the Issuer.
- 3.8**
- a) Name of any person other than a director, so far as known to the Issuer, who, directly or indirectly, is interested in 5% or more of any class of the Issuer's capital carrying full voting rights, together with the amount of each such persons' interest or, if there are no such persons, an appropriate negative statement.

b) Whether any such person has the intention to sell securities of the class or classes the subject of the public distribution by the Issuer within a period of one year after the conclusion of the public distribution.

3.9 If the Issuer is a member of a group, a brief description of the same and of the Issuer's position within it, stating, where the Issuer is a subsidiary, the names of and number of shares in the Issuer held (directly or indirectly) by each holding company of the Issuer.

3.10 Number, book value and nominal value or, in the absence of a nominal value, the accounting par value of any of its own shares which the Issuer or any subsidiary has acquired and is holding, if such securities do not appear as a separate item in the balance sheet.

3.11 Persons to whom any capital of any member of a group or of any of its subsidiaries under option, or agreed conditionally or unconditionally to be put under option, with particulars of the capital including the price and duration of the option and consideration for which the option was or will be granted, or an appropriate negative statement.

Where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof or to employees under a share option scheme, it will be sufficient, so far as the names are concerned, to record that fact without giving names.

3.12 Where relevant, in absence of a statement that tax clearances as appropriate have been obtained, a statement that appropriate indemnities have been given. (The Exchange may require such indemnities to be supported by continuing guarantees).

3.13 A legal opinion setting out information on any legal or arbitration proceedings pending or threatened against any member of the group which may have or have had during the previous 12 months a significant effect on the group's financial position whether a civil or criminal legal action or an appropriate negative statement.

3.14 Summary of the principal contents of each material contract (not being a contract entered into in the ordinary course of business entered into by any member of the group within the 2 years immediately preceding the publication of the prospectus, including particulars of dates, parties, terms and conditions, any consideration passing to or from the Issuer or any member of the group, unless they have been on view in the last 2 years in which case it will be sufficient to refer to them collectively as being on view.

3.15 A legal opinion as to whether any agreements or contracts with respect to the proposed issue of securities including where applicable but not limited to underwriting contracts, agreements or contracts with any securities exchange, company registrar and trustees of bonds, debentures or other credit securities.

3.16 Statement that for a period (being not less than 14 days) at a named place in Dar es Salaam (or such other centre as the Exchange may determine) as well as (in the case mentioned in item (iv) below) the registered office of the Issuer and the offices of its

paying agents in Tanzania, the following documents (or copies thereof), where applicable, may be inspected:

- (i) the memorandum and articles of association or equivalent documents of the Issuer;
- (ii) any trust deed or other document constituting debt securities;
- (iii) each document mentioned in item 3.13, 6.4 and 8.10 or., in the case of a contract not reduced into writing, a memorandum giving fully particulars thereof;
- (iv) in the case of an issue of securities in connection with a merger, the division of company, the transfer of all or part of an undertaking's assets and liabilities, a take-over offer or as consideration for the transfer of assets other than cash, the documents describing the terms and conditions of such operations, together, where appropriate, with any opening balance sheet, whether or not pro forma, if the Issuer has not prepared its own or consolidated annual accounts (as appropriate);
- (v) all reports, letters, or other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in the prospectus;
- (vi) written statement signed by the auditors or accountants setting out the adjustments made by them in arriving at the figures shown in any reports included pursuant to section 5 below and giving the reasons therefor; and
- (vii) the accounts of the Issuer or, in the case of a group, the consolidated audited accounts of the Issuer and its subsidiaries for each of the two financial years preceding the publication of the prospectus together with all notes, reports or information required by the Companies Ordinance.

4. THE ACTIVITIES OF THE ISSUER AND ITS GROUP

- 4.1** Description of principal activities, stating the main categories of products sold and/or services performed.
- 4.2** In the case of a manufacturing enterprise, the availability of raw materials and the extent of dependence on any single supplier.
- 4.3** The extent of dependence of the business activity upon a single customer or group customers.
- 4.4** The seasonality, if any, of the business activity
- 4.5** Indication of any significant new product and/or activities.

