



No. \_\_\_ of 2015

A Bill

Entitled

***CENTRAL DEPOSITORY BILL 2015***

**EXPLANATORY NOTES**

**A. INTRODUCTION**

These explanatory notes contain:-

- (a) an outline of the purposes of the Bill, which will amend the *Securities Act 1997* and reform the law relating to the establishment of securities and derivatives markets in Papua New Guinea;
- (b) a description of the framework under which the Bill will be administered; and
- (c) a summary of the principal features of the Bill in comparison with the *Securities Commission Bill 2015* and the *Capital Market Bill 2015*.

**B. PURPOSES OF THE BILL**

The propose bill compliments the Securities Commission Bill 2015 and the Capital market 2015. This bill is intended to improve the efficiency and transparency of the market infrastructure of the Port Moresby Stock Exchange.

It is intended to provide, a depository, clearing and settlement services of trades on the Port Moresby Stock Market, which is currently non existence. It will also allow for share certificates to be deposited in the depository and convert the shares to tradable securities on the market.

### **C. FRAMEWORK OF ADMINISTRATION**

The Bill will continue to be administered by the Securities Commission of Papua New Guinea.

### **D. PRINCIPLE FEATURES**

The Minister for Trade, Commerce and Industry, the Department of Trade, Commerce and Industry and the Investment Promotion Authority through a series stakeholder consultations with the industry, as well as other government and non government agencies, including the Department of Justice & Attorney General, Independent Consumer Competition Commission (ICCC), The Independent Public Business Corporation (IPBC), Asian Development Bank (ADB), International Financial Corporation (IFC), the National Research Institute (NRI), among others have called the Central Depository Bill is needed to enable the Securities Commission to effectively monitor and manage the Port Moresby Stock Exchange. This new law will compliment the Securities Commission Bill 2015 and the Capital Market Bill 2015.

The following is the general summary of the draft Central Depository Bill-

- Deposit of share certificates for safekeeping; and
- Facilitated the issuances and listings of foreign securities including CDIs on the Port Moresby Stock Exchange; and
- Harmonized cross-border transactions; and
- Increases transparency and safety of stocks traded; and
- Clearing of stocks; and
- Conversion of stocks into tradable shares; and
- Licensing of entities involved in the trading of stocks; and
- A link between the law and IOSCO principles; and
- A clear link between the regulator, the market and players.

The following are the specific arrangements of the proposed Bill.

## **PART I                    PRELIMINARY**

This part contain a provision on Constitutional compliance, application of the law and interpretation-

- Constitutional requirements
- Interpretations.
  
- Objectives of the Act.
- Functions of the Central Securities Depository.
- Principles of the Act (this should encompass the IOSCO principles).

## **PART II                    CENTRAL DEPOSITORY**

This Part provides for administrative structure to administer the Act. The following are the summary of this Part-

- Specifying the powers of the Securities Commission.
- Powers of the Securities Commission to impose fees and charges.
- Application to the Securities Commission for Central Depository license.
- Issuance and revocation of license.
- Approval of trading rules.
- Establishment of an Advisory Committee.
- Central depository to provide assistance to the Securities Commission.

## **PART III                    PROVISION RELATING TO DEPOSITED SECURITIES**

Under this Part, provisions provides for the deposition of securities including certificates into the depository to be converted to tradable securities on the market. It also provides for investors to withdraw those deposits. The following are the summary of this Part-

### *Deposit of securities*

- Duty of a central depository in relation to deposited securities.
- Authority central depository agents.
- Stock exchange to prescribed securities to be deposited in the central depository.

### *Withdrawal of securities*

- Prohibition of withdrawal;
- Securities accounts and records;
- Securities Account;

- Authorized nominee to hold account;
- Duty of central depository to keep records;
- Physical stick count of certificates;
- Securities transaction and entry;
- Dealing in deposited securities;
- Entry in Securities Account;
- Record of deposit;
- Prohibition against acquisition;
- Public offer
- Charging or pledging of securities.

#### **PART IV                    SECRECY PROVISIONS**

The provisions under this part to protect sensitive commercial information from unnecessary exposure. The following are the summary of this Part-

- Duty to take reasonable security measures.
- Duty to maintain secrecy.
- Restriction on disclosure of information by authorized depository agents.
- Permitted disclosures.
- Regulation of access to the computer system.

#### **PART V                     INVESTIGATION**

This part provide for the powers and processes for investigation for any breaches of any provisions of the Act. The following are the general summary of this Part-

- Powers of the Commission to conduct investigations;
- Duty of the Central Depository to provide assistance to the Commission;
- Powers of Court to make certain orders;

#### **PART VI                  OFFENCES**

This part creates offences, their penalties and the mode of enforcement.

#### **PART VII                 GENERAL PROVISIONS**

This provides the general powers of the Commission to perform certain general duties and functions.

## ***Conclusion***

This proposed Bill will enable and convert some of the untapped K65billion stocks which can be allowed to trade on the market and increase the liquidity in the market. These reforms will further increase the GDP of country.