

# 1. BUSINESS CONDUCT

## 1. **General**

A member firm shall adhere to good business practice and follow just and fair principles of trade in the conduct of business.

## 2. **Compliance with Rules of the Exchange**

A member firm is liable to ensure that all its Directors and Employees comply with the Rules of the Colombo Stock Exchange.

## 3. **Compliance by Employees**

A member firm shall establish, maintain and enforce procedures which will enable them to supervise properly the activities of their employees to ensure compliance with Rules of the Exchange and shall maintain suitable systems to detect instances of non-compliance.

## 4. **Right to request information as regards employees**

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

## 5. **Transactions in Securities**

A member firm shall prohibit its employees from fraudulent and manipulative acts or deceptive conduct as specified in the Securities and Exchange Commission Act no. 36 of 1987 and the Articles of Association of the Colombo Stock Exchange and all its subsidiary rules and regulations. A member firm shall specifically prohibit its employees from committing the following acts:-

- i) buying or selling securities for themselves or their nominees by using their customer accounts.

- ii) making securities trading decisions for customers except with the customer's consent and in accordance with provided rules.

Member firms shall not execute or cause to be executed purchases of any listed security at successively higher prices, or sales of any such security at successively lower prices, for the purpose of creating or inducing of false, misleading or artificial appearance of activity in such security or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

Member firms shall not, for the purpose of creating or inducing a false or misleading appearance of activity in a listed security or creating or inducing a false or misleading appearance with respect to the market in such security:

- a) execute any transaction in such security which involves no change in the beneficial ownership thereof; or
- b) enter any order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size at substantially the same price, for the sale of such security, has been or will be entered by the same or related parties; or
- c) enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same price, for the purchase of such security, has been or will be entered by or for the same or related parties.

## 6. **Incentives to Employees**

A member firm must not split or share brokerage earned with its employees on a per transaction basis.

Any incentive to employees should be based on performance, seniority or any such criteria decided by the firm.

Member firms shall submit to the Exchange particulars of Incentive Schemes offered to employees. The Exchange shall reserve the right to monitor payments made under such schemes from time to time.

7. **Administration**

A member firm shall have a suitable information recording and retrieval system and maintain such information for inspection by the Colombo Stock Exchange. The privacy of such information must be maintained at all times by member firms, their employees and agents of member firms.

A member firm shall preserve a record of all written complaints of clients and the action taken by the member firm.

A member firm shall cooperate with the Colombo Stock Exchange officials during an investigation of a customer's complaint.

8. **Annual Audit**

The audited accounts of the member firm must be submitted to the Colombo Stock Exchange and Securities and Exchange Commission within 4 months of the end of the financial year.

9. **Conflict of Interest**

A member firm shall avoid any conflict of interest which may arise. If conflict of interest arises, a member firm shall ensure equal and fair treatment to its customers by disclosing such conflict of interest or by declining to act or any other appropriate measures. A member firm shall avoid seeking qualifications or benefits from clients.

10. **Dissemination of Stock Market Information**

- (i) Member firms will receive preferential priority in terms of Information provided by the Exchange. The Board of

Directors of the CSE will decide what information will be classified as preferential.

- (ii) Member firms will disseminate the information provided by the Exchange only for the benefit of their clients. Re-distribution of real time information other than to clients trading through the internet, branch offices and sales outlets by member firms is prohibited. Member firms will not be permitted to act as data vendors.
- (iii) Member firms shall ensure that their clients who have access to information disseminated by the Exchange will not re-disseminate this information to a third party.
- (iv) Extending the trading system network will not be permitted other than with the approval of the CSE.
- (v) In the event the Broker's back office is connected to any external networks including the internet, the member firm will be required to install a Computer Security System (firewall). The specifications of the firewall should conform to the criteria laid down by the CSE. The configuration should be according to the CSE specifications. Access to the firewall will be controlled by the Exchange to ensure network security.

11. **Changes in Shareholdings**

No changes in shareholdings of a member firm shall be made without the approval of the CSE and SEC.

12. **Directors/Senior Management**

The CSE must be informed of any changes in Directors or Senior Management of the member firm.

13. **Recruitment of employees of other Member Firms**

A member firm who offers a contract of employment to a Director or employee of another member firm must inform the

Chief Executive Officer of the member firm who is the current employer of the person, of the employment offer, no sooner it is made to the person being recruited.

14. **Brokerage**

A member firm shall not share or rebate brokerage with a client in any manner. However, a member firm may share 50% of the brokerage with a foreign broker if a foreign broker is involved in a transaction.

15. **Renewal of Member's License**

Application for a renewal of license by a member firm shall be in such form as specified in "Form B" and the "Annexure to Form B" as given in the schedule of the Extraordinary Gazette notification of the Democratic Socialist Republic of Sri Lanka dated 29th May 1990. A specimen of "Form B" and "Annexure to Form B" is enclosed; as Annexure "A".

The application for the renewal of license of a member firm shall be submitted to the CSE at least three months prior to the expiring date.

16. **Investment Advice**

A member firm shall give unbiased and fair advice to clients and shall not withhold information that will be in the interest of the client or prejudicial to the interest of the client.

17. **Client Details**

All particulars relative to a client shall be recorded and maintained upto date at the member's office. Such particulars shall include the National Identity Card/Passport Numbers, residential address and telephone numbers, occupation and name and address of employer.

18. **Confidentiality**

A member firm shall keep customers' information confidential.

In executing each type of transaction, a member firm shall keep information obtained from such transaction confidential. A staff member of one department shall not disclose information to a staff member of another department except when necessary for the performance of his duties.

19. **Client Accounts**

A member firm shall not guarantee a client against loss in any securities account of such client with the member or in any securities transaction effected by the member for such client nor shall a member firm share directly or indirectly in the profits or losses in any account of a client.

20. **Contract Notes**

A member firm shall dispatch not later than the next business day by ordinary post or delivery a contract note in respect of the purchase or sale of securities executed for the client.

Records of such posting or delivery must be maintained at the member's office.

21. **Payments to Clients**

Settlement to the seller could be made either by cheques or electronic fund transfers to the seller's bank account. If payment is made to sellers by way of cheques, such cheques should be duly crossed as 'Account payee'. If the client requests that the crossing to be cancelled, the request must be made in writing by the client and authorized by the Chief Executive Officer of the member firm.

22. **Communication through/to third party**

A member firm shall not;

- i) mail contract notes, CDS statements, statement of

account of other communication to the client in care of other persons, or

- ii) permit anyone other than the client to take delivery of any contract notes, CDS statements, statement of account or any other statements.

unless valid written authorisation has been given by the client.

23. **Discretionary Accounts**

A discretionary account means an account in which the client gives a member firm discretion which may be complete or within specific limits as to the purchase and sale of securities including selection, timing and price.

A member firm shall not exercise any discretionary authority with respect to a discretionary account unless the client has given prior written authorisation to exercise discretion on the account and the member firm has accepted such authority to manage a discretionary account. The acceptance of such authority to manage a discretionary account must be evidenced by a document in writing and signed on behalf of the member firm by the Chief Executive Officer or Compliance Officer.

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

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

24. Member Firms shall not, directly or indirectly obtain the services of any person, whether as an independent contractor or otherwise, to deal with clients of the Member Firms, if such person has been;

a) **charged in a court of law** with the commission of offences of insider dealing, market manipulation and/or involving fraud or deception, which are offences specifically identified under the SEC Act (as amended) or Rule or Regulation made thereunder, until such person is discharged from liability by a court of competent jurisdiction on the charges brought against him;

or

b) **convicted by a court of law** with the commission of any offence involving fraud and/or dishonesty and/or identified as an offence under the SEC Act (as amended) or Rules or Regulations made thereunder;

or

c) **against whom an offence is compounded** in terms of the SEC Act (as amended), for a period of three years from the date of compounding, unless the CSE, in consultation with or upon a directive from the SEC, varies the duration of such period.

25. Where a Member Firm is not registered as a margin provider with the SEC, and extends credit facilities to its clients, such Member Firm shall ensure that:

(i) the credit facility is extended to its clients on the basis of a written agreement which clearly sets out the terms and conditions entered into between the parties. Every amendment to such agreement shall also be in writing.

(ii) the value of credit extended to all clients at any given time shall not exceed ten (10) times the value of the Member Firm's net capital. Net capital shall be computed in terms of rule 2 of Section 3 of the Member Regulations.

(iii) credit is extended on the basis of collateral comprising only listed securities. The credit extended shall not exceed 50% of the market value of the individual client's securities portfolio, which is pledged to secure the credit.

"market value" shall mean the value of the listed securities marked to market at the end of each market day.

(iv) in the event the market value of the securities pledged falls by 10%, the Member Firm shall inform the client to meet the shortfall by the next market day, to ensure compliance with rule (iii) above.

(v) in the event the client fails to meet the shortfall on the next market day, the Member Firm shall sell the securities which are pledged to ensure compliance with rule (iii) above.

(vi) the Member Firm shall not grant a 'Single Client' credit, the value of which is in excess of 15% of the total value of credit extended by such Member Firm to its clients.

"Single Client" in the context of a corporate body means the borrowing company, its parent and subsidiary companies and in the context of a natural person, means the borrower, his/her spouse and dependent children.