- 4.6** Particulars of the acquisition or disposition of any material amount of assets otherwise than in the ordinary courses of business and any material change in the mode of conducting the business.
- 4.7** *Breakdown of net turnover during the past three financial years by categories of activity and into geographical markets in so far as, taking account of the manner in which the sale of products and the provision of services falling within the ordinary activities are organized, such categories markets and methods of distribution differ substantially from one another.
- Alternatively, in the case of debt securities (other than convertible debt securities) the total turnover only, covering each of the past two financial years.
- 4.8** In cases where two or more activities are carried on which are material, in terms of profits or losses, assets employed or any other factor, such figures and explanation as are necessary to demonstrate the relative importance of each such activity.
- 4.9** Location, size and tenure of the principal establishments (stating the rent and unexpired term of any leaseholds) and summary information about land or buildings owned or leased. Any establishment which accounts for more than 10% of net turnover or production is to be considered a principal establishment.
- 4.10** Particulars of the Issuer's primary and equipment including cost, indication whether such plant and equipment is expected to be replaced within two years after the conclusion of the public distribution.
- 4.11** If required by the Exchange, a valuation of land buildings or plant shall be included.
- 4.12** Principal place of business (if any) in Tanzania
- 4.13** Where the information given pursuant to items 4.1 to 4.5 has been influenced by exceptional factors, that fact should be mentioned.
- 4.14** Summary information regarding the extent to which the group is dependent, if at all, on patents trademarks, licenses, franchises and concessions held, or on industrial, commercial or financial contracts or new manufacturing processes, where such factors are of fundamental importance to the group's business or profitability.
- 4.15** A legal opinion whether all licenses and consents required to perform the business or proposed business of the Issuer have been duly obtained.
- 4.16** Information concerning policy on the research and development of new products and processes over the past 3 financial years together with the status of the development of products of services (e.g. whether in the planning stage, whether prototypes exist, the degree to which product design has progressed or whether further engineering is necessary) and whether such development will require substantial investment and the summary of research and development expenditures for the business, where significant.

- 4.17** Information on any interruptions in the business which may have or have had a significant effect on the financial position in the last 12 months.
- 4.18** Average numbers employed and changes therein over the past 3 financial years, if such changes are material, with, if possible, a breakdown of persons employed by main categories of activity.
- 4.19** Description, with figures, of the main investments made, including interests such as shares, debt securities, etc., in other undertakings over the past 3 financial years and during the current financial year.
- 4.20** Information concerning the principal investments* being made with the exception of interests being acquired in other undertakings.
- 4.21** Geographical distribution of these investments (home and abroad).
- 4.22** Method of financing (internal or external)
- 4.23** Where the prospectus are prepared in respect of securities issued in connection with any merger, division of a company take-over offer, acquisition of an undertaking's assets and liabilities or transfer of assets:
- a) a statement of the aggregate value of the consideration for the transaction and how it was or is to be satisfied and;
 - b) if the total emoluments receivable by the directors of the issuer will be varied in consequence of the transaction, full particulars of the variation; if there will be no variation, a statement to the effect.
- 4.24** Information concerning the group's principal future investments * (if any), with the exception of interests to be acquired in other undertakings on which the Issuer's directors have already made firm commitments.
- 4.25** Any commitments for capital expenditure, the purpose of such commitments, the anticipated source of funds needed to fulfil such commitments, the currency in which such commitments are denominated and any measures that the Issuer plans to take to hedge any resulting foreign currency exposure.
- 4.26** Any unusual or infrequent event or transactions or any significant economic changes that affected the amount of reported income shown by the audited financial statements that appear in the prospectus with emphasis on the last financial statements included therein and a description of any other significant components of revenues or expenses that, in the Issuer's judgment should be described in order for investors to understand the Issuer's operational results.
- 4.27** An explanation of material increase or decrease in net sales or revenue shown by the financial record set out in the prospectus and whether this is due to the introduction of new products or services.

