

Securities Listing and Trading Rules

In exercise of the powers conferred by section 116 of the Securities Act 2063 (2007), the Securities Board of Nepal hereby makes the following rules, namely: -

Chapter-1

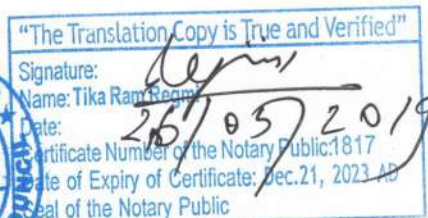
Preliminary

1. **Short title and Commencement:** (1) These rules may be called "Securities Listing and Trading Rules, 2075 (2018)."

(2) They shall come into force on the date as indicated by the Board.

2. **Definitions:** In these rules, unless the subject or context otherwise requires: -

- (a) "Act" means the Securities Act 2063(2007)
- (b) "trading system" means an automated electronic trading system set up by a stock market pursuant to rule 12 to carry on securities' trading;
- (c) "customer" means a person to tender an order to sale and purchase of securities or obtain any services on sale and purchase of securities;
- (d) "Board" means the Securities Board of Nepal established pursuant to section 3 of the Act;



- (e) "stock broker" means a body corporate or company licensed by the Board as a stock broker;
- (f) "merchant banker" means a body corporate or company licensed by the Board as a merchant banker or market maker;
- (g) "stock exchange" means a body corporate licensed by the Board to operate stock exchange;
- (h) "clearing and settlement" means an act of getting securities upon paying money and vice-versa involved in trading thereof;
- (i) "bye-laws" means the Securities listing and trading bye-laws made by a stock exchange;
- (j) "listed body corporate" means a body corporate whose securities are listed on a stock exchange.


Chapter-2

Listing, Suspension and Cancellation of Securities

3. **Securities to be Listed:** (1) a body corporate wishing to carry on trading of securities through stock exchange shall get the same listed on the respective stock exchange.

(2) a body corporate shall make an application to the Board to get securities listed as per sub-rule (1) within seven days from the endorsement date of prospectus for public offering, and the same shall be communicated to the Board.

(3) documents and particulars as referred to in bye-laws shall be accompanied with the application made pursuant to sub-rule (2).

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4. **Qualifications required for Listing of Securities:** (1) qualifications of a body corporate wishing to get securities listed pursuant to rule 3 shall be as follows: -

- (a) a body corporate having registered at the Board;
- (b) having issued securities publicly;
- (c) having fulfilled qualifications referred to in bye-laws;

(2) notwithstanding anything contained elsewhere in these rules, a stock exchange, with approval of the Board, may make a separate provision about the listing of government bond.

5. **Listing Agreement to be Made:** (1) a body corporate shall enter into a listing agreement with a stock exchange to get securities listed in accordance with these rules.

(2) the following particulars shall be stated in the listing agreement as referred to in sub-rule (1): -

- (a) detailed particulars about a body corporate and securities to be listed thereon;
- (b) provision about submission of sensitive information and notice connected to price and trading of securities to the Board;
- (c) provision about dissemination of financial and other information, notice and particulars of a body corporate;
- (d) commitment to comply with provisions about corporate governance issued by the Board;

(e) other particulars prescribed from time to time by the Board.

6. **Classification of listed body corporate:** a stock exchange shall, on the following basis, make classification of listed body corporate in "A", "B", "G" and "Z" class:

- (a) paid-up capital;
- (b) period for listing of securities;
- (c) distribution of dividend;
- (d) rating made by a credit rating agency;
- (e) whether financial statements are prepared in a format as prescribed by a regulatory agency;
- (f) whether general meetings are held on scheduled time.

7. **Listing may be suspended:** a stock exchange may suspend listing of securities of a body corporate on any of the following conditions:

- (a) having failed to make payment of listing fee as referred to in rule 5;
- (b) having failed to furnish sensitive information and notice connected to price as well as trading of securities within timeframe as referred to in agreement;
- (c) having furnished wrong information to the stock exchange or changed thereof from time to time.
- (d) having failed to furnish annual and semi-annual reports in a given time.

(2) the Board may issue direction to the stock exchange to suspend listing of securities of a body corporate to protect the interest and maintain the fairness of the market, if it deems fit doing so.

(3) the stock exchange shall provide a notice stating therein reasons of suspension to the concerned body corporate upon suspending the listing of securities due to any reasons as referred to in sub-rules (1) and (2).

