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Inside the



Editor's Note

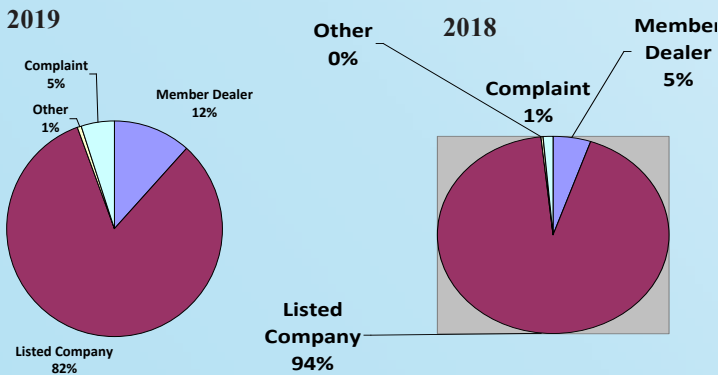
In Issue 21 of "Inside the RMOD" we present the Regulatory Market Oversight Division's Market Surveillance and Compliance activities for the period January - June 2019. We also share pictorial highlights of RMOD's involvement in activities for the period April - September 2019. To aid in the investor's journey, we provided a M.A.P.—Market Awareness Page, which features a "Market Watch", "Did you know" and "In a Nutshell" which seek to explain key terms. In our feature - Market Watch, we look at amendments to international standards for financial reporting. We also profile Mr. Andrae Tulloch, our Chief Regulatory Officer. To our readers, we welcome you to this issue of "Inside the RMOD" and hope that you enjoy!

The RMOD's Market Surveillance & Compliance Report For January to June 2019

For the period January 2019 to June 2019 the Regulatory and Market Oversight Division (RMOD) of the Jamaica Stock Exchange (JSE) handled one hundred and eighty (180) regulatory issues which formed its Market Surveillance and Compliance Activities. The total number of issues handled over the comparative period in 2018 was two hundred and eighty-six (286). Table 1 below provides a tabulation of the regulatory issues over the current and comparative periods.

Table 1 - Regulatory Issues by Type & Group (2019/2018)

Year	2019	2018
Nature of Infraction	Total	
Complaints on Member-dealers	3	1
Complaints on Listed Companies	5	3
Complaints on Other Market Participants	1	0
Compliance & Mkt. Surveillance- Member-dealers	21	15
Compliance & Mkt. Surveillance -Listed Company	149	266
Other Compliance & Mkt. Surveillance Issues.	1	1
Total	180	286



For the period January 2019 to June 2019 the number of regulatory issues **identified** amounted to one hundred and seventy-one (171), which represents a decrease of one hundred and fifteen (115) or 40% when compared to the corresponding period in 2018.

In closing, notwithstanding the RMOD's significant undertakings for the period January 2019 to June 2019 it continues to recognize a high closure rate at above 90 percent of regulatory issues handled when compared with the prior comparative periods. The number of regulatory issues closed by the RMOD as at June 30, 2019 amounted to one hundred and seventy (170) or 94% of the one hundred and eighty (180) issues that were handled.

NEW RULES AND RULE AMENDMENTS

In this edition we will finalize our feature on the new rules and rule amendments that were adopted over the period December 2017 to April 2018. If you are a first time reader, you can view Issue 19 of Inside the RMOD, which was published April 2018, for the complete list of the 17 new rules and rule amendment over the abovementioned period.

