



# **MALTA STOCK EXCHANGE**

## **CHAPTER 2 ADMINISTRATION**

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# CHAPTER 2 – ADMINISTRATION

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## 2.00 License

### Regulated Market

**2.00.01** The Malta Stock Exchange (the Exchange) is authorized to provide the services of a regulated market pursuant to Article 4 of the Act.

### Central Securities Depository

**2.00.02** The Exchange is authorized to provide the services of a central securities depository pursuant to Article 24 of the Act.

## 2.01 Management of the Exchange

### The Board of Directors

**2.01.01** The administration and management of the Exchange is vested in a Board of Directors (the Board) which is appointed in accordance with the Articles of Association of the Exchange.

**2.01.02** The Board has the power to transact all business of whatsoever nature not expressly reserved by provisions of any law for the time being in force to be exercised by the Exchange in General Meeting or in respect of which specific provisions are made in the Articles of Association.

### Company Secretary

**2.01.03** The Board shall appoint a Company Secretary for such term, at such remuneration and upon such conditions as they may think fit and any Company Secretary may be removed by them.

**2.01.04** The Company Secretary is responsible for keeping the minute book of general meetings and of the meetings of the Board, the register of Members and the register of debentures and such other registers and records as the Company Secretary may be required to keep by the Board.

### 2.01.05

The Company Secretary shall furthermore ensure that proper notices are given of all meetings and ensure that all returns and other documents of the Exchange are prepared and delivered in accordance with the requirements of the Act.

### Chief Executive Officer

**2.01.06** The Board may from time to time appoint any person to the office of Chief Executive Officer for such period and on such terms as they think fit.

**2.01.07** The Board may entrust to and confer upon the Chief Executive Officer any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and may from time-to-time revoke, withdraw, alter or vary all or any of such powers.

### Audit Committee

**2.01.08** The Board may establish an Audit Committee, under the Chairmanship of a Director so appointed by the Board, which shall exercise any powers and duties conferred upon it by the Board in terms of the Articles of Association of the Exchange.

**2.01.09** The Audit Committee shall be composed of at least three [3] Directors of the

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Exchange so appointed by the Board, one of whom the Board shall appoint as Chairman and who shall have a casting vote, the Financial Controller and any other person as may be deemed appropriate.

**2.01.10** The quorum for any meeting shall be three [3] Members.

**2.01.11** No other person except the Audit Committee Members and, and the Chairman of the Board if deemed necessary, are entitled to attend Audit Committee Meetings unless specifically invited to attend and participate in the meeting. Other Board Members are however, entitled to request the Chairman of the Audit Committee to address specific matters.

**2.01.12** The Board may entrust to and confer upon the Audit Committee any functions that it deems fit as shall be outlined in specific terms of reference and may from time-to-time revoke, withdraw, alter or vary all or any of such functions so delegated.

**2.01.13** The Members of the Audit Committee shall be informed in writing of such appointment including detailed terms of reference as approved by the Board from time to time.

**2.01.14** The Audit Committee shall review its terms of reference and its own effectiveness every two years and shall recommend to the Board any changes as deemed appropriate. The review shall, inter alia, outline a summary of the role of the Audit Committee, its composition during the period under review and the manner in which it has discharged its duties in accordance with its terms of reference together with any proposed amendments to its terms of reference as may be appropriate.

**2.01.15** On an annual basis, within one [1] month of the year end, the Audit Committee shall prepare a report for the Board including, inter alia, the number of Audit Committee meetings held, and a summary of the matters considered during the year.

**2.01.16** An officer from within the Board & Executive Secretariat shall be appointed to act as Secretary to the Audit Committee and shall be responsible to make the necessary preparations for Audit Committee Meetings and to keep minutes of such meetings.

**2.01.17** The Minutes of Audit Committee Meetings shall be distributed to Audit Committee Members for approval and subsequently to the Board.

**2.01.18** The Chairman of the Audit Committee shall be responsible to report to the Board on any decision or action taken by the Audit Committee at the first Board meeting following such decision or action or at any other opportune moment as deemed appropriate.

**2.01.19** The Audit Committee shall have the power to regulate its own proceedings, however, it shall meet at least once every quarter.

**2.01.20** At least once a year, the Audit Committee shall meet with the external and internal auditors of the Exchange, without any executives of the Exchange being present.

## Risk Management Committee

**2.01.21** The Board may establish a Risk Management Committee, under the Chairmanship of a Director so appointed by the Board, which shall exercise any powers and duties conferred upon it by the Board in

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terms of the Articles of Association of the Exchange.

**2.01.22** The Risk Management Committee shall be composed of at least two [2] Directors of the Exchange so appointed by the Board, one of whom the Board shall appoint as Chairman and who shall have a casting vote, the Chief Executive, the General Manager and the Assistant General Manager Board & Executive Secretariat and any other person as may be deemed appropriate.

