

Securities' Central Depository Service Regulation, 2009

In exercise of the power conferred by Section 116 of Securities Act, 2063 (2007), Securities Board of Nepal has, upon the approval of the Government of Nepal, made the regulations as follows.

Chapter – 1

Preliminary

1. **Short Title and Commencement:** (1) This Regulations may be called "Securities' Central Depository Service Regulation, 2066 (2009)".

(2) This Regulation shall be deemed to have been commenced from the date as prescribed by the Securities Board of Nepal.

2. **Definition:** Unless the subject or context means otherwise in this Regulation, -
 - (a) "Act" means Securities Related Act, 2006.
 - (b) "Board" means Securities Board of Nepal established pursuant to Section 3 of the Securities Act, 2063 (2007).
 - (c) "Central Depository Service" means taking custody of the listed securities from the concerned securities owners and perform the jobs of maintaining their securities account, perform clearing and settlement of the securities transaction including transfer of securities and other similar jobs.
 - (d) "License" means license issued by the Board pursuant to Rule 4 to manage Central Depository Service.
 - (e) "Central Depository Company" means the company obtaining license from the Board to manage Central Depository Service.

- (f) "Director" means member of the Board of Directors of Central Depository Company and this word also includes the Chairperson.
- (g) "Transfer" means function of transferring the ownership of the securities from seller to the buyer as per the information obtained regarding transaction from the securities market.

Clarification: The word "transfer" shall also denote domestic transfer or the transfer of ownership of securities to legal heir from the owner after his/her death.

- (h) "Depository Member" means securities business person or the body corporate having membership of Central Depository Company.
- (i) "Investor Account" means De-mat Account (electronic account) opened with Central Depository Company through Depository Member in order to deposit securities by the investors.

Chapter – 2

Provision relating to Central Depository Service

- 3. Application to be submitted for license:** (1) Any corporate body willing to operate Central Depository Service shall be required to submit an application as prescribed in schedule – 1 along with the fee as prescribed in of schedule – 2 to the Board.

(2) The application to be submitted pursuant to Sub-rule (1) shall be accompanied with the following details and documents of the applicant:

- (a) Details regarding Director and Chief Executive as prescribed in schedule- 3,
- (b) Details and documents regarding the applicant organization as prescribed in schedule-4,

- (c) Details and documents regarding promoters of the Central Depository Company as prescribed in schedule-5,
- (d) Feasibility study report for establishment and management of Central Depository Business,
- (e) Three years business plan concerning operation of Central Depository Business.
- (f) Draft of Working Manual for Central Depository Company as prescribed in schedule-6.

(3) While conducting examination on the details and documents received along with the application pursuant to Sub-rule (1), if it deems necessary, the Board may demand for additional details or documents.

(4) In case of occurrence of any change in the informations supplied pursuant to Sub-rule (1) before receiving the license pursuant to this Regulation, the applicant shall be required to inform such changes immediately to the Board.

4. License to be issued: (1) While making examination on the application and details and documents attached thereto received pursuant to Rule 3, if it is satisfied to grant license subject to the Act and this Regulation, the Board shall inform the applicant to develop infrastructure pursuant to Rule 5.

(2) The Board shall make site visit for the inspection and inquiry of the infrastructure developed by the applicant within 30 days of receipt of information relating to completion of infrastructure development pursuant to Rule 5 and if the provisions regarding infrastructure are found adequate, the Board shall, by receiving the license fee as prescribed in schedule (2), issue the license as prescribed in schedule-7 for the operation Central Depository Business.

(3) While making inspection and inquiry pursuant to Sub-rule (2), if the infrastructure developed by the applicant is found inadequate for the operation of the Central Depository Service, the Board may ask the

applicant for making additional arrangement within the prescribed time period.

5. **Infrastructure to be developed:** (1) An automated depository system based on electronic system required for the operation of the Central Depository Business shall be prepared within 6 months of getting notified pursuant to Sub-rule (1) of Rule 4 from the Board and same shall be reported to the Board.

(2) If it is unable to develop the infrastructure within the timeframe pursuant to Sub-rule (1) and is requested for additional time, the Board may provide an appropriate additional time period.

(3) If the responsibility of operation and maintenance of the Depository System pursuant to Sub-rule (1) is to be given to the manpower or the organization other than those of Central Depository, it is required to report the Board regarding the details of the agreement to be concluded for handing the responsibility before concluding such agreement.

(4) The Board may perform the system audit of the infrastructure developed and the depository system pursuant to Sub-rules (1) and (3) from time to time. It shall be the duty of Central Depository Company to make available necessary access, facility, data, etc., to perform such system audit.

6. **Renewal of License:** The Central Depository Company shall, within three months of completion of the fiscal year, submit an application as prescribed in schedule – 8 along with the renewal fee as prescribed in schedule – 2 and renew the license.

7. **Suspension or Cancellation of the License:** The provision relating to suspension, cancellation or other proceedings regarding license shall be as per the Securities Board of Nepal Regulation.

