

Rwanda

## Regulation on the Operations of the Central Securities Depository Regulation 4 of 2017

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## Rwanda

# Regulation on the Operations of the Central Securities Depository

## Regulation 4 of 2017

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Pursuant to Law n° 55/2007 of 30/11/2007 governing the Central Bank of Rwanda, especially in Articles 6, 56 and 57;

Pursuant to the Law n° 26/2010 of 28/05/2010 governing holding and circulation of securities especially in Articles 8, 9 and 10;

The National Bank of Rwanda hereinafter referred to as “the Central Bank”, decrees:

### Chapter One General provisions

#### Article one – Purpose

The objective of this regulation is to specify the conditions for the operations of the Central Securities Depository and activities related to transactions in book-entry securities.

#### Article 2 – Definitions of terms

In this regulation, the following terms and expressions shall mean:

1. “**Authority**” the public institution responsible for regulating the capital market in Rwanda;
2. “**CSD**” means Central Securities Depository;
3. “**Securities account holder**” means an individual or institution that holds an account in the CSD;
4. “**CSD participant**” means an institution licensed by the Central Bank to transact in securities held in the CSD;
5. “**Issuer**” means the entity which issues securities or offers securities for sale to the public;
6. “**Pledgee**” means a lender or the one who gives a loan to a Securities account holder;
7. “**Pledgor**” means a Securities account holder who requests to pledge securities in favor of a lender;
8. “**Registrar**” means a company registrar engaged by a company for keeping the register of members and shareholders and performing other related auxiliary functions for the company;
9. “**Stock exchange**” means the Rwanda Stock Exchange or any other stock exchange duly recognized or authorized to operate in the Republic of Rwanda;
10. “**T**” means the day on which a trade takes place on a stock exchange

## **Chapter II**

### **Holding securities in the Central Securities Depository**

#### **Section One – Central Securities Depository accounts**

##### **Article 3 – Central Securities Depository accounts**

The Central Bank may establish different types of Central Securities Depository (CSD) accounts for different classes of persons or securities.

Every Central Securities Depository participant shall open and maintain one or more accounts in the CSD for the recording of the credit or credit of securities and for dealing in such securities.

No person shall deal in book-entry securities unless such person holds a Securities account.

##### **Article 4 – Application for a Securities account**

CSD participants shall open securities accounts by complying with the requirements prescribed in the CSD operational procedures.

Clients or investors shall open Securities accounts through licensed CSD participants.

CSD participants shall ensure that all individuals and institutions that wish to open Securities accounts comply with the requirements prescribed in the CSD operational procedures.

CSD participants and clients or investors may hold multiple accounts in the CSD.

##### **Article 5 – Underwriters to open Securities accounts**

A person intending to underwrite any security proposed to be listed on a stock exchange, or any rights issue in respect of any book-entry security, shall open a Securities account in CSD.

##### **Article 6 – Trust accounts**

The Central Bank may require an applicant for a Securities account to disclose whether the securities in relation to such account are held as trustee for a third party beneficiary and to disclose the particulars of such beneficiary.

##### **Article 7 – Terms for holding Securities accounts**

The Central Bank shall prescribe the terms for opening, executing transactions and carrying out any other functions in relation to the Securities accounts.

A CSD participant, issuer or client shall not be permitted to vary, delete, amend or include any term or condition in the aforesaid terms without the prior written approval of the Central Bank.

A CSD participant shall not enter into any additional agreement, whether supplemental or principal, with depositors, which may exclude, exempt, disclaim, reduce, limit or waive any liability for loss damage or liability on the part of the participant for any willful act, omission, neglect fraud or error in relation to CSD transactions.

##### **Article 8 – Updating and closure of Securities accounts**

The Central Bank shall prescribe procedures for—

- (a) Updating Securities accounts;



- (c) Closing Securities accounts.

*[Please note: numbering as in original.]*

### **Article 9 – Securities in CSD to be held in book entry form**

Securities shall be held in the CSD in book entry form as dematerialized securities.

### **Article 10 – Ownership of securities held on Securities account**

Unless prescribed differently in the Law governing the holding and circulation of securities, the securities in the CSD are the property of the Securities account holder and shall not under any circumstances be deemed to be the property of the Central Bank or the CSD participant under whom the account was opened and is managed.

### **Article 11 – Securities held in CSD**

Securities deposited into the CSD shall be held in custody for the clients to whose accounts the securities are credited.

A deposit of securities into the CSD by an issuer shall not constitute a transfer of any beneficial interests to the Central Bank or the CSD participant under whose account the securities are managed.

The Securities account holder to whose account the securities are credited shall be entitled to all rights and benefits and be subjected to all liabilities in respect of the said securities.

### **Article 12 – Change of the CSD participant**

A Securities account holder may change CSD participant through the securities held one to another CSD participant.

