

Maldives Securities Depository Company Private Limited

PROCEDURES FOR PAYMENT AND SECURITIES SETTLEMENT OF SECURITIES TRANSACTIONS

Arrangements for Clearance of Payments

1. For each Clearing member (participants to the payment clearing arrangements), an account will be opened in a designated bank, in the name of the MSD; suffixed with an abbreviated name of the member. This account will be used for the purpose of settling payment obligations in relation to Securities Transactions.
2. For the purpose of payment clearance arrangement, MSD would open two separate accounts for each clearing member as "Clearing Settlement Account" and "Clearing Shortage Account". Clearing Shortage Account would contain the liquidity margin, to be utilized where the funds in the Clearing Account falls short of the obligation.
3. Accounts opened for the purpose of clearing arrangement shall be principally operated through internet banking. However, cheque books will be obtained for these accounts as well as a backup in case internet banking system is down.
 - a. Operating through internet banking
 - i. Internet banking access to the accounts must be limited to staffs identified by the Board of Maldives Securities Depository Company Pvt. Ltd (MSDC).
 - ii. MSDC will apply for 2 internet banking access for these accounts (Annex 1).
 - 1st user's access should be limited only for ACCOUNT INFORMATION (Annex 2).
 - 2nd user's access should be limited only for ACCOUNT INFORMATION and PAYMENTS TO BML ACCOUNTS INCLUDING BILLPAY (Annex 3).
 - iii. MSDC will maintain a register at all times, identifying who is the first user and second user. Board of MSDC will approve who could be first and second users. Board will identify 3 staffs to be first users and 3 staffs to be second users.
 - The same staff cannot be a first user and second user for 1 transaction.
 - b. Operating through cheque book
 - i. "Clearing Settlement Account" and "Clearing Shortage Account" will only be operated by cheque books if internet banking service is not possible.
 - ii. MSDC Board will approve who will be able to operate these accounts.
 - To operate these accounts joint signatories will be required as per current practice of the MSDC.
 - Any two Board members will be able to sign on behalf of the MSDC in these accounts.



Handwritten signature and date: 30/8/12 1

Settlement of Payment Obligations

1. Following documents shall be obtained by the MSDC prior to commencing any payment clearing instruction from the Clearing members.
 - a. "Checklist" for Trades concluded at MSE
 - b. Relevant "buy orders" and "sell orders" (forms)
 - c. "Trade list" authorized by MSE
 - d. "Settlement Schedule" as described below:
 - i. The settlement schedule must be prepared separately for each Trading Member/Clearing Member
 - ii. Settlement schedule must be approved by MSE
 - iii. Settlement schedule must be approved by the Clearing Member (signature and stamp is required)
 - iv. Settlement schedule must authorize the MSDC to settle the net obligations of the Member
2. The settlement schedule must indicate the following details
 - a. The total amount payable for the purchases by the purchasing Member **less 0.5%** of transaction value is to be debited to the account of the purchasing Member.
 - b. The total amount receivable for the sales by the selling Member **less 0.5%** of transaction value is to be credited to the account of the selling Member.
 - c. The total amount of Trade Processing Fee (1% of trade value) must be credited to the account of the Maldives Stock Exchange Company Pvt. Ltd.
3. The Clearing Accounts of the Members would be debited/credited on T+1 when internet banking is used. But it would be T+2 if cheque are issued for clearing and settlement.
4. The clearing member should credit the clearing account on or before T+1, 12:00hrs. If the funds in the Clearing Account are not sufficient for settlement of trade, the necessary amount may be transferred from the Clearing Shortage Account, and the Member must be notified immediately to reimburse the Clearing Shortage Account to the minimum balance required. By the end of T+2 MSD shall inform the same to CMDA if the license of Clearing Member is to be suspended because they were unable to meet the required financial obligations.
5. A notification of transaction settlement must be sent to the respective Members including MSE (for settlement of commissions)



[Handwritten signature]

Settlement of Securities

1. The settlement schedule (**Annex 1**) which needs to be sent by Clearing Member before 14:00hr on trading day and it must indicate the following details:-
 - a. In case of a trade for which payments have not been received and where securities had to be transferred to the clearing member account, then this should be indicated in the settlement schedule by filling the necessary columns in Table 1 and authorizing it by the broker associated with the clearing of such a trade.
2. Transfer of securities with respect to transactions executive at MSE would be made by the Maldives Securities Depository at T+1, 14:00hrs.
 - a. MSD will check the settlement schedule and make transfers according to the instructions given by the broker.
3. The settlement Schedule may state to transfer the securities to the clearing members account in case the client fails to make the payment. Then trade involving the particular securities will be executed as a trade between Seller and the Clearing Member.
 - a. If the client makes the payment within duration of T+9, then the broker must inform MSD via **Annex 1** to make the transfer to the clients account. In such transfers referred, a Clearing Member may only instruct to transfer the securities involved in the particular trade in full before T+9.
4. The clearing member will only be allowed to sell the shares bought if the client does not make the payment before T+9.
5. Notification of securities transfer must be sent to the Trading Member/Clearing Member on the same day. These are not inter account transfers and will be denoted in the remarks column of MSD system as Broker Initiated Transfers.
6. After executing the trades on the system, a journal report and transfer details will be generated from MSD system and will be checked for any errors.
7. Transfer details sheet will be sent to the listed company for their record keeping.
8. The MSD staff who execute the trade will fill the checklist and make copies of the trade list and settlement schedule for MSD future reference. All the original documents will be handed over to MSE for filing.

Finality of Settlement

1. Clearing Member should instruct MSDC to transfer securities to the Clearing member account on the trading day (T).

2nd verification of the payment and securities settlement.

Senior staff at MSD/MSE is to check whether the transactions have been posted correctly by 13:00 on T+1, and send payment and securities settlement details to the dealer representative on T+1.



Handwritten signature