



# MALTA STOCK EXCHANGE

## Bye Laws

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Issued by Authority of the Malta Stock Exchange Board



# **MALTA STOCK EXCHANGE**

## **CHAPTER 1 INTERPRETATION**

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# CHAPTER 1 – INTERPRETATION

## 1.00 Powers of the Board of Directors

### Power to make bye-laws

#### 1.00.01

The Board of Directors [the Board] of the Malta Stock Exchange, in exercise of the powers conferred on it by the Financial Markets Act [Cap. 345 of the Laws of Malta] [hereinafter referred to as the Act] makes the following bye-laws.

## 1.01 Interpretation

### Definitions

#### 1.01.01

Words importing the singular number shall include the plural and vice versa where the context so permits. Words importing the masculine gender shall include the feminine and neuter genders.

#### 1.01.02

The following terms have the meanings as defined below.

<b>Accredited External Reviewer</b>	<p>An accredited external reviewer is an assessment and certification institution that meets the following conditions in line with the ICMA Guidelines for Green Bonds External Reviews:</p> <ul style="list-style-type: none"> <li>▶ It has established an organizational structure, workflow, technical methods, fee rates, quality control, occupational liability insurance, and other relevant rules necessary for conducting the green bond assessment and certification business;</li> <li>▶ It has the qualifications for practice in the rating, certification,</li> </ul>
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<b>Accredited External Reviewer (cont.)</b>	<p>attestation, energy, climate, or environment field granted by competent authorities;</p> <ul style="list-style-type: none"> <li>▶ It has corresponding professionals in the accounting, auditing, finance, energy, climate, or environment field;</li> <li>▶ It has committed no violation of laws and regulations and maintained a spotless record of integrity in the last three years or since its formation.</li> </ul>
<b>Accrued interest</b>	The amount of interest accumulated in respect of an interest-bearing financial instrument from the last payment up to settlement day.
<b>Admissible to listing</b>	Admissible to listing in accordance with the provisions of Article 12(2) of the Act and "Admissibility to Listing" shall be construed accordingly.
<b>Admission</b>	Admission to listing or admission to listing and trading on the Exchange in accordance with the provisions of Article 12(2) of the Act and "Admitted to Listing and Trading" or "Admit to Listing" shall be construed accordingly.
<b>Approved Payment System</b>	A securities settlement system operated by the Exchange and duly approved by the Central Bank pursuant to Article 36 of the Central Bank of Malta Act [Cap. 204 of the Laws of Malta].

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<b>Auction</b>	Specific phases during a trading session leading to, where possible, price formation in accordance with the parameters set out in these Bye-laws.	<b>Business day</b>	Any day which is not a Saturday, Sunday or a Public Holiday.
<b>Auditor</b>	A person holding a practicing certificate to practice in the field of auditing or an auditing or an audit firm as defined by the Accountancy Profession Act [Cap. 281 of the Laws of Malta] and having experience in auditing listed and/or regulated entities.	<b>Business hours of the Exchange</b>	Operating hours on each business day or any other times as specified as such by the Exchange.
<b>Audit Committee</b>	The Committee set up by the Board under the Chairmanship of a designated member of the Board.	<b>Buyer's right of forward transmission</b>	The acquisition by the buyer in a transaction until final settlement of the forward delivery of the relevant transacted financial instruments only if he discharges his payment obligations.
<b>Authorised intermediary</b>	An investment firm authorised by the competent authority or by a foreign authority to provide services referred to in the Directive.	<b>CBM Directive No. 2</b>	Directive No. 2 issued by the Central Bank of Malta under the Central Bank of Malta Act [Cap. 204 of the Laws of Malta] in respect of Payment and Securities Settlement Systems.
<b>Best market</b>	The current highest bid and the lowest offer in a specific security.	<b>Chairman</b>	The Chairman of the Exchange.
<b>Books close date/record date</b>	The day on which the register is closed.	<b>Central Bank</b>	Central Bank of Malta established by virtue of the Central Bank of Malta Act [Cap. 204 of the Laws of Malta].
<b>Booking</b>	In the context of sell orders, the expression of interest in a volume of financial instruments to be sold.	<b>Central Securities Depository / CSD</b>	The Central Securities Depository operated by the Exchange to carry out those functions as established in terms of the Act.
<b>Bid</b>	An order by a Member to buy financial instruments.	<b>Chief Executive Officer</b>	Chief Executive Officer of the Exchange.
<b>Board of Directors / Board</b>	The Board of Directors of the Exchange.	<b>Class</b>	Financial instruments the rights attaching to which are, or will be, identical and which form a single issue or series.
		<b>Client contracts note</b>	The record of the details of an executed trade, its

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	total value and all relevant charges.		must be satisfied in order or the settlement of a transaction to occur.
<b>Competent Authority</b>	The person or body appointed by the Minister of Finance, the Economy and Investment to carry out the functions of a competent authority.	<b>Deal / match / trade</b>	A bid and an offer which have been either wholly or partially executed and satisfied.
<b>Compliance &amp; Market Operations Office</b>	The Office within the Exchange responsible for market monitoring and regulatory reporting.	<b>Dedicated Cash Account /DCA</b>	Account required for T2S Clearing Participants for the purposes of cash settlement.
<b>Compliance Officer</b>	The person appointed by the Issuer, who shall be responsible to provide the Exchange with any information or explanation that the Exchange may reasonably require for the purpose of verifying whether the Bye-laws are being or have been complied with or which relate to the integrity or orderly operation of the Exchange's markets for financial instruments.	<b>Delivery-versus-payment</b>	The delivery of financial instruments occurring only If payment occurs.
<b>Continuous trading</b>	Means a trading phase which starts at the end of the Opening Auction and ends before the closing auction. At this stage orders may be placed, deleted or amended and possible trades executed according to the execution priority as set out in these Bye-laws. This stage may be interrupted by one or more intraday auctions due to extended volatility interruptions.	<b>Depository receipt</b>	A certificate or other record, whether or not in the form of a document which is issued by or on behalf of a person who holds any relevant financial instruments of a particular issuer or who holds evidence of the right to receive relevant financial instruments who has an interest in the relevant financial instruments of a particular company. Such certificate or other record evidences or acknowledges that another person is entitled to rights in relation to those financial instruments and shall include the right to receive the said financial instruments from the person holding or having an interest in the same financial instruments. Relevant financial instruments means shares, debt securities or warrants.
<b>Cum</b>	Placed immediately before a distribution or benefit implies inclusion of the distribution or benefit.	<b>Directive</b>	Council Directive 2004/39/EC of the 21 April 2004 on markets in financial instruments as amended from time to time including any implementing measures
<b>Cut-off time</b>	The time set in accordance with any relevant clearing and settlement rules by which all relevant conditions		

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	that may be issued thereunder.		Members during trading sessions of the Exchange.
<b>Directly Connected Party /DCP</b>	A Participant in T2S directly connected to the platform.	<b>Exchange Notice</b>	A notice issued in terms of these Bye-laws.
<b>Dynamic Price Range</b>	Means the maximum percentage deviation, symmetrically above and below from the security's reference price. The reference price for dynamic volatility range purposes is the last traded price for the security determined in continuous trading or in an auction. The reference price is readjusted each time a new price is determined which is different from the previous trade price.	<b>Executing Bank</b>	The bank in which a participant of any relevant clearing and settlement system has opened the relevant settlement account for the withdrawal/deposit of settlement funds.
<b>EU Code of Conduct on Clearing and Settlement</b>	Pan-EU Code of Conduct regarding clearing and settlement operations and procedures to which the Exchange is a signatory.	<b>Execution priority</b>	The parameters in accordance with which orders are executed during continuous trading.
<b>Earmarking</b>	Means an expression of a selling/transferring interest made by a Member on behalf of a client in an available securities balance held in the client's account at the CSD in relation to a sell order received by the member and to be executed on the market on behalf of the client.	<b>Executive Committee</b>	The Committee established by the Board under the Chairmanship of the Chief Executive Officer.
<b>Ex</b>	A deal which is exclusive of distribution or benefits.	<b>Extended Volatility Interruption</b>	Means an event which may arise if the movement in the price of an order book security is outside allowable price volatility ranges applicable to order book equity securities established by the Exchange.
<b>Exchange</b>	The Malta Stock Exchange.	<b>Financial Intelligence Analysis Unit / FIAU</b>	The Financial Intelligence Analysis Unit or any other person or body appointed in terms of the Prevention of Money Laundering Act responsible for the collection, collation, processing, analysis and dissemination of information with a view to preventing, detecting and effectively combating money laundering and funding of terrorism.
<b>Exchange Floor</b>	The room, area, and/or any other facilities from time to time designated or made available by the Exchange for effecting trades and other transactions between	<b>Financial Markets Act / FMA /The Act</b>	The Financial Markets Act [Cap. 345 of the Laws of Malta].

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<b>Financial Market Rules</b>	The Rules applicable to regulated markets issued in terms of the Act.	<b>Indirectly Connected Party /ICP</b>	A Participant in T2S connected to the platform via the CSD.
<b>Free of Payment</b>	Transactions which are included in the OTC Reporting System.	<b>Insolvency proceedings</b>	For the purposes of MaltaClear transactions pursuant to CBM Directive No. 2 means any collective measure provided for by applicable law in Malta or in any other country either to wind up the participant or to re-organise it where such measure involves the suspension of, or imposition of limits on transfers or payment.
<b>Green Bonds</b>	Green Bonds are debt instruments the proceeds of which will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects.	<b>IPO</b>	Initial Public Offering.
<b>Green Bond Principles</b>	The guidelines on the recommended transparency and disclosures necessary to promote integrity in the development of the Green Bond market as issued by ICMA and as they may be amended from time to time and as also defined on the ICMA website <a href="https://www.icmagroup.org/">https://www.icmagroup.org/</a> .	<b>ISIN Code</b>	International Securities Identification Code.
<b>Green Project/s</b>	Any project that falls under one or more of the categories outlined in bye-law 5.02.13.02 or, any other project which the Exchange considers to be eligible under the Green Bond Principles issued by the International Capital Markets Association (ICMA).	<b>Issuer</b>	Any company or other legal person or undertaking including a Public Sector Issuer, any class of whose financial instruments have been authorised as admissible to listing or is the subject of an application for admissibility.
<b>IFSM Applicant</b>	An applicant for Admission of Securities pursuant to the WSM Capital Markets Rules.	<b>Listed company</b>	A quoted company as defined by the Act.
<b>Implementing Procedures</b>	The implementing procedures issued by the FIAU, as may be amended and/or supplemented from time to time.	<b>Listed financial instrument</b>	A quoted financial instrument as defined in the Act.
		<b>Listing Agent</b>	Shall have the same meaning as assigned to it in the WSM Capital Markets Rules.
		<b>MFSA</b>	The Competent Authority appointed to perform the functions as set out in Article 11 of the Act.
		<b>Listing Particulars / Equivalent</b>	Listing particulars, prospectuses, supplementary listing

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<b>Offering Document</b>	particulars or any other document issued in connection with any offering to the public for subscription to any financial instruments.	<b>MSE Settlement Account</b>	A settlement account opened by the Exchange at the Central Bank and/or any other bank to facilitate clearing and settlement procedures.
<b>Capital Markets Rules</b>	The rules issued by the MFSA in accordance with the provisions of the Act as may be amended from time to time but shall (for the avoidance of doubt) not include the WSM Capital Markets Rules.	<b>Member</b>	Any person admitted to Membership of the Exchange to access the trading infrastructure in terms of Chapter 3 of these Bye-laws.
<b>MaltaClear</b>	A settlement system operated by the Exchange for the purpose of clearing and settlement of relevant transactions.	<b>Minimum Tradable Unit</b>	The minimum permitted tradable amount or volume for each financial instrument or group of financial instruments as may be determined by the Exchange from time to time.
<b>Market abuse</b>	The prohibited use of inside information and the practice of market manipulation as provided for in the Prevention of Financial Markets Abuse Act, [Cap. 476 of the Laws of Malta].	<b>Mistrade</b>	A trade that is deemed by the Exchange to have been erroneous and may be cancelled in accordance with the relevant rules as laid down in these Bye-laws.
<b>Market Maker</b>	Any person authorised by the MSE to carry out market making activity in terms of Chapter 4 of the Bye-Laws.	<b>Netting</b>	For the purposes of MaltaClear transactions pursuant to CBM Directive No.2, netting is the conversion into one net claim or one net obligation of claims and obligations resulting from transfer orders which an authorised intermediary or authorised intermediaries either effect, or receive from, one or more other authorised intermediaries with the result that only a net claim can be demanded or a net obligation be owed.
<b>Market Model Principles</b>	Trading and related procedures as set out in Appendix 4.1 to these Bye-laws.	<b>OTC Reporting System</b>	The system used by the Exchange within the current trading infrastructure for the reporting of trades effected OTC.
<b>Match/trade/deal</b>	A bid and an offer which have been wholly or partially executed and satisfied.		
<b>MSE Account No.</b>	An account number generated by the Exchange, unique to each registered holder of financial instruments held within the CSD.		



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<b>OTC transaction</b>	A transaction which has been effected outside the market/s operated by the Exchange.		a situation where Insolvency Proceedings have been instituted on or initiated or opened against a Member (participant) in line with applicable laws.
<b>Offer</b>	An order to sell financial instruments traded on the Exchange.	<b>PMLA</b>	The Prevention of Money Laundering Act [Cap 373 of the Laws of Malta]
<b>Officer of the Exchange</b>	A Director, Chief Executive, Senior Executive, Company Secretary or any other person forming part of the governing body of the Exchange charged with the representation of the Exchange, or any other employee of the Exchange.	<b>PMLFTR</b>	The Prevention of Money Laundering and Funding of Terrorism Regulation [S.L 373.01 of the Laws of Malta]
<b>Official List</b>	The list prepared and published by the Exchange indicating all financial instruments admitted to the Exchange.	<b>Post-trading</b>	A stage during the trading session following continuous trading where Members may enter orders but during which no matching takes place.
<b>Operations Audit Office</b>	The office within the Exchange performing internal compliance functions.	<b>Pre-trading</b>	A stage during the trading session prior to continuous trading where Members may enter, amend or delete orders but during which no matching takes place.
<b>Order Log Book</b>	A register maintained by each Member Firm containing details of each order received by the Member for execution which contains the information as outlined in the relevant bye-laws.	<b>Price List</b>	A list containing information of the latest prices of financial instruments traded on the Exchange's market/s together with such other information as the Exchange may deem appropriate.
<b>Order</b>	An instruction from a client to a Member to buy or sell financial instruments.	<b>Property Rental Business</b>	The business of owning or leasing immovable property whether residential or commercial for the purposes of renting out such immovable property to third parties and receiving rental income therefrom.
<b>Order Book Security</b>	Means a security that has been admitted to trading on the order book of the electronic trading system of the Exchange.	<b>Recognized jurisdiction</b>	Any state that is a member state of the EEA or any other state, country or territory that
<b>Participant Default</b>	In the context of clearing and settlement, participant default means		

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	may be formally declared by directive of the MFSA.		the traders authorised to deal on behalf of the Member.
<b>Recognized List</b>	Any list prepared and published by any regulated market in accordance with the Bye-laws of such regulated market.	<b>Settlement Default</b>	In the context of clearing and settlement, settlement default means the failure of a Member to satisfy his obligations towards his client/s and the Settlement System by failing to ensure the availability of financial instruments or cash on settlement day within the stipulated time-frames.
<b>Regulated Market Recognition Requirements</b>	The Regulated Markets [Authorisation Requirements] Regulations, 2007 by way of Legal Notice 333 of 2007 as amended.	<b>Specified Accounting Period</b>	The accounting period in which the Issuer satisfies bye-law 5.02.09
<b>Related company</b>	Any body corporate which is a company's subsidiary, associated or holding company, or is the manager of or managed by or is advisor to or is advised by or otherwise controls or is controlled by the company, its holding company or a subsidiary or associate of that company.	<b>Specified Debt</b>	Any debt incurred by a REIT in respect of monies borrowed by or advanced to the REIT.
<b>Real Estate Investment Trust or REIT</b>	A publicly traded company which complies with the conditions set out in bye-law 5.02.09, 5.02.10 and 5.02.11 and which has been recognised as eligible as a REIT by the Exchange.	<b>Sponsor</b>	A sponsor appointed in terms of Chapter 2 of the Capital Markets Rules.
<b>Risk Management Committee</b>	The Committee set up by the Board under the Chairmanship of a designated member of the Board.	<b>Static Price Range</b>	This is a static price range which defines the maximum percentage deviation of an additional reference price which generally corresponds to the last price determined in an auction on the current trading day. If this price is not available, the last traded price determined on one of the previous trading days is taken as the preference price.
<b>Securities</b>	Instruments as defined in the Investment Services Act [Cap. 370 of the Laws of Malta].	<b>Symbol</b>	A set of alpha and/or numerical characters that identifies the financial instrument being traded.
<b>Security Administrator</b>	The person/s appointed by the Member Firm to administer on its behalf access to the trading system and to assign rights as appropriate to	<b>Target2</b>	The pan-Eurozone payment system operated by the European Central Bank.

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<b>Target2 – Securities /T2S</b>	The pan-European Security Settlement System operated by the Eurosystem.		
<b>Tick Size</b>	The step-by-step increase or decrease in price by which bids and offers may be raised or lowered.		
<b>Trade / Deal / Match</b>	A bid and an offer which have been wholly or partially executed and satisfied.		
<b>Trader</b>	An individual nominated by the Member and authorised by the Exchange to carry on trading on the Exchange on behalf of the Member		agent, or, as the case may be, a securities transfer order consisting of an instruction by an authorised intermediary on behalf of a client selling listed financial instruments, to transfer the title to transacted financial instruments by means of a debit book entry on the relevant register and/or financial instruments account held at the Central Securities Depository in favour of the buyer of the said financial instruments by a credit book entry into the said register and/or financial instruments account of the buyer.
<b>Trading session</b>	The time period established by the Exchange during which orders may be entered into the trading system, amended or cancelled or executed.	<b>Tribunal</b>	The Financial Services Tribunal established in the terms of the Act.
<b>Trading system</b>	The facilities from time to time designated or made available by the Exchange for affecting trades and other transactions between Members during trading sessions of the Exchange.	<b>Volatility Interruption</b>	A market mechanism which limits trading within stipulated price ranges in applicable financial instruments in terms of procedures set out in these Bye-laws.
<b>Transfer Order</b>	For the purposes of MaltaClear transactions pursuant to CBM Directive No. 2, a transfer order is a funds transfer order consisting of any instruction by an authorised intermediary on behalf of a buying client to place a the disposal of an authorised intermediary appointed by a selling client an amount of money by means of a credit into the accounts of a settlement executing bank, a central bank or any other settlement	<b>WSM Capital Markets Rules</b>	The Rules issued by the MFSA in relation to the Admissibility to Listing on the IFSM as may be amended from time to time.
		<b>XETRA</b>	The trading platform currently in use by the Exchange.



# **MALTA STOCK EXCHANGE**

## **CHAPTER 2 ADMINISTRATION**

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## 2.00 License

### Regulated Market

#### 2.00.01

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

### Central Securities Depository

#### 2.00.02

The Exchange is authorised 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

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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] Voting Members and any number of Non-Voting Members as may be appointed by the Board. The three [3] Voting Members shall be 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.

### 2.01.10

The quorum for any meeting shall be two [2] Voting 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.

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## **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 terms of the Articles of Association of the Exchange.

## **2.01.22**

The Risk Management Committee shall be composed of at least three [3] Voting Members and any number of Non-Voting Members as may be appointed by the Board. The three [3] Voting Members shall be

Directors of the Exchange, two [2] of whom shall be Non-Executive Directors so appointed by the Board. One of the Non-Executive Directors shall be appointed by the Board as Chairman and shall have a casting vote.

## **2.01.23**

The quorum for any meeting shall be two [2] Voting 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

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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.

## **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.



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## **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 of or action taken by 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.

## **Committees**

## **2.01.46**

The Board may appoint any other Committee, to which it may delegate any of its functions or to manage or oversee the carrying out of any of its functions.

