



**JAMAICA STOCK EXCHANGE MEMBER-
DEALER APPLICATION GUIDE**

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MEMBER-DEALERS GUIDE

ABOUT THIS GUIDE

This application kit provides a guide to all applicants, whether those applying for the first time or those wishing to change their status, on the requirements of the Jamaica Stock Exchange (JSE). This guide is divided into two parts. Part 1 provides detailed information on the types of licences that are available and outlines how to:

- Complete the JSE application form or an application to vary the JSE licence and
- Prepare all relevant supporting documentation

Part 2 explains a member-dealer's requirement after approval. It is important to read both in order to have a comprehensive understanding of the requirements to start operation as a member-dealer. Both are necessary in order to evaluate the applicant's suitability.

ABOUT THE JSE GROUP

The Jamaica Stock Exchange (JSE) and its subsidiary, the Jamaica Central Securities Depository (JCSD) (The JSE Group) are both licensed under the Securities Act and regulated by the Financial Services Commission of Jamaica (FSC).

Licences

The JSE's Licence allows the Exchange to offer a platform for the trading of different securities as outlined under the Securities Act and Regulations, which also have strict requirements for the trading and settlement of securities. One key requirement is that of the operation of a Compensation Fund¹ which is designed to compensate aggrieved investors for any malfeasance of member-dealers.

The JSE was demutualized in 2008, resulting in the separation of the rights to trade on the Exchange from the need to become a shareholder of the Exchange. The rights to trade are governed by trading Licences issued by the Exchange. All eleven member- dealers currently have Permanent Licences. The JSE Board has however approved the issuing of various other types of Licences to include General Annual Renewable (Full House) and Annual Renewable Restricted Licences. The latter allows potential member-dealers or existing member-dealer(s) to choose among the securities markets that they intend to service. For more details on the type of licences, please refer to Table 1².

¹ Compensation Fund- detailed further in JSE Rule 104 and Section 27 of the Jamaica Securities Act

² Table 1 is located on page 13

THE APPLICATION PROCESS

Before starting the application process towards becoming a member-dealer, we encourage potential applicants to read all the information provided, as it covers all the responsibilities of both applicants and the JSE upon submission. Further, as the issuing of Licences is a competitive process, the quality of an application will potentially determine an applicant's likely chance of success.

- Potential Applicants will be advised of Licence availability from the JSE website www.jamstockex.com and via media placements. Application forms will be available from the same sources and the form itself will feature required submission date and time.
- Applications are to be addressed and submitted to the JSE General Manager in sealed envelope that is marked "Member-Dealer Licence Application".
- Applicants must also submit in a separate sealed envelope that is marked "Member-Dealer Licence Bid" the price they are prepared to pay for the licence.
- All applications will be opened and reviewed on a scheduled date by and in full view of a properly convened meeting of the JSE Membership Committee, which is comprised entirely of the Independent Directors of the JSE. The JSE Membership Committee is responsible for processing and recording applications of member-dealers and for the granting of access of member-dealers and attorneys/traders to conduct business on the floor of the Exchange.
- Applicants may be asked by the Committee to attend an interview or submit further information for clarification purposes.
- All areas of submission will be weighted which includes business plan, potential member dealer's readiness to operate, qualification and knowledge of the market, fit and proper test, financial strength and your offer.

MEMBER DEALERS REQUIREMENTS-Pre-approval guide

Member-Dealer Requirements are referred to the JSE's Rules as numbered below:

Rule 104- Compensation Fund

The Exchange shall establish and maintain a Compensation Fund to which all member-dealers of the Exchange shall make quarterly contributions. The basis on which member-dealers' contribution are to be computed shall be determined by the Exchange from time to time. The Compensation Fund is a statutory trust. The relevant rules which govern the Fund are contained in the provisions of the Securities Act and any regulations thereunder prescribing Compensation Fund requirements for Recognized Exchanges.

Rule 201 – Qualification of Member-Dealers

- A.** Every member-dealer shall be a corporation incorporated in a CARICOM country.
- B.** Such corporation shall be owned and controlled by persons (natural and/or judicial) who are both citizens of and residents of a CARICOM country.
- C.** No corporation may become a member-dealer of the Exchange unless its application for membership is approved by the Exchange. Each applicant corporation must satisfy the Exchange when applying for membership and if admitted to membership, must continuously satisfy the Exchange that :
 - (i) The business of stock broking shall be and is the principal business of such corporation;
 - (ii) The corporation has paid-up capital of no less than Ten Million Jamaican Dollars (or as may otherwise be specified by the Exchange from time to time)
 - (iii) Its principal officers and employees serving customers have sufficient knowledge of stock broking and are persons of such integrity and character as to honourably comply with the rules of the Exchange

- (iv) It will not and does not in addition to its business of stock broking carry on any business that has been specifically prohibited in the JSE Rules to be carried on with the business of stock broking
- (v) The corporation has made adequate arrangements, in its constituent documents or otherwise, to enable the Company to carry out the powers contained in Clause 92(iv) of the JSE Articles of Incorporation.
- (vi) The corporation's Memorandum and Articles of Incorporation, directors, shareholders, proposed member-dealers and chief executive officers are approved by the Exchange.

Rule 202 – Application Procedure

Procedure

- (i)** Applicants will complete the application form and compile all relevant required supporting information for submission to the Exchange within the timelines specified. A sample of such application is appended at Form 1 (Appendix 9).
- (ii)** The Exchange shall consider the application. At any time after receiving an application and before finally deciding upon it, the Exchange may require the applicant to furnish additional information (whether relating directly to the applicant or not) which in the opinion of the Exchange is, or could be, material to its consideration of the application.
- (iii)** The Exchange may require any information furnished by an applicant to be verified in such a manner as it may specify.
- (iv)** The Exchange may additionally take into account any other information that it considers appropriate in relation to the application, provided such information is disclosed to the applicant and the applicant is given an opportunity to comment. The Exchange may require the applicant to attend an interview to discuss such information.

