

Operational Rules of the Maldives Stock Exchange

TABLE OF CONTENTS

SECTION 1 - EXCHANGE	1
Exchange employee conduct and ethics	1
Liability	1
Powers are Additional	1
Notice of Rule Amendments	1
Fees	1
Power to Waive	2
Power to Receive and Consider Complaints	2
Power to Bring Charges	2
Power to Suspend a Trading Member	2
Power to maintain orderly markets	2
Delegation of Powers	2
SECTION 2 – MEMBERSHIP	2
Conditions	2
Application	3
Admission as a Trading Member	3
Trading Membership Not Transferable	3
Continuing Qualifications	4
Request for Information or Co-operation	4
Impeding Requests	4
Action by CMDA	4
Fees and Charges	4
Observance of Rules	4
Notifications	5
Responsibilities	5
Maintenance of Records	5
Principal	5
Agent	5
Directory of Trading Members	6
Resignation from Trading Membership	6
Termination of Trading Membership	6
Suspension of Trading Membership	6
SECTION 3 - BUSINESS CONDUCT REQUIREMENTS	7
Client Account Form and Records	7
Client Accounts requiring Prior Written Consent	7
Recommendations to Client	8
Unauthorised Transactions	8
Fraudulent and Deceptive Activities	8
Priority of Client's Orders	9
Confirmation of Clients' Orders	9
Delivery of Funds and Securities	9
Charges for Services Performed	9
Client Assets	9
Segregation of Clients' Accounts	9
Clients' Account Statements	9
Financial Statements to Clients	9
Outside Business Activity	9
Net Capital and Reporting Requirements	10
Supervision	10
Trading by Trading Member Employees	10
Compliance Manual	10
Training	10
Margin Accounts	10
Advertising Standards	10
SECTION 4 - INFORMATION MONITORING AND INVESTIGATION	11
Duty to Notify Breaches of Rules	11
Investigation	11

SECTION 5 - DISCIPLINE	11
Delegation to the CEO	11
Disciplinary Committee.....	12
Conflict of Interest	12
Powers of the Disciplinary Committee.....	12
Notice and Timing of Hearing.....	12
Procedure	12
Statement of Findings	12
Penalties	12
Costs and Expenses	13
Failure to Pay Costs or Attend	13
Confidentiality	13
Overlap with CMDA.....	13
Notification to CMDA.....	14
SECTION 6 - APPEAL	14
Service of Notice.....	14
Board hears Appeals.....	14
Conflict of Interest	14
Notice and Timing of Hearing.....	14
The Hearing	14
Deliberations and Decisions.....	14
Notification to CMDA.....	15
SECTION 7 – COMPLAINTS FROM INVESTORS	15
Notification to CMDA.....	16
SECTION 8 – ARBITRATION	16
Delegation to the CEO	16
Arbitration Committee	16
Appointment of Arbitrator(s)	16
Application for Arbitration	16
Arbitration Process and Announcement of Award	16
Appeal against the Award	16
APPENDIX 1 – DIRECTORS AND EMPLOYEES DEALING RULES	18
Introduction	18
Access to Unpublished Information by Employees and Directors.....	18
Policies on Dealing in Securities	18
Related Parties and Relevant Interests	18
Employment and Monitoring of Compliance	19
APPENDIX 2 – EMPLOYEE CODE OF ETHICS AND CONDUCT	20
Introduction	20
Purpose of the Code	20
Obligation to Comply with the Code	20
Primary Obligations of the Code.....	20
Reputation of MSE	20
MSE’s Responsibilities to Shareholders and the Broader Financial Community	20
Care and Diligence.....	21
Conflicts of Interest	21
Confidentiality	21
Use of Company Assets.....	21
Dealing Rules.....	21
Policies Regulating Employee Behaviour	21
Monitoring Compliance with the Code.....	22
Reporting Violation so the Code of Ethics or Other Unethical Conduct	22
Conflict Escalation Procedures	22

FOREWARD

It should be emphasized that the newly drafted rules are subject to discussion with industry participants, as part of routine consultation, as well as to approval of the CMDA.

These rules should be reviewed periodically within the first year and subsequently, as and when necessary.

Consultative procedures will be defined by the exchange in due course but will generally commit to expose any draft rules for public and industry comment for a specified period.

SECTION 1 - EXCHANGE

Exchange employee conduct and ethics

1. The Exchange shall incorporate into the employment contracts of all employees prohibitions on the misuse of confidential information and the circumstances if any under which staff may deal in securities.
2. The Exchange shall ensure that employees adhere to high standards of conduct and ethics.
3. The Exchange may issue rules, subject to prior approval of CMDA, on such matters [See Appendix 1 and Appendix 2].

Liability

4. No director, officer or employee of the Exchange or a subsidiary of the Exchange shall be liable for any loss or damage that occurs in the execution of his or her duties provided that such officer or employee carried on his duties in good faith.
5. The Exchange shall not be liable for any loss, damage, cost, expense, or other liability or claim suffered or incurred by or made against a Trading¹ Member as a result of that Member's use of the Exchange facilities or systems.

Powers are Additional

6. The powers of the Exchange under these Rules are in accordance with the powers of the Board under the Articles of Association and at law.

Notice of Rule Amendments

7. The Board shall give written Notice to Trading Members of any amendment to these Rules.
8. Amendments to the Rules become effective on the date specified by the Board provided that the date specified is not less than twenty (20) Business Days after all Trading Members have received notice of the amendment.
9. Rule amendments are subject to the prior approval of the CMDA.

