



*“Providing A Fair,
Efficient and Transparent
Stock Market”*



A Guide to Jamaica Securities Markets

*M*ISSION STATEMENT

*To provide a fair, efficient, ethical
and transparent medium for the conduct
of a viable securities market
that facilitates the mobilization of
capital to finance the growth and
development of the nation.*

OUR CORPORATE OBJECTIVES

The Jamaica Stock Exchange was incorporated as a private limited company in August 1968, with the stock market commencing operations in February 1969.

The Exchange was demutualized on April 2, 2008 and became a public listed company on June 30, 2008.

Its principal objectives are:

To promote the orderly and transparent development of the stock market and the stock exchange in Jamaica.

To ensure that the stock market and its broker members operate at the highest standards practicable.

To develop, apply and enforce the rules designed to ensure public confidence in the stock market and its broker-members.

To provide facilities for the transaction of stock market business.

To conduct research, disseminate relevant information and maintain local and international relationships which can enhance the development of the Jamaica stock market.

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Chapter 1

The Jamaica Stock Exchange: At the heart of Regional Financial Markets



A Stock Market is an important part of our daily lives and modern economies. Making sure we are financially secure is a vital part of how our economy grows. And investing in securities is often a significant component of an investor's portfolio.

Owning stocks means you own a slice of a public company. The companies listed on the Exchange are local, regional and global and form the core of our private enterprise system. They spur job creation and economic growth while creating products and providing services that improve our quality of life.

The Jamaica Stock Market is a vital link between companies needing capital and Jamaicans with money to invest. When a company needs to raise money to expand, it sells stocks or bonds to the public through the financial markets. Individuals become investors in this company by purchasing those securities. As investors and part-owners in companies of their choice, they are able to participate in the companies' growth and development. In turn, companies which raise capital from the sale of shares are able to expand.

*“Individuals
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This helps to increase employment both directly and indirectly as more raw materials and services are bought and additional suppliers and contractors are hired. The increased economic activity helps to increase production and strengthen the country's economy as a whole.

The number of Jamaicans who own stocks through individual investments or through unit trusts is growing. And many more participate in the stock market through investments in retirement funds, insurance companies and banks.

Owning stock allows investors, large and small, to share in the world's economic growth and, vitality. Central to this activity is the Jamaica Stock Exchange (JSE), where billions of dollars worth of stocks change hands annually. The JSE plays a unique role in providing companies who list their securities on the Exchange with a liquid market for the trading of those securities; benefiting all investors.

WHAT ARE THE BASIC FUNCTIONS OF THE STOCK EXCHANGE?

- a. To provide an additional channel for encouraging and mobilizing domestic savings
- b. To foster the growth of the domestic financial services sector
- c. To provide savers with greater opportunities to protect themselves against inflation.
- d. To increase the overall efficiency of investment
- e. To facilitate privatization.
- f. To improve the gearing of the domestic corporate sector and help reduce corporate dependence on borrowing.



HOW DID THE CONCEPT OF A STOCK MARKET DEVELOP?

The institutional beginning of stock exchanges appeared during the 12th century in Paris spreading to the great trading centres of the world-Amsterdam, Great Britain, Denmark, Germany and France during the 16th and 17th centuries. The growth of trade created a need for banks and insurance companies. A combination of expanding activity and intermittent capital shortage stimulated the early issuers of securities: governments, banks, insurance companies and some joint stock enterprises, particularly the great trading companies.

From the existing exchanges of commercial bills and notes it was an easy transition to the establishment of stock exchanges for securities. By the early 1600's shares of the Dutch East India Company were being traded in Amsterdam and in 1773 London Stock Dealers moved into their own building. By the 19th century, trading in securities on a formal basis was common in industrial nations. Today, trading is conducted on over 120 stock markets worldwide.

WHAT IS A STOCK EXCHANGE?

A stock exchange is simply a marketplace where securities, that is, shares, stocks or bonds are bought and sold quickly, efficiently and under strict regulations for the protection of investors.

*“Today, trading
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HOW DID THE JAMAICA STOCK EXCHANGE BEGIN?

Before the Jamaica Stock Exchange began, Jamaicans would buy and sell shares of corporations and companies through banks, lawyers and other individuals. The Kingston Stock Market was established in 1961 under the guidance of the Bank of Jamaica, to co-ordinate the activities of traders, or persons who bought and sold shares on behalf of individuals. The Jamaica Stock Exchange itself, began operations in February 1969 with one of its roles being to promote the development of a vibrant capital market and to ensure orderly trading in listed securities, that is stocks, shares or bonds that are traded on a stock exchange. The first official trade on the Jamaica Stock Exchange took place on Monday, February 3, 1969.

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IS THE JAMAICA STOCK EXCHANGE A GOVERNMENT ENTITY?

No. The Jamaica Stock Exchange is a public limited liability company. The Bank of Jamaica was very active in the formation of the Stock Exchange and had taken part in all the pre-incorporation discussions and negotiations. In the past the Central Bank provided operating personnel for the Jamaica Stock Exchange, which was accommodated at rented premises in the B.O.J. However, over the years the role of the B.O.J. has deliberately decreased and today the Jamaica Stock Exchange occupies its own building at 40 Harbour Street, Kingston and operates with its own personnel.

WHAT IS THE STRUCTURE OF THE JAMAICA STOCK EXCHANGE?

The JSE is a demutualized Exchange and is governed by a Board of Directors which is comprised of independent and non-independent directors. Independent members can be drawn from the Bank of Jamaica, Ministry of Finance & Planning, Institute of Chartered Accountants of Jamaica, Private Sector Organization of Jamaica, the Jamaican Bar Association or any other organization which can provide relevant input to the deliberations of the Board.

The Chairman and Deputy Chairman are elected by the Board annually. The General Manager/Secretary is in charge of the day to day operations of the Jamaica Stock Exchange.

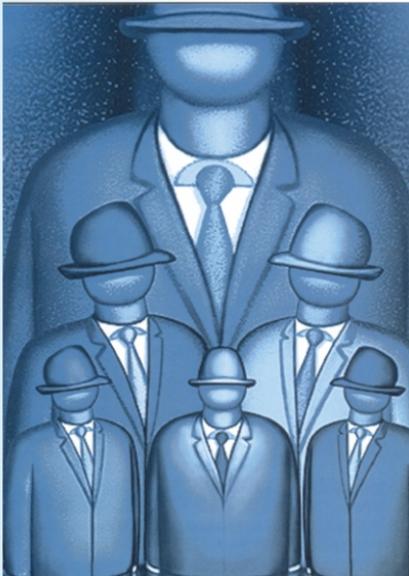
WHAT IS THE ROLE OF THE BOARD OF THE STOCK EXCHANGE?

The Board of Directors is a self regulatory body that monitors the activities of the stock market. The Board's functions include:

Setting guidelines and rules of operations at the Exchange.

To ensure that the stock market and its member dealers operate at the highest possible standard.

To determine the shares to be listed on the Exchange.



To suspend from trading or de-list, companies which violate the rules of the Exchange.

The decisions of the Board are arrived at on the basis of a majority vote.

DO ALL JAMAICAN COMPANIES HAVE SHARES TRADED ON THE JAMAICA STOCK EXCHANGE?

No. On any Exchange, only the stocks of those public companies that are listed are traded. That means a company must apply to the Jamaica Stock Exchange and be approved to have its shares traded. A company considering listing on the Jamaica Stock Exchange must meet the Exchange's listing requirements which include a minimum level of capitalization and the submission of detailed financial reports.

