

shall have all such powers as are reasonably necessary or expedient to carry out its functions.

3 Membership

3 (1) Members shall consist of all persons who have become members pursuant to any rule for the time being in force and all persons admitted to membership as hereinafter provided.

3 (2) Membership of the Exchange shall comprise the following classes:

- (a) individual members; and
- (b) company members.

3 (3) The Membership Committee shall admit as an individual member of the Exchange a natural person who has applied for membership of the Exchange in accordance with Rule 4 if:

- (a) The person supplies evidence satisfactory to the Membership Committee to the effect that:
 - (i) He holds a sharebroker's licence; and
 - (ii) He has obtained and lodged with the Exchange a bond pledging the amount of \$200,000 as being available for commitment to the sharebroking business of that member at all times that he conducts business other than as an officer or employee of a company member, and whether as a sole trader or a member of an unincorporated partnership. Such bond shall be provided on terms reasonably deemed by the Board to afford reliable security for the amount thereof, and shall be renewed annually and maintained in all respects at all times while an individual member is in business.

This condition of membership shall apply to all persons making application after the date on which these rules take effect provided however that the bond required may be stipulated by the Board in any particular case to be for such lesser amount as the Board shall in its absolute discretion determine having regard to the reasonable potential for smaller commitments and trading obligations likely to be incurred given the scale, nature and location of the business of the applicant.

- (iii) He has been employed full time for a total of not less than three years in the five year period immediately preceding his application for membership in the sharebroking office of a member, or of a member of an overseas stock exchange recognised by the Exchange, or he can provide evidence of qualification or experience which the Membership Committee may accept either in reduction of the three year full time employment requirement or in extension of the five year period; and
- (iv) He has obtained a pass in such examinations as the Board may from time to time prescribe:

Provided that the Board may exempt from this rule a former member seeking readmission to the extent that the Board considers that the former member's previous sharebroking experience makes compliance with this rule unnecessary; and

- (v) He will carry out his responsibilities as a member and sharebroker honestly and diligently. Without limiting the power of the Membership Committee to satisfy itself with regard to this requirement, it may accept references from at least 2 suitable persons as evidence of the candidate's intentions in this matter.
- 3 (4) The Membership Committee shall admit as a company member of the Exchange a company that has applied for membership in accordance with Rule 4 if:
- (a) The company provides evidence satisfactory to the Membership Committee to the effect that:

- (i) The requirements of Rule 6 (6) are met; and
 - (ii) The company holds a sharebroker's licence.
- (b) Each director of the company has delivered to the committee a statutory declaration stating that the requirements of Rule 6 (6) are met and that the director will ensure that the company will abide by the Rules of the Exchange.

3 (5) A person shall cease to be a member:

- (a) If he shall have delivered his resignation in writing to the Board and the Board shall have accepted the same (and no such acceptance shall be withheld without good reason); or
- (b) On termination or expulsion pursuant to Rule 3 (14) or Rule 20 (10).

3 (6) The Board may at its discretion appoint as an honorary member, any individual member who may have resigned in terms of Rule 3 (5) (a).

3 (7) An honorary member shall have no voting rights at any general meeting of the Exchange but he shall be entitled to attend such meetings in a non voting capacity.

3 (8) An honorary member shall have no liability for any fee, levy or other charge made by the Exchange and shall hold his honorary status at the complete discretion of the Board.

3 (9) For the purposes of this Rule, Rules 3 (10)–3 (15) inclusive, Rule 7 (5) (d), Rule 20 (5) (d) and Rule 24 (4), the term "principal" shall mean:

- (a) Any member in practice as a sole trader;
- (b) Any member who is a partner, director or shareholder of a sharebroking firm;
- (c) Any member who is a director of or controlling shareholder in a company which holds directly or indirectly more than 25% of the issued capital of a company member;
- (d) Any member who has or has had at any time a relationship with a sharebroking firm giving that member the right or opportunity to influence or control the direction of that firm which in the opinion of the Board, would reasonably require that member to be regarded at the material time as a principal of that sharebroking firm.

3 (10) Where a sharebroking firm has been declared a defaulter in terms of Rules 22 (1) or 22 (4), every principal of that sharebroking firm shall, from the time such declaration of default has been made, be deemed to be suspended until further notice.

3 (11) Any member suspended under Rule 3 (10) shall, as a condition of retaining his membership:

- (a) Provide all reasonable assistance to the receiver, liquidator, special manager or any other appropriate person to enable both the financial position of the sharebroking firm to be established and the reconciliation of accounts with all other members to be completed; and
- (b) Contribute financially his appropriate share—
 - (i) to the costs of the resolution of the sharebroking firm's affairs; and
 - (ii) to the funding of any liability which the firm might have to its clients and sharebroking creditors after determining the sharebroking firm's recoverable assets.

3 (12) The amount of the appropriate share in Rule 3 (11) (b) shall be determined by the Board and in making such a determination the Board shall have regard to the interest which a member has in the sharebroking firm, the extent to which the member was in a position to influence or control the direction of the sharebroking firm and any other matters which the Board could