A transfer shall be effected in accordance with procedures prescribed in the CSD operational procedures.

Where the CSD participant refuses or neglects to authorize the transfer of securities as instructed by the client, the provisions in this regulation on refusal to act by CSD participants shall apply.

## **Section 2 – Deposit of securities during Initial Public Offer (IPO)**

### **Article 13 – Deposit of securities by issuers during IPO**

Issuers of securities to be offered to the public shall deposit securities in the CSD in accordance with the procedures prescribed in the CSD operational procedures.

Investors wishing to subscribe for shares during an Initial Public Offer or other subsequent offer and who do not already hold a Securities account shall first open an account through a CSD participant.

Provision will be made by the issuer to enable applicants who do not already hold Securities accounts with the CSD or who wish to open accounts for the proposed issue to complete account opening forms, in order to open such accounts together with the application for shares.

Investors who subscribe for securities of issuers during the Initial Public Offer will be obliged to accept that the securities allotted to them will be deposited on their Securities accounts.

Every Investor shall indicate his securities account number on the share subscription form or fill out and submit a Securities account opening form and submit the same through a CSD participant. Such new account shall be opened before the allocation of securities.

After securities allocation, the issuer shall notify each successful applicant that the number of shares allotted or allocated to him has been credited to his or her Securities account.

Nothing herein provided shall be deemed to relieve the issuer of its duties and obligations in relation to processing of applications, allotment of securities and appointment of agents for any securities issued.

### **Section 3 – Securities prescribed for immobilization**

#### **Article 14 – Prescription of securities for immobilization**

Where a security has been prescribed for immobilization, the issuer of the securities, shall in consultation with the Authority, the stock exchange and the Central Bank, determine and approve—

- (a) the eligibility of a security for immobilization;
- (b) the notification procedures;
- (c) the transitional matters; and
- (d) the immobilization date.

Where a security has been prescribed as an eligible security for immobilization, the issuer shall, prior to the immobilization date, serve a public notice to all securities holders informing them—

- (a) that the security in question has been prescribed for immobilization;
- (b) about immobilization date;
- (c) about immobilization procedures;
- (d) about Securities account opening procedures, for those who do not have Securities accounts.

A public notice issued under this article shall be published in at least two daily newspapers of nationwide circulation.

#### **Article 15 – Procedures for immobilization of securities**

The Central Bank shall prescribe procedures for immobilization of securities in the CSD Operational Procedures and these shall provide for—

- (a) notification requirements;
- (b) transitional matters;
- (c) deposit of certificates;
- (d) any other matters

#### **Article 16 – Deposit of certificates**

Issuers shall deposit securities prescribed for immobilization in accordance with the procedures prescribed in the CSD Operational Procedures.

Securities holders shall deposit certificates of securities prescribed for immobilization with the CSD participants.

A CSD participant shall not accept deposit of certificates of securities other than securities prescribed for immobilization.

The Central Bank shall prescribe procedures for deposit and receipt of certificates of securities prescribed for immobilization in the CSD Operational Procedures.

### **Article 17 – Verification of certificates**

Upon receipt of the deposit form and the securities certificates, the Central Bank, shall forward the certificate to the issuer or a Registrar appointed by the Issuer, for verification and confirmation.

The issuer or the registrar shall confirm the authenticity of the certificates and verify the depositor's signature within two (2) days.

Upon confirmation, the securities in respect of such certificate shall be credited to the securities account of the depositor.

### **Article 18 – Safekeeping of deposit certificates**

The Central Bank shall have adequate measures for safekeeping of deposit certificates of immobilized securities.

CSD participants shall have adequate measures for safekeeping of certificates deposited with them for onward transmission to the Central Bank for immobilization.

### **Article 19 – Deposit Record**

The Central Bank shall keep a record of deposit certificates received from issuers and CSD Participants.

CSD participants shall keep a record of certificates deposited by securities holders.

### **Article 20 – Misplaced, lost or stolen deposit certificate**

A CSD participant shall be liable for any claims in respect of certificates or deposit forms which are misplaced, lost, destroyed or stolen following delivery to the said CSD participant.

Where a security has been prescribed for immobilization, any provisional letter of allotment for a rights issue, submitted to the stock exchange for approval shall contain a statement that—

- (a) the principal security underlying the rights issue has already been prescribed for immobilization;
- (b) where such provisional letter of allotment has been issued to any person who is entitled to the rights, the acceptance of the rights shall mean that the person consents to receiving such securities in book-entry form;
- (c) where such provisional letter of allotment has been issued to any person who is entitled to the rights issue by virtue of the relevant book-entry security which is standing to the credit of his or her Securities account, any person who intends to purchase such rights as are renounced shall have to state his or her Securities account number whereupon such rights shall be credited directly to the securities account in book-entry form.