4.28 The impact of inflation and changing prices on the Issuer's net sales and revenues and on operating income for the three most recent financial years of the Issuer or for such shorter period in which the Issuer has been in business.

4.29 Note:

The word "investments" when used in items 4.19, 4.20 and 4.21 above, should be read in a broad sense to include such investments as new plant, factories and research and development.

5. FINANCIAL INFORMATION CONCERNING THE ISSUER OR GROUP

5.1 Information with respect to the profits and losses, assets and liabilities, financial record and position of the group in the form of an accountants' report for each of the last three completed financial years (or such lesser period as may be acceptable to the Exchange). The Exchange requires the financial information contained in prospectus to comply with International Accounting Standards.

5.2 Where any member of the group was itself a listed company during the 12 months prior to the publication of the prospectus, a comparative table of financial information as mentioned in item 5.1 relating to that member may be provided instead of a report together with a pro forma statement combining such information with the given in the report mentioned above.

5.3 Statement that the annual accounts have been audited. If audit reports on the annual accounts have been refused by the auditors or if they contain qualifications, such refusal or such qualifications must be reproduced in full and the reasons given.

5.4 Indication of other information in the prospectus which has been audited by the auditors.

5.5 If the Issuer prepared consolidated annual accounts only, it must include those accounts in the prospectus in accordance with items 5.1 or 5.2 (as appropriate).

5.6 If the Issuer prepares both own and consolidated annual accounts, it must include both sets of accounts in the prospectus in accordance with items 5.1 or 5.2 (as appropriate). The Exchange may dispense with the requirement to include that Issuer's own accounts if they do not provide any significant additional information to that in the consolidated accounts.

5.7 Profit or loss per share of the Issuer (computed in accordance with International Accounting Standards), arising out of the Issuer's ordinary activities, after tax, for each of the last 3 financial years, where the Issuer includes its own annual accounts in the prospectus.

5.8 Where the Issuer includes only consolidated annual accounts in the prospectus, it must indicate the consolidated profit or loss per share for each of the last 3 financial years. This information must appear in addition to that provided in accordance with the

preceding sub-paragraph where the Issuer also includes its own annual accounts in the prospectus.

- 5.9** If, in the course of the above mentioned period of 3 financial years, the number of shares in the Issuer has changed as a result, for example, of an increase in or reduction or re-organization of capital, the profit or loss per share referred to in the first and second sub-paragraphs above must be adjusted to make them comparable; in that event the adjustment formulae used must be disclosed.
- 5.10** Amount of the dividend per share for each of the last 3 financial years, adjusted, if necessary, to make it comparable in accordance with the third sub-paragraph of item 5.6.
- 5.11** Particulars of any arrangement under which future dividends are waived or agreed to be waived.
- 5.12** Where more than 9 months have elapsed since the end of the financial year to which the last published annual accounts relate, an interim financial statement covering at least the first 6 months statement is unaudited, that fact must be stated.
- 5.13** Where the Issuer prepares consolidated annual accounts, the interim financial statement must be a consolidated statement.
- 5.14** Statement of any significant change in the financial or trading position of the group which has occurred since either the end of the last financial year for which annual accounts have been published or the publication of the latest interim financial statement, or an appropriate negative statement.
- 5.15** If the own annual or consolidated annual accounts do not give a true and fair view of the assets and liabilities, financial position and profits or losses of the group, more detailed and/or additional information must be given.
- 5.16** **Note:**
- In the case of Issuer incorporated in a country under the law of which they are not obliged to draw up their accounts so as to give a true and fair view, but which are required to draw them up to an equivalent standard, the latter may be sufficient. Reference must, however, be made to the Chief Executive.
- 5.17** Table showing the source and application of funds of the group over each of the past 3 financial years.
- 5.18** Individual details listed below relating to the undertakings in which the Issuer holds (directly or indirectly) on a long term basis an interest in the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.
- 5.19** (a) The items of information listed must be given in any event for every undertaking in which the Issuer has a qualifying capital interest, i.e if the book value of that interest represents at least 10% of the capital and reserves of the