Name of Rule	Amended Rule	Rationale and Effective date
<p>JSE Junior Market Rule 506 - Corporate Governance Guidelines</p>	<p>A Junior Market Company must adopt and disclose corporate governance guidelines. Commentary: No single set of guidelines may be appropriate for every listed company, but certain key areas of universal importance include director qualifications and responsibilities, responsibilities of key board committees, and director compensation. The following subjects must be addressed in the corporate governance guidelines:</p> <p>A. BOARD</p> <ul style="list-style-type: none"> • Director qualification standards. These standards should, at minimum, reflect the board and committee composition including number of directors on the board and committees and those that are deemed independent.¹ Companies may also address other substantive qualification requirements, including policies limiting the number of boards on which a director may sit, director selection, tenure, retirement and succession. Commentary: Effective boards of directors exercise independent judgment in carrying out their responsibilities. • Director Duties and Responsibilities. These responsibilities should clearly articulate what is expected from a director, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials. • Board balance and Independence • Director access to management and, as necessary and appropriate, independent advisors. • Director compensation. Director compensation guidelines should include general principles for determining the form and amount of director compensation (and for reviewing those principles, as appropriate). The board should be aware that questions as to directors' independence may be raised when directors' fees and emoluments exceed what is customary. Similar concerns may be raised when the listed company makes substantial charitable contributions to organizations in which a director is affiliated, or enters into consulting contracts with (or provides other indirect forms of compensation to) a director. The board should critically evaluate each of these matters when determining the form and amount of director compensation, and the independence of a director. • Director orientation and continuing education. • Annual performance evaluation of the board. The board should conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively. <p>Website Posting Requirement: A listed company must make its corporate governance guidelines available on or through its website.</p> <p>Disclosure Requirements: A listed company must: Submit to the Jamaica Stock Exchange its Corporate Governance policy statement and must immediately inform the Exchange when changes are made. Review its Corporate Governance guidelines every two years and advise the Exchange of the outcome. State in its annual report that its corporate governance guidelines are available on its website and provide the website address.</p> <p>B. MANAGEMENT</p> <ul style="list-style-type: none"> • Management succession. Succession planning should include policies and principles for CEO selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the CEO. <p>C. ACCOUNTABILITY AND AUDIT. Adapted from NYSE Amended Rules: November 25, 2009 (NYSE 2009-89)</p>	<p>This Rule was added to ensure that the Junior Market Companies had Corporate Governance Guidelines consistent with the Main Market.</p> <p>Effective date: March 15, 2018</p>

Name of Rule	Amended Rule	Rationale and Effective date
<p>JSE Rule - Definitions - Block Transaction.</p>	<p>Block Transactions - are uninterrupted put-throughs. They are restricted to transactions between members of the same group of companies and other transactions which will not effect a change in the beneficial ownership of the securities.</p> <p>The Council of the Jamaica Stock Exchange (JSE) may sanction these transactions only in the case of approved take-overs or where in the case of a listing on the JSE a block transaction is deemed necessary under Rule 402B(b).</p> <p>The consideration should be the Market Price where Market Price means “Last Sales Price” except when the “Closing Bid” is higher or the “Closing Ask” is lower than the “Last Sale Price”.</p> <p>Signed Transfer(s) for all Block Transactions must be presented to the Stock Exchange for prior approval by the Council at least 20 days before the transaction is executed on the market.</p>	<p>The definition was added to bring certainty to the consideration paid for Block Transactions.</p> <p>Effective date: December 18, 2017</p>
<p>JSE Rule Appendix 15 - JSE Mandatory Competency Programme for obtaining Representative Status</p>	<p>Individuals who wish to be approved for representative status must first be approved by the Financial Services Commission (FSC) of Jamaica as fit and proper. Upon approval by the FSC, the requisite application to the JSE must be submitted by the candidate’s employer.</p> <p>All new member-dealer’s Principal Officer(s), Equity Trader(s), Investment Advisor(s) and Compliance Officer(s) are required to complete the JSE Mandatory Programme as outlined below or otherwise present to the JSE satisfactory evidence of competence in the subject areas required, as listed below.</p> <p><u>JSE Mandatory Competency Programme for obtaining Representative Status</u> The proposed programme provides the offer of courses in particular areas cited as competencies relevant to broker/dealers. These are as follows:</p> <p>Knowledge and understanding of and the application of Jamaica’s Financial Regulations and Laws; Compliance Ethics and Corporate Governance Issues; Rules and Regulations of the JSE; Use of the JSE’s electronic platform – Trading and Settlement Platforms* In addition, participants must satisfactorily complete any one of the 2-credit courses listed below depending on their specific area of interest: Treasury and Risk Management: Market Risk and Middle Office Management Corporate Structures and Procedures Strategic Portfolio Management Mastering Financial Negotiations Stock Market Product and Services Training on Bloomberg Terminals**</p> <p>Traders already approved by the JSE on or before February 4, 2015 could be exempted from completing the entire programme. These candidates must have sufficient up-to-date knowledge of trading on the JSEs’ platforms, the relevant rules and regulations with regards to trading on the Exchange and general knowledge of stockbroking. They should also possess knowledge of the specific areas of competency as illustrated by substantive evidence provided at the time of application. This substantive evidence will be in the form of a mandatory exam which will cover the aforementioned required competency areas.</p> <p>The cost for the exam is determined by the JSE. It will be charged in US Dollars or its Jamaican equivalent at the time of application.</p> <p>The fee for each certificate course is determined by the JSE and is inclusive of GCT, registration fee and course materials.</p> <p>Fees are subject to change by the JSE without notice. Registrants will be required to contact the JSE e-Campus for the relevant fees at the time of registration.</p>	<p>The Rule was added to provide guidance to Member Dealers on the JSE’s training requirement.</p> <p>Effective date: March 15, 2018</p>
<p>JSE Rule 314 - Ex Dividends, Ex Rights</p>	<p>Transactions in shares shall be ex-dividend, ex-rights or ex-subscription privileges, as the case may be, the business day immediately preceding the record date or the date of the closing of the transfer books therefore.</p>	<p>The rule was amended to be in line with the new operating change in the settlement period from T+3 to T+2 which was implemented in December 2017.</p> <p>Effective date: December 11, 2017</p>