An issuer shall, upon issuing any securities pursuant to additional issues determine the computation of entitlement based upon the appropriate allocation in proportion to the amount of book-entry securities held in the CSD and deliver to the Central Bank a list of the allottees, and the quantity of securities allotted to them.

Unless otherwise instructed directly by a securities holder to the contrary, the issuer shall, where the securities holder has more than one Securities account for the particular security, allocate such securities into the Securities accounts in such proportion as the security is distributed in the existing account.

An applicant for excess shares arising from an additional issue of securities shall open a securities account, if he does not already hold one.

## **Article 22 – Entries**

The Central Bank shall, upon receipt of the list of allottees pursuant to article 21, credit the respective Securities accounts with the allotted securities as specified therein.

## **Article 23 – Closing books of security prescribed for immobilization**

Where public notice has been given in relation to a security prescribed for immobilization, the issuer shall not fix any date for the closing of books in respect of the making of a rights or bonus issue (or of any other options for such security whereby such date shall fall during the period commencing from the notification date and ending on the ninth business day after the immobilization date.

## **Article 24 – Indemnity**

Every issuer shall fully indemnify, and hold indemnified the Central Bank from all demands, actions and proceedings made by any depositor for any loss suffered by such depositor in respect of or arising from any error in the list of allottees provided that such error did not arise as a result of negligence on the part of the Central Bank.

## **Chapter III Securities transactions**

### **Section One – Settlement of trades**

#### **Article 25 – Verification of ownership**

A CSD participant shall not trade in securities without verifying ownership of the said securities in accordance with the CSD operational procedures.

#### **Article 26 – Good delivery of securities**

A CSD participant shall prior to effecting a transaction ensure that the securities in question are of good delivery and in particular free from any encumbrance, apparent or actual defect in title, redemption, or any other defect.

Any CSD participant who effects a transaction in securities that are not of good delivery shall—

- (a) be liable for any action or damages arising from such transaction;
- (b) be liable to a fine or other penalty as may be prescribed by the Central Bank;
- (c) indemnify the Central Bank from any action arising from settlement of such transaction.

#### **Article 27 – Evidence of book-entry security transactions**

A transaction in a book-entry security held in the CSD, whether accompanied by an instrument or not shall be evidenced or effected by means of an entry in the Securities account.

For the purposes of this article, a transaction in a book-entry security shall include a deposit of an eligible security, a transfer of a book-entry security from one Securities account to another, and designating securities as pledged or released.

## Article 28 – Entries in securities accounts

An entry in a securities account in respect of a transaction shall be deemed to have been made by or with the authority of a CSD participant.

A record of an entry in a securities account in respect of a transaction in book-entry securities shall be *prima facie* evidence of the truth of the matters so recorded.

## Article 29 – Responsibility for transactions in securities accounts

A CSD participant shall—

- (a) be responsible for all transactions made by such participant or its employees or servants in the securities accounts of its clients;
- (b) in respect of any such transactions, fully indemnify such clients for any loss, damage or liability suffered by any depositor arising from any willful act, omission, neglect, fraud or error on the part of such CSD participant, its employees or servants in respect thereof; and
- (c) shall indemnify and hold indemnified the Central Bank against any claim, action or proceeding instituted against it by the Securities account holders or any other third party towards any cost, expense, loss, damage or liability suffered or incurred by the Central Bank as a result of such claim, action or proceeding.

## Article 30 – Provision of record of securities holders to issuer of securities

An issuer of any book-entry security may, by written notice, require the Central Bank to furnish it with a record of the securities holders in whose Securities accounts securities of the issuer are credited as at the date of the notice or at such other date as may be specified in the notice and such record shall—

- (a) be issued within 24 hours of receiving a request;
- (b) state the name, and identification including nationality of the securities holder;
- (c) the number of securities held by the securities holder and date of acquisition of the said securities;
- (d) be available for inspection by any member of the issuer (including a securities) without charge and by any other person on payment of such fees as may be prescribed from time to time by the Central Bank, in respect of each inspection;
- (e) be furnished to a member of an issuer or any other person upon request on such terms including payment of fees as may be prescribed by the issuer.

## Article 31 – Securities holder to be treated as member or debenture holder

A holder of any book-entry security whose name appears in the record of securities holders shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from such security (whether conferred or imposed by the Companies Act, or such other written law or the deed of establishment or the memorandum or articles of association of the issuer, or otherwise as if he were a member or debenture holder registered in the appropriate register, as the case may be, maintained by the issuer of such security, pursuant to the said Act or any other written law.

For the purposes of this article, “book-entry security” does not include a security specified in the securities account as being in suspense.