**2.01.23** The quorum for any meeting shall be three [3] Members.

**2.01.24** No other person except the Risk Management Committee Members and, and the Chairman of the Board if deemed necessary, are entitled to attend Risk Management Committee Meetings unless specifically invited to attend and participate in the meeting. Other Board Members are however, entitled to request the Chairman of the Risk Management Committee to address specific matters.

**2.01.25** The Board may entrust to and confer upon the Risk Management Committee any functions that it deems fit as shall be outlined in specific terms of reference and may from time-to-time revoke, withdraw, alter or vary all or any of such functions so delegated.

**2.01.26** The Members of the Risk Management Committee shall be informed in writing of such appointment including detailed terms of reference as approved by the Board from time to time.

**2.01.27** The Risk Management Committee shall review its terms of reference and its own effectiveness every two years and shall recommend to the Board any changes as deemed appropriate. The review shall, inter alia, outline a summary of the role of the Risk

Management Committee. Its composition during the period under review and the manner in which it has discharged its duties in accordance with its terms of reference together with any proposed amendments to its terms of reference as may be appropriate.

**2.01.28** On an annual basis, within one [1] month of the year end, the Risk Management Committee shall prepare a report for the Board including, inter alia, the number of meetings held, and a summary of the matters considered during the year.

**2.01.29** An officer from within the Board & Executive Secretariat shall be appointed to act as Secretary and shall be responsible to make the necessary preparations for Risk Management Committee Meetings and to keep minutes of such meetings.

**2.01.30** The Minutes of Risk Management Committee Meetings shall be distributed to Committee Members for approval and subsequently to the Board.

**2.01.31** The Chairman of the Risk Management Committee shall be responsible to report to the Board on any decision or action taken by the Risk Management Committee at the first Board meeting following such decision or action or at any other opportune moment as deemed appropriate.

**2.01.32** The Risk Management Committee shall have the power to regulate its own proceedings, however, it shall meet at least once every quarter.

**2.01.33** At least once a year, the Risk Management Committee shall meet with the external and internal auditors of the Exchange, without any executives of the Exchange being present.

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## Executive Committee

**2.01.34** The Board may establish an Executive Committee, under the Chairmanship of the Chief Executive Officer appointed in terms of the Articles of Association of the Exchange which shall exercise any powers and duties conferred upon it by the Board in terms of the Articles of Association of the Exchange.

**2.01.35** The Executive Committee shall be chaired by the Chief Executive Officer who shall nominate the Members of the Executive Committee from among the senior executives of the Exchange and who shall be approved by the Board.

**2.01.36** The Executive Committee shall be composed of at least three [3] senior officials of the Exchange, including the Chief Executive as Chairman. The quorum for Executive Committee Meetings shall be one [1] less than the total number of members of the Executive Committee. One of the Members present must be the Chairman.

**2.01.37** The Board may entrust to and confer upon the Executive Committee any functions that it deems fit as shall be outlined in specific terms of reference and may from time-to-time revoke, withdraw, alter or vary all or any of such functions so delegated.

**2.01.38** The Members of the Executive Committee shall be informed in writing of such appointment including detailed terms of reference as approved by the Board from time to time.

**2.01.39** The Executive Committee shall review its terms of reference and its own effectiveness every two years and shall recommend to the Board any changes as deemed appropriate. The review shall, inter alia, outline a summary of the role of the Executive Committee, its composition during the period under review and the manner in

which it has discharged its duties in accordance with its terms of reference together with any proposed amendments to its terms of reference as may be appropriate.

**2.01.40** On an annual basis, within one [1] month of the year end, the Executive Committee shall prepare a report for the Board including, inter alia, the number of Executive Committee meetings held and a summary of the matters considered during the year.

**2.01.41** The Company Secretary shall be appointed to act as Secretary to the Executive Committee and shall be responsible to make the necessary preparations for Executive Committee Meetings and to keep minutes of such meetings.

**2.01.42** The Minutes of Executive Committee Meetings shall be distributed to Executive Committee Members for approval and subsequently to the Board.

**2.01.43** The Chairman of the Executive Committee shall be responsible to report to the Board on any decision or action taken of the Executive Committee at the first Board Meeting following such decision or action or at any other opportune moment as deemed appropriate.

**2.01.44** The Executive Committee shall have the power to regulate its own proceedings, however, it shall meet at least once every quarter.

**2.01.45** At least once a year, the Executive Committee shall meet with the Board of the Exchange, and present its Annual Report prepared in accordance with Bye-law 20.01.40 above.

