

SECURITIES ACT, 2007

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An Act Made to Amend and Consolidate Laws Relating to Securities

Preamble: Whereas, it is expedient to make timely the laws relating to securities by amending and consolidating such laws in order to regulate and manage the activities of the securities markets and persons involved in the business of dealing in securities by regulating the issuance, purchase, sale and exchange of securities for the purpose of protecting the interests of investors in securities, by developing the capital market to mobilize necessary capital for the economic development of the country; Now, therefore, be it enacted by the House of Representatives in the First Year of the issuance of the Proclamation of the House of Representatives, 2006.

Chapter-1

Preliminary

1. **Short title and commencement:** (1) This Act may be referred as the "Securities Act, 2007".
(2) This Act shall be deemed to have been commenced from September 22, 2006.
2. **Definitions:** Unless the subject or the context otherwise requires, in this Act,-
 - (a) "Chairperson" means the chairperson of the Board appointed under Section 7.
 - (b) "License" means the license issued by the Board under this Act to operate the stock exchange or securities business.

- (c) "Company" means a company incorporated under the company laws in force.
- (d) "Depository" means a bank or financial institution that makes agreement with the scheme manager and thereby undertakes the responsibility of providing custodial services such as safely holding and operating the assets of any collective investment scheme.
- (e) "Prescribed" or "as prescribed" means prescribed or as prescribed in the Rules framed under this Act.
- (f) "Securities" means any shares, stocks, bonds, debentures, debenture stocks or collective investment scheme certificate issued by a body corporate or treasury bonds, saving bonds or bonds issued by the Government of Nepal or by a body corporate against the guarantee of the Government of Nepal, and this term also includes such other securities as may be specified by the Board to be transacted or transferable through the stock exchange or the instrument to purchase, sell or exchange such securities.
- (g) " Securities transactions " means the issue, purchase, sale or exchange of securities and other acts pertaining thereto;
- (h) "Registration of securities" means the registration of securities by a body corporate with the Board pursuant to Section 27.
- (i) "Stock exchange" means a market, place or facility performing the purchase, sale or exchange of securities on regular basis by taking together the purchasers and sellers of securities.

- (j) "Securities business" means transactions in securities to be carried on by any company or body licensed to carry on the securities business under this Act.
- (k) "Securities business person" means a company or body licensed under Section 58 to carry on securities business.
- (l) "Issuance" means an offer made by a body corporate to raise capital and acts related thereto, and this term also includes the issuance of securities to promoters.
- (m) "Private placement" means an act to make an offer by a letter, dispatch or any electronic communication media for the sale of securities to a maximum of fifty investors.
- (n) "Board" means the Nepal Securities Board established under Section 3.
- (o) "Exchange" means an act concerning purchase, sale or transfer of securities already issued pursuant to this Act.
- (p) "Prospectus" means a prospectus required to be published by a body corporate pursuant to Section 30 prior to the public issue of securities.
- (q) "Scheme manager" means a body corporate managing a collective investment scheme of participants with an object to provide an efficient investment service pursuant to this Act.
- (r) "Investment fund" means a fund created out of amounts deposited by participants in a collective investment scheme in accordance with a contract as has been taken in its custody by a scheme manager with object to provide an efficient investment service or assets related with such a fund, and

this term also includes a fund which the scheme manager has taken in its responsibility in accordance with this Act or additional assets created from management of investment of assets and amount accumulated by way of consideration.

- (s) "Participant" means a person or body that makes investment in a collective investment scheme operated by a scheme manager pursuant to this Act.
- (t) "Member" means a member of the Board, and this term also includes the chairperson.
- (u) "Body corporate" means a body corporate established under the laws in force as to be competent to make public issue of securities.

Provided that, it shall not include a private limited company or a corporation.

- (v) "Public issue" means an offer made by a body corporate before the general public for the subscription of its securities by publishing a prospectus.
- (w) "Collective investment scheme" means such an investment fund, unit trust or similar other participatory fund management program as specified by the Board, from time to time as may be operated by a scheme manager in accordance with this Act in order to distribute returns, to the participants of the concerned program proportionately, accrued from the efficient investment service on saving investment amount which has been undertaken in custody of the manager and so mobilized that various persons or bodies that have participation in it.

- (x) "Enlisting" means the enlisting of securities on a stock exchange for the purposes of purchasing, selling or exchanging securities through the stock exchange;
- (y) "Right issue" means an offer made to the existing shareholder or any person nominated by such shareholder for the subscription of any securities issued by a body corporate.

Chapter-2

Provisions Relating to Board

3. Establishment of Board: (1) There shall be established a Board by the name of Nepal Securities Board in order to regulate and manage the activities of the securities markets and persons involved in securities business by regulating the issue, purchase, sale and exchange of securities in order to develop capital market and protect the interests of investors in securities.

(2) The Board to be established under sub-section (1) shall consist of the members as follows:-

(a)	A person appointed by the Government of Nepal	-Chairperson
(b)	Joint Secretary, Ministry of Finance	-Member
(c)	Joint Secretary, Ministry of Law, Justice and Parliamentary Affairs	-Member
(d)	Representative, Nepal Rastra Bank	-Member
(e)	Representative, Institute of Chartered	

	Accountants of Nepal	-Member
(f)	Representative, Federation of Nepalese Chambers of Commerce and Industries	-Member
(g)	One person nominated by the Government of Nepal from amongst the experts who have obtained at least master's degree in economics, management, finance, commerce or law from a recognized university and gained at least seven years of experience in stock exchange, management, capital market development, finance and economic sector	-Member

(3) The concerned organization shall, in nominating its representative pursuant to clauses (e) and (f) of sub-section (2), nominate a person who has obtained at least bachelor's degree and gained at least seven years of experience in accounts, industry, commerce, finance, banking, economic or law subject.

(4) The term of office of the member nominated pursuant to clause (g) of sub-section (2) shall be three years.

(5) No act or proceeding of the Board shall be affected merely on the reason of any vacancy in office of any member.

(6) Any of its officer employees designated by the Board shall act as the secretary of the Board.

(7) If the Board thinks it necessary, it may invite any native or foreign expert, adviser to attend its meeting as an observer.

(8) The central office of the Board shall be situated in Kathmandu Valley; and the Board may, as required, open its branch or contact office within or outside the State of Nepal.

4. **Board to be an autonomous and body corporate:** (1) The Board shall be an autonomous body corporate having perpetual succession.

(2) The Board shall have a separate seal of its own for all of its acts and proceedings.

(3) The Board may, like an individual, acquire, use, purchase, sell, or otherwise deal with, any movable and immovable property.

(4) The Board may, like an individual, sue by its own name and be also sued by the same name.

5. **Functions, duties and powers of Board:** The functions, duties and powers of the Board shall be as follows:-

(a) To offer an advice, as per necessity, to the Government of Nepal on matters incidental to the development of capital market,

(b) To register the securities of any corporate body established with the authority to make a public issue of its securities,

(c) To regulate and systematize the issue, transfer, sale and exchange of registered securities,

(d) To grant permission to any corporate body, which is desirous of operating a stock exchange, to operate the stock

exchange subject to this Act or the rules and bye-laws framed under this Act,

- (e) To regulate and monitor the activities of the stock exchange;
- (f) To inspect as to whether or not any stock exchange is executing its activities in accordance with this Act or the rules and bye-laws framed under this Act, and to suspend or revoke the license of such a stock exchange, if it is found that the same has not been done,
- (g) To issue a license to companies or institutions, which are desirous of carrying on the securities business subject to this Act or the rules and bye-laws framed under this Act,
- (h) To regulate and monitor the activities of securities business person,
- (i) To classify securities business persons and fix their standards according to their functions and capability by fulfilling such procedures as prescribed,
- (j) To grant a permission to operate collective investment schemes and investment fund programs, and to regulate and monitor the same,
- (k) To approve bye-laws of stock exchanges and those bodies which are related with securities business and engaged in securities transactions, and to issue orders to stock exchanges and those bodies which are related with securities business and engaged in securities transactions to make necessary amendment in their bye-laws with a view to making necessary provisions concerning the development of

capital market and protecting the interests of investors in securities,

- (l) To systematize the clearance of accounts related to securities transactions,
- (m) To supervise whether or not security business persons have maintained such conduct as prescribed in this Act or the rules, bye-laws and directives framed under this Act, while carrying on securities business, and suspend or revoke the license to carry on securities business where any securities business person is not found to have maintained such a conduct,
- (n) To make or cause to be made, such arrangements as may be necessary to regulate the volume of securities and the mode of securities transactions for the promotion, development and healthy operation of stock exchanges,
- (o) To make such arrangements as may be necessary to prevent insider trading or any other offense relating to securities transactions as referred to in Chapter 9 for the protection of the interests of investors in securities,
- (p) To review, or cause to be reviewed, financial statements submitted by corporate bodies issuing securities and securities business persons, and give such directives to the concerned corporate bodies as it deems necessary in this connection,
- (q) To regulate and make transparent the act of acquiring the ownership of a company thereby gaining control over its

management by purchasing its shares in a single lot or in several lots,

- (r) To maintain coordination and exchange cooperation with the concerned agencies in order to supervise and regulate matters concerning securities or company affairs,
- (s) To perform or cause to be performed such other functions as may be necessary in relation to securities and the development of capital market.

6. Meeting and decision of Board: (1) The chairperson shall call the meeting of the Board as per necessity. Such a meeting shall be held at least once a month.

(2) The meeting of the Board shall be held on such date, at such time and at such place as may be specified by the chairperson.

(3) The meeting of the Board shall be presided over by the chairperson and by a member chosen by the members from amongst themselves, in the absence of the chairperson.

(4) Where at least two members request in writing to call a meeting of the Board, the chairperson shall have to call a meeting of the Board within seven days from the date of receipt of such a notice.

(5) The secretary of the Board shall provide the agenda to be discussed at the meeting to the members, along with the notice for the meeting.