Market Watch:

FINANCIAL REPORTING: UPDATES WITH INTERNATIONAL STANDARDS

Listed companies and Member Dealers are required to prepare their financial statements in accordance with international standards, in particular the International Financials Report Standards (IFRS) and International Accounting Standards (IAS). On this note, the RMOD finds it suitable to highlight the following .

IAS 33 - Earnings Per Share

IAS 33 sets the accounting standards for calculations of both basic earnings per share (EPS) and diluted EPS. According to the standards, the following changes in share structure may impact the EPS calculations:

- Stock splits/bonus issues - restate prior period EPS
- New issues of shares for consideration - no impact on prior period - determine EPS using the weighted average number of shares in issue
- Consider treasury shares (shares owned by the company)
- Consider potentially dilutive shares (example convertible shares)

IFRS 8 - Operating Segments

IFRS 8 requires particular classes of entities (essentially those with publicly traded securities) to disclose information about their operating segments, products and services, the geographical areas in which they operate and their major customers. According to the standard, operating segment is defined as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.



Did
U
Know

Did you **U** Know that investors should expect to receive a contract note from its Member-Dealer/ Broker within two (2) business days after the transaction is made?

In accordance with JSE Rule 311, Member-Dealers who effect any sale or purchase of any listed security shall within two (2) business days after the sale of purchase make and transmit a contract note of the transaction to its principal. Theses contract notes shall state the price , the commission charged and bear the words "member of the Jamaica Stock Exchange."

If you didn't know, now you know.

**in a
nutshell**
: Earning Per Share (EPS)

The term earning per share, as the term suggest, is basically a company's earnings/profit expressed by number of shares. It is calculated by dividing the net income (profits or earnings) by the total issued shares. The EPS is often used as an indicator of a company's profitability. It is also a major component used to calculate the price to earnings (P/E) valuation ratio., which investors can use to determine the value of earning and possible future growth of the stock.

It is to note that although the EPS is used to track the company's profitability, the ordinary shareholders do not have direct access to the profits. The company's Board of Directors would have to distribute portion of the EPS through dividend for shareholders to retain portion of the profit. It is fair to say that the EPS is a variable that the Board of Directors will use to determine if and how much dividends will be paid.

RMOD Activities & Pictorial Highlights



Listing Ceremony—Eppley Caribbean Property Fund Ltd.



Listing Ceremony—Limners and Bards Ltd.



Listing Ceremony - Sagikor Select Fund Limited



JSE's Investor Briefing - Jamaican Canadian Association, Ontario



Listing Ceremony—Wigton Windfarm Limited



Listing Ceremony—QWI Investments Limited

For the period April 2019 - September 2019, the Division participated in five (5) listing ceremonies, conducted three (3) JSE Rules Orientation Sessions and participated in an Investor Forum. Here is a recap.