Issuer or if that interest accounts for at least 10% of the net profit or loss of the Issuer (in the case of a group, comparison being made respectively with the consolidated net assets and consolidated net profits of losses of the group):

- (i) name and address of registered office;
 - (ii) field of activity;
 - (iii) proportion of capital held;
 - (iv) issued capital
 - (v) reserves;
 - (vi) profit or loss arising out of ordinary activities, after tax, for the last financial year;
 - (vii) value at which the Issuer shows in its accounts the interest held;
 - (viii) amount still to be paid up on shares held;
 - (ix) amount of dividends received in the course of the last financial year in respect of shares held; and
 - (x) amount of the debts owed to and by the Issuer with regard to the undertaking (not applicable to a listing of debt securities).
- (c) The information required under items(e) and (f) above may be omitted where the undertaking does not publish its annual accounts.
- (d) The information required by items (v), (vi), (vii), (viii) and (ix) above may be omitted if the annual accounts of the undertaking are consolidated into the group annual accounts or, with the exception of item (ix), if the value attributable to the interest is accounted for under the equity method in the annual accounts, provided that the Issuer has satisfied the Exchange that the omission of that information is not likely to mislead the public with regard to the facts and circumstances, knowledge of which is essential for the assessment of the security in question.

5.20 Name, registered office and proportion of capital held in respect of each undertaking not falling to be disclosed under item 5.19 in which the Issuer holds at least 10% of the capital. These details may be omitted when they are of negligible importance for the purpose of enabling investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer or group and of the rights attaching to the securities for which application is made.

5.21 When the prospectus include consolidated annual accounts disclosure:

- a) of the consolidation principles applied (which must be described explicitly where such principles are not consistent with the Companies Ordinance or Statement of Standard Accounting Practice in use in Tanzania or International Accounting Standards);
- b) of the names and registered offices of the undertakings included in the consolidation, where that information is important for the purpose of assessing the assets and liabilities, the financial position and the profits and losses of the Issuer. It is sufficient to distinguish them by a symbol on the list of undertakings of which details are required in item 5.19; and
- c) for each of the undertakings referred to in (b) either:
 - (i) the amount of minority interests, if annual accounts are wholly consolidated ; or
 - (ii) the proportion of the consolidation calculated on the basis of interests, if consolidation has been effected on a pro rata basis.

5.22 Indication as at the most recent practicable date (which must be stated) of the following, on a consolidated basis if material:

- a) the total amount of any loan capital outstanding in any member of the group , and loan capital created but unissued, and term loans, distinguishing between loans guaranteed, unguaranteed secured (whether the security is provided by the Issuer or by third parties), and unsecured;
- b) the total amount of all other borrowings and indebtedness in the nature of borrowing of the group, distinguishing between guaranteed, unguaranteed, secure and unsecured borrowings and debts, including bank overdrafts, liabilities under acceptances(other than normal trade bills) or acceptance credits, hire purchase commitments and obligations under finance leases;
- c) all mortgages and charges of the group; and
- d) the total amount of any contingent liabilities or guarantees of the group.

An appropriate negative statement must be given, where relevant, in the absence of any such loan capital, borrowings and indebtedness and contingent liabilities.

As a general rule, account should be taken of liabilities between undertakings within the same group, a statement to that effect being made if necessary. The particulars of indebtedness shall include rates of interest, basic repayment provisions and any provisions which allow for the conversion of such debt into another class of securities of the issuer.

