

**ECSE GROUP**

**COMPOSITE RULE-BOOK**



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# **PART I: LISTING RULES**

## **CHAPTER 1: INTRODUCTION, INTERPRETATION AND DEFINITIONS**

### **INTRODUCTION**

The Rules in Part 1 of this Rulebook govern the admission to listing of securities on the Eastern Caribbean Securities Exchange Limited, the continuing obligations of Issuers, the enforcement of those obligations, and suspension and cancellation of listing of securities on the Eastern Caribbean Securities Exchange Limited (“ECSE” or “Exchange”). These Rules are known as the “ECSE Listing Rules” and have been adopted by the Exchange and approved by the Eastern Caribbean Securities Regulatory Commission (“Commission”) pursuant to Section 13 of the Securities Act.

Chapters 1 through 4 of these Listing Rules contain the general provisions applicable to all listings. Chapters 5 through 9 contain provisions which are unique to specific types of securities: issuing companies (equity and debt securities), secondary listings, government securities listed on the Regional Government Securities Market (“RGSM”) and other specific types of securities. Appendices 1 through 6 to these Rules contain forms to be used in connection with the listing of securities on the ECSE and a schedule of fees.

Day to day decisions on listing matters relating to applications for listing, continuing obligations or interpretation of the Listing Rules are made by the listing department of the ECSE.

The ECSE welcomes comments and suggestions for improvement to these rules. The ECSE also welcomes Inquiries on any aspect of these Rules –including listing of any securities not specifically mentioned in these Rules. Comments or any Inquiries should be addressed to the General Manager, Eastern Caribbean Securities Exchange Limited Ltd, P O Box 94, Bird Rock, Basseterre, St. Kitts. Telephone number: (869) 466-7192; Fax (869) 465-3798; e-mail: info@ecseonline.com. The ECSE has a toll-free number for use within the OECS, (800) 744-9238, and our website may be found at [www.ecseonline.com](http://www.ecseonline.com).

### **INTERPRETATION AND APPLICATION**

- 1.1 These Listing Rules shall be interpreted, administered and enforced by the Eastern Caribbean Securities Exchange Limited (“Exchange”).
- 1.2 Any decision of the Exchange regarding the interpretation, administration or enforcement of these Listing Rules shall be final, conclusive and binding.
- 1.3 Exchange may issue policy notes or notes of interpretation, from time to time, to assist Issuers or their advisers in interpreting and complying with these rules.

- 1.4 The Exchange reserves the right to amend or add to these Listing Rules, from time to time, subject to the prior approval of the Commission.
- 1.5 References to statutes include references to such statutes as they may be amended or reenacted from time to time.
- 1.6 Words in the singular include the plural and vice versa and words of the masculine gender include the feminine and neutral genders and vice versa.
- 1.7 The headings in these Rules are for convenience and ease of reference only and shall not affect the interpretation of these Rules.
- 1.8 Terms used in these Rules which are not specifically defined below shall have the meaning assigned to them in the Securities Act or the Securities Regulations.

## **DEFINITIONS**

The following terms have the following meaning when used in these Rules unless the context otherwise requires:

### **Associate**

- (a) In relation to an individual:
  - (i) That individual's spouse;
  - (ii) Children under 18 of that individual or his or her spouse;
  - (iii) The trustees of any trust, acting in their capacity as such trustees, of which any such persons are beneficiaries or discretionary objects (or who would be rendered such consequent upon the exercise of any power); and
  - (iv) Any Company of which the persons described in (i) through (iii) above and the individual himself, whether alone or together, are the controllers or a Substantial Shareholders and any of its subsidiaries, its holding company, or any subsidiaries of that holding company.
- (b) In relation to a Company:
  - (i) That Company's holding company, its subsidiary companies and any subsidiaries of its holding company;
  - (ii) Any other Company which controls it, is controlled by it, or is under common control with it; and
- (c) In relation to a partnership, trust or other entity, any entities bearing a relationship to such entity comparable to the relationships specified in (b) above.

**Attorney**

A person who has been admitted to practice law in any OECS Member territory, or a professional firm employing attorneys.

**Certified**

“Certified” – in reference to a document means being certified to be a true copy or extract there from, as the case may be, by a Director, the Company Secretary or other authorized officer of the Issuer or by the Issuer’s auditors or legal advisers or by a duly authorized government agent in the case of a document filed with a government agency or body.

**Commission**

The Eastern Caribbean Securities Regulatory Commission

**Companies Act**

The Companies Act of any OECS Member territory or any comparable law in another jurisdiction.

**Company**

A body corporate constituted under the laws of any jurisdiction.

**Constitution**

All documents which individually or collectively govern and regulate the objects and internal conduct of an entity and the rights, powers, privileges and responsibilities of the shareholders, partners, beneficiaries, Directors, officers, trustees, managers or other persons Associated with the entity or holding a financial interest in it.