- (v) If the Exchange resolves to admit the applicant, the applicant shall be so informed and shall become a member-dealer subject to the Rules and the Memorandum and Articles of the Exchange
- (vi) Every member-dealer of the Exchange shall be bound by and observe the provision of Clause 3 (w) of the Articles of Incorporation of the Exchange

Rule 203- The Fit and Proper Person Test

An applicant will not be admitted to membership unless it is able to satisfy the Exchange that its executives and staff are fit and proper to carry on a stock broking business. In order to determine whether persons are fit and proper to carry on stock broking business, the FSC and the Exchange may take account of all such considerations as it sees it fit including, but not limited to the applicants':

- (i) Financial integrity
- (ii) Absence of convictions or civil liabilities
- (iii) Competence
- (iv) Good reputation and character
- (v) Efficiency and Honesty
- (vi) Past record of employment and directorship

Relevant information on the foregoing will be required for submission along with the application.

In the determination of whether to grant or to refuse an application for membership or a member-dealer's staffer for approved representative status, the Exchange may take into account any matter which relates to any person who is, or who will be, employed by or associated with the applicant (whether or not an associate) to any person who is, or will be, an appointed representative of the applicant, to any Director or Controller of the body, to any other in the same group, or to any Director or controller of such other body corporate. The

Exchange shall have regard to any business which the applicant proposes to carry on in connection with its stock broking business.

The Exchange may at any time withdraw or suspend any authorization which it has granted if inter alia, it appears that the firm:

- (i) Is not fit and proper, or
- (ii) Has given the Exchange false, inaccurate or misleading information

In the case of an applicant for a member/dealer:

- (i) The applicant or any of its representatives should not be:
 - a) an undischarged bankrupt or subject to current sequestration order;
 - b) subject to an interim order, a composition or scheme of arrangement;
 - c) Otherwise insolvent.
- (ii) The applicant or any of its representatives should not have been convicted of an offense (excluding minor traffic offenses)
- (iii) The applicant's representatives must have suitable experience and /or educational qualifications.
- (iv) There must be no reason for the Exchange to consider the applicant and its representatives not to be of 'good reputation and character'
- (v) The Exchange must not have reason to doubt that the applicants' representatives will perform the duties of a member efficiently, honestly and fairly.

A. Criterion 1: Financial Integrity

It is relevant to ascertain whether a petition has ever been served on the applicant or that within the last ten (10) years the applicant has failed to satisfy a judgment debt under a court order within one year of the making of the order.

B. Criterion 2: Absence of Convictions or Civil Liabilities

- (i) It is material to establish whether the applicant at any time pleaded guilty to, or been convicted of, any offence by a civil, criminal or military court in Jamaica or elsewhere or have been subject to penalties for deliberate tax evasion.
- (ii) Also to be taken into account is whether the applicant has ever, in connection with the formation or management of any corporation, adjudged by a court civilly or criminally liable for any fraud, misfeasance or other misconduct or has been the subject of any civil action which has resulted in a finding against the applicant by a court in respect of stock broking business.
- (iii) If an applicant has ever been the subject of any civil action which has resulted in a finding against the applicant by a court, or a settlement being agreed, in respect of any matter other than the conduct of stock broking business this will be material.
- (iv) It is material to consider whether in connection with the formation or management of any corporation the applicant has been disqualified by a court from being a Director, or from trading in the management or conduct of the affairs of any corporation.
- (v) It is a material factor, to be taken into account, if the applicant has been adjudged bankrupt; had a receiving order made against him; has his estate sequestered; or entered into a deed of arrangement in favour of his creditors or other composition or arrangement with creditors.

C. Criterion 3: Possession of suitable experience and/or Educational Qualification

The Exchange will decide what constitutes suitable experience and/or educational qualification in the absence of the appropriate examinations.

D. Criterion 4: Good Reputation and Character

- (i) The Exchange must be satisfied that it has no reason to believe that the applicant is not of good reputation and character. Factors which might give them reason to believe that the applicant is not of good reputation and character include whether:
 - A. The applicant has been refused the right or has been restricted in the rights to carry on any trade, business or profession for which specific licence, registration or other authority is required;
 - B. The applicant has ever knowingly being the subject of an investigation into allegations of misconduct or malpractice in connection with the applicant stock broking business, or has ever been censured, disciplined or publicly criticized by any professional body to which the applicant has belonged or is currently undergoing any such investigation or disciplinary proceedings;
 - C. The applicant has ever been censured, disciplined, or publicly criticized by or made the subject of a court order at the instigation of the regulatory authority, or any officially appointed enquiry, or any other established body concerned with the regulation of a financial activity;
 - D. The applicant has ever been refused entry to any trade association connected with financial activities;
- (ii) A conviction of any offence could be relevant in the assessment of good reputation and character of the applicant.
- (iii) It will be material in considering the business standing of the applicant (and thus whether the applicant enjoys good reputation and character) to take note, inter alia, of the existence and degree of publicity which includes material adverse to the applicant. In determining an applicant's

reputation it is also material to consider the state of his relationship with his clients.

- (iv) The fact in itself that an applicant has attracted significant adverse public complaint which is the subject of open comment bears upon his good reputation and character. The Exchange is entitled to be jealous of its own business reputation when considering applications for admission as a member-dealer. If the Exchange is contemplating having regards to adverse comment in this way, the applicant will be given an opportunity to comment on the material concerned before a decision is taken on the applicant.

E. Criterion 5: Efficiently, Honestly and Fairly

- (i) This criterion stands apart from the four criteria mentioned above in that it relates to the future activities of the applicant. It extends to the promotion of efficiency to ensure that the service which the public receives is of a reasonable standard. The Board must not have reason to believe that an applicant will not perform his duties efficiently, honestly and fairly.