# CHAPTER 2 – ADMINISTRATION

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## **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 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.

## **Remuneration Committee**

## **2.01.51**

The Board may establish a Remuneration 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.

## **2.01.52**

The Remuneration Committee shall be composed of at least three [3] Voting Members and a number of Non-Voting Members as may be appointed by the Board. The three [3] Voting Members shall be 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.

## **2.01.53**

The Board shall entrust to and confer upon the Remuneration Committee the devise of appropriate packages needed to attract, retain and motivate senior management with the right quality and skills for the proper management of the Exchange, and may from time to time revoke, withdraw, alter or vary such functions so delegated.

## **2.01.54**

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

# CHAPTER 2 – ADMINISTRATION

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## **2.01.55**

The Remuneration 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.

## **2.01.56**

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

## **2.01.57**

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

## **2.01.58**

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

## **2.01.59**

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

## **2.01.60**

The Remuneration Committee shall have the power to regulate its own proceedings, however, it shall meet at least annually.

## **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.

# CHAPTER 2 – ADMINISTRATION

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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

Recognised 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 recognised 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.

# CHAPTER 2 – ADMINISTRATION

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## **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.

## **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 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.

# CHAPTER 2 – ADMINISTRATION

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## **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

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.



# **MALTA STOCK EXCHANGE**

## **CHAPTER 3**

# **MEMBERSHIP**



# CHAPTER 3 – MEMBERSHIP

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## 3.00 MEMBERSHIP

### Membership

#### 3.00.01

Membership of the Exchange shall consist of persons

##### 3.00.01.01

licensed in terms of the Investment Services Act (Cap. 370 of the Laws of Malta); or

##### 3.00.01.02

European Investment Firms, either directly or indirectly; or

##### 3.00.01.03

deemed by the Exchange to be fit and proper, to have sufficient level of trading ability and competence, to have sufficient financial resources and, where applicable, adequate organizational arrangements.

### Application for Membership

#### 3.00.02

Subject to the provisions of the Act and any regulations made thereunder every candidate for admission to Membership must submit an application in writing to the Chief Executive as set out in Appendix 3.1 to this Chapter.

#### 3.00.03

Such application for Membership must be accompanied by an application to approve at least one trader to carry out trading on the Exchange on behalf of the Member as set out in Appendix 3.2 to this Chapter.

#### 3.00.04

Any Member may subsequently submit additional applications in respect of a new trader/s as he may deem appropriate.

#### 3.00.05

The Exchange shall admit to Membership persons who qualify in terms of bye-law 3.00.01 above and exceptionally the Central Bank of Malta.

#### 3.00.06

The Central Bank of Malta is approved to act as a Member for the purpose of:

##### 3.00.06.01

trading in financial instruments issued by the Government of Malta and executing transactions on behalf of the Government of Malta of quoted financial instruments of companies and other entities, owned wholly or in part by the Government of Malta;

##### 3.00.06.02

trading in quoted financial instruments as may be required for the purpose of implementing any relevant provisions of the monetary policy of the Eurosystem; and

##### 3.00.06.03

trading on behalf of the Government of Malta in quoted financial instruments under such support programmes that the Government of Malta may determine in respect of credit institutions licensed in Malta.

Similarly, traders approved to deal on behalf of the Central Bank of Malta must have been approved by the Exchange in the same way as laid down in Bye-laws 3.00.03 and 3.00.04 above.

# CHAPTER 3 – MEMBERSHIP

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## **3.00.07**

The Central Bank as Member may take a position of principal in transactions in listed financial instruments as described in bye-law 3.00.06 above.

## **3.00.08**

The Central Bank is exempt from the provisions of bye-laws 3.00.01, 3.00.10, 3.00.11, 3.02.01, 3.04.02, 3.08.01, 3.08.02, 3.12.06, 3.12.07 and 3.12.08.

## **3.00.09**

Responsibility for the observance of all provisions relating to the Member and his approved trader/s shall rest jointly and severally with the Directors or other ultimate decision-taking person, board or body of persons of such Member.

### **Notification of pending applications**

## **3.00.10**

Once an application for Membership has been received by the Exchange, such application will be notified by Exchange Notice which will also be published on the Exchange's website. Such notification shall remain posted for the period as stipulated of at least four (4) weeks within which time any person may make written submissions to the Exchange in respect of such application.

### **Approval of Applications for Membership**

## **3.00.11**

The Board will consider such applications for Membership at the next Board Meeting following the four (4) week notification period provided that all relevant requirements have been satisfied and relevant confirmations

have been received from the Competent Authority.

## **3.00.12**

The Board will notify that it has approved such applications as outlined in Appendices 3.3 and 3.4 of this Chapter.

## **3.01 Representation of the Member**

### **Communications with the Exchange**

#### **3.01.01**

Each Member must nominate one or more Directors or senior officers of the Member to represent the Member, when communicating with the Exchange, whether verbally or in writing, on all matters concerning trading and ancillary matters. All such communication will be dealt with between the Chief Executive and the nominated individual/s.

## **3.02 Compliance Officer**

### **Appointment of Compliance Officer**

#### **3.02.01**

Each Member must appoint a Compliance Officer to deal with the Member's regulatory issues and in particular its continuing obligations. Communication on such matters will be between the Member's Compliance Officer and the Compliance and Market Operations Office of the Exchange.

# CHAPTER 3 – MEMBERSHIP

## 3.03 Security Administrator

### Appointment of Security Administrator

#### 3.03.01

Each Member must appoint a Security Administrator who will be responsible to create additional Security Administrators and to assign trading access rights to approved traders in accordance with the policy of the Member.

#### 3.03.02

The Security Administrator must not himself be assigned any trading rights either with access to the regulated market or the OTC market. In this regard in creating additional security administrators, the Security Administrator must ensure that any person given such rights must not be assigned any trading rights.

#### 3.03.03

Members User Set-up by the Security Administrator procedures are as outlined in Appendix 3.5 to this Chapter.

## 3.04 Application Procedure

### Application - Membership

#### 3.04.01

An applicant wishing to apply for Membership must do so on the Application Form as prescribed in bye-law 3.00.02. Such Application Form must be accompanied by:

##### 3.04.01.01

an application for the approval of at least one trader duly completed and signed;

##### 3.04.01.02

appropriate Membership and Trader fees in terms of Exchange Notice 1 - Fees and other Charges; and

##### 3.04.01.03

any other documentation which the Exchange may require from time to time.

##### 3.04.01A

Prior to confirming membership, the Exchange will undertake a due diligence assessment on the applicant. The applicant will be required to provide all information, documentation and/or data as may be requested by the Exchange in order for the Exchange to be able to undertake its due diligence on the applicant in accordance with the applicable laws and its internal policies and procedures.

### Settlement Guarantee Fund

#### 3.04.02

Prior to issuing the appropriate approval, the Exchange must receive confirmation that the prospective Member Firm has pledged an amount of cleared financial assets as may be determined by the Board from time to time, but such assets shall be of a value of not less than a minimum of twenty-three thousand three hundred euro (€23,300) by way of a guarantee in favour of the Exchange's Settlement Guarantee Fund (SGF) or pledged securities which are listed on any EU regulated market other than Maltese Government Stocks. The Exchange may from time to time review the amount to be contributed towards the SGF and will give Member Firms at least three (3) months' notice of any such change.

#### 3.04.03

Where the contribution to the SGF has been made by means of a pledge on securities the securities shall be valued at 80% of the last quoted market price.

# CHAPTER 3 – MEMBERSHIP

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## **3.04.04**

The Central Bank Broker is exempt from participation in the SGF.

## **3.04.05**

Any contribution to the SGF by means of pledge or guarantee as required in terms of bye-law 3.04.02 above shall be released back to the Member upon voluntary cessation of Membership.

## **3.04.06**

The SGF will be used solely to cover any shortfall in settlement obligations to the extent of the amount of the Fund in the case of a declared insolvency of a Member Firm. In the case of failure of a trade/s, the Participant Default processes as provided for in Chapter 7 of these Bye-laws shall apply.

## **3.04.07**

Any payout from the SGF will be approved by the Board upon the recommendation of the Chief Executive.

## **3.04.08**

In the case of any payout from the SGF, whether in part or in full, participating Member Firms will be expected to replenish the SGF within five (5) days from receipt of notification of a payout from the Exchange.

## **Traders**

## **3.04.09**

The Prospective Trader Application Procedures are as outlined in Appendix 3.7 to this Chapter.

## **3.04.10**

All prospective traders must satisfy all the requirements as prescribed by the Exchange from time to time, and where applicable must complete any relevant training and complete successfully any relevant tests.

## **3.04.11**

Membership will only be granted if at least one of the prospective traders nominated has successfully fulfilled all the requirements stipulated by the Exchange from time to time.

## **3.04.12**

Subsequent applications for traders other than those accompanying an application for Membership must be accompanied by the relevant fees and duly signed by representatives of the nominating Member.

## **3.05 Rejected Applications**

### **Disclosure**

## **3.05.01**

Should the Board, following due consideration, reject an application for Membership, the Exchange shall inform the rejected applicant in writing, giving reasons for such rejection.

## **3.05.02**

An applicant whose application for Membership has been rejected by the Board may not re-apply for membership before the lapse of twelve (12) calendar months from the date of such rejection.

# CHAPTER 3 – MEMBERSHIP

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## **3.05.03**

The provisions of bye-laws 3.05.01 and 3.05.02 shall likewise apply to applications to approve traders.

## **3.06 Resignation**

### **Notification**

#### **3.06.01**

A Member wishing to resign Membership shall do so in writing to the Board. Notification of a pending resignation shall be issued by means of Exchange Notice and shall also be published on the Exchange's website. Such notification shall remain so posted for a period of one (1) calendar month from date of notification.

#### **3.06.02**

The Members of the Exchange, including the Member intending to resign shall within the period of notification as stipulated above advise the Board of any outstanding obligations, debts or commitments of the Member intending to resign and of any outstanding dealings and transactions in which such Member may be concerned in connection with his activities as a Member of the Exchange.

#### **3.06.03**

A Member shall retain all his obligations and liabilities arising under the Act, any regulations made thereunder and the Bye-laws until such time as the Board has discharged such Member therefrom.

#### **3.06.04**

In the case of a trader no longer representing a Member on the Exchange, such Member must inform Compliance and Market Operations Office in writing of such

occurrence. In such cases, the Member shall retain all obligations and liabilities arising from any activity undertaken by the respective trader.

### **Re-admission**

#### **3.06.05**

The Member who has resigned his Membership may re-apply for admission subject to the conditions applicable to admission of new Members prevailing at the time of re-application.

#### **3.06.06**

A Member may re-nominate a trader who has resigned and may re-apply for re-approval of such trader subject to the conditions applicable to approval of traders prevailing at the time of re-application.

## **3.07 Suspension and Revocation of Membership**

### **Suspension and Revocation – Membership**

#### **3.07.01**

The Board shall revoke or suspend Membership should

##### **3.07.01.01**

the Member no longer hold a license under the Investment Services Act (Chap. 370 of the Laws of Malta) or under legislation in an equivalent jurisdiction or whose eligibility status under the said Act or legislation in an equivalent jurisdiction or Legal Notice 331 of 2007 is suspended for any reason;

# CHAPTER 3 – MEMBERSHIP

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## **3.07.01.02**

it be the opinion of the Board, that such Member is no longer a fit and proper person to remain a Member of the Exchange;

## **3.07.01.03**

it be the opinion of the Board, that the Member no longer fulfills the requirements of, or has failed to satisfy or comply with or has contravened any provisions of the Act, any regulations made thereunder or the Bye-laws or in purported compliance with any such provisions has furnished the Board with false, inaccurate or misleading information;

## **3.07.01.04**

the Board deem that the Member has acted in a manner which is detrimental to the Exchange, its Members or the public in general; and

## **3.07.01.05**

the Member be undergoing any criminal investigation.

## **3.07.02**

The Board may also suspend or revoke Membership in any circumstances as may be provided for in the Act and any regulations made thereunder and the Bye-laws.

## **3.07.03**

During such period of suspension the Member and his approved traders may not continue with the business of stockbroking on the Exchange.

## **Suspension and revocation - trader**

## **3.07.04**

The Board may revoke or suspend the authority granted to a trader if:

### **3.07.04.01**

it is the opinion of the Board that such trader is no longer a fit and proper person to remain a trader on the Exchange;

### **3.07.04.02**

it is in the opinion of the Board that the trader no longer fulfills the requirements of, or has failed to satisfy or comply with or has contravened any provisions of the Act, any regulations made thereunder or the Bye-laws or in purported compliance with any such provisions has furnished the Exchange with false, inaccurate or misleading information;

### **3.07.04.03**

the Board deems that the trader has acted in a manner which is detrimental to the Exchange, its Members or the public in general; and

### **3.07.04.04**

the trader may be undergoing any criminal investigation.

## **3.07.05**

The Board may also suspend or revoke authority to a trader in any circumstances as may be provided for in the Act and any regulations made thereunder and the Bye-laws.

## **3.07.06**

During such period of suspension, the trader may not continue representing the Member having nominated him.

# CHAPTER 3 – MEMBERSHIP

## Notification

### 3.07.07

Before suspending or revoking Membership the Board shall give the Member written notice stating the reasons for such revocation or suspension of Membership.

### 3.07.08

Notice of revocation or suspension of Membership or authority granted to a trader shall be recorded and posted on the Notice Board of the Exchange.

### 3.07.09

Revocation of a suspension order issued to a Member or a trader shall be recorded and notified by Exchange Notice and shall also be published on the Exchange's website.

### 3.07.10

No Member whose Membership or trader whose authority has been revoked may re-apply for Membership or for authority to trade on behalf of a Member.

## Discipline

### 3.07.11

Where in the opinion of the Board the Member has contravened or failed to comply with the provisions of the Act, any regulations made thereunder or the Bye-laws but should not have his Membership revoked or suspended, the Board may take any other disciplinary measures as provided for in the Act including the issuing of a statement of public censure or the imposition of an administrative penalty.

## 3.08 Powers of Investigation

### Power to request information

#### 3.08.01

The Exchange shall have the power to monitor and investigate all matters relating to trading and ancillary operations to ensure compliance with the Act, any regulations made thereunder and the Bye-laws and other relevant rules and regulations and to ensure the orderliness of the market. In the course of such on-going monitoring or investigations but without prejudice to the generality of the foregoing, the Exchange may request any Member or authorized trader:

##### 3.08.01.01

to furnish the Exchange at such place and in such form as it may specify, such information and documentation as it may require;

##### 3.08.01.02

to furnish the Exchange with any information, documentation and/or data as it may require, verified in such manner as it may specify; and

##### 3.08.01.03

to attend before the Exchange, or before a person appointed by it, at such time and place as it may specify to answer questions and provide such information and documentation as it may require.

#### 3.08.01A

Every Member shall furnish the Exchange with any policies and procedures which the Exchange may request in order to ensure that the Members have a robust financial crime framework in place.

# CHAPTER 3 – MEMBERSHIP

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## Right of entry

### 3.08.02

In the course of on-going monitoring or any investigation relevant to trading and ancillary operations, the Exchange may authorize any officer, employee or other person to enter the premises occupied by the Member for the purpose of obtaining therefrom the information or documents required or otherwise for the purpose of monitoring or investigation and of exercising any of the powers conferred by the relevant rules and regulations.

## 3.09 Members' Staff

### Compliance

#### 3.09.01

A Member shall ensure that all its officers and staff comply with the Act, any regulations made thereunder and these Bye-laws.

## Register of Members and Traders

#### 3.09.02

The Exchange shall maintain a Register of Members and their approved traders.

#### 3.09.03

The Member shall inform the Exchange immediately of any change in its Directors and officers as initially submitted in his application for Membership.

#### 3.09.04

Moreover, the Member shall submit to the Exchange on an annual basis, within one month of end of the financial year of the

Member, an updated list of all Directors, officers and employees of the Firm.

#### 3.09.05

A Member shall report immediately to the Exchange any employee who has been suspended or dismissed from its service for dishonesty.

## 3.10 Conduct of Business

### Code of Conduct for Members

#### 3.10.01

Members must promote high standards of integrity and fair dealing and should act with due skill, care and diligence in providing a service which he provides or holds himself willing to provide and shall, at all times during the conduct of his business, conform in all respects with the "Code of Conduct for Members" as outlined in Appendix 3.6 to this Chapter.

#### 3.10.02

Non-compliance with any of the provisions laid out in the "Code of Conduct" shall render Members liable to any penalty stipulated in the Act, any regulations made thereunder and these Bye-laws.

## 3.11 Restrictions on Members' Dealing

### Restrictions in dealing as principal

#### 3.11.01

No permission shall be granted to a Member to bid in his own interest as principal during the first trading session of dealing in a financial instrument newly admitted to trading.



# CHAPTER 3 – MEMBERSHIP

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## **3.11.02**

The Exchange may continue to withhold permission to deal in such financial instrument if it is considered that the market in such financial instrument has not yet settled.

## **3.12 Keeping of Records**

### **Records of transactions and monies received and paid**

#### **3.12.01**

For the purposes of complying with the provisions of these Bye-laws, every Member shall keep records in sufficient detail to show particulars of its trading activities including:

##### **3.12.01.01**

all monies received and paid by the Member, including money paid into and disbursed from, a clients' account; and

##### **3.12.01.02**

all purchases and sales of securities transacted by the Member firm on behalf of clients, the charges and credits arising from such transactions, and the names of the buying and selling clients.

#### **3.12.02**

A Member shall retain for a period of not less than ten (10) years all books of accounts and other records required to be kept in pursuance of the foregoing provisions of these Bye-laws.

#### **3.12.03**

Where any matter that is intended to be used in connection with the keeping of records, referred to in these Bye-laws is recorded or stored by means of a mechanical or electronic

device or any other means in an illegible form, a Member who willfully :

##### **3.12.03.01**

records or stores in that device matter that he knows to be false or misleading; or

##### **3.12.03.02**

destroys, removes or falsifies matter that is recorded or stored in that device; or

##### **3.12.03.03**

fails to record or store matter in that device with intent to falsify any entry made or intended to be complied, wholly or in part, from that matter;

shall be subject to disciplinary action as the Exchange shall think fit. A Member who procures any person to act in any of the above-mentioned manner shall be deemed to have violated the bye-law itself and shall be subject to such disciplinary action as the Exchange shall think fit.

#### **3.12.04**

Every Member shall make all books of accounts and other records required to be kept in pursuance of the foregoing provisions of the Bye-laws available to the Exchange for inspection or audit by any auditor appointed by the Exchange, when required by the Exchange to do so.

#### **3.12.05**

Provided that no further extension is requested by the FIAU, relevant supervisory authorities or law enforcement agencies, every Member shall also retain all customer due diligence information, documentation and/or data on the client for a period of five

# CHAPTER 3 – MEMBERSHIP

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(5) years from the termination of the Member's relationship with its client.

## **3.12.07**

In the event that the Member applies to cease to be a Member of the Exchange, the Member shall engage with the Exchange in order to make available customer due diligence information, documentation and/or data in respect of those clients which were clients of the Member and in respect of which trades have been undertaken by the Member for and on behalf of the client (whether such client is an account holder or has invested through the Member as nominee). On a case-by-case basis, the Exchange will assess which customer due diligence documentation, information and/or data it requires on such client.

## **3.12.08**

Every Member shall maintain a progressive record of all purchases and sales effected daily as a memorandum record and it shall indicate clearly those purchases paid for by the Member on behalf of a client.

## **Members' Clients' Accounts**

### **3.12.09**

A Member shall maintain and keep one or more clients' accounts at one or more licensed banks, designated or evidenced as such, into which it shall pay only such amounts which have been received from, or on behalf of, clients for the settlement of purchases of financial instruments.

### **3.12.10**

A Member shall retain in a bank's clients' account those amounts due to clients until the amounts are either paid to the clients or in

accordance with the clients' instructions; or until the funds are required to settle the purchase of on behalf of clients.

