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Inside the



Editor's Note

In Issue 20 of "Inside the  " we focus on Rule Amendments relating to Member-Dealers in our JSE's Rule Amendment and New Rules segment. In our feature - Market Watch, we look at the rules governing Timely Disclosures by listed companies. A summary of the Regulatory & Market Oversight Division's Market Surveillance and Compliance activities for the period January to June 2018 is provided for your information. In addition, we also share pictorial highlights of the JSE's Listing Ceremonies and Rules Orientation Sessions since our last Issue. We also take time to congratulate our Chairman on receiving the designation of the **Order of Distinction**, in the field of Central Banking. In our 'Rules to Remember' segment, we highlight JSE Junior Market Rules relating to Requirements for Financial Reporting, Requirements for Articles of Incorporation and Requirements for Annual General Meetings.

JSE'S RULE AMENDMENTS AND NEW RULES

As you would recall, in our last issue, we stated that the JSE reviewed and passed Seventeen (17) Rule Amendments and New Rules for the period January 2017 to April 2018. In this issue of "Inside the RMOC" we will share with you the details of rule amendments relating to Member-Dealers, which are:

1. JSE Main Market Rule 201(E) - Qualification of Member-Dealers
2. JSE Main Market Rules Appendix 14 - Additional Fines and Penalties
3. JSE Main Market Rule 220 (A), (B) and (C) – Inactive Member-Dealer.
4. JSE Main Market Rule 230—List of Traders



JSE Main Market Rule 201(E) - Qualification of Member-Dealers

- (i) All member-dealers are required to have at least one (1) Principal Officer, One (1) Equity Trader, One (1) Investment Advisor and One (1) Compliance Officer within their operations.
- (ii) All Equity Traders must be registered representatives who are approved by the Jamaica Stock Exchange (JSE) as Equity Traders, and they must meet the terms of JSE Rule Appendix 10, Approved Representative Questionnaire and all other registration requirements.
- (iii) Member- dealer's Principal Officer(s), Equity Trader(s), Investment Advisor(s) and Compliance Officer(s) must have sufficient up-to-date knowledge and demonstrate competency in trading on the Jamaica Stock Exchange (JSE), the relevant rules and regulations with regards to trading on the Exchange and general knowledge of stockbroking as prescribed by the JSE and in keeping with the criteria listed in Appendix 15. Evidence of this knowledge must be provided to the JSE in accordance with Appendix 15.
- (iv) Principal(s), Equity Trader(s), Investment Advisor(s) and Compliance Officer(s) who fail to comply with these regulations within four (4) weeks of receiving the relevant conditional approval from the JSE will be suspended from being an approved representative for the member-dealer, and the member-dealer will be fined as detailed in Appendix 14(P).
- (v) In instances such as resignation, illness or death of a Principal, Equity Trader, Investment Advisor or Compliance Officer, notice must be provided no later than two (2) weeks after the event. A member-dealer who fails to provide notice to the JSE of the occurrence within the stipulated timeframe will be fined in accordance with Appendix 14(Q).
- (vi) Additionally, if a Principal, Equity Trader, Investment Advisor or Compliance Officer has not been employed in the Financial Sector for more than two (2) consecutive years; he/she will be required to sit a programme of study recognized by the JSE.

For further details on training requirements, please refer to JSE Main Market Rules Appendix 15—JSE Mandatory Competency Programme for obtaining Representative Status.



TIMELY DISCLOSURE



In this issue of Market Watch, we take a look at Timely Disclosure. The Jamaica Stock Exchange's Policy Statement On Timely Disclosure reflects the fundamental principle that all persons investing in securities listed on the Exchange have equal access to information that may affect their investment decisions.

JSE Rule Appendix 8—Policy Statement On Timely Disclosure, (c) states: “A listed company is required to disclose material information concerning its business and affairs forthwith upon the information becoming known to management, or in the case of information previously known forthwith upon it becoming apparent that the information is material. Immediate release of information is necessary to ensure that it is promptly available to investors and to reduce the risk of persons with access to the information from acting upon undisclosed information”. Likewise, JSE Junior Market Appendix 2, Part 5—Requirements for Timely Disclosure of Information (1) (a) states: “A Junior Market Company shall immediately disclose material information, in the form of a public announcement that is published in a national newspaper in daily circulation in Jamaica, as soon as the Board of Directors becomes aware of the material information”.

What is ‘material information’? Material information is any information relating to the business and affairs of the company that results in or would reasonably be expected to result in a significant change in the market price or value of any of the company’s listed securities. Material information consists of both material facts and material changes relating to the business and affairs of a listed company. The materiality of the information varies from one company to another according to the size of its profits, assets and capitalization, the nature of its operations and many other factors. (JSE Rule Appendix 8, Part B)

The RMOD’s Market Surveillance & Compliance Report

For the period January 2018 to June 2018 the Regulatory and Market Oversight Division (RMOD) of the Jamaica Stock Exchange (JSE) handled two hundred and eighty-six (286) regulatory issues which formed its Market Surveillance and Compliance Activities. The total number of issues handled over the comparative period in 2017 was one hundred and sixty-two (162). Table 1 below provides a tabulation of the regulatory issues over the current and comparative periods.