### **Article 32 – Prohibition of dealings in book entry-securities**

The Central Bank shall not permit any person to purchase, acquire or otherwise deal in book-entry securities in the CSD as principal or agent otherwise than—

- (a) crediting Securities accounts with securities following an IPO or immobilization of prescribed securities;
- (b) in accordance with procedures for trading and settlement of such securities;
- (c) crediting and debiting Securities accounts to correct any errors following reconciliation of positions or holdings;
- (d) in accordance with the resolutions of the issuer and as the case may be, subject to the approval of the Authority or stock exchange, or court or any other body, where applicable, in relation to such securities for purposes of—
  - (i) bonus issues;
  - (ii) share splits;
  - (iii) redemption of securities;
  - (iv) any other transactions following amalgamations, mergers or acquisition;
- (e) procedures in the Act or any other law for transfer and transmission of such securities;
- (f) procedures for collateralization and attachment of securities.

### **Article 33 – Capitalisation, rights issues**

Where an issuer, in relation to any book-entry:

- (a) makes a bonus issue by way of an increase in the total issued capital, or issues securities pursuant to a rights issue or the conversion of any debt securities; or
- (b) issues securities pursuant to an exercise of any right or option to acquire securities in the share capital of the issuer;
- (c) the issuer shall notify the Central Bank accordingly, and deliver a confirmed list of the names of the allottees for purposes of amendment of the securities accounts held by such allottees.

A prospective allottee who does not already have a Securities account shall be required to open one in accordance with the procedures prescribed in the CSD Operational procedures.

### **Article 34 – Transaction reports**

On every market day the stock exchange shall match trades and submit a settlement report to the Central Bank.

The stock exchange shall be responsible for ensuring the accuracy of reports submitted to the Central Bank.

### **Article 35 – Settlement of trades**

Settlement of trades shall be effected through the Securities Central Depository.

### **Article 36 – Settlement date**

Settlement shall be effected on T + 2 as indicated at the date and time of trading.

### **Article 37 – Settlement mode**

Settlement of securities shall be on the basis of delivery versus payment whereby—

- (a) Upon settlement of a transaction, the transferor's securities account shall be debited with the eligible securities being the object of the transaction and the CSD participant's settlement account shall be credited with the corresponding payment therefor.
- (b) Simultaneously, the transferee's securities account shall be credited with the securities being the object of the transactions and the CSD participant's settlement account shall be debited with the corresponding payment therefor.

### **Article 38 – Finality of settlement**

Upon execution of trades, settlement transactions in respect of those trades shall be final and irrevocable.

### **Article 39 – No restrictions**

A CSD participant shall not be permitted to attach any condition or restriction on the settlement of transactions and such conditions and restrictions that are imposed shall be void and ineffective.

### **Article 40 – Good title**

A Securities account holder whose account has been credited with securities in accordance with the settlement procedures of the Central Bank acquires good title to the securities so credited.

The provisions of this article do not prevent any third-party action arising from or in connection with an illegal or un-authorized transaction in such securities.

### **Article 41 – Measures to prevent settlement fails**

A stock exchange shall establish procedures to enable confirmation of trades prior to submitting a settlement report to the Central Bank.

CSD participants shall take measures to confirm trades prior to submission of a settlement report to the Central Bank

### **Article 42 – Measures to address settlement fails**

In the event of a failed settlement the Central Bank shall—

- (a) Immediately inform the failing participant; and
- (b) require the failing participant to either—
  - (i) immediately initiate a buy-in process in accordance with the rules of the stock exchange and deliver the securities or cash to the receiving party within two (2) business days after the intended settlement date or such other period as may be determined by the Central Bank; or
  - (ii) cancel the trade and compensate the receiving participant;

Where a failing participant executes a buy-in in accordance with the provisions in (b)(i), any difference in price between the price at the time of the original trade and execution of the buy-in shall be paid to the receiving party.

A participant that causes settlement to fail:

- (a) shall be liable to pay a fine as prescribed by the Central Bank;

- (b) may be suspended or terminated in accordance with the provisions of the administrative and pecuniary sanctions regulation.

The Central Bank shall report incidences of settlement fails to the Authority and the stock exchange.

## **Section 2 – Reconciliation measures**

### **Article 43 – Central Bank to have adequate reconciliation measures**

The Central Bank shall ensure that it has adequate procedures and controls to—

- (a) conduct at least daily reconciliation of the securities it maintains in the CSD;
- (b) compare for each category of securities in the CSD, the previous end of day balances with settlements made during the day and current end of day balances;
- (c) periodically verify the total number of securities credited to the Securities accounts with the total number of securities deposited into the CSD;
- (d) ensure proper accounting and auditing of accuracy of records;
- (e) ensure timely and accurate reconciliation of holdings; and
- (f) ensure adequate measures for reconciling holdings with foreign CSDs

Where securities cannot be reconciled, the Central Bank shall keep the securities in suspense until reconciliation has been performed.