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## Committees

**2.01.46** The Board may appoint any other Committee, other than the Audit Committee and the Executive Committee, to which it may delegate any of its functions or to manage or oversee the carrying out of any of its functions.

**2.01.47** The Board shall determine the composition and specific terms of reference of any Committee so appointed.

## General

**2.01.48** The delegation of any function by the Board to any Committee shall not affect any obligation or responsibility imposed upon the Board by the Act or otherwise.

**2.01.49** In discharging their responsibilities, the members of the any Committee set up by the Board must exercise their business judgment to act in good faith and in the interest of the Exchange and its shareholders. Any conflicts of interest should be declared in advance of any related matter being discussed and shall be so recorded in the minutes. The Chairman of the relevant Committee shall determine on the appropriateness of the presence of the relevant member during the discussions. All members of the relevant Committee shall exercise due care and confidentiality regarding proceedings of the Committee. Such provisions shall also apply to any other person invited to attend and participate in Committee Meetings.

## Salaries and Other Administrative Expenses

**2.01.50** The Board is empowered to determine the salaries of the Chief Executive Officer and the Company Secretary. The Board is also empowered to determine the salaries of other officers of the Exchange in consultation with the Chief Executive Officer, and to pay any expenses necessary for the smooth and efficient running of the Exchange.

## 2.02 Bye-laws, Exchange Notices and Other Publications

### Bye-laws

**2.02.01** The Board shall, subject to the approval of the Competent Authority, have the power to make such Bye-laws not inconsistent with the Act, or any regulation or directive made thereunder as it may deem necessary for the proper functioning of the Exchange.

**2.02.02** Where the Board proposes to amend, substitute or revoke its Bye-laws or any part thereof, the prior approval of the Competent Authority must be obtained for the validity of any such amendment, substitution or revocation.

**2.02.03** A copy of such Bye-laws will be maintained by the Exchange and shall be available to the public for inspection. Availability of the Bye-laws on the Exchange's website shall constitute sufficient publication for the purposes of the Act.

### Exchange Notices

**2.02.04** The Board may, from time to time, issue notifications by way of Exchange Notices which shall be deemed to be binding on Members, Issuers or any other users of the Exchange Services to which such Exchange Notices may apply.

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**2.02.05** Such Exchange Notices shall be distributed in writing or electronically as appropriate.

## Publications

**2.02.06** The Board shall cause to be issued the following publications:

**2.02.06.01** the Bye-laws, duly updated from time to time;

**2.02.06.02** Exchange Notices as appropriate; and

**2.02.06.03** Recognized Lists, Price Lists, transaction information and any other market and Exchange information in accordance with the Exchange's transparency and reporting requirements.

**2.02.07** Publications shall be distributed to all Members and to companies whose financial instruments have been admitted to any of the Exchange's recognized lists and to any other person as deemed appropriate. Publication on the Exchange's website shall be constituted to be sufficient publication and distribution.

## Annual Report

**2.02.08** The Board shall as soon as possible, but not later than four [4] months after the closing of each financial year, transmit to the Competent Authority, a copy of the Audited Annual Financial Statements and the Annual Report on the activities of the Exchange.

**2.02.09** The Audited Financial Statements shall be published on the MSE's website within [1] month of transmission to the Competent Authority. Notification shall be given in at least two [2] daily newspapers of the publication of the Audited Financial

Statements and their availability in printed format upon request.

## 2.03 Urgent Action

### Urgent Action

**2.03.01** The Chairman, acting jointly with another Member of the Board and in consultation with the Chief Executive Officer may issue specific instructions to meet situations which require urgent action to stop malpractice, to protect investors or to safeguard the financial integrity of the Exchange.

**2.03.02** Such action shall be reported immediately to the Competent Authority.

## 2.04 Fees and Other Charges

### Fees and Other Charges

**2.04.01** The Board may impose such fees and other charges as it may deem appropriate and as previously approved by the Competent Authority. Such fees and other charges shall be issued as an Exchange Notice and distributed accordingly.

**2.04.02** The Board may amend, revoke or substitute any fees and other charges as deemed appropriate. Such amendments, revocations or substitutions as previously approved by the Competent Authority shall be issued as an Exchange Notice.

**2.04.03** The Board may impose other fees and charges in respect of services provided by the Exchange which for commercial and competitive reasons need not be included in the public list of fees and other charges.

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## 2.05 Regulatory Requirements

### Internal compliance

**2.05.01** The Board must ensure that adequate and appropriate systems and controls are in place concerning its internal compliance requirement as set out in the Regulated Markets (Authorisation Requirements) Regulations.

**2.05.02** Internal compliance functions shall be carried out by the Operations Audit Office which shall report to the Competent Authority in the manner set out in the Financial Market Rules.