### **3.12.11**

A Member having received monies which must be paid into a bank's clients' account in accordance with the foregoing Bye-laws shall do so immediately, or at the latest the following working day.

## **Members not to make false or misleading reports**

### **3.12.12**

A Member shall not intentionally record or provide the Exchange with any account, return, submission or other information that is false or misleading.

## **3.13 Waiver of Bye-laws**

### **3.13.01**

The Exchange may waive any of the preceding bye-laws under this Chapter upon approval by the Competent Authority.



# **MALTA STOCK EXCHANGE**

## **CHAPTER 4 TRADING PROCEDURES AND REGULATIONS**

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# TRADING PROCEDURES

## 4 TRADING PROCEDURES AND REGULATIONS

### 4.00 General Conditions

#### Trading Sessions

##### 4.00.01

Market trading sessions [“trading sessions”] shall be held on such days as the Board shall from time to time determine by Exchange Notice.

##### 4.00.02

Market open and closing times shall be established by the Exchange and may be different for each category of listed financial instruments traded on the market. No transactions may be effected before the opening signal or after the closing signal.

##### 4.00.03

Trading sessions will be split into the following stages:

- Pre-trading phase
- Main trading phase – Continuous trading with Auctions – starting with an opening auction and ending with a closing auction. In the case of securities where Volatility Interruptions are applicable, continuous trading may be interrupted by intra-day auctions
- Post-trading phase

#### Trading Restricted to Trading Session

##### 4.00.04

Subject to the provisions set out in the Act and any regulations made thereunder, purchases and sales of listed financial

instruments taking place on-market must be transacted during a trading session thereof. Unless otherwise prescribed by the Exchange, all financial instruments shall be traded using the XETRA trading platform [“XETRA”] in terms of these Bye-laws and procedures established by the Exchange for XETRA in accordance with the Trading Procedures set out below in bye-laws 4.07.01 – 14.07.17 below and to the Market Model Principles set out in Appendix 4.1.

#### Access to Trading System

##### 4.00.05

Access to the Trading System is limited to:

- approved traders
- designated Exchange personnel, and
- any other person duly approved by the Exchange

#### Power to Deny/Terminate access

##### 4.00.06

The Exchange has the right to suspend for a definite period or indefinitely, as well as deny or terminate access to the trading system of any Member and/or his approved trader/s should the Member and/or his approved trader/s be in default of his contractual obligations or has failed to pay the appropriate fees in terms of Exchange Notice 1 – Fees & Other Charges, or has failed in any way to satisfy the provisions of the Act, any regulations made thereunder or the Bye-laws.

##### 4.00.07

A Member shall not be entitled to claim against the Exchange or officers of the Exchange or any person appointed or delegated by the Exchange, for any loss or

# TRADING PROCEDURES

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damages related to their functions executed in good faith under the above Bye-laws.

## Trading Regulations

### 4.00.08

The rules regarding trading on XETRA are set out in Section 4.07.00 below and the Market Model Principles outlined in Appendix 4.1

## 4.01 Client Instructions

### Instructions from Clients

#### 4.01.01

It is the responsibility of Members

- to ensure that they have received bona fide instructions from clients,
- to have effective procedures in place to identify and verify the persons from whom they take instructions to effect transactions,
- if, the person from whom instructions are received is acting for and on behalf of someone (i.e., an agent), to have effective procedures in place to identify and verify the agent as well as the customer, and
- to have effective procedures in place to conduct all the necessary customer due diligence as prescribed under applicable law and any relevant Guidelines issued in this respect.

#### 4.01.02

Members acknowledge that the Exchange may request the Member to disclose information, documentation and/or data in relation to the customer due diligence information, documentation and/or data obtained by the Member on the client and in respect of which transactions have been

effected by the Member on behalf of the client. The Member shall immediately disclose to the Exchange all customer identification and due diligence analysis and records upon request. Furthermore, Members shall be duty bound to immediately alert the Exchange in relation to any circumstance calling for Enhanced Due Diligence measures in terms of the Prevention of Money Laundering and Funding of Terrorism Regulations.

#### 4.01.03

Instructions may be received from clients:

- directly on completion of the appropriate Instruction Form, duly signed,
- by completing the appropriate Instruction Form but utilizing Authorised Intermediaries, duly signed by the Authorised Intermediary,
- through their appointed attorney and in accordance with terms set out in the relevant Power of Attorney, or
- in accordance with the Client's Agreement Letter or other express and written client mandate instructions.

Orders must be recorded on a Client Instruction Form. Instruction Forms in respect of orders received over the telephone, facsimile, electronic mail or other means or from overseas clients must be backed up by express, written and signed instructions from the clients.

#### 4.01.04

Client Instruction Forms must at least include the information outlined in bye-law 4.01.11 below.

# TRADING PROCEDURES

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## 4.01.05

All Client Agreement Letters are to include the following standard novation clause in accordance with bye-law 7.06.05:

“In the event that

\_\_\_\_\_   
 [name/s of client/s]

do not advance the appropriate funds for settlement to

\_\_\_\_\_   
 [name of Member Firm]

or will not be in a position to advance the appropriate funds for settlement, consent is hereby granted to

\_\_\_\_\_   
 [name of Member Firm],

for title of the purchased securities which are the subject of the default to be credited to his account”.

## 4.01.06

Client Instruction Forms, must also include the following statement:

For the purposes of the Financial Markets Act [Cap. 345 of the Laws of Malta], the Prevention of Money Laundering Act [Cap. 373 of the Laws of Malta], the Criminal Code [Cap. 9 of the Laws of Malta], and the Professional Secrecy Act [Cap. 377 of the Laws of Malta], I/we hereby grant my/our consent and authorisation to

\_\_\_\_\_   
 name of Member Firm] to:

- Make available to the Malta Stock Exchange upon request, all such documentation, information and/or data as may be necessary for ensuring compliance with the Prevention of Money Laundering Act and any subsidiary legislations and/or guidance issued thereunder and the Criminal Code; and
- Carry out enquiries into my/our Malta Stock Exchange Account/s kept at the Central Securities Depository or holdings of securities registered at the Central Securities Depository of the Malta Stock Exchange.

## 4.01.07

At no stage shall a Member offer or bid for financial instruments unless he has a genuine request by a client in accordance with these Bye-laws. The Exchange may ask any Member to prove that a genuine request exists and the Member is required to provide the necessary evidence forthwith.

## 4.01.08

Trading Members have the responsibility to as far as possible, ensure that prior to executing deals on behalf of a client they are in possession of the latest information about the available balance held by the client in the financial instrument that the trade is to be effected.

## Order Log Book

### 4.01.09

Each Member shall retain an Order Log Book wherein all buying and selling orders must be listed in the order in which they are received and indicating all the information outlined in bye-law 4.01.11 below. The Order Log Book must reflect the sequence in which orders are entered into the trading system.

# TRADING PROCEDURES

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## 4.01.10

The Order Log Book may be kept in electronic format. However, for regulatory purposes, a copy highlighting any changes should be printed and duly signed by the trader effecting such changes. Such hard copy may be printed at the end of the business day to encompass all changes effected during that day.

## 4.01.11

The Order Log Book shall, at least, contain the following information:

- a sequential order number [this should be cross-referenced to the order received]
- the date and time of receipt of order
- the type of order [purchase or sale]
- the name and/or symbol of the financial instrument to be traded
- the number of shares or nominal value of bonds/stocks/treasury bills [as appropriate] to be traded
- the trading price/limits and any conditions attached thereto
- expiry condition of the order, if any
- client name/s, and
- Date of Birth
- ID/Passport
- Nationality of ID/Passport
- LEI (if applicable)
- Investment Decision Maker
- Client ID
- MSE Account No

## 4.01.1

Members must verify with the client/s concerned all “open” orders which have not

yet been executed, in full or in part, within a period of three (3) months from the date of input into the trading system, or from the date of the last revision of the order, as the case may be. Should the client confirm the original order, an appropriate note must be made on the Client Instruction Form which should be duly initialed by the authorized person.

All “open” orders or unexecuted parts thereof, whether reconfirmed by the client/s or not, will expire automatically after a period of 360 days from the date of input and will be deleted from the trading system. Reconfirmed orders must be re-inputted in the trading system after the expiry of 360 days.

## 4.01.13

At least on a monthly basis, the Compliance Officer must reconcile and verify the Order Log Book with the Outstanding Orders Report as generated by the trading system and sign in confirmation.

## 4.02 Functions of the Member

### Selling Member

#### 4.02.01

The Selling Member shall use his best endeavours to sell the financial instruments for which he has orders to trade on the first trading day following the receipt of instructions from his client/s and to ensure that his client is the registered holder of the financial instruments to be sold.

# TRADING PROCEDURES

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## Buying Member

### 4.02.02

The Buying Member shall use his best endeavours to buy the listed financial instruments for which he has orders to trade on the first trading day following the receipt of instructions from his client/s.

## 4.03 Mistrades

### Declaration of a Mistrade

#### 4.03.01

The Exchange may, under certain circumstances, agree to cancel trades and delete them from the electronic trading system where a Member Firm makes a successful application for the cancellation of an order book trade. Such trades shall be deemed to be mistrades and shall be so advised to the market.

### Conditions applying to Mistrades

#### 4.03.02

The Member Firm objecting to the trade, i.e. the Member Firm applying for a declaration of a mistrade must make such application within ten [10] minutes of the determination of the execution price. In any event, the Exchange will not accept any application for a mistrade unless it is made on the same day provided that no exceptional circumstances prevail.

#### 4.03.03

The application for a declaration of a mistrade must be made, in the first instance, by telephone to the Exchange's Market Operations Office using the relevant contact details advised by the Exchange from time to time.

### Determination of a Mistrade

#### 4.03.04

The Exchange shall only declare a mistrade in the following circumstances:

- the order limit price was entered in error and the resulting traded price is considered not to be in line with market conditions; or
- a failure in the technical systems of, or supporting, the order book, but excluding the Member Firm's own systems.

Provided that in the case of an erroneous limit being entered on an order the resulting trade shall not be cancelled if the order has been executed at a price which is in line with market conditions as defined in the Market Model Parameters irrespective of the error in the entry of the order limit.

#### 4.03.05

When an application to declare a mistrade is made by a Member Firm, the Exchange shall, under normal circumstances, determine if the traded price is in line with market conditions for that financial instrument by considering the relevant market prices of the last three[3] months or any other period as may be determined by the Exchange.

#### 4.03.06

If a mistrade application cannot be approved in accordance with the above requirements, an order book trade may be cancelled by agreement between the counterparties to the trade. In these circumstances the parties may effect a de facto cancellation of the trade by executing a corresponding offsetting trade, a contra trade, off the order book [OTC]. In



# TRADING PROCEDURES

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these particular circumstances the Exchange shall not delete the trade for which the original application for a declaration of a mistrade was made.

## Power of the Exchange to declare a Mistrade

### 4.03.07

The Exchange may cancel an order book trade without an application for a mistrade from the counterparties to the trade if the Exchange can identify and determine that the price of the trade in question fulfills the conditions for a mistrade or where the particular circumstances of that trade warrant its cancellation.

### 4.03.08

The Exchange shall not be liable to any Member Firm or any other party, either directly or indirectly, arising from the declaration of a mistrade.

## 4.04 Irregular Deals

### 4.04.01

Any deal which in the opinion of the Exchange is irregular or is in contravention of the Act, any regulations made thereunder or the Bye-laws shall be reported immediately to the Chief Executive and to the Competent Authority.

### 4.04.02

Any trade determined by XETRA is binding on both parties unless it violates any Court Order or any other order issued by a Competent Authority in terms of law, notified to the Exchange at any time prior to the time that such deal is entered into MaltaClear or any other relevant settlement system.

### 4.04.03

In such circumstances the Exchange may, in its sole and absolute discretion, take any action which is deemed appropriate including that of declaring such trade shall not continue to be processed by the Exchange.

## 4.05 Trading Delays and Systems Failure

### 4.05.01

Should a Member Firm encounter a system problem that prevents it from accessing the order book or reporting off-order book trades in order to book financial instruments, the Member Firm shall immediately notify:

- the XETRA Technical Helpdesk immediately by telephone or e-mail using relevant contact details advised by the Exchange from time to time and ensure that a suitably experienced and knowledgeable technical person takes responsibility for communicating with the XETRA Technical Helpdesk, and
- the Exchange's Market Operations Office by telephone using relevant contact details advised by the Exchange from time to time, outlining the difficulties it is encountering,

### 4.05.02

A Member Firm shall also notify the XETRA Technical Helpdesk and the Exchange's Market Operations Office when its system issues are resolved.

### 4.05.03

Should on-going issues arise which the Member Firm cannot resolve in a timely manner with the XETRA Technical Helpdesk, the Member Firm will raise such issues with the Exchange's Market Operations Office.

# TRADING PROCEDURES

## Individuals with authority to cancel orders

### 4.05.04

All active traders of a Member Firm with access to the electronic trading system shall have the authority to request deletion of all that Member Firm's orders in the event of a system failure as outlined in bye-laws 4.05.01 to 4.05.03 above.

### 4.05.05

In the event of a system failure, a Member Firm is responsible for the cancellation of its own orders. However, active traders of the Member Firm as indicated Bye-law 4.05.04 above may, by contacting the XETRA Trading Helpline [Market Supervision XETRA] by telephone, or by e-mail, using relevant contact details advised by the Exchange from time to time, request:

- the deletion of all of that Member Firm's orders on the order book; or
- the entry of an order or orders

### 4.05.06

A Member Firm is obliged to honour any order book trades which are executed prior to the notification of its system problems or which have been placed on its behalf.

## 4.06 Publication of Prices

### Recognized Lists

#### 4.06.01

Recognized lists shall be issued by the Exchange containing the latest transaction information and any other market and Exchange information in accordance with the Exchange's transparency and reporting requirements.

## 4.07 Trading Procedures

### 4.07.01

The general principles governing trading on the regulated market are described below. Detailed procedures are found in the Market Model Principles, appended as Appendix 4.1 to this Chapter.

### Validity of Bids and Offers

#### 4.07.02

To be valid, bids and offers must be made:

- during the trading session
- to all Members generally and without discrimination, and
- in the manner prescribed by these Bye-laws and the Market Model Parameters established by the Exchange.

#### 4.07.03

Furthermore, to be valid, an order must include:

- the name, symbol or ISIN No. of the financial instrument to be traded
- whether the order is a buy or a sell order
- the number or volume of financial instruments to be traded
- explicit instructions regarding the trading price
- investment decision maker
- client ID
- any conditions which must be met prior to the order becoming effective, if applicable.

### Tick Sizes

# TRADING PROCEDURES

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## 4.07.04

Orders must be entered within the defined tick sizes as published from time to time in accordance with Markets in Financial Instrument Directive 2014/65/EU Article 49.

## Minimum Tradable Units

### 4.07.05

Minimum tradable units [Board Lots] for each security will be determined by the Exchange and will be as set out in the Market Model Principles.

## Volatility Interruptions

### 4.07.06

All trades effected in a financial instrument or group of financial instruments as may be determined by the Exchange from time to time, and as laid out in the Market Model Parameters, shall be executed within volatility interruption limits in accordance with procedures set by the Exchange.

### 4.07.07

Volatility interruption limits and procedures and applicability may be amended by the Exchange in the light of prevalent market conditions.

## Order Types

### 4.07.08

The following, which are explained in detail in the Market Model Principles, are permitted order types:

- Limit orders
- Market orders
- Market-to-limit orders

## Execution conditions – continuous trading

### 4.07.09

Limit orders, market orders, market-to-limit orders and midpoint orders may be defined by the following execution conditions during continuous trading:

#### “Immediate-or-cancel”

Bid/ask orders which are executed immediately and fully or as fully as possible. Non-executed parts are deleted without entry into the order book.

#### “Fill-or-kill”

Bid/ask orders which are executed immediately and fully or not at all. Should such execution not be possible these orders are deleted without entry into the order book.

#### “Book-or-cancel”

Bid/ask orders which are placed as resting liquidity in the order book

Once this order surpasses the entry/exit price, it becomes a market order.

## Trading restrictions

### 4.07.10

Limit orders and market orders may be assigned trading restrictions which define during which stage of trading such orders may be traded. Applicable trading restrictions are the following :

#### “Opening Auction”

Bid/ask orders available for execution only in opening auction

#### “Closing Auction”

Bid/ask orders available for execution only in closing auction

# TRADING PROCEDURES

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## **“Auction Only”**

Bid/ask orders available for execution only during auctions

## **“Accept Surplus”**

Bid/ask orders can only be entered and are available for execution during the book balancing phase of an auction

## **“Main Trading Phase”**

Bid/ask orders available for execution only during continuous trading

### **4.07.11**

Limit orders or market orders not limited by a trade restriction will be available for execution during all phases of the trading session. Trading restrictions are not applicable to market-to-limit orders.

## **Validity constraints**

### **4.07.12**

Bid/ask orders may be entered into the order book with the following validity constraints:

## **“Good-for day”**

Bid/ask orders valid only for the trading day on which they are entered into the order book

## **“Good-till-cancelled”**

Bid/ask orders valid until execution, deletion by the respective Member, deletion as a result of corporate actions and other relevant market operations or until reaching the maximum validity period of 360 calendar days, that is, T+359

## **“Good-till-date”**

Bid/ask orders valid until a specified date up to the maximum validity period.

## **Execution priority**

### **4.07.13**

Orders are executed according to a price/time priority during continuous trading.

## **Modification of orders**

### **4.07.14**

In order to change the instrument or buy/sell side, an order must be deleted and entered as a new order.

### **4.07.15**

A new time stamp will be given to an order in the case of the following modifications:

- Changing the limit price
- Increasing the quantity/volume to be traded
- Increasing the validity period
- Changing the discretionary range
- Changing specific trading restrictions.

## **4.08 Market Makers**

### **General**

#### **4.08.01**

The Market Makers Admission Committee may approve at its sole discretion that market making may be conducted in one or more of the financial instruments admitted to trading on any of its markets.

#### **4.08.02**

At least two (2) market makers must be approved to conduct market making in one or more financial instruments prior to the Market Makers Admission Committee

# TRADING PROCEDURES

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allowing market making activity in such financial instrument or instruments.

Provided that such requirement for a minimum of two (2) market makers may be waived at the sole discretion of the Market Makers Admission Committee.

#### 4.08.03

When giving due consideration to a waiver under bye-law 4.08.02 above, the Market Makers Admission Committee will take into consideration prevalent market conditions in the financial instruments for which application to act as market maker has been made. In cases where approval has been given for one [1] market maker in a particular financial instrument, such approval will initially be for a period of twelve [12] months. Should no second market maker be approved to deal in the same financial instruments during this period, the Market Makers Admissions Committee will review the situation nine [9] months of such approval being given and will confirm approval or otherwise by no later than one [1] month prior to expiry of original approval given.

#### 4.08.04

Should a market maker cease, for whatever reason, to provide market making activities in one or more financial instruments with the result that only one (1) market maker is continuing such activities in one or more financial instruments, the Market Makers Admission Committee will allow such activity to continue by the remaining market maker. However, the Market Makers Admission Committee shall review market making activity in such financial instrument/s within one (1) month of the cessation of activity by a market maker and may, at its sole discretion, suspend or revoke approval to the remaining

market maker giving not less than one [1] month's notice.

## Eligibility

#### 4.08.05

Any person who is a Member of the Exchange and who also holds a Category 3 Licence issued by the Malta Financial Services Authority in terms of the Investment Services Act, 1994, or equivalent authorisation issued by a European Economic Area competent authority, and who has pass-ported its services in Malta in terms of the European Passport Rights for Investment Firms Regulations may be approved by the Exchange to conduct market making activities on one or more financial instruments admitted to trading on any of its markets.

Provided that an applicant market maker confirms his adherence to the relevant Bye-laws and related rules and regulations that may be issued by the Exchange from time to time.

Provided further that where appropriate, the Exchange may, at its sole discretion, impose any other condition/s to ensure the efficient operations of its markets and to further safeguard the interest of investors.