Chapter – 3

Power, functions and duties of a Central Depository Company and Depository Member

8. **Power, functions and duties of Central Depository Company:** The power, functions and duties of the Central Depository Company shall be as follows:-
- (a) To establish, operate and manage Securities Depository System,
 - (b) To de-mat the deposited securities into electronic form and to convert de-mated securities in to physical certificate as per the demand of the investor,
 - (c) To make available an effective electronic deposit service to Depository Members,
 - (d) To perform the duty relating to settlement and clearance of securities received for settlement and clearance after completion of transaction in stock market,
 - (e) To make available the facility to mortgage securities in Depository,
 - (f) To transmit true information regarding securities in Depository subject to the Act and Rules,
 - (g) To make available the necessary support to other organizations related with securities,
 - (h) To supervise and monitor the Depository member,
 - (i) To make arrangement for safe keeping of data of all securities kept in the Depository,
 - (j) To open an electronic account for the investor and to make available the details relating to the account as per the demand of the concerned party,
 - (k) To establish and operate the mechanism to provide proof and service required for transfer of securities in the Depository,
 - (l) To establish the mechanisms as follows as per necessity:-

- (1) To provide the service regarding depositing the de-mated securities into the account and to withdraw securities from the account,
- (2) To make an arrangement for de-mating the securities,
- (3) To make arrangement for safe keeping of the documents relating to securities in custody,
- (4) To deposit the issued securities and provide receipt against it to the Depositor,
- (5) To make arrangement for receiving the benefits that may be available to the securities holder through Central Depository Company in electronic form,
- (6) To provide loan mortgaging electronic securities,
- (7) To sequester electronic securities account,
- (8) To provide internet service regarding electronic securities,
- (m) To make available other services as mentioned in Memorandum of Association of Depository organization.

9. Power, functions and duties of Depository Member: The power, functions and duties of the Depository Member shall be as follows:-

- (a) To open account for securities concluding agreement with securities holder,
- (b) To collect and manage notice and information related with account holders,
- (c) To keep record of securities kept in electronic form,
- (d) To promote securities trading performing sale and purchase of securities of securities holder,
- (e) To perform job subject to the instruction and advice provided by Central Depository company,
- (f) To keep the information relating to account of Depository Members confidential except otherwise prescribed by the law.

10. **Working Manual to be approved:** (1) Central Depository Company shall prepare the working manual and get it approved from the Board before rendering the service.

(2) The Board may instruct to amend or improve the working manual pursuant to Sub-rule (1) prepared and enforced by Central Depository Company or may repeal the manual and demand to enforce drafting new provisions.

11. **Provision regarding dispute settlement to be arranged:** (1) In case any grievance related to Central Depository Service is received or any type of dispute is raised, the concerned member or the Central Depository Company themselves shall make arrangement for the settlement of such grievance or disputes.

(2) The grievance and dispute raised pursuant to Sub-rule (1) shall be immediately reported to the Board. Besides, the details regarding dispute settlement shall be informed to the Board after such settlement.

12. **Provision regarding Depository System and its Procedure:** The Central Depository Company shall make arrangement of the necessary system and procedure for performing the job of accepting the securities deposit, exchanging the information with corporate bodies de-mating their securities in depository, exchanging the services with the concerned party, performing clearing and settlement of the transacted securities, matching for transfer and clearing and keeping the daily data up to date.

13. **Working System of Central Depository Business Person:** The working system of Central Depository Company and its Members shall be based on computerized system using electronic medium.

Provided, that the Central Depository Company shall maintain the record of the investors using both electronic media and registration book.

14. **Arrangement to make for transferring only after making payment:**

While transferring the transacted securities, the Central Depository Company shall arrange to transfer the securities only after ascertaining payment regarding purchase and sale.

Chapter – 4

Provisions regarding Capital and Share Ownership

15. **Minimum capital and financial sources:** (1) Paid of capital of Central Depository Company shall be at least NRs. 300 million.

(2) The Board may set the liquid assets or net capital to be maintained by Central Depository Company from time to time.

16. **Ownership of the Central Depository Company:** (1) Only Stock Market, Citizen Investment Trust and Banks may hold the shares of Central Depository Company.

(2) Notwithstanding anything contain in Sub-rule (1), Banks holding ownership of Central Depository Company shall have the qualifications as follows:-

- (a) Completion of five years minimum from the establishment of the company,
- (b) Net worth not less than paid up capital,
- (c) Should have been in profit for the last three years.

(3) Notwithstanding anything contained in Sub-rule (1), the Board may grant an approval allowing other organizations as well to hold the shares of Central Depository Company except a natural person (an individual), private company or cooperatives.

(4) Notwithstanding anything contained anywhere else in this Regulation, the Stock Market shall make arrangements to hold promoter shares of Central Depository Company and to continue the ownership.

Provided, that percentage holdings of the securities market may be changed obtaining prior approval from the Board.

17. Situation of being unable to hold ownership: A company or a corporate body shall not be qualified to hold the shares of Central Depository Company under the situations as follows: -

- (a) If declared insolvent for loan default
- (b) If the income statement is not submitted for the tax purpose pursuant to the prevailing laws.
- (c) If the corporate body having responsibility to make its financial statements public has failed to make the audited financial statements public continuously for three years.
- (d) License being cancelled subject to action pursuant to Securities Act, 2063,
- (e) Black listed by Credit Information Bauru.

18. Provision regarding transfer of ownership: (1) It shall not be allowed to sell the shares owned by the Shareholders of Central Depository Company until the period of five years from obtaining the license

(2) If any share of stock market is sold after completion of period as pursuant to Sub-rule (1), such share may not be re-sold until the completion of one year of such share transfer.

(3) The shareholder of the Central depository Company, who is willing to sell the shares owned by him/her, shall be required to submit application along with the fee equivalent to 0.5% of the value of shares

being sold to the Board through the concerned Central Depository Company for approval.

