

member of the Exchange are being made by the Exchange every other member shall on request facilitate such inquiries and make all necessary inquiries into dealings with the member whose position is being investigated as aforesaid.

23 Members' Books of Account and Audit

- 23 (1) Every member shall keep books of account and records containing complete and correct records and explanations of the affairs and transactions of his sharebroking business. The books, records and explanations to be kept shall be such as the Board shall from time to time determine or prescribe by the regulations. They must be sufficient to enable an auditor to supply the certificate of audit and report as required by Rule 23 (2).
- 23 (2) When notified by the Board, a member shall, within the time specified in such notification, supply to the Chairman a certificate of audit and report from a practising chartered accountant who, failing appointment by mutual consent between the member and the Board, may be appointed by the Board at the expense of the member. The certificate and report shall deal with such financial matters as the Board shall from time to time determine or prescribe by the regulations.
- 23 (3) The Board shall have full and absolute power at any time to call upon any member to produce forthwith, for inspection by the Board or its duly appointed representatives, all books, letters, telexes, telegrams or copies thereof, and other documents relating to his business as a sharebroker; and they may also require members and their clerks to appear before the Board or its duly appointed representatives at any time, and to give such information as may be required in connection with such business.
- 23 (4) The Board shall appoint either an individual or an appropriate firm, neither of whom shall be a member of the Exchange, to be or to provide appropriate personnel to carry out the duties of the Inspector of the Exchange. Any individual or firm so appointed shall be a chartered accountant, or a firm of chartered accountants, in public practice. The Board may, at its sole discretion, appoint an alternate Inspector (who shall be a chartered accountant or firm of chartered accountants, in public practice and not a member of the Exchange) if for any substantial reason it considers this necessary.
- (a) Each Inspector or alternate Inspector shall be directly responsible for work carried out by him under the provisions of these Rules or the regulations.
- (b) Neither the Inspector nor the alternate Inspector (if any) nor any member of their firm shall take any part in the accounting work involved with the day to day recording of sharebroking transactions for a member. Provided the principle of independence of the Inspector remains paramount, an Inspector may undertake for a member such accounting work as the preparation of annual accounts from a trial balance supplied by the member, preparing and lodging tax returns, or offering advice to the member on improving his accounting methods or his office procedures.
- 23 (5) The Inspector is empowered to inspect the financial records and related documents of each member at any time he considers necessary and to require from any member an explanation of any item or state of affairs whatsoever in relation to the member's sharebroking business, which, in the opinion of the Inspector, appears to need an explanation or to be at variance with these Rules or the regulations or with recognised sharebroking practice:

Provided that the Inspector may require to be given

access to information concerning the member's assets, either private or of another business when in the Inspector's opinion, it is advisable to demonstrate the members overall solvency.

- 23 (6) Each member shall be required to satisfy the Inspector that his accounts and related subsidiary records are being maintained in a satisfactory and systematic manner and are being kept regularly up to date.
- 23 (7) Each member shall be required to satisfy the Inspector that reasonable internal systems and checks exist in his sharebroking firm both in respect of the activities of employees able to initiate and control share transactions and also in respect of partners, shareholders and directors.
- 23 (8) Every member shall supply to the Inspector on a continuing basis such information as may be prescribed by the regulations.
- 23 (9) The powers in Rule 8 (24) (relating to the making of regulations) shall without in any way limiting the powers in that Rule, be deemed to extend to regulations relating to the operation of members and the supply by members of monthly returns of balances and other information to the Inspector.

24 Capital Adequacy Requirements

- 24 (1) In order to ensure that members are at all times capable of meeting their financial obligations and subject as hereinafter provided, every sharebroking firm shall at all times maintain its liquid capital at or above the prescribed level.
- 24 (2) A sharebroking firm may be temporarily excused from compliance with Rule 24 (1) in respect of a particular transaction in accordance with Regulations made hereunder.
- 24 (3) For the purposes of this Rule 24 and Regulations made hereunder:
- (a) The terms "liquid capital" and "prescribed level" shall have the meanings given to them in the regulations.
- (b) The powers in Rule 8 (24) (relating to the making of Regulations) shall without in any way limiting the powers in that Rule, be deemed to extend to Regulations relating to the implementation of this Rule, including Regulations relating to the manner in which various types of assets are to be valued for determining liquid capital, the inspection of the books of members and the supply by members of regular returns to the Inspector.
- 24 (4) Where a sharebroking firm is unable to comply with the requirements of Rule 24 (1) and has not in terms of Rule 24 (2) been temporarily excused from such compliance, the Board may if it sees fit, suspend both the firm and all or any of its principals as defined in Rule 3 (9) until such time as it is satisfied that the firm is once again in a position to comply with these requirements.

25 Fidelity Guarantee Fund

- 25 (1) There shall be a Fidelity Guarantee Fund ("the fund") for the purpose of meeting just claims from persons who have suffered pecuniary loss from a sharebroking transaction as a result of a member being unable to meet his financial obligations provided however that nothing in this Rule or the establishment and maintenance of the fund shall constitute a legal obligation to any such claimant.
- 25 (2) The management of the fund shall be vested in and controlled solely by the Board which may in its absolute discretion constitute a Fidelity Guarantee Fund Committee to assist with such management. The Fidelity Guarantee Fund Committee shall be