The above criteria apply equally to firms which are applying for admission as member –dealer and their officers seeking to become approved representatives. (Appendix 9- JSE Rule)

- (i) Their directors, managers, representatives, traders and employees who deal with the public in an advisory capacity will be required to become approved representatives but it will be material to consider whether all persons connected with such an applicant can meet the five criteria set out above and whether any of them has ever been a director, or concerned in the management or conduct of affairs of any company which has gone into liquidation by reason of insolvency, whilst he was or within one year of his being a director, or so concerned.
- (ii) It will also be material to establish whether a person connected with an applicant firm has been concerned with the management or conduct of affairs of any company which, by reason of any matter relating to a time when he was so concerned, has been convicted of any criminal offence

- in Jamaica or elsewhere, censured, disciplined or publicly criticized by any inquiry or any government or statutory authority or any other regulatory bodies recognized by such government or statutory authority or any other regulatory bodies recognized by such authority or which has been the subject of any civil action which has resulted in a finding against the company by a court.
- (iii) In addition, the Exchange will wish to ensure that the ownership structure of an application firm does result in any unacceptable conflict of interest.
 - (iv) The obligation will be on the applicant to satisfy the Exchange as to any of the matter referred to in the fit and proper person test and the Exchange reserves the right, at its absolute discretion, to place whatever weight it considers appropriate to any of the information supplied and to take into account matters other than those referred to above, where it considers it appropriate to do so provided such information is disclosed to the applicant and the applicant is given an opportunity to comment on it.
 - (v) The applicant has never been refused entry to any profession or vocation, or has never been dismissed or requested to resign from any office or employment.

A. Agreement with the Exchange

Successful applicants are required to sign an agreement legally binding them to obey the rules and regulations of the Exchange

Rule 204: Misleading Names

The Exchange may refuse to allow a member-dealer to carry on business under a name which they consider potentially misleading.

Rule 225: Insurance

The Exchange shall require every member-dealer to maintain such policy or policies of insurance as the member-dealer may consider desirable against losses, caused by the dishonest acts of its officers, directors or partners provided such insurance is available and against losses caused by handling stolen and forged documents of title or securities or other defective instruments.³

TYPES OF LICENCES

Potential member-dealers have the option of applying for one of three categories of member-dealer licences offered by the Exchange. The categories of member-dealer licences are shown in Table 1 below and are explained as follows:

I. Permanent Licences

A permanent licence allows member-dealers permanent trading and settlement rights to all equities and fixed income products. Such access rights will be permanently retained by existing Member-Dealers consistent with the member-dealer agreement as shown on page 39. These members are not required to pay an annual renewable licensing fee.

II. Annual Full-House Licence

An Annual Full-House Licence is granted to a member-dealer who will have full access to all the products available on the Exchange. The member-dealer is however required to renew and pay an annual licence fee in order to retain membership on the Exchange.

III. Annual Restricted Licence Fee

This licence allows a member-dealer to choose access to the equities, fixed income or other market as determined.

³ In addition to this requirement, the Exchange require member dealer to contribute to a Compensation Fund.

Although some member-dealer licences give the member-dealer access to⁴ clearance and settlement through the JSE’s subsidiary, the Jamaica Central Securities Depository (JCSD), member-dealers are required to apply separately to access the services of the depository. Member-dealers who are approved for trading-only licences (without Clearing privileges) are required to enter into an arrangement with a member who is authorized to clear and settle transactions through the JCSD.

Table 1

TRADING LICENCES PRIVILEGES						
Categories	Types	Equities	Derivatives - Equities	Fixed Income	Other	Clearing
1	Full House Permanent *	✓	✓	✓	✓	✓
2	General- Annual Renewable- Full House	✓	✓	✓	✓	✓
3	General Annual Renewable Restricted					
	(a) Equities	✓	✓			✓
	(b) Equities	✓	✓			
	(c) Fixed Income			✓	✓	✓
	(d) Fixed Income			✓	✓	

*Apply to new members.

⁴ Refer to Form 5 – JCSD- Member-Dealer Agreement

THE PRICE OF A LICENCE AND OTHER CHARGES

Annual & Renewable Licensing Fees

With the exception of permanent licensees, all trading members are required to pay membership fee upon entrance and an annual membership fee thereafter. All members applying for an initial licence must make a bid offer to the Exchange. The Exchange will advise whether an applicant is successful based on the reserve fee that is set by the Exchange before the Company invited applications. The Exchange will not be bound to accept the highest bid received and reserves the right to reject any and all bids.

Reimbursable Fees

Member Dealers are required to reimburse the Exchange for the cost of access to the communication network which facilitates trading activities on the trading and settlement platforms and any other cost associated with setting up network access between the JSE's and the member dealers.

Other Fees

Each member-dealer representative (trader) must be approved by the Exchange. Upon approval, the member-dealer is required to pay an initial membership fee for the representative and an annual membership fee which is determined annually.

Insurance

Each member-dealer is required to have fidelity insurance coverage of \$100 million if the option chosen is that of both equities and fixed income. If the

member-dealer's option is restricted to equity products then the minimum of \$50million coverage is required. The JSE will review these coverage amounts periodically and advise member-dealers accordingly of any new requirements.

Access to the JSE Compensation Fund

The clients of new member-dealers will have redress to the Compensation Fund as prescribed by the Securities Act. This will be accomplished by the Exchange allowing new member-dealers to subscribe to the Fund by the payment of an annual fee. Member-dealers will however have no rights to ownership of the Fund, for which the Jamaica Stock Exchange is the Trustee.

START-UP REQUIREMENTS

If an application for a member-dealer licence is approved by the Exchange, the applicant would have satisfied the Exchange that in anticipation of the set-up of the brokerage, the prospective member-dealer would begin to address the following activities:

Qualification of Members

All provisions of the Chapter captioned 'The Application Process'⁵ (above) have been complied with. In addition to these requirements, the member-dealer would be required to satisfy JSE Rule 205- Name of Business and Rule 206 –Attorneys. It is important that a prospective member-dealer pays particular attention to Rule 201(D)(v) which states that 'the corporation has made adequate arrangements, in its constituent documents or otherwise, to enable the Company to carry out the powers contained in Clauses 89-91 Articles of Incorporation.

The JSE Member's Monthly Report (JSE Rule Appendix 12) which must be submitted by each member-dealer one month in arrears. Statement B which measures a firm's "Excess/Deficiency of Net Free Capital" is of significant importance to the continuation or renewal of a member-dealer licence.