Jamaica Stock Exchange has listings from Jamaica and within the Caricom and we attract a wide range of companies. To be considered for a JSE listing, companies must meet strict financial and regulatory criteria. Companies list as initial public offerings (IPOs), by Introduction, Offer by Tender, Offer For Sale or by Placement .

HOW ARE SHARES TRADED?

The Jamaica Stock Exchange operates like other stock markets in the world. You choose a stockbroker, decide on a stock and place your order to buy or sell with your broker. Once this is done, your broker will purchase or sell your shares, The trade is complete when the trade that is placed by a buying broker on the electronic trading platform matches the trade placed by a selling broker where the price matches.



WHAT MAKES THE PRICE OF SHARES GO UP AND DOWN ON THE STOCK MARKET?

Shares prices are determined by supply and demand and on the confidence investors have in their value. If there are more orders to buy a share than offers to sell, the price will go up. If there are more offers to sell than to buy the price will go down. The decision to buy or sell depends on the investor's overall opinion as to the future prospects of a company's shares. This opinion is formed and influenced by factors such as the company's growth prospects; the type of industry, individual and corporate taxes and capital market conditions.



WHEN DOES TRADING TAKE PLACE ON THE JAMAICA STOCK EXCHANGE?

Trading on the Jamaica Stock Exchange is conducted on Monday to Friday between 9:30 a.m. and 1:30 p.m. through an electronic trading platform which was introduced in 2000.

WHAT IS THE JAMAICA CENTRAL SECURITIES DEPOSITORY?

In 1998 the JCSA, a wholly owned subsidiary of the Jamaica Stock Exchange was established. It is a facility for holding securities which enables share transactions to be processed by book entry.

A book entry system is an accounting system which facilitates the change of ownership of securities electronically between parties without the need for movement of physical documents.

Chapter 2

Talking Simply about Shares



Listed companies pay both initial listing fees and annual fees. In return, their SHARES are bought and sold on the JSE based on rules set by the Jamaica Stock Exchange and approved by the Financial Services Commission (FSC).

WHAT IS A SHARE?

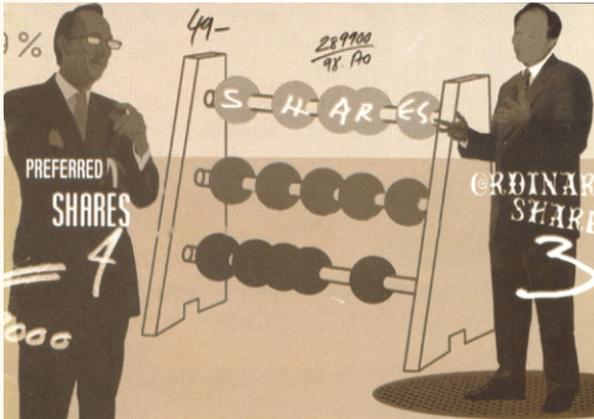
A Share is a unit of ownership interest in a company. When you buy or receive shares in a company, you become a part owner of that company. This is known as having equity in that company. The more shares you have in relation to the total number of shares issued by the company, the more of the company you own. For example, if a company issued 10,000 shares and you own 100 shares, then you are 1.0% owner. People who own shares in a company are referred to collectively as “shareholders” or “stockholders.”

ARE THERE DIFFERENT TYPES OF SHARES?

Yes, there are two basic kinds of shares:

- A. **Ordinary Shares-** Also known as “common stock”. As part of the percentage ownership described earlier the ordinary shareholder or common stockholder usually has four basic rights in proportion to the number of shares owned:
 - i. The right to receive dividends if and when these are declared by the Board of Directors. It is possible that the shareholders may not receive any dividends if the company performs poorly.
 - ii. The right to vote at meetings of the shareholders.
 - iii. The right to claim a portion of the company's undivided assets, if the company is liquidated.

- iv. The right to subscribe to additional stock or share offerings before they are made available to the general public. This is known as pre-emptive right.



A company may also be authorized to issue more than one class of common stock or shares, some of which may not have voting rights. (Not all companies have this provision)

- B. **Preference Shares** - Also called 'preferred shares or stocks.' The holders of these shares have certain rights and privileges over ordinary shareholders. There are different classes of preferred shares, which confer different rights. The most common types give the preferred shareholder:
 - i. The right to receive dividends at a fixed rate prior to payment of dividends to ordinary shareholders.
 - ii. The first right of payment should the company go bankrupt or be dissolved.
 - iii. Ordinarily no voting rights.

WHAT ARE THE BENEFITS OF OWNING SHARES?

There are three main benefits of share ownership

1. The shareholder benefits from the growth in the value of his or her shares over time. That is, over time the shares can be worth more than was paid for them. This is known as 'Price Appreciation'.
2. The shareholder can receive income through dividends declared from time to time and paid by the company's directors.
3. The shareholder gets the opportunity to participate in the continuing development of the companies in which they invest. The involvement of shareholders helps the companies and strengthens the economy.



WHAT IS A DIVIDEND AND HOW IS IT DETERMINED?

A dividend is a proportionate distribution of earnings (profits) of a company to its shareholders. With common (ordinary) shares or stocks, the rate of the dividend varies with the company's performance and the amount of cash on hand. With common shares the Board of Directors of the company decides the amount of the dividend to be paid out. They may also decide to hold back some of the profits to expand the company's operation. With preferred stocks or shares, the rate can be fixed or variable.

Dividends can be paid quarterly, half yearly or once per year.

WHY DO COMPANIES ISSUE SHARES?

The main reason companies issue shares is to raise capital or money. A company may need start-up capital, to repay debts or to expand. A company may also want to widen its ownership base. When you buy shares you enable the company to carry on business using your money.

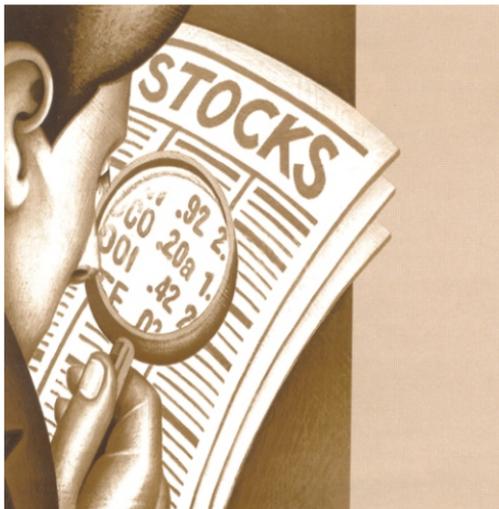
The number of shares which a company is authorized to issue is set out in its Articles of Incorporation and can only be increased with the consent of shareholders in a General Meeting.

WHY DO PEOPLE BUY SHARES?

People buy shares for different reasons. However, the principal reason is to get the best returns on their investments, whether over the long or short term. The hope is someday the stock you bought will be worth more than the amount you paid for them and that people will offer you more money to buy them from you. It is wise to regard shares as long-term investments.

WHAT ARE THE RISKS INVOLVED?

Every investment has an element of risk and buying and selling shares is not an exception. Anyone who buys shares should be aware that, although the value of each share can go up, especially over the long term, the value can also go down. It depends among other things, on the performance of the company, the value that investors in general place on owning that company's shares and on general economic conditions within the country.



WHAT ARE SOME OF THE THINGS I SHOULD DO BEFORE AND AFTER I BUY SHARES?