Fees

10. A. The Exchange shall have power to impose on a Trading Member fees, levies and other charges

¹ Reference is made to "Trading Member" rather than the "Member" as this best describes the function of such companies.

B. Such fees levies and charges shall be in accordance with the schedule of fines, fees levies and charges approved by the CMDA and published to all trading members 15 days before applicable date.

Power to Waive

11. The Exchange shall have the power to waive the enforcement of these Rules subject to prior approval of the CMDA.

Power to Receive and Consider Complaints

12. The Exchange shall have power to receive complaints about Trading Members and, at its discretion, investigate such complaints to determine if charges should be brought against a Trading Member. The CMDA should be notified of such complaints and investigations within five (5) working days.
13. The Exchange shall maintain a record of complaints detailing the complaint, action taken, and outcome of the complaint and details thereof shall be notified to CMDA within five (5) working days.

Power to Bring Charges

14. The Exchange may bring a charge or charges against a Trading Member if the Trading Member may have contravened the Rules. The Exchange shall notify the CMDA immediately or not later than 24 hours.
15. The Exchange shall refer any such charge to the Disciplinary Committee.

Power to Suspend a Trading Member

16. In case an alleged violation of the Rules by a Trading Member constitutes a threat to the integrity or the safety of the Exchange market, or upon instruction of the CMDA the Exchange may suspend all or some of the Trading Member's rights.

Power to maintain orderly markets

17. The Exchange shall have power to take such action as may be required for the operation of a fair and orderly market, and to secure compliance with these Rules.

Delegation of Powers

18. The Exchange shall have the power to delegate to any person, sub-committee of the Exchange or other committee, whether or not it includes persons who are not Trading Members, any of the powers of the Exchange except as prohibited by the CMDA.

SECTION 2 – MEMBERSHIP

Conditions

19. An applicant for admission as a Trading Member shall:
 - a) be a licensed dealing company under the Maldives Securities Act 2006 and regulations thereunder.
 - b) meet applicable requirements of the Exchange, including compliance with the continuing qualifications;
 - c) prove its professional and organisational capabilities;

- d) satisfy the Exchange that it has in place appropriate systems of internal controls, which will ensure continuous compliance with all requirements of the Exchange;
- e) comply with the capital adequacy requirements imposed by the CMDA and any additional requirement imposed by the Exchange;
- f) have in place systems and controls which satisfactorily address the identification and management of risk.

Application

20. The application for admission shall include at least include the following items:
- a) the license issued by the CMDA ;
 - b) evidence that the applicant is in compliance with capital adequacy requirements imposed by the CMDA and any additional requirement imposed by the Exchange;
 - c) a description of the proposed activities;
 - d) a description of the human and technical resources
 - e) memorandum and articles of association;
 - f) the applicant's business profile;
 - g) the amount, composition and breakdown of beneficial ownership of the applicant's capital and its most recent annual financial statements;
 - h) the particulars of the applicant's senior management;
 - i) a commitment of the applicant to abide by the Rules and to observe ethical standards and to act with honesty, integrity, fitness and properness, fairness, due skill and care, diligence and efficiency;
 - j) authorisation for the Exchange to carry out such on-site investigations, as well as a commitment to provide all information requested in the course of such investigations;
 - k) the applicant's internal rules and regulations;
 - l) the location of the principal place of business and any branch offices; and
 - m) any other information requested by the Exchange.
21. The Exchange will examine the books and records of an applicant and take such evidence as may be appropriate to ascertain facts relevant to the applicant's qualifications.

Admission as a Trading Member

22. The Exchange may:
- a) admit an applicant unconditionally; or
 - b) admit an applicant subject to such terms and conditions necessary to ensure compliance by the applicant with the these Rules.

Trading Membership Not Transferable

23. A Trading Membership is not transferable.

Continuing Qualifications

24. A Trading Member must at all times have:
- a) sufficient staff with adequate knowledge, experience, training and competence to ensure the Trading Member's compliance with these Rules;
 - b) adequate internal procedures and controls;
 - c) adequate systems in place for the execution, recording and reporting of transactions;
 - d) systems and controls in place which satisfactorily address the management of risk; and
 - e) satisfactory systems or arrangements in place for the clearing and settlement of transactions.
25. If a Trading Member is in breach of (the above rule) the Exchange may:
- a) impose requirements relating to the continuing suitability of the Trading Member;
 - b) restrict the scope of business conducted;
 - c) bring a charge or charges against the Trading Member.
26. A Trading Member must at all times comply with the capital adequacy requirements imposed by CMDA and with any additional requirements imposed by the Exchange.

Request for Information or Co-operation

27. In connection with any request from either the Exchange staff during an investigation or the Disciplinary Committee, any other Committee of the Board or the full during a disciplinary proceeding, each Trading Member shall be required to:
- a) truthfully and fully report with regard to any information requested in connection with the investigation or hearing; and
 - b) produce complete and correct books, records, data, and other materials requested in connection with the investigation or hearing

Impeding Requests

28. No Trading Member, whether the subject of the investigation or disciplinary proceedings, shall impede or permit others to impede any requests, the inspection of records or the investigation by the Exchange staff or the Disciplinary Committee.

Action by CMDA

29. If a Trading Member's licence is suspended or withdrawn by the CMDA the Trading Member shall be suspended immediately.

Fees and Charges

30. A Trading Member shall pay such fees and charges as shall be fixed by the Exchange provided such fees or charges have been approved by CMDA.