6. THE MANAGEMENT

- 6.1 a) Names, home or business addresses and functions in the group of the following persons and an indication of the principal activities performed by them outside the group where these are significant with respect to the group :
- (i) Directors of the Issuer;
 - (ii) Partners with unlimited liability, where the Issuer is a limited partnership with a share capital ; and
 - (iii) Founders, if the Issuer has been established for fewer than five years.
- b) Description of other relevant business interests and activities of every such person and, if required by the Exchange, particulars of any former forenames and surname, his nationality, if not Tanzanian, and his nationality of origin if his present nationality is not his nationality of origin.
- a) A brief account of the business experience during the preceeding three years of each director or person nominated to be a director including his principal occupation in any company in which he was employed.
- b) Whether any director, executive officer, person nominated to become a director or executive officer is or has been involved in any of the following event:
- (i) such person or any partnership in which he was a partner or any company of which he was an executive officer, is or has been the subject of a filing of a petition under any bankruptcy law; or
 - (ii) such person has been convicted in a criminal proceeding or is a named subject of a ruling of a court of competent jurisdiction or any governmental body that permanently or temporarily prohibited him from acting as an investment adviser or as a director or employee of a broker or dealer, director or employee of any financial institution or engaging in any type of business practice or activity.
- 6.1 Full names and professional qualification (if any) of the secretary of the Issuer.
- 6.2 (a) Aggregate of the remuneration paid and benefits in kind granted to the directors of the Issuer by any member of the group during the last completed financial year under any description whatsoever, and charged to overheads or the profit appropriation accounts.
- (b) Particulars of any arrangement under which a director of the Issuer has agreed to waive future emoluments together with particulars of waivers of such emoluments which occurred during the past financial year.

(e) An estimate of the amounts payable to directors of the Issuer, including proposed directors, by any member of the group for the current financial year under the arrangements in force at the date of the prospectus.

6.3 Details of directors' existing or proposed service contract with any member of the group (excluding contracts expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one year or an appropriate negative statement.

6.4 All relevant particulars, including the consideration passing to or from any member of the group, about the nature and extent of any interests of directors of the Issuer in transactions which are or were unusual in their nature or conditions or significant to the business of the group, and which:

- a) were effected by the Issuer during the current or immediately preceding financial year.
- b) Were effected by the Issuer during an earlier financial year and remain in any respect outstanding or unperformed; or an appropriate negative statement.

Such particulars must also be given in respect of such interests of any corporate substantial shareholder who, directly or indirectly, is interested in 5% or more of any class of the Issuer's capital carrying fully voting rights.

6.5 Interests (distinguishing between beneficial and non beneficial interest) of each director, including his spouse and minor children whether or not held through another party, in the share capital of the Issuer together with any options in respect of such capital or an appropriate negative statement.

6.6 Material details of all options to purchase securities of the Issuer or any subsidiary or holding company of the Issuer granted to be purchased or exercised by each director within a one year period prior to the public distribution,

6.7 Total of any outstanding loans granted by any member of the group to the directors and also any guarantees provided by any member of the group for their benefit.

6.8 Details of any schemes for involving the staff in the capital of any member of the group.

6.9 Summary of the provision of the articles of association or equivalent document of the Issuer with regard to:

- a) any power enabling a directors to vote on a proposal, arrangement, or contract in which he is materially interested;
- b) any power enabling the directors, in the absence of an independent quorum, to vote remuneration (including pension or other benefits) to themselves or any members or their body;
- c) borrowing powers exercisable by the directors and how such borrowing powers can be varied; and
- d) retirement or non -retirement of directors under an age limit.

- 6.10** Whether any director has the intention to sell any holdings in the same class of securities to be issued by the Issuer in the public distribution within a period of one year after the conclusion of the public distribution, stating the number or amount of each class of securities.

7. THE RECENT DEVELOPMENT AND PROSPECTS OF THE GROUP

7.1 Unless otherwise agreed by the Exchange in exceptional circumstances:-

- a) general information on the trend of the group's business since the end of the financial year to which the last published annual accounts relate, in particular:
 - (i) the most significant recent trends in production sales and stocks and the state of the order book, competitive conditions and current or prospective backlog of orders or assignments and
 - (ii) recent trends in costs and selling prices;

- b) information on the group's prospects for at least the current financial year. Such information must relate to the financial and trading prospects of the group together with any material information which may be relevant thereto, including.
 - i) All special trade factors or risks (if any) which are not mentioned elsewhere in the prospectus and which are unlikely to be known or anticipated by the general public, and which could materially affect the profits;
 - ii) Any trends, demands commitments, events or uncertainties known to the directors that shall result in or are reasonably likely to result in material increase in the Issuer's liquidity ; and
 - iii) Risks arising from any new venture, construction, licensing, potential increased competition, regulation, dependence on key personality, taxation, level of indebtedness, dilution or uncertainty or dividend.