**APPLICATION FOR A LICENCE / RENEWAL OF A LICENCE AS A STOCK BROKER OR A STOCK DEALER**

**TO :** Chairman,  
Securities & Exchange Commission of Sri Lanka  
Colombo

1. We, ..... of ..... hereby apply for a licence as ..... under the provisions of the Securities & Exchange Commission of Sri Lanka Act No. 36 of 1987 and agree to undertake, in the event of our application being accepted, to abide by the rules and procedures of the Securities & Exchange Commission established according to the Act.
2. The following documents are enclosed:
  - [1] Two copies of the Memorandum & Articles of Association.
  - [2] Two copies of the list of names and designations of the Directors.
  - [3] Two copies of the annexure hereto duly completed.
  - [4] Two copies of the statement listing the names of holding Companies, Subsidiary Companies, Associate Companies or Partnerships, in which such stock broker or stock dealer has any interest.
  - [5] Two copies of the Audited Balance Sheets and Accounts for the year ..... and/or other financial information acceptable to the Commission if the applicant has not been in business for three years.
  - [6] Two copies of the Certificate of membership in a stock exchange where application relates to renewal of a licence.
3. We confirm that the information supplied in the annexure to this form is correct.

4. Bank Receipt No. .... dated the ..... for Rs.  
..... is attached, being licence fees for .....

Yours faithfully,

.....  
SIGNATURE OF APPLICANT

.....  
NAME & DESIGNATION OF APPLICANT

Date : .....

ANNEXURE TO FORM 'B'

1. Registered name and address of Applicant.....  
.....
2. Telephone No. ....
3. Is your company incorporated in Sri Lanka? [State date of Incorporation]
4. Capital Structure of your company [authorized and issued capital]  
.....
5. Names of Holding Companies, Subsidiary Companies and Associate Companies or Partnerships in which your Company has any interest .....  
.....
6. Names & Designations of the Directors of your Company  
.....  
.....  
.....
7. Please confirm that the Directors of your company
  - [a] have never been declared bankrupt.....  
.....
  - [b] have never been themselves, or as directors of a company been denied a licence as a stock broker or stock dealer.....  
.....
  - [c] have never been themselves or as Directors of a company been subjected to the removal of their licence as a stock broker or a stock dealer.....  
.....  
.....
8. Are your Directors on the Boards of other companies? If so, please give details .....  
.....

9. Please name the Director/Directors and employees who are certified by the Colombo Stock Exchange as sufficiently trained in stock exchange operations. (Please attach certificates).....  
.....  
.....
  
10. Please confirm that your company will lodge security in such sum that may be determined by the Minister in charge of the subject of Finance. (such sum will be based on the value of the transactions that are likely to be carried on by your company or an equivalent in bank guarantee with the Colombo Stock Exchange).....  
.....

We confirm that all attachments are individually certified as being correct.

.....  
SIGNATURE OF APPLICANT

.....  
NAME & DESIGNATION OF APPLICANT

Date : .....

01/10/97/se.

## **2. CONDITIONS OF SALE (EQUITY)**

### **1. Functions of a Broker :**

A member firm, as a broker, acts for and on behalf of buyer, seller or both.

Accordingly, a member firm in executing a buying order may ensure that such an order is secured correspondingly by access to additional shares held by the client with the CDS, with the member firm as lodging agent, by obtaining a written mandate in favour of the member firm. The recommended cover is not less than 25% of the estimated market value of each buying order. If the client holds no shares with the CDS, with the member firm as lodging agent, then the member firm may take suitable security.

### **2. Payment by Buyer :**

2.1 The buyer shall ensure that 'Cleared Funds' are made available to the buying broker on the settlement date, which is T+3, for the purchase of shares.

For the purpose of these rules 'Cleared Funds' shall mean funds that are realized and available for drawing in the payee's bank account.

2.2 A member firm will be permitted to set off a client's purchase proceeds against sale proceeds in the following circumstances:

- (a) if a sales and purchase settlement fall on the same settlement day
- (b) if the client has given written instructions to hold sales proceeds to meet the settlement of future purchases. In this case the member firm shall:
  - (i) Adopt a first in first out basis of settlement of outstanding dues both from and to the client.

- (ii) Reconcile the client's account and send a statement of account at the end of each calendar month indicating the transactions for which settlement is outstanding.

3. **Buyer in Default** :

Where the buyer fails to make payment on or before settlement day:

- a) he shall be liable for all loss and damage sustained or incurred by the buying broker;
- b) the buying broker may, at its absolute discretion, recover interest commencing from the day after the settlement date up to the date of final settlement. If interest is charged it should not exceed 0.1% per day.
- c) the broker may setoff any amount due from the buyer, against sales proceeds due to the buyer.
- d) the buying broker may sell, at its absolute discretion, the shares in respect of which the payment is in default on any day after the settlement date, which is T+3.
- e) any surplus arising on the sale of shares shall accrue to the buying broker unless such surplus arises from the sale of other quoted shares deposited by the buyer as collateral with the buying broker in which event the surplus shall be remitted to the buyer after settlement day of the relevant sale(s).

4. **Payment to Seller** :

- (a) The seller shall have a credit balance in his CDS securities account for such security prior to placing a sale order and selling broker shall ensure that the seller has valid title to the shares before a sale is effected.
- (b) The selling broker shall ensure that 'Cleared Funds' are made available to the seller on the settlement date, which is T+3. If for any reason payment has not been made by the broker to the seller on the settlement day in terms of this rule, the seller shall be entitled to interest from the day after the settlement date on the outstanding amount at 0.1% per day.

5. **Rights, Bonus and other Benefits attached to the shares :**

- (a) Payment by buyers on transactions involving allotment letters shall be on an immediate cash basis while payment to sellers shall be on settlement day.
- (b) Trading in rights and bonuses shall commence after four (4) market days from the date of dispatch of the allotment letters and shall in the case of a Rights Issue cease one (1) market day prior to the date of renunciation; and in the case of a Bonus Issue shall cease after trading on the date of renunciation.
- (c) In the case of rights purchased in the market, the buyer shall not be entitled to apply for any additional shares.

6. **Surveillance & Enforcement :**

The Stock Exchange, in the exercise of Surveillance and Enforcement functions, shall ensure that Member Firms adhere to the requirements stipulated herein. Member Firms, which fail to comply in all respects with the stipulated Conditions of Sale, will invite disciplinary action by the Board of Directors including, in the instances of repeated non-compliance, recommendation to the Securities & Exchange Commission for the suspension of the broking license.

### **3. CAPITAL REQUIREMENTS OF A MEMBER FIRM**

#### **Financial Reporting Requirements, Net Capital Requirements and Liquidity Requirements**

##### **1. Separate Bank Accounts**

- 1.1 All amounts that are received from any client or another member firm for the purchase of securities by the client or other member firm shall be paid into a bank account operated solely for the collection and payment of clients monies and titled as such.
- 1.2 All amounts that are payable to a client or another member firm for the sale of shares belonging to the client or other member firm shall be paid utilising the proceeds in this same account.
- 1.3 Commissions earned by the member firm shall be withdrawn from this same account and transferred to any other bank account operated by the member firm.
- 1.4 The client fund bank account must be operated under an escrow arrangement. The balance in the client's funds bank account cannot be offered as a lien to the bank or any other creditor. The balance clearly reflects funds of clients.

1.5 Overdraft facilities may be arranged for this account to provide funds to pay sellers, if necessary. However, the security offered for the overdraft will have to be from the asset portfolio of the member firm. Temporary cash surpluses in the account may be invested in deposits with commercial banks or Government Bonds which are realisable on call to earn interest income to brokers, provided that this investment is also clearly identified as client funds to which creditors of the member firms will have no access at any time. Interest debited to the client account has to be reimbursed from the members own bank account. Interest credited to the account may be withdrawn by the member.

2. **Net Capital Requirements:**

2.1 Each member firm shall have a minimum Net Capital, the amount of which shall be determined by the Board of Directors of the CSE, with the approval of the SEC.

2.2 Net Capital means:

The shareholders' funds of a member firm adjusted by

- (a) Deducting all unsecured loans made by the member firm that is included as current or long term assets.
- (b) Deducting the receivables due from the following
  - (i) Parent, subsidiary or associate companies.
  - (ii) Subsidiaries or associates of the parent company.
  - (iii) A company in which a director has a controlling interest directly or indirectly.
  - (iv) Directors, members of their families (spouses and children under 18 years of age) and/or their nominees.

- (v) Employees of the member firm.

Receivables due as a result of deposits placed in institutions included in (i) to (iii) above, need not be deducted when computing Net Capital provided that such institutions are approved to accept public deposits by the Monetary Board of the Central Bank of Sri Lanka.

- (c) Deducting the difference between the cost and market value of unsettled purchase transactions entered into on behalf of Clients in the event the current market price is less than the purchase price. Such a deduction may be dispensed with, if the value of securities belonging to the Client held by the member firm is in excess of the value of the over due contract provided however that the member firm has obtained a written mandate from the client to recover any loss that may have to be borne by the member firm due to unsettled purchase transactions.
- (d) Deducting all other assets doubtful of collection less any provision already made in the accounts.
- (e) Deducting all deferred expenses and intangible assets.
- (f) Deducting all contingent liabilities.
- (g) Deducting the difference between the cost and market value of the firm's portfolio at the end of each month in the event the current market price is less than the purchase price.  
(Only applicable if the firm is trading on it's own account.)