Observance of Rules

31. A Trading Member shall be bound by and observe:

- a) these Rules
- b) any rules and procedures set out in any supplementary documentation issued by the Exchange under these Rules;
- c) the provisions of any Notice; and
- d) any requirement, decision or direction of the Exchange.

Notifications

32. A Trading Member shall give the Exchange prior written notice of:
- a) a change in its name or the name under which it carries on business;
 - b) a change in the address of its principal place of business or branch office;
 - c) a change in its legal structure;
 - d) a change in control;
 - e) any change to the arrangements it has in place for the clearing and settlement of Transactions on the Exchange.
33. A Trading Member shall give the Exchange written notice as soon as possible of the death, retirement, resignation or termination of employment of any director or officer.

Responsibilities

34. A Trading Member is responsible to the Exchange for the conduct of its employees and agents. Such conduct shall be treated for the purposes of these Rules as conduct of the Trading Member.

Maintenance of Records

35. Each Trading Member shall maintain at least six years of data, information, financial statements, forms, books, records, reports, filings and papers required by any Exchange Requirement in such manner and form, including electronically, as may be permitted by the Exchange.

Principal

36. Each Trading Member shall designate a Principal who shall where necessary represent, vote and act for the Trading Member in all the affairs of the Exchange. The Principal shall:
- a) represent the Trading Member in all dealings with the Exchange, with full authority to speak for and bind the Member;
 - b) ensure that the Trading Member, including each director, officer and employee of the Trading Member, shall comply with the Rules.
37. The Principal may be required by the Exchange or the CMDA to meet specified standards as set out by the Exchange or the CMDA.

Agent

38. The Exchange or the CMDA may impose requirements on any person who acts as an Agent for the Trading Member.

Directory of Trading Members

39. The Exchange shall maintain a complete directory of current and former Trading Members
40. Each Trading Member shall keep all the information required in the Directory current and updated. Any changes and updates to the Directory must be made by notifying the Exchange in writing.

Resignation from Trading Membership

41. A Trading Member shall resign only by a formal written resignation delivered to the Exchange. The resignation shall not take effect until the longer of forty five (45) calendar days after the receipt thereof by the Exchange or the time when all debts and obligations due the Exchange have been satisfied and all outstanding disciplinary actions have been concluded. The CMDA should be informed of such notification within 5 working days.
42. The resigning Trading Member shall not have the right to the repayment of any fees, charges or penalties paid to the Exchange.

Termination of Trading Membership

43. The Exchange may terminate the membership of any Trading Member as follows:
 - a) the Trading Member has not been active in business for a period of six (6) consecutive months;
 - b) the commencement of bankruptcy or similar insolvency proceedings against the Trading Member;
 - c) the Trading Member's application for membership contained material errors or omissions;
 - d) occurrence of any of the grounds for suspension if the Exchange considers that the relevant facts and circumstances present a degree of seriousness that stands in the way of continuation of membership.
44. Trading Membership shall terminate on the revocation or expiration without renewal of the Trading Member's license by the CMDA.

Suspension of Trading Membership

45. The Exchange may immediately suspend any Trading Membership and limit the use of the Exchange's facilities of any Trading Member if:
 - a) the License of the Trading Member to conduct its securities business is suspended by the CMDA;
 - b) the Trading Member fails to make payments or execute other obligations it has to the Exchange
 - c) the Trading Member or any of its staff violates these Rules;
 - d) the Exchange determines that financial or operational problems of Trading Member might impair the operation of the Exchange or the Trading Member's obligations to its, other Trading Members or the Exchange; or
 - e) the Trading Member obtains Trading Membership from the Exchange by mistake or material misstatement.

46. A suspension may be for a definite period of time or until specified conditions have been met by the Trading Member, whichever is longer.

SECTION 3 - BUSINESS CONDUCT REQUIREMENTS

47. This section contains the conduct of securities trading by Trading Members and the manner in which information relating to transactions is to be maintained and reported which form part of the conditions for licensing by the CMDA.
48. Every Trading Member in the conduct of its or his securities business, shall observe high standards of commercial practice and just and equitable principles of trade.
49. Non-compliance with any of these Rules or the law or regulations of the CMDA shall be considered conduct inconsistent with the high standards of commercial practice and just and equitable principles of trade.
50. A Trading Member must always disclose to its clients in writing at, or before the completion of the transaction, whether he is acting as a dealer for his own account, or as an agent.

Client Account Form and Records

51. No account shall be opened and no transaction shall be executed for a client until and unless that client has completed and delivered a client's account form to the Trading Member and it has been countersigned by a Principal of the Trading Member.
52. Each Trading Member must maintain copies or originals of all clients' account records indicating the name, address, nationality and occupation of each client, the officer introducing the account, and the signature of the Principal accepting the account.
53. A Trading Member should take all reasonable steps to establish the true and full identity of each of its clients, and each client's real financial situation, investment experience and investment objectives and should review the information when the client makes contact at least once every 12 months.
54. The duration for which and the manner in which records are to be maintained shall be in accordance with the CMDA's regulations.
55. All client account forms shall be updated whenever the client notifies the Trading Member of a material change in the client's financial resources or investment objectives or other material information pertaining to the client
56. Trading Members shall send their clients a copy of their client account form for review following the opening of an account and thereafter when the account is updated to reflect a change in the client's name, address, or investment objectives.
57. Only Trading Members licensed as Investment Advisers by the Authority may operate discretionary accounts. Where discretionary authority is granted by the client to the Trading Member, the client must sign a discretionary account authorization, which should include the period for which discretionary powers are granted, the signature of the Principle of the Trading Member and the signature of each person authorized to exercise discretion in such account and the Trading Member shall attach the original copy of the discretionary account authorization to the client account form.

