

# Clearing and Settlement Policy of the Maldives Securities Depository

 Capital Market Development Authority	
<b>APPROVED</b>	
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*(Handwritten initials)*

## **1 Membership**

1. A trading member of the MSE is eligible to be a clearing member of MSD.
2. Clearing Members are required to sign a tripartite agreement with the MSD and the clearing bank.

### **Duties of the Clearing Members**

3. Clearing Members are required to:
  - a) open a depository account with the MSD;
  - b) follow the MSD announcements regarding rules, regulations and procedures for operations;
  - c) pay fees and other charges as prescribed by the MSD;
  - d) deliver reports and financial statements which meet the required standard of the MSD.

### **Penalties**

4. If Clearing Members fail to abide by the applicable rules and regulations, the MSD shall instigate the following series of actions and inform the MSE and the CMDA:
  - a) issue a Warning;
  - b) impose a Penalty of RF 500 or an amount as may be decided from time to time.
  - c) temporarily suspend services to the Clearing Member who has failed to abide by the regulations.

### **Suspension and Termination of membership**

5. Apart from the above penalties the MSD can suspend or in consultation with CMDA terminate the Clearing membership in the following cases:
  - a) failure to maintain membership qualification requirements;
  - b) a Clearing Member's operation and financial status are such that they may cause damage to securities clearing and settlement among members.
6. Clearing Members whose membership has been terminated are liable to pay back any outstanding debts owed to the MSD.

### **Settlement**

7. Trades executed at MSE by the Clearing Members in all the securities will be settled by MSD by payment of monies on T+1 and delivery of securities on T+2 basis (PvD). All deliveries of securities are required to be routed through the Depository services of MSD.
8. The Pay-in /Pay-out of funds based on the settlement schedule and that of securities based on trade list issued on T by the MSE are settled on T+2.

9. **Trading**

Investors must open an MSD Account before trading and deposit securities into the MSD Account if selling. Clearing members may facilitate this on the investor's behalf with their authority.

10. The Clearing Members are required to give orders and orders are checked against MSD Accounts to verify the securities and availability. MSE is required to give instructions to the MSD specifying details such as Trade no, settlement no., effective pay-in date, quantity, etc. This way the delivery of securities and payment can be guaranteed.

**Securities transfer:**

11. In case of demat securities, based on trade list and settlement schedule, securities are debited and credited by the MSD in the MSD Accounts of the beneficiary. The MSE has provided a facility to the Clearing Member to check the depository accounts of their clients. MSE instructs MSD, to debit securities from the sellers A/c and to credit the securities to the buyer's A/c (Beneficiaries A/Cs).

**Payment- out:**

12. A clearing function with the Bank of Maldives Plc has been established.
13. The bank accounts of Clearing Members are maintained with the clearing bank and are directly debited through settlement schedule for their funds settlement obligations.
14. In case of those Clearing Members, whose payment obligations are not cleared at the scheduled time, action such as levy of penalty and/or deactivation of trading is initiated as per penalty norms prescribed.

**Payment- in:**

15. The bank accounts of the Clearing Members having pay-out of funds are credited by the MSD with the Clearing Bank (BML) on the pay-in day itself (T+1). If the buyer does not pay before T + 1 then the MSE can instruct MSD to deliver the securities to the Clearing Member account in the MSC so that the member can recover the default.

