

ACT

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SIGNED this *11th day of May, 2007*

ALHAJI AHMAD TEJAN KABBAH,
President.



No. 4



2007

Sierra Leone

The Other Financial Services (Amendment) Act, 2007.

Short title.

**Being an Act to amend the Other Financial Services Act,
2001 so as to provide for the establishment and operation of stock
exchanges.**

[17th May, 2007] Date of com-
mencement.

ENACTED by the President and Members of Parliament in this
present Parliament assembled.

Amendment
of Act No. 7
of 2007.

The Other Financial Services Act, 2001 is amended-

- (a) by the insertion immediately after section 49 thereof of the following:-

“PART VI A—STOCK EXCHANGES

Stock ex-
changes to be
approved.

49A (1) Except with the approval of the Central Bank, no person shall operate a stock exchange in Sierra Leone.

(2) Any person who acts in contravention of subsection (1) commits an offence and is liable on conviction, to a fine not exceeding Le500,000 for each day that the contravention continues.

Central Bank
to approve
stock
exchanges.

49B (1) Subject to this Part, the Central Bank may grant an approval to any holder of a dealer’s licence, or more than one such holder, to establish and operate a stock exchange in which other holders of dealer’s licences may participate.

(2) Application for approval to operate a stock exchange may be made to the Central Bank in the prescribed form.

(3) No approval shall be granted to any person to operate a stock exchange other than a body corporate.

(4) The Central Bank may, after consultation with the Minister responsible for finance, approve a body corporate as a stock exchange, if it is satisfied that –

- (a) at least two shareholders of that body corporate will carry on the business of dealing in securities independently of and in competition with each other;
- (b) the rules of the body corporate will make satisfactory provision-
 - (i) for the exclusion from membership of the stock exchange of persons who are not of good character and high business integrity;
 - (ii) for the expulsion, suspension or disciplining of members of the stock exchange for conduct inconsistent with

just and equitable principles in the transaction of business or for a contravention of or failure to comply with the rules of the stock exchange or the provisions of this Act;

- (iii) for the closing out of a member’s unsettled market contracts, where the member appears to be unable or is likely to become unable to meet obligations in respect of market contracts;
- (iv) for the making of a report to the Central Bank by the stock exchange whenever it rejects any application for membership of the stock exchange or where it suspends or expels a member or where it suspends trading in particular securities of, or made available by, a body corporate on the stock market of the stock exchange;
- (v) for the terms and conditions of the chief executive officer of the stock exchange, including a term that the chief executive officer shall not be liable to dismissal or removal from his office without the prior approval of the Central Bank;
- (vi) with respect to the conditions under which securities may be listed for trading on the stock market of the stock exchange;
- (vii) with respect to the conditions governing dealing in securities by members of the stock exchange and the clearing and settlement of deals;
- (viii) with respect to the class of securities that may be dealt in by members of the stock exchange,

- (ix) for the governance of the stock exchange by a council;
- (x) with respect to fair representation of persons in the selection of the council members and administration of the affairs of the stock exchange, including provision to ensure that one or more council members are representative of listed companies, investors and the professions relevant to securities trading and not associated with a stock;
- (xi) generally, for the carrying on of the business of the stock exchange with due regard to the interest of the public;
- (c) the body corporate has sufficient financial, human and system resources to operate a fair and efficient market; and
- (d) the interests of the public will be served by the granting of the approval.

(5) Nothing in this section shall preclude the Central Bank from appointing any person who is knowledgeable in the securities industry and who is not associated with a stockbroker or dealer to be on the council of the stock exchange to represent the public interest; except that a person so appointed -

- (a) shall have the same rights, powers, duties and obligations, liberties and privileges as any other member of the council of the stock exchange; and
- (b) shall hold office for a period specified by the Central Bank which may at any time revoke such an appointment; and

- (c) shall be paid by the Central Bank.

(6) The Central Bank shall publish in the *Gazette* notice of approval for the establishment of a stock exchange and every cancellation or suspension of any such approval.

(7) Where the Central Bank is of the opinion that an approval granted to a stock exchange under subsection (4) should be withdrawn in the public interest, it may serve on the council of that stock exchange a written notice that it is considering the withdrawal of the approval for the reasons stated in the notice and after giving an opportunity to the council to be heard on the matter, it may cancel the approval granted under subsection (4).

(8) A cancellation under subsection (7) shall not take effect until after the expiration of three months from the date on which the cancellation is published in the *Gazette*.

(9) With effect from the date on which a notice of cancellation of approval under subsection (8) is published in the *Gazette*, the council shall ensure that trading on the stock exchange ceases.

(10) During the three months between the publication and the effective date of the cancellation—

- (a) the council shall take steps to wind up the business of the stock exchange; and
- (b) the Central Bank shall take such steps as are reasonably available to it to approve the establishment of an interim stock exchange which can provide a stock trading facility from the date on which trading on the stock exchange is to cease.

(11) In this section “dealer’s licence” means a licence granted as such under section 50D.

Central Bank to approve amendments to rules.

49C (1) Where an amendment is proposed to be made by a stock exchange, whether by way of repeal, or alteration of, or addition to, the rules of the stock exchange or the listing rules of the stock exchange, the council of the stock exchange shall forward a written notice of it to the Central Bank for approval.