Client Accounts requiring Prior Written Consent

58. Where a client is employed by another Trading Member, the CMDA, the MSE or any of its subsidiaries, or a listed issuer, approval must be sought from the employer prior to the opening of an account. The client's employer must be provided duplicate confirmations, statements, or other information requested by the employers.

Recommendations to Client

59. A Trading Member may be deemed to make a recommendation if it brings a specific security to the attention of the client through any means.
60. A Trading Member must not recommend the purchase, sale or exchange of any security to a client unless the Trading Member has a reasonable basis to believe that the recommendation or transaction is suitable for the client, upon the basis of information and facts disclosed by the client.
61. In making a specific investment recommendation, a Trading Member must have a reasonable basis for the recommendation, disclose the Security's price or price range at the time the recommendation is made and disclose the existence of any of the following situations:
 - a) that the Trading Member and/or its Directors, officers or principal shareholders have a current or contingent financial interest in the recommended securities, unless the extent of the financial interest is nominal;
 - b) that the Trading Member participated in a public offering of the recommended securities within the last two years; and
 - c) any other conflicts of interest between the Trading Member and the recommended securities.
62. A Trading Member controlled by, controlling or under common control with the Issuer of any securities recommended to any client, shall disclose to the client the existence of such relationship prior to the execution of the transaction.

Unauthorised Transactions

63. A Trading Member may not execute any transaction for which it did not have the client's prior written authorization.
64. A Trading Member is prohibited from exercising its investment discretion over a client's account, without a written discretionary account authorization completed in accordance with clause 57 of these rules.

Fraudulent and Deceptive Activities

65. A Trading Member shall not engage in any transaction or induce the purchase, sale or exchange of any securities by means of any manipulative, deceptive or fraudulent practice or activity.
66. It shall be considered a deceptive and fraudulent activity for a Trading Member to affix on any document a client's signature, with or without that client's authorization; to falsify any records mandated by the Exchange or the CMDA or to forge any document or instrument used in the conduct of its business.
67. No applicant for Trading Membership shall make false statements on, or omit material information from the respective Exchange applications.
68. A Trading Member shall not make improper use of a client's securities or funds.
69. A Trading Member shall not directly or indirectly engage in securities trading for the purpose of creating a false market.
70. A Trading Member or its agent shall not encourage excessive trading in a client's account for the purpose of increasing the Trading Member's commissions.

Priority of Client's Orders

71. Clients' orders take priority over orders for the Trading Member's own account. Bids or offers placed by clients should be effected in the order in which they were received.

Confirmation of Clients' Orders

72. Where a trading transaction is made in a security, a written confirmation of that transaction shall be sent to the client and shall set out;
- a) whether or not the trade was a dealer or agency trade;
 - b) price at and the consideration for which the sale or purchase was effected;
 - c) commission and any other charges charged in respect of the transaction; and
 - d) date and time at which the transaction took place.

Delivery of Funds and Securities

73. A Trading Member shall promptly deliver funds or securities to its clients and to the Exchange.

Charges for Services Performed

74. Charges for services performed in connection with securities transactions, shall be reasonable and not be unfairly discriminatory between clients and shall not exceed any maximum levels set by the CMDA.

Client Assets

75. A Trading Member should ensure that client assets are promptly and properly accounted for and adequately safeguarded.

Segregation of Clients' Accounts

76. A Trading Member shall properly identify and maintain all its client Clients' funds and securities in a segregated account distinct from any account containing its own funds and securities.

Clients' Account Statements

77. Where a client has a debit or credit balance with a Trading member, the Trading Member shall send a statement of accounts to that client at the end of each month.

Financial Statements to Clients

78. Within hundred and twenty (120) days of its reporting year-end, a Trading Member must publish on its web site:
- a) an audited statement of financial condition; and
 - b) related notes including, the Trading Member's net capital.
79. Such notes shall indicate whether any material inadequacies were discovered in the firm's annual audit.

Outside Business Activity

80. No Principal of a Trading Member shall be engaged in any other outside business activity or accept compensation from any other person or legal entity unless the Principal has prior

written authorization from the Trading Member approving the specific business activity or relationship and the Exchange has been notified of such authorization.

Net Capital and Reporting Requirements

81. Each Trading Member shall at all times be in compliance with the minimum net capital and reporting requirements promulgated by the CMDA.
82. A Trading Member shall notify the staff of the Exchange, either by telephone or fax, immediately upon discovery that it is not in compliance with any of the CMDA's mandated capital requirements.

Supervision

83. Each Trading Member and its designated Principal shall be liable for the conduct and actions of all persons in its employ including any Agents.

Trading by Trading Member Employees

84. Trading by Trading Members' employees shall be subject to supervisory review.
85. All employees of the Trading Member must have prior written approval of a Principal before opening any securities accounts.

Compliance Manual

86. Each Trading Member shall compile and maintain a Compliance Manual specifying the internal oversight procedures implemented to supervise the securities business in which the Trading Member engages, including the supervision of the activities of the Trading Member's employees.

Training

87. All Trading Members are required to develop and administer internal training to enhance and maintain the knowledge, skills and professionalism of its employees and to attend any courses held by or for the exchange or the CMDA.
88. The Trading Member shall require its officers to take and pass any examination mandated by the CMDA or the Exchange.

