



# THE JAMAICA STOCK MARKET REVIEW



A Publication of the Jamaica Stock Exchange

June Edition - 2018

## Driving Growth via The Securities Market



Mr. Steven Gooden, Chief Executive Officer of NCB Capital Markets Limited and President of the Jamaica Securities Dealers Association, and a Past Winner of the Market Research Competition, which he won in 2005, delivered an inspiring message at the 2018 Regional Investments & Capital Markets Conference on “Driving Growth via The Securities Market”  
Enjoy!

### ROLE AS MARKET MAKER FOR GOJ INSTRUMENTS

Within the Jamaican context, securities dealers gained prominence in the 1990s at a time when the GOJ had an insatiable appetite for financing after a protracted period of large fiscal deficits. It was the new kids on the block, the securities dealers, which filled the gap between the investors

with appetite for short term assets and the government that needed longer term funding.

As such, when there was a primary market issue, the dealer would take a position in this long term instrument and financed it with shorter term funding from repo investors. All parties were happy, the government, got its

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# Driving Growth via The Securities Market

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financing, the investor got a decent rate of return and the dealer got a spread for taking the gapping risk.

On the secondary market, when supply of said instrument out-stripped demand or vice versa, the dealer would create liquidity by buying or selling from its own inventory by moving around its client repo funding. Again, all parties were happy, the buyer and seller would get a transaction done smoothly, the dealer gets a margin, and this assurance of liquidity for GOJ securities, made it easy for the GOJ to continuously tap market.

This insatiable appetite for funds was not sustainable and we know what happened. We ended up with an IMF programme, which included two debt exchanges which cost broker dealers billions of dollars in capital and a number of structural reforms. Though the changes were painful for the industry, we survived and continue to survive.

Now imagine taking that very same model, and applying it to corporate and infrastructural based securities. Think of a situation whereby securities dealers act as intermediaries for corporate structures to drive economic growth. The very same model that filled the GOJ treasury could be used to drive the needs of productive entities and projects to grow the economy.

After all, the capital market is an attractive alternative to traditional bank financing as terms tend to be more flexible to the borrower and in many instances cheaper, when a traditional banking solution is less appropriate.

So the GOJ has been asking for lower interest rates and more flexible financing terms for businesses...well here is the opportunity. However, there exist significant limitations due to regulatory hurdles, many of which have been imposed in recent times.

## LIMITATIONS

The Financial Services Commission (FSC), in keeping with the commitments made by the GOJ under the Extended Fund Facility approved by the IMF, implemented reforms to the securities dealers sector aimed at improving investor protection and enhancing the long-term systemic viability of the securities industry.

Using the language of the dealer community, the reforms were pretty much designed to kill the repo product and replace it with off balance sheet products such as unit trust and mutual funds. The reforms included significant tightening of prudential standards which reduced the attractiveness of repos as a product for both dealers and investors.

This along with currency related restrictions and two debt exchanges significantly hampered the securities dealers' ability to perform their market maker role; a function that served the GOJ well during its time of need: a function that is not the mandate of collective investment scheme, a bank or any other financial institution. The changes are many but I am going to focus on three to get my point across.

### a) Allowable Assets

The pool of allowable assets that a securities dealer can invest in excludes foreign currency denominated securities issued by local companies.

The current framework allows investment in foreign governments and corporates that are rated investment grade, but does not allow the same foreign currency to flow to local companies engaged in productive enterprise.

Since banks are able to offer foreign currency denominated loans to these companies, there is no material impact on the foreign currency market by this omission. If companies have foreign currency funding needs they will need to get bank funding, with possibly less favourable terms and less flexibility. This measure only reduces competition and restricts access to various types of funding options required to support business growth.

### b) 100% credit risk weighting for US\$ GOJ securities

Among the slew of capital charges implemented on securities dealers, there is the 100% credit risk weighting for US\$ GOJ instruments. This weighting is equivalent to the risk weighting for private equity exposure under current risk weighting standards. Private equity is the riskiest asset class that one could contemplate.

This level is inappropriate and inconsistent with international practice. Debt instruments of a sovereign are generally considered to be zero risk to 20% risk weights, with adjustments for a market risk component at times.

Jamaica's experience has been such that debt restructures have taken place twice on Jamaica dollar denominated debt, yet these securities are 0% weighted while the global bonds have 100% risk weight applied. Additionally, the market outlook, credit ratings and economic fundamentals for GOJ issued global bonds has significantly improved over the last few years.

A reduction in risk weighting would release capital that could be redirected to providing further financing solutions to local corporates and infrastructural projects.

### c) Exempt Distributions

Local entities seeking to issue US\$ instruments exceeding US\$35M within a year and securities dealers seeking to raise even a dollar have to seek exemption from the Minister of Finance, upon recommendation by the central bank, citing section 22 of the Bank of Jamaica Act.

Interestingly, Jamaica has no restrictions on foreign currency movements in and out of the country. Therefore any corporate that has a need to deploy hard currency, will be forced to convert anyway as opposed to tap into existing USD

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# Driving Growth via The Securities Market

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liquidity...resulting in pressure on the foreign exchange market.

Secondly, this rule has negative implications for the pricing of US\$ funding as the capital markets would not be able to effectively compete with the traditional less-flexible financing solutions.

Thirdly, investors that really want hard assets, will just simply move their funds overseas if there is scarcity of quality local assets to invest in, creating a bigger problem which is capital flight.

## DEPTH AND BREADTH OF THE CAPITAL MARKETS

Historically, many, including market players, have questioned the breadth and depth of the local capital markets that is, its capacity to absorb large complex transactions. Then came 2017, which saw swell in the size, number and complexity of transactions done in Jamaica. During that period...

- i) We saw \$105B worth of private placements issued under the FSC's Exempt Distribution regime, up 24% relative to prior year.
- ii) Of that amount three of those represented the largest JMD registrations ever in Jamaica...ranging from \$10B to \$18B each.
- iii) One institution, through a series of debt issues, raised close to \$46B locally to prepare for what will go down as one of the largest, if not largest, regional acquisitions for this decade.

Not to be outdone, in public space we saw

- i) 16 securities listings, among that was a \$18B corporate bond listing via Introduction... a record in recent years

- ii) the two largest IPOs ever in the history of Jamaica. One being Productive Business Solution.... Then there is the recently closed Wisynco IPO which raised \$6.1B ... attracting close to \$18.8B, bringing in 8000 plus new shareholders to its company and 2000 plus new equity investors to the market
- iii) The JSE is on track to have its 100th listed on the exchange this year having closed 2017 with 96..

Now ladies and gentlemen with the opportunities we see, if we agree that a well-functioning capital market can result in lower interest rates, especially in certain funding segments and we agree that certain regulatory obstacles exist that the government has control over, then it so follows that one of the biggest impediment to lower interest rates and access to efficient financing is the government itself.

The traditional types of financing, alone, can't take us to where we need to be as country if we want to achieve the 5% economic growth aspiration by 2020 - the initiative dubbed 5 in 4. What 2017 has shown us ladies and gentlemen, is that the local capital markets stand ready to be an engine of growth through the provision of flexible financing solutions and that if regulatory hurdles were to be removed, the impact on the economy would be transformative.

## RECENT REGULATORY CHANGE AND IMPACT

I want to comment on a recent regulatory change which is very encouraging and I want to really commend the FSC for pushing this through.

The change involves the expansion of the pool securities used as collateral for retail repos. The change, though it may appear simple, will significantly impact the market making capacity of securities dealers.

The expansion allows for a larger group of corporates to better access the debt capital through dealer intermediation with the use of repo funding.

Additionally, securities issued by companies owned and agencies of GOJ are now included. This will create greater

appetite and better terms for funding GOJ led infrastructural projects as well as allow for the GOJ to improve its debt ratios through the removal of explicit guarantees as dealers are now better able to execute its market making mandate with these securities, which would otherwise require a GOJ guarantee to be funded via client repos. I hope this move is an indication of greater levels of collaboration between the FSC and securities industry.

## CLOSING

In closing, I want to throw a challenge to the Government. Let's, this year, remove the obstacles to the efficient functioning of our capital markets.

Let's allow the capital markets to play its part, an integral part, in us achieving the 5 in 4 economic growth aspiration.

Let's make Jamaica, and by extension the regional capital markets, the poster child for capital markets led economic transformation among developing countries. Minister Shaw, why settle for being the Father of junior stock market? It is an accolade well deserved for his role in the development and protection of the junior market. But why not set an aspiration to be the Father of Jamaica's modern-day capital markets? The industry stands ready to work with government and all stakeholders to make this a reality.

Ladies and gentlemen, thanks for the continued interest in the JSE conference and by extension the development of the regional capital markets. I look forward to seeing you later at the NCB Capital Markets hosted cocktails as well as an informative and productive next two days.

Thank you.



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# THE LISTING PROCESS

**D**o you own or manage a company and need money to expand, buy new equipment, renovate, innovate, retire debt or enter into the export market? Do you have a good business idea about a product or service that people are willing pay for and you don't have the money to fund this business? Why not consider listing your business on the Jamaica Stock Exchange (JSE)? The JSE exists to assist businesses to raise capital for any of the above reasons; which is why Mrs Marlene Street Forrest, JSE's Managing Director, says at every listing ceremony, “Our doors are always open!” The JSE has professionals in-house and professionals in the wider sector who are experts and well-experienced in working with companies and individuals to successfully raise the capital required on the markets to achieve their goals.

2017 was a bumper year for listing. Twelve companies listed either their shares or bonds on the different markets of the JSE. In doing so they raised a total of US\$15.56 billion dollars, which shows that the JSE's mission of mobilizing capital for business is being accomplished. Table 1 lists the companies that came to market in 2017 and the amount of capital raised. It shows that all markets were active and investors were willing to invest in companies that they considered had the right business plan, potential for growth and profitable returns.