- (a) In the case of a Company, the constitution includes its memorandum of association, bye-laws and articles of association or comparable documents;
- (b) In the case of a partnership, the constitution includes its partnership agreement and any other document constituting the partnership certificate; and
- (c) In the case of a unit trust, its constitution includes its trust agreement or deed.

**Control**

Ownership, either direct or indirect, of more than one half of the voting power of an entity, or the right to control, either directly or indirectly, the financial and operating policies of the entity.

**Convertible Securities**

Securities which are convertible into, or exchangeable for, other securities or ownership interests either (a) at the option of the holder, (b) at the option of the Issuer of the Convertible securities, (c) or upon the occurrence of certain specified events.

**Deb Securities**

Securities, the rights of repayment of which in the event of liquidation of the Issuer are in priority to all equity securities of the Issuer, including debentures, bonds, notes and other

securities or instruments acknowledging, evidencing or creating indebtedness, whether secured or unsecured, and options, warrants or similar rights to subscribe or purchase any of the foregoing.

### **Director**

In respect of an Issuer:

- (a) Where the Issuer is a unit trust, a trustee of that trust and, where appropriate in the discretion of the Exchange, a Director of the investment manager or other appropriate Company approved by the Exchange;
- (b) Where the Issuer is a limited partnership, a general partner of that partnership;
- (c) Where the Issuer is a Company, a Director of that Company;
- (d) Where there is more than one Director, each of them; and
- (e) persons in accordance with whose directions or instructions the Directors are accustomed to act (though a body corporate is not to be treated as a Director of any of its subsidiary companies by reason only that the Directors of the subsidiary are accustomed to act in accordance with its directions or instructions).

### **ECCSD**

The Eastern Caribbean Central Securities Depository Limited.

### **ECCSR**

The Eastern Caribbean Central Securities Registry Limited.

### **ECSRC**

The Eastern Caribbean Securities Regulatory Commission.

### **Entity**

A Company, partnership, unit trust or association or body of persons, whether corporate or unincorporated, or any other form of entity whether regarded as a separate entity for tax purposes in any jurisdiction or not.

### **Equity Securities**

Shares, including preference or preferred shares, units or partnership interests of an Issuer, including Convertible Equity Securities and options, warrants or rights to subscribe or purchase the same, by whatever name called, but excluding debt securities.

### **Exchange**

Or "ECSE"; the Eastern Caribbean Securities Exchange Limited and the securities market(s) operated by the Eastern Caribbean Securities Exchange Limited.

**Group**

An Issuer and its subsidiaries.

**Holding Company**

A Company which has one or more subsidiaries.

**Insider**

- (a) The Directors and senior management of an Issuer;
- (b) Any Substantial Shareholder of an Issuer;
- (c) The staff of any broker Member of the Exchange who, due to his position, is in possession of or has access to confidential information; and
- (d) Any other individuals whose relationship with the Issuer means that he is in possession of or has access to Unpublished Price Sensitive Information on the Issuer.

**Insider Trading**

Dealing in securities of an Issuer by an Insider while in possession of unpublished price sensitive information with the intention of making a profit or avoiding a loss, and includes providing such information to another person for profit making or loss avoidance purposes and dealings in such securities by such other person if that other person obtained the price sensitive information knowing it to be unpublished as defined in the Securities Act.

**Issuer's Declaration and Declaration**

The undertaking in the form set out in the appendices to these Listing Rules given by an Issuer to the Exchange specifying the continuing obligations with which the Issuer undertakes to comply as a condition of being granted a listing.

**Listing**

The granting of a listing of, and permission to deal and trade in, securities on the Exchange and "listed" shall be construed accordingly.

**Listing Document**

The document to be submitted to the Exchange in connection with an application for listing.

**Member**

- (a) In relation to a Broker-Dealer or Limited Service Broker, a person which has been admitted to Membership in the Exchange pursuant to the Exchange's Membership Rules and whose Membership has not been suspended or terminated; or
- (b) In relation to an Issuer, its shareholders, partners or unit holders.



**New Applicant**

In the case of equity securities, an applicant for listing, none of whose equity securities are already listed on the Exchange, and in the case of debt securities, means an applicant for listing, none of whose equity or debt securities are already listed on the Exchange.

**Partnership**

A limited and general partnership formed under the laws of any jurisdiction.

**Person**

A Company or other entity, or a natural person.

**Primary Exchange**

A Stock Exchange other than the Exchange and any statutory securities regulatory body in the same jurisdiction as that other Stock Exchange which the Issuer and the Exchange have agreed shall have the primary responsibility for regulating the listing, trading and dealing in the Issuer's securities and ensuring the observation by the Issuer of its continuing obligations as an Issuer of publicly traded securities.

**Registrar**

The person responsible for maintaining the register of holders of the securities of a listed Issuer.

**Regulations (Securities Regulations)**

The regulations adopted under the Securities Act as defined in the Securities Act.

**Securities Act**

The Securities Act of 2001 and any subsequent amendments thereof.