## **Section 3 – Private transactions in securities**

### **Article 44 – Private transactions**

No entries relating to private transactions shall be entered in the Securities account without the prior approval of the Stock exchange.

### **Article 45 – Settlement of private transfers of securities**

Transfers of eligible securities between custodians and between custodians and their clients where there is no change in beneficial ownership, donations, hereditary transfers (subject to relevant approval), sales on attachment, foreclosures on execution, pledges, free deliveries, loans and other dispositions of eligible securities shall be effected in the CSD operations procedures of the Central Bank.

## **Section 4 – Collateralisation of securities and related matters**

### **Article 46 – The Central Bank and CSD participant’s right of lien**

The Central Bank shall have a lien over a CSD participant’s existing and future account balances in respect of any outstanding obligations by the CSD participant to the Central Bank.

CSD participants shall have a lien over a Securities account holder’s existing and future account balances in respect of any outstanding obligations by the Securities account holder to the CSD participant.



### **Article 47 – Pledging securities**

To secure payments due or the performance of any obligation, a Securities account holder may pledge as collateral, securities held on its own Securities account.

### **Article 48 – Charging pledged securities**

All charges of book entry securities shall be effected through entries in the Central Securities Depository.

A securities holder shall not be required to deliver the physical certificate to the lender as collateral.

A CSD participant shall be under a duty to inform their clients of the nature, implications and risks of pledging securities held in the CSD.

### **Article 49 – Security interest in charged securities**

No security interest in book-entry securities shall be made or created except in accordance with the provisions in these regulations.

Where a book-entry security is pledged by the account holder, (otherwise referred to as “charger” or “pledger”) in favour of any person (otherwise referred to as “the charge” or “pledgee”), the Securities account holder shall submit to the CSD participant a duly filled pledge form.

The CSD participant shall verify the particulars provided on the form and submit the form to the Central Bank.

Upon receipt of the form, the Central Bank shall—

- (a) confirm compliance with the requirements for pledging securities;
- (b) appropriately designate the securities as pledged;
- (c) provide the Securities account holder/pledgor and pledgee with confirmation of pledge.

### **Article 50 – Register of charges**

The Central Bank shall keep a register of charges in respect of securities pledged in the CSD.

### **Article 51 – Prohibition of subsequent charges**

Any security interest in a book-entry security subsequent to any charge, created by the pledgor in favor of any other person shall be void.

### **Article 52 – Prohibition of trading in pledged securities**

Securities in the CSD that have been pledged shall not be traded until the charge in respect of such securities has been discharged.

### **Article 53 – Proceeds and entitlements**

All proceeds and entitlements of pledged securities belong to the pledgor, without prejudice to the right of the pledgor to pledge such proceeds and entitlements.

### **Article 54 – No obligation in respect of underlying contract**

The pledging of securities does not impose an obligation on the Central Bank or CSD participant to monitor, protect, enforce or give effect to any agreement or memorandum made between the pledgor and the pledgee in respect of the debt.

### **Article 55 – Discharge or release of securities**

A security that is the subject of a pledge shall be released or discharged upon receipt of a release form duly executed by pledgee and verified by the CSD participant.

The Central Bank shall notify the Securities account holder, the pledgee and the CSD participant of the release.

### **Article 56 – Foreclosure on pledged securities**

A pledgee shall exercise his or her right of foreclosure in accordance with the applicable laws in Rwanda and the CSD operational procedures.

A pledgee who exercises his or her right of foreclosure, shall be required to indemnify the Central Bank in the event of any wrongful foreclosure of the value of released value.

### **Article 57 – Floating charges**

Nothing in these regulations shall affect the validity and operation of floating charges on book-entries created in favor of a creditor.

## **Chapter III Miscellaneous**

### **Section One – Insolvency of CSD participant or account holders and related matters**

#### **Article 58 – Effect of commencement of insolvency proceedings**

The provisions in Articles 36, 38 and 39 of the law relating to commercial recovery and settling of issues arising from insolvency shall not apply to transactions effected in fulfilment of settlement obligations in the CSD prior to the commencement of insolvency proceedings against a CSD participant or account holder.

#### **Article 59 – Voidance of transactions**

The provisions in Article 50 of the law relating to commercial recovery and settling of issues arising from insolvency on voidance of transactions prior to commencement of insolvency shall not apply to settlement transactions effected in accordance with this regulation prior to commencement of insolvency.

#### **Article 60 – Transfer of securities and funds prior to commencement of insolvency**

The commencement of insolvency proceedings against a CSD participant or Securities account holder shall not prevent securities held on the participants account from being transferred for purposes of effecting a settlement of transactions prior to commencement of insolvency proceedings.