Table 1 - Regulatory Issues by Type & Group (2018/2017)

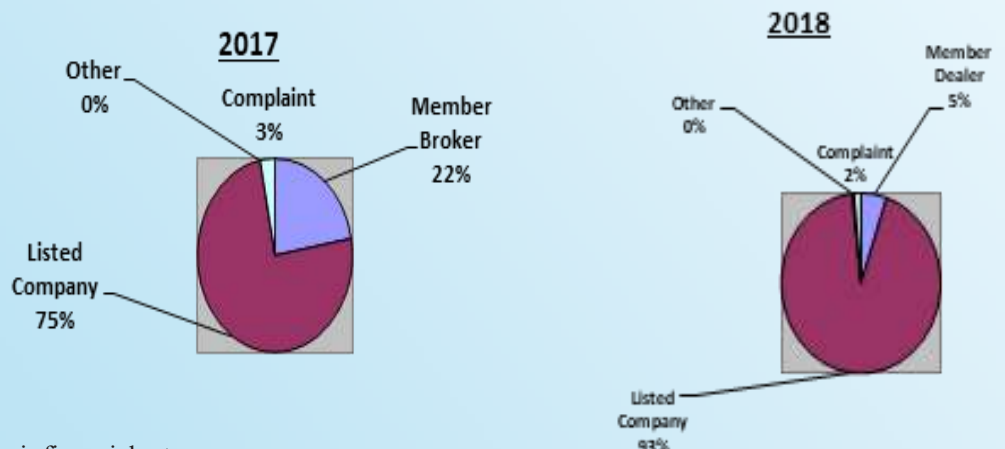
Year	2017	2016
Nature of Infraction	Total	
Complaints on Member-dealers	1	-
Complaints on Listed Companies	3	5
Compliance & Mkt. Surveillance -Member-dealers	15	36
Compliance & Mkt. Surveillance-Listed Companies	266	121
Other Compliance & Mkt. Surveillance Issues	1	-
Total	286	162

The increase in the number of regulatory issues handled is primarily due to the RMOD’s May 2017 adoption of a proactive Market Surveillance Strategy of engaging Listed Companies regarding dealings by insiders and the required time for providing notifications.

Given the success in the latter half of 2017 in employing this strategy, it was expected that the first half of the year 2018 would reflect a significant increase in our handling of regulatory issues in comparison with the first half of the year 2017. The Division continues to apply this strategy in its drive to foster a culture of transparency and compliance.

It is also worth noting that compliance issues for member-dealers are down by 58% for the period January 2018 to June 2018 in comparison to the period January 2017 to June 2017. A key area of improvement for member-dealer compliance was timely filing of their financial returns.

Infraction Type & Group %



In closing, the RMOD wishes to state that for the period January 2018 to June 2018 it continues to recognize a high closure rate for regulatory issues handled when compared with the prior comparative period. The number of regulatory issues closed by the RMOD as at June 30, 2018 amounted to two hundred and seventy-one (281) or 98% of the two hundred and eighty (286) issues that were handled. For the comparative 2017 period the closure rate was 97%.

RMOD Activities & Pictorial Highlights



**JSE Rules Orientation Session
Stanley Motta Limited**



**Listing Ceremony -
Stanley Motta Limited**



**JSE Rules Orientation Session -
Palace Amusement Limited**

Since the last issue of "Inside the RMOD," the Division participated in six (6) Listing Ceremonies and conducted eight (8) JSE Rules Orientation Sessions for Company Secretaries and Mentors. The RMOD participated in Main Market Listing Ceremonies for Sygnus Credit Investments Ltd., Mayberry Jamaican Equities Ltd., and Stanley Motta Ltd., Likewise, Listing Ceremonies were held for Junior Market Companies, CAC 2000 Ltd., Everything Fresh Ltd., and Indies Pharma Jamaica Ltd. JSE Rules Orientation Sessions were held for Palace Amusement Co. Ltd., Seprod Ltd., Everything Fresh Ltd., Sygnus Credit Investments Ltd., Mayberry Jamaican Equities Ltd., Stanley Motta Ltd., Indies Pharma Jamaica Ltd. and SSL Venture Capital Jamaica Ltd. RMOD also participated in the JSE's Mentor Workshop held on July 4, 2018.