7.2 Where a profit forecast appears in any prospectus, the principal assumptions, including commercial assumptions, upon which the directors have based their profit forecast, must be stated. The accounting policies and calculations for the forecast must be examined and reported on by the reporting accountants and their report must be set out. The sponsoring member must report in addition whether or not they have satisfied themselves that the forecast has been stated by the directors after due and careful enquiry, and such report must be set out.

7.3 The extent to which the Issuer's future operating results or financial conditions are exposed to fluctuations in exchange rates or interest rates stating whether foreign

currency borrowings or commitments are denominated in foreign currency and where the interest rate payable is not fixed in advance

APPENDIX 8

FORM OF CERTIFICATE BY THE SPONSORING MEMBER

We.....being a Licensed Dealing Member of the Dares Salaam Stock Exchange Confirm that we have perused all the documents accompanying this Application and have counter checked all stated facts and items of Information and are satisfied that on the basis of all disclosed information , the applicant is suitable for listing of its securities at the Exchange.

Signed.....Director
(by Member)

.....Director/Secretary

Date.....

APPENDIX 9

DAR ES SALAAM STOCK EXCHANGE

APPLICATION FOR A DECLARATION OF DEFAULT **NO.....**

Name of the Applicant:

.....

.....

Address:

.....

.....

| Investment Held: | <u>Security</u> | <u>No. of Shares/Bonds held</u> |
|------------------|-----------------|---------------------------------|
| | | |
| | | |
| | | |
| | | |

Default being declared:

.....

.....

Defaulting LDM:

.....

.....

I/We apply for the declaration of default to the DSE following the failure by LDM to honour my/our claim(s).

..... this day

Signed

APPENDIX 10

DAR ES SALAAM STOCK EXCHANGE

APPLICATION FOR COMPENSATION

Name of the Applicant:

Address:

Details of Compensation:

| Name of Security | No. of Shares/Bonds held |
|------------------|--------------------------|
| | |
| | |
| | |

Total Claim:

Defaulting LDM:

I/We apply for the compensation of TShs. arising from the failure by the DDM to honour my/our claim(s). The application is based on the Declaration of Default No. dated.....

.....
Signed

.....
Date

Authorisation by the DSE:
Chief Executive Officer

Council Chairman

.....

.....

Date.....

APPENDIX 11

**APPLICATION TO DEPOSIT NON-LISTED SECURITIES AT THE
CENTRAL DEPOSITORY SYSTEM OF THE DAR ES SALAAM STOCK
EXCHANGE**

.....
(Name of Company)

hereby applies to deposit the following securities at the Central Depository System of the Dar es Salaam Stock Exchange (hereinafter called "the CDS");

.....

14. The Company was established in (country)

.....

Under (Law)

..... on (date).....

Issued with incorporation certificate number (if any)

.....

15. Address of the registered office

.....
.....
.....

16. Address of each office at which a Shareholders' Register is kept

.....
.....
.....

17. **AUTHORISED CAPITAL**

(show separately the number and denomination of each class of shares)

.....
.....
.....

18. ISSUED CAPITAL

(show separately any different classes of shares, the amount paid up on each class, and the dividend and voting rights attaching to each class)

.....
.....

6. Full list of shareholders and their holdings as at the date of application.

19. BUSINESS

(State the main business, the main products produced or service performed)

.....
.....
.....

20. SUBSIDIARIES AND ASSOCIATES

(Give a list of all subsidiaries stating in each case, the name, nature of business and percentage holding. Similar details should be provided for every other company in which the company holds more than ten percent of the ordinary share capital).

.....
.....
.....

21. OFFICES

(List Directors and the Secretary)

.....
.....
.....

22. ACCOMPANYING DOCUMENTS

- A) Evidence of approval by the Capital Markets and Securities Authority to issue securities to the public.
- B) Memorandum and Articles of Association and Certificate of incorporation.
- C) Letter of Undertaking.

D) Application Fees and Annual CDS Fees.