**Subsidiary**

A Company is a subsidiary of a holding company only if:

(a) It is controlled by:

- (i) that holding company;
- (ii) that holding company and one or more companies each of which is controlled by that holding company;
- (iii) two or more companies each of which is controlled by that holding company; or

(b) It is a subsidiary of a subsidiary of that holding company.

**Substantial Shareholder**

A person who is entitled to exercise, or control the exercise of, ten percent (10%) or more of the voting power of an entity at any general meeting of the entity.

**Unpublished Price Sensitive Information**

Information in relation to securities which is not generally known to persons who are accustomed or would be likely to trade or deal in those securities, and which, if known, would be likely to have a material effect on the price or other trading characteristics of the securities.

## **CHAPTER 2: GENERAL LISTING REQUIREMENTS AND CONTINUING OBLIGATIONS**

### **2.1 Goals of the Exchange**

The principal function of the Exchange is to provide a fair, orderly, transparent and efficient market for the trading of securities issued by all types of Issuers.

### **2.2 Requirements for Listing**

In furtherance of these goals, these Listing Rules prescribe the requirements for obtaining and maintaining a place on the Exchange's official list of securities eligible for trading on the Exchange, including:

- (a) Requirements which must be met before securities may be granted a listing on the Exchange (such as the minimum requirements for listing, application procedures and fees payable, and the contents of Listing Documents);
- (b) The continuing obligations with which an Issuer must comply once a listing has been granted; and
- (c) The powers of the Exchange with respect to the cancellation of a listing, the suspension of trading in listed securities, and disciplinary matters.

### **2.3 Additional or modified requirements**

Issuers should note that these Listing Rules are not exhaustive. The Exchange may, where necessary in its sole and exclusive judgment, impose additional requirements or make listing subject to special conditions, either temporarily or permanently, whenever in the judgment of the Exchange such conditions are considered appropriate. Issuers must satisfy any additional requirements and supply any further documents and information that the Exchange may require in any particular case or class of cases. The Exchange may also modify the application of any particular Listing Rules, conditionally or unconditionally, in such cases and circumstances as it considers appropriate.

### **2.4 Amendment of Listing Rules**

These Listing Rules may be amended by the Exchange from time to time, subject to the approval of the Commission as provided in the Securities Act.

### **2.5 Suitability of Issuer and its business**

All Issuers and their businesses must, in the opinion of the Exchange, be suitable for listing. Suitability for listing depends on many factors. Compliance with these Listing Rules does not in itself guarantee or determine an applicant's suitability for listing or ensure that a listing application will be granted, as a listing, though subject to regulation, is a voluntary contractual relationship between the Exchange and each Issuer. The Exchange therefore retains absolute discretion to accept or reject applications for listing. Prospective Issuers and their professional advisers are encouraged to contact the Exchange staff to seek

informal and confidential guidance as to the suitability of the Issuer in a proposed application for listing.

## **2.6 General listing principles and standards**

These Listing Rules reflect currently accepted international standards and seek to achieve a proper balance between providing appropriate Issuers with access to the capital market at the earliest possible opportunity, while providing investors with appropriate safeguards and with sufficient and timely information to enable them to make informed decisions as to the value and merits of listed securities. In particular, these Listing Rules are intended to ensure that investors have and will maintain confidence in the capital markets and the Exchange and that:

### **Suitability**

- (a) Issuers and their businesses are suitable for listing;

### **Issue and Marketing of securities**

- (b) The issue and marketing of securities is conducted in a fair, open and orderly manner and that potential investors are given sufficient information to enable them to make a properly informed assessment of the Issuer, and of the securities for which listing is sought;

### **Continuing Disclosure**

- (c) After listing, investors and the public are kept fully informed by the Issuers of any new developments which are not of public knowledge and in particular that immediate disclosure is made to the Exchange of any information which might reasonably be expected to have a material effect on market activity in, and the prices of, the Issuers' listed securities;

### **Fair and Equal Treatment**

- (d) All holders of listed securities of the same class are treated fairly and equally;

### **Directors' Conduct**

- (e) The Directors of an Issuer act in the interests of its shareholders as a whole, particularly where the public represents only a minority of the shareholders;

### **Liquid Market**

- (f) A sufficiently liquid market for the securities exists or is expected to develop in the near future;

### **Entire Class Listed; Securities in Public Hands**

- (g) The whole class of securities will be listed on the Exchange, with a minimum of twenty percent (20%) of the issued and outstanding securities being held by persons other than Directors, officers or employees of the Issuer;

### **Convertible Securities**

- (h) If the securities to be listed are Convertible securities, the Exchange must be satisfied that investors will be able to obtain the information necessary to form a reasonable opinion as to the value of the underlying securities into which they are convertible, which may require the securities into which they are Convertible to be listed on the Exchange or listed on another Stock Exchange which is recognized for this purpose by the Exchange; and

### **Transfer Restrictions**

- (i) The securities must generally be freely transferable, but may be subject to certain transfer restrictions if they are adequately disclosed to investors and approved in advance by the Exchange. The Exchange will generally approve transfer restrictions which result from the securities not being registered under securities laws in jurisdictions other than the OECS, or which are designed to obtain or maintain a tax or regulatory advantage to the Issuer or the holders of its securities, provided that such transfer restrictions are prominently and adequately disclosed to investors.