(4) The application pursuant to Sub-rule (3) shall be accompanied with the information and documents of the Company or the corporate body willing to purchase the shares as specified in Schedule – 5.

(5) While examining the application and the attached informations and documents pursuant to Sub-rule (3), if the Board deems necessary, may demand for additional details or documents or may seek clarification.

(6) After making examination on the application and the attached informations and documents pursuant to Sub-rule (3), the Board, subject to the provisions of the Act and this Regulation, shall provide approval for the sale of the shares.

(7) Notwithstanding anything contained in this Rule, the Board may make provision regarding certain percentage of the share ownership to be maintained by the Stock Market in the Central Depository Company and may order Stock Market to sell its shares of Central Depository Company or purchase the shares from other shareholders accordingly.

19. Shares to be sold: (1) Notwithstanding anything contained in this Regulation, if securities of listed Banks are de-listed or they become disqualified for holding the shares of Central Depository Company, the concerned corporate body shall submit an application to the Board subject to this Regulation in order to transfer the shares held by it within 3 months of such disqualification.

(2) In case of failure to transfer shares ownership as pursuant to Sub-rule (1), Central Depository Company shall acquire the shares of the concerned corporate body and make sale within three months through

auction to the company or the corporate body who are qualified according to this Regulation.

(4) If shares could not be sold pursuant to Sub-rule (2), the Central Depository Company will inform to the Board and may follow other alternative methods.

(5) While making sale of the shares of Central Depository Company pursuant to Sub-rules (2) or (3), it should be sold only to the companies or corporate bodies who are qualified pursuant to this Regulation and the information and documents regarding the company or corporate body purchasing the shares pursuant to Schedule – 5 and if the sale is made through auction, details regarding same shall be submitted to the Board within one months of such deed.

Chapter – 5

Provisions regarding to the Director and the Chief Executive

20. **Qualification of the Directors and the Chief Executive:** The qualification of the directors and the chief executive of the Stock Market shall be as follows:-
- (a) The Directors and Executive chief shall hold a minimum bachelor degree in economics or commerce or finance or accounts or management or commercial law from a recognized educational institution or be a certified chartered account and having a minimum of five years experience in the field of capital market or industry or commerce or finance or accounts or commercial law or in management.
 - (b) Should be a Nepali citizen, except the Government of Nepal otherwise approves.

21. Disqualification of the Directors and the Chief Executive:

(1) The Director or the Chief Executive of the Central Depository Company shall not be having the disqualifications as follows:-

- (a) Insane or of unsound mind,
- (b) Convicted and sentenced for imprisonment against criminal offence of moral turpitude and not completed five years of complete execution of the punishment,
- (c) Convicted and sentenced from the court against corruption or fraud and not completed five years of complete execution of the punishment,
- (d) If the person or the Company where s/he had acted as Director or Chief Executive is declared insolvent and has not completed five years of insolvency.
- (e) Failed to submit the income statement for the purpose of tax or has remained the Director or Chief Executive of the Company who has not submitted the income statement for the purpose of tax clearance pursuant to the prevailing law.
- (f) If the person or the Company where s/he had acted as Director or the Chief Executive has remained in the black list of the Credit Information Bureau.
- (g) Has remained as the Director or the Chief Executive of the Company or Corporate Body who have failed to disclose its audited financial statement publically for three continuous years.
- (h) Has been sentenced subject to the Act and is not allowed to work as a Director or the Chief Executive.

(2) A person working as the Chief Executive of any company or corporate body is not allowed to work as the Chief Executive of Central Depository Company.

22. **Continuation of provisions related to Qualification:** (1) The Central Depository Company shall maintain the qualification required for the Directors and Chief Executive throughout the period of validity of its license.

(2) The director or chief executive shall be considered to be automatically terminated from date of failing to meet the qualification pursuant to Sub-rule (1).

(3) If the situation pursuant to Sub-rule (2) is raised, the Central Depository Company shall be required to inform the Board immediately and shall appoint the Director or Chief executive pursuant to this Regulation within thirty days of such situation and inform the Board enclosing the details of such Director as prescribed in schedule - 3.

23. **Appointment of the Director and the Chief Executive:** (1) The Directors of the Central Depository Company shall select the Chairperson of Board of Directors from among the Directors.

(2) The Board of Directors of Central Depository Company shall comprise of minimum nine Directors including three Independent Directors.

(3) The Board of the Directors shall appoint the Chief Executive of the Central Depository Company.

(4) While appointing Directors in the Board of Directors of the Central Depository Company, it shall be considered to appoint the persons having qualification and experience of different sector.

(5) Not more than one person from single Company or Corporate Body is allowed to be the Director of the Central Depository Company.

Provided, that with regard to the Stock Market, two Directors may be appointed representing the Stock Market.

(6) The Central Depository Company shall appoint at least three independent Directors having the following qualifications in the Board of Directors within three months of obtaining the license pursuant to this Regulation:-

- (a) Having the qualifications to be the Director and not having the disqualification pursuant to this Regulation,
- (b) Not having ownership or not have remained in the position of interest of the Company or Corporate Body owning the share ownership of the Stock Market or Securities Business Person or such corporate bodies.
- (c) Has not remained substantial shareholder of any listed Corporate Body.

(7) Before appointing the independent Directors pursuant to Sub-rule (6), the Central Depository Company shall submit the details and informations of the Director in the format as prescribed in schedule – 4 to the Board for the approval.