⁵ See page 3 for further reference

Computer Requirements For Global Vision and Depend

The JSE and the JCSD are fully computerized. The general requirements for connectivity to the trading and settlement platforms are as described below:

Methods of access available

Remote Trading Access to the JSE/Hotsite Network is facilitated via Metro Circuit from a central location within member-dealers Network to JSE/Hotsite.

1. Access via Metro Network to JSE/Hotsite – This is the primary method of access for trading. The Cisco VPN client / Site-to-Site VPN is required to establish a secure channel, authenticate and authorize services before access is granted to our system.
2. Access via the Internet to JSE/Hotsite - This method of connectivity is secondary and the JSE provides no guarantee for stability of this method. Consequently, member dealers should use method 1 above and only utilise this method as back-up or for emergencies. The Cisco VPN client / Site-to-Site VPN is required to establish a secure channel, authenticate and authorize services before access is granted to our system.

Hardware

1. Intel Core 2 Duo 3.0GHZ processor or higher
2. 2GB memory, minimum, 4GB recommended
3. OS – Windows 7 (64/32 bit), XP – Windows 7 recommended
4. .Net Framework 3.5
5. 200 MB available hard disk capacity, minimum
6. Network Card (for access over a network)
7. CD-Rom Drive
8. Dual Screen Color Monitor (17” or 19”)
9. Laser printer for report printing

Software

1. Depend – Current version available.
2. Global Vision Trading Workstation – Current version available.
3. Cisco VPN Client (For Member Dealers who do not currently have a site-to-site VPN connection).

The JSE will provide the required software, operational and user guides for the trading and settlement platforms and assist with training and setup. No Software Diskettes or CDs will be provided.

Telecommunications

A high-speed link (Metro Circuit is the preferred choice) is required for connectivity. **Minimum speed required is 512KBs. Note: for every 4 users a 2 mbps link required.**

For the Telecommunications Network, the Metro Circuit must be ordered in advance. This could be done by either your company or the JSE on your behalf using the general guidelines for bandwidth requirements outlined above. The Metro Circuit will be terminated at the member dealer location on a CISCO Series Modular Router, which will be configured and installed by the JSE.

Metro Circuit and router costs will be borne by member dealers in addition to cost for connecting to the hub at JSE/Hotsite.

Access to Settlement Bank System

Fund settlement is via the Central Bank (Bank of Jamaica's RTGS system). Member-dealers are required to have access to RTGS or have arrangements with an entity that has such access, to facilitate the financial settlement of daily trades.

Requesting system access for trading and depository

1. To obtain access to trading and depository systems, a written request must be addressed to the General Managers of the Exchange and Depository.
2. Access may be requested for users of the following type:
 - Traders – persons who represent the registered member-dealers of the Exchange and are authorized to trade.
 - Market Observers – persons who wish to view market activity during trading. These persons are not allowed to trade. Fees apply.
 - Market Regulators For example, The Securities Commission

Trading access is subject to approval by the Exchange and all traders must be trained before receiving access.

For Depository access, member-dealers are now allowed to manage their user access subject to access rights granted by the Depository. Members are required to request access to facilitate this process.

Other General Set-up

All member-dealers are assigned a specific member-dealer number which is used in the JSE. A member, once accepted, will be informed of their number.

All trades done on the JSE are settled through the JCSD facilities. A new member-dealer is expected to:

- a) Complete a JCSD application form⁶
- b) Pay an initial membership fee of \$100,000⁷
- c) Establish Guarantee Agreement with the Bank of Jamaica (BOJ) in the amount of \$500,000 related to the use of the JCSD's CIFTS Account to facilitate cash settlement
- d) Open a CIFTS Account at the BOJ

⁶ Shown on page 51

⁷ Fees quoted in this document are subject to change

- e) Assure the JCSD of its arrangements to guarantee settlement, inclusive of any intra-day credit from the BOJ, banker's lines of credit or other, as may be assessed and determined by the JCSD. Such arrangements will be reviewed from time to time.

Approval Process

Prior to the commencement of operations, the member-dealer is required to submit a complete set of stationery to be used by the dealer including letter-heads, contract note and client agreement for the review and approval of the Exchange. This is necessary to allow the Exchange to satisfy itself that the documents are adequate to service the investing public.

System Set-up

Systems and procedures must be in place for the trading, recording, reporting, settlement and accounting of transactions. The JSE will conduct an audit of your company prior to start-up in order to satisfy itself of the member's readiness. The areas which will be checked include:

1. Hardware and software for connecting to trading and settlement platforms
2. Telecommunications
3. Security
4. Broker back office system

Other Operational Set-up (Audit)

1. Order Processing, Trading & Settlement

- (i) There should be clear separation of functions in respect of order entry, verification and approval
- (ii) System must be structured to ensure time, date and price priority of an order. Orders must be time stamped

- (iii) Trading errors or corrections must be appropriately approved other than by the trader.
- (iv) Process to confirm and affirm “Trade Data-Buy/Sell Report” to ensure that all trades are correctly completed within 24 hours
- (v) System must be in place that will ensure that contracts are generated and dispatched within 48 hours of transaction

2. Financial Systems

- (i) Financial systems must in place to generate timely Financial Statements in accordance with IFRS’s and ICAJ Accounting Standards
- (ii) There should be no co-mingling of member-dealers funds with client funds. System should allow for this separation and the establishment of client accounts at a banking institution.
- (iii) Clients securities must be separated from that of member-dealer. The establishment of a Clients Securities Register is therefore required.
- (iv) Provisions must be made for GCT on Cess , Commission and JCSD Trade Fees and other applicable services.

