

Rwanda

Regulation on Capital Markets Principles Regulation 5 of 2012

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Regulation on Capital Markets Principles
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Rwanda

Regulation on Capital Markets Principles

Regulation 5 of 2012

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Assented to on 6 June 2012

Commenced on 2 July 2012

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Pursuant to the Law N° 11/2011 of 18/05/2011 establishing the Capital Markets Authority especially in its articles 3 & 4;

Pursuant to the Law N° 01/2011 of 10/02/2011 regulating the Capital market, especially in its article 74;

Pursuant to the Law N° 40/2011 of 20/09/2011 regulating the Collective Investment Schemes especially in its article 64,

The Capital Market Authority hereinafter referred to as the “AUTHORITY”, decrees:

Chapter 1

Preliminary

Article 1 – Purpose

These Principles are hereby established to guide the capital market practitioners so as to transact capital market business with the highest degree of professionalism.

Article 2 – Definitions

In these principles, unless the context otherwise so requires:

“**Act**” means the [law No 01/2011](#) of 10/02/2011 regulating the Capital market in Rwanda;

“**Capital markets business**” has the same meaning as in Annex 1 of the Act;

“**Client**” in relation to a licensed or approved person means a person who is using, or who is or may be contemplating using, any of the services provided by the licensed or approved person;

“**Client assets**” are any assets that a firm receives from or holds for, or on behalf of, a client in the course of its capital markets business including client money;

“**Authority**” means the Capital Market Authority;

“**Director**”, in relation to a body corporate, includes a person occupying in relation to it the position of a director (by whatever name called) and any person in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors of that body are accustomed to act;

“**Licensed person**” has the same meaning as in the Act;

“**Senior management**” in relation to a licensed or approved person is an individual other than a director who is employed by a firm to whom the governing body of the firm has given responsibility, either alone or jointly with others, for management and supervision and who reports either directly to the governing body or to the chief executive or to the head of a business unit or to equivalents thereof.

Article 3 – Scope of the Principles

These Principles apply directly to the conduct of capital markets business by all licensed and approved persons when undertaking capital markets business in Rwanda. A firm is responsible for the compliance with these principles of any person to whom it subcontracts any function or task in carrying out its capital markets business.

Chapter II The Capital Market Principles

Article 4 – Capital Market Principles

The following are the principles that should be adhered to by all licensed and approved persons while conducting capital market business;

- (1) A firm must conduct its business with integrity.
- (2) A firm must conduct its business with due skill, care and diligence.
- (3) A firm must take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems.
- (4) A firm must maintain adequate financial resources.
- (5) A firm must observe proper standards of market conduct.
- (6) A firm must pay due regard to the interests of its clients and treat them fairly.
- (7) A firm must pay due regard to the information needs of its clients, and communicate information to them in a way that is clear, fair and not misleading.
- (8) A firm must manage conflicts of interest fairly, both between itself and its clients and one client and another client.
- (9) A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely on its judgment.
- (10) A firm must arrange adequate protection for clients' assets when it is responsible for them.
- (11) A firm must deal with the Authority in an open and cooperative way, and must disclose to the Authority appropriately anything relating to the firm of which the Authority would reasonably expect notice.

Article 5 – Responsibility for compliance with Principles

Directors and senior management of licensed and approved persons:

- i. must ensure that its regulated business is conducted in compliance with these Principles;
- ii. Must identify and maintain a clear and appropriate apportionment of responsibilities among its directors and senior managers in such a way that the business and affairs of the firm can be adequately monitored and controlled by the directors, senior managers and governing body of the firm.
- iii. Must record the allocation of such responsibilities and any changes made to these in a complete and timely manner.

Chapter III

Principles for directors and senior management

Article 6 – Principles guiding directors and senior managers

A person who is a director or a member of senior management of a licensed or approved firm undertaking capital markets business in Rwanda must:

- i. Act with integrity in carrying out his or her responsibilities;
- ii. Act with due skill, care and diligence when carrying out his or her responsibilities;
- iii. Observe proper standards of market conduct;
- iv. Deal with the Authority in an open and cooperative way, and must disclose to the Authority appropriately anything relating to the firm of which the Authority would reasonably expect notice;
- v. Take reasonable steps to ensure that the business of the firm for which he or she is responsible is organized so that it can be controlled effectively;
- vi. Exercise due skill, care and diligence in managing the business of the firm for which he or she is responsible;
- vii. Take reasonable steps to ensure that the business of the firm for which he or she is responsible complies with all the relevant requirements and standards of the regulatory system.

Article 7 – Clarity of responsibility

A firm must appropriately allocate to one or more individuals the responsibility for:

- i. Dealing with the apportionment of responsibilities required under these Principles;
- ii. Oversight of the establishment and maintenance of systems and controls required under Principle (3).

Such allocation shall be recorded and records of such allocation shall be kept up to date.

Article 8 – Repealing inconsistent provisions

All prior regulatory provisions contrary to this regulation are hereby repealed.

Article 9 – Commencement

This regulation shall come into force on the date of its publication in the Official *Gazette* of the Republic of Rwanda.