2.3 In the event the net capital of the Member Firm falls below the minimum net capital requirement, the Firm shall, within two (2) market days of the net capital falling below the required minimum, inform the CSE in writing, as to how the Firm will increase the net capital to the minimum requirement. The Member Firm shall increase the net capital within thirty (30) calendar days of the net capital falling below the minimum requirement.

3. **Liquidity Requirements**

3.1 Each member shall maintain a minimum liquidity requirement of Rs. 3.5 million with the Exchange and any increases as determined by the Board from time to time. This minimum liquidity requirement will be in the form of a Cash Deposit and Bank Guarantee as specified in Rule 4.

3.2 The minimum liquidity requirement will be progressively increased in blocks of Rs. 500,000/=. The increase in the minimum liquidity requirement will be computed as follows:

**Trades involving Custodian settlements** - **5% of the average daily purchases (only applicable for Custodian purchases rejected by the Custodian Bank where the settlement liability has passed on to the Broker)**

**And**

**Trades involving Broker settlements** - **5% of the average daily purchases multiplied by 3**

3.3 The purchases used for the purpose of computing the minimum liquidity requirement of a member firm will be the purchases of the previous month.

3.4 Any increase in the liquidity requirement as computed by the Exchange shall be introduced within 5 market days from the date the Exchange advises the member of this increase.

- 3.5 Reduction in the level of liquidity requirement and the consequent reduction to the cash deposit and bank guarantee of a member, where applicable will be considered by the Colombo Stock Exchange at the monthly review on the first market day of each calendar month and refunds of the cash deposit will be made within 5 market days, where applicable.
- 3.6 The liquidity requirement will be reviewed by the Colombo Stock Exchange monthly on 1<sup>st</sup> market day of each calendar month.

4. **Cash Deposit and Bank Guarantee**

- 4.1 Each member firm will forward to the Exchange a cash deposit and a bank guarantee which will be used by the Exchange to defray;
- (a) the subscription fees, entrance fees and other charges and dues payable by the member to the Exchange
  - (b) any sums due and payable by the member to any client of such member; and
  - (c) any sum or sums of money due by such member to any fellow member during the course of the members dealings with the Exchange as a Licensed Broker.
- 4.2 In the event that the Exchange uses all or part of the cash deposit / bank guarantee for the purposes described above, the member shall replace the amount utilised by the Exchange immediately.
- 4.3 The cash deposit will at least be equal to half the value of the minimum liquidity requirement of the member firm and the balance shall be in the form of a bank guarantee.

4.4 As the liquidity requirement of the member firm increases in accordance with clause 3.4 above, a cash deposit equal to half the increase and the balance in the form of a bank guarantee shall be forwarded to the Exchange within 5 market days from the date the Exchange advises the member to increase the liquidity requirement.

5. **Non-compliance with Net Capital/Liquidity Requirements**

5 If any Member Firm fails to increase the net capital within the time period specified in rule 2.3 or fails/neglects to maintain the liquidity position and to forward to the CSE the cash deposit and bank guarantee as specified in rule 4.4, the Chief Executive Officer of the CSE or any person acting on his/her behalf shall forthwith prohibit the Member Firm concerned from carrying out any purchase of securities on behalf of clients/on own account on the CSE.

The Member Firm will be permitted to carry out sale of securities on behalf of clients/on own account. (if licensed to trade on own account)

The 'staff' of such Firm (as defined in Section 5) may trade through another Member Firm during the period of prohibition.

The ability to carry out purchases of securities on behalf of clients/on own account will be permitted no sooner the Member Firm complies with the applicable net capital or liquidity requirements.

In the event the Member Firm concerned does not comply with the net capital requirement at the end of a period of three (03) months from the date of prohibition from carrying out any purchase of securities on behalf of clients / on own account on the CSE, the matter will be referred to the Board of Directors of the CSE for necessary action and the Board of the CSE shall inform the SEC of the decision of the Board together with reasons for same.

In the event the Member Firm concerned does not comply with the liquidity requirement at the end of a period of one (01) month from the date of prohibition from carrying out any purchase of securities on behalf of clients / on own account on the CSE, the matter will be referred to the Board of Directors of the CSE for necessary action and the Board of the CSE shall inform the SEC of the decision of the Board together with reasons for same.

6. **Submission of monthly financial statements to the Exchange**

Financial statements presented in the format given in annexure I should be forwarded to the Exchange within 20 days of the month end.

**NAME OF THE BROKERING FIRM  
BALANCE SHEET AS AT.....**

	NOTES	RS.
<b><u>ASSETS</u></b>		
<b>NON – CURRENT ASSETS</b>		
PROPERTY, PLANT & EQUIPMENT	1	XXXX
INTANGIBLE ASSETS	2	XXXX
INVESTMENT IN SUBSIDIARIES	3	XXXX
INVESTMENT IN ASSOCIATES	4	XXXX
FIXED DEPOSITS WITH CSE		XXXX
		<hr style="border-top: 1px solid black;"/>
		XXXX
<b>CURRENT ASSETS</b>		
TRADE DEBTORS	5	XXXX
RECEIVABLE FROM RELATED PARTIES	6	XXXX
OTHER RECEIVABLES	7	XXXX
SHORT TERM INVESTMENTS	8	XXXX
CASH & CASH EQUIVALENTS	9	XXXX
		<hr style="border-top: 1px solid black;"/>
		XXXX
<b>TOTAL ASSETS</b>		<hr style="border-top: 1px solid black;"/> <b>XXXX</b> <hr style="border-top: 1px solid black;"/>
<b><u>EQUITY AND LIABILITIES</u></b>		
<b>CAPITAL AND RESERVES</b>		
STATED CAPITAL	10	XXXXXX
RESERVES	11	XXXXXX
<b>SHAREHOLDERS EQUITY</b>		<hr style="border-top: 1px solid black;"/> XXXXX
<b>NON – CURRENT LIABILITIES</b>		
LONG TERM BORROWINGS - PAYABLE AFTER ONE YEAR	12	XXXX
DEFERRED TAX	13	XXXX
RETIREMENT BENEFIT OBLIGATIONS	14	XXXX
		<hr style="border-top: 1px solid black;"/>
		XXXX
<b>CURRENT LIABILITIES</b>		
TRADE CREDITORS	15	XXXX
PAYABLES TO RELATED PARTIES	16	XXXX
INCOME TAX PAYABLE	17	XXXX
OTHER PAYABLES	18	XXXX
LONG TERM BORROWINGS - PAYABLE WITHIN ONE YEAR	12	XXXX
BANK OVERDRAFTS	19	XXXX
		<hr style="border-top: 1px solid black;"/>
		XXXX
<b>TOTAL EQUITY AND LIABILITIES</b>		<hr style="border-top: 1px solid black;"/> <b>XXXX</b> <hr style="border-top: 1px solid black;"/>

\* The Board of Directors is responsible for the preparation and presentation of these Financial Statements

\* The Notes to Financial Statements form an integral part of these Financial Statements.

\*The same accounting policies as per the most recent annual financial statements have been used.

(if there are any changes, the description, nature and the effect of such change has to be furnished).

\* The Accounts are provisional and subject to audit.

Approved and signed for and on behalf of the Board

.....  
SIGNATURE OF CEO/ MANAGING DIRECTOR

.....  
SIGNATURE OF HEAD OF FINANCE

.....  
DATE

September 2008

NAME OF THE BROKERING FIRM  
 INCOME STATEMENT FOR THE MONTH OF.....

	NOTES	CURRENT MONTH RS.	YEAR TO DATE RS.
TURNOVER	20	xxxx	xxxx
DIRECT EXPENSES	21	xxxx	(xxxx)
NET BROKERAGE INCOME		xxxx	xxxx
ADD: OTHER INCOME	22	xxxx	xxxx
ADMINISTRATION EXPENSES	23	xxxx	(xxxx)
SELLING & PROMOTIONAL EXPENSES	24	xxxx	(xxxx)
TRAVELLING & ENTERTAINMENT EXPENSES	25	xxxx	(xxxx)
OTHER EXPENSES	26	xxxx	(xxxx)
OPERATING PROFIT/ (LOSS)		xxxx	xxxx
FINANCE COST	27	xxxx	(xxxx)
SHARE OF PROFITS IN ASSOCIATES	28	xxxx	xxxx
NET PROFIT BEFORE TAXATION		xxxx	xxxx
TAXATION		(xxxx)	(xxxx)
NET PROFIT FOR THE MONTH		xxxx	xxxx

.....  
 SIGNATURE OF CEO/ MANAGING DIRECTOR

.....  
 SIGNATURE OF HEAD OF FINANCE

.....  
 DATE

NAME OF THE BROKERING FIRM  
CASH FLOW STATEMENT FOR THE MONTH ENDED.....