## Application procedure

#### 4.08.06

Any person duly licensed in accordance with bye-law 4.08.05 above wishing to apply to provide market making activities in one or more financial instruments admitted to trading on any of the Exchange's markets, may do so on the appropriate Application Form as provided for in Appendix 4.2 to this Chapter.

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## 4.08.07

The Application Form submitted must be duly completed and signed as appropriate and must be accompanied by the following :

- a copy of the Board Resolution or appropriate authority by the governing body of the applicant stating its decision to apply to the Exchange to provide market making activities in one or more financial instruments admitted to trading on any of its markets;
- a copy of the Global Master Securities Lending Agreement [GMSLA] or its equivalent entered into by the Applicant where applicable;
- a copy of the relevant Category 3 Licence or equivalent authorisation as outlined in bye-law 4.08.05 above;
- copies of the Personal Questionnaires, or equivalent documentation, as submitted to the MFSA or other Competent Authority issuing the equivalent authorisation as outlined in bye-law 4.08.05 above;
- any other documentation as may be requested by the Exchange in order to ensure all appropriate information and authorizations are available.

## 4.08.08

Where an applicant market maker is also applying for membership of the Exchange as required in terms of bye-law 4.08.05 above, the application process and requirements in respect of Membership of the Exchange as outlined in Chapter 3 of these Bye-laws shall apply.

## 4.08.09

Any Application Form not completed or signed as appropriate and/or not accompanied by the requisite documentation as outlined in bye-law 4.08.07, shall not be processed by the Exchange and will be returned forthwith to the applicant stating the reason for such rejection.

## Approval of applications

### 4.08.10

The Exchange shall set up a Market Makers Admittance Committee to review applications in respect of market making activities, approve or reject applications and to monitor the performance of approved market makers in accordance with these bye-laws.

### 4.08.11

The Market Makers Admittance Committee shall consider any application received to provide market making services in terms of bye-law 4.08.07 above, within ten [10] working days from the date of receipt provided that all relevant documentation in terms of bye-law 4.08.07 above has been submitted.

### 4.08.12

The Market Makers Admission Committee shall, at its discretion, grant admission as a market maker to any applicant which meets the Exchange's criteria for eligibility as outlined in bye-law 4.08.05 above.

Prior to granting approval, the Exchange shall, in all cases, obtain confirmation from the MFSA or the Competent Authority of the applicant that it has no objection to the applicant undertaking such activities.

### 4.08.13

Approval of an applicant as a market maker shall become effective on the date that the appropriate Exchange Notice is issued by the Exchange. Such Exchange Notice shall include

# TRADING PROCEDURES

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- the name of the approved market maker
- a list of the financial instruments in which the market maker has been approved to deal, and
- the date from which such dealing shall take effect.

Such notification may, as appropriate, also provide for certain conditions that shall ensure the efficient operation of the market to safeguard the interests of investors.

## Rejected applications

### 4.08.14

The Market Makers Admission Committee may decline to approve an applicant as a market maker, if, in its opinion,

- it does not comply with the eligibility criteria outlined in bye-law 4.08.05 above;
- it has not provided all the necessary information and documentation as required under bye-law 4.08.07 above;
- it is deemed that such approval is not in the interest of the Exchange's market or for any other reason as may be determined by the Market Makers Admission Committee.

### 4.08.15

The Market Makers Admission Committee shall inform the rejected applicant in writing within ten [10] working days of the receipt of the application of the circumstances such rejection and stating the reasons therefor.

### 4.08.16

The rejected applicant has five [5] working days from the date of such rejection notice to appeal to the Board of the Exchange against such decision by the Market Makers Admission Committee.

### 4.08.17

The Board shall, within ten [10] days of receipt of an appeal against a decision of the Market Makers Admission Committee review all relevant processes and documentation pertaining to the rejected application.

### 4.08.18

The Board shall inform both the applicant and the Market Makers Admission Committee of its decision in writing within the time frame stipulated in bye-law 4.08.17 above.

### 4.08.19

Should the Board uphold the decision of the Market Markets Admission Committee the rejected applicant may appeal to the Financial Services Tribunal within the time-frames as stipulated by law.

### 4.08.20

An applicant whose application has been rejected by the Board following the appeal process outlined in bye-law 4.08.17 above, may not re-submit an application to provide the services of a market maker before the lapse of twelve [12] months from the date of such rejection.

Provided that such period following date of reject of application may be reduced should applicant satisfy the Market Making Admissions Committee that it can satisfy the criteria outlined in the above bye-laws.

Resignation, cancellation and suspension of market maker status

# TRADING PROCEDURES

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## **4.08.21**

A market maker may voluntarily resign its market maker status in all or in one or more of the financial instruments in which it has been approved to provide market making activities by submitting written notice to the Exchange.

## **4.08.22**

The Exchange shall issue appropriate notification of such cessation of market making activities immediately upon receipt. Such cessation of market making activities will come into force within two [2] working days of issue of such notification.

## **4.08.23**

A market maker resigning from market making activities as outlined in bye-law 4.08.21 above may be re-admitted as a market maker in such financial instruments upon written request to the Market Makers Admission Committee. No approval for re-admittance shall be given before the lapse of at least twenty [20] working days from the date of resignation.

## **4.08.24**

The Market Makers Admission Committee may, at its sole discretion, suspend for a period or revoke a market maker's approval to provide market making activities should the market maker repeatedly fail in its obligation as outlined in these bye-laws having been previously censured in this regard.

## **Supplementary Application**

## **4.08.25**

A market maker duly approved in terms of bye-law 4.08.01 above, may submit a Supplementary Application as per Appendix 4.3 to this Chapter, to undertake market

making activities in additional financial instruments.

The provisions of bye-laws 4.08.01 – 4.08.23 shall also apply to such Supplementary Applications.

## **Notification**

## **4.08.26**

Approval to conduct market making activities, approval of Supplementary Admission Applications, suspension, revocation and cessation of market making activities shall be notified to the market by the Exchange. Such approval, suspension, revocation or cessation of market making activities shall become effective immediately upon such notification being made.

## **Rights and Obligations of Market Makers**

## **Quotes, spreads and refresh periods**

## **4.08.27**

A market maker is obliged to input continuous bid and offer prices in accordance with the minimum quote volume, maximum quote spreads and the minimum refresh period during the continuous trading sessions of the relevant market. A market maker may only enter one quote (bid and offer price) per security at any given time on the market.

## **4.08.28**

Market maker quotes may be entered during normal operating hours of the Exchange and at defined times during the day's trading cycle as may be determined by the Exchange from time to time.



# TRADING PROCEDURES

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## 4.08.29

In order for a quote to be valid, a market maker must enter his quote in the appropriate order window of the trading system and must include:

- name of security
- buy price
- sell price
- volume which must at least be equivalent to the minimum quote volume

## 4.08.30

All quotes will participate in the regular market and will be considered as limit orders and matched and allocated accordingly in terms of the Market Model Principles as outlined in Appendix 4.1 to this Chapter.

## 4.08.31

The parameters set out in bye-law 4.08.27 above shall be calculated by the Exchange in accordance with the criteria stipulated by the Exchange and notified to the market from time to time.

## 4.08.32

Such parameters as set out in bye-law 4.08.33 above may be changed by the Exchange from time to time in accordance with the exigencies of the market and it shall notify the market within reasonable time accordingly of any such changes.

## Reclusion from dealing as principal

### 4.08.33

A market maker may be precluded from dealing as principal in the financial instruments of an Issuer where the market maker has an interest in either the offeror or

the offeree in an acquisition or merger transaction.

### 4.08.34

Should such circumstances as outlined in bye-law 4.08.33 above prevail, the market maker will not be obliged to maintain quotes in the financial instruments concerned. The Exchange must be immediately notified of such circumstances and will inform the market accordingly.

### 4.08.35

When such restrictions no longer apply to the market maker concerned, it shall notify the Exchange in writing of its intention, where applicable, to re-commence its market making activities and the Exchange shall in turn immediately inform the market accordingly.

## Waiver of obligations

### 4.08.36

In the light of certain prevalent market conditions, such as, but not limited to, a strong one-way market or exceptional volatility, the ability of the market maker to make a market in certain financial instruments may become restricted. In such circumstances the maximum spreads, minimum quote volumes and the minimum period for maintaining quotes may be reviewed.

### 4.08.37

Should such circumstances as outlined in bye-law 4.08.36 above prevail, as determined by a particular market maker and previously notified to the Exchange, the market maker may:

- alter the bid/ask spread quoted for a particular financial instrument after the time when it has effected a transaction in that financial instrument or after one [1]

# TRADING PROCEDURES

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minute from the time of the input of the relevant quote, whichever is the earlier, and/or

- reduce the minimum quote volume below that relevant to the financial instrument in question, and/or
- reduce the minimum period for maintaining quotes below that relevant to the financial instrument in question.

## 4.08.38

A market maker must comply with the normal parameters governing its operations immediately the extraordinary market conditions have abated.

## 4.08.39

The market maker shall inform the Exchange immediately of the resumption of its normal market making activities and, furthermore, shall provide the Exchange with periodic reports for the duration of its inability to fulfil its market making obligations.

## Securities borrowing

### 4.08.40

In order to continue to satisfy its obligations in terms of these Bye-laws, a market maker may enter into a Global Master Securities Lending Agreement as per Appendix 4.4 to this Chapter with a third party (a securities lender).

### 4.08.41

A market maker entering into any contract with a securities lender as outlined in Bye-law 4.08.39 above, must lodge a copy of such a contract, and any amendments thereto, with the Exchange together with the application as outlined in bye-laws 4.08.07 and 4.08.08 above.

### 4.08.42

Any parties entering into any contract with a securities lender as outlined in Bye-law 4.08.36 above must comply with the “Code of Guidance on Securities Borrowing and Lending” as per Appendix 4.5 to this Chapter.

## Short-selling

### 4.08.43

Market makers who have not entered into a GMSLA or equivalent and engage in short-selling activities are to comply with the relevant obligations of Regulation [EU] No 236/2012 of the European Parliament and of the Council of 14 March 2012.



**MALTA**  
**STOCK EXCHANGE**

**CHAPTER 5**  
**ADMISSION**  
**REQUIREMENTS**  
**AND DISCLOSURE**

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# ADMISSION REQUIREMENTS

## 5 ADMISSION REQUIREMENTS AND DISCLOSURE STANDARDS

### 5.0 Admission of Financial Instruments to Listing and Trading

#### Authority to approve admission

##### 5.00.01

Granting of admission to any of the recognized lists of the Exchange shall be approved by the Board.

#### GENERAL

##### 5.00.02 5.00.02.01

All matters concerning admission to listing and trading shall be dealt with between the Chief Executive and the Sponsor appointed by the applicant for admission to listing or in the case of the IFSM, the Listing Agent.

##### 5.00.02.02

The Executive Committee will be responsible for scrutinizing all applications for admission of financial instruments to any of the recognized lists of the Exchange and for forwarding its recommendations to the Board.

##### 5.00.02.03

When a matter is the subject of consideration by the Board, the Sponsor or Listing Agent (as applicable) may be accompanied by representatives of the Issuer and other advisers, any of whom may address the Board.

##### 5.00.02.04

An applicant for admission must comply with the Capital Markets Rules or the WSM Capital Markets Rules (as applicable). In addition, the Board may make admission subject to any special conditions which it considers appropriate. The applicant will be expressly

informed in any such case and must comply with such conditions.

##### 5.00.02.05

For the purposes of the Capital Markets Rules and the WSM Capital Markets Rules, admission of any financial instrument to any of the Exchange's recognized lists becomes effective only when an Exchange Notice has been posted on the Notice Board of the Exchange.

##### 5.00.02.06

A condition for admission is acceptance of the continuing obligations and the disclosure standards which will apply following admission pursuant to the Capital Markets Rules or the WSM Capital Markets Rules (as applicable) and these Bye-Laws.

##### 5.00.02.07

Suitability for admission depends on many factors. Applicants for admission and their Sponsors or Listing Agents (as applicable) should appreciate that compliance with the relevant requirements laid down in these Bye-laws may not of itself ensure an applicant's suitability for admission. The Board reserves the right to accept or reject applications.

##### 5.00.02.08

Granting of admissibility by the MFSA or recognition by the MFSA of an admissibility granted by a competent authority in a foreign jurisdiction as may be laid out by regulations issued in terms of the Act, will not, in itself, ensure that admission to any of the recognized lists of the Exchange will be granted.

#### Rejection of Applications

##### 5.00.03

The Board may refuse an application for admission of any financial instrument if it considers that:

# ADMISSION REQUIREMENTS

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## **5.00.03.01**

the applicant's situation is such that admission of the financial instrument may be detrimental to the orderly operation of the market or to the reputation of the Exchange as a whole; or

## **5.00.03.02**

the applicant cannot, or will not be in a position to comply with the disclosure standards or with any special condition imposed upon the applicant by the Board; or

## **5.00.03.03**

it is otherwise contrary to the policy of the Exchange.

## **5.00.04**

In the case where the Board has rejected an application for admission, the Exchange shall inform the applicant, stating the reasons for such rejection.

## **Sponsors and their responsibilities**

### **5.00.05**

An applicant for admission of Securities pursuant to the Capital Markets Rules must appoint a Sponsor in accordance with Chapter 2 of the Capital Markets Rules to sponsor his application and inform the Exchange of such appointment.

### **5.00.06**

A sponsor appointed in accordance with by-law 5.00.05 above must be available to guide and provide advice to the directors or other managing board of the applicant as to their responsibilities and obligations to ensure that they comply with the Bye-laws and when

necessary, to accompany the applicant at meetings with the Exchange.

### **5.00.07**

The Sponsor must ensure that the Chief Executive is kept aware of all relevant information relating to the applicant which should be brought to his notice. The Sponsor is responsible for lodging with the General Manager, all the documents required in support of an application for admission. This channel of communication must also be used for discussion of all matters arising in connection with the application.

### **5.00.08**

The Sponsor must sign the Admission Application as per Appendix 5.1 to this Chapter and lodge it, together with the relevant supporting documentation, in accordance with these Bye-laws.

## **Listing Agents and their responsibilities (IFSM)**

### **5.00.09**

An IFSM Applicant is required to appoint a Listing Agent.

## **Basic Conditions to be fulfilled by an Applicant**

### **5.00.10**

An application form for admission of financial instruments to any of the Exchange's recognized lists must be submitted to the Exchange at the same time as an application for admissibility has been made to the MFSA.

# ADMISSION REQUIREMENTS

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## **5.00.11**

The financial instruments for which admission is sought must be freely transferable.

## **5.00.12**

In the case of an application for admission of financial instruments that are already issued and held by a small number of holders, the Exchange may require upon admission of such financial instrument, that the Issuer and /or guarantor and one or more of the holders of the instrument enter into a formal tripartite agreement, wherein one or more holders commit themselves to the secondary market disposal of the financial instrument on the terms and conditions as may be agreed.

## **5.00.13**

An applicant for admission of any class of financial instruments must:

### **5.00.13.01**

relate only to the financial instruments which are listed or proposed to be listed; and

### **5.00.13.02**

relate to all financial instruments of that class, issued or proposed to be issued; or

### **5.00.13.03**

relate to all further financial instruments of that class, issued or proposed to be issued if financial instruments of that class are already admitted to a recognized list.

## **5.01 Suspension and or Discontinuation of Admission**

### **5.01.01**

The Board may suspend the admission of a financial instrument from any of its recognized lists in accordance with its rules if there is reason to believe that this is in the interest of

the Exchange or the public or investors generally as may be provided for in the Act.

### **5.01.02**

The Board will immediately suspend or discontinue the admission of a financial instrument from any of its recognized lists upon being informed by the MFSA that it has authorised such suspension or discontinuation.

### **5.01.03**

Such suspension authorised by the MFSA shall only be lifted when so authorised by the MFSA.

### **5.01.04**

The Board, or the Issuer itself, may, in terms of the Act request the authority of the MFSA to suspend or discontinue a financial instrument from one of its recognized lists or trading in terms of the Act. The Board may request such suspension or discontinuation of a financial instrument:

#### **5.01.04.01**

if it is the opinion of the Board that the Issuer no longer fulfils the requirements of, or has failed to satisfy or comply with or has contravened any provisions of the Act, regulations made thereunder or these Bye-laws or in purported compliance with any such provisions has furnished the Board with false, inaccurate or misleading information; or

#### **5.01.04.02**

the Board deems that the Issuer has acted in a manner which is detrimental to the Exchange, its Members or the public in general.

# ADMISSION REQUIREMENTS

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Such suspension or discontinuation of admission will only become effective upon the appropriate authorization of the MFSA.

## **5.01.05**

An Issuer must continue to comply with all continuing listing obligations and disclosure standards even when admission of its financial instruments to trading is suspended, unless the MFSA and Exchange otherwise agree.

## **5.02 Application Procedure**

### **Application Procedure**

#### **5.02.01**

The Sponsor or the Listing Agent (as applicable) must file with the Exchange an application for admission to any of its recognized lists (as applicable), signed by the Issuer together with the appropriate supporting documents as outlined in this Section, in the form shown in Appendix 5. I. The Sponsor or the Listing Agent (as applicable) must ensure that the Issuer has fulfilled all the procedures necessary for filing the application and that all the relevant documentation has been provided. It shall make a statement to this effect on the application form itself.

#### **5.02.02**

The Board must approve or reject the application within five (5) working days from receipt of confirmation of admissibility from the MFSA. In the case of issues of financial instruments which are also to be followed by an Initial Public Offering, the time-table for admission must be agreed to with the Exchange at the time of submission of application.

### **Documents to be filed with an application for admission**

#### **5.02.03**

The following documents must be filed in support of an application for admission:

##### **5.02.03.01**

an application form as set up in Appendix 5.1 to this Chapter, duly completed and signed;

##### **5.02.03.02**

one copy of the listing particulars or equivalent offering document approved by/to be approved by the MFSA;

##### **5.02.03.03**

a certified copy of:

1. the Board resolution(s) authorizing the issue of financial instruments to be traded and subsequently allotting the same; and
2. the Board resolution(s) approving and authorizing the issue of the listing particulars or equivalent offering document;

##### **5.02.03.04**

one copy of the Memorandum and Articles of Association or any other corresponding document, and all amendments thereto to date;

##### **5.02.03.05**

a copy of any notice of meeting referred to in the listing particulars or equivalent offering document. Where, for any reason, one or more of the above documents cannot be produced, a statement to this effect has to be submitted.

# ADMISSION REQUIREMENTS

## 5.02.04

Where documents are submitted in draft form pending approval by the Competent Authority, the Issuer must submit certified copies of the relevant documents approved by the MFSA or the competent authority of any other recognized jurisdiction prior to admission being granted.

## 5.02.05

The procedure indicated in bye-laws 5.02.01 and 5.02.02 above must be followed and the documents indicated in bye-law 5.02.03 above must be filed in support of an application for admission for any type of financial instrument. However, the Board may exempt an applicant from any of the provisions of bye-laws 5.02.01, 5.02.02 and 5.02.03 above or request further documentation and/or information, as it deems appropriate.

## 5.02.06

Bye-laws 5.00.01 to 5.00.04, 5.02.01 and 5.02.03 above are not applicable in the case of admission of Government Stock Issues and Treasury Bills to any of the Exchange's recognized lists.

## Blocking of security balances

## 5.02.07

In the case of trading limitations imposed by the MFSA on financial instruments maintained within the Exchange's CSD, Issuers are to adhere to the provisions of bye-laws 5.05.08 to 5.05.12.

## Application procedure for Issuers already having securities admitted to any of the Exchange's recognized lists

## 5.02.08

The provisions of bye-laws 5.02.01, 5.02.02 and 5.02.03 above also apply in respect of Issuers applying for a further issue of financial instruments on the Exchange. However, the Board may exempt an applicant from submitting certain documents and information already in its possession or which the Board deems superfluous.