## **2.7 Appointment of Exchange Member as Adviser**

The Exchange may, as a condition of granting or maintaining a listing, require an Issuer appoint an Exchange Member to advise the Issuer in connection with the listing.

## **2.8 Methods of bringing securities to listing; underwriting; public offerings**

Securities may be brought to listing by any method, including by means of a public offering or private placement, or in the case of a new applicant, by means of an introduction.

- 2.9 Where the application for listing is for securities of a class which has not previously been listed on the Exchange:

- (a) The Exchange may require that the issue be underwritten by an underwriter approved by the Exchange which may be required to complete and execute the Declaration in the form set out in Appendix 4 to these Rules; and
- (b) The approved Underwriter shall file with the Exchange, before the issue commences, a Declaration in the form set out in Appendix 4 duly executed.

- 2.10 In the case of Foreign securities, under the Securities Act, the listing of the securities on the Exchange does not in and of itself constitute a public offering or distribution of the foreign securities.

- 2.11 However, if other activities of the Issuer or other persons in connection with the Foreign Securities would constitute a public offering or distribution of securities within the OECS, then the Issuer must comply with all applicable requirements as to public offerings set forth in the Securities Act and the Securities Regulations.

2.12 **Listing document**

Issuers seeking a listing for their securities on the Exchange must prepare a Listing Document, which contains the information required by this chapter and the applicable chapter of these Listing Rules depending on the type of securities being listed.

2.13 In addition to the detailed requirements set out in these Listing Rules, the Listing Document must, as an overriding principle, contain all information which, according to the particular nature of the Issuer and the securities for which listing is sought, is necessary to enable an investor to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the Issuer and of its profits and losses and of the obligations of and rights, powers and privileges of such securities.

2.14 The Listing Document, documents for inspection and every other document submitted to the Exchange in support of an application for listing must be in the English language or accompanied by an English translation certified as being accurate by a translator acceptable to the Exchange.

2.15 The Listing Document must be submitted to the Exchange in draft in reasonable time for the Exchange to review it and for amendments to be made to it prior to the proposed listing date.

2.16 The cover page of the Listing Document shall state the following:

- (a) The name, jurisdiction of incorporation, and address of principal office of the Issuer;
- (b) The full name and number of securities to be listed on the Exchange and their par value and issue price; and
- (c) The following statement in bold type:

**Application has been made to the Eastern Caribbean Securities Exchange Limited (the “Exchange”) to list these securities on the Exchange. This Listing Document includes information given in compliance with the Exchange’s Listing Rules in connection with that application. The Directors of the Issuer collectively and individually accept full responsibility for the accuracy of the information contained in the Listing Document and confirm, having made reasonable enquiry, that to the best of their knowledge and belief there are no facts the omission of which would make any statement within the Listing Document misleading. The Exchange takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness, and has no liability to any person**

**for any loss or damage arising from any statement or omission  
in this Listing Document.**

- (d) The names of the Issuer's attorneys, accountants, bankers and the underwriters of the issue, if any;
  - (e) Any special conditions concerning the listing, such as the minimum price which will be accepted for the securities, the right of the Issuer, if any, to withdraw the listing if insufficient investor interest develops, any transfer restrictions on the securities, and similar matters; and
  - (f) The date of the Listing Document.
- 2.17 The Exchange may, upon written request by the Issuer stating the reasons for the request, allow the omission of certain information otherwise required by these rules to be included in the Listing Document in accordance with the requirements set out in the applicable chapter of these Listing Rules if the Issuer provides the Exchange with written confirmation that the omission of such information would not be likely to mislead investors with regard to the matters set forth in Rule 2.14.
- 2.18 The Listing Document must be formally approved by the Exchange. Such approval will only be given if the Exchange considers that the information in the Listing Document is complete. The following documents must be submitted to the Exchange, together with the processing fee, the initial listing fee and, where applicable, the annual fee in respect of the first year, which is calculated in accordance with the schedule of fees in Appendix 6 to these Listing Rules, before formal approval is given .
- (a) An application for admission to listing, in the form set out in the appendices to these Listing Rules;
  - (b) Two copies of the Listing Document in final form;
  - (c) A declaration by the Issuer in the form set out in the appendices to these Listing Rules;
  - (d) A declaration for each Director and proposed Director of the Issuer, unless one has previously been filed with the Exchange in the form set out in Appendix 3 to these Listing Rules;
  - (e) A letter from the Issuer confirming which of the listing requirements, if any, do not apply;
  - (f) A letter from the Issuer requesting, where relevant, omission of certain information from the Listing Document, giving reasons for such request;

- (g) Where applicable, a shareholders' statement in the form set out in the appendices to these Listing Rules;
- (h) In the case of securities which are the subject of a secondary listing, the most recent prospectus or comparable Listing Document filed with the Issuer's Primary Exchange and the Issuer's most recent audited annual financial statements and any subsequent interim financial statements; and
- (i) Such other documents as may be required by the Exchange in connection with any particular listing.