Listing Ceremonies:

- ◆ Wigton Windfarm Ltd. - May 22
- ◆ Limners and Bards Ltd. - July 26, 2019
- ◆ Sagikor Select Fund Ltd. - August 8
- ◆ Eppley Caribbean Property Fund Ltd. - August 29,

JSE Rules Orientation Session:

- ◆ Wigton Windfarm Ltd.- May 28
- ◆ Jamaica Public Services Ltd. - June 14
- ◆ MPC Clean Caribbean Energy Ltd. - June 21
- ◆ Limners and Bards Ltd. - August 27

Outreach

The Chief Regulatory Officer, Mr. Tulloch presented on the JSE's regulatory functions at the Investors Forum hosted by the Jamaican Canadian Association on August 22, 2019 in Ontario, Canada.



Orientation Session—Wigton Windfarm Limited



Orientation Session - MPC Clean Caribbean Energy Ltd.



Orientation Session—Limners and Bards Limited

We invite you to visit the RMOD's News webpage <https://www.jamstockex.com/category/rmod-news/> for updated reviews on RMOD's activities.



Mr. Andrae Tulloch was appointed Chief Regulatory Officer (CRO) of the JSE's Regulatory and Market Oversight Division (RMOD) effective October 1, 2018.

Mr. Tulloch joined the JSE in 2008 in the position of Regulatory Officer. Based on his performance, Mr. Tulloch was promoted, in 2010, to the senior role of Deputy Chief Regulatory Officer, RMOD, where his performance objectives included providing executive support to the CRO's office in managing the regulatory affairs of the Exchange. During this time, Mr. Tulloch spearheaded the transition of the JSE's Inspection Programme to a risk based approach and the strengthening of oversight given to Member-Dealers financial reporting to the Exchange.

As CRO, Mr. Tulloch is responsible for ensuring that the JSE's regulatory and compliance interests are conducted in accordance with the rules of the JSE as well as policies as directed by the JSE's Regulatory and Market Oversight Committee (RMO).

Mr. Tulloch has over 15 years' experience in the financial sector, which includes the Ministry of Justice, where he served in the role of Accountant, assisting in the investigation and administration of companies in liquidation and bankrupt estates. Mr. Tulloch has a Bachelor of Business Administration in Finance (Hons) from the University of Technology. He is also a certified Project Management Professional (PMP).

Processing of Complaints

The RMOD welcomes information from all stakeholders who believe that a market infraction relating to Listed Companies, member-dealers, trading activities and other related matters has occurred.

Please note that a complaint may also be referred to other regulatory bodies.

Complaints can be filed via email to RMOD@jamstockex.com or the complaint form can be filled out at <https://www.jamstockex.com/about/regulatory-market-oversight-division-rmod/rmod-complaints-inquiries/>.

You can also visit or mail the complaint to:
The Chief Regulatory Officer
Regulatory & Market Oversight Division
Jamaica Stock Exchange
40 Harbour Street
Kingston, Jamaica

Complaint Forms are available on the RMOD's page at www.jamstockex.com, at the JSE Office or you could request that a form be emailed to you.

The Complaint Process:
 Once a complaint is logged at the RMOD, a letter acknowledging receipt will be issued. Thereafter a process of assessment will be undertaken. As a matter of practice, and in keeping with the rules of the JSE, the RMOD does not disclose the result of an investigation

RULES TO REMEMBER!

Appendix 8 - Policy on Timely Disclosure

E. Rumors

Unusual market activity is often caused by the presence of rumours. The Exchange recognises that it is impractical to expect management to be aware of, and comment on, all rumours, but when market activity indicates that trading is being unduly influenced by rumour the Exchange will request that a clarifying statement be made by the company. Prompt clarification or denial of rumours through a news release is the most effective manner of rectifying such a situation.

F. Content of Announcements

Announcements of material information should be factual and balanced, neither overemphasizing favourable news nor underemphasizing unfavourable news. Unfavourable news must be disclosed just as promptly and completely as favourable news. It is appreciated that news releases may not be able to contain all the details that would be included in a prospectus or similar document. However, news releases should contain sufficient detail to enable media personnel and investors to appreciate the true substance and importance of the information so that investors may make informed investment decisions. The guiding principle should be to communicate clearly and accurately the nature of information, without including unnecessary details, exaggerated reports or editorial commentary designed to colour the investment community's perception of the announcement one way or another.

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 Exchange's rules by market participants and Listed Companies.**
- 5. Monitor member dealers trading activities, investigation of trading activities and enforcement of the Ex-**