## Additional Conditions for an Issuer to classify as a REIT

## 5.02.09

In order for an Issuer to be eligible to classify as a REIT, in addition to the requirements of this Chapter, the Issuer shall provide to the Exchange, a report issued by an Auditor, specifying the Specified Accounting Period, upon which all of the following conditions will be met:

- i) That the Issuer has all its shares listed on the main market of the Exchange;
- ii) That the Issuer is also reasonably expected to meet all the following criteria at the end of the Specified Accounting Period:
  - a. The Issuer must have a Property Rental Business which:
    - i. Includes a portfolio of assets of at least three (3) immovable properties in Malta or abroad; and
    - ii. Includes a portfolio of assets of immovable properties in Malta or abroad with a total value of at least [nine million Euro (EUR 9,000,000)]; and
    - iii. Does not have one (1) immovable property within the portfolio of assets, valued at more than forty percent (40%) of the total value of the



# ADMISSION REQUIREMENTS

- immovable properties included in the portfolio of assets of the Property Rental Business; and
- iv. Does not include immovable property that would in accordance with the International Financial Reporting Standards be described as owner-occupied. For the purposes of the condition found in bye-law 5.02.09 (ii) (a) (i) and (iii), an immovable property is a single immovable property if it is designed, fitted or equipped for the purpose of being rented, and it is rented or available for rent, as a commercial or residential unit (separate from any other commercial or residential unit). Immovable property located on a single parcel of land contiguous to other immovable properties owned by third parties, irrespective of the number of residential or commercial units located within this parcel of land shall constitute a single immovable property for the purposes of bye-law 5.02.09 (i) and (iii).
  - b. The income arising from the Property Rental Business amounts to at least seventy-five per cent (75%) of the Issuer's total revenue; and/or
  - c. At least seventy-five per cent (75%) of the aggregate market value of the assets of the Issuer consist of assets that are capable of generating income relating to the Property Rental Business of the Issuer; and
  - d. The Issuer must provide written declarations stating that it understands its obligations arising out of bye-laws 5.02.10 and 5.02.11 below.

International Financial Reporting Standards, and where International Financial Reporting Standards offer a choice of valuation between cost basis and fair value, fair value is to be used, and no account shall be taken of liabilities secured against or otherwise relating to assets (whether generally or specifically) of the Property Rental Business.

Provided further that all of the conditions set out in bye-law 5.02.09 must continue to be met by the Issuer for each accounting period following the Specified Accounting Period until a notice has been issued in accordance with the first proviso of bye-law 5.02.12.

Provided further that for the purposes of this bye-law, the date from which the Issuer shall be eligible to be admitted as a REIT, shall be the date on or after the date upon which the Auditor's report is served to the Exchange, and from which the Issuer meets, or is regarded as having met, the conditions of this bye-law.

## **5.02.10**

In order to retain its eligibility as a REIT, the Issuer must at all times ensure that the aggregate of the Specified Debt shall not exceed an amount equal to fifty per cent (50%) of the aggregate market value of the assets of the Property Rental Business of the Issuer;

Provided that for the purposes of this bye-law, assets must be valued in accordance with

# ADMISSION REQUIREMENTS

## 5.02.11

In order to retain its eligibility as a REIT, and subject to having sufficient distributable reserves, and to any restrictions from making a distribution by reason of any provision of the Companies Act (Chapter 386 of the Laws of Malta), the Issuer is obliged to distribute to the shareholders by way of dividend, for each accounting period; at least eighty-five per cent (85%) of the distributable profits allocated to the Property Rental Business arising in each accounting period;

## 5.02.12

Every Issuer receiving a confirmation from the Exchange relative to its eligibility as a REIT, shall in respect of each accounting period following its eligibility as a REIT, by not later than four (4) months from the date following that in which the accounting period ends, forward a statement to the Exchange confirming that the provisions of bye-law 5.02.09, 5.02.10 and 5.02.11 have been complied with during the accounting period under review (the "Notification Period").

Provided that where any Issuer with a REIT eligibility status is unable to make the statement mentioned in this bye-law, it shall notify the Exchange and in the notification shall:

- i) State the date/s on which the condition/s in bye-laws 5.02.09, 5.02.10 and 5.02.11 first ceased to be met and if applicable the dates on which the condition/s were met again;
- ii) Explain the manner in which the condition/s in bye-laws 5.02.09, 5.02.10 and 5.02.11 were met again;
- iii) Give details of the steps, if any, taken to prevent a recurrence of the condition/s; and

- iv) Make the necessary disclosures in accordance with bye-law 5.03.00.

Provided further that the Exchange shall have the discretion to remove the REIT eligibility status of such Issuer, with effect from the end of the previous accounting period, should the Exchange fail to receive proof of eligibility as such in line with its requirements within 45 (forty-five) days from the end of the Notification Period.

## Additional Conditions for Admission to the Malta Stock Exchange Green Bond List

### 5.02.13

Notwithstanding any other conditions outlined in this chapter a Green Bond issuer must ensure that the Green Bonds for which the application is being made:

- Satisfy the Green Projects eligibility criteria in line with ICMA Green Bond Principles;
- Have a clear policy on the utilisation of Bond Proceeds for Green Projects;
- Have a clear policy on the management of proceeds;
- Employ reporting mechanisms and are certified to be in conformity with the established green bond standards by an Accredited External Reviewer.

### 5.02.13.01 – Eligibility Criteria

In line with the ICMA Green Bond Principles, the issuer shall demonstrate to the Exchange's satisfaction that any identified Green Project meets the performance thresholds for economic activities. In this regard a Green Project shall:

- i) Make a substantive contribution to one of six environmental objectives which are:
- ii)

# ADMISSION REQUIREMENTS

- a. Climate Change Mitigation;
- b. Climate Change Adaptation;
- c. Sustainable and Protection of Water and Marine Resources;
- d. Transition to a Circular Economy;
- e. Pollution Prevention and Control;
- f. Protection and Restoration of Biodiversity and Ecosystems.

In meeting the threshold under Rule 5.02.13.01 (i) the issuer shall do no significant harm to the other five environmental objectives, where relevant.

## 5.02.13.02 – Utilisation of Bond Proceeds for Green Projects

Green Bond issuers applying for admission of green bonds on the MSE's Regulated Main Market must ensure that:

- A policy on the use of proceeds generated from the green bond issuance is clearly set out in the offering documentation of the security;
- All designated Green Projects unequivocally provide clear environmental benefits, which have been assessed and, where feasible, quantified by the issuer and certified by an Accredited External Reviewer;
- In the event that all or a proportion of the proceeds are or may be used for refinancing, issuers shall provide an estimate of the share of financing vis-a-vis re-financing stating clearly which projects are being re-financed.

Green Projects include but are not limited to:

Renewable Energy - Including production, transmission, appliances and products;

**(i) Energy Efficiency** -Such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products;

**(ii) Pollution Prevention and Control** - Including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy;

**(iii) Environmentally Sustainable Management of Living Natural Resources and Land Use** - Including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; afforestation or reforestation, and preservation or restoration of natural landscapes;

**(iv) Terrestrial and Aquatic Biodiversity Conservation** – Such as the protection of coastal, marine and watershed environments;

**(v) Clean Transportation** - Including electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions;

**(vi) Sustainable Water and Wastewater Management** - Including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and flood water mitigation;

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**(vii) Climate Change Adaptation** – Such as information support systems, such as climate observation and early warning systems;

**(viii) Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes** - Including development and introduction of environmentally sustainable products, with an eco-label or environmental certification, resource-efficient packaging and distribution;

**(ix) Green Buildings** - Which meet regional, national or internationally recognised standards or certifications.

## 5.02.13.03 – Management of Proceeds

A policy on the management of proceeds generated from the green bond issuance is to be clearly set out in the offering documentation of the security. An issuer shall ensure that funds designated for Green Bond Projects are kept in a separate account and each transaction tracked in an appropriate manner with an established formal internal process ensure transparency on how each transaction is related to achieving the Green Projects environmental objectives. The issuer's declaration on the management of proceeds shall be verified by an Accredited External Reviewer to verify the internal tracking method and the allocation of funds from the Green Bond proceeds.

## 5.02.13.04 – Reporting and Certification

i) When submitting an Admission application (Appendix 5.1) to the MSE Green Bond List the issuer shall provide the Exchange with an Accredited External Reviewer's report certifying that the bonds are eligible

for admission to the MSE Green Bond List as per the Green Bond Standards laid down under bye-laws 5.02.13.01, 5.02.13.02 and 5.02.13.03 and in line with the ICMA Green Bond Principles;

ii) Issuers who have been granted admission to the MSE Green Bond list must ensure that eligibility is retained throughout the bond term and as long as the bonds remains listed on the Regulated Main Market of the Exchange;

iii) On an annual basis the issuer shall provide the Exchange, with an updated Accredited External Reviewer's report, certifying that the bonds remain eligible for Green Bond status. The Accredited External Reviewer's report shall:

- a. Provide a list of the Green Project/s that have benefited from the use of proceeds allocated to them;
- b. Provide a brief description of each respective project, amount of proceeds allocated to each, progress on the project made since listing or last reporting date and how the specific project is meeting the performance thresholds laid down in bye-law 5.02.13.01;
- c. Include financial metrics which give a clear picture of the company's turnover, capital expenditure and operational expenses. These financial metrics shall demonstrate the percentage turnover, capital expenditure and operational expenses that are related to achieving the objectives under bye-law 5.02.13.01;
- d. Where applicable qualitative performance indicators and quantitative performance measures are to be provided;

iv) The annual report shall be submitted to the Exchange by not later than four (4) months from the year

# ADMISSION REQUIREMENTS

following that in which the accounting period ends;

v) Provided that where an issuer with a Green Bond eligibility status is unable to provide an Accredited External Reviewer's report certifying the bonds' eligibility, it shall notify the Exchange whereby the notification shall state:

- a. The reason/s behind the Accredited External Reviewer's decision not to confirm the Green Bond status of the security;
- b. The date/s on which the bonds first ceased to meet Green Bond eligibility status and if applicable the dates on which the eligibility requirements were met again;
- c. Where applicable explain the manner/ steps taken for the bonds to meet the eligibility requirements again;
- d. Give details of the steps, if any, taken to prevent a recurrence of the matter that lead to non-eligibility; and
- e. Make the necessary disclosures in accordance with bye-law 5.02.14.02

vi) Provided further that if the Exchange is not in receipt of the proof of eligibility within the stipulated , 45 (forty-five) days from the end of the four-month period , the Exchange shall have the discretion to remove the Green Bond status of such issuer, with effect from the end of the previous accounting period.

vii) The Exchange may request an issuer to submit an Accredited External Reviewer's report at any time if it has reasonable suspicion to belief that the Green Bond Standards are not being met.

Additional Disclosure Requirements for Admission to the MSE Green Bond List

No Green Bond will be admitted to the Malta Stock Exchange's Green Bond List unless Admissibility to Listing in respect of the Green Bond issue has been granted by the MFSA.

## 5.02.14

In addition to the General Disclosure Requirements under bye-law 5.03.00 a Green Bond issuer must:

### 5.02.14.01

provide the Exchange on an annual basis or at any time that the Exchange may require, with an Accredited External Reviewer's report certifying the Green Bond status of the security. In doing so the issuer shall disclose all relevant details in the Accredited External Reviewer's report to the market. These shall include:

- a) how the bond still qualifies for admission to the MSE Green Bond List; and
- b) how the requirements of bye-law 5.02.13.04 are being met;

### 5.02.14.02

notify the market if it becomes aware that the security's is no longer eligible for a Green Bond status outlining the reasons for non-eligibility and remedial action being taken with respect to bye-law 5.02.13.04 (v).

## 5.03 Disclosure Requirements

### General

#### 5.03.01

Once a financial instrument is granted admission to any of the Exchange's recognized lists, the Issuer, with the exception of Government as the Issuer of Stock issues and

# ADMISSION REQUIREMENTS

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Treasury Bills, must ensure compliance with the continuing listing obligations and the disclosure standards as laid down in the Capital Markets Rules or the WSM Capital Markets Rules (as applicable), Bye-laws and the Prevention of Financial Markets Abuse Act [Cap. 476 of the Laws of Malta].

## **5.03.02**

Once a financial instrument is granted admission to any of the recognized lists of the Exchange, the Issuer must appoint a Compliance Officer who will be responsible to provide the Exchange with any information or explanation that the Exchange may reasonably require for the purpose of verifying whether the Bye-laws are being or have been complied with or which relates to the integrity or orderly operation of the Exchange's markets for listed financial instruments.

## **5.03.03**

The Issuer shall promptly advise the Exchange of any change in its Compliance Officer.

## **5.03.04**

The Issuer shall promptly notify the Exchange of any proposed changes to the Memorandum and Articles of Association.

## **5.03.05**

The Exchange may subject Issuers to more stringent obligations than those provided for hereafter or to additional obligations, provided that they apply generally to all Issuers or to all Issuers of a given class.

**Company announcements to be made to the Exchange for release to Members of the Exchange**

## **5.03.06**

Issuers must make company announcements in English or Maltese without delay in accordance with the Capital Markets Rules or the WSM Capital Markets Rules (as applicable) and the Prevention of Financial Markets Abuse Act [Cap. 476 of the Laws of Malta].

## **5.03.07**

The Exchange will not have responsibility for the contents of any company announcement forwarded to it for dissemination. An Issuer must take all reasonable care to ensure that any information contained in company announcements is not misleading, false or deceptive and does not omit anything likely to affect the import of such information.

## **5.03.08**

Should the Exchange not receive company announcements as referred to in the Capital Markets Rules or the WSM Rules (as applicable) Rules in due time, the Exchange will report the matter to the MFSA for any action it deems appropriate.

## **5.03.09**

Company announcements be issued at any time during the Exchange's business hours. Where a Company Announcement is issued during an open trading session, the Exchange may decide to suspend trading in the financial instrument/s concerned for a short period of time, until such company announcement is disseminated to the market.

## **5.03.10**

Where an Issuer anticipates that it may need to issue a company announcement beyond the Exchange's business hours, the Compliance Officer is to inform the Chief Executive immediately when he becomes aware of such a possibility in order that the

# ADMISSION REQUIREMENTS

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appropriate administrative arrangements may be made. The Exchange may, at its discretion, impose an appropriate charge to cover any costs incurred by it in this connection.

## Other information to be made available to the Exchange

### 5.03.11

Issuers must provide the Exchange with copies, in electronic form if appropriate, of their Annual Reports and all the information sent to holders of their listed financial instruments in relation to the Capital Markets Rules and/or the WSM Capital Markets Rules (as applicable).

## 5.04 Fees

### 5.04.01

An Issuer must pay the annual admission fee for as long as its financial instrument remains on any of the recognized lists of the Exchange calculated in accordance with the Exchange's scale of fees for the time being in force as soon as such payment becomes due.



**MALTA**  
**STOCK EXCHANGE**

**CHAPTER 6**  
**CENTRAL**  
**SECURITIES**  
**DEPOSITORY**

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## 6.0 CENTRAL SECURITIES DEPOSITORY

### General

**6.00.01** Pursuant to Article 24 of the Act, the Exchange holds an authorization from the Competent Authority to provide the services of a central securities depository (CSD). The services provided by the CSD that contribute to enhancing the safety, efficiency and transparency of the securities markets, shall include but are not restricted to:

- Initial recording of securities in a book-entry system whereby securities are represented in book-entry dematerialised form subsequent to a direct issuance;
- The provision of settlement services through the operating of a securities settlement system. The settlement service shall consist of the provision, management and administration of a securities clearing and settlement system in respect of financial instruments;
- Authentication of registers of members or holders of designated financial instruments or of any extract thereof. Registers of members and holdings in financial instruments shall be maintained in a dematerialised form;
- The opening and maintenance of securities accounts for the purpose of supporting settlement service and collateral management and supporting the processing of corporate actions, including tax, general meetings and information services;
- Settlement matching, instruction routing, trade confirmation and trade verification with subsequent transactions recording in book-entry form;
- New issue services, including allocation and management of ISIN, CFI, FISN and similar codes;
- Providing regulatory reporting and information, data and statistics to

regulatory, market and governmental or inter-governmental entities;

- Establishing links, including the provision of access and interoperable links to and between other securities clearing and settlement systems and central securities depositories.
- The provision of custody services in respect of financial instruments.

**6.00.02** The provisions of the Financial Market Rules and Chapter 2 of these Bye-laws shall apply, mutatis mutandis, to the CSD.

### Functions

**6.00.03** Pursuant to Article 26 of the Act, the CSD is authorized to perform the following functions.

**6.00.03.01** The provision of custody or depository facilities in respect of financial instruments.

**6.00.03.02** Maintenance of the registers of members and holders of financial instruments.

**6.00.03.03** Recording of transactions and holdings in the registers of financial instruments being maintained at the CSD.

**6.00.03.04** The operation, management and administration of one or more securities clearing and settlement systems in accordance with the rules and procedures as laid down in Chapter 7 of these Bye-laws, including the provision as required of access and interoperable links between such system/s and other securities clearing and settlement systems, central securities depositories, central counterparties, clearing houses and any other services ancillary to the foregoing.

**6.00.03.05** The authentication of registers of members or holders of designated financial instruments or of any extract thereof.

**6.00.03.06** The provision of such other ancillary or consequential functions related to the above including any preparatory and related corporate administrative services in relation to financial instruments which are listed as may be established by the Financial Market Rules.

## Designated Financial Instruments

**6.00.04** The categories or classes of financial instruments which, for the purpose of the Act, any regulations made thereunder and these Bye-laws, qualify as designated financial instruments are in accordance with the Regulations as may be issued by the Minister from time to time.

**6.00.05** For as long as the register of a designated financial instrument is maintained in the CSD the title to and rights in respect to such designated financial instrument, may be created and, or transferred by an entry on the register and no instrument in writing is required for this purpose.

**6.00.06** For as long as the register of a designated financial instrument is maintained in the CSD, the title to and rights in respect of such designated financial instrument may be held or evidenced in a dematerialised or uncertificated form.

**6.00.07** The privilege referred to in Title XXI of Part II of the Book Second of the Civil Code shall arise where a pledge has been duly registered in respect of a designated financial instrument whose register is maintained in the CSD. The provisions of Article 1966(3) and (4) of the Civil Code shall not apply in respect of designated financial instruments.

## 6.1 Admission of registers to the CSD

### Application procedure

**6.01.01** Issuers of financial instruments not admitted to any of the Exchange's recognized lists or traded on the regulated market, but wishing to avail themselves of the services provided by the CSD may have the registers of such financial instruments admitted to the CSD subject to appropriate due diligence procedures.

**6.01.02** Issuers of financial instruments as outlined in bye-law 6.01.01 above, must complete the appropriate Application Form as set out in Appendix 6.1 to this Chapter which must be accompanied by the appropriate documentation and fees as may be agreed to with the Exchange.

**6.01.03** Issuers are bound to provide the CSD with all the requisite information and documentation in the format and within the time-frames stipulated by the Exchange in order to that the Exchange may carry out appropriate due diligence procedures in terms of law.

### Approval

**6.01.04** The Board shall within four [4] weeks of receipt of Application and accompanying documents and fees, approve or reject such application and shall inform the Issuer in writing of its decision.

### Rejection of applications

**6.01.05** In the case of rejection of an application, the Board shall give reasons for such rejection.

**6.01.06** An Issuer whose application for admission of its financial instruments has been rejected by the Board may re-apply for admission subject that the matters causing the rejection have been rectified to the satisfaction of the Board.

## 6.2 Maintenance of Registers

### Responsibilities

**6.02.01** The CSD shall be responsible to continue to update registers with all the details relative to the transfers, transmissions, pledges of and rights of mandates or of usufruct on the financial instruments for as long as the registers are maintained by the CSD. The CSD may also provide the services allowed under the Act and any regulations issued thereunder and as described hereunder.

**6.02.02** The CSD shall establish all reasonable security measures including the establishment and maintenance of such procedures as may be reasonably necessary or expedient, to protect information, data, records and other documents relating to the affairs of holders and Issuers against unauthorised access, alteration, destruction, disclosure or dissemination and against any accidental loss or destruction.