Margin Accounts

89. Trading Members shall comply with margin and other prudential requirements prescribed by the Exchange in consultation with the CMDA in respect of advances granted to their Clients for securities purchases.

Advertising Standards

90. All Trading Member communications with the public that are intended to solicit securities business must be based on the principles of fair dealing and good faith. Such communications must provide a sound basis for evaluating the facts conveyed about any particular securities, class of securities or investment recommendation or trading strategy.
91. Trading Members are prohibited from publishing, circulating or otherwise distributing any public communication which is intended to solicit business that the Trading Member knows, or should know, contains any untrue or misleading statement.

SECTION 4 - INFORMATION MONITORING AND INVESTIGATION

Duty to Notify Breaches of Rules

92. A Trading Member shall notify the Exchange immediately when it becomes aware any breach of these Rules by the Trading Member, or any of its directors, officers or employees. The CMDA should be notified immediately or within 24 hours thereof.

Investigation

93. The Exchange shall consider all cases where the Trading Member may have breached the rules
94. The Exchange may:
- a) require the immediate provision by a Trading Member of accurate information about its business and transactions;
 - b) require the immediate production by a Trading Member of documents;
 - c) interview any employee or agent (or any employee of such agent) of a Trading Member and require such person to answer questions and provide explanations and/or require answers and explanations from the Member;
 - d) require the attendance of any employee or agent of a Trading Member to answer questions, provide explanations and/or give evidence and require the Trading Member to procure such attendance;
 - e) require the provision of information relating to any person who is to be, is or has been an employee or agent of the Trading Member or engaged in its business; and
 - f) send any authorised representative of the Exchange to a Trading Member's office at any time, for the purpose of inspections and investigations and to ensure compliance with these Rules.
95. A Trading Member shall not knowingly provide the Exchange with any information (including information for the purpose of becoming a Member) which is false, misleading or inaccurate
96. The Exchange shall maintain a record of all investigations detailing the investigation, action taken, and outcome of the investigation.
97. Any matter which involves a prima facie breach of the Rules will be referred to the
- a) CEO in the case of a rule breach which involves a fixed penalty which has been promulgated by Notice; or
 - b) the Disciplinary Committee if it involves any other matter.
 - c) The CMDA should be notified of such, within 5 working days.
98. Any matter which involves a prima facie breach of the law will be referred to the CMDA for further action. The Exchange will not duplicate such investigation.

SECTION 5 - DISCIPLINE

Delegation to the CEO

99. The Board may delegate to the CEO the actioning of discipline which is the subject of fixed penalties. In such cases there shall be no hearing.

Disciplinary Committee

100. The Exchange shall appoint a Disciplinary Committee.

Conflict of Interest

101. No member of the Disciplinary Committee who is concerned or implicated in the charge shall be eligible to sit on the Disciplinary Committee in respect of that charge.

Powers of the Disciplinary Committee

102. The Disciplinary Committee shall have power to hear any charge made against any Trading Member referred to it by the Exchange.
103. The Disciplinary Committee may require any director, officer, or employee of a Trading Member to attend and give evidence before it at the hearing of a charge and/or to produce for inspection all books, records, tapes, documents, and any information held on any other media that are in the custody or under the control of the person relating to the subject matter of any such hearing.

Notice and Timing of Hearing

104. The Disciplinary Committee shall give at least ten (10) Business Days' prior written notice (or such lesser period as the Disciplinary Committee may decide upon) to the Trading Member against whom a charge has been made, specifying the nature of such charge and the date, place and time of the meeting of the Disciplinary Committee called to consider that matter.

Procedure

105. Except as otherwise provided in these Rules, the Disciplinary Committee shall regulate its own procedures.
106. The Exchange shall present the charges against a Trading Member at the hearing.
107. Charges against a Trading Member may include allegations as to conduct or omission by any employees, contractors, directors, or officers in that Trading Member.
108. At any hearing of the Disciplinary Committee, any person charged shall be given all reasonable opportunity of being heard and shall be entitled to call witnesses and to be represented by counsel if that person so chooses.
109. The Disciplinary Committee shall provide a written summary of its reasons for any decision it makes in determining a charge against a Trading Member and any penalty imposed.

Statement of Findings

110. The Disciplinary Committee is entitled to reach decisions on a majority basis. In the case of an equality of votes, the chair shall have a second or casting vote.
111. The Exchange shall prepare a statement of the circumstances preliminary to the hearing of any complaint and the findings of the Disciplinary Committee on every charge and the penalty (if any) imposed.

Penalties

112. If, after hearing any charge, the Disciplinary Committee finds that the Trading Member has committed a breach of these Rules as charged, it may impose one or more of the following penalties:
- a) a written warning which may be public or private;

- b) a fine according to the schedule published in accordance with 10B for each Rule breach;
 - c) an order that the Trading Member make restitution to any person/client (when the Trading Member has profited from a breach of the Exchange Rules at that person's expense);
 - d) suspension of the right to use the Exchange Systems;
 - e) suspension from membership; and
 - f) expulsion from membership.
113. If any Trading Member fails to carry out an order of the Disciplinary Committee the Disciplinary Committee may suspend the Trading Member until the order is complied with.