No one can guarantee success in the market. However, the possibility of success can be improved if, before investing in shares, you should:-

- a. *Collect and study as much information as possible about the company in which you intend to invest.*
- b. *Seek professional investment advice from a broker or other qualified persons.*
- c. *Learn how to read and understand the basic financial statements and reports which the companies listed on the Stock Exchange are required to publish.*
- d. *Develop the habit of reading and understanding financial publications.*
- e. *After buying shares, monitor and track your investments by maintaining a daily record of advances or declines in the stock value.*

WHERE CAN I BUY SHARES

Contact a stock broker (JSE Member/Dealer). This is a person whose business it is to buy and sell shares at one of the brokerage firms authorized by the Financial Services Commission and the Jamaica Stock Exchange to operate in Jamaica.

You can visit or telephone the broker, informing him/her which shares and how many you wish to purchase. Your broker is your link with the market. He or she will buy or sell according to your orders.



HOW DO I BUY OR SELL SHARES?

Contact your broker and advise him or her to buy or sell shares on your behalf. Give him or her clear instructions, whether orally or in writing.

The buying/selling process begins when you place the order with your stockbroker (member/dealer) for a specified number of shares in a company. There are three types of orders that you can place:

- a. *A market order - asks your broker to buy or sell stocks at the market price.*
- b. *A limit order- sets the price at which you want stocks to be bought or sold.*
- c. *A stop order- gives an approximate buying or selling price of stock. When the approximate price is reached the stock order becomes a market order.*

HOW DO I PAY?

You will receive a contract note that states the company whose stock you have bought or sold, the price paid or received, the commission and other fees and the settlement date. You should pay your bill by the settlement date.



HOW MUCH DO I HAVE TO EARN TO BUY SHARES?

A person from any income level, who has some amount of surplus funds available no matter how small, may decide to invest in the stock market.

A principal rule is never to invest any money you will need to pay your bills and other immediate living expenses. You will need to keep the money you need for your living expenses in a more liquid or immediately available manner.

WHAT IS A BONUS ISSUE?

This is the process whereby money from a company's reserves is converted into share capital, which is then distributed to shareholders in proportion to their existing holdings.

A bonus issue is also known as a script or capitalization issue.

WHAT IS A STOCK SPLIT?

This is the division of the existing shares of a company into larger number of shares, without changing the capitalization of the company. Each new stock will now be worth less depending on the ratio of the split. For example, if a stock with a market value of \$10.00 splits for 4 to 1, each new stock will be worth one fourth of the previous price, that is \$2.5 of each shareholder would get four shares for every one they owned previously. And, if the company had, let's say one million shares outstanding before the split, it would now have four million shares outstanding and worth the same dollar amount of the one million shares.



Usually, the rationale for stock split is that the lower priced stock might make the company more attractive to investors.

WHAT IS THE RECORD DATE?

It is the date by which a shareholder must be officially recorded on the company's share register in order to be entitled to a dividend, bonus, right or other distribution.

WHAT IS A BOND?

A bond is an interest bearing government or corporate debt security. It is a loan from the purchaser to the issuer which obligates the issuer to pay the bondholder a fixed interest at specific intervals and to repay the principal upon maturity. A bond issued by a company has no corporate ownership privileges as in the case of shares.



Chapter 3



WHO IS A STOCKBROKER?

A stockbroker (sometimes shortened to broker) is a member/dealer of the Exchange and is the direct link between the client and the stock market. Orders to buy and sell shares on the stock exchange are handled exclusively by this person. Brokers represent public orders to buy or sell shares and work to get their customers the best price. Brokers participate electronically on the Trading Floor and have advanced tools to assist them in handling trades on behalf of their clients. He/she provides Investment advice and acts as an agent for people who wish to buy or sell shares. A commission is charged for these services. A stockbroker must obtain a member/dealer license to trade on the Exchange.

WHY CAN'T I JUST BUY MY OWN STOCKS AT THE STOCK EXCHANGE?

The broker acts on behalf of a person who wishes to buy or sell shares. It is more costly to buy stock without going through a stockbroker. Shares not traded on the Jamaica Stock Exchange will attract Stamp Duty and Transfer Tax. These charges are considerably higher than the customary brokerage fees. It therefore suits an investor to work through a stockbroker who can also give advice about the specific securities of interest. Further, trading through a broker on the Stock Market will be beneficial to you as you can get the use of a centralised market place.

WHAT ARE THE LICENSING REQUIREMENTS FOR A STOCKBROKER?

To be able to trade securities on the Trading Floor of the Exchange, a trading license is required. Only qualified and approved JSE broker-dealer firms may acquire and hold trading licenses. A company has to be approved as a member/dealer by the Board of the Jamaica Stock Exchange. Senior executives, shareholders and employees dealing with the public must pass a “Fit and Proper” test and the firm has to meet certain basic financial requirements on an ongoing basis. Only approved representatives of stock broking firms are allowed to trade on the floor of the Jamaica Stock Exchange.

HOW MUCH DO STOCKBROKERS CHARGE?

Your stockbroker charges a fee called a commission, each time you buy and sell a stock. Commissions are used to pay for your broker's salary and for the services the firm provides. When you buy, you pay your broker for the value of the stock plus the commission and other charges. When you sell your stock, you receive the value of the stock less the commission and other charges.

The commission charged is agreed upon between the stockbroker and the client. Since March 1994, all commissions including those charged on corporate bonds, stock and block transactions were deregulated.

Besides the broker's commission, the other charges attached to the purchase and sale of shares are: the Jamaica Stock Exchange Cess of 0.19625 % on either side of the transaction. General Consumption Tax is charged on both the commission and the Jamaica Stock Exchange's Cess.

HOW ELSE DO BROKERS EARN INCOME?

They can earn additional income by providing advisory and investment management services to clients.



WHAT WILL THE STOCKBROKER DO FOR ME?

Your stockbroker, on your instructions, carries out your orders to buy or sell stocks. Some brokerage houses also provide you with regular information about market conditions affecting your investment, research material and advice on which stocks to buy or sell. He or she will also help you to keep an accurate and complete record of all your market transactions.

After each transaction done on your behalf, your broker will also send you complete details. Although brokers can provide you with information about a particular stock, it is really up to you to choose which stocks to buy or sell.

HOW DO I DECIDE ON A STOCKBROKER?

A stockbroker is like any professional. You should deal with the broker with whom you feel most comfortable and in whom you have the most confidence. In order to help determine this, first you need to establish your criteria, then speak with several brokers, and consult other investors.

Some firms advertise in the newspapers or business publications and are listed in the Yellow Pages of the telephone directory. Information about the Jamaica Stock Exchange member/dealers is provided in this booklet.

HOW CAN I GET THE BEST SERVICES FROM MY STOCKBROKER?

By stating clearly up-front what your investment objectives are and then asking the broker how he/she would go about meeting those expectations. Thereafter show an interest in your account, seek your broker's advice, honour your agreements and settle your transactions on a timely basis.

HOW DO I START TO BUY SHARES?

Before you can buy or sell stock you must open an account. You might want to arrange a personal meeting with your broker at his firm's offices.

IF I AM DISSATISFIED WITH MY PRESENT BROKER, HOW WOULD I GO ABOUT CHANGING HIM/HER?

First, select a new broker whom you believe will be better likely or able to meet your objectives; settle all outstanding transactions with your previous broker; advise her/him of your intention to cease as well as your areas of dissatisfaction.

IS IT PERMITTED / DESIRABLE TO WORK WITH MORE THAN ONE BROKER AT A TIME?