### Register details

**6.02.03** For as long as a register of financial instruments is maintained by the CSD, this

shall be identified by the name of the financial instrument as set out in the Prospectus or equivalent offering document and by the International Securities Identification number (ISIN), a unique reference code which is recognised internationally. The ISIN Number consists of a country code, a financial instrument's domestic code number and a check digit to validate the code.

**6.02.04** Any communication between the Issuer and the CSD must be made by the Company Secretary or his appointed delegate as advised to the CSD from time to time.

### Registration

**6.02.05** The CSD shall register individual holders in accordance with the written instructions received directly from the holder, the Issuer or any other person appointed by the holder to act on his behalf, as the case may be.

### MSE Account No.

**6.02.06** The CSD shall assign an MSE Account No. to each individual holder appearing on the registers held and maintained by the CSD.

**6.02.07** The MSE Account No. is the unique identification number of each individual holder appearing on the registers held and maintained by the CSD and will be quoted on all official notifications issued by the CSD.

### Holder details

**6.02.08** The registration details of holders of financial instruments whose registers are

maintained by the CSD shall include the following information, as applicable.

## **6.02.08.01**

Full name and address

## **6.02.08.02**

Identity Card No. or Passport No.

## **6.02.08.03**

Company Registration No.

## **6.02.08.04**

MSE Account No.

## **6.02.08.05**

Residence or country of incorporation

## **6.02.08.06**

Direct credit details

## **6.02.08.07**

Withholding tax option

## **6.02.08.08**

Mandates

## **6.02.08.09**

Usufructuaries

## **6.02.08.10**

Indication of Primary/Secondary Holder

## **6.02.08.11**

Any other details as may be required by the CSD for the proper maintenance of the account and the register.

## **6.3 Transfers**

### **Transfer of title**

**6.03.01** The title of financial instruments whose registers are maintained by the CSD is transferred in the following circumstances.

#### **6.03.01.01** Market Trades

Transfers resulting from trades taking place on the market. Registration of transacted

financial instruments will take place on Settlement Day.

#### **6.03.01.02** Off-Market Trades

Transfers resulting from trades taking place in accordance with Article 14 of Appendix 4.1 and verified and confirmed through the Off-Market Trade Validation and Reporting System. Registration of transacted financial instruments will take place on Settlement Day.

**6.03.02** The title of financial instruments whose registers are maintained by the CSD may also be transferred in the following circumstances.

#### **6.03.02.01** Donations

The transfer of financial instruments by title of donation need not be put through the market provided that the following conditions are fulfilled:

- a) the relationship between the donor and donee both in the indirect and collateral line should not extend beyond the first degree;
- b) the donation is finalised by a public deed or private writing;
- c) an authenticated copy of the said instrument in terms of law is forwarded to the Exchange for registration, and
- d) the transfer document duly signed and stamped by is produced. In the case where the transfer document is not subject to stamp duty, the transferee will have to justify the reason for not paying the stamp duty.

Donations shall be processed by the CSD based upon the information provided in the donation document as described above.

## 6.03.02.02 Transfers Causa Mortis

### A. Account Freeze

Upon notification of a death of a holder of financial instruments whose register is held by the CSD, the holder's MSE Account/s or other accounts held jointly or co-owned by the deceased and/or the spouse where applicable (as a holding between spouses or between them and other third parties), shall be immediately blocked ("frozen") and be unavailable for trading pending further clear instructions on the "causa mortis" transfer.

### B. Release of Estates

Upon notice made on the appropriate forms and in accordance with procedures agreed between the CSD and the Issuer regarding the holdings of the deceased, the CSD will effect on relevant transfer/s from the deceased holder's account/s to those of the beneficiaries on the appropriate registers.

Where the beneficiaries are not registered holders of financial instruments held in the CSD, the CSD will open the appropriate account/s and register the beneficiaries appropriately.

The CSD may provide the Issuer with the service of processing and vetting of documentation leading to the final release and transfer "causa mortis".

### A. Merger

Should holders of financial instruments wish to merge holdings which have been registered individually in separate accounts, the transfer into a joint account can be effected upon the written instructions of all parties supported by any relevant authenticated documentation.

### B. Division of Holdings

Should account holders holding financial instruments in a joint account wish to demerge such holdings into separate accounts, the transfers into the individual accounts can be effected upon the joint written and authenticated instructions of all parties supported by any relevant authenticated documentation.

### C. Direct Holding/Indirect Holding

Should a holder of financial instruments wish to transfer his holdings from a direct holding account (i.e. held in his name) into an indirect holding account (client account/ nominee account) such transfer may be effected upon the written instructions of the holder, duly authenticated by a director/manager on behalf of an entity licensed by the MFSA or other reputable regulatory authority or by a professional acceptable to the MSE and upon confirmation from the operator of the nominee account/client account that the underlying beneficial owner of such account is the same as the holder making the request for such transfer.

## 6.03.02.03 Merger and Division of Holdings

## D. Indirect Holding/Indirect Holding

Should a holder of financial instruments wish to transfer his holdings from an indirect holding account into another indirect holding account (client account/ nominee account, custodial account) such transfer may be effected upon the written instructions of the holder, duly authenticated by a director/manager on behalf of an entity licensed by the MFSA or other reputable regulatory authority or by a professional acceptable to the MSE and upon confirmation from the operator/s of such accounts that the underlying beneficial owner/s of such account is the same as the holder making the request for such transfer.

### 6.03.02.04 Securities collateral, repurchase or lending

Securities that form the object of any securities collateral, repurchase or lending agreement or undertaking may be transferred under the terms of applicable covenants that may be submitted.

### 6.03.02.05 Deposit or withdrawal of financial instruments

Where an Issuer of financial instruments admitted to any of the Exchange's recognised lists has provided for the issue of depositary receipts, the deposit with or withdrawal from the depositary of the listed financial instruments need not be passed through the market provided that the following conditions are fulfilled.

A) The Issuer and the Depositary shall enter into a written agreement providing for the terms and conditions regulating the issue of the Depositary Receipts. The agreement or an authenticated true copy thereof should be filed with the CSD.

- B) The Issuer shall notify the Exchange of the rights, terms and conditions of issue of the Depositary Receipts, duly authorised by a competent authority under the applicable local or foreign legislation. The Deposit Agreement shall provide for the appointment of a Custodian who is to receive and hold on trust the deposited property.
- C) A person or entity giving effect to a deposit of financial instruments shall be the same person or entity to whom or to which depositary receipts are issued.
- D) The Custodian or any person delegated by him shall file with the CSD the relative documentation agreed to with the CSD containing clear written instructions with regard to the deposit or withdrawal of the said financial instruments. A deposit or withdrawal shall not take effect during a trading session unless the CSD receives clear written instructions as aforesaid at least thirty (30) minutes before the pre-opening stage of the trading session when the deposit or withdrawal of the said financial instruments is intended to take effect.

## 6.4 Amendments to static details

### Holder details amendments

**6.04.01** Requests for amendments to registered holders' details shall be in writing and shall include such supporting documentation or explanations as the Central Securities Depository may deem relevant and/or appropriate in the particular case. The Central Securities Depository reserves the right to refuse any request for amendment if in its opinion the amendment is not justified provided it sets out the reason for such refusal.

## Categories

**6.04.02** Each individual holder of financial instruments appearing on one or more of the registers maintained by the CSD will be categorised as a non-resident, minor, employee, etc. by the Issuer/s in terms of prevailing legislation.

## 6.5 Corporate Actions

### Corporate Actions

**6.05.01** The CSD shall provide a number of corporate services to Issuers for as long as a register of financial instruments is maintained by the CSD.

#### 6.05.01.01 Dividend/Interest Payments

When dividend or interest payments are due, the CSD will carry out the necessary processing including:

- a) identification of holders to whom dividend/interest payment is due,
- b) calculate payments due, and
- c) printing of cheques and/or direct credit processing.

The CSD will forward the printed instrument or direct credit details to the Issuer in bulk. The Issuer will be responsible for reconciling dividend warrants and interest payments and for signing off and dispatching the warrants and/or instructions.

As part of the dividend/interest payment procedures the CSD shall also provide the following reports:

- a) "Payments Withheld" due to unresolved Estates or Garnishee Orders or other grounds, and
- b) "Payment Details" in electronic format to facilitate the reconciliation process.

#### 6.05.01.02 Mandates

The CSD will record the payment of any dividend or interest payment due to a holder of financial instruments to be issued either to a third party recipient (eg. mandatory, usufructuaries/legal guardians, curators, etc.) or directly to a bank account in accordance with the appropriate instructions received from the holder of financial instruments involved or from such third parties, subject to the provision of relevant authenticated documentation.

Direct Credit Facilities, whereby interest or dividend payments are credited into designated securities holders' money accounts held with banks, credit or other financial institutions, may be made available on all registered securities holdings maintained by the CSD. Direct Credit Facilities are issued in conformity with electronic file formats as agreed to with such banks or institutions.

#### 6.05.01.03 Redemptions

Upon maturity of a fixed term financial instrument, the CSD shall identify the relevant holders of the financial instrument and will process and prepare the redemption cheques as agreed to with the Issuer, saving any outstanding unresolved estate or continuing blocked accounts. The Issuer shall be responsible for the reconciliation and mailing of the relevant redemption funds as well as for the final resolution of unresolved estates and blocked accounts.

## New Issues

**6.05.02** The Exchange, as agreed to with the prospective Issuer or Issuer, may undertake all primary issue processes on behalf of the Issuer or prospective Issuer, including, but not limited to, the services normally provided by the Registrar and/or the Manager of an issue, processing of applications, allotment and allocation and processing of refunds where applicable.

**6.05.03** Upon allotment, the Registrar, whether this is the Exchange or any other person appointed by the Issuer to provide this service, shall supply the CSD with all the relevant information to enable the CSD to open, hold and maintain the relevant register of holders on behalf of the Issuer.

## Rights and bonus issues

**6.05.04** The CSD, as agreed with the Issuer, may undertake all processes on behalf of the Issuer in connection with rights and bonus issues.

**6.05.05** Upon allotment of the rights issue or bonus shares, the Registrar, whether this is the Exchange or any other person appointed by the Issuer to provide this service, shall supply the CSD with all the relevant information to enable the CSD to amend the relevant register of holders on behalf of the Issuer to reflect the new allotment of financial instruments.

## 6.6 Other Services

### Pledge processing

**6.06.01** As part of its obligations to maintain registers of financial instruments on behalf of Issuers, the CSD shall maintain a record of financial instruments pledges against the respective financial instruments holders' accounts.

**6.06.02** Details of a pledge for either registration and/or release, as the case may be, shall be notified directly by the pledge and/or the pledgor to the CSD in the form of executed pledge agreements and the prescribed form. The CSD shall record the details of the pledge against the pledgor's account and shall acknowledge the action taken regarding such pledge to both parties concerned.

### Garnishee Orders

**6.06.03** As part of its services to maintain registers of financial instruments on behalf of Issuer, the CSD may keep a record of Garnishee Orders that may be notified to issuers against securities holders' investment in the respective securities issued by the notified issuers.

**6.06.04** Upon instructions from Issuers, the CSD shall record the execution of garnishee orders against holders of financial instruments issued by the same Issuers served with garnishee orders.

**6.06.05** No dividend or interest payments will be prepared in respect of those holdings of financial instruments against which a garnishee order has been recorded, pending further instructions from the Issuer.



**6.06.06** Disposals of holdings of financial instruments against which a garnishee order has been recorded are not restricted.

**6.06.07** No responsibility is assumed by the CSD vis-à-vis the garnishee creditor or the garnishee debtor.

## Blocking of Security Balances

**6.06.08** In the case of issuance of new shares to be maintained at the CSD, where particular shareholders are subject to lock-in provisions or in any circumstances where other trading limitations are in force as may be imposed by the MFSA from time to time, the Issuer is to confirm in writing to the CSD, the names, MSE Account Nos. (where applicable), addresses and volume of shares subject to the relevant trading restrictions, as well as effective date of such restrictions.

**6.06.09** Such confirmation as outlined in bye-law 6.05.08 above must be received by the CSD at least two (2) business days prior to the effective date of such trading limitations coming into force.

**6.06.10** Upon receipt of instructions as outlined in bye-law 6.05.08 above, the CSD shall block the stipulated volume of shares as from effective date, rendering such shares unavailable for trading.

**6.06.11** Shares blocked in accordance with instructions received will only be released and made available for trading upon receipt of a written request to release by the Issuer, including effective release date. Such request

should be received by the CSD at least two (2) working days prior to release date.

**6.06.12** Should the Issuer request the release of the trading restrictions prior to the release date as stipulated in the Prospectus or any other appropriate instructions issued by the MFSA, the appropriate authority from the MFSA authorising early release should be included attached to such request.

## Register monitoring

**6.06.13** The CSD shall provide Issuers with the necessary reports in order to enable Issuers to monitor holdings of their financial instruments in accordance with any restrictions that may be imposed by the Issuer. The format of such reports and the reporting schedule will be agreed upon between the CSD and the respective Issuers.

## Remote access

**6.06.14** Upon a request by an Issuer, the CSD may provide the necessary infrastructure subject to relevant authorisations and security set-ups for an Issuer to establish an electronic link with the CSD enabling such Issuer to be granted remote real-time access to its register/s maintained at the CSD.

## Ad hoc Services

**6.06.15** The CSD may enter into an agreement with an Issuer to provide other services as may be requested by an Issuer subject to such conditions and charges as may be established from time to time by the CSD.

## 6.7 Notification to Registered Holders

### Registration Advices

**6.07.01** Securities holders are notified by the CSD of any movement in their holdings of financial instruments maintained by the CSD. Such “Registration Advice” notifications are sent to holders of financial instruments in the event of sales and/or purchases of financial instruments credited into or debited from the respective holders’ accounts as well as any other market or off-market transfers or as a consequence of any other change in holdings by way of a new or further issues as described above.

### Statements

**6.07.02** A “Statement of Holdings” showing details of an investor’s holdings in all financial instruments maintained at the CSD will be sent upon request to investors holding a CSD account as at the end of each calendar year. Additional Statements may be requested from the CSD throughout the year.

## 6.8 Access and Interoperable Links

### Establishment of access and interoperable links

**6.08.01** The CSD may enter into access and interoperable links with other securities’ clearing and settlement systems, central securities depositories, international central securities depositories, central counter-parties and clearing houses for the provision, management and administration of a securities clearing and settlement system in respect of financial instruments.

**6.08.02** In establishing such access and interoperable links, the CSD shall give due regard to the access and interoperability terms and conditions as laid down in the EU Code of Conduct on Clearing and Settlement and Guidelines on Access and Interoperability issued thereunder. In particular, due consideration is given to the business case related to such links and on proper risk management and control.

### Procedures and processes

**6.08.03** Such access and interoperable links are entered into on a bi-lateral basis. Each link is governed by specific procedures and operational processes which may be amended from time to time and which will be disseminated to market participants as appropriate.

**6.08.04** Such procedures and operational processes, including time-tables and relevant fees are binding on all participants and users of the particular link.

### Maintenance of list of access and interoperable links

**6.08.05** A list of all access and interoperable, direct or indirect, links established by the CSD with any other entity as described in bye-law 6.08.01 above, will be maintained by the CSD and will be publicly available.

## 6.9 User Committee

**6.09.01** The Exchange shall establish a User Committee which shall be composed of representatives of issuers of securities

admitted to the CSD and of participants of MaltaClear.

**6.09.02** The Exchange shall define in a non-discriminatory way the mandate for the User Committee, the governance arrangements necessary to ensure its independence and its operational procedures, as well as the admission criteria and the election mechanism for User Committee members. The governance arrangements shall be publicly available and shall ensure that the User Committee reports directly to the Board and holds regular meetings.

**6.09.03** The User Committee shall advise the Board on key arrangements that impact on their members, including the criteria for accepting issuers or participants in securities settlement systems and on service level. The advice of the User Committee shall be independent from any direct influence by the management of the CSD.

**6.09.04** The User Committee may submit a non-binding opinion to the Board containing detailed reasons regarding the pricing structures of the CSD.

**6.09.05** Without prejudice to the right of the Competent Authorities to be duly informed, the members of the User Committee shall be bound by confidentiality. Where the chairman of the User Committee determines that a member has an actual or a potential conflict of interest in relation to a particular matter, that member shall not be allowed to vote on that matter.

**6.09.06** The Exchange shall promptly inform the Competent Authority and the User Committee of any decision in which the Board

decides not to follow the advice of the User Committee. The User Committee may inform the Competent Authority of any areas in which it considers that the advice of the User Committee has not been followed.



**MALTA**  
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**CHAPTER 7**  
**CLEARING AND**  
**SETTLEMENT**

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# CLEARING AND SETTLEMENT

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## 7 CLEARING AND SETTLEMENT

### Part I

#### 7.0 MaltaClear

##### General

**7.00.01** Malta Stock Exchange plc (hereinafter the Operator) shall establish and maintain a system, which shall be designated as “MaltaClear”, for the purpose of clearing and settlement of transactions in financial instruments traded on the Exchange’s markets, securing collateral in support of credit operation transactions or of securities lending, as well as any other financial instruments’ transactions as may be specified and agreed to by the Operator.

**7.00.02** Settlement of all transactions in ISINs denominated in Target-2 Securities eligible currencies where the CSD is the Issuer CSD, shall be out-sourced to Target-2 Securities (T2S), the pan-European Settlement System operated by the Eurosystem. In such cases settlement finality shall be declared on T2S and all such settlement so effected will take place in central bank money.

Furthermore, any new ISIN accepted in the CSD as Issuer CSD and denominated in a T2S eligible currency shall be made available on T2S.

**7.00.03** Securities for which the CSD is the Issuer CSD or Technical Issuer CSD and which are settled in T2S in accordance with bye-law

7.00.02 above, shall be made available to another T2S Participating Investing CSD.

In the case where settlement of a security in which the CSD is the Issuer CSD or Technical CSD and which is not denominated in a T2S eligible currency, the security will be made available to all other Participating Investing CSDs upon their request in an FOP or CoSD manner.

Such requests shall be entertained without delay and at no extra cost in accordance with relevant Regulations and in accordance with a relevant standard contract.

**7.00.04** For the purposes of these Bye-laws, transactions settled on T2S, are deemed to be MaltaClear Transactions.

### 7.1 Responsibilities of the Operator

#### Collateral

**7.01.01** The Operator shall ensure that the necessary financial support or guarantees, including but not limited to the provision of overdraft arrangements and collateralised financial instruments in its favour, are in place in order to maintain the financial integrity and continued operations of MaltaClear.

#### Publication of data

**7.01.03** The Operator shall ensure that any data relating to MaltaClear Participants and T2S Participants or their Payment Banks or Executing Banks shall remain confidential. However, the Operator shall not be prohibited from publishing any aggregated data or statistics.

# CLEARING AND SETTLEMENT

## Systems failure

**7.01.04** The Operator shall make all possible contingency arrangements it deems necessary, including the suspension or replacement of any of the arrangements contained in these Bye-laws and Appendices, by manual procedures and/or alternative automated procedures, in order to ensure that settlement finality is achieved when a failure occurs in any of the arrangements described in these Bye-laws and the Appendices. Where appropriate, T2S contingency arrangements shall be applied.

**7.01.05** Should the Operator fail to perform any of its obligations as set out in these bye-laws, as a result of the failure of any of its systems or arrangements, MaltaClear shall not incur any liability resulting from such failure towards the injured party. Any losses suffered by the injured party as a result of a failure to ensure fulfilment of the conditions for settlement will be incurred by MaltaClear only to the extent of the direct losses incurred by the injured party based on the value of the relevant securities on settlement date but without consideration to any loss of future earnings. However, in the case of settlement of T2S, where the claimed losses arise from or are attributable in whole or in part to any failure of T2S, the liability of the Exchange as MaltaClear operator in connection with such a failure shall only extend and shall be restricted and limited to the legal responsibility of the T2S operator for any such T2S failure. Finally, the Exchange shall also not be responsible for any failure to perform any of its obligations insofar as such failure is due to conditions beyond its reasonable control as a result of :

- a) force majeure; or
- b) acts or omissions by any third party to the extent that such third party's acts or omissions were beyond its reasonable control

**7.01.06** In the case of a failed settlement as outlined in bye-law 7.01.05 above, the injured party shall have fifteen (15) working days from the date of such failure to make the appropriate claims for direct losses to MaltaClear.

