

# MERJ EXCHANGE LIMITED

## Market Rules Directive 2: Off Exchange Transfers Directive

Issued on 26<sup>th</sup> August 2016

Effective from 26<sup>th</sup> August 2013

### 1. Purpose and Principle

This Directive is issued in accordance to section 1.5 of MERJ EXCHANGE Market Rules in relation to permitted “Off Exchange” transfers of equity securities and debt securities listed on MERJ EXCHANGE.

### 2. Definitions

The definitions contained in the MERJ EXCHANGE Listing Requirements and MERJ EXCHANGE Market Rules are applicable to this Directive and are incorporated by reference. For the ease of reference, key terms used in these Directives are reproduced below.

“**clearing agency**” means a company that is licensed and regulated in Seychelles or a recognised jurisdiction for the provision of clearing and settlement services of securities.

“**issuer**” means in relation to any securities, the person by whom they have been or are to be issued;

“**match trade**” or “**matched trade**” means any trade that has been matched on the MERJ EXCHANGE ATS during the continuous trading period or auction period matching processes in a listed security which then becomes a matched trade and is legally binding;

“**off-market trade**” means a transaction in a listed security that is not matched on the MERJ EXCHANGE ATS, which is subsequently reported and accepted on the ATS of MERJ EXCHANGE;

“**securities depository**” means a company which holds a securities facility license under Section 41 of the Seychelles Securities Act or is similarly licensed to act as a securities depository by law of a recognised jurisdiction which provides securities depository services in respect of the securities and products that are traded on a designated market.;

“**trade**” or “**transaction**” means a matched trade or an off-market trade in respect of a listed security and “trading” shall be construed accordingly.

### 3. General Provisions

Section 84A of the Companies Act provides that all shares and debentures of a company listed on the Seychelles Securities Exchange or a recognised securities exchange have to be transferred by electronic means in accordance with the approved rules of the clearing agency, the recognised overseas clearing agency or the securities facility.

An admission to the Official List of Securities of MERJ EXCHANGE means the entire class of securities is listed and therefore all transactions in securities listed on MERJ EXCHANGE must be conducted in accordance with the Market Rules.

The two basic means where ownership of a security listed on MERJ EXCHANGE may be legally transferred from one person to another is through a **Matched Trade** or an **Off-Market Trade**.

Both **Matched Trades** and **Off-Market Trades** are conducted on or are otherwise reported through the MERJ EXCHANGE Automated Trading System (ATS) and are considered to be “On Exchange” transactions.

Ownership of a security listed on MERJ EXCHANGE may also be transferred “Off Exchange” which does not involve a clearing agency of MERJ EXCHANGE. Section 4 below describes the specific circumstances where Off-Exchange transfers are permitted by MERJ EXCHANGE.

### 4. Permitted Off Exchange Transfers

Off-Exchange transfers in securities listed on MERJ EXCHANGE are only permitted in the following circumstances where **affected by operation of law** without consideration subject to approval of the respective issuers.

This includes exceptional circumstances of transfers by operation of law such as:

- (i) **Succession**; and
- (ii) **Re-organisation/restructuring of corporations**

“**Affected by operation of law**” refers to an automatic legal process (e.g. an order of a Court having jurisdiction) by which an effect or result or liability or rights is created or extinguished whether the affected party intended it or not.

“**Succession**” refers to the passing on of assets of the estate of a deceased person or similar and includes the passing of assets by virtue of entering or dissolving a civil partnership.

“**Re-organisation/Restructuring**” refers to a consolidation or merger of two or more constituent companies or a split of a company into two or more companies.

## 5. Off Exchange Transfer Procedure

Below outlines the process whereby the ownership of securities may be transferred “Off-Exchange”:

1. The person acquiring ownership of the listed securities of an **Issuer** by operation of law must first provide proof of same to the Issuer or its appointed Company Secretary to the satisfaction of the **Issuer** or its appointed Company Secretary.
2. The **Issuer** or its appointed Company Secretary must then submit a request to the relevant securities depository maintaining the Uncertificated Securities Register for the listed securities of the Issuer along with supporting documentation and any other information as may be required by the securities depository to effect the “Off-Exchange” transfer.
3. The securities depository must then notify the MERJ EXCHANGE Head of Markets Regulation of the request by forwarding copies of the supporting documents and relevant forms to [regulation@merj.exchange](mailto:regulation@merj.exchange) who will then ensure that the requested transfer is a permitted Off-Exchange transfer.
4. Provided that the transfer is a permitted Off-Exchange transfer, the Head of Markets Regulation will notify the securities depository and approve for the securities deposit to effect the Off-Exchange transfer. In the case where the Head of Markets Regulation does not approve for the transfer to be effected, the Head of Markets Regulation must provide a written response to the securities depository specifying the reasons why the transfer cannot be effected.
5. In effecting the off-Exchange transfer, the securities depository must update the Uncertificated Securities Register and where the transferee has a securities accounts, update the relevant accounts, no later than 30 minutes after the closing of the market.
6. Where the securities accounts are maintained by one or more service providers, the securities depository must notify the relevant service provider(s) of the changes in ownership in accordance with any agreed time frame between the parties but in any case such that the changes are reflected in the securities accounts no later than 30 minutes prior to the next opening of market.

## 6. Off-Exchange Transfer Fee

MERJ EXCHANGE shall not charge any fee for a permitted Off Exchange transfer. Any applicable fees chargeable by the MERJ EXCHANGE approved service provider holding the Uncertificated Securities Register shall be payable separately in accordance with the relevant fee schedule of the services provider.