It is permitted and several clients consider it desirable. This is particularly true for large investors where consensus is considered useful or necessary. However, for smaller investors, practically speaking, there appears to be little advantage in dealing with more than one broker at a time. When multiple brokers are used, it is important to seek to avoid any conflict or confusion.

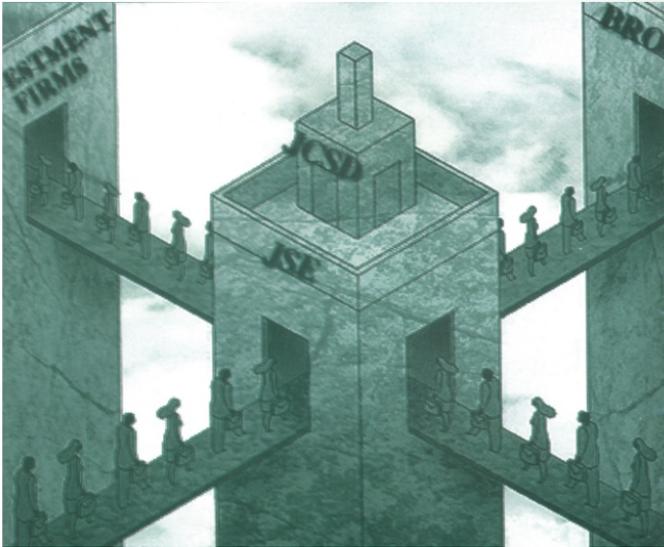
HOW AM I PROTECTED IF MY BROKER'S BUSINESS SHOULD GO INTO BANKRUPTCY?

You are protected under civil law and the Compensation Fund administered by the Jamaica Stock Exchange, specifically for that purpose. *(Please refer to chapter 5 in this brochure on “The Compensation Fund”).*

However, the Board of the Jamaica Stock Exchange monitors the financial status of all brokers. When the Exchange sees fit, it can act on an *a priori* basis to prevent a broker from continuing to trade before a situation becomes critical.

Chapter 4

THE JAMAICA CENTRAL SECURITIES DEPOSITORY (JCSD)



WHAT DO I NEED TO KNOW ABOUT THE JAMAICA CENTRAL SECURITIES DEPOSITORY?

The JCSD, a wholly owned subsidiary of the Jamaica Stock Exchange, is a facility for holding securities which enables share transactions to be processed by book entry. A book entry system is an accounting system which facilitates the change of ownership of securities electronically between parties, without the need for movement of physical documents. In short, the JCSD is an electronic means of recording the ownership of shares.

WHAT DOES THIS MEAN FOR ME?

The immediate advantage to you is convenience. Reducing the time for completing a transaction means it will be posted to your account more quickly. Payment to your stockbroker must be made before settlement. That means your stockbroker may require that a certain amount of money be on hand in your account so you can settle more quickly. Otherwise, other arrangements may have to be made to ensure your transactions can be promptly settled. Similarly, when selling securities, you must ensure you can deliver the securities to your stockbroker. For many individuals this is a problem because they actually hold shares or bond certificates physically. Instead, they should keep their securities in “street name”.



WHAT DO YOU MEAN BY KEEPING SECURITIES IN STREET NAME?

Internationally, most people who own securities today don't physically hold the stock or bond certificates. Instead their securities are kept on their behalf by their stockbroker which is called keeping securities in “street name”. The stockbroker will deposit your shares and bond certificates with the JCSD which, on the settlement day, will electronically settle all purchases and sales of shares and bonds without physically moving the certificates.

IS THERE ANYTHING ELSE I NEED TO KNOW?

Securities bought are yours as of the settlement date(T+3 i.e. three business days after trade date) and, conversely, securities sold are the property of the purchaser as of that date.

Physical certificates will still be available to those who want them. However, you may want to talk to your investment advisor about putting in place appropriate procedures to ensure your certificates can be delivered within the reduced three day settlement cycle.

The JCSD will be able to confirm how many shares are being held for you in the depository. You will also receive regular statements of your accounts from the JCSD.

You can also access your JCSD Account online.

The Jamaica Stock Exchange Compensation Fund INVESTOR PROTECTION

What is the Compensation Fund?

The Jamaica Stock Exchange's (JSE) Compensation Fund was established in 1970 and is administered by the JSE's Board. Since the enactment of the Securities Act 1993, the JSE's Compensation Fund is governed by Section 27- 35 of this Act. The purpose of the Fund is to compensate clients of Member-Dealers who have lost money as a result of a defalcation or fraudulent misuse of securities or document of title to securities or of other property, by a member-dealer or any of his directors or employees.

The Fund does not protect against losses resulting from the rise and fall in the market value of investments. It does, however, provide important protections against certain losses which might otherwise occur if a member-dealer is unable to meet his obligations to his clients.

Who can make a claim on the Compensation Fund?

Any client of a defaulting Member-Dealer of the Stock Exchange is entitled to claim compensation from the Compensation Fund.

The amount which he/she is entitled to claim as compensation from the Fund is the amount of the actual monetary loss suffered by him/her (including the reasonable costs and disbursements incidental to the making and proof of his claim) less the amount or value of all moneys or other benefits received or receivable by him/her from any source other than the fund in reduction of the loss.

Can a claim be turned down?

A person shall not have a claim against the Compensation Fund in respect of the following:-

- (a) Pecuniary loss suffered before 1986 and
- (b) Pecuniary loss in respect of money or other property suffered after the money or other property had, in due course of the administration of a trust, ceased to be under the sole control of a Member Dealer of the Stock Exchange.

Are there any limits on claims?

The total amount that may be paid out to all persons shall not, in any event, exceed in respect of that member-dealer one million dollars. However, if taking into account all ascertained and contingent liabilities of the Fund, the JSE considers that the assets of the fund so permit, it may decide to increase the total amount that may be applied from the Fund and notify the Financial Services Commission accordingly.

What are the losses covered by the Fund?

- (a) Investments in Stocks and Shares of companies listed on the Jamaica Stock Exchange.
- (b) As of July 1, 1999, any claim in denominated money market instruments.

Can a claim be refused?

Unless a claim can be verified by a claimant the Compensation Fund will refuse such claim. Also if a claim is for Securities other than stated above, such claim will be refused.

What are the Compensation Fund resources?

The Compensation Fund is comprised of :-

- (a) All moneys paid to the Jamaica Stock Exchange by member dealers;
- (b) The interest and profits from time to time accruing from the investment of the fund;
- (c) All moneys paid to the fund by the stock exchange;
- (d) All moneys recovered by or on behalf of the stock exchange and from closure of the stockbrokerage;
- (e) All other moneys lawfully paid into the fund
- (f) The proceeds against claims from insurance

How else may the JSE protect clients?