3. Personnel

Member-Dealers are required to:

- (i) Designate a Compliance Officer
- (ii) Ensure that all persons with market contact are registered representatives of the FSC and have approved representative status with the JSE

FORM 1: JSE RULE -APPENDIX 9

CORPORATE MEMBERSHIP QUESTIONNAIRE

How to use this form:

- (a) All applicants must submit a completed questionnaire with the company's seal, together with appropriate supporting documentation, to the Stock Exchange.
- (b) Applications for Corporate Membership will only be accepted provided all questions are answered (enter details or tick as appropriate).
- (c) Answers must be printed or typed in block letters.
- (d) Misleading or attempting to mislead the Council (or committees) on any point will be deemed an act of misconduct and may render the applicant, if elected a Member, liable to disciplinary proceedings if subsequently discovered.
- (e) All signatures must be original

LEGAL STATUS

Please provide the following information:

- (a) Date, or proposed date, of the commencement of business

- (b) Date and place of incorporation

PLEASE SUBMIT A COPY OF THE COMPANY'S MEMORANDUM
AND ARTICLES OF ASSOCIATION.

(c) Name of company

(d) Current or proposed trading names, if different from that given
in (c).

(e) If the company has used any other trading or corporate names
during the previous ten years, details of names and dates
changed should be given.

(f) Addresses and telephone number of:

(i) Registered Office

(ii) Branch Offices

(iii) Other Group Companies e.g. sister companies

(g) Name of Company Secretary

(h) Name and address of auditors

(i) Name and address of legal advisers

(j) Please submit a short rationale describing your present and/or proposed business activities.

KEY APPOINTMENTS

(a) Names and dates of appointment of:
Chairman/Chief Executive/Managing Director/Senior
Director (as applicable).

(b) Names and dates of appointments of all directors including non-executive directors (the latter to be identified as such).

(c) Names of all directors who have resigned from the company during the previous three years, the dates of their resignations and any remaining shareholdings they have.

(d) Names of the directors responsible for the following areas of operation:

(i) administration

(ii) compliance

(iii) finance

(iv) dealing

(e)

The total number of staff working for the company.

The following information may be supplied on separate sheets which should be attached to the back of this form.

FINANCIAL INFORMATION

- (a) Please supply details of the proposed equity and/or loan capital and/or guarantees.
- (b) Please submit a copy of the latest Annual Report and Accounts, if applicable.
- (c) Please submit a business plan, along with opening Balance Sheet, a budgeted Balance Sheet as at the date twelve months after the date of application and a budgeted Profit and Loss Statement for the twelve months following the date of application.

DECLARATION

We hereby declare that the above answers are correct to the best of our knowledge and belief. We authorise the Exchange by its staff or agents to conduct such examination of the affairs of the company, and predecessor entity or any prior employer of its principals as the Exchange may determine. The company agrees to abide by and be subject to the Articles and Memorandum of Association and Rules and Regulations of the Jamaica Stock Exchange as they are now or as they shall be from time to time amended.

SIGNATURE _____

SIGNATURE _____

DATE _____

To be signed by at least two directors of the company who must be prospective Senior, Finance or Administration Directors.

Please notify the Council of any other information which may be considered relevant to the application. Any changes in the information provided in this form which may occur after the date of submission of the application and prior to receiving notification of the Council's decision should also be submitted.

FORM 2: JSE RULE -APPENDIX 10

APPROVED REPRESENTATIVE QUESTIONNAIRE

This form should be typed or completed in BLOCK LETTERS to the Council of The Jamaica Stock Exchange: The Company's seal must be affixed.

I, (name in full).....

hereby apply for approval as a Representative of.....

..... a (Prospective) Member of the
Jamaica Stock Exchange.

1. Have you at any time been charged or convicted of any offence by a Civil, Criminal or Military Court? (excluding minor Road Traffic offences). If so, state the Court by which you were convicted, the date of conviction and full particulars of the offence (including any offences taken into consideration) and the penalty imposed.

2. Have you ever given evidence in any trial of proceedings including fraud or similar matters, other than as an expert witness? If so, give particulars:

3. Have you ever been the subject of investigation/disciplinary procedures, censured, disciplined or publicly criticised by any professional body to which you belong or have belonged? If so, give particulars:

4. Have you ever been refused entry to any profession or vocation? If so give particulars:

5. Have you ever been dismissed or requested to resign from any office or employment? If so, give particulars:

6. Have you ever been censured, disciplined or publicly criticised by, or made the subject of Court Order at the instigation of:

(a) Any regulatory authority?

(b) Any officially appointed enquiry?

(c) Any other established body concerned with the regulation of a relevant activity? If so, give particulars:

7. In connection with the formation or management of any corporation have you been adjudged by a court civilly or criminally liable for any fraud, misfeasance or other misconduct towards that corporation, or any member thereof? If so, give particulars:

8. In connection with the formation or management of any corporation have you been disqualified by a court from being a director or from acting in the management or conduct of the affairs of any corporation? If so, give particulars?

9. Have you:
- (a) Ever been adjudged bankrupt?
 - (b) Had a receiving order made against you?
 - (c) Had your estate sequestrated?
 - (d) Entered into a Deed of Arrangement, or other composition or arrangement with your creditors? If so, give particulars:

10. Has a bankruptcy petition ever been served on you? If pending, give details of the circumstances, if not pending, how was the matter resolved?

11. Are you involved in any current or pending litigation? If so, give particulars:

12. Have you, or your employer, previously dealt on a regular basis with any person carrying on a relevant activity (as described in the glossary at the end of this form? Who has, to your knowledge at any time, indicated that he is unwilling to effect further transactions with you, or your employer, by reason of any act or omission by you? If so, give particulars:

13. Will you be actively engaged in the business of the firm with which you are now applying and devote the major portion of your time thereto?

14. Are you a Director of any Limited Companies or other Corporations engaged in relevant activities, as described in the glossary at the end of this form? If so, state:

(a) Name of Companies/Corporations

(b) Nature of business

(c) Date of commencement of Directorship

(d) Whether or not employed on a service contract (e.g. Managing Directorship) in any case.

(e) Are these Directorships known to your firm?

15. Have you been a Director of any Limited Companies or other Corporations engaged in relevant activities other than those stated in the previous questions? If so, state:

(a) Name of Companies/Corporations

(b) Nature of business

(c) Date of commencement of Directorship

(d) Date of cessation of Directorship

16. Are you or have you ever been engaged

(a) in Partnership?

(b) in business as a Principal on your own account?