The provisions of article 11 in the law concerning payment system shall apply to transfer of funds in fulfilment of a settlement obligation prior to the commencement of insolvency proceedings.

## **Article 61 – Effect of insolvency on pledged securities**

The insolvency of a CSD participant or account holder in the CSD shall not affect the rights of the pledgee and such rights shall be governed by the law relating to Insolvency in the jurisdiction of the pledgor.

## **Section 2 – Securities held in suspense**

### **Article 62 – Securities in suspense**

The Central Bank may, in its discretion, hold a book-entry security held in any Securities account under suspense, whether on a temporary basis or otherwise, in any of the following circumstances—

- (a) where the stock exchange has suspended trading of the entire issue in respect of such security in such other circumstances as may be prescribed by the Central Bank, the stock exchange or the Authority;
- (b) where a CSD participant has been duly notified about death of a Securities account holder;
- (c) where a request for suspension of such security has been received from the depositor or CSD participant;
- (d) pending reconciliation of positions;
- (e) where the book-entry security is reasonably believed to have been illegally or wrongfully credited to an account;
- (f) pursuant to an investigation in connection with the holding, transacting of securities or other matter in respect of such security;
- (g) where the security has been pledged as collateral;
- (h) where the Central Bank has been served with an order of a court of competent jurisdiction prohibiting any dealing in that book-entry security;
- (i) in such other circumstances as may be prescribed by the Central Bank, the stock exchange or the Authority.

## **Section 3 – Withdrawal and cancellation of securities held in CSD**

### **Article 63 – Prohibition on withdrawal or cancellation of securities**

An issuer of securities that are held in book-entry form in the CSD shall not be permitted to withdraw or cancel such securities where—

- (a) the securities are the subject of a transaction which has not been settled;
- (b) such securities have been pledged;
- (c) such securities are for the time being designated as securities held in suspense;
- (d) any other circumstances as may be prescribed by the Central Bank.

### **Article 64 – Withdrawal of de-listed securities**

Where securities which are immobilized with the CSD cease to be listed on a stock exchange, the Central Bank:

- (a) may at the request of the issuer, continue to hold such securities in book-entry form in the CSD; or

- (b) shall within thirty (30) days of such cessation forward an up-to-date record of securities holders to the issuer of the securities for certification

All liability of the Central Bank and of CSD participants towards Securities account holders shall cease forthwith upon issuance of the record of securities holders to the issuer and cancellation of the securities in the CSD.

### **Article 65 – Cancellation of securities**

The Central Bank shall prescribe procedures for cancellation of securities issued in the CSD where—

- (a) the securities are cancelled by the issuer;
- (b) the securities are redeemed;
- (c) the issuer is wound-up or liquidated;
- (d) there is a change in legal status of the issuer following a merger or amalgamation.

## **Section 4 – Statements, register of holders, records and audit**

### **Article 66 – Register of securities held in CSD**

The Central Bank shall maintain and continuously update a register of securities held in the CSD and such register shall be kept in electronic and hard paper copy format or other durable medium and shall indicate:

- (a) the name of the issuer;
- (b) the date the securities were deposited or created in the CSD;
- (c) the number or amount of securities held in the CSD;
- (d) securities cancelled;
- (e) any other information that the Central Bank may prescribe.

The Central Bank shall provide an issuer or their appointed registrar, a quarterly electronic statement of securities held in the CSD or at any time at the request of an issuer or their appointed registrar.

Where discrepancies in data content occur between a hard paper copy kept by the Central Bank and an electronic form delivered to the issuer, the data on the hard paper copy shall prevail.

Nothing in this article shall constitute the Central Bank as the registrar of an issuer.

### **Article 67 – Register of securities holders**

The Central Bank shall produce and maintain a ledger report on all securities accounts. The report shall be in the form of a statement which shall contain the following information:

- (a) The name of the securities holder or beneficial owner (where applicable);
- (b) The quantity of securities held;
- (c) The portion of the securities that may have been pledged;
- (d) The balance of securities available for transfer;
- (e) any other information that may be prescribed by the CSD operational procedures.

### **Article 68 – Account statements**

The Central Bank shall issue to all issuers or their appointed registrars and CSD participants quarterly and annual statements of accounts in such manner as may be prescribed by the CSD operational procedures.

A Securities account holder may, at any time, by written notice, require a CSD participant to issue to him or her a statement of account in respect of all or any of the book-entry securities credited to his or her account.

The CSD participant shall, on receipt of a written notice, issue the account holder the statement of account so required within 24 hours.

A statement of account issued under this article shall be *prima facie* evidence of the matters specified in the statement of account.