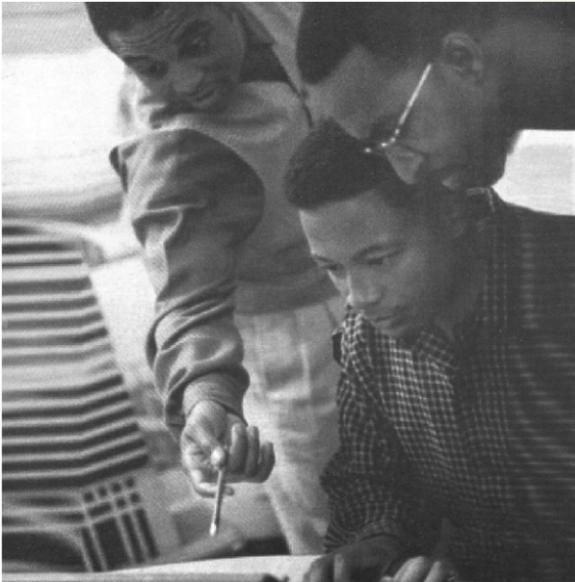
The Stock Exchange is empowered to investigate and rule on any conduct of the member dealer, which it determines could be detrimental to the business of stock broking. Acts of misconduct include but are not limited to the following:

- (a) Conducting business in a manner injurious to his/her clients' interest;
- (b) Conduct the manner of which is detrimental to the interest of the Exchange;
- (c) Any act which results in the Member being found to have made improper profits;
- (d) Any act which results in the Member being convicted for criminal offence involving dishonesty or fraud;
- (e) Conduct the manner of which is dishonourable or disgraceful or improper or unbecoming of the character of a Member

If a member dealer is found to be guilty of any of the offences mentioned, the Stock Exchange can impose penalties on the member dealer. The penalty to be imposed is based on the severity of the breach.

Chapter 6

INVESTOR PROTECTION-Regulatory & Market Oversight Division



A comprehensive network of safeguards, from individual broker-dealers all the way up to the Jamaican government serves to protect investors, the health of the financial systems and the integrity of the capital-formation process. The Jamaican Government is at the top of the regulatory pyramid: The Financial Services Commission monitors the securities industry and enforces penalties against those that violate the industry regulations. This Commission oversees every securities firm participating in the financial markets and has oversight responsibility of the Jamaica Stock Exchange and the Jamaica Central Securities Dealers.

The JSE is a self-regulatory organization. As such, the JSE, through its independent division called the Regulatory & Market Oversight Division (RMOD), regulates member organizations through the enforcement of marketplace rules and the Jamaica Securities Regulations. The member dealers' firms service a large number of customers drawn from diverse segments of the population. The JSE and the Financial Services Commission must register all employees of these firms who assist customers in making investment decisions and who trade on our market.

These JSE member-dealer organizations must meet rigorous regulatory standards. Firms are obliged to monitor their own compliance with applicable rules and regulations for possible violations. Each year, JSE RMOD examines every member organization that does business with the public to determine whether these requirements are met. Where necessary the RMOD shares information with the Financial Services Commission in order to improve regulatory standards and market compliance.

In addition to regulating member organizations through the enforcement of marketplace rules and financial services regulations, the RMOD also ensures that companies listed on the JSE meet their financial and corporate-governance listing standards. JSE Regulatory and Market Oversight Division responsibilities include Listed Company Compliance, Member Firm Regulation, Market Surveillance, Enforcement and Dispute Resolution.

- **Listed Company Compliance.** The JSE requires listed companies to meet original listing criteria and thereafter maintain continued compliance with these standards. The RMOD reviews a company's reported financial results when it is submitted to the Stock Exchange in order to ensure that the companies:
 - (a) Meet the continued-listing requirements;
 - (b) Adhere to the highest standards of accountability and transparency, including governance requirements for configuration of corporate boards, director independence and financial competence of audit committee members.
- **Member Firm Regulation.** The RMOD also conducts examinations of the member organizations of the JSE for financial, operations and sales-practice compliance. In addition, the division interprets and assist in the development of JSE rules.
- **Market Surveillance.** The RMOD is responsible for, among other things, monitoring equity trading activities on the facilities of the JSE. The JSE Market Operations and Trading Division (MOT) monitors the trading activities of the JSE on a real-time basis and the Regulatory & Oversight Division (RMOD) while also monitoring on real time basis, is responsible for post-trade review. The MOT division & the RMOD monitor transactions to determine whether trading rules and principles are being complied with and fairly maintained, and whether such transactions involve abusive or manipulative trading practices.

Manual & computer based technology are used to detect unusual trading patterns. When this is detected there is investigation and communication is made with the respective member dealers where appropriate.

Enforcement. The RMOD investigates and prosecutes violations of JSE rules and the Jamaica securities laws and regulations. Enforcement cases include customer- related sales-practice violations, breaches of financial and operational requirements, books and records deficiencies, reporting and supervisory violations, misconduct in relation to trading practice, insider trading, market manipulation and other abusive trading practices. Sources of cases arise out of examination findings, surveillance reviews, reviews of customer complaints, referrals from the FSC and complaints by members of the investing public and securities professionals.

Dispute Resolution/Arbitration. The Regulatory & Market Oversight Committee (RMOC) is a committee comprised of independent directors of the JSE's Board and provides the neutral forum for the resolution of securities-industry disputes between investors and member organizations /brokers and between member organizations and their employees.

Chapter 7

Talking Simply about the Investment Market

There's truth in the saying that a stock is worth what somebody is willing to pay for it. In essence, that's because the price of a stock is determined by buyers and sellers. As they weigh information about the company, the economy and their own investment goals, investors decide whether they are willing to pay more or less for a stock.

Simply put, the price of an individual stock is determined by supply and demand. The supply of stock is based on the number of shares a company has issued. The demand is created by people who want to buy those shares from investors who already own them. The more that people desire to own a stock, the more they are willing to pay for it.

But the supply of shares of any stock is limited. Investors can only buy shares of stock that are already owned by someone else. So if one person wants to buy, somebody else has to sell, and vice versa. If a lot of people want to buy at the current price and not a lot of people want to sell, the price goes up until more people are willing to sell. When the price gets so high that buyers no longer want the stock, the price starts to drop.

Indexes

When you hear on the news that stock prices or the market was up, reporters are generally referring to an index. A stock index is a specific group of stocks, and whether its value is up or down reflects the combined price movements of the stocks in the index. The stock market reports its moves through a variety of indices, because no single index can tell investors everything they need to know. Widely cited indices in the global market place include the Dow Jones Industrial Average, which tracks the stock prices of 30 key “blue chip” companies; the S&P 500, which tracks the stock prices of 500 large US companies; and the NYSE Composite Index, which tracks the prices of all the common stocks listed on the New York Stock Exchange. In Jamaica there are four Indices which track the prices of all common stocks listed on the Jamaica Stock Exchange.

JSE Index: measures the performance of all the companies that issue ordinary stocks.

JSE Composite Index: measures the performance of only the Jamaican companies that issue ordinary shares.

JSE Select Index: measures the performance of the fifteen most liquid stocks. Liquidity is determined by the number of days traded over a three year period, number of times traded over a three year period and total ordinary transactions over a three year period. This index is revised annually.

JSE Cross-Listed Index: measures the performance of the foreign companies that issue ordinary shares.

A Company's Financial Health

Supply and demand explains why individual stock prices fluctuate. But how do investors decide whether it is a good idea to buy or sell a particular stock at a given price? First, they need to consider the financial health of the company whose stock they are considering buying or selling. If it looks like a company is going to lose money (perhaps the company just announced poor earnings) then its stock has less value. Investors will pay more for a company with a history of earning strong profits and consistently paying healthy dividends.

While a company's past performance is important, even more important are its future prospects. A company that has not been making money might turn around, perhaps under new management, after increasing its efficiency or by developing an innovative new product. Likewise, just because a company has made money in the past does not mean it will continue to do so. Perhaps the company's successful CEO is retiring, the company is defending a big lawsuit, workers are threatening to strike or competition has heightened. Announcements along these lines could mean the company's future is uncertain or negative. A report that an individual or a company is trying to buy another business usually increases that business' stock prices. That's because the purchaser has to buy a majority of the stock to gain control of the company. To do so, the suitor must persuade stockholders to sell their stock by offering an attractive price for their shares.