#### **2.19.1 Supporting documents**

The Exchange may, at any time before or after the admission to listing, require the Issuer to produce to the Exchange a copy of any of the following where applicable:

- (a) A copy of the Issuer's constitutional documents and all amendments to date;
- (b) The audited annual financial statements of the Issuer and of any guarantor for each of the periods which form part of the Issuer's or guarantor's financial record contained in the Listing Document;
- (c) Any interim financial statements made up since the date to which the last audited annual financial statements were made up and prior to admission;
- (d) In the case of specialist debt securities, a copy of the executed Trust Deed of the Issuer, paying agency agreement, swap agreement, derivatives contract, repurchase agreement, securities lending agreement, guarantee, surety, financial policy or any other material contracts pertaining to the issue; and
- (e) A copy of any reports, letters, valuations, and statements by experts, contracts or other documents referred to in the Listing Document.

2.19.2 The Issuer shall retain copies of such documents for a period of five (5) years after the date of its Listing Document.

#### **2.20 Cases where Listing Document not required**

A Listing Document is not required in the case of an application by a listed Issuer for a further issue of securities where:

- (a) The securities are of the same class as a class of securities already listed on the Exchange and the nominal value of securities to be issued does not exceed twenty percent of the nominal value of the securities of that class which are already listed;
- (b) The securities are allotted by way of a capitalization or bonus issue to existing holders in proportion to their existing holdings out of the Issuer's reserves or profits without payment of any kind to the Issuer by the existing holders; or



- (c) The securities result from the exercise of options, warrants or similar rights to subscribe or purchase securities which are already listed on the Exchange.

In such cases, application for admission to listing shall be made to the Exchange at least five (5) business days prior to the issue of such securities.

#### **2.21 Supplementary Listing Document**

A supplementary Listing Document shall be prepared by the Issuer if at any time after the Listing Document has been approved by the Exchange the Issuer becomes aware that:

- (a) There has been a significant change in any matter contained in the Listing Document;  
or
- (b) A significant new matter has arisen, the inclusion of information in respect of which would have been required to be mentioned in the Listing Document had it arisen at the time of its preparation.

- 2.22 The supplementary Listing Document shall be submitted to the Exchange in draft in reasonable time for the Exchange to review it and for amendments to be made to it prior to the proposed publication date.

#### **2.23 Publication and circulation of Listing Documents**

A Listing Document and any supplementary Listing Document shall not be published until it has been formally approved by the Exchange.

- 2.24 A Listing Document and any supplementary Listing Document shall be published by the Issuer by:

- (a) Making it available (in printed form and free of charge) to the public for inspection and in sufficient numbers to satisfy public demand at:
  - (i) The Exchange; and
  - (ii) The Issuer's registered office or such other place acceptable to the Exchange for a reasonable period of time not less than seven (7) business days commencing on the date of the formal approval by the Exchange of the Listing Document or supplementary Listing Document).
- (b) Circulating it to existing holders of securities for which application for listing has been made or notifying them of the publication as set out above of such Listing Document or supplementary Listing Document.

- 2.25 Where a Listing Document is prepared by a listed Issuer in respect of a further issue of shares and existing holders are being offered an opportunity to subscribe for, or acquire the securities concerned, the Listing Document shall be circulated to the holders of the securities of the relevant class. Where a supplementary Listing Document is published, it shall also be circulated to such holders.

2.26 Six copies of the Listing Document (and sufficient further copies to satisfy public demand) shall be sent to the Exchange as soon as it is published.

**2.27 Other documents to be submitted to the Exchange**

In addition to the Listing Document, the following shall be submitted to the Exchange in connection with the Issuer's application for listing:

- (a) Resolution of the Issuer's Board of Directors authorizing the listing of the securities on the Exchange;
- (b) Copies of the executed contracts between the Issuer and the ECCSD and ECCSR;
- (c) Three (3) copies of an executed Issuer's Declaration and Undertaking in the form set forth in Appendix 2 to these Rules;
- (d) Three (3) copies of the Issuer's annual reports and audited financial statements for its last five (5) financial years, and three (3) copies of any interim reports or financial statements issued by the Issuer since the date of its last annual report and financial statements; and
- (e) Directors' Declarations from all directors or proposed directors of the Issuer in the form set forth in Appendix 3 to these Rules.

**2.28 Continuing obligations**

An Issuer seeking a listing for its securities on the Exchange is required to enter into an undertaking with the Exchange to comply with the continuing obligations of the Exchange as set out in the relevant chapters of these Listing Rules. The form of undertaking required is set out in the appendices to these Listing Rules. The remaining rules of this Chapter describe the Issuer's continuing obligations.