(6) The presence of more than fifty percent of the total number of members of the Board shall be deemed to have been constituted a quorum for a meeting of the Board.

(7) A majority opinion shall prevail at the meeting of the Board and in the event of a tie; the person presiding over the meeting shall exercise the casting vote.

(8) There shall be maintained a separate minute book recording the names of members present at, matters discussed at and decisions made by each meeting of the Board, and such a book shall be signed by members present.

(9) The decisions made by the Board shall be authenticated by the secretary of the Board and shall provide to all members.

(10) Other procedures relating to the meeting of the Board shall be as determined by the Board itself.

Appointment of chairperson: (1) The Government of Nepal shall, subject to sub-section (2), appoint the chairperson to act as the administrative chief of, and perform the day-to-day business of the Board.

(2) In making appointment to the office of chairperson pursuant to sub-section (1), the Government of Nepal shall appoint to the office of chairperson an appropriate person from amongst the renowned persons who have obtained at least master's degree and gained at least seven years of experience in the field of stock exchange management, capital market development, economics, finance, commerce, management or law.

(3) There shall be formed a committee under the convenorship of the member of National Planning Commission responsible for the concerned sector and consisting of the secretary at the Ministry of Finance and an expert in the field of securities as

its members, for recommending a name for the purpose of appointment of chairperson pursuant to sub-section (2); and the appointment of chairperson shall be made pursuant to this Section on recommendation of this committee.

(4) The committee referred to in sub-section (3) shall, in recommending a name, recommend the names of at least three persons who have possessed the qualification pursuant to this Act.

(5) In recommending a name for the chairperson pursuant to sub-sections (3) and (4), the committee shall determine its rules of procedures on its own.

(6) The term of office of chairperson shall be of four years, and he or she may be reappointed for a maximum period of four years.

(7) Notwithstanding anything contained elsewhere in this Section, where the chairperson commits any act or action contrary to the interests of the Board or the development of capital market and causes any loss and damage to the Board, the Government of Nepal may form an inquiry committee as prescribed and, on recommendation of such a committee, remove him or her from the office of the chairperson.

Provided that prior to so removing from his or her office, the chairperson shall be provided with appropriate opportunity to defend himself or herself.

- 8. Functions, duties and powers of the chairperson:** (1) The functions, duties and powers of the chairperson shall be as follows:
- (a) To perform such functions as may be necessary for the protection of the interests of investors in securities for

- the development of capital market,
- (b) To regulate and monitor, or cause to be regulated and monitored, stock exchanges and transactions of securities business persons in order to make transactions in securities strengthened, effective and reliable,
 - (c) To act as the executive chief of the Board,
 - (d) To submit such long-term and short-term plans and policies as be necessary to be adopted by the Board for the management of stock exchanges and development of capital market to the Board for its approval,
 - (e) To call or cause to be called the meeting of the Board and to preside over the same,
 - (f) To prepare annual programs and budget of the Board and submit the same to the Board for its approval,
 - (g) To implement or cause to be implemented the decisions made by the Board,
 - (h) To inspect and supervise day-to-day business of the Board and perform the functions in accordance with the objectives of the Board,
 - (i) To appoint the advisers and employees required for the Board as prescribed,
 - (j) To perform or cause to be performed such other functions as may be entrusted to him or her by the Board.
- (2) The functions, duties and powers of the chairperson,

other than those referred to in sub-section (1) shall be as prescribed.

9. **Remuneration, meeting allowance and other facilities of chairperson and member:** The remuneration, meeting allowance and facility entitled to, by the chairperson and member and daily and traveling allowance entitled to, by the chairperson and member while making travel within or outside the State of Nepal shall be as prescribed.
10. **Qualification of chairperson and member:** In order to be appointed as a chairperson or a member, as the case may be, a person shall have to possess the qualification as follows:-
- (a) One who is a citizen of Nepal,
 - (b) One who has maintained high moral character,
 - (c) One who has gained at least seven years of professional experience in the field of stock exchange management, capital market development, economics, finance, commerce, management or law, and
 - (d) One who is not disqualified under Section 11.
11. **Disqualification of chairperson and member:** Any of the following persons shall not be eligible to be appointed to the office of chairperson or member, as the case may be:-
- (a) One who is an officer-bearer of a political party,
 - (b) A person involved in securities business,
 - (c) One who is adjudicated as an insolvent,
 - (d) One who is insane,
 - (e) One who has been convicted by the court of an offense involving moral turpitude.

12. **Circumstances on which a chairperson and a member may be removed from office:** (1) Where there occurs a circumstance for removal of the chairperson or the member referred to in subsection (2), the Government of Nepal shall remove the chairperson and member, as the case may be.

Provided that prior to making such a removal, the Government of Nepal shall not deprive the concerned person of a reasonable opportunity to defend himself/herself.

(2) The chairperson and the member, as the case may be, shall be removed from his or her office in any of the following circumstances:-

- (a) If he or she is disqualified to be a chairperson and a member, as the case may be, pursuant to Section 11,
- (b) If he or she commits any act contrary to the interest of investors in securities or any act that may cause loss or damage to the development of capital market,
- (c) If he or she suffers from lack of competence to implement, or cause to be implemented, such functions required to be performed by the Board to attain the objectives of the Board pursuant to this Act or the rules framed under this Act,
- (d) If he or she has been held disqualified to carry on any occupation or business by the reason of misconduct and his or her certificate has been revoked or he or she has thus been restricted to carry on a business,
- (e) If he or she remains absent from three consecutive meetings of the Board without giving a notice.

13. **Resignation of chairperson and member:** The chairperson or the member, as the case may be, may relieve of his or her office by tendering a resignation in writing to the Government of Nepal.
14. **Fulfillment of vacancy:** If the office of the chairperson or any member falls vacant prior to the completion of his or her term of office, the Government of Nepal shall appoint any person to that vacancy for the remaining period of term by fulfilling the procedures as referred to in this Act.
15. **Proceeding not to be invalid:** No act or proceeding of the Board shall be invalid merely by the reason of any defect in the appointment of the chairperson or member, as the case may be, or the formation of the Board or vacancy in office of the chairperson or any member.
16. **Powers to form committee or sub-committee:** (1) The Board may, form any committee or sub-committee, as per necessity, for the operation of its business. Such a member as specified by the Board shall be the coordinator of the committee or sub-committee, as the case may be, so formed.
- (2) The functions, duties, powers, terms of reference, meeting allowance and procedures of the committee or sub-committee, as the case may be, formed pursuant to sub-section (1) shall be as prescribed by the Board.
17. **Delegation of powers:** (1) The Board may, as per necessity, delegate any of the powers conferred to it to the chairperson, any member or any committee or sub-committee, as the case may be, formed pursuant to Section 16.

(2) The chairperson may, as per necessity, delegate any of the powers conferred to him or her to any member, any committee or sub-committee, as the case may be, formed pursuant to Section 16 or any employee of the Board.

18. Requirement of disclosure in regard to conflict of interest:

Where any proposal in which any member has direct or indirect personal interest is to be discussed at the meeting of the Board, such a member shall give information as to such interest to the Board prior to the commencement of discussion on such matter. Except so permitted by the Board, such a member shall not be entitled to participate in the discussion and decision of such a matter and cast his or her vote thereon.

Provided that the presence of such a member shall be valid in order to constitute a quorum of the meeting.

19. Provisions relating to accounts experts, advisors and employees:

(1) The Board shall have such numbers of accounts experts, advisors and employees as may be necessary for the efficient operation of the functions of the Board.

(2) The appointment, remuneration, facilities and terms and conditions of service of the accounts experts, advisors and employees of the Board shall be as prescribed.

20. To take oath: The chairperson, member, advisor and employee of the Board appointed for the first time in the Board shall, prior to assuming the functions of their office, take an oath of secrecy and honesty, as prescribed.

21. Secrecy: (1) No chairperson, member, advisor, employee, auditor, agent or representative of the Board shall perform the following

business:-

- (a) To supply or disclose any confidential information or notice obtained in the course of performing the duties of office to another person,
- (b) To use such information or notice for personal benefits.

(2) Notwithstanding anything contained in sub-section (1), any confidential information or notice may be disclosed on the following circumstances known to him or her in accordance with the procedures as specified by the Board:-

- (a) Where the disclosure of such information or notice has been made in performing one's duty publicly, rendering assistance to any law enforcing authority, carrying out an order given by a court or competent authority,
- (b) Where such information or notice has been supplied to the external auditor of the Board in the course of performing one's duties,
- (c) Where such information or notice has been disclosed in the interests of the Board in the course of legal proceedings.

22. Fund of Board: (1) The Board shall have a separate fund of its own.

(2) The following amounts shall be credited to the fund as referred to in sub-section (1):-

- (a) Amounts received from the Government of Nepal,

- (b) Amounts obtained as grants, assistance or loans from any native, foreign or international organizations, institutions or bodies,

Provided that prior approval of the Government of Nepal shall be obtained in receiving such grants, assistance or loans.

- (c) Amounts received by way of the license fees,
- (d) Amounts received by way of the fees for registration of securities,
- (e) Amounts received by way of the fees, charges, dues for transactions in securities,
- (f) Amounts received by way of fines imposed by the Board,
- (g) Amounts received from any other sources.

(3) All amounts to be obtained to the fund of the Board pursuant to sub-section (1) shall be credited to an account to be opened with any commercial bank within the State of Nepal.

(4) All the expenditures to be made on behalf of the Board shall be chargeable on the fund as referred to in sub-section (1).

(5) In making expenditures pursuant to sub-section (4), such expenditures shall be made subject to the budget approved by the Board for the incomes and expenditures to be made in each fiscal year.

(6) The operation of the fund of the Board shall be as prescribed.

23. Provision of revolving fund: (1) The Board may establish a revolving fund to manage its source of income and such amounts as specified by the Board shall be credited to that fund each year.