Industry Information

Another important factor in gauging the prospects of a company is the health of its entire industry. A company's stock price may go up or down depending on whether investors think its industry is growing or contracting. For example, a company may be doing well financially, but if its industry is declining, investors might question the company's ability to keep growing. In that case, the company's stock price might fall.

Some industries are considered cyclical, meaning they expand and contract in cycles. For example, homebuilding declines when interest rates rise. Consumer electronics typically do best at the end of the year, when many people buy these products as holiday gifts.

Economic Trends

In addition to events surrounding a specific industry or company, investors may carefully watch various economic indicators and general trends that signal changes in the economy. Signs that the economy is healthy and perhaps that most companies are making money include a rising Gross Domestic Product (GDP), low inflation, low interest rates, low unemployment rates, and a Jamaican budget surplus (or a decreasing deficit), which means that the Jamaican government is taking in more money than it is spending. When interest rates rise, for example, individuals, businesses and the government must pay more to borrow money. That means a business may put off plans to take a loan for a new project, thus needing fewer workers and buying less materials and services from other businesses. For individual consumers, their car or house payment could go up and interest rates on their credit cards rise, making it more expensive to buy on credit.

Another measure of economic health is the Consumer Price Index (CPI) which is a measure of “the cost of living:” how much it costs to purchase the goods and services that an average household buys, such as food, clothing and fuel. When the cost of living rises, people spend more of their income on necessities and have less to spend on luxury items or investments, which is more bad news for the economy. When economic indicators point to a healthy and growing economy, companies are making money, the future looks good and people have more money to invest. When this happens, stock prices on the whole generally rise, which is called a bull market.



In contrast, when the economy is shrinking, businesses are not making as much money, people are losing jobs and therefore have less money left over after buying necessities, so stock prices on the whole generally fall. This is known as a **bear market**.

World and National Events

National or world events can affect stock prices. When investors think a news event will be good for the economy, such as a tax cut, stock prices will likely go up. If news, such as massive layoffs, will mean an economic slowdown or uncertainty; stock prices generally drop. This effect can last for an hour, a day, several weeks or longer.

Chapter 8

Your Investment Plans - Part I

As an individual, several paths are available for choosing and making your investments. You can do your own research using the newspaper, annual reports, prospectuses, books, financial websites and other media, then make your own decisions about what funds or stocks to purchase. In order to purchase these shares you then use a member dealer (stock broker) who will purchase these shares on your behalf.

If you are too busy or feel you do not have enough understanding to comb through information about a company and decide how to invest on your own, numerous websites and publications offer research and opinions about the stock market. **Full-service brokerages** employ licensed stockbrokers who help you choose your investments and handle the orders. You pay them a commission for every trade that you make.

There are also professional **financial advisors** within the brokerages who will, for a fee, help you personally decide where and how to invest. **Financial planners** can help you determine not only how to invest, but also what your investment needs are, how to save for retirement, what your family budget should look like, and how to make other decisions that affect your financial security. These planners may charge a commission on each investment they handle for you, or they may charge you an annual fee that is a percentage of your total assets under their management or a combination of the two. Fee-only financial planners do not charge commissions but rather charge by the hour or a percentage of assets under management.

Just remember that although they are professionals, their opinion is still just that, an educated opinion. If anyone could figure out reliably what is going to happen with a particular stock or the market in general, nobody would lose money. Keep in mind that for every stock transaction there are two sides: somebody who thinks it is time to buy and somebody who thinks it is time to sell.

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Your Financial Plan

Whether you seek the assistance of a professional or choose to go it alone, you need to determine your objectives and establish an investment plan. How people invest, however, differs greatly depending on their income, their goals, their age, their personalities and other factors.

To develop a plan, you need to assess your financial situation and goals: How much money do you need for routine expenses such as food, housing, clothing, health care, transportation and entertainment? How much have you set aside for emergencies, such as accidents, illness and unemployment? And how much do you need to save for big items such as a house, college expenses and retirement?

Risk-Reward Relationship

Your ability to assume risk is crucial in determining your investment strategy. Do you want your investments to grow slowly but steadily over several decades? Or would you rather have the chance to earn more money right away but take more risk which could result in you losing money? Most investors seek a balanced portfolio containing a combination of securities which has a mix of equities and bonds and perhaps, government securities. With investing, typically the less risk you take the less money you make, but the more certain your reward will be.

Money Market accounts and Certificates of Deposit, while not insured, are also relatively safe and usually earn more than a savings account. These types of low-risk, low-return investments are especially appropriate for short-term or medium-term investments, for when you are going to need the money anytime from this week to a year or two from now.

On the other end of the spectrum are high-risk investments, such as buying small, lesser-known company stocks or low-rated, high-yield bonds. These investments usually pay a more attractive return or yield than safer investments, such as blue-chip stocks and high-grade bonds. However, higher-risk ventures mean a greater likelihood of investment loss.

For longer-term investments, several years or more, the stock market as a whole historically has given the best rates of return. As with all investments, a higher amount of risk generally means a greater potential return.

Chapter 9

Your Investment Plans - Part II

Once you've established your investment plan you can determine which financial products are best suited for your goals. Ordinary and Preference Stocks are traded on the Jamaica Stock Exchange. However other types of securities can be traded on our Exchange.

Types of Stock

The two main categories of stocks are common stock and preferred stock. Preferred stockholders have priority over common stockholders in terms of dividend payout and in recouping their investment if the company fails or liquidates. However, preferred stockholders, unlike common stockholders, cannot vote for directors of the company. There are five basic categories of stock:

Income Stocks pay unusually large dividends that can be used as a means of generating income without selling the stock, but the price of the stock generally does not rise very quickly.

Blue-Chip Stocks are issued by very solid and reliable companies with long histories of consistent growth and stability. Blue-chip stocks usually pay small but regular dividends and maintain a fairly steady price throughout market ups and downs.

Growth Stocks are issued by young, entrepreneurial companies that are experiencing a faster growth rate than their general industries. These stocks normally pay little or no dividend because the company needs all of its earnings to finance expansion. Since they are issued by companies with no proven track record, growth stocks are riskier than other types of stocks but also offer more appreciation potential.

Defensive Stocks are the opposite of cyclical stocks. Defensive stocks issued by companies producing staples such as food, beverages, drugs and insurance typically maintain their value during recessionary periods.

Fixed-Income Securities

Bonds are considered fixed-income securities. The term bond, debenture and note are often used interchangeably. All three represent debt obligations of the issuing entity. The majority of these instruments are issued in multiples of \$1,000 face amounts at a specified coupon, or interest rate, with a set maturity date at which time the obligation must be repaid. Many debt issues may be redeemed, or called, by the issuer prior to the maturity date if specified in the issue's indenture.

Blue Chip: A company known nationally for the quality of its products or services, its reliability, and its ability to operate profitably in good and bad economic times.

Common Stock: One of two types of stock an investor may purchase in a company. Most stock is common stock. Investors who purchase it have voting rights at the company's annual stockholders' meeting. Common stockholders are not guaranteed dividends, but they may receive dividends during the company's prosperous periods. If a company fails or liquidates, common stockholders are paid after bondholders and preferred stockholders.

Preferred Stock: A class of stock with a claim on the company's earnings before payment may be made on common stock and usually entitled to priority over common stockholders if the company fails or liquidates. Preferred stockholders also are entitled to dividends at a specified rate when declared by the company's board of directors and before payment of a dividend on the common stock. Preferred stock normally does not include voting rights.