(8) In case of new appointment of Director except independent Director or Chief Executive at the Central Depository Company, the Board shall be reported along with the details and information of such Director in the format as prescribed in schedule – 4 within seven days of such appointment.

(9) The Central Depository Company, after obtaining the license and before commencing the business, shall appoint one compliance officer having at least a bachelor degree in subject of law and an experience of five years in the related field and same shall be reported to the Board.

24. **Meeting of the Board of Directors:** (1) The meeting of Board of Directors shall be convened compulsorily at least twelve times in a year.

However, the difference between two meetings of Board of Directors should not be more than two months.

(2) On receiving the written request from two third of the Directors, the Chairman shall call for the meeting of Board of Directors on anytime.

(3) If any agenda to be discussed on the meeting of Board of Director is of personnel interest of any Director, such Director shall not be present in that meeting.

Chapter – 6

Provision relating to Depository Member

25. **Qualification of Depository Member:** The qualification of the Depository Member shall be as follows:-

- (a) Has remained as listed Bank in Stock Market or a Securities Business Person,
- (b) Not been black listed by Credit Information Bauru,
- (c) Has audited its financial statements for three continuous years,
- (d) Has Net worth not less than its paid up capital,
- (e) On behalf of the Bank, has opened its branch offices at five development regions.

26. **To be registered in the Board:** (1) An organization willing to render its service by obtaining membership of Central Depository Company pursuant to this Rule shall be required to obtain registration certificate from the Board before obtaining such membership.

(2) In order to obtain the registration certificate pursuant to Sub-rule (1) from the Board, it is required to submit an application as prescribed in schedule-10 along with the application fee as prescribed in schedule-12 and the details and documents as follows:-

- (a) Copy of Memorandum and Article of Association of the Organization,
- (b) Registration certificate of the company,
- (c) Financial details of the organization of last three years,
- (d) Provisions regarding infrastructure to be developed for performing the duty of the Depository Member,
- (e) Arrangement of manpower to perform the job of Depository Member,
- (f) Business plan of three up coming years,
- (g) On behalf of Bank, commitment to render service at least from one branch in every Development Region.

(3) While making examination on the application submitted pursuant to Sub-rule (2), if the Board is satisfied, may grant the registration certificate of Depository Member.

(4) Before granting the registration certificate pursuant to Sub-rule (3), the Board shall inform the applicant to submit registration certificate fee as prescribed in the schedule-12.

27. Renewal of Registration Certificate: (1) Registration Certificate provided pursuant to this Rule shall remain valid the period of one fiscal year and it shall be required to renew for every new fiscal year within 1 month of beginning of that fiscal year.

(2) In order to renew registration certificate the Depository Member shall submit an application as prescribed in schedule-11 along with the fee as prescribed in schedule-12 to the Board and renew the registration certificate.

- 28. Membership regarding Central Depository Business Person to be obtained:** (1) A company or an organization having registration certificate from the Board shall require to obtain membership of Central Depository Company before rendering its services relating to Central Depository to the securities investors.
- (2) In order to obtain membership pursuant to Sub-rule (1) from the Central Depository Company, it is required to submit an application as provisioned in the working manual of the Central Depository Company along with the registration certificate obtained from the Board and fee as prescribed in schedule – 12.
- 29. Central Depository Company to provide membership:** If an application is received from the company or the corporate body holding registration certificate from the Board, the Central Depository Company shall grant its membership to the applicant.
- 30. Renewal of Membership:** Depository members should get their membership renewed every year as prescribed in the working manual of Central Depository Company by paying fee as prescribed in schedule-12.
- 31. Provision relating to Bank Guarantee:** (1) The Depository Member shall be required to place Bank Guarantee at Central Depository Company prior to the commencement of its business.
- (2) The amount of the Bank Guarantee pursuant to Sub-rule (1) to be provided by the Depository Member may be prescribed by the Central Depository Company with the prior approval of the Board.

Chapter – 7

Provision regarding de-mating securities and de-mat account

32. **Securities to be de-mated in Central Depository:** (1) Any corporate body who have been registered in the Securities Board of Nepal and are willing to make their transaction through the Stock Market are required to de-mat the entire securities issued by them in the Central Depository System for performing the transaction, clearing and settlement and transfer of the securities
- (2) Notwithstanding anything contained in Sub-rule (1), the Central Depository may de-mat the Government Securities, commercial paper, stock certificate and receipt of goods market or certificate as well.
- (3) In order to de-mat the securities in the central depository system, the corporate body shall be required to submit an application along with the fee as prescribed in schedule – 14 and the documents and details as prescribed in working manual to Central Depository Company.
- (4) The Central Depository Company shall only de-mat the securities which has been registered in the Board and are issued pursuant to the Act.
- (5) Notwithstanding anything contained in Sub-rule (3), there shall be no restriction to Central Depository Company for de-mating the securities issued by the Government of Nepal and other securities as prescribed by the Board.
- (6) The Central Depository Company shall maintain electronic records of all securities that have been de-mated in the system.
- (7) The Central Depository Company may deposit instruments of money market as prescribed by the Board including securities.
- (8) The corporate bodies remained at the time of commencement of this Regulation shall de-mat their securities in the central depository system within one year of Central Depository Company in operation.