Costs and Expenses

114. After hearing any charge or application, the Disciplinary Committee may, at its discretion, make an order as to costs, including:
- a) the costs and expenses of, and incidental to, any investigation or hearing.
 - b) the legal and any other out-of-pocket costs of the Exchange as well as the Exchange's reasonable internal legal and management costs, whether in relation to the proceedings before the Disciplinary Committee or during any prior investigation.

Failure to Pay Costs or Attend

115. Any Trading Member that fails, within the time stated in any order of the Disciplinary Committee, to pay any sum ordered to be paid by way of penalty or costs or expenses may be suspended by the Exchange until such sum is paid.
116. Every Trading Member commits a breach of these Rules that, without lawful justification, refuses or fails to:
- a) attend and give evidence when required to do so by the Disciplinary Committee; or
 - b) answer truly and fully any question put to it by a member of the Disciplinary Committee; or
 - c) produce to the Disciplinary Committee any book, tape, document, paper or other record (in whatever medium) required of it.

Confidentiality

117. All disciplinary investigations and proceedings conducted either by the Exchange staff or the Board of Directors of the Exchange or any committee of the Exchange and shall be considered privileged and confidential.

Overlap with CMDA

118. The Exchange may suspend, any Trading Member which is subject to any enforcement action of the CMDA and immediately notify the CMDA.
119. The Exchange will normally await the outcome of any CMDA enforcement actions before taking further action against any Trading Member.

Notification to CMDA

120. The Exchange will notify the CMDA of all disciplinary actions taken against Trading Members.

SECTION 6 - APPEAL

Service of Notice

121. Appeals against decisions of the Exchange or appeals against decisions of the Disciplinary Committee must be made by service of a notice in writing on the Exchange, within ten (10) days of the service of the decision of the Exchange or the Disciplinary Committee, setting out the name of the appellant, the decision appealed against, the grounds of appeal, the principal matters relied upon and attaching copies of any documents relied upon.

122. Where the appellant wishes to rely on evidence or documentation which was not before the Exchange or the Disciplinary Committee, as appropriate, this shall be stated in the notice together with details of such evidence and copies of such documentation shall be attached to the notice.

Board hears Appeals

123. The Board shall hear and determine appeals against decisions of:

- a) the Exchange
- b) the Disciplinary Committee

124. The Board may uphold, quash or vary any decision by:

- a) the Exchange
- b) the Disciplinary Committee.

Conflict of Interest

125. No Board member with a conflict of interest shall take part in the appeals process.

Notice and Timing of Hearing

126. The Board shall give at least ten (10) Business Days' prior written notice of the date, place and time of hearing.

The Hearing

127. The order of proceedings shall be at the discretion of the Board.

128. If any party fails to attend or be represented at the hearing, the Board may proceed in its absence.

129. Any party may be legally represented at the hearing.

Deliberations and Decisions

130. The Board may deliberate at any time and make any decision in the absence of the parties.

131. The Board is entitled to reach decisions on a majority basis. In the case of an equality of votes, the Chairman shall have a second or casting vote.

132. Following the conclusion of the proceedings, the Board will notify the parties in writing of:
- a) its decision(s), including any statement intended for publication;
 - b) the reason(s) for its decision; and
 - c) any order for costs to be imposed.
133. The Board may order any party to the proceedings to pay such reasonable costs as it thinks fit regardless of any finding or the outcome of the case.

Notification to CMDA

134. The Exchange will notify the CMDA of the outcome of all appeals.

SECTION 7 – COMPLAINTS FROM INVESTORS

135. All complaints shall:
- a) be made in writing;
 - b) be properly signed;
 - c) Identify the Trading Member or the Licensed Person against whom the complaint is made;
 - d) specify in detail the facts surrounding the complaint;
 - e) be filed with the Exchange;
 - f) be made within [one year] of the date of the action or situation about which the complaint is made.
136. A copy of the complaints procedure will be posted on the Exchange website together with the Complaint Form for the online submission of a complaint.
137. When the complaint is filed, the Exchange shall promptly forward it to the accused party for resolution.
138. If the complaint is resolved, or planned to be resolved, within 10 days by the accused party the Exchange shall ensure that the complainant is satisfied and may record the matter as closed.
139. If the matter is not resolved the Exchange shall perform a preliminary investigation and make a written report.
140. The Exchange report shall be completed as soon as possible and if there is prima facie evidence of a rule breach shall be forwarded to
- a) the members of the Disciplinary Committee;
 - b) the CEO if it is a fixed penalty matter.
 - c) CMDA
141. In case there is no prima facie case of a rule breach, the matter will be passed for arbitration.
142. Notwithstanding the satisfactory agreement reached between a complainant and a Trading Member, the case will be referred for discipline if there is prima facie evidence of a Rule breach.

Notification to CMDA

The Exchange will notify the CMDA of statistics or details concerning investor complaints on an agreed basis.

SECTION 8 – ARBITRATION

Delegation to the CEO

143. The Board may delegate to the CEO the actioning of claims/disputes up to MRF125, 000.

Arbitration Committee

144. The Exchange shall appoint an Arbitration Committee.

Appointment of Arbitrator(s)

145. The claims/disputes valuing more than Rufiyaa 125,000 are referred to the Arbitration Committee of the Exchange, which forms a panel of three arbitrators to conduct arbitration proceedings, out of which two are appointed by drawing lots from the Arbitration Committee (one member of the Exchange and the other an Independent Director) and the third being the Chief Executive Officer of the Exchange or his appointed nominee.

146. In the case of non-availability of any member of the Committee to act as arbitrator, the Committee may instead appoint any person having expertise in legal or securities market matters, preferably a former Independent Director of the Exchange to be an arbitrator of the panel.