(2) The amounts of the revolving fund may be held in securities issued by the Government of Nepal or in such a periodic account as may be prescribed by the Board.

(3) Generally, no moneys held in the revolving fund, other than income earned out of the moneys in that fund, shall be spent.

(4) Provisions relating to the operation of the revolving fund shall be as prescribed.

24. Accounts of Board: (1) The Board shall have to maintain updated records of its activities.

(2) The Board shall have to maintain accounts of its incomes and expenditures, balance sheet and accounting details of each fiscal year in accordance with accounting system conforming to international practice no later than six months after the expiry of such a fiscal year.

25. Auditor and audit: (1) The accounts and books of the Board shall be audited by the Auditor General or any auditor designated by him.

(2) While auditing the accounts and books of the Board, by the auditor appointed pursuant to sub-section (1), such an auditor shall mention, *inter alia*, the following matters in his or her audit report:

- (a) Whether the statements of incomes and expenditures truly reflect the incomes and expenditures of the Board in that fiscal year,
 - (b) Whether the balance sheet of that fiscal year reflects the true economic condition of the Board.
- 26. Annual report:** (1) The chairperson shall have to present an annual report of the activities of the Board before the Board no later than four months after the expiry of each fiscal year and also provide a copy of such a report to the Government of Nepal.
- (2) The chairperson shall in each year make public the annual report of the Board as referred to in sub-section (1).

Chapter-3

Registration and Issuance of Securities

- 27. Registration of securities:** (1) A body corporate shall have to register securities to be issued by it with the Board prior to their issuance.
- (2) A body corporate shall have to make an application in the prescribed format, accompanied by its memorandum of association, articles of association, documents related with such securities, and the prescribed fees, to the Board for registering securities pursuant to sub-section (1).
- (3) Where an application is received pursuant to sub-section (2), the Board shall make necessary inquiry into the matter and, if it considers appropriate to register such securities, register such securities in the register as prescribed, indicating the details of

such securities and issue the securities registration certificate in the prescribed format to the concerned body corporate.

(4) Notwithstanding anything contained elsewhere in this Section, a body corporate which has already issued securities prior to the commencement of this Act shall register such securities with the Board in accordance with this Act within one year from the date of commencement of this Act.

28. Sale and transfer of securities: (1) Where a body corporate allots or sells securities after registering such securities, the body corporate shall have to give a notice along with the details of securities so allotted or sold to the Board within seven days.

(2) Upon receipt of a notice as referred to in sub-section (1), where it appears necessary to make the allotment and sale of such securities fair and informative for the interests of investors and the body corporate, the Board may give necessary directive to the concerned body corporate. It shall be the duty of the concerned body corporate to abide by such directive.

29. Securities to be issued publicly: (1) Where a body corporate is to sell and distribute securities to more than fifty persons at a time, it shall make public issue for the sale and distribution of such securities.

(2) The period to be open for making application of the securities to be issued pursuant to sub-section (1) shall be as prescribed.

(3) The provisions relating to the value and allotment of securities for which public issue has to be made shall be as prescribed.

(4) Where securities for which public issue has been made once could not be sold and have to be re-issued again within one year, the body corporate which so issues the securities may, with the approval of the Board, issue such securities by mentioning the matters which are different than the matters set forth in the previously published prospectus and the prospectus previously published.

30. Prospectus to be published: (1) A body corporate shall have to get a prospectus approved by the Board for making public issue of securities in accordance with this Act after the commencement of this Act and publish the prospectus for information to all the concerned. While publishing the prospectus in such a way, the prospectus shall also mention the place where the general public can obtain or inspect the prospectus.

(2) Notwithstanding anything contained in sub-section (1), it shall not be required to issue a prospectus to issue the following securities:

- (a) Securities issued by the Nepal Rastra Bank,
- (b) Securities issued against the full guarantee of the Government of Nepal,
- (c) Securities proposed to be sold to up to fifty persons at a time,
- (d) Securities issued to own workers or employees,
- (e) Securities permitted by the Board as to issue and sell without issuing a prospectus.

31. Approval of a prospectus: The Board shall approve only a prospectus which contains such information as may be adequate for

investors to make evaluation as to the assets and liabilities, financial status, profit and loss of the issuer and expected matters in the future.

32. Matters to be referred to in prospectus: Every prospectus shall contain such general matters as required to be set down in the prospectus, capital and other information of the issuer, main functions to be done by the issuer, information pertaining to legal action, economic condition, general administration, management of the issuer, information relating to the expert preparing the prospectus and the economic statements contained in the prospectus and such other matters as may be prescribed.

33. Liability for matters referred to in prospectus: (1) The concerned body corporate and the director signing a prospectus and the expert preparing such a prospectus shall be severally and collectively liable for the truth of the details and documents underpinning the information set down in the prospectus submitted to the Board for the purpose of registering securities with the Board and obtaining permission to issue such securities.

(2) Where any person who subscribes for any securities on the faith of the matters set down in the prospectus subsequently sustains any loss or damage by the reason that the matters set down in the prospectus have been set down with *mala fide* intention or untrue or false statements have been included therein knowingly, the body, director or experts preparing the prospectus shall be liable to pay compensation for such loss or damage.

Provided that no director shall be liable to pay such compensation if he or she proves that he or she has resigned prior

to making a decision on the matters set down in the prospectus with ulterior motive or knowingly or that he or she did not know that the prospectus was untrue.

(3) Where any investor sustains any loss or damage by the reason that the prospectus, information, statements or returns submitted by a body corporate to the Board, such an investor may make a petition to the concerned District Court for compensation within thirty five days from the date of knowledge within one year after the making of investment.

34. A body corporate to make a notice: (1) Every body corporate issuing securities shall provide information on the following matters to the Board and its shareholders as soon as possible:

- (a) Such matters as may be necessary and supportive to evaluate its economic condition,
- (b) Such information as may be capable of affecting the transaction of stock exchanges or the value of securities.

(2) Every body corporate issuing securities shall also provide the Board and its shareholders with the notice and information as prescribed, in addition to the matters set down in sub-section (1).

35. Compensation for revocation of enlisting, if any: Where a body corporate issuing any securities has enlisted the securities by making agreement with a stock exchange and the stock exchange revokes the enlisting of such securities by the reason of the failure of such body corporate to observe such matters as required to be

observed by it under this Act or the rules or bye-laws framed under this Act and any shareholder sustains any loss and damage by virtue of such revocation of enlisting, the directors of such a body corporate shall personally or collectively pay compensation to such a shareholder.

Chapter-4

Provisions Relating to Stock Exchange

36. License to be obtained to operate stock exchange: (1) A person who desires to operate a stock exchange shall obtain from the Board the license to operate the stock exchange under this Act.

(2) No person shall operate a stock exchange or purchase, sell or exchange securities without obtaining from the Board a license under this Act nor shall any person use the name of stock exchange without obtaining such a license.

(3) Notwithstanding anything contained in sub-section (2), Nepal securities exchange market which is in operation at the time of commencement of this Act shall have to make an application to the Board for the license to operate a securities exchange market pursuant to this Act within one year from the date of commencement of this Act. Nothing shall be deemed to have been hindered the operating of the securities exchange market by Nepal securities exchange market within that period.

(4) Where Nepal securities exchange market fails to make an application to the Board for a license to operate a securities exchange market within the period referred to in sub-section (3),

Nepal securities exchange market shall not be entitled to operate the stock exchange after the expiry of that period.

(5) Notwithstanding anything contained elsewhere in this Section, while incorporating any stock exchange as a company with limited liability under the companies law in force after the commencement of this Act, the Company Registrar's Office shall incorporate it only with the recommendation of the Board.

37. Application to be made to carry on stock exchange: (1) Only a body corporate may make an application to the Board for a license to carry on a stock exchange.

(2) A body corporate shall have to make an application referred to in sub-section (1) in such format and accompanied by such details. Documents and fee as may be prescribed.

38. Issuance of a license to carry on stock exchange: (1) If an application is received pursuant to Section 37, the Board may, if it is satisfied with the following matters by making necessary inquiry into the matter, issue a license to carry on a stock exchange in such format as may be prescribed:

(a) Where it considers that the issuance of the license to carry on a stock exchange would serve the interests of investors and general public or the issuance of such a license is necessary for the proper operation of the stock exchange,

(b) Where the applicant body corporate has fulfilled the matters referred to in sub-section (2).

(2) A body corporate which makes an application to the Board for a license to carry on a stock exchange pursuant to subsection (1) shall set out the following matters in the application:

- (a) Legal provisions of establishing the body corporate or its memorandum of association stipulates that the body corporate has been established with object to establish and operate a stock exchange,
- (b) The body corporate maintains its paid up capital as prescribed by the Board that such capital is not less than fifty million rupees so long as the body corporate operates the stock exchange,
- (c) There are sufficient grounds to the satisfaction of the Board that the body corporate can provide such infrastructures and facilities as may be required to operate the stock exchange,
- (d) Matters relating to enlisting or making similar other provisions to recognize securities to be transacted through itself,
- (e) Matters that the interests of investors would be protected through regular operation of transactions in securities through the provisions and systems to be adopted by the body corporate in relation to the exchange and transactions proposed by the body corporate for the operation of the stock exchange,
- (f) That it has appropriate provisions on settlement of transactions in the stock exchange and publication of records thereof and statements of transactions,

- (g) That complaints filed in relation to transactions carried on by its members can be examined in a proper manner,
- (h) That action can be taken as mentioned in the bye-laws in the event of failure of its members to fulfill the liabilities under the contract.

39. The Board may specify terms: (1) In issuing the license to carry on a stock exchange, the Board may specify necessary terms taking into account the condition of capital market, healthy operation of the stock exchange and interests of investors. It shall be the duty of the concerned stock exchange to observe such terms.

