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FOR IMMEDIATE RELEASE

PRESS RELEASE

CORNERSTONE GROUP REORGANIZATION

Barita Investments Limited to be involved in Cornerstone Group Reorganization following issuance of Non-Objection Letter by the Bank of Jamaica to Cornerstone United Holdings Jamaica Limited

1. Bank of Jamaica Non-Objection Letter

The Bank of Jamaica (“BOJ”) on Friday, March 10, 2023, gave its non-objection (“Non-Objection”) to Cornerstone United Holdings Jamaica Limited (“CUHJL”) with respect to the reorganization of the Cornerstone Group of companies (“Cornerstone Group” or the “Group”). The BOJ in its letter stated that:

“It is our understanding that Cornerstone United Holdings Jamaica Limited requested the Bank’s non-objection to undertake a group re-organization to address a regulatory concern regarding the parallel ownership of Cornerstone Trust & Merchant Bank and Barita Investments Limited by Cornerstone shareholders.”

This writing serves to confirm that, pursuant to section 7(1)(c)(ii) of the Banking Services Act, 2014 (“BSA”), the Supervisory Committee at its meeting held on 1 March 2023 raised no objection to the proposed reorganization of the Cornerstone Group on condition that the off-balance sheet vehicles (Barita Finance Limited and MJR Real Estate Holdings Limited) be consolidated in the financial group for prudential reporting purposes pursuant to section 71(2) of the BSA.”

2. Financial Holding Company Application Process

The Non-Objection comes thirteen months after CUHJL submitted its financial holding company (“FHC”) licence application and restructuring business case (the “FHC Application”) to the BOJ on February 4, 2022, following a request by the BOJ on August 27, 2021, for the preparation and submission of same, to conform with the prescription by the BSA with respect to financial groups. In acknowledging receipt of the FHC Application on March 3rd, 2022, the BOJ advised that the FHC Application would be evaluated in two phases with phase one being the Group Reorganization and phase two the FHC Licensing. The reorganization is necessary given the structure of the Cornerstone Group, which includes a deposit taking institution in the form of Cornerstone Trust & Merchant Bank Limited (“CTMB”) and two securities dealers in the form of Barita Investments Limited (“Barita”) and its subsidiary, Barita Unit Trusts Management Company Limited (“BUTMC”). In light of the existing structure, CUHJL is required, under section 69 of the BSA, to apply for an FHC licence, as part of the process of establishing a financial group and to organize itself and affiliate entities accordingly.

Following the BOJ’s August 2021 request, CUHJL commenced the process of preparing the FHC Application and put together an internal team of subject matter experts, which was bolstered by external experts who assisted with the preparation of the FHC Application, and reviewed and provided advice on the consolidation of the financial results for the new group structure. PricewaterhouseCoopers (“PwC”) Advisory Services assisted with the FHC Application process to the BOJ.



Prior to the submission of the FHC Application there were meetings involving Cornerstone and the BOJ to discuss elements of the proposed submission. This included details of the proposed structure, clarity on the structure and role of the special purpose vehicles, pro-forma capital and liquidity ratios for the FHC (under the current and prospective Basel III framework), and proposed management and Board governance structures. These, and other matters such as details on the risk management framework, historical and forecasted financial performance, strategic plans, and scenario planning and analysis were addressed in the FHC Application.

On completion of the FHC Application the attendant documents were presented by Senior Management to all the Boards of Directors throughout the Group with the CUHJL's Board of Directors issuing its formal approval on January 28, 2022. The proposed scheme of reorganization to facilitate the restructure of the Group along with the new structure being proposed had been previously presented to the Cornerstone shareholders on December 17th, 2021, at an extraordinary general meeting where shareholders representing 97% of the outstanding shares of CUHJL voted in the affirmative.

Having received the Non-Objection the next step is commencement of the evaluation of our FHC Application, which will involve further due diligence and assessment of the Group's financial condition and risk governance framework.

3. Mechanics of Reorganization

Given the issue of the Non-Objection, CUHJL will now move to implement the Group reorganization, which will be undertaken as a court sanctioned scheme of reorganization (the "Scheme"). The reorganization will ensure that all regulated entities within the Group are held under one holding company to enable consolidated supervision under the BSA by the BOJ. Under the proposed new structure, CTMB, Barita and BUTMC will be held under the FHC, which will see a new company being formed for this purpose. The restructuring is expected to result in:

- i. Cornerstone Financial Holdings Limited ("CFHL"), the mirror company to CUHJL, assuming the assets and liabilities of CUHJL, and will see the shares held by CUHJL in CTMB and Cornerstone USA being transferred to CFHL. **The amalgamation of CUHJL and CFHL will effectively result in the implementation of the "mirror principle", which has underpinned the operations of both Cornerstone entities since CFHL's incorporation. The amalgamation of CUHJL and CFHL will see existing shareholders who currently own an equal number of shares in each of the Cornerstone entities owning one set of shares in the combined entity (CFHL), post amalgamation;**
- ii. A newly formed FHC will be created as a subsidiary of CFHL;
- iii. The FHC, post incorporation, will issue shares to CFHL in exchange for the transfer by CFHL to the FHC of shares it owns in Barita and CTMB;
- iv. The FHC will thereafter become the direct parent of Barita and CTMB;



- v. The Cornerstone shareholders in CFHL will continue to hold their shares in CFHL in the same proportion as they did prior to the implementation of the Scheme. CFHL will become the ultimate holding company for the Group.

As a pre-requisite of the process, an application will be made to the Supreme Court for the convening of meetings by the Group companies that will be reorganized to allow the shareholders to consider and vote on the Scheme. Further, and subject to the granting of all necessary approvals, it is intended that Barita, which is currently the publicly listed company within the Group, would be delisted from the Jamaica Stock Exchange and that the FHC will be listed in its place. The effect, as was the case when other financial groups undertook their own restructuring under the BSA, is that the shareholders of Barita, at the relevant point in time, will see their shareholding move from Barita to the FHC. Further details on this process will be provided subsequently and prior to the implementation of the Scheme.

4. Conclusion

The Boards of Directors of the Cornerstone Group and its management team are excited about the prospects associated with the reorganization of the Group and its attendant benefits. Central to the objectives of the Group throughout this process are the synergies to be unlocked through closer integration of the operating entities, which we believe will redound to the benefit of our customers, shareholders and other stakeholders. The Group expects to further deepen and strengthen its focused efforts around risk management, governance and compliance in this next phase of its evolution.

We believe the formation and eventual listing of the FHC in particular will unlock material value for the Cornerstone Group, and by extension its existing shareholders, and especially Barita's minority shareholders who will now benefit from a broader, integrated financial services platform. Additionally, this strengthens the Group's ability to identify attractive strategic opportunities for acquisition, enhance its commercial value and further optimize its enterprise-wide risk management.

The Group will be sharing more information with its stakeholders at the appropriate juncture regarding the progress through the steps in relation to the reorganization process.

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Malindo Wallace
Group Chief Legal Officer &
Company Secretary