- 33. Provision regarding Investor Account:** (1) An investor willing to subscribe securities at public issue or to make purchase or sale securities in stock market shall be required to open an account in Central Depository Company compulsorily.
- (2) An investor willing to open an account in Central Depository Company shall require being present by own and submit an application to the Depository Member Organization.
- (3) The Central Depository Company shall require making arrangement for separate account for an individual investor.
- (4) An investor may not open more than one account with Central Depository Business Person.
- 34. Provision regarding transfer of ownership :** (1) If request is received from the Depository Members after fulfilling the process for transfer of securities, the Central Depository Company shall initiate the procedure for transfer of securities.
- (2) If the Central Depository Company demanded the documents regarding central depository and settlement with the Company issuing the securities, the Company is required to make such documents available.
- (3) The process of transferring the ownership of the securities remained in the investors account in the case of death of account holder or any other reason shall be as per the prevailing laws.
- 35. Provision regarding service fee:** Fee to be paid to Central Depository Company, Depository Member and the Board against the Central Depository Service shall be as prescribed in schedule-13.

Chapter – 8

Provision regarding Financial Statement, Audit and Disclosures of Central Depository Company

- 36. Provision regarding Documents and Record:** (1) The Central Depository Company shall be required to keep its books of accounts and prepare financial reports including profit and loss accounts, balance sheet and cash flow statements in the format and standards as prescribed under the prevailing laws.
- (2) Along with the records and documents to be maintained pursuant to the prevailing laws, the Central Depository Company, in addition, shall keep fair and accurate records of the followings:-
- (a) Minute book of General Assembly, Board of Directors and different permanent committees.
 - (b) Details regarding Depository Member of Central Depository Company,
 - (c) Details relating to Depositor Corporate Body and de-mated securities,
 - (d) Records regarding name of the corporate body that had made transaction in stock market, price and quantity of each securities, person involving in the securities business including transaction serial number,
 - (e) Other details as prescribed by the Board from time to time.
- (3) The format for the records to be maintained pursuant to Sub-rule (2) may be prescribed by the Board.
- 37. Provision relating to Auditor and Audit:** (1) Only the person having the qualification of chartered accountant or equivalent, holding professional certificate from Institute of Chartered Accountants Nepal (ICAN) and having minimum 7 (seven) years experience in the field of

audit shall be qualified to be appointed as auditor of Central Depository Company.

(2) The Central Depository Company, within 15 days of appointment of the auditor, shall report the Board regarding same.

(3) The auditor, while auditing the accounts of Central Depository Company, shall do as per the prevailing values and standard of audit.

(4) The auditor, after completing the audit, shall require to prepare the report reflecting functions, financial details and position of Central Depository Company.

(5) Central Depository Company shall make arrangement for internal audit of every quarter.

38. Details and Reports to be submitted: (1) The Central Depository Company shall submit the following informations, details and reports within the following period to the Board:-

- (a) The audited financial details and the annual report for the fiscal year within four months of completion of the fiscal year.
- (b) Quarterly report within thirty days on completion of quarterly period.
- (c) Agenda and minutes of the General Assembly within 30 days of completion of the General Assembly,
- (e) If the Central Depository Company has taken any action against the Depository Member, the details including the name of Depository Member, details of the proceedings and the reason for the proceedings within seven days of such act,
- (f) Details of decision of the Board of Directors and other committees relating to transfer and transaction clearance, supervision including discipline constituted by Central

Depository Company as demanded by the Board within the time period prescribed by the Board,

- (g) Report relating to inspection of Depository Member by Central Depository Company within 30 days of the end of such inspection,
 - (h) Notifications, information and other details as demanded by the Board.
 - (i) Other notifications, informations and details as prescribed by
- (2) The format of the details and reports to be submitted to the Board by the Central Depository Company pursuant to clause (a), (b) and (c) of Sub-rule (1) and the matters to be mentioned on such report may be prescribed by the Board.

(3) Besides the informations as prescribed in Section 46 of the Act, the Central Depository Company shall immediately provide the informations on the matters as follows:-

- (a) If it is known that any Member of the Central Depository Company have overruled the provisions of the Act and Rules, Regulations and Directives framed under the Act,
- (b) If transaction of the listed securities is postponed or postponed transaction is released and is de-listed,
- (c) If any proceeding pursuant to the prevailing laws is initiated against the Promoter, Director or the Executive Chief,
- (d) If the Promoter, Director or the Executive Chief is listed in the black list of Credit Information Bauru,
- (e) If the Central Depository Company establishes any committee regarding securities listing, membership of Central Depository Company and securities transaction,

informations regarding structure, functions, duties and powers of such committee,

- (f) If there is any change in the structure, functions, duties and power of the committee established pursuant to clause (e) or if it is dissolved.
- (g) If there is any change in the management or structure of the Central Depository Company.
- (h) If the compliance office of Central Depository Company is appointed or changed.

(4) Information regarding new or additional investor account opened in Central Depository Company in every three months shall be to the Board within 15 days of expiry of the said three months.

39. Information to be disclosed publicly: (1) The Central Depository Company shall disclose the informations regarding postpone of transaction of any listed securities or releasing such postpone on the same day of such activity or on the following day before starting the transaction at the Stock Market.

(2) The Central Depository Company shall disclose the informations regarding dematerialization and re-materialization of securities on the same day or on following day before starting the transaction at Stock Market and shall publish the informations regarding same in a National daily within seven days of such activity.

(3) The Central Depository Company shall disclose the information regarding providing membership or suspending membership or eliminating suspension or cancelling membership on the same day or on the following day before starting the transaction at Stock Market and shall publish the information in case of providing or cancelling membership in a National daily within seven days of such activity.

