

# New JSE rules to help stockholders, listed firms

BY ALICIA ROACHE  
roache@jamaicaobserver.com

**N**EW rules designed to improve the handling of complaints from shareholders of listed companies, as well as to streamline the firms' reporting mechanisms have been introduced by the Jamaica Stock Exchange's (JSE's) Regulatory and Market Oversight Division (RMO).

According to Wentworth Graham, chief regulatory officer of the RMOD, the guidelines are another way to "strengthen the market and promote stakeholders' welfare". They will also serve to minimise business, legal, operational and market risks for the JSE's members.

"The guidelines are based on best practices and international standards," said Graham. "They define the minimum standard for the maintenance of customer complaints by member-dealers, and these include: identification of complaint, the date the complaint was received, the identification of the member representative handling the complaint, the description of the complaint, a record of what action, if any, has been taken by the member, the date of the action, the status of the complaint, how it was resolved and the date of resolution."

Bank of Jamaica and Financial Services Commission rules require that complaints are kept for five years from the date they are filed.

The RMOD defines a complaint as "any written statement by a customer or person acting on behalf of a customer alleging a grievance arising out of or in connection with the solicitation or execution of any transaction or the disposition of securities or funds of that customer".

According to Graham, the new guidelines, formally known as the Complaints Management System (CMS), "will impact on stockbrokers by strengthening their processing of customer complaints, streamlining their operations in addressing customer complaints, promoting better customer service delivery, aiding the RMOD in becoming more effective in assessing their operation, advancing the operations of member-dealers by adopting best practices and minimising their operations and the market from risks".

The CMS is accompanied by the Management Discussion and Analysis (MD&A) system which applies to annual reports and prospectus/offer documents for listed companies. Under this rule, the management of a listed company is required to provide "an objective and easily readable analysis of the company's operation within a given period of assessment of the company based on past activities, future plans and other internal and external factors that can impact on its operations".

Graham said that the MD&A is expected to include commentary on liquidity and capital resources, the effect of any transaction involving related parties, the results of operations, risk management, as well as present and future prospects of the company.

"Both rules are necessary because there were gaps in the JSE's regulations," said Graham. "Prior to the CMS there were no standards for the processing of customer complaints among member-dealers. Based on the RMOD's inspection of member-dealer operations, everyone was doing their own thing, which had elements of deficiency and were not satisfying best practices."

Prior to the rule amendment, MD&As were also not defined and required by the JSE. However, they are not totally new to the market. Graham suggested that close to 40 per cent of the market had been preparing MD&As though it was not a requirement.

"It is significant to note that investors, both local and overseas, have been enquiring why the report is not a standard requirement of all listed companies on the JSE," said Graham. "Making the MD&A report a requirement addresses such concerns, as well as creates a level playing field in the market and increases market disclosure and transparency."

The use of both the CMS and MD&A will put more power in the hands of the customer.

"With this information shareholders will become more aware of the activities of the company and will be better positioned to assess their investment and act prudently in that regard," said Graham.

When asked how member-dealers would react to the

request for full disclosure, Graham said that there were, at this point, no objections to the guidelines. He said that 40 per cent voluntary reporting was an indication of the acceptance that full disclosure was good for business.

"It ultimately boosts public companies' performance and advances the shareholders' welfare," he argued. "From the consultations with listed companies there was the general feeling of acceptance and recognition of the benefits of the report."

However, just in case there

are objections Graham pointed to the JSE's Listing Agreement which states that non-compliance with given guidelines could lead to suspension or removal from the market.

"As it relates to member-dealers, there are provisions under the Disciplinary Proceedings rule that provide for penalties such as expulsion, suspension and reprimand," Graham stated.

"Notwithstanding the provisions for disciplinary actions, it must be said that the Regulatory Market Oversight

Committee always engages in dialogue with both listed companies and member-dealers to resolve matters and promote compliance."

According to the chairman of the Regulatory & Market Oversight Committee,

Livingstone Morrison, "we are operating in a globalised environment where customer service and information are of paramount importance, therefore we know that these rules will only help companies to strengthen service delivery".

The CMS is reflective of standards and practices by the Investment Industry Regulatory Organisation of Canada, the Securities & Exchange Commission, and Financial Industry Regulatory Authority, all in North America.