Keeping Abreast of Your Investments

Un-tapping Financial Information

Savvy investors keep track of what's happening in the financial world. The Internet, newspapers, magazines, business periodicals, television and broadcasts provide easy access to information about the global economy and the markets. Additional information about a specific company can be found online and in a company's annual report and other important financial statements they are required to file with the JSE, such as quarterly reports and insider transactions. When considering an initial public offering of a stock, a prospectus is an important document to review. A key source of comprehensive information on member dealers and all listed companies is the JSE's website at www.jamstockex.com.

Finding Information on the Internet

One way to get a stock quote during the day is to look it up on the Internet. Financial websites such as jamstockex.com allow you to enter a stock symbol and get information about the issuer, including its current price (20 minutes delayed) and past performance. If you don't know a company's ticker symbol, the website enables you to look it up. At these websites, you can also keep track of news stories, see performance graphs, and get other data and information about a company.

Many such websites also offer links to the corporate home pages or investor-relations pages of the issuer's corporate website, where you will find even more information, such as investor fact sheets, management backgrounds, descriptions of any direct investment programs and JSE filings, including annual reports.

Reading Annual Reports - What the Numbers Mean

Public companies are required to file an annual report with the Jamaica Stock Exchange. The annual report is an important document to help you evaluate a company's financial health. The report contains detailed information about the company's financial condition and management policies, and can be helpful to investors deciding whether to buy or sell a stock and how to vote at the annual shareholders' meeting. Annual reports are available on the JSE's website www.jamstockex.com.

Most annual reports include:

The Balance Sheet. This summary of a company's assets and liabilities offers a snapshot of the company's financial health at a specific point in time. Data from the end of the current year is compared to the same data from the previous year, so investors can see the changes and attempt to figure out how a company is performing. The second section lists liabilities, or debts. The company might list as liabilities its accounts payable (money it owes for supplies and other services), unpaid wages, outstanding loans, taxes and dividends it will pay to shareholders. A third section lists stockholders' equity, which is also called the net worth of a company. It is the value of all the shareholder investment in the company: the value of the company's preferred and common stock, the money made from selling stock, and the profits that have been reinvested.

Statement of Income and Retained Earnings. If the balance sheet is a snapshot of the company's finances at a single moment, the income statement is more like a movie. It links together several balance sheets and shows the company's financial performance over the period of a month, a quarter or even several years. The income statement tallies all income, subtracts expenses, and shows how much money is left to reinvest in the company. It compares that number over time. You want to see that a company is taking in more money than it is spending and is investing in growth.

Statement of Changes in Financial Position. This statement deals with working capital money used on daily operations of the company. The statement, which may compare several years, shows how much working capital was available, and how it was spent.

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Accountant's Report. Every annual report includes a report from an independent accountant. The accountant's report usually says that the annual report is a truthful reflection of the company's finances and that it was compiled in compliance with normal auditing standards and accounting practices. The accountant will note if the annual report fails to meet one of these standards.

Reading Stock Market Reports

The traditional way to check basic stock information is by using the long columns of small print in a newspaper's business section which reports on the stock market, they might seem confusing at first glance, but these stock market reports or daily trade sheets as they are more commonly called, break down what is happening at each company listed on the stock exchange. These reports are also sent daily to the media, member dealers and others on the Exchange's mailing list. Once you adjust your eyes to the fine print, reading the stock tables is really quite simple.

Below is a daily trade sheet. In addition to the standard abbreviations, the sheet in print and online often include other symbols indicating a variety of factors, such as stock splits, dividend changes, new 52-week highs and lows and other relevant data.

How to Read a Trade Sheet

52 Weeks Hi (\$)	Low (\$)	Security	Div Per Share 2008	Div Per Share 2009	Volume (non block)	Today's		Last Traded Price (\$)	Close Change		Closing	
						Hi (\$)	Low (\$)		Price (\$)	(\$)	Bid (\$)	Ask (\$)
Ordinary Share												
132.94	80.96	BDL	0.1210	0.56	102,000	0.36	0.36	0.36	0.36	0.00	0.37	0.39

52-weeks Hi/Lo: The highest and lowest prices paid for BDL stock during the past year as seen in the Trade Sheet on the previous page. The numbers used to be expressed in fractions but now all prices have been converted to decimals so they can be read as dollars and cents. In this case, the stock's price has been between \$80.96 and \$132.94 per share over the past year. Knowing the past year's high and low can help an investor evaluate a stock's current price.

Stock: The name of the company.

Sym: The stock's trading symbol. To avoid confusion and simplify the order process, every stock that is traded on a securities market is assigned a symbol. Some newspapers do not provide the stock's trading symbol but instead provide an abbreviation of the company's name. Many financial websites let you type in a company's name and quickly find out its symbol.

Div: Short for dividend. In the Trade Sheet on page 44, we see that for each share of stock owned, BDL shareholder should receive 56 cents from the company's annual profits. Payment is usually made on a quarterly basis. Not all companies pay dividends all the time. The company's board of directors decides whether a dividend will be paid and its amount. When companies are just starting out they usually do not pay a dividend because if they are making a profit they are reinvesting it back into the company to accelerate growth.

Vol 100s: The total amount of stock traded during the previous day. On that day, 102,000 shares of BDL stock changed hands. The number does not include “odd lots” which are sales of less than 100 shares.

Today's Hi: This is the highest price BDL traded for throughout the day, which is 36 cents.

Today's Lo: This is the lowest price BDL traded for throughout the day, which is 36 cents.

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Close: The last price paid for this stock at the end of the previous day was 36 cents.

The Net Change: is the difference between the close price the stock traded on the previous day and the current close price . Therefore the price the stock traded on both days are the same. The net change is \$0.00, this means that the stock traded firm

Bid: 37 cents was the highest price an investor will pay for BDL Limited shares at the end of the day.

Ask: 39 cents was the lowest price an investor will sell BDL Limited shares at the end of trading day.



Chapter 11

Market Education

Building on its proud heritage of being the number one stock exchange in the English speaking Caribbean, the JSE is poised for growth and opportunity in a rapidly changing and ever-competitive environment. It continues to reinvent itself by bringing new and current products and services to the marketplace.

The JSE intends to continue to remain relevant to the investing public by providing a fair and efficient stock market. Growth is important to us and through avenues of training, workshops and seminars we intend to increase the number of persons interested in investing in the capital market through primarily equity and equity based products. The JSE will continue to take seriously its privileged responsibility owed to Jamaican investors, the capital-raising and asset-management process, and the economic well-being of our nation and our region.

Educating the Public

Part of that responsibility is to educate the investing public. The JSE has a long-standing commitment to investor education. Many individual investors, students and educators across Jamaica have learnt about the stock market and investing through programmes the JSE sponsors and develops, such as those described below, which are offered free of charge.

Educational Seminars: College and graduate student groups studying business, finance or economics can participate in a presentation which include time for Q&A and a visit to our gallery where they can watch trading activity on a monitor.

High School Educational Programme

The aim of the programme is to educate students in High Schools on the “operations of the Exchange” and “The role of the Stock Market - its function and impact on the economy”.

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Workplace Outreach Programme

JSE's objectives are to disseminate simple concise information aimed at increasing the level of understanding among employees and various interest groups, about how the stock market works and the functions of the Jamaica Stock Exchange.

