

LICENSING REQUIREMENTS FOR MEMBERS

1. Introduction

The objective of this section is to prescribe the requirements for licensing various Capital Markets players. The main market intermediaries in the capital markets include: Stockbrokers, Stock Dealers, Investment Advisers and many others that may be introduced as the market grows and their relevance becomes apparent. The roles and the licensing requirements for each of these market intermediaries are as briefly outlined below:

2. Stockbrokers and Dealers

2.1 Application for license

- (1) An application letter for a license to operate as a stockbroker or a dealer shall be submitted to the Registrar and be accompanied by:-
 - (a) the specified fees set out in table 3.1.1 below and
 - (b) the certificate and documents of incorporation;
 - (c) a statement of the un-audited accounts for the period of the accounting year ending not earlier than six months prior to the date of application and audited accounts for the preceding two years (where applicable);
 - (d) a business plan as prescribed by Registrar from time to time containing the particulars on -
 - (i) the management structure;
 - (ii) the directors, including one or more executive directors, their qualifications, addresses and details of other directorships;
 - (iii) the shareholding structure which shall disclose whether any of the shareholders will have an executive role to oversee the day to day operations of the business;
 - (iv) the shareholding structure of a dealer;

- (v) the evidence of paid up share capital of a minimum amount of fifty thousand (M50,000) in the case of a stockbroker and one hundred thousand (M100,000) in the case of a dealer;
 - (vi) the qualifications, experience and expertise of the chief executive must be relevant to effectively manage or operate the business of a stockbroker or dealer;
 - (vii) the proposed management and qualifications of key personnel;
 - (viii) the financial projections for three years;
 - (ix) the proposed information technology suitable to access trading, clearing, delivery and settlement systems as may be determined by the MSM.
 - (x) one bank reference;
 - (xi) two business references (where applicable);
 - (xii) the proposed premises suitably located and equipped to provide satisfactory service to clients in the field of activity to which the licence relates or evidence acceptable to the CBL that such premises will be available;
 - (xiii) the staff capable of providing professional services to clients in the field of activity to which the license relates or evidence acceptable to the Registrar.
 - (xiv) the proposed independent auditor; and
 - (xv) a declaration that no person is a director or holds beneficial interest either directly or indirectly in more than one member of a Maseru Securities Market.
- (e) Proof of professional indemnity insurance taken to the value not less than one million Maloti (M1,000,000) or lodge a security with a value of one million Maloti (M1,000,000) in a form acceptable to the Registrar from a bank.
- (2) A statement declaring that the directors and senior management officials are fit and proper persons as determined by the Registrar.

- (3) The eligibility of a dealer's licence shall be restricted to persons who deal on their own account

2.1.1 Stockbrokers' financial requirements.

- (1) The level of paid-up share capital for a stockbroker shall not be below fifty thousand maloti (M50, 000) at any time during the license period and shall not be advanced to the directors or associates of the stockbroker.
- (2) The working capital shall not be below twenty per cent (20%) of the specified minimum shareholder's funds or three times the average monthly operating costs whichever is higher;
- (3) Unsecured advances, loans and other amounts to directors or associates shall in aggregate not exceed ten per cent (10%) of the specified minimum shareholder's funds at any time provided that such loans are with respect to any amount in excess of the minimum paid up capital;
- (4) The ratio of the stockbroker's bank overdraft to the paid-up capital shall not exceed twenty per cent (20%) at any time.

2.1.2 Dealers' financial requirements and investment limits.

- (1) The level of shareholder's funds (paid up share capital and reserves) shall not be below fifty thousand maloti (M50, 000) at any time during the licence period.
- (2) A dealer shall:-

- (a) set aside investment capital of not less than fifty thousand maloti (M50, 000) in cash or portfolio of listed securities, or such higher amount as may be specified by the Registrar; and
 - (b) have a working capital of an amount not less than twenty per cent (20%) of the paid up capital and reserves or three times its monthly operating costs.
- (3) Where a subsidiary of a stockbroker is licensed as a dealer, the minimum investment capital committed to dealing operations by the subsidiary shall not be less than twenty thousand Maloti (M20, 000);
- (4) The ratio of the dealer's total debt to the paid-up capital shall not exceed twenty per cent (20%) during the licence period.
- (5) A dealer shall maintain an investment portfolio out of its investment capital in listed securities;

2.2 Investment Advisers

2.2.1 Application for license

- (1) An application letter for a licence to operate as an investment adviser shall be submitted to the Registrar and shall be accompanied by:
- (a) the specified fees set out in table 3.1.1 below
 - (b) certificate and documents of incorporation ;
 - (c) a statement of the un-audited accounts for the period of the accounting year ending not earlier than six months prior to the date of application and the applicant's audited accounts for the preceding two years (where applicable);
 - (d) a business plan as prescribed in 6.2.1 (d) above;

(e) a statement declaring that the directors and senior management officials are fit and proper persons as determined by the Registrar.

3 Application and Licence Fees

3.1.1 The following schedule shows application fees due for different licenses;

LICENSE	APPLICATION FEE	ENTRANCE FEE	ANNUAL FEE
Sponsor	M1,500.00	M5,000.00	M5,000.00
Brokerage	M1,500.00	M5,000.00	M5,000.00
Advisor	M1,500.00	M5,000.00	M5,000.00
Dealer	M1,500.00	M5,000.00	M5,000.00
Corporate Member	M1,500.00	M5,000 traders x	M5,000 traders x