E) Business License

The Common Seal of the Company is hereunto affixed in the presence of:

Director

Director/Secretary

Date

APPENDIX 12

**LETTER OF UNDERTAKING TO COMPLY WITH CDS RULES OF THE
DAR ES SALAAM STOCK EXCHANGE**

The Chief Executive Officer

Dar es Salaam Stock Exchange Limited,

P.O. Box 70081

DAR ES SALAAM

.....

(Name of Company)

In consideration of the Dar es Salaam Stock Exchange (“the Exchange”) allowing the Company’s to deposit non-listed securities described in the Company’s form of Application HEREBY UNDERTAKE AND AGREE to comply with the continuing obligations of having the securities in the CDS of the Exchange set out in the Annex to this Undertaking, as amended or supplemented from time to time by the CDS Rules of the Exchange.

The above Undertaking has been signed by us;

As..... (Director)

(NAME)

.....

(Secretary)

(NAME)

Pursuant to authority granted to us by Resolution of the Board of Directors of the Company on.....

Date

Signature.....Director

Date

Signature.....Secretary

CONTINUING OBLIGATIONS OF HAVING NON-LISTED SECURITIES IN THE CDS OF THE DAR ES SALAAM STOCK EXCHANGE

1. The Company shall advise the CDS by written statement delivered by hand or Fax transmission in accordance with the CDS procedures immediately a decision has been taken on any of the following matters :-
 - a) Particulars of any of new capital whether to be issued as capitalization or by way of rights to shareholders.
 - b) Any changes in the Directors, the Secretary, Auditors and Legal Advisors.
2. The Company shall forward to the CDS as soon as issued 3 copies of all Resolutions increasing the capital, changes to articles of association and all notices relating to further issues of capital.
3. The Company shall pay application fee prior to approval being granted in respect of every application to deposit in the CDS shares issued as a result of a bonus, rights or other issues by the Company.
4. The Company agrees to pay an annual CDS fee as shall be laid down by the Council on 1st July, of every calendar year.
5. The Company agrees to recognize and register only those transfers of the securities held in the custody of the CDS where the transactions have gone through one of the Authorized CDS Operators of the Dar es Salaam Stock Exchange.
6. The Company agrees in relation to its issued securities held in the custody of the CDS: -
 - a) To maintain its register of shareholders in the CDS operated by the DSE in accordance with the DSE Rules as maybe amended from time to time by the Council;
 - b) To provide the rights and benefits of shareholders in the Company, as set out in the Memorandum and Articles of the Company to all those who are recorded in the Central Depository System as the beneficial owners of shares in the Company.

APPENDIX 13

CDS FEES

1. INVESTORS

| Type of Fee | Amount |
|--------------------|--|
| Transaction Fees | 0.05% of the value of each transaction subject to the minimum amount of Tshs 1,000/= |

2. CDS OPERATORS

| Type of Fee | Amount |
|---|------------------------------|
| a) Application Fee for CDS Operators who are LDMs | Tshs 200,000/= |
| b) Application fee for CDS Operators who are not LDMs | Tshs 750,000/= |
| c) Annual Subscription Fee for all CDS Operators | Tshs 200,000/= |
| d) Change of CDS Operators, transfer of securities between different accounts of the same Investor. | Tshs 200/= per change |
| e) In respect of Ledger Balance Reports issued upon request from the account holder | Tshs 5,000/= per Report |
| f) In respect of withdrawal of securities | Tshs 5,000/= per certificate |
| g) Gifts, Donations and Release of Estates | Tshs. 200 per transfer |
| h) Fee for recording, releasing or i) foreclosing of pledges | Tshs10,000 per pledge |

3. LISTED COMPANIES

A Custody fee of 0.035% of the value of securities per annum.

APPENDIX 14

CDS FORMS

APPENDIX 15

CDS AGREEMENTS

APPENDIX 16
AGREEMENT FOR PROVISION OF ADVISORY SERVICES
(UNDER Rule 5.5(viii))

BETWEEN

..... of P.O Box, (hereinafter referred to as “the Issuer”) of the one part

AND

..... of P.O Box, (hereinafter referred to as “the Nominated Advisor”) of the other part.