(4) upon suspending the listing of securities due to any reasons as referred to in sub-rules (1) and (2) by the stock exchange, a notice thereof shall be communicated to the Board at once or prior to commencing following day's trading.

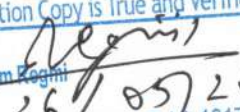
8. **Voluntary Suspension of Listing:** (1) a body corporate wishing to suspend listing of securities voluntarily shall make an application to the concerned stock exchange and a notice thereof shall be communicated to the Board.

(2) the following conditions shall be met by a body corporate prior to making the application pursuant to sub-rule (2):

- (a) having held the general meeting;
- (b) having consented to a decision on voluntary suspension of the listing of securities by at least ninety percent of shareholders present in the general meeting as referred to in clause (a);
- (c) having made a decision with regard to purchase price and procedure thereof to purchase the securities by promoters of a body corporate owned by them who voted against the voluntary suspension of the securities in the general meeting as referred to in clause (a);

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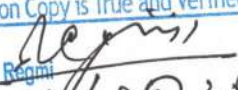
- (d) having purchased at least fifty-one percent of the shares who stayed absent in the general meeting as referred to in clause (a);
- (e) having carried out due diligent audit of assets and liabilities.

(3) voluntary suspension of securities shall be made upon making necessary inquiry into the application made pursuant to sub-rule (2), if deemed fit.

(4) a notice on voluntary suspension of securities shall be communicated to the Board and investors at once.

9. **Delisting of securities may be made:** (1) a stock exchange may delist of securities of a body corporate on any of the following conditions: -

- (a) delist securities of a merging body corporate where two corporate bodies have been merged;
- (b) delist securities of the then body corporate where listing of a new corporate body established by way of merging already listed body corporates is made;
- (c) delist securities of a body corporate having ownership of government of Nepal, if requested by a concerned agency;
- (d) delist securities of a body corporate liquidated or received the same notice thereof;
- (e) delist securities of a body corporate that kept suspended by a stock exchange for a period of two years continuously by way of failing to pay annual listing fee;

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(f) delist securities as directed to a stock exchange if a body corporate has not complied with orders or directions issued by the Board.

(2) if securities of a body corporate kept delisted pursuant to sub-rule (1), the same shall be made public at once and a notice thereof be also published in at least two national level daily newspapers.

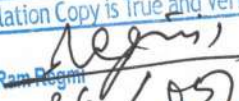
(3) board of directors, chief executive officer or a post equivalent thereof working in a body corporate that went liquidated pursuant to clauses (e) and (f) of sub-rule (1) shall be regarded as disqualified for a period of three years from the date of liquidation to hold the same posts in any organization to be licensed by the Board or a body corporate whose securities are kept registered thereon.

10. **Re-listing may be made:** securities may be re-listed of other corporate bodies except those whose securities kept delisted as referred to in clauses (a), (b), (c), and (d) of sub-rule (1) of rule 9.

Provided that securities of a body corporate shall not be re-listed until the completion of one-year period from the delisting date thereof.

11. **Application may be made to the Board:** (1) where a stock exchange decided to reject or delist or suspend the listing of securities of a body corporate, it can make an application to the Board within 35 days from the receipt of such notice or information if not satisfied with.

(2) the Board shall have to make decision within sixty days upon making inquiry into the application made pursuant to sub-rule (1).

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Chapter-3

Trading of Securities

12. **Trading system:** (1) a stock exchange shall have to establish an automated electronic trading system to carry on securities trading.

(2) trading based on price time priority shall be made in the trading system as referred to in sub-rule (1).

Clarification: for the purpose of this rule "price time priority" means a system giving first priority to an order quoting higher price for purchase and lower price for selling while processing the selling and purchasing orders by the trading system, provided that priority shall be given to a first order as per the time recorded in the system in the case of same price quoted.

(3) the stock exchange shall get its system audited in every two years, and a report thereof shall be communicated to the Board.

(4) the Board may get the system audited by an expert if not satisfied with the report as referred to in sub-rule (3). Cost to be required to carry out the audit in such a manner shall be borne by the concerned stock exchange.

(5) the Board may issue necessary directions if it is revealed to do so from the audit carried out pursuant to sub-rule (4).

(6) stock brokers as well as customers thereof shall carry on their securities trading via the trading system.

(7) the stock exchange shall make security arrangements for its trading system in line with the international standards.