## 7.2 Ownership of Financial Instruments

### Transfer of ownership

**7.02.01** The transfer of ownership of financial instruments dealt in a cash sale transaction on MaltaClear transactions shall be in accordance with the provisions of "Transfer of Listed Financial Instruments Regulations" and is complete for all purposes of law upon the payment, in full and final settlement of the consideration where such payment is effected on Settlement Day, through a Payment System approved and authorised by the Central Bank of Malta or by any other recognised Competent Authority.

**7.02.02** The Payment Systems approved and authorised by the Central Bank of Malta for the purpose of funds settlement of MaltaClear transactions as well as the procedures for such settlement for each of the said Payment Systems are as detailed in Part 3 of this Chapter.

**7.02.03** MaltaClear may from time to time offer links with other securities settlement systems (SSS). Where MaltaClear acts as Investor SSS, the finality of transfers on MaltaClear only takes place after receiving confirmation of the finality of the relevant transfers in the records of the linked Issuer SSS.

# CLEARING AND SETTLEMENT

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**7.02.04** In the event of links with other SSS, subject to any ad hoc provision in any relevant custody service contract, MaltaClear as an Investor SSS will provide assistance to its participants when pursuing their rights under Maltese law due to acts and omissions of the linked Issuer SSS provided that such assistance shall :

1. not extend to any MSE CSD liability for costs, expenses and/or losses suffered by such custody participants; and
2. be conditional upon an indemnity being entered into by such custody participant in favour of the MSE-CSD in respect of any such costs, expenses and/or losses.

## 7.3 Delivery versus Payment (DVP)

**7.03.01** Settlement of transfers of MaltaClear transactions shall be effected on a DVP basis where the final settlement of financial instruments occurs upon the final settlement of funds occurs.

### Financial Instruments' Settlement

**7.03.02** Financial instruments' settlement of MaltaClear transactions shall be effected gross on a trade-by-trade basis on Settlement Day within security accounts held at the Exchange's CSD or on financial instruments accounts held at other approved CSDs.

### Funds Settlement

**7.03.03** Funds settlement of MaltaClear transactions Euro transactions shall be settled gross on a trade-by-trade basis on Settlement Day. The net amounts arising from non-Euro transactions, calculated in accordance with bye-law 7.03.05 below, shall be effected

through, and in accordance with, the rules of any of the authorised Payment Systems indicated in Part 3 of this Chapter.

### Calculation of net balances – non-Euro Transactions

**7.03.04** Immediately following the close of a trading session and upon the submission of the relevant data by MaltaClear Participants in accordance with Appendix 7.1, MaltaClear initiates the process of calculation of net non-euro payments due or owed on Settlement Day for each MaltaClear Participant, including any applicable compensation for accrued interest, in respect of settlement instructions that match with securities balances within the set time-limit of Trade date (T+0).

**7.03.05** The net amount is calculated by converting the considerations owed by or owing to each MaltaClear Participant in respect of the settlement instructions entered into the relevant pre-settlement Session into one claim or one obligation resulting from such instructions with the result that only a net payment claim can be demanded or a net payment obligation be owed.

### Accrued interest

**7.03.06** Accrued interest will be calculated gross; withholding tax will not be taken into consideration. Accrued interest will be calculated by reference to the rate specified in the financial instrument and the number of days which have elapsed from the last payment date up to settlement day.

### Calculation of gross settlement considerations – Non-Euro Settlement

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**7.03.07** Transaction instructions as may be agreed to by the transacting parties and accepted by the Operator, may be effected on a gross, trade-for-trade, basis through any of the MaltaClear Payment Systems as may be applicable shown in Part 3 of this Chapter. The consideration of such transactions shall be excluded from the calculation of the net balance as computed in accordance with bye-law 7.03.05 above.

## 7.4 Settlement

### Settlement Cycle

**7.04.01** MaltaClear transactions settle on a rolling settlement cycle of T+2, where “T” is trading day and “2” indicates the two normal business days following the trading day when the transaction was executed.

### Extension of settlement periods in case of default – non-euro settlement

**7.04.02** Settlement periods, as defined in bye-law 7.04.01 above, may in the case of a default, be extended in order to allow for the settlement of any trades resulting from the implementation of any Default Rules as outlined in bye-laws 7.06.01 – 7.06.30 below.

**7.04.03** The Operator shall publish at least annually by means of an Exchange Notice, the Settlement Calendar and updates thereof in respect of MaltaClear together with Payment Systems’ Operating Time-tables.

### Registration

**7.04.04** Book entry credits and debits on financial instruments’ accounts held at the

CSD will take place on Settlement Day upon confirmation from MaltaClear that Settlement Finality III (SF III) has been achieved. SF III is defined as the moment of irrevocability of transfers (bookings in securities and cash accounts) according to the rules of T2S. This is the ‘point of finality’, when account entries are considered as unconditional, irrevocable and legally enforceable. Thereupon, the CSD shall amend the registers of the financial instruments to reflect the MaltaClear transactions.

### Notification

**7.04.05** The CSD will notify both transfers and transferees of any book entry credit and debit on financial instruments’ accounts on Settlement Day as outlined in Bye-law 7.04.04 above.

### Point of entry into MaltaClear

**7.04.06** For the purposes of Paragraph 9 of Central Bank of Malta Directive No. 2 (hereinafter CBM Directive No. 2), and for the purposes of Regulation (EU) No 909/2014 Art 39(2) the moment of entry of MaltaClear securities or cash transfer orders shall occur upon validation, which shall comply with Settlement Finality I (SFI) as defined in the T2S validation criteria where such an order is entered for T2S settlement.

On entry into MaltaClear, all orders shall benefit from protection under the CBM Directive No 2 and will be acknowledged as valid transfer orders and Settlement Finality II (SFII) achieved. SFII is when transfer orders are matched and become irrevocable.



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**7.04.07** The provisions of CBM Directive No. 2 shall apply in relation to MaltaClear transactions from the moment of point of entry of a transfer order into MaltaClear as defined in bye-law 7.04.06 above.

## Blocking of Sold Balances

**7.04.08** Upon confirmation of a market trade, the CSD shall immediately block the appropriate amount of listed financial instruments registered in the relevant seller's MSE Account thereby effectively preventing the relevant amount of transacted securities from being used for further disposal or charging by title of usufruct or as collateral by pledge or otherwise for the period of the settlement cycle in MaltaClear.

**7.04.09** Financial instruments blocked through a market trade shall not preclude a seller from enjoying the rights of or interests in the relevant blocked financial instruments until final settlement.

## Buyer's Right of Forward Delivery – market transaction

**7.04.10** At the close of the trading session in which a purchase of financial instruments has been executed, as long as the relevant settlement instruction matches with an available balance of such instruments in the transferor's securities account, the CSD shall, record the relevant amount of financial instruments in the buyer's MSE account indicating the acquisition to a right of forward delivery of those instruments upon full funds settlement on settlement day. The buyer may re-sell and alienate the said acquired right in the next trading session following the trading session in which the said purchase of financial instruments has been executed.

**7.04.11** Thus until final settlement a buyer merely acquires a corresponding right for the forward delivery of the relevant financial instruments from the seller if the former discharges his payment obligation in favour of the seller within the set time-limit on Settlement Day.

## 7.5 Participation in MaltaClear

### Participation criteria

**7.05.01** A person will be considered a Participant of MaltaClear, and all the authorised Payment Systems shown in Part 3, by the Operator if he satisfies any of the following criteria:

**7.05.01.01** is a Member of the Malta Stock Exchange duly authorised in terms of Chapter 3 of these Bye-laws; or

**7.05.01.02** is an authorised intermediary in terms of Council Directive 93/22/EEC of the 10 May 1993; or

**7.05.01.03** is a central securities depository, international central securities depository, clearing and settlement system, central counterparty or clearing house or any other entity which is a signatory to the EU Code of Conduct on Clearing and Settlement.

Where the applicant is not a Member of the Exchange, the applicant must confirm that he has pledged an amount as may be determined by the Board from time to time but which at no time shall exceed the amount applicable to Members as outlined in bye-law 3.04.02 by Maltese Government financial instruments, any other euro fixed interest financial instrument admitted to any of the Exchange's

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recognised lists or a recognised bank guarantee in favour of the Exchange.

Where an applicant for Participation in MaltaClear will be settling Euro transactions, the MaltaClear Participant must make the relevant arrangements with a Payment Bank to have a Dedicated Cash Account as outlined in Part 2 Bye-law 7.09.11 below.

**7.05.02** Notwithstanding Bye-law 7.05.01 above a person may be considered by the Operator to be a Participant of MaltaClear, and all the authorised Payment Systems shown in Part 3, if he satisfies the participation criteria of any other payment system approved by the Central Bank of Malta in accordance with the directives issued in terms of the Central Bank of Malta Act (Chap.204 of the Laws of Malta).

## Application for Participation in MaltaClear

**7.05.03** Any request for participation in MaltaClear must be made on the appropriate application form as per the attached Appendix 7.2, duly signed.

**7.05.04** The application for participation in MaltaClear must be submitted to the Operator at least one (1) month before the proposed date of the start of participation in MaltaClear.

**7.05.05** The Operator will confirm in writing to the applicant of the approval or rejection of the application within the above-mentioned time frame. In the case of rejected applications the Operator shall state the reasons for such rejection.

## Maintenance of Accounts in respect of non-Euro Settlement

**7.05.06** A Participant in MaltaClear must maintain an active bank account with one or more Executing Banks eligible as participants in the approved Payment Systems indicated in Part 3 of this Section. These accounts shall be maintained by the MaltaClear Participant exclusively for MaltaClear purposes and the details of these accounts shall be communicated in writing to the Operator.

**7.05.07** In the event of termination, suspension or in any way inactivation of any of these accounts the MaltaClear Participant shall promptly advise the Operator in writing of such fact. In the case where the MaltaClear Participant had indicated only one settlement account in a particular Payment System the Participant shall forthwith make provisions for the opening of a suitable alternative.

## Responsibilities of MaltaClear participants

**7.05.08** The MaltaClear Participant must accept full responsibility for the discharge of all obligations arising from participation in MaltaClear and must comply with all the relevant obligations and operational procedures as laid down in the MaltaClear rules

**7.05.09** The Participant must give appropriate authorisation to the Operator, where required by the specific Payment System shown in Part 3, in accordance with the 'Direct Debit Agreement' attached in Appendix 7.3 to this Chapter, to debit his Settlement Accounts.

**7.05.10** MaltaClear participants shall assume full responsibility for any consequences arising from lack of coverage of liquidity resources or financial instruments. Furthermore,

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MaltaClear Participants shall be responsible for remitting to the seller, as soon as possible, the consideration received through his Executing Bank in respect of settlement of MaltaClear transactions.

## Suspension and termination of MaltaClear Participant

**7.05.11** The Operator shall suspend with immediate effect a Participant from further participation in MaltaClear on account of:

**7.05.11.01** the suspension from Membership of the Exchange of a MaltaClear Participant or of any other licence or authorisation that is required under any relevant law for the said MaltaClear Participant to carry on the business of a Member of the Exchange or of an authorised intermediary, or the suspension of any other licence or authorisation of a MaltaClear Participant indicated in bye-law 7.05.01.03 above,

**7.05.11.02** non-compliance with any one or more of the requirements for such participation as set out by the Operator, and

**7.05.11.03** insolvency proceedings in respect of any MaltaClear Participant.

Provided further that the Operator may suspend or terminate participation in MaltaClear in the case of one or more defaults by a MaltaClear Participant.

**7.05.12** Notification of such suspension for any of the reasons given in bye-law 7.05.11.01 and 7.05.11.02 above shall be communicated in writing to the MaltaClear Participant who

shall have five (5) working days from the date of notification of suspension to apply in writing to the Board giving his reasons why the Operator should reconsider its decision.

In the case of suspension being triggered as a result of Insolvency Proceedings, the CSD shall inform the participant on the suspension of its right of participation in the settlement system within reasonable time after such suspension. The CSD consults the competent authority, whenever reasonably possible, before the suspension of the participant.

**7.05.13** The Board shall reply to any such application as mentioned in bye-law 7.05.12 above, within five (5) working days.

**7.05.14** The Board's determination of the application for reconsideration submitted in terms of bye-law 7.05.12 above shall be in writing and shall be served on the applicant.

## Voluntary termination of participation

**7.05.15** Subject to any obligations already assumed in respect of other MaltaClear Participants, a MaltaClear Participant may terminate his participation in MaltaClear upon giving the Operator one (1) month advance written notice of such intention to terminate participation. Such termination shall not, however, become effective until full and final settlement of any obligations already assumed by the retiring MaltaClear Participant under the MaltaClear rules.

**7.05.16** Upon notification of a MaltaClear Participant's intention to terminate his participation the Operator shall immediately notify all other current MaltaClear Participants, the Malta Financial Services Authority and the Central Bank of Malta of

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such intended termination of participation. Participants shall have fifteen (15) working days within which to advise the Operator in writing of any amount and any other relevant details of any liabilities owed to them by the Participant intending to terminate his participation in connection with any MaltaClear transactions.

**7.05.17** Termination of participation shall not effect or prejudice any liability for debts and dues or any obligation incurred in terms of the rules of MaltaClear.

**7.05.18** In the case of a MaltaClear Participant's voluntary termination of participation, the Board shall have the right without prejudice to any other rights available to it at law, to retain the Participant's pledged funds in accordance with bye-law 7.05.01 above and to place such monies or other sums realised thereby to such reserve or other account as the Board may deem appropriate and use any such monies to discharge the liabilities of the said MaltaClear Participant towards other participants. Any remaining balances shall be refundable to the said MaltaClear Participant.

## 7.6 Settlement Default Rules

Voluntary renunciation to execution of settlement obligation

**7.06.01** A settlement default or fail occurs in the case of insufficient settlement funds or financial instruments due by the intended settlement date relevant deadline. A settlement default or fail shall be subject to the following Settlement Default Rules as may be applicable although the Exchange may, on a case by case basis, derogate such Settlement

Default Rules where the trading counterparties express in writing their respective voluntary renunciation to the execution of the settlement obligations by the expiry of the settlement date. Any such derogation from the following Settlement Default Rules shall not prejudice the right of the Exchange to impose any penalties and sanctions on the defaulting party in accordance with Section 7.07.00 of these Bye-laws.

### Insufficient coverage of settlement funds

#### Auto-collateralisation of purchased securities

#### Buying Client

**7.06.02** A buying client of an unsettled trade may seek to utilise the financial instruments purchased as collateral against a loan facility from a credit institution to pay for the financial instruments so purchased.

**7.06.03** Should the buying client decide to avail of the option as outlined in bye-law 7.06.02 above, the buying client shall inform the MaltaClear Participant acting on his behalf by no later than close of business on T+1 providing all the relevant details of the credit facility obtained or to be obtained for delivery of the requisite funds by the set deadline on T+2 as the intended settlement date (hereinafter '*ISD*').

**7.06.04** The MaltaClear Participant is to inform the Exchange of such occurrence by no later than T+1 that during the settlement and delivery process on T+2 as the ISD, such financial instruments may be registered in the name of the buyer but pledged in favour of the credit institution providing the loan facility and deposit of funds as aforesaid.

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**7.06.05** The buying client is to ensure that in such circumstances as outlined in bye-law 7.06.04 above, the Exchange is in receipt of the necessary documentation in order to effect and acknowledge the pledge and that the credit institution is in a position to advance the funds for settlement prior to the cut-off time on T+2 as the ISD.

## Participant – Novation

**7.06.06** In cases where the buyer has not advanced the appropriate funds for settlement or will not be in a position to advance the appropriate funds for settlement to the MaltaClear Participant, the MaltaClear Participant may be entitled to acquire title to the purchased securities provided that the Participant himself effects or procures the payment of the relevant settlement total in accordance with the Standard Novation Clause included in the Client Agreement Letter as stipulated in bye-law 4.01.05 which Agreement letter caters for the client's consent for delivery of title to the purchased securities subject to a settlement default by the buying client to settle the requisite settlement funds within close of business of T+1 where the Intended Settlement date is T+2. The novated securities shall upon successful settlement, be credited to the securities account as may be specified.

**7.06.07** Should the Participant decide to utilise the novation facility entitlement as outlined in bye-law 7.06.06 above, by paying the requisite settlement funds for the financial instruments himself, he must inform the Exchange immediately he becomes aware of such a situation of the buying client's inability to advance the said funds, but no later than close of business on T + 1, giving all relevant details of the buyer who has failed to settle so

as to ensure that during the delivery and settlement process the financial instruments will be registered in his name and not in that of the buyer.

**7.06.08** Should the Participant decide to utilise the entitlement as outlined in bye-law 7.06.06 above to secure collateral against the financial instruments bought to obtain sufficient funds to effect settlement of an excluded trade, he should inform the Exchange immediately, but definitely not later than close of business on T + 1 giving full details of the financial terms entered into. The Participant shall ensure that, should he decide to utilise this option, the Exchange is in receipt of the necessary documentation in order to effect and acknowledge the pledge and that the credit institution is in a position to advance the funds for settlement prior to the stipulated cut-off time.

## Selling-out procedure

**7.06.09** Should neither the buyer nor the participant acting on his behalf be in a position to take up the options of auto-collateralisation and novation as described in Bye-Laws 7.06.01 – 7.06.08 above, a sell-out procedure may be resorted to immediately upon notification of settlement default, but not later than T + 2. Settlement of the selling-out sale will be on a T + 0 gross basis.

**7.06.10** In such circumstances, the relevant sell order shall be placed on the market and every endeavour shall be made to obtain the best possible price for such sale. However, any losses incurred on such sale arising from market fluctuations shall be borne by the defaulting MaltaClear Participant.

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**7.06.11** Such sell order as indicated in bye-law 7.06.10 above shall remain available on the regular market until executed or until the unsettled trade is due to be excluded from the delivery versus payment system as mentioned hereunder, whichever comes first, provided that both parties to the defaulting trade agree.

## Roll-back procedure – Non-Euro Settlement

**7.06.12** A roll-back procedure shall be resorted to in circumstances where the lack of cash coverage persists despite all the above-mentioned courses of remedial action.

**7.06.13** A roll-back procedure is a process of the last resort where the Exchange concludes that the removal from the calculation of the multilateral netting balances of unsettled transactions is inevitable and the roll-back procedure is resorted to so as to facilitate the clearing and settlement process.

**7.06.14** The Exchange shall inform all Participants that it shall be effecting a roll-back procedure by the cut-off time on Settlement Day as stipulated in the Settlement Time-table issued by the Operator from time to time. Such Notice shall also call on Participants to credit any funds top-up by a set deadline within the same T+2 as the ISD.

**7.06.15** In a roll-back procedure, all those trades that can be settled should be settled and such trades remaining unsettled by the set deadline due to insufficient funds shall be excluded from the recalculated multilateral netting balances. All trades that may be settled are included in recalculated multilateral netting balances and they shall be settled by the Operator so that the greatest

number of trades are settled provided that the participants affected by any increased financial contributions arising from the recalculated net multilateral balances advance the notified funds top-up by a set deadline for such top-up. Upon credit into the MaltaClear Operator's cash account of all the remaining funds top-up, the trades included in the recalculated multilateral netting will be settled on T+2 as the ISD.

**7.06.16** In a roll-back procedure, the multilateral netting balances will be recalculated after the unsettled transactions have been identified and excluded from the new netting balances and after the trades settled as outlined in bye-law 7.06.15 above are excluded from the new multilateral netting balances.

**7.06.17** The Operator shall inform the affected Participants of the recalculated netting balances soonest following the processing of the said recalculation. Such recalculated netting balances, including any consequent funds' top-ups, shall be due for settlement by the set deadline of T+2 as the ISD.