2.29 Generally and apart from compliance with the specific requirements of these Listing Rules, the Issuer must keep the Exchange, the Members of the Issuer and other holders of its listed securities informed as soon as reasonably practicable, by way of public announcements or circulars, of any information relating to the Issuer that:

- (a) Is necessary to enable them and the public to appraise the financial position of the Issuer; or
- (b) Is necessary to avoid the establishment of a false market in its securities; or
- (c) Might reasonably be expected materially to affect market activity in and the price of its securities.

- 2.30 The Exchange may from time to time require the publication of further information by, and impose additional continuing obligations on, Issuers. The Exchange will notify the Issuer of its intention to do so and may allow representations to be made by the Issuer before imposing any additional obligations on it which are not imposed generally by the Exchange on Issuers of the same type of listed securities.
- 2.31 All Issuers shall respond promptly to any inquiries made by the Exchange concerning unusual movements in the price or trading volume of its listed securities, or any other matters, by giving such relevant information as is available to the Issuer or, if appropriate, by issuing a statement to the effect that the Issuer is not aware of any matter or development that may be relevant to the unusual price movement or trading volume of its listed securities.
- 2.32 Whenever these rules require notice to be given to the Exchange, such notice shall be given in writing and shall be transmitted to the Exchange by email, fax, mail or hand-delivery. Notification by electronic mail shall be confirmed by fax, mail or by hand delivery within 24 hours. Notice shall be deemed to be given only when it is received by the Exchange or, if it is received by the Exchange on a day which is not a business day, on the next business day.
- 2.33 Insider Trading**  
Insiders of the Issuer must not trade on the basis of unpublished price sensitive information. Furthermore, to permit thorough public dissemination and evaluation of the information in the interval, Insiders shall refrain from trading for 24 hours, even after price sensitive information has been [“made public” in the various ways specified under section 113 of the Securities Act.](#)
- 2.34 Appointment of liaison officer**  
Each Issuer shall appoint one person, satisfactory to the Exchange, who shall be a Director or executive officer of the Issuer and who is a full-time employee of the Issuer, as the liaison officer to the Exchange. The liaison officer shall be responsible for ensuring that the Issuer at all times remains in compliance with its obligations to the Exchange under these rules, including the timely transmission of documents and information to the Exchange. The Issuer shall also appoint an alternate liaison officer satisfactory to the Exchange who shall perform the duties of the liaison officer in the absence or unavailability of the liaison officer. Neither the liaison officer nor the alternate liaison officer may be changed without immediate notification to the Exchange.
- 2.35 Information to be disclosed; press releases**  
The Issuer shall make public disclosure on a timely basis of all pertinent information required for investors to make an accurate assessment of the value of the listed securities. This includes, but is not limited to, annual, semi-annual and quarterly earnings reports, interest payments, dividend declarations, mergers, acquisitions, rights to subscribe to new or additional securities, tender offers, stock splits, redemption payments and senior management changes. The normal method for the release of information is by means of a

press release. A copy of the press release must be provided to the ECSE simultaneously with its release to the public and may be disseminated over the facilities of the Exchange.

### **2.36 Material change in Issuer's business**

The Issuer shall within seven (7) business days notify the Exchange of any material change in the general character or nature of its business, including changes as defined in the securities (Accounting & Financial Statements) Regulations.

### **2.37 Amendment to Constitution**

The Issuer shall file with the Exchange within twenty-one (21) business days three (3) copies of each of the following:

- (i) After the date of distribution, all material distributed by the Issuer to its stockholders with respect to any amendment or proposed amendment to its constitution;
- (ii) After the date of filing with the Registrar, any amendment to its constitution, or resolution of the Issuer's board of Directors in the nature of an amendment, certified by the Registrar of Companies or comparable official of the Issuer's jurisdiction of incorporation; and
- (iii) After the effective date of the amendment, any amendment to its by-laws, certified by a duly authorized Director or Company Secretary of the Issuer.

### **2.38 Issuers' Purchases of own listed Equity Shares on Exchange to be approved by the Exchange**

2.38.1 Purchases by the Issuer of its own listed and outstanding equity shares on the Exchange shall be subject to the Exchange's prior approval. In connection with such purchases, the Issuer shall comply with the requirements and the steps as well as submit the documents specified in this Rule 2.38.

#### **Shareholders' Special Resolution**

2.38.2 The Issuer's shareholders shall by prior special resolution, approve the terms upon which the Directors may carry out such repurchases.

2.38.3 The terms in the Shareholders' special resolution, under sub Rule 2 above, shall include:

- a. The maximum and lowest prices --which may be specific sums or which may be amounts to be determined on the basis of a formula without reference to any person's discretion or opinion;
- b. The maximum number of equity shares that the Company may purchase --subject to a maximum of 15% of the issued or outstanding shares involved; and

- c. The effective period of the resolution, which shall not be more than eighteen (18) months from the date of the resolution PROVIDED ALWAYS that no Issuer may purchase its own equity shares within 15 days prior to an earnings announcement or when ever the Company has any unpublished price sensitive information.