**JSE Rules Orientation Session
Seprod Jamaica Limited**



**JSE Rules Orientation Session -
Sygnus Credit Investments Limited**



**Listing Ceremony-
Sygnus Credit Investments Limited**



**Listing Ceremony -
CAC 2000 Limited**



**JSE Rules Orientation Session
Everything Fresh Limited**



**Listing Ceremony -
Everything Fresh Limited**



**JSE Rules Orientation Session
Indies Pharma Jamaica Limited**



**Listing Ceremony -
Mayberry Jamaican Equities Limited**



**JSE Rules Orientation Session
SSL Venture Capital Jamaica Limited**



**JSE Mentor Workshop
Jamaica Pegasus Hotel**



**Listing Ceremony -
Indies Pharma Jamaica Limited**

JSE'S RULE AMENDMENTS AND NEW RULES (CONT'D)

JSE Main Market Rules Appendix 14 - Additional Fines and Penalties

Any member-dealer who is determined to have breached these rules may be subjected to the following fines:

- P. Any member-dealer in contravention of Rule 201E (iv) shall be charged a fine not exceeding \$100,000.00. Member-dealers who are non-compliant after the expiration of the four (4) weeks conditional approval by the JSE will be fined \$5,000.00 per day (including weekends and public holidays) for each additional day that the incumbent fails to satisfy this requirement while being employed to the member-dealer.
- Q. Any member-dealer in contravention of Rule 201E (v) shall be charged a fine not exceeding \$2,500.00 per day (including weekends and public holidays) for each additional day that the notice is outstanding.

JSE Main Market Rule 220 (A), (B) and (C) – Inactive Member-Dealer

- (A) An active member-dealer is one which in a calendar year transacts not less than two percent (2%) of the business transacted on the Exchange or trades a minimum of 125 days within a calendar year.
- (B) A member-dealer who fails to attain either the minimum market share or the minimum trading days shall be deemed to be an “inactive” member-dealer. Provided however, that in the case of a new member-dealer, or in the reinstatement of a dormant or inactive member-dealer, the criteria for determining whether or not such member-dealer is active or inactive will not apply in the first year of trading but in the second year, and in each successive year thereafter.
- (C) A member-dealer who fails to attain either the minimum of 2% of the business transacted on the Exchange or the minimum of 125 trade days in a calendar year will be required to pay a penalty of 0.6% of the short fall of the minimum required value of transactions.

Reason for the Amendments:

The Rules were amended to provide guidance to Member-Dealers on training requirements in order to remain current; and to state penalties for breaching the rules.

In our next feature, we will complete the rule amendments concerning Member-Dealer with JSE Main Market Rule 230—List of Traders. Additionally we will highlight the Rule Amendments regarding the IPO Process.

Congratulations!!!



The RMOD takes great pleasure in congratulating the RMOC Chairman, Mr. Livingstone Morrison, on being named recipient of the Order of Distinction in the Rank of Officer (OD) for service in the field of Central Banking, in particular, Finance and Administration and the Payment System.

Mr. Livingstone Morrison, with a tenure of over thirty-five (35) years at the Bank, currently holds the position of Deputy Governor of the Central Bank of Jamaica, with responsibility for Administration and Technical Services, Finance and Technology, and Payment System and Risk Management. In providing strategic oversight of the finance function of the Central Bank, Mr. Morrison accords a high level of importance to strengthening the governance and internal control processes in order to ensure the delivery of financial statements that meet international standards of accounting and reporting.

Well Done Chairman!!!

Junior Market Rule Appendix 2, Part 4—Requirements for Financial Reporting, (3) - Published Annual Report and Audited Financial Statements:

“A Junior Market Company shall submit to the JSE 6 printed copies and one electronic copy of its published annual report, including the audited financial statements for each reporting year prepared in accordance with Part 4(2) of this Appendix 2, within 120 days of the end of the reporting year to which such documents relate.”

Junior Market Rule Appendix 2—Ongoing Requirements—Part One – Requirements for Articles of Incorporation, Section (5) - Financial Statements and Annual Report

“A copy of the financial statements and the annual report of each company shall be sent to the address of every participating voting shareholder and holder of securities provided to the Junior Market Company for that purpose, not less than 21 days in advance of any general meeting called for the purposes of laying or approving such documents.”

Annual General Meetings

According to Section 126 (1) of the Companies Act of Jamaica, 2004:

“Every company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of a company and that of the next: Provided that, so long as a company holds its first annual general meeting within eighteen months of its incorporation, it need not hold it in the year of its incorporation or in the following year.”

RMOD Objectives

1. Monitor the adequacy and effectiveness of the Exchange's regulatory program 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 Exchanges rules by market participants and Listed Companies.
5. Monitor member dealers trading activities, investigation of trading activities and enforcement of the Exchange's Rules.

The RMOD offers three options for submitting complaints. Please download the complaint form provided on the RMOD's page at www.jamstockex.com and once completed, either:

1. Email as an attachment to RMOD@jamstockex.com
2. Fax to 876-967-3275
3. 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.



Kindly send feedback to rmod@jamstockex.com