(5) The Central Depository Company shall immediately make disclosure regarding financial details received from the listed company and any news, informations and details making adverse affect on the price of securities.

. (6) The Board may prescribe other notice, information and details to be disclosed by the Central Depository Company from time to time.

Chapter – 9

Provision regarding Financial Statement, Audit and Disclosures of Depository Member

40. Provision regarding Documents and Record: (1) The Depository Member shall be required to keep its books of accounts and prepare financial reports including profit and loss accounts, balance sheet and cash flow statements in the format and standards as prescribed under the prevailing laws.

(2) Along with the records and documents to be maintained pursuant to the prevailing laws, the Depository Member, in addition, shall keep fair and accurate records of the followings:-

(a) Minute book of General Assembly, Board of Directors and different permanent committees.

(b) Other details as prescribed by the Board from time to time.

(3) The format for the records to be maintained pursuant to Sub-rule (1) and (2) may be prescribed by the Board.

41. Provision regarding Auditor and Audit: (1) Only the person having the qualification of chartered accountant or equivalent and holding professional certificate from Institute of Chartered Accountants Nepal

(ICAN) shall be qualified to be appointed as an auditor of Central Depository Company.

(2) The Depository Member, within 15 days of appointment of the auditor, shall report the Board regarding same.

(3) The auditor, while auditing the accounts of Depository Member, shall do as per the prevailing values and standard of audit.

(4) The auditor, after completing the audit, shall require to prepare the report reflecting functions, financial details and position of Depository Member.

42. Details and Reports to be submitted: (1) The Depository Member shall submit the following informations, details and reports within the following period to the Board:-

(a) If the function of the Depository Member is to be carried out from the branch office, information regarding same,

(b) The audited financial details and the annual report for the fiscal year within three months of completion of the fiscal year.

(b) Quarterly report within thirty days on completion of quarterly period.

(c) Agenda and minutes of the General Assembly within 30 days of completion of the General Assembly,

(d) Notifications, information and other details as demanded by the Board.

(e) Other notifications, informations and details as prescribed by

(2) The format of the details and reports to be submitted to the Board by the Depository Member pursuant to clause (b), (c) and (d) of Sub-rule (1) and the matters to be mentioned on such report may be prescribed by the Board.

Chapter – 10

Miscellaneous

43. Settlement Fund to be established by Central Depository Company:

(1) The Licensed Central Depository Company, before the commencement of their business, shall establish a settlement fund with an objective of completing the functions regarding settlement and clearance without any obstruction.

(2) In the settlement fund established pursuant to this rule, NRs. 10 million shall be deposited initially.

(3) In the settlement fund established pursuant to this rule, depository members of Central Depository Company shall require to deposit the amount as prescribed by the Board not exceeding 0.01% of the amount involved in the transaction.

(4) The ownership in the settlement fund established pursuant to this rule shall be maintained as per the contribution of Depository Members of Central Depository Company and the ownership cannot be withdrawn unless the license or membership is revoked.

(5) Utility and management of settlement fund including other necessary arrangement shall be as per the working manual as prepared by the Central Depository Company.

44. Depository Business Person may open Branch: With the prior approval of the Board, the Central Depository Company may open its branch offices within the territory of Nepal.

45. Amendment of Memorandum of Association and Articles of Association:

(1) If the Central Depository Company is to make amendment in any provisions of its Memorandum and Articles of Association, it is required to take prior approval from the Board.

(2) In order to obtain the approval pursuant to Sub-rule (1), it is required to submit application to the Board mentioning the details of required amendment in Memorandum and Articles of Association.

(3) On receiving the application pursuant to Sub-rule (1), the Board, considering the necessity and the reasons, may provide approval.

46. Stock Market to provide affiliation in its trading System: (1) The Stock

Market shall provide affiliation to the Central Depository Company licensed from Board in its trading system for being able to receive data, notification and other information required to render central depository service and services relating to clearance and settlement of securities.

(2) In the trading system of the Stock Market pursuant to Sub-rule (1), an arrangement shall be made for exchanging the related data and informations between the Stock market and the Central Depository Company in a continuous manner.

47. Action may be taken against the Auditor: The Board may take one or all of the following actions against an Auditor in case of not carrying out the audit pursuant to this Regulation: -

(a) forwarding request in writing to Institute of Chartered Accountants Nepal for taking action against him/her,

(b) To black list him/her so that s/he cannot do audit of any company or the corporate body regulated by the Board.

48. **Information to be furnished to the Board:** (1) In case if any Depository Member is found violating the working manual of Central Depository Company, the Central Depository Company shall immediately initiate proceedings against such Depository Member and shall report same to the Board.
- (2) In case if any Depository Member is found violating the Act and Rules, Bylaws or Guidelines framed under the Act, the Central Depository Company shall forward request to the Board for initiating necessary proceedings pursuant to the Act and Rules.
49. **Change in Schedule:** The Board may make necessary changes in schedule of this Regulation.
50. **To be as per this Regulation:** These regulations shall be applicable in the matters specified under it and the rest shall be according to other regulations issued under the Act.
51. **Removal of Difficulty:** In case of difficulty to implement things as mentioned in this Regulation or difficulty to implement this Regulation due to inconsistency of any rule, the Board may interpret and clarify in this regard as per the requirement.

Schedule – 1

[Related to sub-rule (1) of rule 3]

Format of application to be submitted for license

Date:

Securities Board of Nepal

.....