(2) The Board may, as per necessity, alter and modify the terms specified pursuant to sub-section (1), having regard to the condition of capital market, healthy operation of the stock exchange and interests of investors.

40. Power to refuse to issue license to carry on stock exchange: (1) Notwithstanding anything contained in Section 38, the Board may, on any of the following conditions, refuse to issue a license to a body corporate to carry on a stock exchange:

- (a) Where it is not necessary to carry on the stock exchange based on the development of industry and business and feasibility of the existing transactions in securities,
- (b) Where it does not appear just and appropriate to allow the operation of stock exchange for the protection of interests of investors.

(2) Where the Board is to refuse the issuance of a license to any body corporate to carry on the stock exchange on any condition referred to in sub-section (1), the Board shall give a notice assigning the reason for such refusal to the concerned body corporate.

41. Minimum capital and financial source: The paid up capital of a body corporate carrying on a stock exchange shall be so prescribed by the Board, from time to time, as it shall not to be less than fifty million rupees; and the body corporate shall maintain such financial source as may be adequate for the provision of stock exchange that it carries on.

42. Term and renewal of a license to carry on stock exchange: (1) The license issued to carry on a stock exchange shall remain valid only until the last day of the fiscal year of its issue.

(2) The corporate carrying on a stock exchange shall have to renew the license to carrying on a stock exchange by paying to the Board an annual fee as prescribed not later than three months after the expiry of each fiscal year.

(3) In the event of failure to get renewed such a license by paying the annual fee within the time limit referred to in sub-section (2), the license may be renewed by paying a fine of twenty five percent of the annual fee up to three months after the expiry of such time limit.

(4) The license to operate stock exchange obtained by a body corporate which fails to renew even within the time limit referred to in sub-section (3) shall be terminated.

43. Transactions of recognized securities: (1) A stock exchange shall manage a market only for those securities which are recognized by either enlisting in its bye-laws, as prescribed, securities issued by bodies corporate or making similar other provisions.

(2) The purchase, sale or exchange of securities not enlisted in a stock exchange shall be as prescribed.

44. Managerial responsibility of stock exchange: The board of directors of the stock exchange shall assume responsibility in relation to the management of transactions in securities carried on by such a stock exchange.

45. Functions, duties and powers of stock exchange: The functions, duties and powers of the stock exchange shall be as follows:

- (a) To carry on, or cause to be carried on, transactions in securities to be carried on through it in a transparent, fair and regular manner,
- (b) In carrying on the stock exchange, to carry on, or cause to be carried on, the same, having regard to the interest of general public investors,
- (c) To get its members to fully comply with this Act and the rules and bye-laws framed under this Act and monitor and supervise, or cause to be monitored and supervised, the matters pertaining thereto,
- (d) To manage such a transaction place as may be adequate and convenient for operating securities transaction,
- (e) To manage such employees as may be efficient in carrying on transactions,

- (f) To arrange for such facilities and systems as may be adequate and proper for emergency and security provisions,
- (g) To frame bye-laws, with the permission of the Board, for enlisting of securities for the arrangements of the exchange, purchase or sale of securities and making provisions relating to membership,
- (h) To perform or cause to be performed such other functions as may be required for the operation of the stock exchange.

46. Disclosure to be made by stock exchange: Every stock exchange shall give information on the following matters to the Board immediately when it comes to its knowledge:-

- (a) Where it appears that any of its members has committed any financial irregularity or the economic status of such a member appears to be suspicious from any activities of such a member,
- (b) Where it appears that any of its members has failed to fulfill such obligation as required to be fulfilled by such a member under laws or is not capable of performing such obligation,
- (c) Where it appears that any of its members has failed to observe financial rules and bye-laws or is not capable of observing such rules and bye-laws,
- (d) Such other information as may be prescribed.

47. Stock exchange to submit a report: Stock exchange shall submit to the Board a report on the activities carried out by it in each fiscal year not later than three months after the expiration of such a fiscal year.

48. Stock exchange to issue direction: (1) The stock exchange may, where a body corporate carrying on securities transactions through a stock exchange violates the agreement entered with the stock exchange or where the stock exchange considers that it is necessary to give direction to such a body corporate in order to make securities transactions fair and regular or having regard to the interests of investors, give necessary direction to such a body corporate.

(2) It shall be the duty of the concerned body corporate to observe the direction given pursuant to sub-section (1).

49. Ceiling of securities transactions may be fixed : (1) The Board may fix the ceiling of securities that can be transacted at one time or the ceiling of securities that any one person can purchase, sell and hold at one time as prescribed.

(2) In fixing the ceiling pursuant to sub-section (1), several ceilings may be determined based on the types of securities or types of transactions.

(3) Without prejudice to the generality of sub-section (1), the Board may specify or fix the maximum limit of securities of any type that one person may own at one time, in such manner as prescribed.

50. Charge to be paid by stock exchange: (1) A stock exchange shall collect such securities transaction charge as may be chargeable as prescribed for the purchase, sale and exchange of securities in the stock exchange and pay such charge to the Board.

Provided that such charge shall not exceed 0.03 percent of the total turn over of securities transactions.

(2) A stock exchange shall pay to the Board the amount for the charge prescribed pursuant to sub-section (1) and collected in the previous year, not later than the last day of each month. A stock exchange that fails to observe this Section shall be deemed to have committed an offense referred to in this Act.

(3) The Board shall realize and recover the amount receivable for the securities transaction charge, in addition to an interest at the rate of ten percent, from a stock exchange failing to pay to the Board the securities transaction charge within the time limit specified in sub-section (2).

- 51. Stock exchange to assist Board:** A stock exchange shall render necessary assistance to the Board for the performance of functions referred to in this Act. In the course of rendering such assistance, if the Board asks for any information or advice on securities transactions or on any other specific matter, such information or advice has also to be provided to the Board.
- 52. Information of action to be given:** If a stock exchange has demanded explanation from any of its members on any action against such a member or suspended or canceled the membership of such a member or imposed any fine on such a member or taken any other action against such member, the stock exchange shall give information thereof to the Board, specifying the name of the concerned member and also description on action and the reason for taking such action, within seven days after taking such action.
- 53. Stock exchange to provide for compensation fund:** (1) A stock exchange shall establish and operate one such compensation fund

as may be prescribed by the Board in order to protect investors against possible loss or damage.

(2) The funds deposited to the fund referred to in subsection (1) shall be used to bear compensation as prescribed.

54. Provisions relating to operation of compensation fund: The following provisions shall be made in the rules in relation to the operation of the compensation fund to be established pursuant to Section 53 or 55:

- (a) Provisions relating to the deposit of money to the fund,
- (b) Maximum amount to be paid as a compensation from the fund,
- (c) Provisions relating to the accounts and audit of the fund,
- (d) Conditions for making claim to obtain amount from the compensation fund and procedures from making such a claim,
- (e) Conditions where any claim cannot be made on the compensation fund,
- (f) Procedures for taking action and making decision on payment of money as claimed from the compensation fund,
- (g) Maximum limit of amount payable as a compensation to one person,
- (h) Other necessary matters in relation to the examination of compensation claims,

- (i) Provisions to be made in the event of the revocation of the license of a stock exchange,
- (j) Other necessary provisions in relation to compensation.

55. Board to make provisions on compensation: If a stock exchange is not able to establish and operate the compensation fund pursuant to Section 53 in order to protect investors against possible loss and damage or does not pay or fails to pay the amount of compensation to be payable as prescribed, the Board may establish and operate the compensation fund as prescribed or make necessary provisions in relation to the payment of the amount of compensation required to be paid as prescribed.

Chapter-5

Provisions Relation to License to Carry on Securities Business

- 56. License to be obtained to carry on securities business:** (1) A company or body desirous of carrying on securities business has to obtain a license to carry on securities business from the Board pursuant to this Act.
- (2) No one shall carry on securities business without obtaining a license to carry on securities business from the Board pursuant to this Act.
- 57. Application for license to carry on dealing in securities:** (1) A company or body desirous of carrying on dealing in securities has to make an application to the Board for a license to carry on

securities business, in such form and accompanied by such details, documents and fees as may be prescribed.

(2) The application to be made pursuant to sub-section (1) shall specify the following matters:-

- (a) Type of securities business and services to be provided,
- (b) If an agent is to be appointed to carry on securities business and if such business is to be carried on in collaboration with others, matters pertaining thereto,
- (c) In the case of those business persons, as prescribed, who are allowed to carry on business only upon obtaining a membership of a stock exchange, a recommendation letter of the concerned stock exchange,
- (d) Grounds proving the ability to carry on the proposed securities business and such other information as may be specified by the Board.

58. A license to carry on securities business to issue: (1) If an application is received pursuant to Section 57, the Board may hold necessary inquiry and issue a license to carry on securities business in such format as prescribed, to the applicant on the following grounds:-

- (a) If it thinks that, based on the conditions set forth in sub-section (2), the applicant is able to carry on securities business subject to this Act or the rules and bye-laws framed under this Act,

(b) Training and education qualification gained by the agent appointed to carry on securities business.

(2) The following matters shall also be considered in relation to the chief executive, director, concerned officers and agents serving in the company or body making application for the license to carry on securities business:-

(a) Financial status,

(b) Educational qualification, training and experience in the relevant work,

(c) Experience required to carry on securities business,

(d) Social status and character.

(3) Notwithstanding anything contained above in this Section, a license to carry on securities business other than securities brokerage and investment consultancy service shall be issued only to a public limited company or a body corporate established under the laws in force.

(4) Notwithstanding anything contained elsewhere in this Section, the Board may, having regard to the interests of capital market and investors in securities, so issue a license to any securities business person that such person is restrained from carrying on any securities, business out of the types of securities business.

59. Board to specify terms and conditions: (1) In issuing a license to carry on securities business, the Board may specify necessary terms and conditions, having regard to the condition of capital market, healthy operation of securities business and interest of investors.