The macro-economic indicators are also good for the persons who wants to list, chief among these are:

- ✓ Low interest rate regime. This means that persons are seeking avenues through which they can earn higher returns on their investments. The spotlight is now on the stock market which has constantly to give the best returns over the long term.
- ✓ A stable dollar, which allows for better long term planning, both by businesses and individuals.
- ✓ The rating agents have upgraded Jamaica's rate to B, which makes Jamaica more favourable to the international markets as a place for doing business.



The Prime Minister, the Most Honourable Andrew Holness O.N., M.P., (L) and the Minister of Finance & the Public Service, the Hon. Audley Shaw (2L), attended Main Event Entertainment Group (MEEG) Historic Listing, following the Government's reestablishing the Junior Market 10 year tax incentive for newly listing companies. It is the first time in the history of the market that a sitting Prime Minister and the Minister of Finance and the Public Service attend the listing of a company. The tax incentive had expired in March 2016 and was reinstated by the Government in October 2016, after much lobbying by the financial market's stakeholders. Greeting the Prime Minister is Mrs. Marlene Street Forrest, JSE's Managing Director and standing beside her is JSE Director, Mr. Gary Peart of Mayberry Investments Limited



Foreground from left to right:  
 Rosie Whyte-Sewell – Manager, Corporate Relationship and Portfolio, Sagcor Investments  
 Kerry-Leigh Manning – Treasury Manager, Sagcor Bank  
 Mischa McLeod-Hines – Manager, Capital Markets, Sagcor Investments  
 Omar Brown – Treasurer, Sagcor Bank  
 Sabrina Cooper – VP, Payments, Sagcor Bank  
 Clinton Hunter – Regional Manager, Sagcor Bank

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# THE LISTING PROCESS

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Table 1

Company Logo	Capital Raised	Listing Date
	2.10 Billion	February 14, 2017
	120 Million	February 9, 2017
	491 Million	July 21, 2017
	2.69 Billion+2.58 Billion (Pref. Shares)	August 31, 2017
	96.78 Million	August 10, 2017
	200.9 Million	December 19, 2017
	424.22 Million	December 21, 2017
	6.17 Billion	December 28, 2017
	689 Million	December 29, 2017
<b>Total Sum of Capital Raised</b>		
<b>\$15,560,299,000.00</b>		

The market is experiencing a rapid increase in the number of companies that are choosing equity-based financing over traditional bank loans. They are spurred by the evidence of rapid growth and profitability being enjoyed by companies that have

listed, particularly those on the Junior Market. The entry of new listings and new investors is key to energizing the market and developing growth and productivity in companies and by extension Jamaica.

## Who can list?

Any company can go public. A public company can consider listing its securities.

**Start-up:** A newly formed company can go public, if it

- ✓ has a sound business idea
- ✓ a credible business plan and
- ✓ the confidence of potential investors in the management team.

These are factors that would influence the success of a start-up company going public.

**Private Company:** An established company, young or mature, small or medium-sized can list, once it has

- ❖ good earning potential,
- ❖ loyal customers,
- ❖ a competitive edge and is
- ❖ led by a sound management team.

## Injection of Equity Capital to Achieve Growth & Profits:

The injection of capital and the conversion of debt to equity can provide the lever to achieve growth and profitability. Equity capital can provide the arena for increase in production and revenue as a low cost can \_\_ down export and import profits.

## When Deciding to List

The JSE has four (4) markets in which a company can list its shares:

- Main Market
- Junior Market
- US Denominated Market
- Bond Market

Further, the security that a company seeking equity finance would offer to investors will fall into three (3) possible categories:

- Ordinary Shares
- Preference Shares
- Short Term Notes

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# THE LISTING PROCESS

(Continued from page 7)

In addition, after you raise funds in the various IPOs, your company has a better opportunity (and many listings have benefitted) of being able to go back to the market to raise additional capital from investors.

## What is an IPO?

The stock market provides an exciting opportunity for a business to raise needed capital by facilitating investors to put capital into small, medium-sized and large companies. An Initial Public Offer (IPO) is the first sale of shares by a private company that is seeking to become a publicly traded company. The IPO is done by way of a prospectus or other documents of offer that is issued within the guidelines of the Companies Act and Securities Act. The shares are offered at a price determined by the company based on proven methods of valuation.

## What qualifies a Company for an IPO

To be considered eligible for an IPO and subsequent listing on the Exchange, the

- Be a limited liability company operating in Jamaica or any other CARICOM country;
- Meet other conditions contained in Jamaica Companies Act and all Securities Act.

## The Many Benefits of Listing on the JSE

- i. The market establishes a true valuation and price of a company.
- ii. The company is now exposed to alternative forms of capital raising instruments such as bonds and preference shares.
- iii. Provides a cost effective way of transferring ownership. Listing assist with succession planning
- iv. Increased working capital and greater liquidity to fund expansion and manage debt reduction
- v. Enhanced corporate image and business opportunities through strengthened brand recognition and public trust
- vi. Increase in sales and profits through development of new

- products, increased market size and introduction to new markets with the injection of capital
- vii. Ability to attract highly skilled workers
  - viii. Improve corporate governance
  - ix. 10-Year Corporate Tax Incentive. Companies that list on the Junior Market enjoy attractive corporate incentives and other benefits over the first ten years of listing. These companies enjoy a full income tax holiday for the first five years after listing and a 50% tax holiday for the second half of the Allowable Period.

## Common Reservations to Offer Shares & Listing

- Giving up ownership of part of the company; however, owning 100% of a million-dollar company, is nothing to compare with having majority ownership in a multi-million-dollar company
- The financials of the company are public and may be exposed to competitors. However, with greater public scrutiny there is a greater incentive for all level of workers to perform and move the company to even greater heights, which the competitors might not be able to do, using debt financing.
- The process of listing is demanding on time and somewhat bureaucratic. However, there is a competent and experienced team at the JSE and the Brokerage Houses to assist with the listing processes.

## Steps to Ensure a Successful Listing

The selection of a strong team to assist you to come to market is an important decision to ensure a successful listing experience. The market provides a community of experienced financial advisors, brokers, mentors, lawyers, accountants and marketers whose input is invaluable in guiding companies through the listing process and, importantly, ensuring compliance with the legal and regulatory requirements of the JSE, Companies Office and the Financial Services Commission (FSC).

## Do First Things First

A company considering to list should start with an internal assessment or strategic review of its readiness to transition from a private entity to a publicly traded company. If the owners agree that an IPO is the preferred solution to raising financing, here is a summary of the process:

### Internal Review of the Company to be Listed

1. Your Company has a Board of Directors
2. There is an Audit Committee
3. There is a Corporate Governance Committee
4. The Company is willing to offer at Least 20% of its Shares to the Public

The Junior Market has become a very popular medium of listing since its inception in 2009.

## How to List on the Junior Market

The process of listing is involved. However, with guidance from the JSE and other professionals who are trained to assist in the listing processes, listing has become more simplified. Therefore, ensure you have on your team the following persons:

1. **Stockbrokers:** Advises on market conditions, investment opportunities, method of offer and pricing
2. **Investment Bankers:** Underwriting the issue (if necessary)
3. **Financial Advisors/Accountants:** Accurate preparation of financial documents on disclosure of historical information and following financial reporting procedures.
4. **Mentor (Junior Company):** Act as a compliance advisor to ensure adherence to financial reporting guidelines, good corporate governance and fiscal discipline.

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# THE LISTING PROCESS

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5. **Legal Counsel (Lawyers):** Accurate preparation of legal documents and works closely with the mentors
6. **Auditor:** Responsible for preparation and publication of audited and unaudited financial statements.
7. **Marketer:** Builds visibility through marketing, promotions and publicity of the company. Provides writing support and the designing of the prospectus.

These professionals will guide you through the listing process.

## How much will it cost?

The cost of listing will depend on the following:

- ✓ The amount the company wants to raise in terms of equity capital
- ✓ The size of the company
- ✓ The professional team that the company hires and
- ✓ The time within which the company wants to raise the capital.

Therefore, there is not a set cost for listing, it very much depends on the company listing and the cost varies from company to company.

## When to list?

There is no best time to list your company. However, the company has to ensure that internally it is ready to list and then seek the necessary professional assistance to help in the listing process. If the company is unsure where they are in terms of coming to market, they should reach out to the JSE and start the conversation. The professional team at the JSE will help in the assessment process.

## The Prospectus

When all the systems are in place for listing the company will move to issue a prospectus. The prospectus is a formal document that provides details of the issue and contains key information about the company, number of shares available in the IPO and offer price; please see above:

Share Capital	Company Information	Leadership of Company	Financials
Number of shares for subscription	Business Information	Board of Directors	Financial Statements
Share Price	Services/Products	Senior Management	Auditor's Report
	Markets	Mentor	

## The Listing Ceremony:

After the shares have been offered to the public (IPO), then comes the exciting part of actually placing the company's strip on the listing Board at the Head Offices of the Jamaica Stock Exchange at 40 Harbour Street. All the preparation culminates in what is known as the Listing Ceremony.

The ceremony is timed with the Market Opening, which occurs at 9:30 am Monday through Friday. The company's stocks which were first purchased through the IPO becomes available in the Secondary Market, after listing. This means that interested investors who did not purchase at IPO now have an opportunity to buy the shares and those who already own the shares can buy more shares or sell their shares to other investors across the JSE's automated trading platform.

All that is now left for the company to do, is to abide by the rules of the JSE, the Companies Act 2004, and the Securities Act.

**The Market Climate and Appetite of Investors are in Your Favour!**

**Give your company the opportunity it needs to be its best. Equity financing without the burden of interest payments!  
Don't delay, contact the JSE today!**



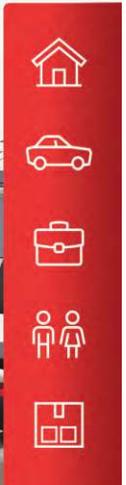
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# TIME TO TEST YOUR KNOWLEDGE

## DID YOU KNOW?

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.



## Stock Market Puzzle

- APPRECIATION
- BOND
- BROKER
- BULL
- BUYING
- DEALER
- ELECTRONIC
- EXPANSION
- GOVERNANCE
- INDICES
- JUNIOR
- LISTED
- LOSERS
- MAIN
- MARKET
- MEMBER
- REGISTER
- REGISTRAR
- SELLING
- SHAREHOLDER
- SHAREHOLDINGS
- STOCK
- TRADING
- TRUSTEE
- WINNERS

D	C	I	N	O	R	T	C	E	L	E	R	S	D	C	G	D	S	Y	V	D	E	L	V	U	K	G	F	N	D
V	J	M	Y	P	Y	O	P	F	Q	D	A	G	E	G	O	E	E	I	W	Z	W	L	V	J	G	T	S	O	G
H	R	H	J	E	Q	W	O	B	Z	E	R	B	T	C	L	M	X	A	J	J	J	K	O	E	W	D	T	M	R
D	X	X	X	A	U	T	F	V	H	V	T	I	P	L	I	Y	F	M	L	R	Q	T	J	W	R	B	K	C	A
U	Z	I	W	A	D	K	I	A	N	M	S	O	I	K	D	D	H	A	M	E	Y	A	R	O	X	R	G	G	W
B	B	R	Q	C	P	O	O	M	X	I	N	E	H	B	L	N	B	I	A	R	M	F	V	E	H	E	A	M	
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B	M	P	P	E	S	R	E	N	N	I	W	N	G	T	A	J	F	V	L	J	S	Z	J	T	J	Z	S	X	S
R	U	X	Y	H	H	C	X	Y	P	M	B	R	R	X	J	I	L	I	D	B	H	Y	O	Q	M	Q	L	Y	T
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E	W	U	O	Q	Q	N	U	D	A	S	V	S	X	C	B	O	J	U	A	Z	L	J	C	A	Q	R	I	D	U
K	D	Q	R	U	A	X	E	R	S	L	T	O	B	B	Q	L	D	R	S	E	V	G	I	N	A	I	Q	J	Y
B	U	C	K	Z	E	K	E	J	W	P	M	E	L	X	Y	C	S	O	W	X	Y	M	A	M	A	M	I	A	L
H	F	X	P	O	H	H	F	H	V	O	G	Q	E	Q	A	N	I	I	O	N	Q	T	T	K	K	B	Y	W	W
F	C	Y	F	T	O	X	H	G	V	M	O	R	X	P	K	N	I	N	N	J	A	R	I	C	P	F	N	S	Q
Q	U	L	F	L	B	N	R	H	N	D	V	D	J	T	B	N	K	U	M	Q	X	A	O	B	X	H	L	J	X
A	K	D	D	M	E	M	B	E	R	P	Y	T	V	R	Q	G	B	J	K	X	I	D	N	G	Z	V	Y	M	I
W	U	E	H	F	O	W	X	X	Z	I	H	T	T	E	S	U	T	D	C	G	C	I	O	A	X	P	Z	A	H
K	R	T	M	S	V	O	X	C	E	J	A	K	O	V	K	J	T	D	O	Z	I	N	V	A	E	L	O	Z	B
S	R	E	S	O	L	X	H	V	R	S	Z	M	X	R	N	Y	J	F	T	M	N	G	N	C	R	L	J	Y	L
P	V	X	L	A	O	L	L	D	A	U	M	F	U	W	O	P	B	C	S	Z	A	Y	G	M	U	W	Z	W	E
I	B	Q	E	O	Q	C	M	Y	X	O	Q	C	U	Y	M	U	F	M	X	R	E	S	U	N	Q	V	E	L	B



# BEST PRACTICES AWARDS 2016

## Recognizing the Best

The Annual Best Practices Awards recognizes and celebrates outstanding member dealers and publicly listed companies on the Jamaica Stock Exchange (JSE) which have demonstrated best practices in their businesses' performance. The Best Practices Committee delve into the companies' financials, Board of Directors, policies, procedures and practices for both their employees and customers experience and the Awards climax on a grand scale with a Red Carpet Ceremony and Banquet. The Awards, which were first held in 2004, are hosted by the JSE on the first Wednesday of December of each year, under the distinguished patronage of the Governor-General of Jamaica. The Awards are adjudicated by a 21-member committee (an increase from 16) of expert volunteers, representing a broad cross-section of non-listed companies of the capital market's top stakeholders. The awards are handed out in two broad categories: Member Dealers and Listed Companies awards. These are explained below:

### MEMBER DEALERS' AWARDS CONSIST OF:

- 1) Revenue Generation & Market Activity
- 2) Investor Relations
- 3) Best Website
- 4) Expansion of Investors & Listed Companies Base
- 5) Jamaica Stock Exchange Chairman's Award

## MEMBER DEALERS AWARD

**Revenue Generation & Market Activity  
Winner – Sagicor Investments Limited**



Guest Speaker Ms. Patricia Adams, President of the Energy Probe Research Foundation and Probe International hands the award to Mr. Kirk Brown – Manager, Stockbrokerage, Sagicor Investments Limited.

## INVESTOR RELATIONS

**Joint Winners – JMMB Securities and Stocks & Securities Limited**



Mrs. Lisa Bell, Managing Director of Exim Bank hands the award to Mr. Greig Lindo, Senior Trader, JMMB Investments

(Continued on page 15)



## CARRERAS LIMITED

*A proud Jamaican company since 1962*

### **BEST PERFORMING COMPANY**

As a listed company on the Jamaica Stock Exchange (JSE), we have been the proud recipient of many awards in the category of Best Performing Company. These awards recognize Carreras for its outstanding performance in enhancing shareholder value in the areas of capital efficiency, profitability and direct return on shareholdings.

#### **Jamaica Stock Exchange Awards**

Best Performing Company Award,  
2007, 2010, 2011, 2012, 2013, 2014, 2015  
First Runner-up Award, Best Website, 2012, 2014  
Second Runner-up Award, Best Website, 2013

#### **Other Awards**

Other awards, including those from the Jamaica Employer's Federation, the Private Sector Organization and United Way coupled with our contribution to Jamaica's development, have made us a proud Jamaican Company, since 1962.

#### **Jamaica Employer's Federation:**

Corporate Social Responsibility, 2008  
Top Small Employer of Choice, 2008

#### **Private Sector Organization of Jamaica:**

Most Strategic Approach to  
Corporate Social Responsibility, 2008

#### **United Way of Jamaica:**

Jupiter Award for Corporate  
Social Investment, 2011  
United Way Platinum Award for Corporate Social Investments,  
2010  
United Way Jupiter Award for Corporate Social Investments,  
2012, 2013, 2014, 2015  
United Way Highest Corporate Donor, 2014

#### **Contributing to Jamaica's development**

We also have contributed and continue to contribute to Jamaica's development through adult education • crime prevention • arts & culture and creating a cleaner environment

[www.carrerasltd.com](http://www.carrerasltd.com)



(Continued from page 13)

### Revenue Generation & Market Activity Award

This Award recognizes the Member Dealers that (i) During the year, “Traded the most value on the Exchange” and (ii) Participated in JSE's Programmes.

### Investor Relations

This award recognizes the Member Dealer that consistently exceeds customers expectations by providing excellent customer service.

### Best Website

This award is given to encourage member dealers to raise the quality and efficiency of the dissemination of information to the investing public via the website.

### Expansion of Investors & Listed Companies Base

This award recognizes the Member Dealer that has increased the number of clients in the JCSD and have listed the most companies within assessed year.

### The JSE's Chairman Award

This Award is presented to the Overall Winner among Member Dealers.

LISTED COMPANIES' AWARDS CONSIST OF:

- 1) Annual Report Award
- 2) Corporate Disclosure & Investor Relations Award
- 3) Best Performing Company Award
- 4) Website Award
- 5) JSE/PSOJ Corporate Governance Award
- 6) Governor General Award for Excellence

## INVESTOR RELATIONS

Joint Winners – JMMB Securities and Stocks & Securities Limited (Cont'd)



Mrs. Lisa Bell, Managing Director of Exim Bank hands the award to Ms. Lamar Harris, General Manager, STOCKS AND SECURITIES LIMITED.

## BEST WEBSITE

Winner – Barita Investments Limited



Former Custos Marigold Harding hands the award to Ferris Jackson, Equity Trader, Barita Investments Limited.

(Continued on page 16)

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CELEBRATING 33 YEARS



(Continued from page 15)

### The Annual Report Awards

This Annual Report Award is given to encourage public listed companies to produce clearer, more reader-friendly annual reports and to provide greater insight into the companies' financial affairs, governance practices and business activities.

### Corporate Disclosure & Investor Relations Awards

This award serves to recognize companies that maintain good investor relations with the wider investing public and make timely and accurate reports and announcements to the JSE.

### Best Performing Company Awards

The Best Performing Company Award seeks to identify and recognize outstanding performance by listed companies in enhancing shareholder value in the areas of capital efficiency, profitability and direct return on shareholdings.

### Best Practices Website Awards

This award is given to encourage listed companies to raise the quality and efficiency of the dissemination of information to the investing public via the website.

### The Governor General Award for Excellence

This is the most prestigious and coveted award. It is awarded to the Overall Winner of the Best Practices Awards and importantly, to the company that maintains international best practices.

## EXPANSION OF INVESTORS & LISTED COMPANIES BASE

Winner – JMMB Securities Limited



Mrs. Marlene Street Forrest, Managing Director of the Jamaica Stock Exchange hands the award to Mr. Greig Lindo, Senior Trader, JMMB Investments

## MEMBER DEALERS OVERALL WINNER

JMMB Securities Limited



Mr. Ian McNaughton, Chairman of the Jamaica Stock Exchange hands the award to Mr. Kwame Brooks, General Manager, Trading and Treasury, JMMB Investments

(Continued on page 19)

THE RJR GLEANER COMMUNICATIONS GROUP

# BEST PURVEYOR 2017



Best Purveyor 2017 awarded to Caribbean Producers Jamaica Limited at Hospitality Jamaica Awards Banquet.



We are deeply appreciative of this award, which reflects our valued customers' confidence and support. CPJ will continue to provide the highest levels of customer service and quality products available, because our success is measured by our customers' success.

**Caribbean Producers Jamaica Limited: Where service is just the beginning!**



(Continued from page 17)

### The Best of the Best – JSE Best Practices Awards

JMMB Group Ltd. captured for the first time the Governor General's Award for Excellence for the Main Market at the Jamaica Stock Exchange's (JSE) Best Practices Awards for 2017. Honey Bun Jamaica Ltd. won the equivalent for the Junior Market for the third time, having done so in 2011 and 2015. This announcement was made at the Jamaica Stock Exchange's 13<sup>th</sup> staging of its Best Practices Awards Banquet held at the Jamaica Pegasus Hotel on Wednesday, December 6, 2017. GraceKennedy and NCB Financial Group were joint winners of the coveted JSE/PSOJ Best Practices Award for Corporate Governance. JMMB Securities Ltd. retained the top Member Dealer's Award they won in 2015 and they also walked away with Chairman's Award.

Mrs. Marlene Street Forrest, CD, JP, Managing Director of the JSE, in her welcome stated that, "As we seek to achieve growth through this medium, we are convinced that these awards are not only achieving their objectives but that the model of best practice through benchmarking, which these awards foster, provides tremendous stimulus for our listed companies and member-dealers. We expect also that best practices will improve workplace skill, reduce waste and foster greater efficiency in the use of technology."

In closing, the JSE's Managing Director announced that, "we have received approval to be a participant in the Canadian Central Securities Depository, which also required the approval of the Central Bank of Canada". This she informed could not be achieved without a model of Best Practices within the JSE.

## LISTED COMPANIES' AWARD

### Annual Report

#### Junior Market

#### Winner – Lasco Distributors Limited



Mr. Alvaro Casserly, Chairman of the JSE Best Practices Annual Report Sub-Committee hands the award to Deputy Executive Chairman for LASCO Affiliated Companies & Managing Director for LASCO Distributors Limited – Mr. Peter Mark Chin.

#### Main Market

#### Joint Winners – NCB Financial Group Limited and JMMB Group Limited



Mr. Alvaro Casserly, Chairman of the JSE Best Practices Annual Report Sub-Committee hands the award to Miss Jacqueline De Lisser, Head - Group Investor Relations, Performance Monitoring & Planning Unit National Commercial Bank Jamaica Limited.

Mr. Alvaro Casserly, Chairman of the JSE Best Practices Annual Report Sub-Committee hands the award to (L-R) Ms. Kerry-Ann Stimpson, Group Chief Marketing Officer, JMMB Group and Mr. Archibald Campbell, Chairman, JMMB Group



(Continued on page 21)



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(Continued from page 19)

Professor Neville Ying, the Chairman of the Best Practices Awards, recalled that, “As we review your companies we are also interested in how you are integrating the use of Technology with the Expertise and Creativity of your staff.” He challenged the companies to “achieve your growth objectives, create a competitive business enterprise or cost reduction by reducing dramatically the size of your staff, when this is taken in the context of how Technology and the GIG Economy will impact the future of work”

Prof. Ying further stated that, “This year we have seen continued marked improvement in all companies assessed. Improvement in the areas of Corporate Governance, Investor Relations and Corporate Disclosure stands out for companies on both the Junior and main Markets. For the first time we had twenty-two (22) companies participating in Corporate Disclosure and Investor Relations and Corporate Governance evaluations.”

Both Mrs. Street Forrest and Prof. Ying paid tribute to founding committee member, the late Sushil Jain. According to Mrs Street Forrest, Managing Director; JSE “Sushil joined the Best Practices Committee from its inception and his contribution was immense and invaluable.”

Ms. Patricia Adams, President of the Energy Probe Research Foundation and Probe International was the guest speaker for the night. She provided some background of her Foundation by stating that “development starts at home, with institutions that are constructed, brick by brick, and guided by the good values of the ordinary citizen. These principles have guided me ever since in my research at the Energy Probe Research Foundation. We are one of Canada’s oldest

## BEST PERFORMING COMPANY

### Junior Market Winner – Cargo Handlers Limited



Mrs. Audrey Richards, Chair for the JSE Best Practices Best Performing Sub-Committee hands the award to Ms. Jan Pollock, Chief Financial Officer, Caribbean Producers. Ms Pollock collected the awards on behalf of Cargo Handlers

### Main Market Winner – Carreras Limited



Mrs. Audrey Richards, Chair for the JSE Best Practices Best Performing Sub-Committee hands the award to Mr. Marcus Steele, Managing Director of Carreras Limited

(Continued on page 23)



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environmental organizations and unlike almost every other environmental NGO in Canada, we favour free markets, both for environmental and for economic reasons.”

In her presentation, she noted that a business woman told her that capitalism is a wonderful thing because it makes us care about each other. She stated, “How true! I thought to myself, what a good way to put it because capitalism is so often portrayed as a predatory system that runs on exploitation, greed, and dishonesty. That is neither a fair nor an accurate portrayal. Running your business by ripping off your customers, your suppliers and your investors won't get you very far. To be successful in business you must be honest, cooperate with others to achieve shared goals, and earn trust and a reputation for fair dealing.”

She concluded by stating, “In the quest for effective market regulation for sustainable growth and development, Jamaica should find its own path. I'm confident that you will, and that the people at this gathering will help show the way.”

Master of Ceremonies, Mr. Michael Anthony Cuffe along with Dr. Nsombi Jaja, member of the Best Practices Awards Committee, announced the winners for all Awards.

#### MEMBER DEALERS AWARDS

In the category of **Revenue Generation & Market Activity**, Sagicor Investments Ltd was the winner in this category with Mayberry Investments Ltd. and VM Wealth Management Ltd. taking 1<sup>st</sup> and 2<sup>nd</sup> Runner up places respectively.

The next category to be announced was that of **Investor Relations**. JMMB Securities Ltd. and Stocks & Securities Ltd. were declared joint winners

2<sup>nd</sup> Runner up - Mayberry Investment Ltd.

1<sup>st</sup> Runner up - Barita Investments Ltd.

## CORPORATE DISCLOSURE & INVESTOR RELATIONS

### Junior Market

#### Winner – Honey Bun (1982) Limited



Ms. Alicia Hussey, Chair for the JSE Best Practices Corporate Disclosure & Investor Relations Sub-Committee hands the award to Mr. Dustin Chong, Sales & Distribution Executive to the right and beside him is Mr. Daniel Chong, Chief Operations Officer.

### Main Market

#### Joint Winners – JMMB Group Limited and Scotia Investments Limited

Ms. Alicia Hussey, Chair for the JSE Best Practices Corporate Disclosure & Investor Relations Sub-Committee hands the award to Mr. Jerome Smalling Chief Executive Officer, JMMB Bank.



Ms. Alicia Hussey, Chair for the JSE Best Practices Corporate Disclosure & Investor Relations Sub-Committee hands the award to Mr. Lissant Mitchell, CEO, Scotia Investments Limited

(Continued on page 25)

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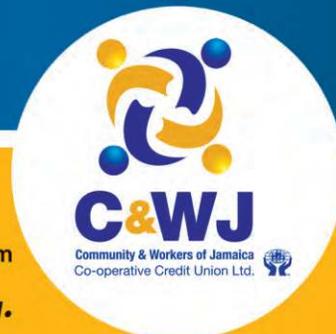
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# WEBSITE



(Continued from page 23)

## JSE Member-Dealers Award for Best Website.

Winner - Barita Investments Ltd.  
 2<sup>nd</sup> Runner up - Scotia Investments Ltd.  
 1<sup>st</sup> Runner up - Sagicor Investments Ltd.

The next category to be announced was the “**Expansion of Investors & Listed Companies Base**”.

Winner - JMMB Ltd.  
 1<sup>st</sup> Runner up - VM Wealth Management Ltd.

The Chairman's Awards for the Overall Winner in the Member Dealers Category went to JMMB Securities Ltd. for the second year running.

## LISTED COMPANIES AWARDS

The first award in this category was the presentation of the **Best Practices - Annual Report Award** for Junior & Main Markets Listed Companies.

### Junior Market: -

Winner Lasco Distributors Ltd.  
 1<sup>st</sup> Runner up – Lasco Manufacturing and CAC 2000  
 2<sup>nd</sup> Runner up - Access Financial Service Ltd.

### Main Market:

Winner - NCB Financial Group Ltd.  
 1<sup>st</sup> Runner up - Scotia Group Jamaica Ltd.  
 2<sup>nd</sup> Runner up - GraceKennedy

## Junior Market

### Winner – Caribbean Producers Group Limited



Mr. Robin Levy, Member of the JSE Best Practices Website Sub-Committee hands the award to Dr. David Lowe, CEO of Caribbean Producers Limited

## Main Market

### Winner – Sagicor Group Jamaica

Mr. Robin Levy, Member of the JSE Best Practices Website Sub-Committee hands the award to Mrs. Mischa McLeod-Hines – Manager, Capital Markets



## Best Performing Company Award

### Junior Market-

Winner - Cargo Handlers  
 1<sup>st</sup> Runner up - Caribbean Flavours & Fragrances Ltd.  
 2<sup>nd</sup> Runner up - Knutsford Express Services Ltd.

### Main Market

Winner - Carreras Ltd.  
 1<sup>st</sup> Runner up – Pan Jam Investments Limited

## Corporate Disclosure & Investor Relations

### The winners were:

Junior Market  
 Winner - Honey Bun (1982) Ltd.  
 1<sup>st</sup> Runner up - Knutsford Express Services Ltd.  
 2<sup>nd</sup> Runner up - tTech Ltd

### Main Market–

Winners - JMMB Group Ltd. and Scotia Investments Ltd.  
 1<sup>st</sup> Runner up - GraceKennedy Ltd.  
 2<sup>nd</sup> Runner up - Runner up, Scotia Group Ltd

(Continued on page 26)

# PSOJ/JSE CORPORATE GOVERNANCE



(Continued from page 25)

## The Best Practices Website Award.

Junior Market:

Winner - Caribbean Producers Jamaica Ltd.  
1<sup>st</sup> Runner up - Lasco Financial Services Ltd.  
2<sup>nd</sup> Runner up – Lasco Distributors Ltd.

Main Market

Winner - Sagicor Group Jamaica  
1<sup>st</sup> Runner up - Barita Investments Ltd.  
2<sup>nd</sup> Runner up - Carreras Ltd

## The PSOJ/JSE Corporate Governance Award

Junior Market: Honey Bun (1982) Ltd. was the winner

Main Market:

Winners - GraceKennedy and NCB Financial Group Ltd.  
1<sup>st</sup> Runner up – JMMB Securities Ltd  
2<sup>nd</sup> Runner up Scotia Group Jamaica Ltd.

The Governor General's Award for Excellence for the Overall Best Practices Award went to Honey Bun (1982) Limited for the Junior Market and to JMMB Group Ltd. for the Main Market category.

## Junior Market

Winner – Honey Bun (1982) Limited



Ms. Greta Bogues, Chair for the JSE/PSOJ Best Practices Corporate Governance Sub-Committee with award recipient and of Honey Bun (1982) Limited, Mr. Dustin Chong (Sales & Distribution Executive) to the right and beside him is Mr. Daniel Chong (Chief Operations Officer).

## Main Market

Joint Winners – GraceKennedy Limited and NCB Financial Group Limited



Ms. Greta Bogues (center), Chair for the JSE/PSOJ Best Practices Corporate Governance Sub-Committee with award recipients Mr. Don Wehby (left) of GraceKennedy Limited and Mrs. Sanya Goffe of NCB Financial Group Limited (right).

(Continued on page 28)



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# OVERALL WINNERS

## JSE's Junior Market Best Practices Award Overall Winner Honey Bun (1982) Limited



Custos Steadman Fuller,  
representative for the Governor  
General with award recipient Mrs.  
Michelle Chung and Mr. Herbert  
Chung, of Honey Bun (1982)  
Limited.

## JSE Main Market Best Practices Award Overall Winner JMMB Group Limited

Custos Steadman Fuller- representing the Governor General hands over the coveted Governor General's Award of Excellence to JMMB representatives: Mr. Archibald Campbell, (right front row), Chairman of JMMB Group, at the Jamaica Stock Exchange (JSE) Best Practices Award Ceremony, which took place at the Jamaica Pegasus Hotel. Also sharing the moment are members of the JMMB team (L-R): Mr. Clive Charlton, Equity Trader, JMMB Investments, Mr. Kwame Brooks, General Manger, Trading and Treasury, JMMB Investments, Mr. Kirk Young, Corporate Banking Manager, JMMB Bank, Mr. Jerome Smalling, Chief Executive Officer, JMMB Bank, Kerry Ann Stimpson, Group Chief Marketing Officer, JMMB Group and Grieg Lindo, Senior Trader, JMMB Investments.





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# STOCK MARKET REVIEW 2017

The country satisfied the December 2017 quantitative performance criteria under the current 3-year IMF Precautionary Stand-by Arrangement according to the Economic Programme Oversight Committee's (EPOC's). During the period April to October 2017, Revenues and Grants amounted to \$297.6 billion exceeding the budgeted amount by 4.1%. Tax collection of \$271.9 billion was 11.6 billion more than budget while Other Companies, Special Consumption Tax (SCT) and General consumption Tax (local) tax categories outperformed budgeted by \$6.4 billion, \$4.4 billion and 3.4 billion respectively. PAYE, Tax on Interest and SCT (Imports) fell below budget by \$2.7 billion, 2.4 billion and 1.5 billion respectively. Expenditure during the period April to October 2017 was 2.2% or 7.2 billion below budget. This under-expenditure was chiefly due to the categories Recurrent Expenditure and Capital Expenditure which fell \$7.0 billion and \$0.2 billion below budget respectively.

The institutional reforms and efforts to improve the investment climate have started to bear fruit. The country's credit rating has improved and publicly guaranteed debt fell to 114 percent of GDP by the end of 2017. Also, GDP grew by 0.5% during the 2017 calendar year. This represents the fifth consecutive year of GDP growth.

The Statistical Institute of Jamaica (STATIN) has indicated that for the month of December 2017, there was a 0.6% increase in the All Jamaica 'All Divisions' Consumer Price Index (CPI) which contributed to the 5.2% calendar year inflation rate recorded for 2017. This increase was largely due to the upward movement in the division 'Food and Non-Alcoholic Beverages' which registered a 0.8% increase while an increase of 1.2% recorded for the 'Housing, Water, Electricity, Gas and Other Fuels Division'. Higher prices for starchy foods and vegetables largely contributed to the increase in the 'Food and Non-Alcoholic Beverages' division. In addition, higher electricity costs led to the increase in the 'Housing, Water, Electricity, Gas and Other Fuels' division.

The calendar year inflation rate for 2016 was 1.7%. In 2015, the calendar year inflation rate was 3.7% while a rate of 6.4% was recorded for 2014. As at December 2017, the fiscal year-to-date movement 4.2%.

Data from the Planning Institute of Jamaica (PIOJ) revealed that in July 2017, there were 1,371,200 persons in the Labour Force which represents an increase of 0.6% or 8,000 persons over the corresponding period in 2016. The Employed Labour Force for July 2017 was 1,216,200 in comparison to the 1,187,000 recorded in July 2016. The occupation groups Service Workers and Shop and Market Sales Workers and Skilled Agricultural and Fishery Workers realized the most significant increase in the number of persons employed. In addition, the industry group Hotel & Restaurants Services accounted for the largest increase in the number of persons employed. The Unemployment Rate was 11.3%, a decline of 1.6% when compared to July 2016. This represents the lowest quarterly unemployment rate in eight years.

On December 29, 2017, the Jamaican dollar traded at 125.09 to \$US1.00 an appreciation of JA\$3.27 or 2.55% since the start of the year. In 2016, the Jamaican dollar depreciated by JA\$7.95 or 6.6% and by 5.02% in 2015. Treasury Bill yields for the month of December 2017 were 4.18% and 4.63% for the 90-day and 180-day instruments respectively.

# STOCK MARKET REVIEW 2017

At the end of December 2017 the Net International Reserves (NIR) stood at US\$3.21 billion. This reflects an 18.01% increase over the US\$2.72 billion recorded in 2016.

These statistics reflect what Jamaica has achieved in the economy and this has had a positive impact on the stock market.

Stock Market Statistics	Value 2017	Value 2016	Change	Change %
Main JSE Index	288,381.97	192,276.64	96,105.33	↑ 49.98
All Jamaican Composite Index	316,516.11	210,139.49	106,376.62	↑ 50.62
JSE Select Index	8,516.38	6,403.77	2,112.61	↑ 32.99
JSE Combined Index	294,986.53	204,960.10	90,026.43	↑ 43.92
Junior Market Index	2,732.06	2,593.71	138.35	↑ 5.33
JSE USD Equities Market Index	166.17	164.50	1.67	↑ 1.01
Market Capitalization (Combined Market)	1.16 trillion	800.86 billion	362.67 billion	↑ 45.28

## Indices

Overall the indices realized significant gains in comparison to 2016. The All Jamaican Composite and Main JSE indices increased by 50.62% and 49.98% respectively. The Combined Index increased by 43.92% or 90,026.43 points to close at 294,986.53 points. The Select Index increased by 32.99% or 2,112.61 points to close at 8,516.38 points. The Junior Market advanced by 5.33% or 138.35 points to close at 2,732.06 points. The USD Index recorded a marginal increase of 1.01% or 1.67 points to close at 166.17 points.

For the first time, the market capitalization for the Combined Market surpassed the trillion dollar mark closing at \$1.16 trillion at the end of December 2017, an increase of 45.28% over the previous year. Also reaching the trillion-dollar mark was the market capitalization of the Main Market which grew significantly to \$1.048 trillion in comparison to the \$697.45 billion recorded in 2016.

Table 2

SELECTED IMF PSBA QUANTITATIVE PERFORMANCE (QPCs) AND INDICATIVE TARGETS	ACTUAL (OCT 2017)	GOJ BUDGET (OCT 2017)	REVISED TARGET (DEC 2017)
Primary Balance of Central Government (J\$B)	65.5	48.7	59.0
Tax Revenues (J\$B)	271.9	260.3	328.0
Non-Borrowed Reserves (US\$M)	2,377	N.A.	1,777
Inflation Target (%)	4.7	4.0-6.0	1.5-8.5

\* Source: EPOC Communique #12, December 2017

(Continued on page 33)

# The Gleaner



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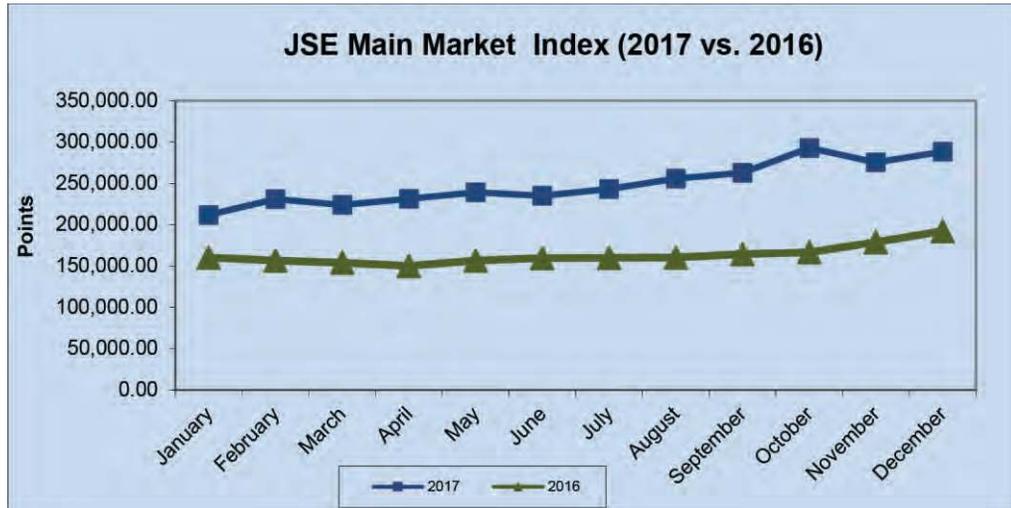
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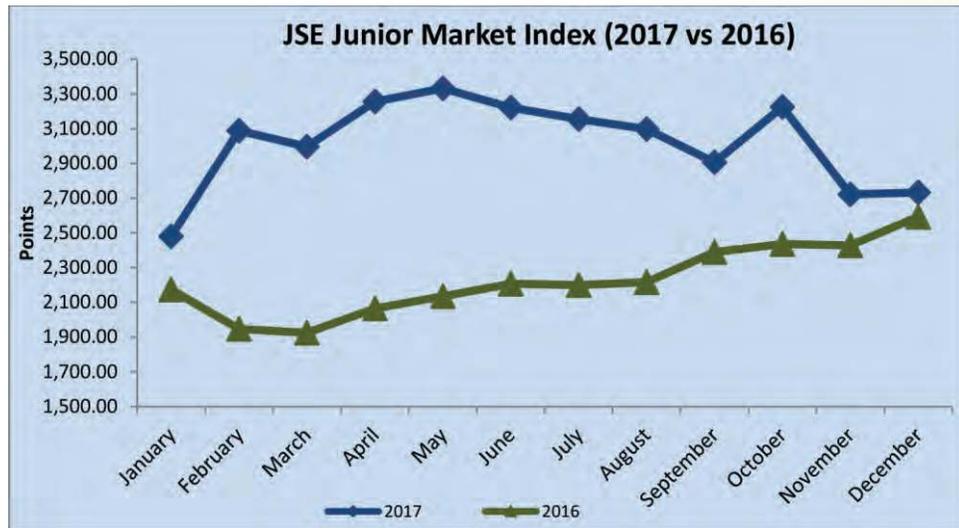
# STOCK MARKET REVIEW 2017

(Continued from page 31)

**Graph 1:**  
Performance of the  
JSE Main market index  
2017 vs 2016.



**Graph 2:**  
Performance of the  
JSE Junior market index  
2017 vs 2016.



**Graph 3:**  
Performance of the  
JSE USD market index  
2017 vs 2016.



(Continued on page 34)

# STOCK MARKET REVIEW 2017

(Continued from page 33)

**Table 3: Indices Statistics for 2017**

Indices	Highest Value	Lowest Value	Largest One Month Gain	Largest One Month Decline	Largest One Day Gain	Largest One Day Decline
JSE Index	294,842.48 points on October 30, 2017	192,511.16 points on January 05, 2017	11.48% (30,165.95 points) at the end of October 2017 closing at 292,895.09	-6.04% (-17,693.04 points) at the end of November 2017 closing at 275,202.05	4.09% (8,121.44 points) on January 27, 2017 closing at 206,567.37	-3.53% (-9,233.31 points) on September 15, 2017 closing at 252,332.20
JSE All Jamaican Composite Index	323,606.90 points on October 30, 2017	210,401.76 points on January 05, 2017	11.48% (33,108.89 points) at the end of October 2017 closing at 321,469.52	-6.04% (-19,419.15 points) at the end of November 2017 closing at 302,050.37	4.18% (9,082.60 points) on January 27, 2017 closing at 226,121.49	-3.53% (10,134.09 points) on September 15, 2017 closing at 276,949.36
JSE Select Index	8,905.89 points on October 30, 2017	6,442.53 points on January 5, 2017	10.28% (658.47 points) at the end of January 2017 closing at 7,062.24	-5.01% (-445.30 points) at the end of November 2017 closing at 8,440.25	4.22% (334.63 points) on September 1, 2017 closing at 8,263.27	-2.98% (-250.75 points) on December 11, 2017 closing at 8,159.46
JSE Combined Index	305,674.75 points on October 30, 2017	205,435.54 points on January 5, 2017	11.42% (31,203.62 points) at the end of October 31, 2017 closing at 304,472.39	-7.13% (-21,723.77 points) at the end of November 2017 closing at 282,748.62	3.47% (8,400.72 points) on February 9, 2017 closing at 250,475.83	-3.17% (-8,697.67 points) on September 15, 2017 closing at 265,063.50
JSE Junior Market Index	3,375.24 points on May 24, 2017	2,581.42 points on January 3, 2017	10.93% (317.67 points) at the end of October 31, 2017 closing at 3,224.44	-15.56% (-501.69 points) at the end of November 2017 closing at 2,722.75	2.77% (85.18 points) on February 9, 2017 closing at 2,157.51	-4.05% (-119.67 points) on November 28, 2017 closing at 2,829.29
JSE USD Index	268.73 points on February 13, 2017	159.33 points on December 28, 2017	27.69% (48.48 points) at the end of February 28, 2017 closing at 223.54	-16.09% (-34.69 points) at the end of June 2017 closing at 180.97	18.19% (36.05 points) on February 8, 2017 closing at 234.25	-14.48% (-38.92 points) on February 14, 2017 closing at 229.78

(Continued on page 36)



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# STOCK MARKET REVIEW 2017

*(Continued from page 34)*

## Trading Activity Main Market 2017

At the end of 2017, the total value of ordinary and block trades amounted to \$36.69 billion. This represents a decline of 24.27% over the previous year, which realized a total value of \$48.45 billion for ordinary and block transactions.

In comparison to 2016, the volume of ordinary and block trades declined by 23.67% or 803,092,992 units to total 2,590,383,796 units. Ordinary and block volume for the previous year amounted to 3,393,476,788 units.

A total of 43,431 ordinary and block trades were conducted in 2017. This reflects an increase of 41.48% over the 30,698 recorded in 2016.

Market capitalization for the main market grew significantly to \$1.048 trillion in comparison to the \$697.45 billion recorded in 2016.

During the year 2017 market volume (excluding blocks) amounted to 2,519,048,551, an increase of 39.18% or 709,068,139 units over the 1,809,980,412 units recorded in 2016.

The total value of trades (excluding blocks) in 2017 amounted to \$35.72 billion compared to \$25.53 billion reported in 2016. This represents an increase of 39.91%. The number of trades (excluding blocks) amounted to 43,408 up 41.47% on the 30,684 trades recorded in 2016.

Block trades in 2017 and 2016 amounted to 23 and 14 respectively. Block volume in 2017 amounted to 71,335,245 units a decline of 95.50% in comparison to the 1,583,496,376 units reported in 2016. The value of the block trades also fell significantly to \$0.97 billion in 2017 from \$22.92 billion in the year 2016.

In terms of monthly market activity, February 2017 recorded the largest number of transactions with 4,544 trades. In contrast, July recorded the lowest number of transactions with 2,751 trades.

Monthly market volume peaked at 570,105,834 units in October while the lowest volume was reported in the month of July.

October 2017 realized the largest value traded with trades valued at \$6.89 billion while the lowest value was reported in July 2017 with trades valued at \$1.38 billion.

The top three advancers for 2017 were Pulse Investments Limited, up 203.37% to close at \$1.80, Berger Paints Limited up 195.54% to close at \$16.55 and Palace Amusement Company Limited up 187.18% to close at \$560.00. On the other hand, the top three of the four decliners for the year 2017 were Radio Jamaica Limited down 19.23% to close at \$1.05, Sterling Investments Limited down 17.20% to close at 13.00 and Portland JSX down 8.42% to close at \$10.00. This information is outlined in Tables 4 and 5.

Supreme Ventures Limited was the volume leader with 655,258,057 units traded and the Company was also the value leader with trades valued at \$6.02 billion.

# STOCK MARKET REVIEW 2017

Table 4 - Advancers

Company	Close Price (\$)	% Change
Pulse Investment Limited	1.80	203.37
Berger Paints Jamaica Limited	16.55	195.54
Palace Amusement Company Limited	560.00	187.18
Ciboney Group Limited	0.41	127.78
Supreme Ventures Limited	11.53	119.62
Jamaica Producers Limited	16.70	80.93
Carreras Limited	11.40	70.79
Cable & Wireless Jamaica Limited	1.20	66.67
Kingston Wharves Limited	32.50	62.42
PanJam Investment Limited	45.00	58.90

Table 5 - Decliners

Company	Close Price (\$)	% Change
Radio Jamaica Limited	1.05	(19.23)
Sterling Investments Limited	13.00	(17.20)
Portland JSX Limited	10.00	(8.42)
Caribbean Cement Company Limited	32.46	(6.72)

The following eight securities were listed on the Main Market in 2017 (Table 6).

Table 6 - Main Market Listings

Security	Date Listed	Amount Raised (\$)	Listing Price (\$)	Close Price Dec 29, 2017 (\$)	% Change Since listing
Proven Investments Limited 8.25% Pref Shares	February 8, 2017	2.10 Billion	5.00	5.90	18.00
Cable Bahamas Limited Series 11 8% Preference shares	June 2, 2017	Listed by Introduction	1,000,000.00	1,000,000.00	0.00
Productive Business Solutions Limited Preference	August 31, 2017	2.58 Billion	100.00	104.45	4.45
NCB Financial Group Limited	March 16, 2017	Listed by Introduction	62.36	99.38	59.36
Sagicor Bank Jamaica Limited Class A 7.75% Preference Shares	September 1, 2017	Listed by Introduction	1.00	1.05	5.00
Sagicor Bank Jamaica Limited Class B 8.25% Preference Shares	September 1, 2017	Listed by Introduction	1.00	1.00	0.00
Wisynco Group Limited	December 28, 2017	6.17 Billion	7.87	12.24	55.53
Victoria Mutual Investments Limited	December 29, 2017	689 Million	2.45	3.24	32.24

(Continued on page 39)

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# STOCK MARKET REVIEW 2017

(Continued from page 37)

## The JSE Junior Market

The JSE Junior Market Index closed the year 2017 at 2,732.06 points. This represents an increase of 5.33% when compared to the closing value of 2,593.71 points at the end of 2016. Five securities were listed on the Junior Market in 2017 (Table 7).

**Table 7**

Company	Date Listed	Amount Raised (\$)	Listing Price (\$)	Close Price Dec 29, 2017 (\$)	% Change Since listing
Main Event Entertainment Group Limited	February 14, 2017	120 Million	2.00	5.28	164.00
Express Catering Limited	July 21, 2017	491 Million	1.50	4.20	180.00
Stationery & Office Supplies Limited	August 10, 2017	96.78 Million	2.00	4.93	146.50
FosRich Company Limited	December 19, 2017	200.9 Million	2.00	3.27	63.50
GWEST Corporation Limited	December 21, 2017	424.22 Million	2.50	3.44	37.60

## Trading Activity Junior Market

In 2017, 22,227 trades were conducted in comparison to 15,536 trades in 2016. This represents an increase of 43%. Market volume increased by 117.92% to 1,287,510,159 units in 2017 from 590,811,107 units in 2016. The value of trades amounted to \$6.61 billion, a significant increase of 78% when compared to the \$3.7 billion recorded at the end of the previous year.

In 2017 there were three block transactions while in 2016 only one block transaction was recorded. Block volume amounted to 60,225,208 and 84,291,640 units in 2017 and 2016 respectively. Block transactions in 2017 were valued at \$252.59 million while the sole block transaction for 2016 was valued at \$1.36 billion.

Market capitalization at the end of 2017 amounted to \$114.80 billion, an increase of \$11.38 billion or 11.00% over the \$103.42 billion recorded in 2016.

LASCO Manufacturing Limited was the volume leader with 321,697,085 units traded and the Company was also the value leader with trades valued at \$1.19 billion.

**Table 8 - Advancers Junior Market 2017**

Company	Close Price (\$)	Change%
Knutsford Express Services Limited	15.00	275.19
Eppley Limited	12.00	144.90
Jetcon Corporation Limited	4.81	140.50
Jamaican Teas Limited	3.95	73.25
Lasco Financial Services Limited	5.29	65.83
Access Financial Services Limited	36.43	65.59
C2W Music Limited	0.51	45.71

**Table 9 - Decliners Junior Market 2017**

Company	Close Price (\$)	Change%
Cargo Handlers Limited	10.00	(46.15)
Lasco Distributors Limited	3.86	(45.56)
AMG Packaging & Paper Company Limited	3.00	(38.80)
Caribbean Cream Limited	4.81	(33.56)
Honey Bun (1982) Limited	4.02	(31.28)
IronRock Insurance Company Limited	2.85	(28.75)
Lasco Manufacturing Limited	3.78	(22.86)
Consolidated Bakeries (Jamaica) Limited	1.80	(20.35)
Caribbean Flavours & Fragrances Limited	11.00	(8.33)
General Accident Insurance Company Limited	2.80	(6.35)
Sweet River Abattoir & Supplies Company	3.85	(0.26)

(Continued on page 41)

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# STOCK MARKET REVIEW 2017

(Continued from page 39)

## Trading Activity US Dollar Equities Market

The USD Equities Market Index closed the year 2017 at 166.16 points. This represents a marginal increase of 1.66 points or 1.01% over the 164.50 points reported at the end of 2016.

Cable Bahamas Limited Series 11 8% USD Preference and Productive Business Solutions Limited USD Preference listed on the USD market in 2017 (see Table 10).

Table 10

Instrument	Amount Raised (USD)	Listing Price (USD)	Close Price Dec 29, 2017 (USD)	% Change Since listing
Cable Bahamas 8% USD Preference Shares	Listed by Introduction	1,000.00	1,000.00	0.00
Productive Business Solutions USD Preference Shares	21.49 million	0.55	0.5725	4.09

Market volume for the year 2017 amounted to 43,677,225 units. This reflects a decline of 26.76% or 15,957,154 units when compared to the 59,634,379 units recorded in 2016.

The market value of trades increased by 3.18% to US\$12.50 million in 2017 as against the US\$12.11 million realized in 2016.

At the end of 2017 a total of 1,405 trades were conducted on the USD market representing a 9.00% increase over the 1,289 trades reported for 2016.

Market capitalization at the end of 2017 increased by 56.60% or \$80.49 million to US\$222.58 million in comparison to the US\$142.13 million realized at the end of 2016.

## Bond Market

During the year 2017 there were seven transactions on the bond market. The total value of the bond transactions amounted to \$13.19 billion. NCBFG listed its 6% Indexed Bond on the JSE Bond Market in September 2017 (Table 11).

Table 11

Company	Date Listed	Amount Raised (\$)
NCBFG 6% Indexed Bond	September 27, 2017	13.15 billion

## Market Developments

### Acquisition

Lewis Berger Overseas Holdings which owned 51% of the issued share capital of Berger Paints Jamaica Limited (BRG) is now 100% owned by Ansa Coatings International Limited (ANSA). Subsequent to a Takeover Bid Offer by ANSA to minority shareholders of BRG, ANSA now holds 54.12% of the issued shares of BRG.

(Continued on page 43)

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# STOCK MARKET REVIEW 2017

(Continued from page 41)

## Total Raised on Markets

Total Raised on Main Market in 2017: \$8.96 Billion

Total Raised on Junior Market in 2017: \$1.33 Billion

Total Raised on US Dollar Equities Market: US\$ 21.49 Million

## Stock Split/Subdivision of Shares (Table 12)

Company	Nature of Subdivision
AMG Packaging & Paper Company Limited	1 to 5
Jamaican Teas Limited	1 to 2
Kingston Properties Limited	1 to 2
Knutsford Express Services Limited	1 to 5
Jetcon Corporation Limited	1 to 3
Pulse Investments Limited	1 to 6
Carreras Limited	1 to 10

## Delisting

Two companies were delisted in March 2017: National Commercial Bank Jamaica Limited (as a result of a restructuring exercise) and Trinidad Cement Limited.

Scotia Investments Jamaica Limited was delisted on October 3, 2017.

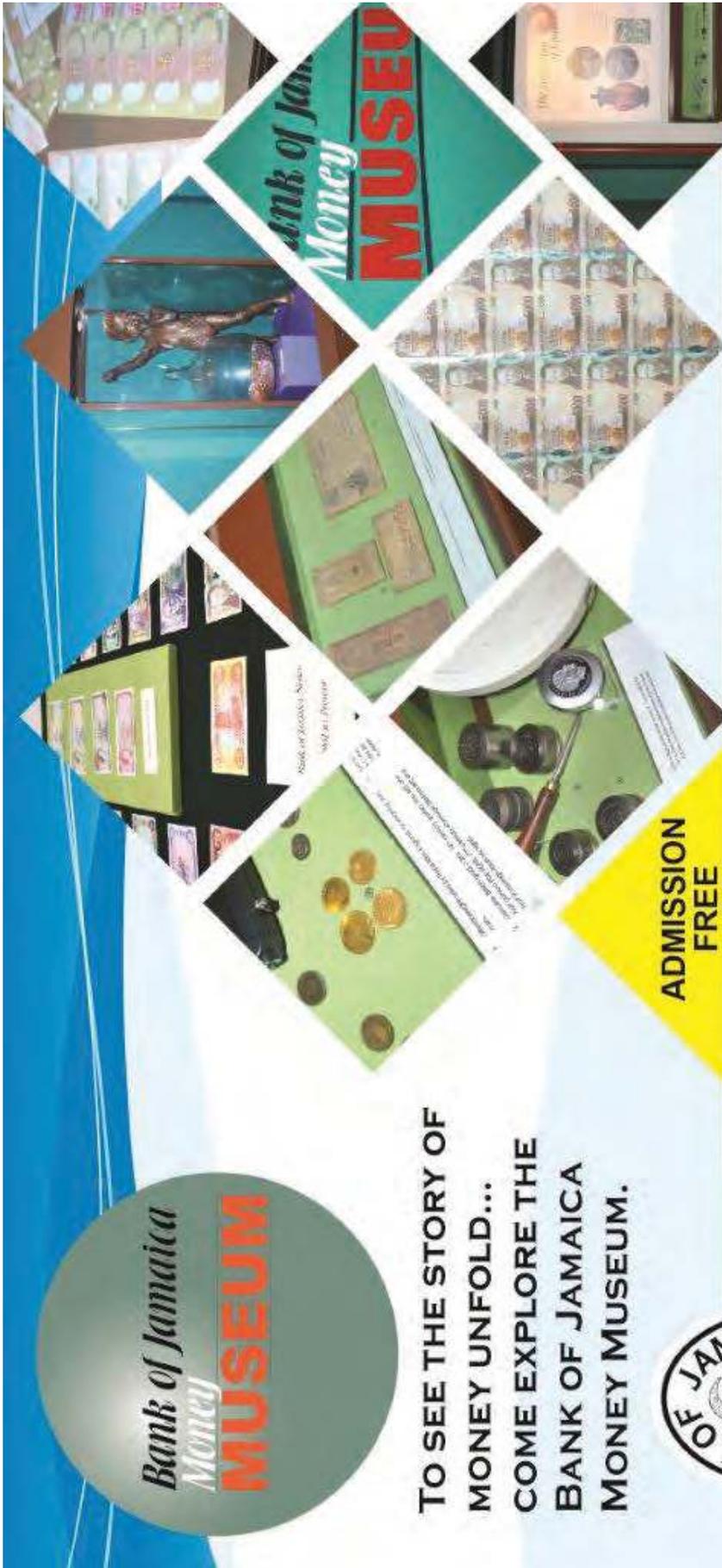
## Number of Companies

There were 35 companies listed on the Main Market as at December 29, 2017. The total number of companies listed on the Junior Market amounted to 34. Also, 6 companies were listed on the USD Equities Market in 2017.