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(8) the stock exchange shall make necessary arrangements for disaster recovery of the trading system.

13. **Purchase and sale order:** (1) anyone, wishing to purchase or sale securities, shall give an order to a stock broker to that effect.

(2) the order to be given pursuant to sub-rule (1) shall accompany at least the following information:

- (a) clear identification of a person giving the order,
- (b) a body corporate wishing to trade securities, types of securities, numbers, price and time;
- (c) matters on purchase or sale for what the order is given;
- (d) other matters as prescribed by the Board.

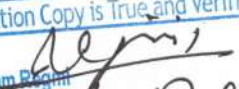
14. **Order to be received:** (1) a stock broker shall carry on securities trading upon receiving an order from customers as referred to in rule 13 only.

(2) the stock broker may make facility to receive the order via electronic means.

(3) the stock broker shall maintain records of customer's identification (k y c), price as well as numbers of securities, including other necessary matters connected thereto.

(4) the stock broker shall make entries of the orders to the trading system once received the same pursuant to sub-rules (1) and (2).

(5) the stock broker shall held accountable for the records entries pursuant to sub-rule (3).

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15. **Price variation limit:** (1) a stock exchange shall limit each day's fix price variation on the following basis:

- (a) difference between initial trading price and subsequent thereof;
- (b) difference between the price at a closing time of a previous day's trading and next day's opening time;
- (c) initial trading price fixed while re-trading of those securities whose trading was kept halted for sixty days continuously;
- (d) price to be fixed based on trading time and price.

(2) notwithstanding anything contained in sub-rule (1), the stock exchange may make a separate provision in respect of price variation limit in the case of trading to be commenced after sojourn of entry and strike-off of securities for a listed body corporate or trading of securities thereof whose securities went untraded for a period of more than sixty days.

(3) the stock exchange shall make necessary facility in the trading system in respect of price variation limit as referred to in sub-rules (1) and (2).

16. **Number of securities trading may be prescribed:** (1) the stock exchange may prescribe minimum and maximum numbers of securities to be traded by publishing a notice in prior.

(2) a trading to have traded in a trading system shall not, in general, be cancelled.

17. **Trading to be made via stock broker:** (1) a stock broker shall make entries of necessary particulars to the trading system to carry on trading.



(2) the stock broker shall make changes in a price and numbers of securities as per an order of a customer. In so doing, such order shall be treated afresh and trading shall be carried on accordingly in the trading system based on price time priority.

(3) the stock broker shall undertake purchase and sale of securities on behalf of a customer.

(4) the stock exchange may make necessary arrangements that customers can make entry their order via electronic means by way of the stock broker.

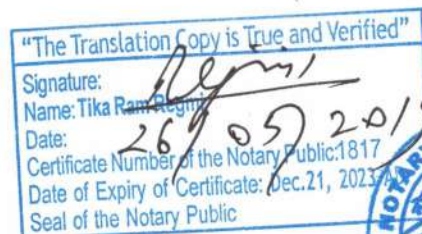
18. **Trading to be made through merchant banker:** (1) a merchant banker may carry on trading on its own by making entry of purchasing and selling price.

(2) maximum numbers of securities and amounts to be purchased and invested by the stock broker shall be as prescribed by the Board from time to time.

(3) the Board may, in considering the condition of stock exchange, grant approval to take on functions of stock broker by a customer or vice-versa.

19. **Provision regarding circuit breaker:** (1) a stock exchange shall make necessary arrangements to apply circuit breaker as it deems necessary.

(2) the Board may issue necessary direction to the stock exchange to make necessary changes in respect of circuit breaker as referred to in sub-rule (1).



20. **Transaction to be made through bank:** (1) payment shall be made through banking channel by all involved in trading of securities.

(2) the stock broker shall open a bank account for trading of securities in a bank nominated by the stock exchange or clearing and settlement agency.

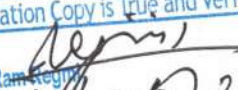
(3) payment as referred to in sub-rule (1) shall be made via account payee cheque or from one bank account to another.

(4) notwithstanding anything contained in these rules elsewhere, a bank account to be used by a stock broker shall not be used for other purposes except the transaction of securities.

21. **Trading of securities may be suspended:** (1) a stock exchange may, by giving a notice to the Board, suspend operation of trading system for the time being owing to occurrence of natural disaster, national crisis, or condition beyond control.