(2) It shall be the duty of the company or body having obtained a license to carry on securities business to comply with the terms and conditions specified by the Board pursuant to subsection (1).

(3) The Board may make necessary modifications and alteration in the terms and conditions specified pursuant to subsection (1), having regard to the condition of capital market, healthy operation of securities business and interest of investors.

60. Power to refuse to issue a license to carry on securities

business: The Board may refuse to issue a license to carry on securities business to any company or body on the following circumstances:-

- (a) if it is proved that such company or body has been insolvent upon being unable to repay debts to creditors,
- (b) if the application to be made for such a license is not accompanied by such documents and details as required to be accompanied under this Act or the rules framed under this Act or such other matter as may be specified by the Board,
- (c) if, upon having regard to the matters set forth in subsection (2) of Section 58, it is not appropriate to issue a license to carry on securities business.

61. Term and renewal of a license to carry on securities business:

(1) The license issued to a securities business person to carry on securities business under this Act shall remain valid only until the end of that fiscal year in which it has been issued.

(2) The securities business shall have to get such a license renewed by paying the annual fees as prescribed to the Board within three months from the date of expiry of each fiscal year.

(3) In the event of failure to get a license renewed by paying the annual fees within the time-limit referred to in sub-section (2), such license may be got renewed by paying a fine of twenty-five percent of the annual fees up to three months from the date of expiry of that time limit.

(4) The Board shall revoke the license of a securities business person who has failed to get such a license renewed even within the time-limit referred to in sub-section (3), and publish a notice thereof for information to the general public.

62. Power to prescribe for carrying on securities business through a subsidiary company: Notwithstanding anything contained elsewhere in this Act, the Government of Nepal may, on the recommendation of the Board and by notification in the Nepal Gazette, prescribe that a bank or financial institution established under the laws in force is entitled to carry on securities business only through its subsidiary company.

Provided that such a subsidiary company shall not be entitled to do other acts except the dealing in securities.

63. Types of securities business: (1) For the purposes of this Act, the securities business shall be divided into the following types:-

- (a) Securities brokerage,
- (b) Securities trade,
- (c) Issue and sales management,
- (d) Investment management,

- (e) Investment consultancy service,
- (f) Collective investment fund management,
- (g) Securities registration or securities central deposit service or custodial service,
- (h) Service relating to the settlement of the account of securities transactions,
- (i) Market maker,
- (j) Such other business as may be specified by the Board to be a securities business.

(2) The scope and other provisions of the securities business referred to in sub-section (1) shall be as prescribed.

64. License not to be issued to carry on securities business without

specifying agent: (1) No license shall be issued to any one to carry on securities business as a securities broker without specifying at least one person to act as an agent of the securities broker.

(2) No license shall be issued to any one to carry on securities business as a securities trader without specifying at least one person to act as an agent of the securities trader.

(3) No license shall be issued to any one to carry on securities business relating to collective investment scheme and investment fund management without specifying at least one person to act as an agent of the scheme manager.

(4) The procedures to be fulfilled in specifying an agent by a securities business person, qualification of the agent and provisions relating thereto shall be as prescribed.

65. Formal agent: (1) Only after the registration of the appointment of any person as an agent of a securities business person with the

Board pursuant to sub-section (3), such a person shall be deemed to be a formal agent for that securities business.

(2) In making registration of the appointment of an agent with the Board pursuant to sub-section (1), the securities business person shall inform the Board about the appointment of such agent and the person to be appointed as an agent shall also inform the Board that he or she agrees to be an agent of such a securities business person.

(3) Upon receipt of the notice pursuant to sub-section (2), the Board shall, within fifteen days, make entry in the register as prescribed, specifying the name, address and other necessary details of the agent and issue the agent registration certificate to such an agent.

(4) If the agreement made between the agent and the securities business person appointing the agent is canceled, for any reason whatsoever, information thereof shall be given to the Board immediately, and the agent shall also return the certificate obtained by him or her to the Board within seven days.

(5) The securities business person who appoints a formal agent shall be responsible for all acts done by such a formal agent.

66. Rights of securities business person: (1) No license to carry on securities business obtained by a securities business person shall be suspended or revoked without providing such a securities business person with a reasonable opportunity of hearing.

(2) In suspending or revoking a license to carry on securities business, information thereof shall be given in writing to the concerned securities business person, and such a notice shall

indicate the reasons for such suspension or revocation, date of entry into force of such suspension or revocation and the period of suspension, in the case of suspension.

(3) A securities business person who is dissatisfied with the decision made to suspend or revoke a license obtained by such a securities business person to carry on securities business person may make an appeal to the concerned Appellate Court within thirty five days from the date of such decision.

67. Minimum capital and economic source of securities business

person: (1) A securities business person shall, in carrying on the securities business, maintain the minimum capital and financial source as prescribed.

(2) If a securities business person fails to maintain the minimum capital and financial sources required to be maintained pursuant to sub-section (1), information thereof shall be given to the Board immediately.

(3) If the Board receives the information referred to in sub-section (2), it may immediately order such a securities business person to maintain the minimum capital and economic source as prescribed or give other necessary directives in that regard.

68. To maintain records of securities business persons: (1) The

Board shall maintain a register of all licensed securities business persons and maintain updated records in the register.

(2) The following matters shall also be specified in the register to be maintained pursuant to sub-section (1) and updated records of securities business persons maintained therein:-

(a) Names and addresses of securities business persons,

- (b) Date of issue of license to securities business persons,
- (c) Types of securities business,
- (d) Terms and conditions specified in the license,
- (e) Names and addresses of the formal agents,
- (f) Names and addresses of managers and officers,
- (g) Place where documents and records pertaining to securities business are kept,
- (h) Names of the directors of company or body, names of company secretaries and name of each shareholder and number of shares held by such a shareholder,
- (i) Such other details as the Board considers necessary and appropriate.

69. Records of formal agents: (1) The Board shall maintain a register of all formal agents and maintain updated records in the register.

(2) The register to be established pursuant to sub-section (1) shall, inter alia, contain the following matters and also updated records of formal agents shall be maintained therein:-

- (a) Names and addresses of formal agents,
- (b) Date of registration as formal agent,
- (c) Name and address of securities business person appointing agents,
- (d) Such other details as the Board considers necessary and appropriate.

70. Information to be given: The securities business person shall, on any of the following circumstances, give information in writing thereof to the Board within seven days from the date of such occurrence:-

- (a) If the securities business person ceases to carry on the securities business specified in the license,
- (b) If any formal agent ceases to act in such capacity,
- (c) If any alteration is made in any details set forth in the register maintained pursuant to Section 68.

Chapter-6

Collective Investment Scheme

71. No collective investment scheme shall be operated without obtaining a permission: (1) No one shall operate a collective

investment scheme or carry out or cause to be carried out, any of the following acts without obtaining a permission from the Board pursuant to this Act:-

- (a) To make an advertisement making an invitation to participate in the collective investment scheme or to make an offer containing any kind of information for participating in such a scheme whether directly or indirectly,
- (b) To provide opinion, advice or consultation to any one to participate in the collective investment scheme.

(2) Any one who contravenes sub-section (1) shall be deemed to have committed an offense referred to in this Act.

72. Board to grant permission to operate collective investment

scheme: (1) A scheme manager shall, prior to operating the collective investment scheme to be managed and operated by him/her, make an application to the Board in such format and

accompanied by such details and fees as may be prescribed in order to register such scheme with the Board and obtain permission to operate the same.

(2) If an application is received pursuant to sub-section (1), the Board shall, if it considers appropriate to grant permission upon conducting necessary inquiry into the matter, register the collective investment scheme and give permission to operate it within ninety days from the date of receipt of such an application.

(3) If, in conducting an inquiry in relation to the registration of a collective investment scheme and granting a permission to operate it pursuant to sub-section (1), any notice, description, information or documents appear necessary, the Board may demand such notice, description, information or documents from the concerned scheme manager. The Board shall not grant permission to operate the collective investment scheme unless it receives the notice, description, information or documents so demanded.

(4) In registering a collective investment scheme and in granting permission to operate it pursuant to sub-section (2), the Board may give permission in a manner that a certificate on participation or a proof thereof is to be given to a participant.

(5) In granting permission to the scheme manager to operate the collective investment scheme pursuant to this Section, the Board may specify necessary terms and conditions in relation to the operation of the collective investment scheme and the issue of the certificate on participation. The Board may make necessary modification or alteration in the terms and conditions so specified.

73. Operation of collective investment scheme: (1) The scheme manager may, with a view to operate a collective investment scheme, and having regard to the needs and interests of participants, operate the collective investment scheme of one or several types and by one or several names as prescribed.

(2) The scheme manager shall, prior to operating any scheme pursuant to sub-section (1), make an agreement with the depository as prescribed.

74. Board may revoke permission: (1) The Board may revoke the permission granted under Section 72 to operate a collective investment scheme on any of the following circumstances:-

(a) In the event of failure to fulfill the necessary terms and conditions of operation in a satisfactory manner,

(b) In the event that it is not appropriate to continue such a scheme having regard to the interest of participants,

(c) In the event of violation of this Act or the rules or bye-laws framed under this Act or provision of any false details to the Board in respect of a scheme by the scheme manager and the depository.

(2) In revoking the permission pursuant to clause (b) of sub-section (1), the Board may hold necessary inquiry with the manager, depository, and director related with such scheme or relevant employee.

(3) In revoking the permission given to operate a scheme pursuant to sub-section (1), the Board may, having regard to the investment and return of investors, get that scheme to be operated by any other scheme manager or get accounts settled or cleared by

refunding the investment and return of the investors of such scheme.

(4) The procedures required to be followed in closing the operation of the scheme and settling or clearing the accounts by the order of the Board shall be as prescribed.

75. Other provisions relation to operation of collective investment

schemes: (1) Other provisions and operational procedures required to be made and followed for the operation of a collective investment scheme to be operated by a scheme manager in consonance with the interests of participants shall be as prescribed.