WHEREAS the Issuer is desirous of applying for listing of its securities at the Dar Es Salaam Stock Exchange under the Enterprise Growth Market *Segment* (EGMs);

AND WHEREAS the Issuer shall be bound by the DSE Listing Rules which requires the Issuer to appoint a Nominated Advisor.

AND WHEREAS the Nominated Advisor having assured the Issuer of its possession of a license issued by the Capital markets and Securities Authority (CMSA) to practice as such;

AND WHEREAS the Issuer is willing to engage the services of the Nominated Advisor.

NOW THEREFORE, in consideration of *payment of the necessary service fees* the parties named herein, hereby covenant and agree as follows:

1. That the Issuer agrees and undertake to pay to the Nominated Advisor service fees mentioned in the schedule attached herewith and forming part to this agreement.
2. That the Nominated Advisor shall ascertain the readiness of the Issuer to issue securities and list at the EGMs and appraise the CMSA and DSE of the fact.
3. That the Nominated Advisor shall, either by himself or in consultation with other experts, appraise the project for the purpose of seeking listing of the Company in the EGMs.
4. That the Nominated Advisor shall certify/confirm to the CMSA and DSE that the Issuer is a viable investment and that the pricing of its shares was objectively determined.
5. That the Nominated Advisor shall remain and continue advising the Issuer as long as it is listed in the EGMs.
6. That the Nominated Advisor shall all the time have in place staff that are trained and qualified to act in a corporate finance advisory role to Issuer.
7. Nominated Advisor shall be accountable to CMSA under the terms of its licenses and to DSE under its rules.
8. THAT the parties undertake that in the event of any disputes arising out of or in connection with this Agreement they shall always ensure that such disputes are resolved amicably.

9. THAT in the event the dispute fails to be settled amicably the parties to this Agreement shall resort to the Arbitration procedures prescribed under the DSE Rules and that such procedure shall be applicable to any disputes between the Nominated Advisor and the Issuer.
10. THAT the parties to this Agreement further agree that all claims, differences and disputes arising out of or in relation to this Agreement if cannot be resolved amicably and having exhausted the Arbitration process of the DSE shall be subject to the exclusive jurisdiction of the High Court of Tanzania.

IN WITNESS WHEREOF the parties have caused these presents to be executed as of the day and year first above written.

SIGNED and DELIVERED by the said Issuer

.....
 Issuer's Representative

On this.....day of..... 20.....

Name:

Postal Address:.....

Qualification:

In the presence of (Witness):

Name:.....

Signature:

Postal Address:

Qualification:

SIGNED and DELIVERED by the said Nominated
 Advisor

.....
 Nominated Advisor's Representative

On this.....day of.....20.....

Name:

Postal Address:

Qualification:

In the presence of (Witness):

Name:

Signature:

Postal Address:

Qualification:

APPENDIX 17

**LETTER OF UNDERTAKING TO COMPLY WITH LISTING
REQUIREMENTS OF THE DAR ES SALAAM STOCK EXCHANGE BY
NOMINATED ADVISOR**

Ref. No:

Date:

The Chief Executive Officer,
Dar Es Salaam Stock Exchange,
P.O Box 70081,
Dar Es Salaam

**RE: LETTER OF UNDERTAKING TO COMPLY WITH LISTING REQUIREMENTS OF THE DAR
ES SALAAM STOCK EXCHANGE**

We (“the Nominated Advisor”) in consideration of the Dar Es Salaam Stock Exchange (“the Exchange”) granting the Issuer’s application for listing of securities described in the Issuer’s Form of Application, HEREBY UNDERTAKE AND AGREE to make sure that the Issuer comply with the Listing Rules of the Exchange as amended from time to time and continuing obligations arising wherefrom.

We FURTHER UNDERTAKE AND AGREE to remain and continue advising the Issuer as long as it is listed in the EGMs.

The above undertaking has been signed by us this day of 20....

Name:

Signature:

Qualification:

Name:

Signature:

Qualification: