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Inside the RMOD

Editor's Note.

"Inside the RMOD" is the first newsletter of the Regulatory & Market Oversight Division (RMOD) of the Jamaica Stock Exchange (JSE). April 2009 marks the Division's one year anniversary and this newsletter will provide stakeholders with valuable information on the happenings of the RMOD. Although one year is a relatively short time, the Division has been able to realize a number of its key objectives and is poised to accomplish even more for the ensuing year.

The lead article in this issue provides a year-in-review of the Division for 2008. Subsequent articles highlight and provide more details on developments in the RMOD such as a new rule that will be coming on stream, the results of the Division's logo and tagline competition as well as the exciting Market Surveillance System that is being jointly developed by the RMOD and the JSE's IT Department. Also, be sure to check out our recurring feature "Rules to Remember", which seeks to keep stakeholders "in the know" on the rules of the JSE.

The RMOD would like to take this opportunity to thank the members of the RMOC for their astute guidance as well as all other stakeholders including the JSE staff, Listed Companies, Stockbrokers and the investing public, who have and continue to provide support to the RMOD and its activities. "Inside the RMOD" will be published annually in April and October. ◊

2008 Overview of the RMOD

Further to the JSE's demutualization process, The Regulatory & Market Oversight Committee (RMOC) was formed on November 13, 2007 from a Board resolution of the JSE. However, the RMOD officially commenced operations in April 2008. Interestingly, the year 2008 will be remembered for the tremulous financial conditions that negatively impacted the stability of the global financial market. These conditions undoubtedly had reverberations for the local market and consequently market oversight and operation saw reinforcement in the merits of good governance and market controls.

The RMOC

During the course of the year, the RMOC, which has a cadre of highly dedicated, devoted and skilled people who span the disciplines of law, academia, government and regulations, undertook several tasks to streamline and manage the RMOD which undertakes the operational functions of the RMOC. In this regard, a new member, Mrs. Jane George, was appointed to the Body. Her transition was seamless and the Committee has since systemized operations, decision making, as well as the oversight for the RMOD. During the course of the year, the RMOD reviewed 86 cases, which included complaints, market infractions and other issues related to compliance. This was 65 cases more than 2007, which one could attribute to the RMOD's concentrated role and keen oversight.

Programme of Activities

In 2008, the RMOD completed a number of projects including the launch of a webpage link and contact information in June

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2008. The RMOC continues to implement programmes that should advance the symbiotic relationship between the development of the commercial aspects of the Exchange and its regulatory responsibilities and as such, has embarked on an awareness programme, as it relates to regulatory developments and enforcement operations such as inspections of broker members, hosting workshops as well as strengthening institutional relationships. The Committee is also implementing rule changes such as the addition of the Management Discussion & Analysis (MD&A) disclosure for Listed Firms and amending the Disciplinary Proceedings. Sensitizing stakeholders on the methods of improving and conforming to compliance to regulations of the JSE continues to be a high priority issue for the RMOC. During the later part of 2008, steps were taken to develop an automated market surveillance

system, which by all indication, will be launched later in 2009. This system will be very helpful in aiding the JSE in reaffirming its commitment to creating a fair and transparent market. The RMOD will also continue in its drive to bring best practices to our market and has garnered support for these sensitization activities from local and international professionals.

The RMOC intends to utilize its expertise to ensure that the RMOD becomes one of the best and most respected set of experts in capital market regulation in the region and to this end, very exciting times are ahead for the RMOD and the market.



Members of the RMOC from L-R; Mrs. Jane George, Miss Dian Black, Miss Hilary Phillips, Q.C. (Chairman), Mr. Livingstone Morrison and Mr. Garth Kiddoe.

For 2009, the RMOD will continue its thrust to realize its objectives through these and other initiatives, thereby positioning the JSE within the framework of a mature market where good corporate governance and compliance can further contribute to national development. ◊

MARKET WATCH – New Rule The RMOC & Disciplinary Proceedings

JSE Rule 111 - RMOC has been created to recognize the RMOC as the body that oversees the JSE's regulatory responsibilities as well as fulfils the organization's disciplinary functions. Also **JSE Rule 229– Disciplinary Proceedings** has been amended to define disciplinary proceedings, acts of misconduct and disciplinary procedures. Prior to the demutualization of the Exchange, these functions were undertaken by the Disciplinary Committee that was comprised of the Independent Directors of the JSE' Board. The structure and role of the RMOC had similarities to the Exchange's Disciplinary Committee and as such, the rule amendments were necessary to eliminate the redundancy as well as to clearly define the RMOC in the rules of the Exchange.

The amendment to **JSE Rule 229** has created a process that allows case reviews and referral to a Hearing Panel. The Hearing Panel will undertake preliminary hearings and hearings as well as provide an option to appeal. Timeline for hearings are defined and the procedures to submit documents and materials are outlined. Additionally, penalties of expulsion, fines and reprimand are included in the rule.