(2) The Regulation shall contain the following matters in relation to the operation of a collective investment scheme:

- (a) Procedures and terms relating to the registration and permission of the collective investment scheme,
- (b) Statute of the collective investment scheme, functions and duties of the scheme manager and depository and rights and obligations of participants,
- (c) Promotion of the unit, market management and distribution,
- (d) Issue and discount of unit,
- (e) Other provisions relating to depository service and scheme,
- (f) Regulating and managing the provisions relating to loans and advances of the collective investment scheme,
- (g) Provisions relating to the maintenance of records in such manner as to clearly reflect the transactions and

financial situation related to the collective investment scheme and provisions relating to inspection of such accounts and other necessary accounts and records,

- (h) Periodic reports relating to the collective investment scheme and submission of such reports to the participants of the scheme and the Board,
- (i) Fees, remunerations and charges to be collected for the provision of the service referred to in clause (e),
- (j) Management of investment and loan of the fund of the collective investment scheme.

(3) In making the regulation incorporating the provisions referred to in sub-section (1), in relation to the operation of the collective investment scheme, such regulation may provide for different provisions for different types of collective investment schemes.

Chapter-7

Operation of Securities business

76. Business standards: Securities business person shall, in carrying on the securities business, observe the following business principles:-

- (a) To maintain the operation of securities business fair and of high standards,
- (b) To carry on the securities business with proper skills, care and hard working,
- (c) To keep on the higher standard of stock exchanges,

- (d) To obtain information from customers as to their objective to make investment and provide services accordingly,
- (e) To provide such information and advice as may be required for customers to make decision on investment in securities,
- (f) To avoid conflicts of own interests with the interests of customers and, in the event of the existence of such situation, to disclose that matter to customers and carry on the securities business having regard to the interest of customers,
- (g) To make such provisions as may be necessary to fulfill commitments made in relation to the securities business,
- (h) To properly maintain records relating to the securities business,
- (i) To provide for necessary training to employees in order to prepare skilled human resources for the operation of the securities business,
- (j) To observe such other principle as prescribed in relation to the operation of the securities business.

77. Provisions relating to identification of investors, purchase and sale order, contract note and payment of money: (1) Provisions relating to obtaining the identification of the concerned investor, opening a customer account, making transaction of money and concluding an agreement relating to transactions by any securities

business person prior to carrying on the securities business shall be as prescribed.

(2) Any securities business person shall, upon making a contract on the purchase, sale or exchange of securities, make a contract note before the closing of market on the following day, and where the securities business person has made such a contract as an agent, the original copy of the contract note shall be delivered to the concerned customer and where such person has made such a contract for himself, such a person shall mention that matter in the contract note and retain the note with him.

(3) The contract note referred to in sub-section (2) shall contain, *inter alia*, the following matters:-

- (a) Type of securities business and place where such business is operated,
- (b) Where the securities business person himself has acted as the principal, details thereof,
- (c) Name and address of the person to whom the contract note is given,
- (d) Date of the contract and date on which the contract note is prepared,
- (e) Description and quantity of securities,
- (f) Per unit value of securities,
- (g) Description relating to consideration payable under the contract,
- (h) Amount or rate of commission payable under the contract,

- (i) If any fee is chargeable, the rate of such fee and description pertaining thereto,
- (j) Day on which account is settled or cleared,
- (k) Such other matters as prescribed.

78. Accounts to be maintained by securities dealer: (1) A securities business person shall, maintain accounts and records in such manner as to adequately support the transactions in securities and clearly reflect the financial condition of the transactions done by him/her. While preparing the balance sheet and profit and loss account, it shall be prepared in such manner as to reflect the actual affairs.

(2) The accounts and records maintained by a securities business person pursuant to sub-section (1) shall clearly and distinctly reflect the moneys paid by his/her customers wishing to purchase securities for the purchase of securities and distinctly reflect the accounts of securities and records, as prescribed.

(3) A securities business person shall prepare and maintain the accounts and records maintained pursuant to sub-section (1) or (2) and relevant financial statements and reports in such manner as prescribed.

(4) A securities business person shall maintain the accounts and records to be maintained pursuant to this Section in such manner so that such accounts and records can subsequently be examined or inspected easily by the Board or the inspector appointed by the Board or the auditor or the concerned stock exchange if the Board or such inspector or auditor or stock exchange desires to make such an examination or inspection.

79. **Insurance to be made:** Each securities business person licensed to carry on the securities business, other than an agent, shall procure insurance of the business to be carried on by him/her, as prescribed by the Board.
80. **Auditor to be appointed:** (1) A securities business person shall appoint an auditor from amongst the auditors enlisted by the Board.
- (2) Any director, shareholder, officer employee or partner of a securities business company or body shall be deemed disqualified to be appointed as the auditor of that securities business company or body.
- (3) A securities business person shall give information, indicating the name and address also of the auditor appointed by it, to the Board within seven days from the date of such appointment.
- (4) If a securities business person removes any auditor from office or such an auditor resigns from office, the securities business person shall give information thereof to the Board within seven days from the date of such removal.
- (5) Notwithstanding anything contained elsewhere in this Act, no employee of a stock exchange shall be eligible to be appointed as an auditor of any securities business company or body.
81. **To maintain roster of auditors:** (1) For the purpose of appointment of auditor pursuant to Section 80, the Board shall prepare a roster of auditors having the prescribed qualification from amongst the auditors registered under the laws enforce.
- (2) An auditor who wishes to be enlisted in the roster referred to in sub-section (1) shall make an application to the

Board, as prescribed. An auditor who is so enlisted shall submit to the Board such information as may be specified by the Board.

82. Submission of accounts and statements: (1) A securities business person shall submit the audited profit and loss account, balance sheet and cash flow statement and other necessary financial statements clearly reflecting the operational affairs of securities business carried on in the preceding financial year to the Board and the concerned stock exchange within three months from the date on which such a fiscal year is expired.

(2) If a securities business person fails to submit the accounts and statements pursuant to sub-section (1) and makes an application, accompanied by the reasonable grounds for such failure, to the Board for the extension of time limit, the Board may extend the time limit for a period not exceeding three months. In the event of failure to submit such accounts and statements even within the period of time limit so extended, the Board may fine such securities business person with a sum of five thousand to twenty five thousand rupees.

(3) Notwithstanding anything contained in sub-section (1) or (2), a securities business person who is not able to submit accounts and statements by the reason of not having them audited within the time limit may submit un-audited accounts and statements on the condition of submission of actual accounts and statements audited subsequently.

83. Report to be made by enlisted auditor to Board: If an enlisted auditor, in auditing the accounts of a securities business person, finds that such securities business person has violated the financial

bye-laws, the auditor shall prepare a separate report thereof and submit it to the Board.

Chapter-8

Regulation, Monitoring, Inspection and Inquiry

84. To regulate and monitor: (1) The Board shall have full powers to regulate and monitor all activities relating to securities for the development of capital market and interests of investors.

(2) The Board may, on its own or by delegating any of the powers conferred to it to any one else, regulate and monitor, or cause to be regulated or monitored, the activities relating to securities to be carried out by the stock exchanges, securities business person, formal agents of the securities business person and bodies corporate which have listed their securities.

85. To inspect and inquire: (1) For the purpose of carrying out regulation and monitoring pursuant to Section 84, the Board may, on its own or by delegating any of the powers conferred to it to any one else, as required, make, or cause to be made, inspection or inquiry in relation to whether or not the stock exchanges, securities business persons, formal agents of securities business persons and bodies corporate which have listed their securities have complied to this Act or the rules, bye-laws and directives framed under this Act or orders or directives issued thereunder, in the course of carrying out activities relating to securities.

(2) In making inspection and inquiry pursuant to subsection (1), the Board or the authorized person may inspect and inquire into any information, data, documents, records and

statements held by the concerned stock exchanges, securities business persons, formal agents of securities business persons and bodies corporate which have listed their securities or inquire into any concerned persons or record their statements.

(3) After making inspection and inquiry pursuant to sub-section (2), the Board shall prepare and retain a report thereof. Where inspection and inquiry has been made by a person authorized by the Board, such a person shall prepare a report of such an inspection and inquiry and submit it to the Board.

(4) The procedures to be followed in making inspection and inquiry pursuant to sub-section (1) and the manner to be followed in preparing a report to be submitted after such inspection and inquiry shall be as prescribed.

86. To demand information, data and statements: (1) The Board, in making inspection and inquiry pursuant to Section 85, or any person authorized to make inspection and inquiry or the investigating authority, in making investigation pursuant to Section 103, may demand the production of any such information, data and statements as deemed necessary in the course of inspection and inquiry by the concerned stock exchanges, securities business person, agents of securities business person and bodies corporate which have listed their securities.

(2) For the purpose of regulating and managing the transactions in securities, the Board may demand the production of any information, data and statements related with securities or securities transaction from the stock exchanges, securities business person, formal agents of securities business person, bodies

corporate which have listed their securities, bodies settling and clearing transactions in securities and depositories.

(3) It shall be the duty of the concerned stock exchanges, securities business person, formal agents of securities business person, bodies corporate which have listed their securities, bodies settling and clearing securities transactions and depositories to produce the notices, data and statements demanded pursuant to sub-sections (1) and (2).

(4) The Board, in making inspection and inquiry pursuant to Section 85, or any person authorized to make inspection and inquiry or the investigating authority, in making investigation pursuant to Section 103, may take the custody of any such information, data, records, statements and equipment as deemed necessary.

87. To issue orders or directions: (1) The Board may, having regard to the policies, directions of the Government of Nepal, the condition of capital market and the interests of investors, issue necessary orders or directions to the stock exchanges, securities business persons, formal agents of securities business persons and bodies corporate which have listed their securities to do any act required to be done under, or to refrain from doing any act prohibited under, this Act or the rules and bye-laws framed under this Act, in relation to the securities transaction.