If so, give particulars:

17. Are you a beneficial owner of any controlling interest in any unlisted private or public company? If so, give particulars:

18. Have you ever been a director, or concerned in the management or conduct of affairs of any company which has gone into liquidation, whilst you were, or within one year of your being a director, or so concerned? If so, give details of the circumstances including:

(a) Name of company

(b) Name of liquidator

(c) Address of the liquidator

19. Have you ever been concerned with the management or conduct of affairs of any corporation which, by reason of any matter relating to a time when you were so concerned, has been censured, disciplined or publicly criticised by:

- (a) Any regulatory authority?
- (b) Any officially appointed enquiry?
- (c) Any other body concerned with regulation of a relevant activity?

If so give particulars:

20. Do you have outstanding any loans or other forms of indebtedness in excess of \$50,000? If so state:

(a) Form

(b) Amount

(c) Source

(d) Maturity Date

21. Has any person, Firm or Company guaranteed the indebtedness? If so, give particulars (see previous question):

22. Are you at present guaranteeing the debts and obligations of any third parties? If so, give particulars:

23. Do you have any relationships to anyone connected with the Securities Industry which taking any objective view ought to be disclosed in this application.

I declare that the answers
(Name of Candidate)

to the above questions) are true.

Signature Date

N.B. Each Company representative seeking Exchange approval must submit a detailed resumé along with this questionnaire.

GLOSSARY

“Corporation” means:

Any body corporate, incorporated in Jamaica or elsewhere.

“Relevant Activity” means:

- (a) Dealing in Securities.
- (b) Banking, finance, insurance, money-lending, money management, debt-factoring, hire purchase financing, leasing or other financial activities.
- (c) Providing investment or financial advice and management.

FORM 3: JSE RULE -APPENDIX 11

ATTORNEY FORM OF APPOINTMENT

We, hereby appoint M
..... to be our attorney to trade on our behalf at sessions of the
Jamaica Stock Exchange. This appointment will continue in full force and effect
until such time as the appointment has been revoked by either (a) The Jamaica
Stock Exchange or (b) ourselves. We fully understand that we will be fully
responsible for all trades, contracts, dealings and other acts made and done by
the attorney.

Date
Director/Seatholder

Particulars of the above attorney who is over 18 years of age:

Full Name _____

Home Address _____

Details of experience in brokerage and securities business:

Details of other business connections:

In consideration of my appointment as an attorney, I agree to abide by the rules and regulations of the Jamaica Stock Exchange as they pertain to trading in listed securities, as long as this appointment remains in full force and effect.

Date

Signature of Attorney

FORM 4: PERMANENT MEMBER –DEALER LICENCE AGREEMENT

THIS AGREEMENT is made the day of Two

Thousand and BETWEEN of

in the parish of (hereinafter called “the Applicant”) of the ONE
PART AND THE JAMAICA STOCK EXCHANGE a company duly incorporated
under the laws of Jamaica and having its registered office at No. 40 Harbour
Street, in the city and parish of Kingston, (hereinafter called “the Exchange”) of
the OTHER PART

WHEREAS-

- (i) The Exchange is licensed pursuant to Section 18 of the Securities Act to operate a Stock Exchange in Jamaica.
- (ii) The Exchange operates a financial market where stocks and shares of public companies listed on the Exchange are traded.
- (iii) The Articles of Association of the Exchange provides that corporations incorporated under the Companies Act will be permitted to trade on the

Exchange as a Member/Dealer as also companies registered in the Caricom region and approved by the Exchange.

- (iv) Companies which are duly licensed under the Securities Act to carry on securities business to trade in stocks and shares which satisfy the requirements of the Exchange can make an application to the Exchange to trade on the Exchange as a Member/Dealer.
- (v) The Applicant is a company duly incorporated under the Companies Act of Jamaica and desires to trade on the floor of the Exchange as a Member/Dealer.

NOW THIS AGREEMENT witnesseth as follows:

- 2. That in consideration of _____ and the Covenants herein contained, the Exchange hereby appoints the Applicant as a Member/Dealer as of the _____ day of _____ hereof.
- 3. The Member/Dealer shall be entitled to trade on the floor of the Exchange on trading days in respect of shares and stocks of public

companies listed on the Exchange and to enjoy all the benefits and privileges of the Exchange in connection with such trading.

4. The Applicant hereby agrees to be bound by and to observe the Business Rules of the Exchange, the Articles of Association of the Exchange, any amendment or revision thereof from time to time and the provisions of the Securities Act.

- 4.1 This Agreement shall come into force on the _____ day of 200x and shall continue in force unless or until terminated by either party giving to the other not less than _____ months written notice expiring on or at any time after the end of the period.

- 4.2 The Exchange shall be entitled forthwith to terminate this Agreement by written notice if:

- (a) The Applicant commits any breach of the provisions of this Agreement and in the case of a breach capable of remedy, fails to remedy the same within thirty (30) days after receipt

of a written notice stating the breach and requiring it to be remedied;

- (b) The Applicant goes into liquidation or a Receiver is appointed over the property or assets of the Applicant or the Applicant makes a voluntary arrangement with its creditors or in any other way is insolvent;
- (c) The Applicant ceases to carry on business;
- (d) If the Applicant ceases to be a licensed dealer pursuant to provisions of the Securities Act;
- (e) If the Applicant is in breach of the Rules and/or any of the provisions of the Articles of Association of the Exchange;
or
- (f) As a consequence of any disciplinary sanctions imposed by the Exchange.

5. The Applicant warrants that during the continuance of this Agreement it shall:

- (a) Carry on the business of stock broking as its principal business;

- (b) It will not conduct its business in a manner which is injurious to its clients or the business of stock broking or will not carry on business if it is unable to pay its debts;
- (c) It will not carry on in addition to the business of stock broking any business which has been specifically prohibited by the Rules of the Exchange.

6. The applicant may assign the benefit to this Agreement to trade on the Exchange to a third party by an absolute assignment, such assignment will not be valid unless with the prior written approval of the third party by the Jamaica Stock Exchange, such approval will not be unreasonably withheld.
7. Any dispute arising out of or in connection with this Agreement shall be referred to arbitration by a single Arbitrator appointed by agreement between the parties and in default of agreement nominated on the application of either party by the President of the Jamaican Bar Association.