#### **Circular for Shareholders**

2.38.4 To enable the general meeting decide whether the proposal should be approved as being in the best interest of the Company and its shareholders, and if so, upon what conditions, the statutory notice for the Issuer's general meeting convened to consider the related resolution, shall be accompanied with a Circular stating the rationale for the intended purchase as well as providing all the necessary background information.

#### **Issuer's Application to the ECSE.**

2.38.5 The Issuer's application to the ECSE for approval shall be supported with the following ; namely:

- i) A copy of the special resolution duly certified by the Company Secretary.
- ii) A copy each of the Notice and Agenda for the general meeting.
- iii) A copy of the Issuer's Circular to Shareholders.
- iv) A written Solvency Declaration duly signed by the majority of the Issuer's Directors ( where they are more than 2) or by both (if the Directors are two) that the Issuer is and will remain solvent after the purchases.
- v) Particulars of the licensed securities firms which the Issuer intends to engage for the exercise –provided that on any particular trading day, only one licensed securities firm, may carry out purchases on behalf of the Issuer.
- vi) The processing fee prescribed by the ECSE for the application.

#### **Other Requirements for Implementation of Purchases**

2.38.6 The Issuer's Purchases on the market may only be carried out only

- (a) after the receipt of the Exchange's written permission; and
- (b)with monies from credit balances in an account
  - i)which is specially set up in the Issuer's books,
  - ii) which may be known as a share deals account or to capital redemption account or share premium account as the case may be ;and
  - iii) which is funded by transfers from the Issuer's distributable profits; or proceeds of shares issued for that purpose; or a combination of those sources.

#### **Implementation and the Issuer's Public Float**

2.38.7 Where as a result of any purchases under this Rule, the Issuer's public float of listed equity shares falls below the limit minimum permissible, the Issuer shall make every effort to revert to the permissible levels at the earliest opportunity.

#### **Issuer's Implementation and Concurrent Insider Trades**

2.38.8 If any Insider of the Issuer intends to trade in equity shares during the Issuer's purchase programme, the Issuer shall make a prior public announcements to that effect. Any such trade by that Insider subsequently shall also be publicly disclosed by the Issuer as soon as possible.

#### **Effects of Implementation**

2.38.9 Subject to the laws of the Issuer's country of incorporation,

- a. the amount of the Company's issued share capital shall be diminished by the stated value of the equity shares bought by the Issuer;
- b. Equity shares purchased by the Issuer under this Rule, shall
  - i) be automatically delisted upon their cancellation by the Issuer;
  - ii) constitute treasury shares; and
  - iii) carry ,thereafter until they are reissued, no voting right nor right to dividends.

**Sanctions for Non-compliance**

2.38.10 Any Issuer which carries out purchases of its own issued equity shares without compliance with this Rule shall be liable a monetary penalty with a maximum of EC\$ ..... and/or other sanctions under this Chapter.

**2.39.1 Purchases of own Securities during fiscal quarter.**

The Issuer shall report to the Exchange within twenty-one (21) business days after the close of each fiscal quarter, any reacquisition or disposal, direct or indirect, of any Securities of the Issuer listed on the Exchange for the account of the Issuer during that fiscal quarter. The report must show separately the total for acquisitions and disposals and the number of Securities of each class held by the Issuer at the end of such quarter.

**2.39.2 Purchases of own Securities above market price**

The Issuer shall notify the Exchange within seven (7) business days of any purchase, direct or indirect, of any of its Securities listed on the Exchange at a price in excess of the market price of such security prevailing on the Exchange at the time of such purchase

**2.40 Redemption, cancellation or retirement of securities**

The Issuer shall not select any of its securities listed on the Exchange for redemption, cancellation or retirement otherwise than by lot or *pro rata* and will give the Exchange at least twenty-one (21) business days advance notice of the particulars of any proposed redemption, retirement or cancellation.

**2.41 Notification of record date or closure of transfer books**

The Issuer shall notify the Exchange and the ECCSD (and the ECCSR) at least seven (7) business days in advance of any material changes taken to fix a stockholders' record date, or to close the Issuer's transfer books, for any purpose.

**2.42 Change in form or nature of securities**

The Issuer shall notify the Exchange at least twenty-one (21) business days in advance of any change in the form or nature of any of its securities listed on the Exchange, *or* in the rights or privileges of such securities or their holders thereof. If the Exchange so requires, the Issuer must apply to re-list the securities on the Exchange.

**2.43 Notification of voting trust agreements**

The Issuer shall within seven (7) business days after learning of it notify the Exchange of any material changes in the supply of securities available for trading on the Exchange

occasioned by deposit of stock under voting trust agreements or other securities deposit agreements which have come to the official attention of the Issuer.

**2.44 Listing of additional amounts of same class of securities**

The Issuer shall make application to the Exchange at least twenty-one business days in advance for the listing of additional amounts of securities of the same class as securities already listed on the Exchange prior to the issuance thereof to permit action by the Exchange in due course upon such application.