	MONTH ENDED RS.	YEAR TO DATE RS.
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
NETPROFIT BEFORE TAXATION	xxxxx	xxxx
<b>ADJUSTMENTS FOR,</b>		
AMORTISATION	xxxx	xxxx
DEPRECIATION	xxxx	xxxx
ALLOWANCE FOR BAD & DOUBTFUL DEBTS	xxxx	xxxx
RETIREMENT BENEFIT OBLIGATIONS	xxxx	xxxx
(PROFIT)/LOSS ON DISPOSAL OF FIXED ASSETS	xxxx	xxxx
INTEREST EXPENSE	xxxx	xxxx
INTEREST INCOME	(xxxx)	(xxxx)
	<hr/>	<hr/>
<b>OPERATING PROFIT/ (LOSS) BEFORE WORKING CAPITAL CHANGES</b>	xxxx	xxxx
(INCREASE) / DECREASE IN TRADE DEBTORS	xxxx	xxxx
(INCREASE) / DECREASE IN AMOUNTS DUE FROM RELATED PARTIES	xxxx	xxxx
(INCREASE)/ DECREASE IN OTHER RECEIVABLES	xxxx	xxxx
INCREASE/ (DECREASE) IN TRADE CREDITORS	xxxx	xxxx
INCREASE/ (DECREASE) IN AMOUNTS DUE TO RELATED PARTIES	xxxx	xxxx
INCREASE/ (DECREASE) IN OTHER PAYABLES	xxxx	xxxx
	<hr/>	<hr/>
CASH INFLOW/ (OUT FLOW) FROM OPERATING ACTIVITIES	xxxx	xxxx
INCOME TAX (PAID)/ REFUND	xxxx	xxxx
GRATUITY PAID	xxxx	xxxx
INTEREST PAID	xxxx	xxxx
	<hr/>	<hr/>
<b>NETCASH FROM/ (USED IN) OPERATING ACTIVITIES</b>	xxxx	xxxx
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(ACQUISITION) OF PROPERTY, PLANT & EQUIPMENT	(xxxx)	(xxxx)
PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT & EQUIPMENT	xxxx	xxxx
INVESTMENT IN SUBSIDIARY	(xxxx)	(xxxx)
DEPOSITS TO CSE	(xxxx)	(xxxx)
REIMBURSEMENT OF DEPOSITS FROM CSE	xxxx	xxxx
PURCHASE OF OTHER INVESTMENTS	(xxxx)	(xxxx)
INTEREST RECEIVED	xxxx	xxxx
DIVIDEND RECEIVED	xxxx	xxxx
PROCEEDS FROM LONG TERM INVESTMENTS	xxxx	xxxx
PROCEEDS FROM SHORT TERM INVESTMENTS	xxxx	xxxx
	<hr/>	<hr/>
<b>NET CASH FROM/ (USED IN) INVESTING ACTIVITIES</b>	xxxx	xxxx
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
PROCEEDS FROM ISSUE OF SHARE CAPITAL	xxxx	xxxx
PROCEEDS FROM LONG TERM BORROWINGS	xxxx	xxxx
PAYMENT OF LONG TERM BORROWINGS	(xxxx)	(xxxx)
PAYMENT OF FINANCE LEASE LIABILITIES	(xxxx)	(xxxx)
REDEMPTION OF SHARES	(xxxx)	(xxxx)
DIVIDEND PAID	(xxxx)	(xxxx)
	<hr/>	<hr/>
<b>NET CASH FROM/ (USED IN) FINANCING ACTIVITIES</b>	xxxx	xxxx
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	xxxx	xxxx
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE PERIOD	xxxx	xxxx
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<hr/> <b>xxxx</b> <hr/>	<hr/> <b>xxxx</b> <hr/>

	MONTH ENDED RS.	YEAR TO DATE RS.
<b><u>NOTE A:</u></b>		
<b>CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE PERIOD</b>		
SHORT TERM INVESTMENTS	xxxx	xxxx
CASH & CASH EQUIVALENTS	xxxx	xxxx
BANK OVERDRAFTS	xxxx	xxxx
	<hr/>	<hr/>
	xxxx	xxxx

<b><u>NOTE B:</u></b>			
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD</b>			
SHORT TERM INVESTMENTS	NOTE 8	xxxx	xxxx
CASH & CASH EQUIVALENTS	NOTE 9	xxxx	xxxx
BANK OVERDRAFTS	NOTE 19	xxxx	xxxx
		<hr/>	<hr/>
		xxxx	xxxx

NAME OF THE BROKERING FIRM  
STATEMENT OF CHANGES IN EQUITY FOR THE MONTH ENDED .....

	STATED CAPITAL	RETAINED EARNINGS	OTHER RESERVES	TOTAL
BALANCE AS PER THE LAST AUDITED FINANCIAL STATEMENTS	xxxx	xxxx	xxxx	xxxx
PROFIT / (LOSS) FOR THE PAST MONTHS OF THE CURRENT YEAR		xxxx		xxxx
DIVIDEND PAYMENTS		(xxxx)		xxxx
TRANSFER TO OTHER RESERVES		(xxxx)	xxxx	xxxx
OTHER (PLEASE SPECIFY)				xxxx
<b>AS AT THE BEGINNING OF THE CURRENT MONTH</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>
AS AT THE BEGINNING OF THE CURRENT MONTH	xxxx	xxxx	xxxx	xxxx
PROFIT / (LOSS) FOR THE MONTH		xxxx		xxxx
DIVIDEND PAYMENTS		(xxxx)		xxxx
TRANSFER TO OTHER RESERVES		(xxxx)	xxxx	xxxx
OTHER (PLEASE SPECIFY)				xxxx
<b>AS AT THE END OF THE MONTH</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**1. PROPERTY, PLANT & EQUIPMENT**

	<b>COST</b>	<b>CUM DEP.</b>	<b>WDV</b>
	<b>RS.</b>	<b>RS.</b>	<b>RS.</b>
OFFICE EQUIPMENT	XXXX	XXXX	XXXX
FURNITURE & FITTINGS	XXXX	XXXX	XXXX
FIXTURES	XXXX	XXXX	XXXX
LEASED ASSETS – MOTOR VEHICLES	XXXX	XXXX	XXXX
COMPUTERS	XXXX	XXXX	XXXX
	<b>XXXX</b>	<b>XXXX</b>	<b>XXXX</b>

**2. INTANGIBLE ASSETS**

	<b>VALUE</b>	<b>CUM AMORTISATION</b>	<b>WDV</b>
	<b>RS.</b>	<b>RS.</b>	<b>RS.</b>
ASSET	XXXX	XXXX	XXXX
.....	XXXX	XXXX	XXXX
.....	XXXX	XXXX	XXXX
	<b>XXXX</b>	<b>XXXX</b>	<b>XXXX</b>

**3. INVESTMENT IN SUBSIDIARIES**

<b>SUBSIDIARY</b>	<b>NO OF SHARES</b>	<b>HOLDING %</b>	<b>VALUE RS.</b>
.....	XX	X	XXXX
.....	XX	X	XXXX
			<b>XXXX</b>

**4. INVESTMENT IN ASSOCIATES**

<b>ASSOCIATE</b>	<b>NO OF SHARES</b>	<b>HOLDING %</b>	<b>VALUE RS.</b>
.....	XX	X	XXXX
.....	XX	X	XXXX
			<b>XXXX</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**5. TRADE DEBTORS**

Rs.

BROKER FIRMS		xxxx
CLIENTS - NOTE 5 (a.)		xxxx
ALLOWANCE FOR DOUBTFUL DEBTS		xxxx
		<u>xxxx</u>

**NOTE 5 (a.)**

**DEBTORS AGE ANALYSIS**

DEBTORS FROM T TO T+3		xxxx
DEBTORS OVER T+3	- RELATED PARTY	xxxx
	- STAFF	xxxx
	- OTHER	xxxx
		<u>xxxx</u>

**6. RECEIVABLE FROM RELATED PARTIES**

COMPANY	RELATIONSHIP	AMOUNT (RS.)
.....		xxxx
.....		xxxx
.....		xxxx
		<u>xxxx</u>

Note: Please provide a brief description on the nature and the terms and conditions of related party transactions.

**7. OTHER RECEIVABLES**

LOANS RECEIVABLE	xxxx
SUNDRY DEBTORS	xxxx
ADVANCES	xxxx
PREPAID EXPENSES	xxxx
INCOME TAX RECEIVABLE	xxxx
PENALTY RECEIVABLE	xxxx
	<u>xxxx</u>

**8. SHORT TERM INVESTMENTS**

**FIRM FUNDS**

WITH INSTITUTIONS WHICH HAVE BEEN APPROVED BY THE MONETARY BOARD OF THE CENTRAL BANK TO ACCEPT PUBLIC DEPOSITS:

INSTITUTION	AMOUNT (RS.)
.....	xxxx
.....	xxxx
	<u>xxxx</u>
	xxxx
	xxxx
	<u>xxxx</u>
	<u>xxxx</u>

**OTHER:**

.....	xxxx
.....	xxxx
	<u>xxxx</u>
	<u>xxxx</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**9. CASH AND CASH EQUIVALENTS**

	Rs.	Rs.
REPO INVESTMENTS		
- CLIENT FUNDS	xxxx	
- FIRM FUNDS	xxxx	
	<hr/>	xxxx
CASH AT BANK		
- CLIENT FUNDS	xxxx	
- FIRM FUNDS	xxxx	
	<hr/>	xxxx
CASH IN HAND		xxxx
		<hr/>
		<hr/>
		xxxx