Subject: Application for license

As we are desirous operate the Central Depository Service subject to the Securities Act, 2063 (2007) and the Rules, Regulations framed under that Act and other prevailing laws, this application, along with the fees, informations and documents as prescribed, is hereby submitted to you for obtaining the License.

The attached documents and information is true and factual, none of the details have been hidden or are expressed with exaggeration. If convicted to have concealed relevant fact or to have presented wrong document or information, we hereby submit to bear with consequences according to the terms of the law.

Directors and the Chief Executive

S.N.	Name	Signature
1.		
2.		
3.		
4.		

Applicant

Name:

Address:.....Zone.....District..... VDC/Municipality/Metropolis

Area Ward no. Block no.....Phone no.....Fax:..... Email:

Seal of the body corporate:

Schedule – 2

[Related to Sub-rule (1) of Rule 3 and Rule 6]

Application fee, license fee and Renewal fee

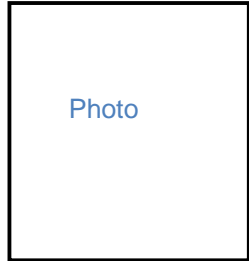
1. Application Fee	NPR 25,000/-
2. License Fee	NPR 5,00,000/-
3. Renewal Fee	NPR 3,00,000/-

Schedule – 3

[Related to clause (a) of Sub-rule (2) of Rule 3]

Profile of the director/ chief executive

1. Name:
2. Permanent address: Zone....District....VDC/Municipality....
Tole (area): Ward No.....House/Block No...Phone...Email...
3. Present address: Zone...District...VDC/Municipality
Tole (area)...Ward No...House/Block No...
Phone No...Fax...Email...
4. Father’s Name:
5. Grand father’s Name:
6. Name of husband or wife:
7. Academic qualification:
8. Professional experience:
9. Training:
10. Details regarding having ownership or holding position of interest of any kind in other company or body corporate, if any,
11. Details regarding any action taken or action pending under the securities related laws or any other prevailing laws against self or the company or the body corporate or the Director or Chief Executive of the company or the body corporate with which s/he is affiliated, if any,
12. Declaration on having fulfilled qualification required for and not having disqualification as stipulated for the director or chief executive of the Stock Market.



Signature.....

Document to be attached:

1. Proof of Tax Clearance for up to last fiscal year.
2. Proof of deletion of name from black list of Credit Information Bauru, if black listed previously.
3. Copy of documents verifying qualification, experience and affiliation, if any with other institutions.
4. Copy of citizenship certificate

Schedule – 4

[Related to clause (b) of Sub-rule (2) of Rule 3]

Details regarding the Corporate Body willing to obtain license of the Central Depository Company.

- a. Copy of registered certificate
- b. Copy of Memorandum and Articles of Association
- c. Projected financial statement for up coming three years
- d. Copy of the Share Holder's Agreement regarding establishment of Central Depository Company, if any,
- e. Details regarding ownership of the promoters.
- f. Details regarding infrastructure to be developed for the operation of Central Depository Company as follows: -
 1. Details regarding office address and office area,
 2. Provision regarding organizational structure and work division,
 3. Details regarding depository system, office equipment and technology developed for the operation of the Central Depository Service,
 4. Details regarding arrangement to be made for the security of Central Depository Service,
 5. Provisions made regarding arrangement of keeping records of de-mated securities and its safety,
 6. Details regarding manpower arranged for the operation of the Central Depository Service.
- g. Maximum limit of the Depository Member to obtain membership from the Central Depository Company.

Schedule – 5

[Related to clause (c) of Sub-rule (2) of Rule 3]

Details related to the body corporate willing to own the share ownership of Central Depository Company.

- a. Copy of registered certificate
- b. Copy of Memorandum and Articles of Association
- c. If the body corporate is established under the special Act, copy of related Act and subsidiary rules and by-laws
- d. Copy of resolution of the Board of Directors regarding having ownership of the Share Market.
- e. Audited financial statement of last three years of accounts maintained in the prescribed format pursuant to prevailing laws and accounting standard and yearly report including activities of each year,
(On behalf of a company or a body corporate not completing 3 years of its establishment, available financial statement and report of the year may be furnished.)
- f. Declaration that the company or the body corporate is not listed by the Credit Information Bauru
- g. Details regarding any action taken or action pending under the securities related laws or any other prevailing laws against the company or the body corporate or the Director or Chief Executive of the company or the body corporate with which s/he is affiliated, if any,
- h. Tax registration certificate,
- i. Details regarding the ownership in other companies or body corporate, if any,
- j. Declaration of not having disqualification for holding the ownership of Central Depository Company,
- k. Details and documents relating to the Director and Chief Executive as follows:-
 - (a) Full Name and Address
 - (b) Ownership or any kind of involvement in any other companies or body corporate, if any

Schedule – 6

[Related to clause (f) of Sub-rule (2) of rule 3]

Minimum points to be included in Working Procedure Guidelines of Central Depository Company

- (a) Regarding deposit of securities in Central Depository Company,-
1. Provisions regarding application and details and documents to be submitted by a body corporate desirous to deposit securities in Central Depository,
 2. Provisions regarding conditions to be followed by a person desirous to take service of Central Depository Company,
 3. Provisions regarding dematerialization of securities certificate and re-materialization from the situation of dematerialization and operation of De-mat Account keeping electronic record,
 4. Provisions regarding the provision relating to keeping record of securities registered in Central Depository,
 5. Provisions regarding process of lien or release of securities in electronic account.
- (b) Regarding membership of Central Depository Company,-
1. Provisions regarding membership and renewal of membership,
 2. Provisions regarding infrastructure to be developed by Depository Member,
 3. Provisions regarding monitoring and inspection of Depository Member,
 4. Provisions regarding technical and working efficiency examination of Depository Member,
 5. Provisions regarding suspension or revocation of the Depository Member or any other action to be taken in case of finding doing any irregular act or violating the Act and Rules and Regulation framed under the Act,
 6. Provisions regarding the details to be kept by Depository Member relating to the customers,