These new rules are based on models of demutualized Stock Exchanges in developed markets and are deemed apposite at this time as they fulfil one of the RMOC's objectives of implementing rules that are not only beneficial for market practitioners, but are also reflective of international best practices and regulatory requirements. ◊





Quincy Allen (left) is presented with his prize winning cheque of \$80,000 at the JSE's offices on May 1, 2009. Also sharing in the occasion are (from l-r) Mr. Wentworth Graham, CRO; Mrs. Marlene Street-Forrest, GM, JSE and Miss Hilary Phillips Q.C., Chairman RMOC.

RMOD Logo & Tagline Competition

Quincy Campbell & Neeraj Sarna declared winners in RMOD Logo and Tagline Competition

Quincy Campbell of Montego Bay & Neeraj Sarna of India emerged as the winners of the recently concluded Regulatory & Market Oversight Division (RMOD) Logo and Tagline Competition respectively.

Campbell was awarded \$80,000 for his logo submission whilst Sarna received \$20,000 for the winning tagline entry. Quincy Campbell, a man of very few words had to be coerced to the microphone but stated that he was glad for the win as he was doing what he loved to do. Sarna, who was unable to attend the ceremony, said that he was also very delighted to have won the competition.

Mr. Livingstone Morrison, member of the adjudicating committee commended all participants and stated that the competition was well supported as over fifty entries were submitted not only locally but also from as far as the US, India and Malaysia.

He further noted that the entries were of a high standard and it was difficult to choose the winner but in the end, the winning entries depicted the message and feeling of the RMOD.

The Contest

The RMOD Logo Competition was launched in March 2009 and became necessary as with the formation of the RMOC & RMOD, the JSE's regulatory responsibilities have been separated from its commercial operations. Therefore it important to signal to all that the separation is real and hence the branding of the Division.

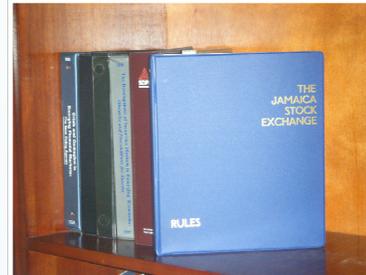
The Chairman of the RMOC expressed that, "the support for the competition

signaled that regulatory requirements of the JSE must be representative of international standards to meaningfully impact on national development and more importantly to further entice local and foreign investors."

The winning logo depicts the Division's initials with the "O" positioned as a magnifying glass above the tagline "Safeguarding Market Integrity". The logo and tagline will be used for future branding activities of the Division. ♦



RULES TO REMEMBER!



Did you know that according to **JSE Rule Appendix 3, 14 (c)**, all Listed Companies are required to disclose the composition and function of their Audit Committees in their Annual Reports?

Failure to provide this information constitutes a breach of the JSE's Rules.

RMOD Objectives

1. Monitor the adequacy and effectiveness of the Exchange's regulatory programme and assess the Exchange's regulatory performance.
2. Structure and direct the regulatory functions of the Exchange.
3. Establish regulatory rules of the Exchange.
4. Monitor the compliance with the Exchange's rules by market participants and listed companies.
5. Monitor member dealers trading activities, investigation of trading activities and enforcement of the Exchange's Rules.



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1. Email as an attachment to rmod@jamstockex.com
2. Fax to 876-967-3275

Or mail to:

The Chief Regulatory Officer
Regulatory & Market Oversight Division
Jamaica Stock Exchange
40 Harbour Street
Kingston

Also the public can send enquires to rmod@jamstockex.com or call the toll free number at 1-888-429-5678 for further information.

Automated Market Surveillance System

Jamaica Stock Exchange develops real-time Monitoring System

The recently established Regulatory & Market Oversight Division (RMOD) of the Jamaica Stock Exchange (JSE) along with its Information Technology Department has undertaken steps to develop an automated Market Surveillance System (MSS).

The system will facilitate near real-time monitoring, investigating and tracking of trading activities on the JSE. The project has become more necessary with the JSE's creation of a regulatory division, as it will streamline the RMOD's operations to ensure efficiency.

"Given the dynamism of the market, the Division requires a real-time, market surveillance system which will assist in the monitoring and tracking of potentially suspicious activities which may occur during trading on the JSE", emphasized the Chief Regulatory Officer, Wentworth Graham.

Continuing, he revealed that "prior to the formation of the RMOD, the surveillance system that was utilized was semi-automated and relied heavily on manual assessments that was both voluminous and time consuming.

With the new system, it will assist in market surveillance, analysis and compliance on a real time basis so that the user will be able to receive and process real time alerts, thereby improving the services offered by the RMOD to market players".



The MSS will be unique in that the system will not only allow for near real time monitoring of trading-activities, but it will also be very user-friendly. The programme will be able to generate

specific reports which will undoubtedly assist the efficiency of the RMOD in protecting stakeholders' welfare. Also, the MSS is a very flexible system that allows for future development. Therefore, as the RMOD grows and compliance and regulatory functions change, the system will be able to adapt to meet the

developing requirements.

Three modules of the Market Surveillance project have been completed and are currently being tested. The project is over 50% complete and is slated to be fully on-stream and functional by September 2009. ♦