**7.06.18** Any top-up contributions owed by Participants as a result of a roll-back procedure shall at all times be arrived at according to the relevant trading session market prices of the instruments transacted in addition to any applicable accrued interest calculations for debt instruments and relevant charges in accordance with normal procedures.

**7.06.19** The Exchange may take any action and/or impose any fines on the defaulting Participant as described in bye-laws 7.07.01 to 7.07.03 below.

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## Excluded Trades – Non-Euro Settlement

**7.06.20** The transactions that have been excluded from the recalculated multilateral netting balances shall be due for settlement on a gross basis on the next working day following the original Settlement Date, i.e. T + 3.

**7.06.21** Such transactions shall remain available for settlement until T + 3, after which time should such transactions remain unsettled, the Operator shall give notice to the relevant Participants of the outstanding transactions which shall then be excluded from MaltaClear settlement.

**7.06.22** In the event that unsettled transactions are excluded from MaltaClear settlement as aforesaid, the Exchange disclaims any responsibility for and shall not be liable in respect of any claims for losses or damages, whether direct or indirect, suffered by MaltaClear Participants or their clients.

## Insufficient coverage of Financial Instruments

### Coverage of shortfall by Participant acting on behalf of seller

**7.06.23** In circumstances where the Exchange identifies a lack of a sufficient amount of financial instruments on Settlement Day, the MaltaClear Participant shall be informed accordingly. The Exchange may propose to the Participant to seek to cover the shortfall in the seller's relevant securities balance by the ISD cut-off time by supplying the requisite amount from any balances standing to the credit of such Participant's securities account

in favour of the seller's account held at the CSD.

**7.06.24** Should such Participant agree to cover the shortfall in financial instruments from his own holdings, he shall inform the Exchange accordingly prior to the ISD cut-off time and authorise the Exchange to debit his holdings in his account held at the CSD so as to credit the seller's account held at the CSD in order that the settlement and delivery process may continue unimpeded.

## Lending and Borrowing of Financial Instruments

**7.06.25** A Participant may opt to cover the lack of coverage in financial instruments through an appropriate lending and borrowing arrangement agreed to between the parties against adequate indemnity for any financial loss that may be suffered by the lender in the event of any settlement default under the securities lending and borrowing arrangement.

**7.06.26** Should the Participant be taking up this option, he shall inform the Operator accordingly by not later than 09.30 hours on Settlement Day and shall also provide the Operator with a copy of the borrowing agreement and all other appropriate details in order that the settlement and delivery process may be effected unhindered.

## Buying-in procedure

**7.06.27** Should the option described in by-laws 7.06.23 to 7.06.26 above not appear to be possible the Exchange shall instruct the Participant to effect a buying-in procedure on the next day that the trading system is available.

**7.06.28** In such circumstances the Participant will be bound to effect a purchase on the market of the financial instruments not available for settlement. The relevant purchase order shall be placed on the market and every endeavour shall be made to obtain the best possible price for such purchase. However, any losses incurred on such purchase arising from market fluctuations shall be borne by the defaulting selling Participant.

**7.06.29** Such purchase order shall remain on the trading system until executed or until such time that the excluded trade is due to be removed from the MaltaClear delivery versus payment system, whichever comes first provided that both parties to the defaulting trade agree.

## **Roll-back procedure for Non-Euro Settlement**

**7.06.30** Should the lack of cover of financial instruments still persist by close of the trading session of T+2 on the ISD, the Exchange shall effect a roll-back procedure similar to that effected in the circumstances of lack of cash coverage in accordance with bye-laws 7.06.13 to 7.06.23 above.

## **7.7 Penalties and sanctions**

**7.07.01** The Operator may impose financial penalties or administrative sanctions on MaltaClear Participants against any breach of the relevant rules as it may deem appropriate.

**7.07.02** Notification of any such penalty shall be communicated to the defaulting MaltaClear Participant in writing who shall

have five (5) working days from date of such notification to apply for reconsideration by the Board.

**7.07.03** Should the MaltaClear Participant not make such application for reconsideration as outlined in bye-law 7.07.02 above, the notified penalty or sanction shall be considered to have been accepted by the Participant.

## **Part 2**

### **Approved Payment Systems**

#### **Section A**

### **Euro Settlement on Target-2 Securities (T2S)**

## **7.8 T2S – Euro Settlement**

### **Settlement of Euro transactions**

**7.08.01** In accordance with bye-law 7.00.01 above, MaltaClear transactions effected in Euro shall be settled on the T2S platform, through the link between the CSD and T2S.

**7.08.02** Transactions in Euro settled on T2S include :

- DVP market trades
- FOP OTC transactions currently reported through the trading infrastructure
- Credit operation Transactions



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- Corporate Actions – DVP and FOP

Off-market transfers, as indicated in Chapter 6 of these Bye-laws (Central Securities Depository) will not be settled on T2S.

**7.08.03** In the case of DVP transactions, finality of transactions will be declared at the level of T2S Participant Accounts.

## Participation in T2S - Operating Model

**7.08.04** In adapting to T2S, the Exchange shall adopt a “layered model” approach, whereby all CSD Holder Accounts are aggregated under a number of T2S Participant Technical Accounts.

**7.08.04** Participants in T2S and the relevant Securities Technical Accounts under each Participant are as indicated in Appendix 7.3

**7.08.05** The Securities Technical Accounts opened in T2S will be used for the purpose of settlement. The rights attached to the securities account held in the CSD remain unchanged.

**7.08.06** All Securities Participant Accounts within T2S will be identified by an addressable BIC Code.

## Connectivity with T2S

**7.08.07** Participants in T2S may be Directly Connected Parties (DCPs) or Indirectly Connected Parties (ICPs). Communication between MaltaClear and T2S will be the sole responsibility of the CSD, where the

Participant in T2S is an indirectly connected (ICP). Communication between ICPs and the CSD therefore, continue to be through mechanisms as identified by the CSD from time-to-time. Where a Participant in T2S is directly connected (DCP), such Participant must seek the authority of the CSD for such connectively but technical implementation and compliance with T2S criteria as set out by T2S will be the responsibility of the DCP.

**7.08.08** DCPs may access the T2S settlement platform directly using the following interfaces:

- Application-to-Application (A2A) access using ISO 20022 messages through a selected network provider, or
- User-to- Application (U2A) access using the T2S Graphical User Interface (T2S GUI through a selected network provider.

**7.08.09** DCPs have to :

- Maintain a contractual relationship with the CSD subject to terms and conditions as the CSD will inform the market from time to time
- Be authorised by the CSD
- Be certified by the Eurosystem to ensure that it is able to interface with T2S without prejudicing the operations of T2S. Such certification of a DCP, assigned to a particular CSD is valid for all other T2S participating CSDs
- Have a technical communication to the T2S platform through one of the licensed VAN network providers
- Use T2S messages as may be relevant based on ISO 20022 formats for A2A access

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**7.08.10** When a new security holder is registered within the CSD which falls within the definition of a T2S Participant as outlined in Appendix 7.3, the CSD will also open a relevant Participant Account within T2S as an ICP unless specifically requested to be a DCP.

## Dedicated Cash Accounts

**7.08.11** Each Participant in T2S, who is also a MaltaClear Participant, must have one or more Dedicated Cash Accounts (DCA) opened in its appointed Payment Bank/s, which will be linked by the CSD to the securities account/s in T2S. A single DCA may be linked to several securities accounts within T2S or a single DCA may be linked to a specific securities account within T2S. At the end of the day, all DCAs will have a zero balance. Any remaining balance will be automatically transferred by T2S to the RTGS account associated to the DCA.

Payment Banks will only be expected to make up for any short-falls in cash under auto-call arrangements. Where at the end of the settlement day there is insufficient funds in the relevant DCA, failed settlement will be declared.

**7.08.12** Payment Banks as T2S DCAs will be linked to external RTGS accounts. Multiple T2S DCAs may be linked to one single RTGS account.

**7.08.13** Before participation in MaltaClear is authorised, the prospective MaltaClear Participant must confirm details of the DCA it will be using for settlement purposes. Any changes to the DCAs used by the MaltaClear Participant must also be immediately communicated to the CSD to ensure continuity of settlement processes.

**7.08.14** The National Central Bank of the relevant Payment Bank will be responsible for the opening and maintenance of the T2S DCAs.

**7.08.15** Such DCAs will be used for the purposes of settlement of DVP instructions, auto-collateralisation purposes as well, as for DVP corporate action processing.

**7.08.16** On Trading Day (T+0) the CSD will provide the Payment Banks acting on behalf of MaltaClear Members with the relevant Cash Forecast, for cash due for settlement on Settlement Day (T+2). Such information will be provided by the CSD a format as may be agreed to between the CSD and the Payment Bank.

## Auto-collateralisation

**7.08.17** T2S auto-collateralisation processes are provided to National Central Banks and Payment Banks as an automatic process to supply intraday credit, secured with eligible collateral.

**7.08.18** Such processes are triggered when a buyer does not have sufficient funds to settle a securities transaction, DVP or payment free of delivery instructions or corporate actions related delivery versus payment or payment free of delivery instructions. Liquidity obtained is then immediately used to settle the underlying securities transactions.

**7.08.19** The types of auto-collateralisation available in T2S are :

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- Central Bank collateralisation – intraday credit provision where the Central Bank is the credit provider and the Payment Bank the credit consumer; or
- Client collateralisation—intraday credit provision where the Payment Bank is the credit provider and its client the credit consumer.

**7.08.20** The collateral provided to secure intraday credit may be the securities being purchased or other securities already held by the buyer. T2S uses collateral on flows first and after collateral on stock. Therefore, if the settlement instruction indicates that securities being purchased could be used as collateral on flow in an auto-collateralisation with the Central Bank or with a Payment Bank, then, in the event of insufficient funds, these securities will be used to obtain the intraday credit to settle instructions. When the collateral value of the securities on flow is not sufficient to cover the amount of credit granted, the collateral on flow is complemented by collateral on stock.

## Settlement

**7.08.21** Settlement in MaltaClear Euro transactions settled in T2S will be on a T + 2 basis in accordance with the time-table outlined in Appendix 7.4.

**7.08.22** Settlement of Corporate Actions in Euro will also be settled in T2S on a DVP or FOP basis as may be applicable in accordance with the time-table outlined in Appendix 7.4

**7.08.23** In the case of ICPs, all settlement messages including those related to Corporate Actions will be sent by the CSD in accordance

with T2S standards and time-tables as indicated in Appendix 7.4.

**7.08.24** Settlement processes in relation to MaltaClear transactions and Corporate Actions are as indicated in Appendix 7.5.

## Corporate Actions

**7.08.25** All corporate action processing will be carried out by the CS, however, the related settlements will be settled in T2S. (Appendix 7.5)

**7.08.26** Corporate Actions with a cash distribution, such as dividends and interest payments will be settled on the indicated Payment Date, on a DVP basis, via the DCA attached to the CSD Participant Account within T2S. Cash distribution funds are to be received within the CSD's T2-RTGS Account in accordance with the time-frame established by the CSD on Payment Date in order to ensure settlement into final holder accounts on due date.

**7.08.28** Corporate Actions without a cash distribution (FOP) will also be settled via T2S during the night time settlement period in accordance with the time-table outlined in Appendix 7.4.

## Part 3

### 7.9 Funds Settlement of MaltaClear Transactions in Non-euro Currencies (Non€Clear)

**7.09.01** The Operator shall set-up, maintain and operate a Payment System (Non€Clear).

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**7.09.02** This Section, together with Bye-laws contained in Part I of this Chapter and the relevant Appendices, shall be the formal arrangement between the Operator, the Settlement Agent, Participants and their Executing Banks and shall constitute the common rules and standardised arrangements for the settlement of MaltaClear transactions denominated in a currency other than euro between Participants.

## **Opening, maintenance and operations of Settlement Accounts.**

**7.09.03** The Operator shall open multiple MaltaClear Settlement Accounts within any commercial bank (the Settlement Agent) for those currencies other than euro in which settlement of MaltaClear transactions as defined in bye-law 7.00.03 shall be effected. These accounts shall be operated by the Operator for the sole purpose of deposit and withdrawal of funds in respect of settlement of MaltaClear transactions as defined in bye-law 7.00.03 and denominated in currencies other than euro.

**7.09.04** For each currency denomination, MaltaClear Participants shall maintain one or more active accounts with one or more Executing Banks into which funds are deposited by either the Participant or the Operator for the sole purpose of settlement of MaltaClear transactions as defined in bye-law 7.00.03 above and denominated in a currency other than euro and shall be designated 'Name of MaltaClear Participant – Currency Settlement Account'.

**7.09.05** Should a MaltaClear Participant require that a different Settlement Account other than that/those indicated to be used for

settlement or should such Participant require that more than one account be used, he shall inform the Operator in accordance with the prevailing facilities that the Operator has put in place.

**7.09.06** An Executing Bank appointed by the Participant in accordance with bye-law 7.05.06 above must have entered into an "Executing Bank Direct Debit Agreement" with the Operator as shown in Appendix 7.6 to this Chapter.

**7.09.07** In accordance with the procedures as laid down by the Exchange from time to time, the Operator shall issue the necessary instructions to Participants and the Settlement Agent in order to ensure that the transfer of funds between the respective Settlement Accounts are completed up to or on Settlement Day.

## **Payment of Net Amount Due by Participants**

**7.09.08** The Operator shall forward to the Participants, where applicable, instructions detailing the value date, amount due, currency and account numbers to be credited in respect of settlement of MaltaClear transactions. The Participants shall pass on these instructions to their respective Executing Banks in order that the Operator's Settlement Account/s are credited with the relevant settlement amount/s in those currencies by cut-off time on Settlement Day.

**7.09.09** Participants shall ensure that, by the cut-off time on Settlement Day as laid down by the Exchange from time to time, the funds in the respective currency deposited into their Settlement Account/s are cleared funds in

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such a way as to enable the transfer into the Operator's Settlement Account.

## Payment of Net Amounts Owed to Participants

**7.09.10** The Operator shall issue instructions to the Settlement Agent to debit the Operator's Settlement Account/s and to credit the Settlement Accounts of the Participants held with their Executing Banks in accordance to the procedure and timetable as laid down by the Exchange from time to time.

## Settlement Finality

7.09.11 Settlement of funds in the respective currencies between Participants of all MaltaClear transactions shall be deemed to be final upon confirmation of receipt of the relevant funds within the Settlement Account/s held by the Operator

## Part 4

### 7.10 Corporate Actions

#### Corporate Action Processing

**7.10.01** The CSD shall process corporate actions on behalf of Issues in accordance with appropriate standards and procedures as outlined in the subsequent bye-laws below and Appendix 7.8 to this Chapter.

#### Corporate Action Settlement in T2S

**7.10.02** Settlement of corporate actions in respect of securities denominated in T2S eligible currencies will take place on T2S as may be appropriate in accordance with the time-table indicated in Appendix 7.4 to this Chapter.

**7.10.03** For the purposes of settlement in T2S, corporate actions are identified as :

- Payment Free of Delivery (PFOD) – eg. Dividend or Interest Payment
- Delivery Free of Payment (FOP) – eg. Bonus Issue
- Delivery versus Payment (DVP) – eg. Rights Issue

**7.10.04** Corporate Actions with a cash distribution, such as dividend and interest payments will be settled on the indicated Payment Date, on a DVP basis, via the DCA attached to the CSD Participant Account within T2S. Cash distribution funds are to be received within the CSD's T2-RTGS Account within T2S. Cash distribution funds are to be received within the CSD's T2-RTGS Account in accordance with the time-frame established by the CSD on Payment Date in order to ensure settlement into the final holder accounts on due date.

**7.10.05** Corporate Actions with a cash distribution will be settled via T2S during the night time settlement period in accordance with the time-table outlined in Appendix 7.4 to this Chapter.

#### Transaction Management

#### Market Claims

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**7.10.06** A market claim shall be raised where the contractually entitled party has not received the undertaking securities when there is a pending underlying transaction at the close of business on record date, i.e. a market claim will relocate the proceeds of a distribution to the contractually entitled party. The objective of such market claim is to ensure that the proceeds of a distribution will reach the entitled party of a pending transaction.

**7.10.07** The CSD will process market claims in T2S in accordance with procedures as outlined in Appendix 7.8 to this Chapter.

## Transformations

**7.10.08** A transformation shall be triggered where pending transactions still unsettled by the end of Record Date will be cancelled and replaced in terms of the mandatory reorganisation or voluntary reorganisation. The objective of such transformation is to ensure that the original transaction can continue its life-cycle.

**7.10.09** The CSD will process transformations in T2S in accordance with the procedures as outlined in Appendix 7.8 to this Chapter.

## Buyer Protection

**7.10.10** A Buyer Protection process will be triggered where a buyer who has yet to receive the securities of an elective corporate action, instructs the seller in order to receive the outturn of his choice.

**7.10.11** The CSD shall adopt manual Buyer Protection mechanisms which will involve a bi-

lateral agreement between the respective trading parties. Relevant processes are as outlined in Appendix 7.8 to this Chapter.

## 7.11.00 Participant Default Rules

**7.11.01** Participant default rules and procedures are to be activated once the CSD, after having taken all reasonable steps to verify its occurrence, has identified a participant default, i.e. a participant is undergoing Insolvency Proceedings

**7.11.02** The CSD may be informed of the participant default of one of its participants by the participant itself, the local courts, the competent authority, the defaulting participant's competent authority if different from the MSE's competent authority or any other person with knowledge of the existence of the participant default, such as a trading venue, a linked CSD or the operator of a common settlement infrastructure used by the CSD.

**7.11.03** Members / Participants should notify the CSD as soon as possible upon becoming aware that Insolvency Proceedings may be or have been initiated.

**7.11.04** Upon notification of Insolvency Proceedings the Exchange is to communicate with the Board on the participant default, and consult with the competent authority, whenever reasonably possible, before taking further action in accordance with these rules and procedures.

**7.11.05** The Exchange as both the operator of the Trading Venue and the CSD will take all necessary measures to limit the impact of participant default due to insolvency proceedings on its systems including the Securities Settlement System by:

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-suspending all pending open orders entered on the trading system which may result in new transfer orders;

-restricting the participant from performing further activity on Exchange systems;

-suspend the defaulting participant's right to participate in the Securities Settlement System;

-identify and quantify all pending transfer orders entered in the settlement system related to the defaulting participant together with the counter parties involved. These may span over two settlement days.

-assess whether pending transfer orders have been entered into the systems prior to insolvency or after the Exchange becoming aware of insolvency and take the necessary action as per participant default procedures in line with T2S Rules;

Transfer orders affected by the defaulting participant will be handled in accordance with settlement finality moments in accordance with Bye-laws 7.04.04 and 7.04.06.

**7.11.06** The Exchange may take additional action in line with the procedures set out with these rules to limit the effects of the Insolvency event by monitoring and where necessary intervening to ensure settlement of instructions entered in the system prior to the notification on the Insolvency Proceedings, including but not limited to the use of the Settlement Guarantee Fund (SGF) as per Bye-Laws 3.04.02 – 3.04.08.

## **Selling-Out Procedure under Participant default**

**7.11.07** Should there be an indication that the monies due as consideration for the buy side not be made available by T+2 by the defaulting participant, a sell-out procedure may be resorted to immediately upon

notification of participant default, but not later than T + 2. Settlement of the selling-out sale will be on a T + 0 gross basis.

**7.11.08** In such circumstances, the relevant sell order shall be placed on the market and every endeavour shall be made to obtain the best possible price for such sale. However, any losses incurred on such sale arising from market fluctuations shall be borne by the defaulting MaltaClear Participant.

**7.11.09** The consideration from the selling-out procedure as indicated in bye-law 7.11.08 above will be kept by the Exchange for settlement of the respective buy by instructions to be settled on ISD.

## **Communication with stakeholders on the participant default**

**7.11.10** External stakeholders, including the Competent Authority, ESMA, the Central Bank, Participants of the Securities Settlement System, linked CSD and T2S Service Desk are to be informed of the insolvency proceedings that have been initiated against the defaulting participant.