Teacher's Outreach Programme

JSE's objectives are to disseminate simple concise information aimed at increasing the level of understanding among Teachers within the High School and Tertiary Institution population, about how the stock market works and the functions of the Jamaica Stock Exchange.

Summer School Programme

The main aim of the programme is to disseminate Stock Market information, and to impart the importance of saving and investment. The Target group is students, between the ages of 11 to 13 years.

Stock Market Game for High Schools

The Jamaica Stock Exchange (JSE) continues to provide creative, innovative and fun ways to introduce elements of stock market trading to students and teachers in our schools. The JSE takes pleasure in introducing the Virtual Stock Market Game. This educational tool has been endorsed by the Ministry of Education.

The mission of the Stock Market Game is to promote students' understanding of the stock market and the economy. The target groups are 4th - 6th form students.

PRODUCTS OFFERED BY JSE

Remote Observer

The Real Time Market Watch or the Remote Observer is another exciting product of the Jamaica Stock Exchange which allows investors to view real time trading activities at their convenience. This product has endless possibilities for those who take the stock market seriously, and has the following features:

- It allows the client to be on the cutting edge of technology.
- Clients will be able to monitor daily activities of the market in real time, giving them a distinct competitive advantage.
- Clients will have ready access to market information and will therefore be able to make informed decisions.
- Clients watching the activities can negotiate sale and purchase fees of securities, thus lowering their transaction cost.
- Clients can know if their brokers are executing their requests.

This product has provided significant benefits to the clients.

The remote Observer is the only product on the market that offers real time information on trading on the Jamaican Stock Market and attracts customers both locally and internationally.

This product is designed to meet the needs of:

- i. Companies involved in pension funds management.
- ii. Companies that invest in securities.
- iii. Middle-to-upper income professionals who invest in the Stock Market as the means to create a solid retirement plan or fund.
- iv. Chief Executive Officers and Managing Directors especially those of listed companies who have an avid interest in the stock market.
- v. Chief Executive Officers and Managing Directors of potential listed companies.
- vi. Broker members.

Banner Advertisement

The Stock Exchange's revamped website www.jamstockex.com has a totally new look and feel and has become an exciting vehicle for companies to keep in touch with their upwardly mobile clientele.

The Jamaica Stock Exchange's website receives approximately 2.8 million hits per day from many local and international visitors who use our site repeatedly to check the daily trade sheets, as well as other information. This product offers an excellent opportunity for companies and institutions to connect with their target market. It is a well-known fact that advertising works best when targeted to a specific audience. Hence the JSE's Banner Ad is that medium of choice which provides product exposure to existing and potential investors.

Online Statements

In response to the demands of clients to supply current and ready information on their accounts, the JCSD is now pleased to offer the JCSD online statement. This facility will give clients access to their statements whenever they want it!

Account holders who access this statement on-line will be able to see transactions conducted from December 31, 2004 onwards.

Clients will be able to stipulate what transaction they wish to view or print.

Clients will see a quick look-up of their holdings as at the current date.

Tickers

The JSE produces two types of tickers, namely the “**Desk Top Ticker**” and the “**Website Ticker**”.

Desk Top Ticker

The Desk Top ticker is appropriate for clients working at a remote station need to access summarized market information.

“**The Desk Top Ticker**” is a summary of trading taking place on the market compiled as a crawl across a computer screen. It gives the distinct advantage of allowing the client to view the information, without disruption of work.

This is a reliable way for clients to keep up-to-date with the performance of the market and most importantly, the performance of their stock on a timely basis.

Website Ticker

This ticker is appealing to companies, web administrators and media houses. It is the ideal product to attract both local and international investors to the client's site. Investors are always seeking information on the performance of the market and once they are aware of a particular site which supplies this information they will make frequent visits to that site. A “**Website Ticker**” site will also attract visits from new customers seeking market report information.

Chapter 12

Investment Terms made Simple

- (a) **Electronic Trading System:** Brokers interact with quotes and orders through the electronic trading system.
- (b) **Bid:** The highest price anyone wants to pay for a security at a given time.
- (c) **Broker:** An agent who handles the public's orders to buy and sell securities, commodities or other product. For this service a commission is charged.
- (d) **Commission:** The broker's basic fee for purchasing or selling securities or commodities as an agent.
- (e) **Financial Services Commission (FSC):** A government regulatory agency, which monitors the securities industry and enforces sanctions for violations of the industry's regulations. The JSE is regulated by the FSC.
- (f) **Initial Public Offering (IPO):** A corporation's first offering of stock to the public.
- (g) **JSE Compensation Fund:** A safeguard for investors' capital created by the JSE to compensate investors who have done securities transactions with a brokerage which has failed or through fraud or other means, has defaulted on their obligations to the investor. There is a limit to the amount of compensation each investor can claim.
- (h) **Liquidity:** Ability to buy or sell an asset quickly and in large volume without substantially affecting the asset price. It is simply the ability to convert to cash quickly. Liquidity is one of the most important characteristics of a good market.

- (i) **Listed Companies:** Companies whose shares or stocks are traded on the Jamaica Stock Exchange.
- (j) **Ordinary Stocks or Shares:** A “share” represents partial ownership in a company. Investors who purchase stock have voting rights at the company's annual shareholders' meeting.
- (k) **Market Surveillance:** The Exchange constantly watches the market to detect unusual trading activity in stocks. The Exchange personnel are aided by a state-of-the-art computer surveillance system, which monitors the market in JSE-listed stocks for aberrant price and volume activity that may indicate illegal transactions.
- (l) **Market Value:** Market Price at which buyers and sellers trade similar items in an open marketplace.
- (m) **Offer:** The lowest price anyone will take to sell a security at a given time.
- (n) **PE:** Short for price/earnings ratio. The price of a share of stock divided by the company's earnings per share for the last year.
- (o) **Stag:** A Speculator who makes it a practice to get in and out of stocks for a faster profit, rather than hold securities for investment.
- (p) **Stockbroker (sometimes shortened to broker):** is a member/dealer of the Exchange and is the direct link between the client and the stock market. The broker gives advice on which securities to buy and sell, and he collects a commission as compensation for service to his client.

- (q) **Trading Floor:** A trading floor is where stock and bonds and other products are traded. The JSE trading floor is used as a back-up if there is a failure of the electronic trading platform or a stock broker is unable to connect. Open out-cry trading is conducted on the trading floor.
- (r) **Trade Date:** Day on which a security or commodity future trade actually takes place.
- (s) **Traded Firm:** This is when a stock price does not increase or decrease for the present day when compared to the previous close price.
- (t) **Self-Regulation:** The way in which the securities industry monitors itself to create a fair and orderly trading environment.
- (u) **Sym:** The stock's trading symbol. To avoid confusion and simplify the order process, every stock that is traded on a securities market is assigned a symbol. Some newspapers do not provide the stock's trading symbol but instead provide an abbreviation of the company's name. Many financial websites let you type in a company's name and quickly find out its symbol.
- (v) **Yld:** The yield, or the rate of return, on a stockholder's investment. It is calculated by dividing the annual dividend by the current price of the stock. For example, ABC Limited stockholders earn 0.8% of today's stock price from dividends.

***THE JAMAICA STOCK EXCHANGE
TAKES THIS OPPORTUNITY
TO GIVE CREDIT TO
THE NEW YORK STOCK EXCHANGE
AS WE HAVE ADAPTED A
CONSIDERABLE AMOUNT OF
THIS LITERATURE FROM
THEIR BOOK 'NYSE BROCHURE'.***



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STOCK
EXCHANGE**

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Notes

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