8. This Agreement shall be governed by and construed in accordance with the laws of Jamaica and each party submits to the jurisdiction of the Jamaican Courts.

9. Any notice required by this Agreement to be given by either party to the other may be given by hand or sent by facsimile or e-mail transmission to the other at the address stated below:-

SIGNED by the said)

.....)

In the presence of: -)

.....

THE COMMON SEAL of THE)

JAMAICA STOCK EXCHANGE)

40 Harbour Street

Kingston

Tel. #: (876) 967-3271-4

Fax: (876) 967-3277 E-mail: Marlenes@jamstockex.com

was hereunto affixed and this)

Instrument signed by)

.....

.....

.....

..... and)

.....)

In the presence of:-

.....

FORM 5: MEMBER –DEALER CENTRAL SECURITIES DEPOSITORY AGREEMENT

THIS AGREEMENT is made the of Two Thousand and

B E T W E E N THE JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED a company duly incorporated under the Companies Act and having its registered office at No. 40 Harbour Street in the city and parish of Kingston (hereinafter called "the JCSD") of the **ONE PART** and of _____, in the parish of St. Andrew (hereinafter called "the Participant") of the **OTHER PART**.

W H E R E A S: –

1. The JCSD is a subsidiary of the Jamaica Stock Exchange established to provide services as a central securities depository for securities including shares, stocks, bonds or debentures of companies, to hold same in trust for the beneficial owners thereof to record and register transfers of securities to hold securities in trust for mortgagees, chargees, or pledgees and for facilitating trading of securities.
2. The Participant is a broker or primary dealer and is engaged in securities business, in particular the trading of securities on the Jamaica Stock Exchange and in the over-the-counter market and is desirous of utilizing the services of the JCSD in accordance with such securities business.
3. The JCSD has agreed to provide services for the Participant in connection with the securities business.

IT IS HEREBY AGREED as follows:-

1. The JCSD covenants and agrees that it will:
 - (a) establish and maintain a central securities depository for recording securities, shares, stocks, bonds or debentures of companies and will hold such shares, stocks, bonds or debentures as custodian for the Participant who holds same as trustee for the beneficial owner;
 - (b) transfer the aforesaid securities from one beneficial owner to another on the instructions of the Participant and will hold same as custodian for the Participant;
 - (c) hold in custody for the Participant certificates for securities and will permit the Participant on request to withdraw certificates deposited;
 - (d) provide all services necessary for trading or dealing with securities;
 - (e) hold securities pledged in respect of mortgages or charges for loans or advances made and on instructions received from the chargee or mortgagee to transfer such securities to new beneficial owners on exercise of the power of sale or on the liquidation of the charge or mortgage to release the securities to the beneficial owners thereof.
2. The JCSD will provide for the maintenance of a "Participant Account" for funds deposited by the Participants and to transfer the funds from the account of one participant to the account of another participant consequent on trading in securities on the instructions of the Participant.
3. The JCSD will establish with the Bank of Jamaica such banking facilities as are necessary to enable the Participant to have an account for the purposes of

conducting trading of securities and the movement of funds from one account to other accounts of participants.

4. The JCSD will provide the Participant, through the Bank of Jamaica, with access to its Real Time Gross Settlement Account, known as (RTGS) so that both the JCSD and the Participants can facilitate payments in connection with securities transactions.
5. The Participant agrees to accept and utilize the said services in connection with trading of securities and will pay to the JCSD all necessary fees.
6. The Participant agrees to provide to the JCSD, security, by way of cash deposit, the pledge of an unencumbered liquid security, banker's line of credit or by other means acceptable to the JCSD, as partial guarantee of the Participant's fund settlement obligation.
7. The Participant agrees to abide by the rules of the JCSD and to operate and conduct all transactions with the JCSD in accordance with such rules.
8. The Participant will hold harmless and indemnify the JCSD against any liability caused or occasioned by the JCSD acting on instructions from the Participant which may arise as a consequence of any act or omission on behalf of the Participant in the giving of instructions to the JCSD and the JCSD acting in accordance therewith.
9. The JCSD will indemnify the Participant against any liability which arises out of the act or omission of the JCSD and which is not caused, occasioned, induced or contributed to by any act or omission or instruction of the Participant.
10. The participant hereby represents and warrants to the JCSD that it agrees that the JCSD shall not be liable to the beneficial owner of the securities as a

consequence of dealing with such securities on the instructions of the Participant and that the JCSD shall not be obligated to enquire whether or not the Participant has the authority or approval of such beneficial owner to give instructions to the JCSD and for the JCSD to act in accordance with such instructions and that the participant agrees that it is its duty to advise the beneficial owner accordingly.

11. The Participant hereby represents and warrants to the JCSD that it has entered into a contract with its customer to use the facilities of the JCSD in connection with the securities business transacted on behalf of such customer as beneficial owner of the securities.
12. This Agreement shall be in force for a period of **ONE YEAR** to but may be discontinued before the expiration of the term by either Party to the agreement giving written notice.
13. This Agreement may be terminated by the JCSD if the Participant is in breach of any of the conditions of the Agreement and in accordance with the rules of the JCSD may be terminated if the Participant is in breach of any JCSD rule.
14. This Agreement shall be construed and governed by the laws of Jamaica and the Courts of Jamaica shall have jurisdiction in determining any disputes or any action arising hereunder.

THE COMMON SEAL of **THE JAMAICA**)

CENTRAL SECURITIES DEPOSITORY)

LIMITED was hereunto affixed)

and this Agreement signed by)

.....)

Director

.....)

Secretary

in the presence of:)

THE COMMON SEAL of was hereunto affixed)

and this Agreement signed by)

.....)

Director

.....)