(2) the stock exchange may suspend trading of securities temporarily, with a prior approval of the Board, if the stock exchange deems necessary and appropriate to do so in order to protect the interests of investors or keep the confidence of general public intact towards its trading system.

(3) notwithstanding anything contained in sub-rules (1) and (2), the stock exchange may suspend trading of securities of any listed body corporate temporarily if it has failed to furnish notice, information, particulars or report required to do so, and a notice with reasons therefor shall be given to the listed body corporate.

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(4) a notice and information as referred to in sub-rules (1) and (2) shall be given to the Board at once.

22. **Consequences of suspension of trading:** a stock broker shall not be allowed to undertake trading of securities during the suspension period except clearing and settlement for the trading made prior to such suspension.
23. **External trading of securities may be made:** notwithstanding anything contained elsewhere in these rules, external trading of securities may be made in the case of bulk or block trading of securities of a listed body corporate.
24. **External trading fee:** a stock exchange may levy trading fee against a facility provided for external trading at a rate of not exceeding 0.2 (zero-point two percent) of trading price of securities as referred to in bye-laws.

Chapter-4

Clearing and Settlement of Trading

25. **Clearing and settlement of trading:** (1) a customer making trading of securities in a stock exchange shall make clearing and settlement of its own trading.

(2) a stock broker shall make necessary arrangements for clearing and settlement in respect of securities or amounts connected with customers pursuant to sub-rule (1) within a prescribed time.

(3) the stock exchange shall preclude a merchant banker to undertake trading at once in the case of having failed to make clearing and settlement for securities or amounts pursuant to sub-rule (2).

26. **Responsibility of clearing and settlement:** (1) responsibility of clearing and settlement for the trading of securities shall contingent upon a clearing and settlement agency established by a stock exchange.

(2) the Board shall cause clearing and settlement by giving necessary direction to a merchant banker connected to the trading or a clearing and settlement agency where clearing and settlement has not been done as per the clearing and settlement provision prescribed.

27. **Clearing and settlement fund to be created:** (1) a stock exchange shall compulsorily establish a clearing and settlement fund for a trading therefor.

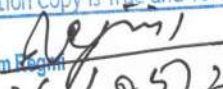
(2) the stock exchange shall cause the fund as referred to in sub-rule (1) to make clearing and settlement and remit the amount with the interest thereon from the concerned merchant banker and get it deposited to the fund.

(3) the stock exchange, clearing and settlement agency and stock broker shall deposit to the fund pursuant to sub-rule (1) the amount at the rate of 0.5 (zero point five) out of their net profit of each for a first- five year and 0.25 (zero point two five) percent thereof after the subsequent years.

(4) the Board may make changes from time to time in respect of the amounts to be deposited pursuant to sub-rule (3) taking into consideration of the amounts deposited thereto and condition of securities trading.

(5) the earnings to be accrued from the amounts of the fund as per this rule shall retain therein.

(6) the stock exchange shall, with the consent of the Board, make bye-laws with regard to operation and utilization of the fund as referred to in sub-rule (1) and implement accordingly.

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28. **Clearing and settlement to be made through netting system:** (1) clearing and settlement may be made through netting system for trading of securities.

(2) the netting system shall be as stated in the bye-laws of the clearing and settlement agency.

Clarification: for the purpose of this rule "netting system" means a clearing and settlement system to make payment of different amounts between the total purchasing and selling prices of trading made by merchant bankers each day.

Chapter-5

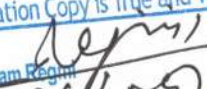
Transfer of Listed Securities

29. **Transfer to be made:** (1) a listed body corporate shall transfer the securities to the purchaser's names following their clearing and settlement.

(2) a central depository service providing agency shall undertake necessary works with regard to non-material securities to be transferred as referred to in sub-rule (1).

30. **Other transfer except trading:** (1) in addition to conditions as referred to in rule 29, listed securities shall be transferred to on the following conditions:

- (a) to transfer in the name of successor following the death of securities holder,
- (b) to transfer in the name of inheritor following the partition,
- (c) to transfer from one member to another of a joint family.

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(2) transfer to be made as referred to in sub-rule (1) shall be as prescribed in bye-laws of the central depository service providing agency.

31. **Transfer of non-material securities:** other provision with regard to transfer of non-material securities shall be as prescribed in the prevailing regulation and bye-laws related to central depository service.