7. Provisions regarding qualification and disqualification of Depository Member.

(c) Regarding settlement and clearance of securities transaction,-

1. Provisions regarding process relating to settlement and clearance of account of transacted securities,
2. Provisions regarding transfer of ownership of securities,
3. Provisions regarding safe keeping of record and documents relating to settlement, clearance and transfer secured and systematic,
4. Provisions regarding necessary arrangement to make relating to mortgaging securities remained at customer's account for the purpose of loan,
5. Provisions regarding settlement of disputes between a body corporate having securities deposited with Central Depository Company, Depository Member, Investor or any other party (if any),
6. Provisions regarding settlement and action against the concerned member in case of failure of settlement of transaction in time,
7. Provisions regarding receipt, notice and information to be provided to the customer relating to securities and monetary transaction,
8. Provisions regarding settlement fund.

(d) Regarding investor account,-

1. Provisions regarding application and necessary documents to be submitted to the Depository Member by investor while opening electronic account,
2. Provisions regarding process of opening investor account, sequestration and closure by Depository Member,
3. Provisions regarding disclosure to make in an agreement to be concluded with investor by Depository Member before opening an account,
4. Provisions regarding conversion of physical securities to electronic form and vice versa,
5. Provisions regarding electronic securities transaction,

6. Provisions regarding mortgage of securities,
7. Provisions regarding ownership transfer of electronic securities,
8. Provisions regarding electronic access to securities information,
9. Provisions regarding grievances handling of investor about investor's account,
10. Provisions regarding format of introductory details with photo of investors to be kept by Depository Member.

Schedule – 7

[Related to Sub-rule (2) of Rule 4]

Securities Board of Nepal

Kathmandu

License to Operate Central Depository Service of Securities

This license is hereby issued to M/s....., having its head office at, to operate the Central Depository Service subject to the provisions of the Securities Related Act and Rules, Bye-laws, arrangements made there under as well as other prevailing Laws.

This license, except renewed, shall be valid up to

Authorized signature:

Name:

Designation:

Date:

Schedule – 9

[Related with Rule 6]

Format of application to be submitted for renewal of license

Date:

Securities Board of Nepal

.....

Subject: **Request for renewal of license.**

As the license to operate the Central Depository Service provided by you is valid until
....., I hereby submit this application along with the license and the
annual fee as prescribed for renewal of the same.

Authorized Signature:
Name:
Position:
Seal of body corporate:

Schedule – 10

[Related with sub-rule (2) of rule 26]

**Format of application to be submitted by Depository Member to obtain
Registration Certificate**

Date:

Securities Board of Nepal

.....

Subject: request for registration certificate.

As we are desirous render the service of a Depository Member subject to the Securities Act, 2063 (2007) and the Rules, Regulations framed under that Act and other prevailing laws, this application, along with the fees, informations and documents as prescribed, is hereby submitted to you for obtaining the registration certificate.

The attached documents and information is true and factual, none of the details have been hidden or are expressed with exaggeration. If convicted to have concealed relevant fact or to have presented wrong document or information, we hereby submit to bear with consequences according to the terms of the law.

Directors and the Chief Executive

S.N.	Name	Signature
1.		
2.		
3.		
4.		
5.		
6.		
7.		

Applicant a body corporate:

Name:

Address:.....Zone.....District..... VDC/Municipality/Metropolis

Area Ward no. Block no.....Phone no.....Fax:..... Email:

Schedule – 11

[Related to Sub-rule (2) of Rule 27]

Format of Application to be submitted for renewal of Registration Certificate

Date:

Securities Board of Nepal

.....

Subject: Request for renewal of registration certificate.

As the registration certificate provided by you is valid until, this application has been hereby submitted along with the registration certificate and the renewal fee as prescribed for renewal of the same.

Authorized signature:

Name:

Designation:

Schedule – 12

[Related to Sub-rule of rule

Provision regarding registration certificate fee of Depository Member, membership fee, investor account fee and transfer fee

1. Fee relating to registration certificate of Depository Member
 - a. Application fee Rs. 5,000/-
 - b. Depository Member Registration Certificate fee Rs. 50,000/-
 - c. Depository Member Registration Certificate
Renewal fee Rs. 25,000/-

2. Fee to be paid while obtaining Depository Membership from Central Depository Company
 - a. Membership fee Rs. 25,000/-
 - b. Membership renewal fee Rs. 15,000/-

Schedule – 13

[Related to Sub-rule of rule]

Central Depository Service Fee

1. Fee to be paid by investor for Central Depository Service – 0.03% of amount of transaction
However, the amount to be paid in every transaction shall not be lesser than Rs. 3.00 (three rupees).
2. Arrangement shall be made to allocate 75% of transaction amount obtained as per of clause 1 to Central Depository Company, 15% to Depository Member and 10% to Board.
3. Fee that Depository Member can obtain from depositors while depositing securities in electronic account is Rs. 5.00 per certificate.