Application for Arbitration

147. In every case where a claim, difference or dispute arises, the concerned investor may submit to the Exchange an application for arbitration along with following documents:

- a) Complaint Form, if not provided previously with the original complaint; and
- b) an undertaking to abide by all the Rules of the Exchange in force for the arbitration.

Arbitration Process and Announcement of Award

148. The arbitrator(s) fix a date, time and place for each hearing, notice of which is given to the parties seven days in advance. The parties to the reference may attend the hearing in person or through any person duly authorized by them in writing who must be acquainted with the matter in dispute.

149. Any award made by an arbitrator, or in case of panel of three arbitrators by majority of them, shall be final and binding upon the parties, subject to appeal as mentioned below.

Appeal against the Award

150. Appeal against the award will be subject to the following conditions:

- a) A party to a dispute who is dissatisfied with any award of the CEO may appeal to the Arbitration Committee against such award within seven days of the receipt of such award. The award of the Arbitration Committee in an appeal shall be final and deemed binding on the parties to the dispute.
- b) A party dissatisfied with the award of the panel of arbitrators may appeal against such award to the Board within seven days of the receipt of such award. However, for the purpose of hearing the appeal, the Board may constitute a Committee of the directors comprising three of its members, at least two of whom shall be Independent Directors.

151. An appeal must be filed specifying the grounds of objection to the award of arbitrator(s) appealed against. The appeal needs to be referred within seven days from the date of receipt of the award by the party appealing. The following documents are to be appended to an appeal along with a nominal fee as prescribed:
- a) copy of arbitration award appealed against; and
 - b) statement of case mentioning the grounds of objection.
152. Where a party appealing against the award is a Trading Member of the Exchange, then the Trading Member is required to deposit with the Exchange as security the amount ordered to be paid in the award and/or equivalent market value of shares at the time of filing of appeal, as the case may be, along with memo of appeal.

APPENDIX 1 – DIRECTORS AND EMPLOYEES DEALING RULES

Introduction

1. MSE employees and executive directors may have in their possession sensitive commercial information which could materially affect the value of securities traded on MSE. Given MSE's market position and role in the community, even the suggestion of insider trading by an employee or director would do great harm to the employee/director and also to MSE irrespective of whether insider trading actually occurs or is proven.
2. This document sets out the rules relating to dealings by employees and directors in securities traded on MSE.
3. The Dealing Rules for MSE Directors and Employees (the Dealing Rules) are designed to assist in preventing breaches of insider trading rules. Ultimately it is the responsibility of the employee and director to ensure that none of his or her dealings could constitute insider trading.

Access to Unpublished Information by Employees and Directors

4. During the performance of an employee's or director's duties, the employee or director may become aware of, or come into contact with, information regarding the activities or potential activities of listed securities that is not publicly available. Should an employee or director receive or possess such information they are not to make use of that information or enable any other person or party to make use of that information for the purpose of conducting dealings in securities traded on MSE or any other market.

Policies on Dealing in Securities

5. Prior to commencing employment employees and directors must complete an "Acknowledgement of Confidentiality" in which the employee or director acknowledges that he or she will not:
 - a) disclose information in relation to listed securities which is not publicly available; or
 - b) exploit or otherwise use any information which is not publicly available in any dealings an employee or director may make in listed securities,except in the course of duties or as required by law.
6. A Director of the MSE shall not deal in listed securities as may be specified by the Authority from time to time. Further, each Director of the MSE shall promptly disclose to the MSE all direct or indirect dealings in securities done on his account, on account of his spouse, or on account of his minor children.
7. A Director shall also disclose to the MSE all securities beneficially owned by him, his spouse, or minor children and any change thereof.
8. An employee of the Exchange shall not, directly or indirectly, deal in listed securities, save as (i) subscription of securities in a public offer and sale of the same in the Stock market, and (ii) purchase or redemption of units of an open end collective investment scheme.

Related Parties and Relevant Interests

9. The restrictions on dealings by an employee or director are equally applicable to any dealings:
 - a) by their spouses or de facto spouses;
 - b) by or on behalf of any dependant under 18 years of age; and

- c) any other dealings in which, for the purposes of the Companies Act he or she has or will have a relevant interest.

Employment and Monitoring of Compliance

- 10. A copy of this document will be distributed to all employees and directors (present and future). The induction procedures for new employees and directors must require that a copy of this document be provided to each new employee and director.
- 11. All new employees and directors will be required to provide a completed "Form of Acknowledgment" to Human Resources.
- 12. The Chief Executive will ensure that the insider trading prohibition and related Companies Act provisions are drawn to the attention of employees and directors by written memorandum, at least once in every 12 month period.
- 13. At least once in every 12 month period, the Audit Committee will review MSE's adherence to the procedures set out in this document.

APPENDIX 2 – EMPLOYEE CODE OF ETHICS AND CONDUCT

Introduction

1. The Maldives Stock Exchange (“MSE”) is committed to conducting its business in a way that is open and accountable to its shareholders and the wider marketplace.

Purpose of the Code

2. MSE employees, are bound by a Code of Ethics and Conduct (“Code”). The objective of the Code is to ensure that:
 - a) high standards of corporate and individual behaviour are observed by all MSE employees in the context of their employment with MSE;
 - b) employees are aware of their responsibilities to MSE under their contract of employment; and
 - c) all persons dealing with MSE whether it be employees, shareholders, suppliers, customers or competitors can be guided by the stated values and policies of MSE.
3. For the purpose of this document “employees” includes MSE executive directors and contractors.