**10. STATED CAPITAL**

SHARE CAPITAL		
..... ORDINARY SHARES	xxxx	
..... PREFERENCE SHARES	xxxx	
	<hr/>	xxxx
SHARE PREMIUM		xxxx
		<hr/>
		<hr/>
		xxxx

**11. RESERVES**

RETAINED EARNINGS		xxxx
OTHER RESERVES		xxxx
		<hr/>
		<hr/>
		xxxx

**NOTES TO THE FINANCIAL STATEMENTS**

**12. LONG TERM BORROWINGS**

SECURED BORROWINGS -NOTE 12(a.)		xxxx
UNSECURED BORROWINGS - NOTE 12(b.)		xxxx
		<hr/>
PAYABLE WITHIN ONE YEAR		xxxx
PAYABLE AFTER ONE YEAR		xxxx
		<hr/>
		<hr/>
		xxxx

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 12 (a.)**

**SECURED BORROWINGS**

INSTITUTION	RELATIONS HIP (IF ANY)	INT. RATE	ASSET PLEGDED	AMOUNT (RS)
.....				XXXX
.....				XXXX
				<u>XXXX</u>

**NOTE 12(b.)**

**UNSECURED BORROWINGS**

INSTITUTION	RELATIONS HIP (IF ANY)	INT. RATE	AMOUNT (RS)
.....			XXXX
.....			XXXX
			<u>XXXX</u>

**13. DEFERRED TAX**

BALANCE BROUGHT FORWARD	XXXX
CHARGES / (REVERSAL)	<u>XXXX</u>
BALANCE CARRIED FORWARD	<u>XXXX</u>

**14. RETIREMENT BENEFIT OBLIGATIONS (SPECIFY TYPE)**

BALANCE BROUGHT FORWARD	XXXX
CHARGE FOR THE PERIOD	XXXX
PAYMENTS	<u>XXXX</u>
BALANCE CARRIED FORWARD	<u>XXXX</u>

**15. TRADE CREDITORS**

BROKER FIRMS	XXXX
CLIENTS - NOTE 15 (a.)	<u>XXXX</u>
	<u>XXXX</u>

**NOTE 15 (a.)**

**CREDITORS AGE ANALYSIS**

CREDITORS FROM T TO T+3		XXXX
CREDITORS OVER T+3	- RELATED PARTY	XXXX
	- STAFF	XXXX
	- OTHER	<u>XXXX</u>
		<u>XXXX</u>
		<u>XXXX</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**16. PAYABLES TO RELATED PARTIES**

COMPANY	RELATIONSHIP	AMOUNT (RS.)
.....		XXXX
.....		XXXX
.....		XXXX
		<u>XXXX</u>
		<u>XXXX</u>

Note: Please provide a brief description on the nature and the terms and conditions of related party transactions.

**17. INCOME TAX PAYABLE**

BALANCE BROUGHT FORWARD	XXXX
REFUND DURING THE PERIOD	XXXX
CHARGE FOR THE PERIOD	XXXX
PAYMENTS	XXXX
BALANCE CARRIED FORWARD	<u>XXXX</u>

**18. OTHER PAYABLES**

OTHER SHORT TERM BORROWINGS - NOTE 18(a.)	XXXX
SUNDRY CREDITORS	XXXX
ACCRUED EXPENSES	XXXX
PENALTY PAYABLE	XXXX
	<u>XXXX</u>
	<u>XXXX</u>

**NOTE 18 (a.)**

**OTHER SHORT TERM BORROWINGS**

*SECURED:*

INSTITUTION/ NAME	INT.RATE	ASSETS PLEGDED	AMOUNT (RS.)
.....			XXXX
.....			XXXX
			<u>XXXX</u>
			XXXX

*UNSECURED:*

INSTITUTION/ NAME	INT.RATE	AMOUNT (RS.)
.....		XXXX
.....		XXXX
		<u>XXXX</u>
		XXXX
		<u>XXXX</u>
		<u>XXXX</u>

**NOTES TO THE FINANCIAL STATEMENTS**

<b>19. BANK OVERDRAFT</b>	ASSETS PLEGGED	AMOUNT (RS.)
- CLIENT FUNDS		xxxx
- FIRM FUNDS		xxxx
		xxxx
		xxxx

<b>20. TURNOVER</b>	VALUE RS.	BROKERAGE RS.
SALE OF SHARES	xxxx	xxxx
PURCHASE OF SHARES	xxxx	xxxx
	xxxx	xxxx
BROKERAGE FROM PRELIMINARY ISSUES		xxxx
OTHER RECEIPTS (SPECIFY)		xxxx
		xxxx
		xxxx

*NOTE: IF THE FIRM IS TRADING IN DEX, NOTE 20 MUST INCLUDE THE DEX TRADE DETAILS*

<b>21. DIRECT EXPENSES</b>	
CSE FEE	xxxx
.....	xxxx
.....	xxxx
	xxxx
	xxxx

**22. OTHER INCOME**

<b>22.1 INTEREST RECEIVED ON INVESTMENT</b>			
DETAILS	AMOUNT INVESTED	TERMS	INCOME Rs.
.....			xxxx
.....			xxxx
			xxxx
			xxxx
<b>22.2 OTHER</b>			xxxx
.....			xxxx
.....			xxxx
			xxxx
			xxxx

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>Rs.</b>
<b>23. ADMINISTRATION EXPENSES</b>	
.....	XXXX
.....	XXXX
.....	XXXX
	<u>XXXX</u>
	<u>XXXX</u>
<b>24. SELLING &amp; PROMOTIONAL EXPENSES</b>	
.....	XXXX
.....	XXXX
.....	XXXX
	<u>XXXX</u>
	<u>XXXX</u>
<b>25. TRAVELLING &amp; ENTERTAINMENT EXPENSES</b>	
.....	XXXX
.....	XXXX
.....	XXXX
	<u>XXXX</u>
	<u>XXXX</u>
<b>26. OTHER EXPENSES</b>	
.....	XXXX
.....	XXXX
.....	XXXX
	<u>XXXX</u>
	<u>XXXX</u>
<b>27. FINANCE COST</b>	
CLIENT BANK ACCOUNTS	XXXX
EXPENSE ACCOUNTS	XXXX
	<u>XXXX</u>
	<u>XXXX</u>
<b>28.SHARE OF PROFITS IN ASSOCIATE COMPANIES</b>	<b>PROFIT</b>
.....	<b>% HOLDING SHARE</b>
.....	XX XXXX
.....	XX XXXX
	<u>XXXX</u>
	<u>XXXX</u>

**NAME OF BROKERING FIRM  
STATEMENT OF NET CAPITAL  
AS AT.....**

	<b>RS.</b>	<b>RS.</b>
<b>SHAREHOLDERS' FUNDS AS PER THE BALANCE SHEET</b>		<b>XXXX</b>
<b>DEDUCT</b>		
- UNSECURED LOANS	XXXX	
- AMOUNTS DUE FROM RELATED PARTIES	XXXX	
- EXCESS OF COST OVER MARKET VALUE OF UNSETTLED PURCHASE TRANSACTIONS OF CLIENTS	XXXX	
- ASSETS WHICH ARE DOUBTFUL OF COLLECTION LESS PROVISION MADE	XXXX	
- DEFERRED EXPENSES AND / OR INTANGIBLE ASSETS	XXXX	
- CONTINGENT LIABILITIES	XXXX	
- EXCESS OF COST OVER MARKET VALUE OF MEMBER FIRMS PORTFOLIO (ONLY APPLICABLE IF THE FIRM IS TRADING ON ITS OWN ACCOUNT)	XXXX	XXXX
<b>NET CAPITAL</b>		<b>XXXX</b>

.....  
**DATE**

.....  
**SIGNATURE OF  
MANAGING DIRECTOR**

**NAME OF BROKERING FIRM**  
**STATEMENT OF CLIENT ACCOUNT**  
**FOR THE MONTH .....**  
**(AS PER COMPANY BOOKS)**

	<b>Rs.</b>
OPENING BALANCE	XXXX
<b><u>RECEIPTS</u></b>	
PURCHASES	XXXX
INVESTMENTS	XXXX
INTEREST ON INVESTMENT	XXXX
ANZ CDS SETTLEMENT A/C	XXXX
OTHER RECEIPTS (SPECIFY)	XXXX
	XXXX
<b><u>PAYMENTS</u></b>	
SALES	XXXX
ENCASHMENT OF INVESTMENT	XXXX
COMMISSIONS	XXXX
ANZ CDS SETTLEMENT A/C	XXXX
OTHER PAYMENTS (SPECIFY)	XXXX
	XXXX
CLOSING BALANCE	XXXX

.....  
**DATE**

.....  
**SIGNATURE OF**  
**MANAGING DIRECTOR**

## **4. CLIENT-BROKER OR INTER-BROKER DISPUTE RESOLUTION**

1. a) If a client has a complaint against a member firm in respect of dealings in securities, he must refer same in writing first to the Compliance Officer of the member firm. The Compliance Officer shall deal with the complaint and should ensure it is resolved quickly and satisfactorily.

If the client is not satisfied with a decision taken by the member firm or if the member firm delays a decision in the opinion of the Exchange for an unduly long time, the client may then refer the complaint to the Colombo Stock Exchange.