### **Article 69 – Duty to keep records**

The Central Bank shall keep or cause to be kept in paper copy or electronic format, for a period of not less than 10 years, such records and accounts of the CSD, in sufficient detail, so as to show particulars of—

- (a) all securities created and cancelled in the CSD;
- (b) particulars of Securities account holders;
- (c) transactions in relation to securities held in the CSD including
  - i transfer of securities from one account to another;
  - ii settlement transactions;
  - iii pledging of securities;
  - iv any other transactions in respect of securities held in the CSD.

CSD participants shall keep or cause to be kept in paper copy or electronic format, for a period of not less than 10 years, such in relation to their own and their client's accounts in sufficient records as to show—

- (a) particulars of accounts holders;
- (b) securities held;
- (c) transactions in securities
- (d) such other information as the Central Bank may prescribe from time to time

### **Article 70 – Audit of records and accounts**

The Central Bank shall, at the end of every financial year cause an audit to be conducted in respect of the CSD and shall include—

- (a) a verification of the accuracy of the details shown in such records or accounts; and
- (b) a stock count of all certificates held in the CSD.

## **Section 5 – Security measures, confidentiality and business continuity**

### **Article 71 – Security measures**

The Central Bank shall take all reasonable measures to—

- (a) prevent the un-authorized creation or deletion of securities in the CSD;

- (b) protect information and documents relating to the affairs of the Securities account holders, and in particular, relating to their securities accounts, against any un-authorized access thereto by unauthorized persons.

### **Article 72 – Duty to maintain secrecy**

Subject to provisions in any other law—

- (a) no officer of the Central Bank or of a CSD participant, whether during his tenure of office or during his employment or thereafter;
- (b) no person who has access by any means to any information or document whatsoever relating to the affairs of any of the Securities account holders, and in particular in relation to their securities accounts;

shall, without the express consent of the account holder, give, divulge, reveal or otherwise disclose such information or document to any person.

No person who has any information or document which to his knowledge has been disclosed in contravention of this article shall in any manner howsoever disclose the same to any other person.

### **Article 73 – Confidentiality**

The Central Bank, CSD participants and their employees, servants or agents shall safeguard all confidential information about the CSD, CSD participants and securities holders obtained by virtue of the operation of the CSD.

The provisions in this article shall not apply to any information that may be in the public domain.

### **Article 74 – Computer failure**

A CSD participant or the Stock Exchange shall immediately notify the Central Bank in case of failure of a terminal or other system of the CSD.

The Central Bank shall immediately notify any CSD participant or the Stock Exchange which may be affected by a failure of the CSD computer system.

The Central Bank shall at all times ensure there are adequate back up facilities to ensure that data of Securities account holders and transaction records are not lost and that its operations can resume without unreasonable delay in the event of a computer failure or other disruption of any kind.

### **Article 75 – Access to CSD computer system**

The Central Bank may grant access to the CSD computer system to a stock exchange on which the book-entry securities are listed, the Authority CSD participants and any other person as it may determine.

The Central Bank may, for the purpose of regulating access to the CSD computer system, determine the extent to which any user or class of, users may have, or should be prohibited from having, access to such system.

The Central Bank may prescribe IT, operational, and other requirements for CSD participants and other persons granted access to the CSD computer system.

The Central Bank shall periodically review access to the CSD computer system and controls to determine any risks or threats to the system and take appropriate measures to address them.

### **Article 76 – Un-authorized access to CSD computer system**

No person—

- (a) who, being a user, shall unlawfully gain access, or attempt to gain access, to the CSD computer system, whether by means of any device or apparatus forming part of the computer system or by any other means beyond the extent to which he or she is authorized to have access; or
- (b) shall unlawfully access, or attempt to gain access, to the CSD computer system, whether by means of any device or apparatus forming part of the computer system or by any other means;
- (c) shall unlawfully interfere with, or impede, or attempt to interfere with or impede, the operation of a CSD computer system.

### **Article 77 – Business continuity measures**

The Central Bank shall have adequate measures to ensure business continuity in the event of an abnormal external or other event that threatens the operations of the Central Securities Depository.

## **Section 6 – Suspension and termination of CSD participant and closure of accounts**

### **Article 78 – Termination by CSD participant**

A CSD participant may notify the Central Bank in writing of intention to withdraw from participation in the CSD. The notice shall—

- (a) be copied to the Authority and stock exchange;
- (b) be given at three months prior to the date of intended termination of participation;
- (c) provide measures to transfer clients to other CSD participants;
- (d) provide measures for closure of the participants accounts;
- (e) provide assurance of continued compliance with confidentiality, secrecy and record keeping requirements;
- (f) provide any other information that the Central Bank may require.