Secretary

in the presence of:)

FORM 6: JCSD PARTICIPANT APPLICATION

1. Name of Applicant:

2. Applicant's TRN:

3. Address:

(a) Registered office:

(b) Branch office:

4. Address where any notice to Applicant should be sent:

5. Telephone Number:

6. Name and telephone numbers of person(s) to be contacted in connection with this Application:

(Name) (Position) (Tele. #) (E-mail)

(Name) (Position) (Tele. #) (E-mail)

7. Date of Incorporated of Organization or Applicant:

KEY APPOINTMENTS

1. Names and dates of appointment of: Chairman / CEO and Managing Director.

(Name) (Position) (Appointed)

(Name) (Position) (Appointed)

2. Name and dates of appointment of all Directors including non-Executive Directors
(The latter to be identified as such):

(Name) (Position) (Appointed)

(Name) (Position) (Appointed)

(Name) (Position) (Appointed)

(Name)

(Position)

(Appointed)

ORGANIZATION & HISTORY

1. How long has the Applicant been in business?

2. Type of organization: Corporation Partnership Sole Proprietorship Limited Liability Company

3. Please describe the specific nature of Applicant's business:

4. Please furnish information on ownership and organization structure:

AUDITING

Please identify the Applicant's independent auditors for the last three years and name(s) of person(s) in charge of the Applicant's audits who may be contacted by the JCSD.

Auditing Firm

Contact Name

Telephone #

BANKING

Applicant is required to establish a minimum of \$500,000.00 available line of credit with a commercial bank payable to the Bank of Jamaica. Please identify the bank with which Applicant has established this facility.

AUTHORIZED SIGNATORIES

Please supply a sample of signatures of persons at the Applicant who are authorized to sign on behalf of the Applicant's firm.

CONTACTS

Please provide the names and telephone number of person(s) whom the JCSD can contact regarding issues relating to the day-to-day operations.

(Name)

(Position)

(Tele. #)

(E-mail)

(Name)

(Position)

(Tele. #)

(E-mail)

(Name)	(Position)	(Tele. #)	(E-mail)
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FINANCIAL

1. Total Excess Net Free Capital and stockholders' Equity at Applicant's last fiscal year end.

<u>Fiscal Year End</u>	<u>Excess Net Free Capital</u>	<u>Shareholders' Equity</u>
	\$ _____	\$ _____

2. Financial Material Required:
- (a) Most recent audited financial statements issued including balance sheet and P & L statement.
 - (b) Please submit a copy of the latest Annual Report and Accounts, if applicable.

Note: All sections of this questionnaire must be completed. If any section does not pertain to Applicant, please so indicate by inserting "Not Applicable" or "N/A."

A Director and the Company Secretary must sign this form and the Company Seal affixed.

DECLARATION BY APPLICANT

We hereby declare that the above answers are correct to the best of our knowledge and belief. We authorize the JCSD by its staff or agents to conduct such examination of the affairs of the company, and predecessor entity or any prior employer of its principals as the JCSD may determine. The company agrees to abide by and be subject to the Articles and Memorandum of Association and Rules and Regulations of the Jamaica Central Securities Depository as they are now or as they shall be from time to time amended.

THE COMMON SEAL of The JAMAICA)

CENTRAL SECURITIES DEPOSITORY)

LIMITED was hereunto affixed)

And this Agreement signed by)

_____ Director and)

_____ Director/Secretary)

in the presence of:

THE COMMON SEAL of)

was hereunto affixed)

And this Agreement signed by)

_____ Director and)

_____ Director/Secretary)

in the presence of:

SAMPLE CHECK LIST – PRE AND POST APPROVAL OF LICENCE

	Responsible Person	Date and Time
PRE-APPROVAL		
1. Obtain application form		
2. Conduct team meeting and review of all requirements		
3. Obtain all necessary internal and external (attorneys, accountants, the FSC, JSE, etc.) advice for completion of form and collation of supports		
4. Ensure all requirements for pre-existing FSC approval, capital adequacy, staff members' fit & proper, etc. are met		
5. Ensure key personnel are familiar with/versed in Securities Act, FSC guidelines, JSE and JCSD Rules		
6. Collate all information, make & retain copies. Seal package with all required forms and information for submission to JSE		
7. Deliver application, along with any relevant fees, to the JSE as prescribed		Timeline specified on application form
8. Designate primary respondents to any queries or requests for additional information that the JSE may have.		
9. Prepare to facilitate all JSE requirements with regard to system connectivity and JCSD requirements for settlement		
POST-APPROVAL		
1. Pay all required amounts to the JSE		
2. Collect instruments of authority from the JSE to conduct business as a member-dealer		
3. Appoint Compliance Officer and advise the JSE's Regulatory and Market Oversight Division accordingly		
4. Facilitate JSE system connectivity		
5. Engage facilities for fund settlement		
6. Make necessary changes to stationery and promotional material to reflect status as a member of the JSE		

PROCEDURE FOR PROCESSING MEMBERSHIP APPLICATIONS

1. Make public announcement advising that the JSE will be reviewing applications for membership as of _____ date
2. Advise applicants of membership provisions: Rules 201-203 and the Corporate membership Questionnaire (Appendix 9)
3. Advise applicants of the basis for selecting new members. Suggested points allocation below:

	<u>Points</u>
Business Plan	60
Financial Strength	40
<i>(See Points Allocation Scheme)</i>	

4. Evaluate application and choose new members
5. Announcement of membership granted

Revised November 1, 2000

MEMBERSHIP APPLICATIONS

Points Allocation Scheme

1. BUSINESS PLAN	60 Points
<hr/>	
(a) Executive Summary	5 points
(b) Business Description	15 points
(i) An overview of the industry	
(ii) A description of the company	
(iii) The positioning of the company in the market	
(c) Marketing Plan	20 points
(i) A description of the market size	
(ii) A description of the company's target market	
(iii) Market trends	
(iv) Competition	
(d) Risk Management	10 points
(e) Novel Idea(s)	10 points

2. FINANCIAL STRENGTH	40 Points
<hr/>	
(a) The strength of the Balance Sheet	10 points
(i) Cash injection of start-up above \$10m	
(ii) Additional resources available to the company	
(b) An assessment of the Cash Flow Projections	10 points
(c) An assessment of the Proforma Income Statement	10 points
(d) An assessment of the assumptions used	10 points