- b) Any disputes arising among member firms from a breach of the Rules of the Exchange with reference to share transactions which the members concerned cannot resolve among themselves may be referred to the Colombo Stock Exchange.
2. The complaint will be dealt with by the Exchange Secretariat and the decision will be conveyed to the parties in dispute. If a party is not satisfied with the decision taken by the Secretariat, such party may appeal to the Dispute Resolution Committee for a review of the decision.
3. The Dispute Resolution Committee will consist of the Chairman of the Exchange (or in his absence the acting Chairman), and four other Directors of the Exchange, two of whom will be broker representatives and the other two appointed Directors. A quorum for hearing a dispute shall be any three members of the Committee.
4. The Dispute Resolution Committee shall adjudicate upon such complaint and if required, the Committee may give a hearing to the member firm/s and/or the complainant; as the case may be.

5. The decision of the Dispute Resolution Committee will be put to the Board of Directors for ratification and then conveyed to the relevant parties in dispute.
  
6. Failure of a member firm to comply with the decision reached by the Exchange will render the member firm liable to a reprimand and/or a fine and/or a suspension from trading.

## 5. STAFF TRADES

1. Staff of a member firm shall trade only through their own firm.  
  
"Staff" is defined as Directors, employees, their spouses and nominees.
2. Staff trades should be treated with lower priority level to customers. The procedure to be followed in this regard shall be documented by the member firm and made available to the Exchange on request. The member firm shall ensure that staff trades are executed strictly in accordance with the said procedure.
3. Business shall be transacted on account of staff of a member firm only with the prior authorization in writing from the Chief Executive Officer or Compliance Officer of the firm.
4. The CEO or Compliance Officer shall ensure that investment advice given to clients by Directors and Employees of member firms will not result in a conflict of interest with Staff Trades.
5. The Compliance Officer of the member firm should maintain a restricted securities list. Staff should not trade in restricted securities.

A "**Restricted**" securities list - would comprise a list of securities in which the company possesses material non public information. Therefore, the trading of such securities are restricted for staff of the firm. The securities in the undermentioned situations should be included as a minimum in this list.

- a) If the member firm is involved in a merger, acquisition or financial restructuring involving the issuer of such security, then from the time of the initial involvement till the public announcement is completed.
  - b) Where the research division issues a significant recommendation or report relating to such security, during the period from 7 business days before, to 7 business days after dissemination of the report or recommendation to the clients.
  - c) Securities may be added or deleted from the **"Restricted"** list at the discretion of management.
6. The Compliance Officer should review staff trades regularly and report staff trade details in the Compliance Officer's Report to the Colombo Stock Exchange on a monthly basis.

## 6. APPOINTMENT OF AGENTS

### 1. Appointment of Agents

Member firms of the Colombo Stock Exchange (hereinafter referred to as the "Member Firms") are permitted to appoint and register Agents for the purpose of broadbasing their services, expanding their services to areas where investors have no direct access to broking services and thus facilitate the broad basing of the market and improve the quality of services in the market. All appointments of Agents shall however be subject to the prior approval of the Board of Directors of the Colombo Stock Exchange, (hereinafter referred to as the "Board") and in accordance with the provisions set out below.

### 2. Qualifications of Agents

The Board may approve and register as an Agent:

- a)
  - i. a commercial bank incorporated in Sri Lanka or any branch of a Foreign Bank authorised to operate in Sri Lanka;
  - ii. an institution incorporated by an Act of Parliament, engaged in finance related business;
- b) The Board may also in exceptional circumstances approve and register:
  - i. a company incorporated under the Companies Act No. 17 of 1982 with a minimum issued and fully paid up capital of Rs.500,000/- and which in the opinion of the Board is suitable to act as an Agent for a member firm;
  - ii. an individual, provided that it is satisfied that the appointment of the individual is necessary, having regard to the area or district that the Agent seeks to operate in, and in the absence of institutional agents in that area or district.

3. **Criteria for approval**

The Board shall not grant approval and register an agent unless established to the Board that;

- (1) A bank, a company or an institution;
  - a) has a suitable and permanent office with adequate communication facilities to ensure real time access between the member firm and the agent.
  - b) possesses satisfactory facilities to display price schedules and market information to investors
  - c) employees who would be transacting business on behalf of the Bank/Company/Institution should either have a degree or professional qualification in accountancy and/or finance or have passed the stock brokers programme conducted by the CSE.
  
- (2) In the case of an individual that such person:
  - a) is at least 21 years of age,
  - b) is a fit and proper person and has sound financial standing.
  - c) has access to price schedules and market information.
  - d) has a degree, professional qualification in accounting and/or finance or has passed the stockbrokers programme conducted by the CSE.
  - e) has a suitable and permanent office with adequate communication facilities to ensure real time access between the member firm and the Agent.

4. **Approval of agents**

- (1) Banks and financial institutions could make a general application direct to the Stock Exchange to be appointed Agents of any member firm. The Exchange however, must be notified as and when any branch office of a Bank commences Agency business.
- (2) A Member firm which intends to appoint an individual or a company as an Agent shall make an application in the prescribed form to the Colombo Stock Exchange (hereinafter referred to as the "Exchange") for the appointment of the Agent.
- (3) The acceptance or rejection of an application for the appointment of an Agent shall be at the discretion of the Board, and any decision of the Board shall be final and binding on the Member firm.
- (4) Individuals and companies who wish to be appointed agents should not be registered as an agent with any other member firm at the time of application. However, banks and financial institutions may be agents of more than one member firm.

5. **Agents to represent new clients**

Agents shall represent clients who are not already registered with any other member firm. The Exchange shall monitor the performance of the Agent in this regard and shall retain the discretion to suspend or cancel the registration of the Agent if this provision is contravened.

**In the event that an investor wishes to move from his existing broker to an agent, he may do so. However, the agent is precluded from claiming commission from this investors business for a period of one (01) year.**

6. **Identity cards**

- (a) In the case of individuals, the agent shall be issued an identity card by the Exchange indicating the Member firm which the Agent is representing, prior to commencement of business as an Agent. The Agent should identify himself as an Agent representing his Member firm to new clients before conducting business with such clients.
- (b) In the case of Banks, financial institutions and companies the letter of approval issued by the Stock Exchange may be used as a mode of identification.
- (c) It shall be the responsibility of the Member Firm to ensure that such identity card is surrendered to the Exchange in the event of termination of the Agency.

7. **Written agreement**

- (1) A Member firm applying for the approval of an Agent shall satisfy the Exchange that it has entered into a written agreement with the agent setting out the terms and conditions and responsibilities of the agent. A specimen of the agreement is given in the Annexures.
- (2) The Member firm shall file with the Exchange a certified true copy of the said agreement entered into with the Agent.

8. **Publication of appointment of an agent**

On receiving approval for an Agent the Member firm shall be required to publish such appointment in a daily newspaper, acceptable to the Exchange in Sinhala, Tamil and English. The notice will specify the name of the agent together with his address, telephone and fax numbers. The text of such an advertisement shall be in the format approved by the Exchange.

9. **Security**

Every Member firm shall obtain sufficient security from its agents in the form of cash or fidelity Bond amounting to a minimum of Rs. 25,000/=.

10. **Monthly returns**

Every Member firm shall furnish to the Exchange a monthly return indicating the performance of the Agent for the preceding month setting out details of the volume of business and commissions earned as per the format given in Annexures.

11. **Responsibility for breaches**

A Member firm shall at all times be primarily liable for any breach by its Agent of the Rules and Regulations of the Exchange or those specified by the Securities and Exchange Commission.

12. **Registration**

The Exchange shall maintain a register of all approved Agents and the termination of such Agents, if any.

13. **Review Agents performance**

The Exchange shall review the performance of all Agents annually to determine if their performance is satisfactory, and whether they consistently maintain a high standard of services, and whether they actively represent a sufficient number of investors to justify the agency agreement. The Board shall have the sole discretion to either suspended or cancel or revoke an approval granted to any Agency if it is satisfied that the criteria set out above has not been satisfactorily met.

14. **Commissions**

- (1) A. Banks and Financial Institutions -
  - i) 40% of net brokerage on total turnover
  
- B. Individuals and Companies
  - i) 45% of net brokerage on total turnover

- (2) No Member firm shall pay any commission to an Agent on business that is transacted for the personal benefits of the agent or for the benefit of any connected person. For the purpose of this section "a connected person" shall mean:
- a) In the case of an individual, that of a spouse or children below the age of 18 years or a company in which such Agent is a director or a shareholder and holds more than 10% of the issued share capital of a company.
  - b) In the case of an institution, any Directors employees their spouses and children under 18 years and limited companies in which such persons may have a controlling interest. Controlling interest prevails where either the Director or employee own at least 51% of the equity of the company or can control the composition of the Board of Directors of such company.
- (3) No Agent shall be entitled to a commission for trades transacted on behalf of a managed or discretionary portfolio or custodial services for which the agent is entitled to a management fee.

15. **Payments**

- (1) An Agent shall accept payment by cash, crossed cheque or a money order drawn in favour of the Member firm which he represents. The Agent shall ensure that such cash, cheques or money orders are immediately forwarded to the Member firm with all supporting documents.
- (2) An Agent shall always issue a temporary receipt to the client for any payment made to him for transactions placed or executed.