(2) The Central Bank shall within 7 days of receipt of a notice under subsection (1), give notice in writing to the stock exchange concerned that it approves the amendment or that it disapproves the whole or any specified part of the amendment in question and until such notice is given, the amendment shall not have any effect.

(3) Nothing in this section, shall preclude the Central Bank, after consultation with the council of the stock exchange, from amending the rules of the stock exchange by written notice specifying the amendments and the dates those amendments shall come into force, but the Central Bank may dispense with such consultation if it considers it necessary to do so for the protection of investors.

(4) Any notice under this section may be served personally or by post.

Stock exchange to assist Central Bank.

49D (1) A stock exchange shall provide such assistance to the Central Bank as the Central Bank reasonably requires for the performance of its functions, including the furnishing of returns and providing such information relating to the exchange's business or in respect of its dealing in securities or any other specified information as the Central Bank may require for the proper administration of this Act.

(2) Where a stock exchange reprimands, fines, suspends, expels or otherwise takes disciplinary action against a member of the stock exchange, it shall forthwith give to the Central Bank written particulars of the name of the member, the reason for and nature of the action taken, the amount of the fine, if any, and the period of the suspension, if any.

49E (1) The Central Bank may review any disciplinary action taken by a stock exchange which is required to be notified to it under subsection (2) of section 49D and may affirm or set aside a stock exchange decision after giving the member and the stock exchange an opportunity to be heard.

Disciplinary power of Central Bank.

(2) Nothing in this section shall preclude the Central Bank, in a case where a stock exchange fails to act against a member of the stock exchange, from suspending, expelling or otherwise disciplining a member of the exchange but before doing so the Central Bank shall give the member and the stock exchange an opportunity to be heard.

(3) Any person who is aggrieved by the decision of a stock exchange or the Central Bank under this section may, within 30 days after he is notified of the decision, appeal to the High Court whose decision on it shall be final.

49F (1) Where a person who is under an obligation to comply with, observe, enforce or give effect to the rules of a stock exchange fails in performing the duty, the High Court, on the application of the Central Bank, a stock exchange or a person aggrieved by the failure, after giving to the person against whom the order is sought an opportunity of being heard, may make an order giving directions to that person to perform the duty.

Power of court to order compliance with rules of stock exchange.

(2) For the purposes of subsection (1) -

(a) a body corporate that has been admitted to any official list of a stock exchange and has not been removed from that official list; or

a person associated with a body corporate that has been admitted to any official list of a stock exchange and has not been removed from that official list,

is under an obligation to comply with, observe and give effect to the rules of that stock exchange to the extent to which those rules apply in relation to it or him.

Central Bank may issue directions to stock exchange.

49G (1) The Central Bank may, where it appears to be in the public interest, issue directions to a stock exchange—

- (a) with respect to trading on or through the facilities of that stock exchange or with respect to any security listed on that stock exchange; or
- (b) with respect to the manner in which a stock exchange carries on its business, including the manner of reporting off-market purchases; or
- (c) with respect to any other matters which the Central Bank considers necessary for the effective administration of this Act,

and the stock exchange shall comply with any such direction.

(2) A stock exchange which, without reasonable excuse, fails or refuses to comply with a direction given under subsection (1), is liable to the imposition by the Central Bank of an administrative fine not exceeding Le5,000,000 and to a further fine of Le100,000 for each day that the failure or refusal continues.

(3) All administrative fines collected under subsection (2) shall be paid by the Central Bank into an Investor Compensation Fund established under section 49K.

(4) A stock exchange that is aggrieved by any direction of the Central Bank under subsection (1) or the imposition of an administrative fine under subsection (2) may appeal to the High Court within 30 days of the date of the direction or fine, as the case may be.

(5) Where the Central Bank is satisfied that an executive officer of a stock exchange -

- (a) has intentionally contravened this Act or any regulations made under it or the rules of a stock exchange; or

- (b) has without reasonable justification or excuse, failed to enforce compliance with such enactment by a member of the stock exchange or a person associated with that member,

the Central Bank may, if it thinks it necessary in the public interest or for the protection of investors, and after giving the executive officer, an opportunity of being heard and, where appropriate, after consulting the stock exchange first, direct by notice in writing, that the stock exchange remove from office or employment the executive officer, and the stock exchange shall comply with the direction of the Central Bank or may instead, censure the executive officer.

49H (1) Without prejudice to the generality of section 49G, where the Central Bank is of the opinion that it is necessary to prohibit trading in particular securities of, or made available by, a body corporate on the stock market of a stock exchange in order to protect the interest of the public, the Central Bank may give notice in writing to the stock exchange:—

Power of Central Bank to prohibit trading in particular securities.

- (a) stating that it has formed that opinion and setting out its reasons; and
- (b) in a case of urgency, prohibit trading in those securities on that stock market during such period, not exceeding 14 days, as may be specified in the notice.

(2) If, after receipt of a notice under paragraph (a) of subsection (1), the stock exchange does not take action to prevent trading in the securities to which the notice relates on the stock market of the stock exchange and the Central Bank is still of the opinion that it is necessary to prohibit trading in those securities on that stock market, the Central Bank may, by notice in writing to the stock exchange, prohibit trading in those securities on that stock market during such period, not exceeding 14 days as may be specified in the notice.