Chapter-6

Provision regarding Government Bond

32. **Listing of government bond:** a stock exchange shall make listing of government bonds to make them tradable and communicate the same to the Board.

33. **Provision regarding clearing and settlement of trading and certificate:**
(1) a merchant banker shall make clearing and settlement of trading by submitting a stock exchange the amount of trading, certificate of government bond, entry and write-off certificate, purchase's deed, and other necessary particulars and documents in the same day of trading within the time as prescribed by the stock exchange.

(2) the stock exchange shall make clearing and settlement following the receipt of the particulars and documents as referred to in sub-rule (1) and maintain the records of the same, and trading of government bond shall be attested for the transfer of such bond's certificate if needed.

(3) other provision on clearing and settlement of government bond shall be as prescribed in the bye-laws of government bond.

34. **Records to be maintained on trading:** (1) a stock broker shall maintain records in a registry regarding a purchase and sale order received from a

customer for trading of government bond with registration number, received date and time.

(2) the stock broker shall maintain the records of the particulars, customers trading government bond and particulars connected to its own ownership.

Chapter-7

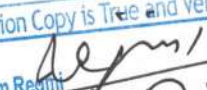
Miscellaneous

35. Inspection and supervision of trading: (1) a stock exchange shall set up an electronic surveillance system for the supervision of trading of securities.

(2) the stock exchange shall carryout a trimestral supervision whether the stock brokers have complied with the prevailing securities related laws and furnish a report connected therewith to Board within fifteen days following the completion of the same.

36. Preclude to trade: (1) a stock exchange shall preclude a stock broker to undertake trading of securities on any of the following grounds:

- (a) If the stock broker has carried on trading without receiving an order from a customer;
- (b) If the stock broker has carried on trading beyond the limit as prescribed by the stock exchange compared to the guarantee amount provided thereto;
- (c) If the stock broker has carried on trading by the name of its own board of directors, chief executive officer, staffs or any members of its joint family;

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(d) If the stock broker has not complied with the prevailing laws related to securities.

(2) Information with regard to precluding trading of securities shall be provided to the Board at once.

37. **Regulatory fee to be paid:** (1) a stock exchange shall deposit the Board the amounts at the rate of one percent out of the fees collected in one month pursuant to the securities related prevailing law within ten days following the elapse of the preceding month.

(2) If the stock broker has delayed in depositing the fees as referred to in sub-rule (1), additional fee shall be levied thereon at the rate of ten percent per annum, calculating on daily basis.

38. **To be as per bye-law:** (1) Other provisions with regard to listing fee of securities, format of agreement and particulars, classification of listed body corporate, listing, liquidation, and re-listing, trading unit and broad unit, price fixation procedure, time and place for trading, purchase and sale order, trading operation procedure and price variation limit shall as prescribed in bye-laws.

(2) Other provisions with regard to trading of bond at secondary market, listing of bond, time and place of trading, purchase and sale order, trading unit, price variation limit, clearing and settlement of trading, notice to be provided to customers, and receipt of purchase shall be as prescribed in bye-laws.

(3) The stock exchange shall make necessary provisions with regard to the provisions as referred to in sub-rule (2) as directed by the Board from time to time seeing the condition of bond market.



(4) The Board's approval shall be required to obtain on the bye-laws to be made pursuant to these rules by the stock exchange or central depository agency.

39. **Records of action to be maintained:** (1) The Board shall maintain records of action to be taken against the stock brokers and customers thereto on charges of failing to comply with the securities related laws, order and direction issued by the Board.

(2) Particulars regarding violation of law, direction or order shall be stated in the records to be maintained pursuant to sub-rule (1).

(3) The Board may notify the information as referred to in sub-rule (2) to other regulatory agency or make public from time to time.

(4) The Board may restrict the company, a body corporate, or any person, or any company incorporated in the records as referred to in sub-rule (1).

40. **Notice to be provided by the Stock Exchange:** The stock exchange shall publish a notice for keeping investors informed with regard to listing of securities, its suspension, delisting or re-listing at once or the following day and communicate the same to the Board.

41. **To have in accordance with these rules:** the provisions as provided in these rules shall be applicable accordingly.

42. **Repeal and saving:** (1) the Securities Listing Rules, 2050 is hereby repealed.

(2) anything done or any action taken as per these rules as referred to in sub-rule (1) shall be deemed to have been done or taken as these rules.