16. **Termination**

- (1) The Board may cancel, suspend or revoke an approval granted to an Agent or require a modification of the terms in the Agency agreement at its sole discretion, and the Member firm is bound by such decision of the Board.
- (2) When the services of an Agent is terminated the Member firm shall assume the Agent's contracts with clients until the clients can make alternative arrangements.
- (3) The Member firm shall immediately notify the Exchange of any termination of an Agency Agreement. The Member firm shall publish a notice of such termination in Sinhala, Tamil and English in a daily newspaper approved by the Exchange.

17. **Prohibition on rebates**

An Agent is prohibited from rebating to clients, whether directly or indirectly and whether in cash or in kind, the commission earned from concluded trades. Any violation of this rule shall result in the automatic cancellation of the approval of the Agent.

18. **Prohibition on unauthorized agents**

The appointment of unauthorised Agents shall be construed as a serious infraction and violation of the Rules and Regulations of the Exchange, and result in the suspension/cancellation of the licence of the Member firm.

19. **Inspection and Audit**

- (1) The Member firm shall ensure that the agent maintains records of all transactions entered into with clients and the Member firms. Such records shall be made available to the Exchange for Audit or inspection when required to do so. Non compliance with this requirement shall result in an immediate cancellation of the agency agreement.

- (2) The Exchange shall have the authority to conduct inspection and audits of the records and the books of the agent. An Agent shall provide access to, and submit all information required by the Exchange for the purpose of such audit or inspection. Non compliance of the rules set out in the above rules shall result in the cancellation of the Registration by the CSE.

\*\*\*\*\*

**AGENTS RETURN FOR THE MONTH OF .....**

Name of Agent	Purchases			Sales			Net Commission Earned (Rs.)
	No. of Contracts	Value (Rs.)		No. of Contracts	Value (Rs.)		

**COLOMBO STOCK EXCHANGE APPLICATION FOR APPOINTMENT AS AGENTS**

**BANKS / FINANCIAL INSTITUTIONS / COMPANIES**

1. Name of Applicant : .....
2. Address : .....
3. Telephone No:..... Fax No: .....
4. Names of Directors :.....  
.....
5. Name of Bankers and details of Bank Accounts : .....
6. State briefly history of Company and its business: .....
7. i) Name of Authorized Representative(s) nominated to solicit  
business: .....
- ii) State Age, Qualifications and Experience:  
.....
8. Have the Authorized Representatives been certified as Investment  
Advisors by the Securities and Exchange Commission ?  
.....
9. Have the Authorized Representatives been previously employed by a  
member firm ? (if yes, please give details) .....

.....  
**SIGNATURE OF CEO OF THE MEMBER FIRM**

.....  
**SIGNATURE OF APPLICANT**

**APPLICATION FOR APPOINTMENT AS AGENTS**

**INDIVIDUALS**

1. Name : .....
2. Date of Birth : .....
3. Address : .....
4. Telephone No:..... Fax No: .....
5. Address of office premises, floor area & other facilities available :  
.....  
.....
6. Qualifications : .....
7. Experience : .....
8. Name of Bankers and details of Bank accounts :  
.....  
.....
9. Has the Agent been previously employed by a member firm ? (if yes, please give details)  
.....  
.....
10. Is the Agent certified by the Securities and Exchange Commission as an Investment Advisor ?  
.....

.....  
**SIGNATURE OF CEO OF THE MEMBER FIRM**

.....  
**SIGNATURE OF APPLICANT**

THIS AGREEMENT is made and entered into by and between ..... (name of member) ..... a company duly incorporated under the Companies Act No. 17 of 1982 and having its registered office ..... (address of the registered office of the member) ..... (hereinafter referred to as the "Member") and ..... (Name of Agent) [a company duly incorporate under the Companies Act No. 17 of 1982 and carrying on banking business under the authority of a licence issued by the Monetary Board and having its registered office at in the case of a bank incorporated in Sri Lanka] OR [a bank incorporated in ..... and having a branch office in Sri Lanka at in the case of a foreign bank] OR an institution incorporated by an Act of Parliament] OR [a company incorporated under the Companies Act No.17 of 1982 and having its registered office at in the case of a company] OR [ of ..... ordinarily carrying on business at in the case of an individual] ..... (hereinafter referred to as the "Agent").

WHEREAS the Member is a member of the Colombo Stock Exchange (hereinafter referred to as the Exchange) and holds a licence in terms of Section 15 of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended) and

WHEREAS the Member is authorized to appoint Agents subject to the prior approval of the Exchange and in accordance with the provisions of the rules of the Exchange for the appointment of agents (hereinafter referred to as "Rules") and

WHEREAS the Exchange has approved the appointment of the Agent as an agent of the member and

WHEREAS one of the conditions of such approval is that the agent should enter into an agreement with the Member setting out the terms and conditions applicable to the appointment of the Agent and the obligations of the agent.

NOW THIS AGREEMENT THEREFORE WITNESSETH AS FOLLOWS:-

1. (a) The member hereby appoints the Agent to act as its agent and the Agent hereby accepts such appointment.

- (b) The Member hereby acknowledges and confirms that the Agents shall within the scope of the authority given under these present, be entitled to act as an intermediary between the said Member and the investors or any other intermediary being his own client/s for assisting the latter in buying or selling securities.
  - (c) The Agent shall not act as agent for any other Member of the Exchange.
- 2. The Agent may conduct business on behalf of his client with the Member subject to such conditions as may be agreed upon between the Member and the agent.
- 3. The Agent shall be entitled to canvass business only from new business clients who are not registered with any member of the Exchange. Provided however if a client moves from his existing broker to the Agent of his own volition the Agent may represent such client but shall not be entitled to receive any commission on the business canvassed from such client for a period of one year from the date of which the agent commenced representing such client.
- 4. The agent shall be entitled to canvass business only in the ..... district and its specifically prohibited from canvassing business from other areas (applicable to individuals and companies only).
- 5. The Agent shall abide by all the statutory responsibilities and obligations imposed on it by the Rules and/or any other regulations applicable to the member and agent in general either framed by the Exchange or the Securities and Exchange Commission of Sri Lanka.
- 6.
  - (a) The Member shall pay the agent commissions on business canvassed by the agent at the rate specified in the Rules.
  - (b) Such commission shall be paid to the Agent monthly in arrears.

7. The Agent shall not be entitled to any commission on
  - a. business that is transacted for the personal benefit of the agent or for the benefit of any connected person. "Connected person" shall have the same meaning as that given to the phrase in the Rules.
  - b. business transacted on behalf of a managed or discretionary portfolio or custodial services for which the Agent is entitled to a management fee.
8. The Agent shall be prohibited from rebating, whether directly or indirectly and whether in cash or in kind, the commissions earned from concluded trades. Any breach by the Agent of this clause shall result in the automatic cancellation of the appointment of the Agent.
9. The Agent shall, for securing the Agent's obligation to the member, deposit with the Member either cash or a fidelity guarantee bond in favour of the Member for an amount not less than Rs.25,000/= as may be mutually agreed upon. Subject to the provisions of the Rules, the Member may in the event of default by the agent appropriate therefrom any amounts owing to the Member from the Agent. The balance if any may if authorized by the Exchange be utilized to reimburse clients of the agent for loss suffered by such client as a result of default by the Agent.
10. The Agent shall ensure due protection to the clients in respect of their rights to Dividends, Rights, Bonuses and shall not do anything or refrain from doing anything as the case may be which may or is likely to harm the interest of the clients.
11. The agent shall keep himself apprised of trading/settlement cycles, delivery/payment schedules of the Exchange and any changes therein and shall comply with such procedures of the Exchange.
12. All transactions on behalf of the clients of the Agent shall be settled by delivery and/or payment between the Member and the client in accordance with the Rules and Regulations of the Exchange and subject to the procedure for settlement of transactions laid down by the Exchange.

13. If any dispute arises between the member and the Agent the same shall as far as possible be settled by both parties and if no settlement is reached the parties hereby agree to refer such dispute to arbitration in accordance with the Rules, Bye-laws and Regulations of the Exchange.
14. The Agent shall assist and co-operate with the Member and the Exchange to ensure early settlement of any arbitration proceedings arising out of transactions entered into on behalf of the Agent and shall accept without any demur the arbitration awards in respect of such transactions.
15. Either party shall be entitled to terminate this agreement at will and without giving any reason, by giving to the other party notice in writing of not less than one month at their respective addresses specified herein or such other address as may be notified to each other in writing.
16. Agent shall issue temporary receipts to clients for all payments made to the agent and forward any cash, cheque or money order drawn in favour of the Member immediately to the Member together with all supporting documents.
17. The Agent shall if required by the member execute and deliver to the member any further documents as may be necessary to modify the terms and conditions contained herein.
18. This agreement shall forthwith terminate:
  - 1) If the approval for the appointment of the agent granted by the Exchange is cancelled or revoked.
  - 2) If the member for any reason ceases to be a member of the Exchange including cessation of membership by reason of the member's resignation or expulsion or if the licence issued by the Securities and Exchange Commission of Sri Lanka is either suspended or cancelled;

- 3) Upon the demise of the Agent in which event all rights, liabilities and obligations of the parties arising out of or on account of transaction entered into prior to the termination of this agreement shall continue to subsist and vest in and be binding on the respective parties or his/her its respective heirs, executors, administrators, legal representatives, as the case may be.
  - 4) Upon the Agent being found guilty of fraud or any other offence before a court of law.
19. The terms and conditions contained are not exhaustive but are in addition to any other terms and conditions which may have been agreed upon between the member and the agent in respect of the appointment of the agent.