(2) Based on the inspection and inquiry report submitted pursuant to Section 85, the Board may direct the stock exchanges, securities business persons, formal agents of securities business persons, bodies corporate which have listed their securities or the

directors or employees of such bodies corporate to do or refrain from doing any act under this Act or the rules and bye-laws framed under this Act or revoke the registration of securities or suspend or revoke the license issued by it under this Act.

(3) It shall be the duty of all the concerned to observe any orders or directions issued pursuant to sub-section (1) or (2).

88. License may be suspended: (1) If any stock exchange or securities business person does any act in contravention of this Act or the rules and bye-laws framed under this Act or does not observe any order or direction issued by the Board or does not perform activities required to be performed by it, the Board may, having regard to the interest of investors, suspend the license obtained by such a stock exchange or securities business person to operate the stock exchange or securities business specifying a certain period.

(2) No suspension of license made pursuant to sub-section (1) shall have any effect on any liabilities arising from any activities done by such a stock exchange or securities business person prior to the suspension of a license.

89. License may be revoked: (1) The Board may, on any of the following circumstances, revoke a license obtained by any stock exchange or securities business person to operate the stock exchange or securities business under this Act:-

(a) If one stops operating the stock exchange or securities business,

(b) If one operate the stock exchange or securities business in contrary to the interest of investors,

- (c) If one violates the terms set forth in the license,
- (d) If one violates this Act or the rules and bye-laws framed under this Act,
- (e) If one fails to observe any order or direction issued by the Board,
- (f) If one becomes insolvent being unable to repay credit to creditors,
- (g) If the company or body having obtained a license to operate the stock exchange or securities business is wound up,
- (h) If the stock exchange or securities business person having obtained a license to operate the stock exchange or securities business makes an application for the revocation of a license,
- (i) If the securities business person who has removed an agent appointed by it does not appoint another agent in lieu of such an agent,
- (j) If one fails to submit such financial and transaction related statements as required to be submitted to the Board,
- (k) If one fails to pay such fees as required to be paid pursuant to Section 50 to the Board within the time limit specified by such a Section.

(2) No revocation of a license made pursuant to subsection (1) shall have any effect on any liabilities arising from any activities done by such a stock exchange or securities business person prior to the cancellation of license.

90. Special powers of Board: (1) The Boar may exercise the following special powers for the purpose of regulating and managing the securities transactions, having regard to the development of capital market and interests of investors:

- (a) In the event of the failure of any body corporate having made public issue of securities to call its general meeting, as required to be called under the laws in force, within the specified time, to order such a body corporate to call the general meeting,
- (b) In the event of the failure of any body corporate having made public issue of securities to allot its securities within the specified time, to order such a body corporate to refund the money paid for such securities,
- (c) To direct the concerned body corporate to enlist any securities or to stop transactions of any securities,
- (d) In consultation with a stock exchange, to issue an order to close the stock exchange for a maximum period of five days,
- (e) To issue a direction, also indicating the contents to be amended in the bye-laws of the stock exchange and specifying a certain period, to amend the bye-laws within such period or order to issue a new bye-laws, as required,
- (f) To get the financial statements and financial reports submitted by any corporate body having issued securities and any securities business person to be

reviewed or examined by accounts experts, as required,

- (g) To direct any corporate body having registered their securities to make correction in the management, financial arrangements and other related provisions of such a body,
- (h) To direct the concerned stock exchange to restructure its board of directors,
- (i) In the event of receipt of information on any action taken by the stock exchange against its member pursuant to Section 52, to take appropriate action against such a member or revoke the license of such member,
- (j) In the event of violation, in the course of carrying activities relating to securities, of this Act or the rules and bye-laws framed under this Act or orders or directions issued by the Board thereunder by any stock exchange, securities business person and any director or employee of anybody corporate which has listed its securities, to order the concerned stock exchange, securities business person or body corporate which has listed its securities to institute necessary action against such a director or an employee,
- (k) In the event of failure of any stock exchange, securities business person or body corporate which has listed its securities to have audit within the

specified time or otherwise to appoint an auditor, to appoint an auditor to examine and audit the accounts, books, cash and in-kind properties, as well, of such stock exchange, securities business person or body corporate which has listed its securities.

(2) It shall be the duty of all the concerned to comply with any order or directions issued by the Board in exercise of the special powers referred to in sub-section (1).

(3) The concerned body shall bear the remuneration of the auditor appointed under clause (k) of sub-section (1).

(4) The Board shall make public, as prescribed, the details of activities which it has carried out in relation to the regulation, monitoring, inspection and inquiry of the concerned bodies corporate and necessary details in relation to whether the concerned bodies corporate have complied with the orders or directions issued by the Board under this Act or the rules, bye-laws or manuals framed under this Act or not.

Chapter-9

Offenses Relating to Insider Trading in Securities and Transactions of Securities and Punishment

91. Insider trading: (1) If any person deals in securities or causes any other person to deal in securities on the basis of any insider information or notice that are unpublished or communicates any information or notice known to such a person in the course of the discharge of his or her duties in manner likely to affect the price of

securities such a person shall be deemed to have been committed an insider trading in securities.

Explanation: For the purposes of this sub-section, "insider information or notice" means any such specific kind of information or notice not published by a body corporate issuing any securities as may be capable of affecting the price of such securities if such information or notice is disclosed.

(2) Notwithstanding anything contained in sub-section (1), any transactions already carried on shall not be deemed to be affected at all merely by the reason that an insider trading has been committed.

92. Persons likely to be involved in insider trading: For the purposes of this Act, the following persons shall be deemed to be those who have access to the insider information or notice not published by any body corporate:

- (a) A director, employee or a person, who can obtain any information or a notice in the capacity of a shareholder of that body corporate,
- (b) A person who can obtain any information or a notice in the capacity of a professional service provider to that body corporate,
- (c) A person who can obtain any information or a notice having a direct or indirect contact with the person or source as specified in clauses (a) and (b).

93. Information or notice deemed to have been made public: On any of the following conditions, any information or notice shall be deemed to have been made public:

- (a) If any matter has been published with intent to inform the investors and their business advisers in accordance with the bye-laws of a stock exchange,
- (b) If there is a provision made under the law that the general public can see an information or a notice contained in any records,
- (c) If there is a provision that any person desiring to deal in securities is escorted to the business room of a stock exchange so that such a person can know such an information or a notice,
- (d) If there is a provision that any person desiring to obtain or see such information or notice or get a copy thereof can obtain and see the same,
- (e) If it has been communicated to any specific class, out of the general public,
- (f) If there is a provision that information can be obtained only upon payment of fees or if such an information or a notice has been published outside the State of Nepal.

94. False trading: For the purposes of this Act, if the following trading is done, such a trading shall be deemed to be a fake or false trading:

- (a) The actual ownership is not changed, even though the purchase or sale of securities is done directly or indirectly.
- (b) An offer is made to purchase or sell securities on the same price upon knowing the price offered by another for sale or purchase.

95. **Fluctuation in price:** If any person causes stability, increase, decrease or frequent change in the price of securities by doing or causing to be done a fake or artificial or false trading, such a person shall be deemed to have caused fluctuation in price.
96. **To affect stock exchange:** If any person individually or in association with others commits any of the following acts to affect directly or indirectly the transaction in securities, such a person shall be deemed to have affected the stock exchange:
- (a) To increase the market price of securities issued by any company with the intent to encourage others to purchase or sell the securities or to avoid the purchase or sale of such securities,
 - (b) To decrease the market price of securities issued by any company with the intent to encourage others to purchase or sell the securities or to avoid the purchase or sale of such securities,
 - (c) To stabilize the market price of securities issued by any company with the intent to encourage others to purchase or sell the securities or avoid the purchase or sale of such securities.
97. **To supply misleading statements:** If any person commits any of the following acts in intent to entice others to purchase or sell securities, such a person shall be deemed to have committed an act of misleading:-
- (a) To make or publish any statements or projection related statements with knowledge that such a statement is false, misleading or fake,

- (b) To hide any fact or information with malafide intention,
- (c) To make or publish a false or misleading statement, promise or projection with malafide intention.

98. Fraudulent transaction: If any person commits the following transaction with intent to purchase, sell or exchange securities from, to or with any other person, such a person shall be deemed to have committed fraudulent transaction:-

- (a) To make any technology, plan or commit any act to defraud others, or
- (b) To get any person to do any act or be engaged in any work by misrepresenting such a person.

99. Prohibition on transaction of securities by fraud or misrepresentation: If any person induces to other to purchase or sale the securities or causes to be reduced, increased or stabilized the price of securities on the basis of statement knowingly that such a statement is false or misleading or that any statement has become or misleading by the reason that any matter is omitted from or hidden or not included in such a statement, such a person who does or causes to be done such act shall be deemed to have done transactions in securities by fraud or misrepresentation.

100. Destroy or concealment of documents, statements or records: No person shall destroy, forge, conceal any documents, statements or records demanded by the Board or the authority authorized by the Board in the course of inspection and inquiry pursuant to Section 85 or any documents, statements or records demanded by the authority designated to make investigations pursuant to Section

103 in the course of investigations or any such documents, statements or records as required to be maintained by that person under this Act or the rules or bye-laws framed under this Act or shall aid and abet the commission of such act.

101. Punishment: (1) A person who commits an insider trading as referred to in Section 91 shall, upon being convicted of the offense of insider trading, be liable to the punishment with a fine equal to the amount in controversy or with imprisonment for a term not exceeding one year or with both punishments.

(2) A person who commits any act referred to in Sections 94, 95 and 96 shall be liable to the punishment with a fine of fifty thousand rupees to one hundred thousand rupees or with imprisonment for a term not exceeding one year or with both punishments, and where any one has suffered any loss or damage from such an act, such loss or damage has also to be recovered.