As at December 29, 2017, 15 preference securities were listed on the Main Market. Four preference securities were listed on the JSE Junior Market and three securities listed on the Bond Market. The USD market had a total of three preference securities listed at the end of the period. There were 32 ordinary securities listed on the Main Market, 34 ordinary securities listed on the Junior Market and 4 ordinary securities listed on the USD market.

## Settlement Cycle

On December 11, 2017 the settlement cycle was changed from T+3 to T+2.



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## T+2 Faster & More Efficient Trade Settlement Cycle

**T**he Jamaica Stock Exchange (JSE) switched to the T+2 settlement cycle from T+3 on December 11, 2017. This means that all trades are settled in two business days instead of three.

The trading cycle prior to T+2 meant that when a transaction is completed the movement of shares and cash took three working days to settle from the day the trade was made, thus T+3. The faster and more efficient T+2 settlement cycle means that transactions are now completed in two days. On the cash side both the brokers and clients get paid one day earlier.

“The JSE is an august institution, with an international outlook. The world is moving to a T+2 settlement cycle and we won't be left behind. We believe in keeping pace with the First World standards,” said Mrs. Marlene Street Forrest, JSE's Managing

Director. “This transition is good for the market. This allows for greater efficiency in the market place, greater liquidity; therefore, more stocks can be bought and sold on the market.”

“The JSE is in line with international standards today, thanks to the hardworking team that came together to make this happen. We met as a team, set our goals and objectives, and then laid the ground work and today we can say to all our stakeholders, 'we have done it!' Mrs. Kadyll McNaught-Hermitt, Manager of the Depository Services Unit (DSU) whose Department was tasked with the transition of the JSE from T+3 to T+2, added, “I am proud of the team and proud to be a part of an institution that believes in delivering world class services to customers. We will strive to do so at all times”.



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# The Chief Regulatory Officer's

# 2017 Year In Review

During the year much attention was focused on intensifying the Regulatory and Market Oversight Division's (RMOD) market surveillance functions which included:

- i. Commencing activities to reviewing the RMOD's Market Surveillance policies and procedures.
- ii. Heightened surveillance of dealings by insiders of listed companies in accordance with market requirements for notification of such trades.
- iii. Heightened surveillance of possible breaches of Market Integrity Rules as found in the Securities Act of Jamaica, 1993.

Through the above activities, the RMOD was more proactive in not only identifying dealings by insiders but was also able to foster an improved state of compliance through the issuance of reminders and enforcement activities.

## Performance Indicators

As a consequence of the RMOD's market surveillance strategy in 2017, the number of compliance and market surveillance issues handled in 2017 increased to 41 or 36% percent increase in the number of issues handled in 2016. Notwithstanding the increase in issues handled for 2017, the RMOD's case closure rate recorded a 98% improvement over the rate for 2016. The performance statistics as detailed in **Table 1** below also shows improvement in both Member-Dealers and Listed Companies compliance rate in filing financial returns and trade notices. The improvements noted justify the Division's proactive approach in fostering compliance through orientations, market education and reminder notices.

**Table 1 – Performance Indicators**

Activity	2017	2016	2015	2014
Compliance and Market Surveillance Issues handled	412	303	205	238
Percentage of regulatory/compliance Issues Closed	98%	95%	95%	98%
Total Number of Enforcement Actions	62	60	60	31
Member-dealers timely filing of Monthly Statements	97%	93%	95%	97%
Member-dealers timely filing of Quarterly Statements	94%	94%	100%	98%
Member-dealers timely filing of Audited Statements	92%	75%	58%	85%
Main Market Companies timely filing of Unaudited Statements	91%	94%	95%	96%
Main Market Companies timely filing of Audited Statements	80%	73%	78%	80%
Main Market Companies timely filing of Annual Reports	76%	56%	86%	79%
Junior Market Companies timely filing of Unaudited Statements	95%	96%	95%	87%
Junior Market Companies timely filing of Audited Statements	81%	69%	87%	77%
Junior Market Companies timely filing of Annual Reports	77%	74%	68%	48%
Main Market Companies timely filing of Trade Notices	97%	89%	85%	N/A
Junior Market Companies timely filing of Trade Notices	88%	84%	66%	N/A

Key N/A- data on compliance was not available or being maintained for the period

## Operational Activities

In addition to discharging its market surveillance function, the RMOD continued to satisfy core activities pertaining to Member-Dealer Regulation, Listed Company Compliance, Enforcement, Dispute Resolution and Risk Assessment. Activities undertaken during the year for each area are detailed below:

### 1. Member-Dealer Regulation

The RMOD's processes for supervising Member-Dealers involve the review of financial returns, monitoring of trading activities on the JSE, inspections and the monitoring of Member-Dealers compliance to applicable rules of the JSE. Arising from the discharge of the abovementioned functions, the RMOD in 2017 identified Seventy (70) compliance and market surveillance issues of which Sixty-Eight (68) of the cases were closed as at the end of the year.

(Continued on page 48)

# The Chief Regulatory Officer's 2017 Year In Review

*(Continued from page 47)*

Details of the RMOD's operations as it relates to Member-Dealer supervision includes the fact that the Division reviewed Two Hundred and Eleven (211) financial returns from Member-Dealers and conducted two (2) on-site inspections. During the year the RMOD also undertook off-site reviews of Member-Dealers equity trading policies and procedures to ascertain their state of readiness to transition to the new settlement cycle of Trade (T) + Two (2) Days. The RMOD also continued in 2017 to issue timely reminders to Member-Dealers on JSE Rule 229 - Business Continuity and Contingency Plan (BCCP) reviews and JSE Rule 225 – Insurance renewals, which resulted in all firms who were required to satisfy the rules doing so during the year.

## **2. Listed Company Compliance**

Our records reveal that during the year Listed Companies submitted a total of 1,286 submissions (2016; 1,315) which were reviewed by the Division. Based on reviewing the submissions, the RMOD identified Three Hundred and Twenty-Six (326) issues concerning Listed Companies of which Three Hundred and Twenty-Two (322) of the issues identified were closed as at the end of the year. These issues were identified through the review of filings by listed companies concerning financial statements, trade notices and corporate actions as well as the RMOD's strategy to closely monitor dealings by insiders of Listed Companies.

The policy to educate and remind Listed Companies of their responsibilities under the rules of the JSE continued in 2017. In this regard, the RMOD circulated 537 (2016; 353) reminder notices concerning the filing of financial statements, share registers, corporate governance guidelines reviews and trade notices concerning dealings by insiders. In 2017 the RMOD also convened thirteen (13) orientation sessions with newly appointed Company Secretaries and Mentors of Listed Companies to sensitize their role and the JSE's requirements.

The RMOD is pleased to note that as a consequence of the abovementioned activities, Listed Companies registered a 100% compliance rate for the filing of share registers with the Exchange and JSE Rule 414 concerning Corporate Governance Guidelines. Our engagement also resulted in a compliance rate of 98% for listed companies as it relates to the filing of dividend notices and declarations.

## **3. Market Surveillance**

As noted before, the RMOD's market surveillance strategy for 2017 involved the heightened monitoring of dealings by insiders as well as identifying possible breaches of market rules relating to trading. This activity was supported by the generation of Exception Reports. Arising from the daily examination of trading on the JSE, the RMOD in 2017 generated 46 (2016; 25) Exception Reports. Based on this process the RMOD was able to easily identify dealings by insiders and implement actions that resulted in listed companies recording considerable improvement in the compliance rate for the area as outlined above in Table 1.

## **4. Enforcement**

The Division's enforcement activities involve levying fines, delisting and suspension of market constituents. In 2017 the Division administered Sixty-Two (62) enforcement actions and levied fines amounting to \$18.4 million.

## **5. Dispute Resolution**

In 2017 the RMOD handled 7 (2016; 14) complaints through its Dispute Resolution processes and closed all except one (1).

## **6. Risk Assessment**

The RMOD's Risk Assessment applies to all area of its operations and is supported by examinations from the JSE's Internal Auditors. Through market surveillance activities the RMOD identified a potential risk to the JSE which was treated during the year.

## **7. Other Operational Activities**

During the year the RMOD continued its standard procedures for educating the public and promoting awareness to the JSE's regulatory programme by releasing via the JSE's website twelve (12) Monthly Regulatory Reports and two (2) Newsletters.

The RMOD was also directly involved in the processing of eleven (11) rule amendments that will further serve to bolster market regulations and assisted in the review of nineteen (19) circulars concerning Initial Public Offerings and Takeover Offers.

## **Closing Remarks**

The RMOD is cognizant of the fact that the responsibility to ensure a fair, efficient and transparent market is not the sole responsibility of the regulators but all participants in the market. Therefore we must take time out to acknowledge the contribution of all our stakeholders who have assisted us in engendering an improved state of compliance during the year. In this regard many thanks must be extended to the Regulatory and Market Oversight Committee (RMOC) who provided support and guidance to the RMOD's

*(Continued on page 50)*



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# The Chief Regulatory Officer's 2017 Year In Review

(Continued from page 48)

operations during the year and to the JSE's Board for their continued commitment to the JSE's regulatory programme. Also we must say thanks to our key partners, such as Member-Dealers and Listed Companies, who were very responsive to our calls on matters that were deemed as important to the market.

Last but not least, the RMOD uses this opportunity to express condolences to the family of Mr. Wentworth Graham on his passing

during the year. As Chief Regulatory Officer of the Exchange, Mr. Graham contributed significantly to the advancement of the Exchange's regulatory framework following the decision of the JSE's Board in 2007 to cede its regulatory responsibilities to the RMOC. Despite not being with us physically, his legacy will continue to live on through the accomplishments of the Division.



The Chief Regulatory Officer (Acting) of the Regulatory and Market Oversight Division (RMOD) of the Jamaica Stock Exchange (JSE), Mr. Andrae Tulloch (r), presents a copy of the JSE's Rules Book to Mr. Michael McMorris, Chairman of Victoria Mutual Investments Limited (VMIL), at VMIL's Listing Ceremony at the JSE on December 29, 2017.



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