### **Article 79 – Suspension or termination by the Central Bank**

Where a CSD participant is suspended or terminated, the Central Bank shall in consultation with the Authority and Stock exchange—

- (a) appoint a CSD participant who shall be authorized to handle all outstanding or impending contracts, transactions, transfers or other approved functions of such CSD participant;
- (b) take all appropriate measures to restrict access to the CSD computer system by such participant;
- (c) arrange for the transfer of accounts to another CSD participant;

require the participant to provide records of Securities account holders under its management to the appointed CSD participant;

### **Article 80 – Closure of accounts**

The Central Bank shall close accounts of CSD participants—

- (a) within 14 days of termination of a CSD participant license;

- (b) within 14 days of the termination date specified in the notice in article 78; and
- (c) on any earlier date where the Central Bank deems it necessary to do so.

The Central Bank, shall prior to terminating a Securities account ensure that any outstanding transactions or matters in relation to such CSD participant accounts have been resolved.

### **Article 81 – Outsourcing functions**

The Central Bank may outsource any of the functions stipulated in article 5 of the law governing the holding and circulation of securities subject to—

- (a) satisfying itself that the third party has the capacity and competence to perform the service;
- (b) conducting a comprehensive assessment of the impact on CSD systems and controls and the potential risks of outsourcing the service and measures to mitigate those risks;
- (c) ensuring that it has access to relevant information in relation to the outsourced services; and
- (d) ensuring that the terms and conditions of outsourcing the services are clearly defined.

Responsibility for any outsourced functions remains with the Central Bank

### **Article 82 – Cooperation and exchange of information**

The Central Bank shall prescribe procedures for cooperation and exchange of information with the stock exchange, the Authority, foreign CSDs and regulators and any other relevant bodies.

### **Article 83 – Fees**

The CSD participants shall pay licensing and other fees as may be prescribed by the Central Bank.

### **Article 84 – Power to conduct investigations**

The Central bank may—

- (a) on its own motion;
- (b) upon receiving a complaint;
- (c) at the request of the stock exchange or the Authority;

conduct an investigation into CSD related activities or transactions.

The Central Bank shall notify the stock exchange and the Authority of any investigations it intends to carry out and where necessary, request the stock exchange or the Authority to nominate a person to form part of the investigation team.

A person or team appointed to conduct an investigation under this article shall:

- (a) have powers to summon any Securities account holder, employee, servant or agent of a CSD participant or person granted access to CSD system;
- (b) access to any documents or computers or other items deems necessary for purposes of conducting the investigation;
- (c) have powers to enter premises and conduct a search in accordance with the relevant laws in Rwanda.



### **Article 85 – Duty to notify Central Bank of refusal to act**

Where a CSD participant who is a member of a stock exchange refuses to act on the instructions of any of its account holders, in carrying out any of its functions related to transactions in book - entry securities by reason that the account has defaulted or is about to default on his or her obligations relating to any trade order or otherwise, it shall be the duty of the CSD participant to notify the Central Bank, and where reasonably possible the Securities account holder, immediately stating the reason for such refusal.

### **Article 86 – Instruction of Central Bank for the CSD Participant to act**

Where the Central Bank, after investigating the matter, is not satisfied with the reason given by the CSD participant for its refusal to act, it may, in consultation with the stock exchange instruct such CSD participant to carry out the Securities account holder's instructions or direct the CSD participant to act appropriately to resolve the matter.

### **Article 87 – Announcements**

Every issuer shall, immediately upon making an announcement in accordance with the listing requirements of the stock exchange where the securities are listed, relating to distribution of any additional securities or rights therein, deliver a copy of such announcement to the Central Bank.

### **Article 88 – Limiting liability of the Central**

When acting in good faith and without negligence, the Central Bank shall not be liable to any CSD participant or Securities account holders for—

- (a) any loss of opportunity, profit, market, goodwill, interest or use of money or securities;
- (b) any other special, indirect or consequential loss, damage, expense, liability or claim;

which is suffered or incurred by any CSD participant or holders of securities accounts under its management arising from or related to the services.

### **Article 89 – Force majeure**

The Central Bank shall not be held liable to indemnify any aggrieved party for any delay, loss, damage or failure of performance in the event of any act of God, act of public enemy, war, insurgency, riot, labour disputes or any other reason or cause whatsoever beyond its reasonable control.

### **Article 90 – Third party rights**

Any rights, interests, obligations, responsibilities and claims arising from or relating to a CSD participant license shall not be transferred, pledged or assigned to any third party without the consent of the Central Bank.

### **Article 91 – Complaints**

The Central Bank shall prescribe procedures for handling complaints in relation to CSD services.

### **Article 92 – Notices**

All notices or other communication required under this regulation shall be made in writing or other durable medium as the Central Bank may prescribe.

### **Article 93 – Right of appeal**

Any person aggrieved by a decision of the Central Bank in relation to CSD activities may appeal to the Commercial Court.

## **Chapter IV Final provisions**

### **Article 94 – Repealing provision**

All prior regulatory provisions inconsistent with this Regulation are hereby repealed.

### **Article 95 – Commencement**

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