### Reporting requirements

**2.05.03** The Exchange shall report to the Competent Authority on a regular basis as outlined in Part II – Notification Requirements of the Financial Market Rules or as may be requested by the Competent Authority from time to time.

## 2.06 Auditors of the Exchange

### Appointment of Auditors

**2.06.01** The Board shall appoint an auditor annually with the approval of the Competent Authority.

**2.06.02** If, at any time, the Exchange fails to have an auditor in office for a period exceeding four [4] weeks, the Competent Authority may appoint a person to fill the existing vacancy.

### Audit of Accounts

**2.06.03** The Exchange shall make available to its auditor all the information and explanations necessary to discharge his responsibilities as an auditor and to enable him to meet the requirements of the Competent Authority.

**2.06.04** The Exchange shall obtain from its auditor a Management Letter in accordance with International Standards on Auditing.

**2.06.05** The auditor must confirm to the Competent Authority whether the audit has been conducted in accordance with International Standards on Auditing and, where, in the auditor's opinion, one or more of the requirements have not been met, the auditor shall be required to include in his report a statement specifying the relevant requirements and in which respect these have not been met.

## 2.07 Complaints and Breaches

### Complaints arising in connection with the performance of functions of the Exchange

**2.07.01** Any complaints received by the Exchange arising in connection with the performance of its functions or its failure to perform any such function shall be reviewed by the Board which must ensure that the Exchange has effective arrangements for the investigation and resolution of such complaints as outlined in the recognition requirements.

Provided that such complaints do not extend to complaints about the content of rules made by the Exchange.

**2.07.02** The Exchange shall hold a register of all complaints arising in connection with the performance of its functions or its failure to perform any such function and shall notify the

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Competent Authority immediately of any such event and of any remedial action taken, where applicable.

## Breaches of the Act, and other regulations issued thereunder

**2.07.03** Breaches of the Act and /or other regulations issued thereunder, will be reviewed by the Board, which must ensure that the Exchange has effective arrangements for the investigation and resolution of such breaches.

**2.07.04** The Exchange shall keep a record of all breaches of the Act and /or other regulations issued thereunder as outlined in the Financial Market Rules and shall notify the Competent Authority immediately when it becomes aware of any such breaches and of any action taken, where applicable.

## 2.08 Confidentiality

### Confidentiality of Exchange information

**2.08.01** All officers of the Exchange shall be bound to treat all documents and any other information relating to the activities of the Exchange, or otherwise obtained for the purposes of or pursuant to, any of the provisions of the Act, Financial Market Rules and Bye-laws or any regulations made under the Act and not yet officially divulged, and all matters and things related to such documents and information as confidential and protected by the duty of professional secrecy, and shall not disclose the same to any other person not being a person who may lawfully obtain that information for the purposes of, or pursuant to, the provisions of the Act, except with the consent of the person from whom the information was obtained and provided that the information relates solely to that person.

**2.08.02** No enquiries shall be made into the affairs of any person except for the purpose of ensuring compliance with the provisions of the Act and any regulations made thereunder.

## 2.09 Prevention of Financial Markets Abuse

### Submission of information in respect of suspected market abuse

**2.09.01** In the event that the Exchange has any evidence tending to suggest that any person may have committed, has committed, or is likely in the circumstances to commit acts which are tantamount to market abuse, the Exchange must supply relevant information without delay to the Competent Authority and provide full assistance to the latter in investigating and prosecuting market abuse occurring on or through its systems.

**2.09.02** In the event of any suspicion as outlined in bye-law 2.09.01 above, the Exchange must immediately give the Competent Authority notice of any such event, providing full details of any such evidence in writing as outlined in the Financial Market Rules.

## 2.10 Prevention of Money Laundering and Funding of Terrorism

### Reporting of suspicion of money laundering and funding of terrorism

**2.10.01** In terms of Regulation 15(3) of the Prevention of Money Laundering and Funding of Terrorism Regulation, -2018, the Exchange, as a designated subject person in terms of the said Regulation, must report, promptly, any suspicion that a person may have been, is or may be engaged in money laundering or

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funding of terrorism, to the Financial Intelligence Analysis Unit.

**2.10.02** In the event that the Exchange, through the adoption of the systems, policies and procedures detects or is alerted to any unusual or suspicious transaction or activity, the Exchange may request the Member to provide further information, data and/or documentation as may be required in order for the Exchange to be able to ascertain whether the person in respect of whom the unusual or suspicious activity or transaction is detected or alerted, may have been, is or may be engaged in money laundering or funding of terrorism. Any information, data and/or documentation being requested must be provided by the Member immediately upon request. On a case-by-case basis, the Exchange may request such information, documentation and/or data directly from the individual holders of the accounts.

**2.10.03** The Exchange must submit a suspicious transaction report to the Financial Intelligence Analysis Unit.