IN WITNESS WHEREOF the common seal/s of the member (and the Agent in the case of companies, banks incorporated in Sri Lanka and financial institutions incorporated by any Act of Parliament was affixed) OR (and ..... the duly appointed Attorney of the agent has set his hand in the case of foreign banks having a branch in Sri Lanka) OR (and the Agent has set his hand in the case of an individual) hereunto on the respective dates hereinafter mentioned.

WITNESSES

- 1.
- 2.

01/10/97/se.

## **7. BRANCH OFFICE / SALES OUTLET**

### **Branch Office**

A branch office is a location under the direct management of the member firm at which stock broking services are offered to clients and business development activities are carried out.

A branch office of a member firm will provide both front office and back office services to investors. Front office services will include but not be limited to investment advice, provision of information, accepting orders from investors, the operation of a complaints desk and promotion of share trading. Back office services will include but not be limited to receiving and paying funds on the settlement date and follow-up on overdue payments.

1. Member firms shall notify the Exchange in advance of the address and any change therein, of each branch office at which securities business is carried out by the member firm.
2. A branch office at which the member firm carries out business shall be under the supervision and direct control of an Investment Advisor who is either certified by the Securities and Exchange Commission or the Colombo Stock Exchange or have a degree or professional qualification in accounting or finance and possess experience with regard to Stock Exchange operations to the satisfaction of the Exchange.
3. Each branch office shall be equipped with adequate facilities to display price schedules and other real time market information, research reports and company financial information.
4. The branch office shall also have adequate communication facilities, which include telephone and fax facilities to ensure real time access between the head office of the member firm and the branch office.

5. If the branch office has a trading terminal then client orders could be entered direct to the terminal for execution. If there is no trading terminal, orders will then have to be immediately communicated to the head office for execution.
6. The following central order desk procedures must be complied with at the branch and in the event that the orders are communicated to the head office other than via a trading terminal, at the head office also;
  - i) All orders must initially be entered on an order chit.
  - ii) Order chits must be time stamped.
  - iii) The order is entered into the trading terminal or communicated to head office.
  - iv) Contract notes will be posted to the client directly from the head office.
  - v) Payment from buyers should reach the head office or branch office by T+5 and payments to clients must be posted or made available for collection at the branch office on T+7.
7. Every branch office must maintain a Complaint Register. Client complaints must be investigated and resolved speedily.

## **Sales Outlet**

A sales outlet is where a member firm could promote share trading, provide investment advice and other market related information and may accept orders from investors.

1. Member firms shall notify the Exchange in advance of the address and any change therein, of each sales outlet at which securities business is carried out by the member firm.
2. A sales outlet at which the member firm carries out business shall be under the supervision and direct control of an Investment Advisor who is either certified by the Securities and Exchange Commission or the Colombo Stock Exchange or have a degree or professional qualification in accounting or finance and possess experience with regard to Stock Exchange operations to the satisfaction of the Exchange.
3. Each sales outlet shall be equipped with adequate facilities to display price schedules and other real time market information, research reports and company financial information.
4. The sales outlet shall also have adequate communication facilities, which include telephone and fax facilities to ensure real time access between the head office of the member firm and the sales outlet.
5. If the sales outlet has a trading terminal then client orders could be entered direct to the terminal for execution. If there is no trading terminal, orders will then have to be immediately communicated to the head office for execution.
6. The following central order desk procedures must be complied with at the sales outlet and in the event that the orders are communicated to the head office other than via a trading terminal, at the head office also;
  - i) All orders must initially be entered on an order chit.
  - ii) Order chits must be time stamped.

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- iii) The order is entered into the trading terminal or communicated to head office.
- iv) Contract notes will be posted to the client directly from the head office.
- v) Payment from buyers should reach the head office or branch office by T+5 and payments to clients must be posted or made available for collection at the head office or branch office on T+7.

Handling client complaints and maintaining the complaints register would be the responsibility of the compliance officer at the head office.

## **8. RULE FOR DISCIPLINARY ACTION AGAINST MEMBER FIRMS**

1.
  - a. As a result of an investigation or inspection carried out by the Exchange and where it appears that a member firm has failed to comply with the Stock Exchange Rules & Regulations for member firms, the Exchange shall notify the member firm concerned in writing of the offence committed and request an explanation.
  - b. After receipt of the explanation from the member firm, the Director General shall decide whether the matter ought to be referred to the Disciplinary & Arbitration Committee (D.C).
2. This Committee will comprise the chairman of the Exchange or in his absence the Acting Chairman and four other Directors of the Exchange one of whom will be a broker representative and the other three, appointed Directors. The quorum shall consist of three members, one of whom shall be a broker representative and the other two appointed Directors.
3. Where a member firm has been charged under this rule, a written notice of the charge and the particulars thereof shall be given to the member firm.
4. The member firm so charged shall if it so desires, respond in writing or be heard in answer to the charge. Written response to the charge shall be submitted to the D.C within seven days from the date of notice or within such longer periods as the D.C may allow. In the event that person so charged fails to respond within the stipulated period or to appear before the D.C when permitted to do so, the D.C may proceed to deal with the charge in its absence.

5. The decision of the D.C shall be submitted to the Board of Directors of the CSE (Board) for approval, modification or rejection.
6. A member firm found guilty of any violation shall be liable to a public reprimand and/or fine and/or suspension from trading, which shall be determined by the Board. The maximum fine not to exceed Rs. 100,000/-.
7. A firm against whom disciplinary action has been taken shall be notified of such action in writing; a copy of the said action shall be filed with the Securities and Exchange Commission.
8. Where a fine is imposed it shall be paid within seven days after the date of such notice failing which the member firm concerned shall immediately be suspended from further trading.
9. The Exchange shall notify all member firms of decisions and rulings made under this rule.
10. The Exchange may in its absolute discretion and in such manner as it may think fit notify the public that disciplinary action has been taken against a member firm.

## **SECTION 9**

### **BROKER FIRMS TRADING ON OWN ACCOUNT**

For the purposes of this section 'Trading on own Account' shall mean a broker firm buying and selling of securities on own account.

#### **9.1 Net Capital Requirement**

The minimum net capital requirement for a broker firm Trading on own Account shall be the net capital requirement for agency brokering, as determined by the Board of Directors of the CSE from time to time.

#### **9.2 Listed Securities**

- (i) A broker firm engaged in Trading on own Account shall trade only in securities listed in the CSE. However, such broker firm is permitted to purchase shares in an IPO for which the CSE has granted approval, in principle, for a listing.
- (ii) The total borrowings by the broker firm in respect of Trading on own Account shall not exceed the net capital of such firm.

#### **9.3 Investments**

A broker firm Trading on own Account is permitted to acquire into its own account a single security up to the value of 10% of the net capital of the broker firm or 2% of the issued number of shares of that security, whichever is lower.

#### **9.4 Trading Procedures**

- (i) The broker firm shall maintain a separate CDS account for Trading on own Account.
- (ii) The broker firm shall appoint an Investment Advisor exclusively for the purpose of carrying out Trading on own Account. This Investment Advisor shall not trade on behalf of other clients of the firm.
- (iii) The broker firm shall maintain a separate bank account, for the purpose of making settlement of funds in respect of Trading on own Account.
- (iv) The CEO/Compliance Officer of the broker firm shall authorize all orders of the firm prior to entering such orders in the ATS.
- (v) The broker firm shall not execute a trade on behalf of the firm through the 'Crossings' window of the ATS, where the contra party to such trade is a client of the firm.

#### **9.5 Review of Trades**

The Compliance Officer of the broker firm shall review all trades executed on behalf of the firm for compliance with applicable rules.

#### **9.6 Reporting Requirements**

- (i) Investments in listed securities by the broker firm shall be measured, recognized and presented in the monthly and audited financial statements of the broker firm in accordance with SLAS22.
- (ii) The Income Statement of the monthly financial statements shall disclose the income generated by the broker firm in respect of Trading on own Account.
- (iii) All trades (purchases and sales) executed on behalf of the broker firm shall be disclosed in the monthly compliance report submitted to the CSE. Such report shall set out the date of transaction, name, quantity of the security and the price traded.

#### **9.7 Conflict of Interest / Market Integrity**

- (i) The broker firm shall avoid any conflict of interest which may arise between Trading on own Account and trades of the firm's clients.
- (ii) The CEO and the Compliance Officer of the broker firm shall ensure that the Trading on own Account carried out by the firm would not result in any market manipulations, front running of client orders or any other market malpractices.
- (iii) A broker firm shall not directly or indirectly deal in any particular listed security or cause any other person to deal in that security, if the firm possess information which is not available amongst the investing public.

#### **9.8 Non compliance with these rules**

If a broker firm does not comply with any provision of these rules the CSE shall, after giving the broker firm an opportunity of being heard, direct such firm to remedy such default within seven (07) days of the default. In the event the default is not remedied within the said period, the CSE shall suspend the broker firm from carrying out Trading on own Account and notify the SEC regarding such suspension.