(3) A person who commits any act referred to in Sections 97, 98, 99 and 100 shall be liable to the punishment with a fine of one hundred thousand rupees to three hundred thousand rupees or with imprisonment for a term not exceeding two years or with both punishments, and where any one has suffered any loss or damage from such transactions, such loss or damage shall also be recovered.

(4) If any one knowingly or with mala fide intention, does not maintain, make, prepare or submit such accounts, books, statements, reports, notices, information or similar other documents as required to be maintained, made, prepared or submitted under this Act or the rules or bye-laws framed under this Act within the

time specified for the maintenance, making preparation or submission of such accounts, books, statements, reports, notices or information or if one makes, prepares or retains false statements or documents, the Board may punish such a person with a fine of fifty thousand rupees to two hundred thousand rupees.

(5) If any one knowingly commits any act in contravention of this Act or the rules or bye-laws framed under this Act or the orders or directions issued under this Act and thereby causes any loss or damage to any body corporate, stock exchange, securities business person or investor, the Board may punish such a person with a fine of fifty thousand rupees to two hundred thousand rupees. If any one has suffered any loss or damage from such act, the Board may also cause the recovery of compensation for actual loss or damage.

(6) If any one issues securities, carries on or causes to be carried on a stock exchange or operate or causes to be operated securities transaction in the capacity of a securities business person without fulfilling such requirements as required to be fulfilled under this Act or the rules or bye-laws framed under this Act, the Board may punish such a person with a fine of fifty thousand rupees to one hundred fifty thousand rupees.

(7) If any person violates this Act or the rules or bye-laws framed under this Act or any orders or directions issued thereunder or any terms and conditions specified by the Board or fails to do any such act as required to be done by such a person or commits any such act as required not to be done, the Board may punish such

a person with a fine of twenty five thousand rupees to seventy five thousand rupees.

102. Government of Nepal to be a plaintiff: The cases relating to the offenses referred to in Sections 91, 94, 95, 96, 97, 98, 99 and 100 shall be state cases to which Government of Nepal shall be a plaintiff.

103. Investigation and filing of a case: (1) If a complaint is made by any one that any one has committed the offense referred to in Sections 91, 94, 95, 96, 97, 98, 99 and 100 or the Board receives in any manner an information relating to such an offense or the Board believes that any one has committed such an offense, the Board may designate any officer as an investigating authority to conduct investigations of the case relating to such an offense.

(2) The investigating authority designated pursuant to sub-section (1) shall conduct investigations as prescribed in relation to such an offense and file a case in the concerned District Court within thirty five days after the date of completion of investigations.

(3) The investigating authority designated pursuant to sub-section (1) may, in the course of conducting investigation, make necessary inquiry with, take depositions of, any person or body related with the offense or demand necessary documents, statements and records from such person or body.

(4) The designated investigating authority shall, in conducting investigation of and filing a case pursuant to this Section, shall obtain advice of the government attorney.

- 104. Investigation may be conducted upon holding in detention or suspension or release on bail:** (1) Notwithstanding anything contained in the laws in force, if, in conducting investigation of any case held to be an offense referred to in this Act, there is a reasonable ground to believe that any person against whom action is being taken on the accusation of an offense referred to in this Act may abscond and disappear or it appears that there is any loss of or damage to any assets, the Board may require such a person to furnish necessary bail or guarantee of asset and may hold such a person in custody in the event of failure to furnish such bail or guarantee.
- (2) If there is a reasonable ground that any person against whom action is being taken on the accusation of an offense referred to in this Act may temper with or destroy any evidence that can be produced against such a person or may obstruct or hinder the investigation of the case if such a person continues to hold office, the Board may write to the concerned body to suspend such a person.
- 105. Compensation to be paid:** If any one has sustained any loss or damage by the reason of effect in the price of securities purchased or sold by any one as a result of the commission of an offense punishable under this Chapter, such loss and damage may also be recovered or realized from the offender of such offense.
- 106. Appeal:** (1) Any stock exchange, securities business person, body corporate or concerned person dissatisfied with any punishment made by the Board pursuant to sub-sections (4), (5), (6) and (7) of Section 101 may file an appeal in the concerned Appellate Court

within thirty five days after the date of imposition of such a punishment.

(2) Any person dissatisfied with any order or direction issued by the Board pursuant to Chapter-8 may file an appeal in the concerned Appellate Court within thirty five days after the date of receipt of a notice of such order or direction.

107. Remedies against undue pre-convicted act: If the Board receives any notice, information and statement that any enlisted company has committed any acts or transactions with undue pre-conviction and in a manner to be against the interests of its members, the Board may order such a company to do as follows:

- (a) To refrain from doing such transactions,
- (b) To determine procedures for conducting acts and transactions in a manner not to be against the interests of members,
- (c) To appoint a manager or trustee, specifying, inter alia, the functions and duties of such a manager or trustee, to do, on behalf of the company, all or any of the acts and transactions of the company,
- (d) To issue such orders as may be required to regulate and manage the activities of the company.

108. To be disqualified to be a director or general manager: If a director, general manager or any other person holding the equivalent office there to is convicted and punished with the punishment referred to in Section 101, such a person shall be disqualified for becoming a director, general manager or an office

equivalent thereto in any public limited company or a body or a period up to ten years from the date of such punishment.

Chapter-10

Miscellaneous

109. Provisions relating to take over of a body corporate or control

over a body corporate: (1) If any person or a group of persons or body corporate is to purchase the shares of any body corporate in lump sum or at several times with an intention of taking full ownership of such a body corporate or control over the management of that body corporate, such transaction on the purchase and sell of shares shall have to be done in a transparent manner.

(2) If any person or group of persons in collaboration or any body corporate purchases or owns more than fifty percent, or more than such percent as specified by the Board, of the shares of any body corporate, it shall be deemed to have been control over the management for the purposes of sub-section (1).

(3) The manner in which an offer is to be made on the sale of shares of any body corporate in manner to acquire the full ownership of the body corporate or have control over the management of the body corporate pursuant to sub-section (1), process on the purchase and sale of shares and other provisions pertaining thereto shall be as prescribed.

- 110. A body corporate to register the transfer of the shares certified by the stock exchange :** If a stock exchange certifies the transfer in relation to any shares or debentures of any body corporate which have been purchased, sold or exchanged at the stock exchange, the body corporate shall register such shares or debentures in its register of members in the name of the transferee of such shares or debentures.
- 111. Transfer of securities:** Notwithstanding anything contained in the laws in force on companies, the provisions relating to the ownership and transfer of listed securities shall be as prescribed.
- 112. Liaison with Government of Nepal:** The Board shall, in liaising with the Government of Nepal, do so through the Ministry of Finance.
- 113. Government of Nepal may issue directions:** The Government of Nepal may issue necessary directions to the Board from time to time, in respect of policy matters such as the development of capital market and protection of the interests of investors, and it shall be the duty of the Board to comply with such directions.
- 114. To render assistance:** It shall be the duty of all the concerned to render assistance as sought by the Board for the regulation and management of the transactions in securities having regard to the development of capital market and protection of the interests of investors.
- 115. Saving for the act done in good faith:** The Board or any employee of the Board shall not be personally or collectively responsible for any act or action which is done or taken in good faith subject to this Act or the rules framed under this Act.

116. Power to frame rules: (1) The Board may, in order to implement the objectives of this Act, frame necessary rules with the approval of the Government of Nepal,

(2) Without prejudice to the generality of the power conferred by sub-section (1), such rules may, in particular, provide contain following matters:-

- (a) Securities registration and permission for issuance,
- (b) Issue of a license for stock exchanges,
- (c) Issue of a license for securities business,
- (d) Operation of collective investment schemes,
- (e) Terms and conditions of the service of the employees of the Board,
- (f) Maintenance of financial operation and accounts of the Board,
- (g) Operation of the compensation fund,
- (h) Financial source required to be maintained by securities business person in relation to the operation of securities business,
- (i) Accounts and records of money paid by customers for the purchase of securities,
- (j) Suspension of listing, delisting or transfer of securities,
- (k) Other necessary provisions to regulate and manage the activities of the stock exchange and persons involved in the securities business by regulating the issue, purchase, sale and exchange of securities and to

protect the interest of investors for development of the capital market,

- (l) Taking over the ownership by purchasing shares in lump sum or at several times with intent to control the management of companies.

117. Power to frame bye-laws: The stock exchange may, with the approval of the Board, frame necessary bye-laws on the following matters, subject to this Act and the rules framed under this Act:

- (a) Listing of securities and transactions of listed securities,
- (b) Membership, membership fees, professional ethics of members,
- (c) With a view to operate the stock exchange in a fair and transparent manner, provisions relating to the service and conduct of employees and market inspection and monitoring.

118. To frame and enforce directives:(1) The Board may, subject to this Act and the rules framed under this Act, frame and enforce directives on the following matters for regulating transactions of securities;

- (a) On securities registration and issuance permission,
- (b) On securities issuance and sales arrangements,
- (c) On securities allotment,
- (d) On professional ethics,
- (e) On other matters relating to the regulation of transactions of securities.

(2) It shall be the duty of all the concerned to abide by the directives framed by the Board pursuant to sub-section (1).

119. Effect of inoperativeness of the Securities Ordinance, 2005:

With the Securities Ordinance, 2005 being inoperative, unless a different intention appears, the inoperativeness shall not,

- (a) Revive anything not in force or existing at the time, at which the Ordinance became inoperative,
- (b) Affect the matter in operation as per the Ordinance or anything duly done or any punishment suffered thereunder,
- (c) Affect any right, privilege, obligation or liability acquired, accrued or incurred under the Ordinance,
- (d) Affect any penalty, punishment or forfeiture incurred under the Ordinance,
- (e) Affect any action or remedy made or taken in respect of any such right, privilege, obligation, liability, penalty or punishment as aforesaid; and any such legal proceeding or remedy may be instituted, continued or enforced as if the Ordinance were in force.