Obligation to Comply with the Code

4. Employees will adhere to the Code both in letter and in spirit. Adherence to the Code is a term of employment with MSE. Violation of the Code by any employee, or unethical behaviour which may affect the reputation of MSE, may be subject to disciplinary action including termination of employment.

Primary Obligations of the Code

5. MSE and its employees must act with high standards of honesty, integrity, fairness and equity in all aspects of their employment with MSE.
6. MSE and its employees must comply fully with the content and spirit of all laws and regulations which govern the operation of MSE, its business environment, and its employment practices.
7. Employees will not knowingly participate in any illegal or unethical activity.
8. Employees will not enter into any arrangement or participate in any activity that would conflict with the interests of MSE or prejudice the performance of professional duties.
9. Employees must actively promote compliance with laws, rules, regulations and this Code.

Reputation of MSE

10. Employees shall not do anything which would be likely to negatively affect MSE’s reputation.

MSE’s Responsibilities to Shareholders and the Broader Financial Community

11. It is Management’s task to achieve and the Board’s role to oversee the delivery of shareholder value through the sustainable and efficient operation of the company, sound reporting and risk management practices and exemplary compliance with the continuous disclosure regime. The mechanisms to achieve this include the risk management structures, internal audit function, the Audit Committee, and the Board’s oversight of strategic and business objectives.

Care and Diligence

12. MSE and its employees should exercise due care and diligence in the performance of their duties and responsibilities. This should include such activities as ensuring the accuracy of all decision-making information, attending to detail in all aspects of work, being mindful of the sensitivities of others, protecting confidentiality and being courteous, open and honest.
13. The products and services provided by MSE will be of high quality. MSE and its employees will deliver these products and services to its customers in a timely and equitable manner, and give customer satisfaction high priority. Where the quality of products and services provided by MSE is not satisfactory to its customers, MSE will take prompt remedial action.

Conflicts of Interest

14. Where a conflict of interest arises or may arise, an employee must disclose the conflict to his or her supervisor. The supervisor will ensure that measures are put in place to protect parties affected by the conflict of interests from that conflict. Depending upon the nature and extent of the conflict, the measures taken to protect against conflict of interest may include ensuring that the conflicted or potentially conflicted employee does not participate in the relevant decision or activity, or disclosing the conflict to third parties affected by the conflict and ensuring that the conflicted or potentially conflicted employee is not the sole decision maker on the matter.
15. Employees who are directors of MSE will be guided by the constitution of MSE and will ensure that they abide by the provisions in the Companies Act governing disclosure of interest. Where there is doubt the matter should be raised with the Chairman of MSE.

Confidentiality

16. Employees will not breach MSE's confidentiality or make use of confidential information obtained from MSE for personal gain or 'in a manner which would be detrimental to MSE.
17. Confidential information of MSE will not be used except in ways which are authorised by MSE or legally mandated. The same applies to confidential information belonging to third parties which an employee may obtain in the course of their duties.
18. All employees acknowledge this need for confidentiality by signing an Acknowledgement of Confidentiality upon commencement of employment and must not seek to obtain sensitive information which is not relevant to the performance of their duties.
19. MSE will respect the confidentiality of its employees.

Use of Company Assets

20. MSE assets must be acquired, maintained and used in an efficient manner and for legitimate business purposes.

Dealing Rules

21. Employees will comply with the Dealing Rules as amended from time to time.

Policies Regulating Employee Behaviour

22. MSE requires employees to comply with policies relating to:
 - a) outside employment;
 - b) acceptance of business courtesies;
 - c) drugs and alcohol;

- d) employee relations;
- e) privacy;
- f) property and information belonging to MSE; and
- g) computer usage, desktop software, internet usage and email.

23. These policies are applicable to all employees.

Monitoring Compliance with the Code

24. MSE's Audit Committee monitors compliance with this Code.

Reporting Violation so the Code of Ethics or Other Unethical Conduct

25. Employees are required to report violations of the Code using conflict escalation procedures. The procedures provide for a staged escalation and provide ultimately for the Chairman of the Board and the Chairman of the Audit Committee to become involved. The policy underlying the procedures is to ensure employees are not disadvantaged in any way for reporting violations of the Code or other unethical conduct, that the matter is dealt with promptly and fairly and that the procedures are not used maliciously or mischievously.

Conflict Escalation Procedures

26. Where an employee has knowledge of or believes there to have been a breach of this Code, he/she shall report such breach, in the first instance, to their immediate superior.

27. Where the employee finds it not possible to report a breach of the Code to their superior, either through the absence of the superior or their possible involvement in the breach, the employee should report the matter to their Head of Department, whom failing the Chief Executive, whom failing the Chairman of the Board, whom failing the Chairman of the Audit Committee.

28. Reporting of a breach of the Code shall be made in the strictest confidence. A report may be made verbally or in writing. If in writing, it must be signed by the employee. If verbally, the employee will be provided with a note of the alleged breach by the person to whom they have reported the breach of the Code.

29. It will be the responsibility of the person to whom the employee reports the breach of the Code to investigate the matter and to prepare a report for submission, where appropriate through the Chief Executive, to the Audit Committee.

30. The employee reporting the breach of the Code will not be named or identified during any investigation without the prior written approval of the employee.

31. The employee reporting a breach of the Code shall not be entitled to know the outcome of any investigation but will be entitled to know that the matter has been investigated.