**2.45 Changes in dividends or allotment of rights**

The Issuer, within twenty-one (21) days, shall:

1. publish business to the holders of any of its securities listed on the Exchange any material changes taken by the Issuer with respect to:
  - (a) Dividends for, or
  - (b) The allotment of rights to subscribe to, or
  - (c) Any rights or benefits pertaining to the ownership of any of its securities listed on the Exchange;
2. give notice to the Exchange of any such action; and
3. afford the holders of its securities listed on the Exchange the same time within which to record their interests or exercise their rights.

**2.46.1 Preparation and dissemination of periodic reports**

The Issuer shall furnish to the Exchange, publish, and submit to its stockholders at least at least once a year, twenty-one (21) days in advance of the annual meeting of such stockholders and not later than four (4) months after the close of the last preceding fiscal year of the Issuer an annual report and financial statements which complies with Section 98 of the Securities Act and the securities (Accounting and Financial Statements) Regulations.

2.46.2 The Issuer shall publish quarterly or semi-annual financial statements in accordance with the Securities (Accounting and Financial Statements) Regulations.

2.46.3 No announcement shall be made by an Issuer of any:

- (a) Dividend;
- (b) Bonus or rights issue; or
- (c) Passing of a dividend

unless accompanied by or preceded by the related preliminary, quarterly or half yearly unaudited financial results, as appropriate, in the prescribed format.

**2.47 Charges against capital surplus; change in accounting methods and policies**

The Issuer shall not make, nor shall it permit any subsidiary directly or indirectly controlled by it to make any substantial charges against capital surplus, without notifying the Exchange. If so requested by the Exchange, the Issuer shall submit such charges to stockholders for approval or ratification.

2.48 The Issuer shall not make any substantial change, nor shall it permit any subsidiary directly or indirectly controlled by it to make any substantial change, in accounting methods, in policies as to depreciation and depletion or in bases of valuation of inventories or other assets, without notifying the Exchange and disclosing the effect of any such change in its next succeeding interim and annual report to its stockholders. The Issuer shall notify the Exchange at least fifteen (15) business days prior to the implementation of such changes.

**2.49 Contracts with ECCSD and ECCSR**

The Issuer shall at all times during the effectiveness of its listing maintain in full force and effect a written contract with the ECCSD and the ECCSR, and not commit any material breach of contract.

**2.50 Payment of fees, fines and levies**

The Issuer shall pay, promptly and in full, any fees, fines or levies imposed by the Exchange as a condition of the continuation in force of its listing of securities on the Exchange.



## **CHAPTER 3: ENFORCEMENT OF LISTING RULES**

### **3.1 Power to suspend or terminate a listing**

Listings are granted subject to the condition that where the Exchange considers it necessary for the protection of investors or the maintenance of an orderly market, it may at any time suspend trading in any securities or terminate the listing of any securities in such circumstances and subject to such conditions as it thinks fit, whether requested by the Issuer or not.

3.2.1 Without limiting the powers of the Exchange in Rule 3.1 above, the Exchange may suspend or terminate the listing of any securities where:

- (a) An Issuer fails, in a manner which the Exchange considers material, to comply with any provision of the Securities Act, the Securities Regulations or these Listing Rules or its Issuer's undertaking (including a failure to make timely and full payment of any fees or levies due to the Exchange or failure to fulfill the Issuer's continuing obligations);
- (b) The Exchange considers there are insufficient securities of the Issuer in the hands of the public;
- (c) The Exchange considers that the Issuer does not have a sufficient level of operations or sufficient assets to warrant the continued listing of its securities on the Exchange; or
- (d) The Exchange considers that the Issuer or its business to be no longer suitable for listing.

3.2.2 Short suspension of trading may be requested by an Issuer upon the occurrence of a material event which requires immediate disclosure under these Listing Rules, provided that an announcement of the material information is made as soon as practicable following the suspension.

3.2.3 The Exchange may accept or reject the request for suspension in its absolute discretion and may from time to time issue policy statements regarding the circumstances in which the Exchange is prepared to suspend trading at the request of the Issuer.

3.3.1 Where the Issuer itself seeks a suspension, the request for suspension must be made to the Exchange by the Issuer's authorized representatives and must immediately be confirmed in writing.

3.3.2 In all cases the request must be supported by specific reasons for the request for suspension, the requested duration of the suspension, the nature of the event affecting the Issuer's activities which will be announced and the current state of events with respect to the Issuer's activities, all of which must be disclosed to the Exchange, so that the Exchange can assess the need for and appropriate duration of the suspension.

- 3.4.1 Where trading has been suspended, the procedure for lifting the suspension will depend on the circumstances and the Exchange reserves the right to impose such conditions as it considers appropriate.
- 3.4.2 Where a suspension is made at the Issuer's request, the Issuer will be required to announce the reason for the suspension and, where appropriate, the anticipated timing of the lifting of the suspension. In some cases (for example a short suspension pending an announcement) the suspension will be lifted as soon as possible after the announcement is made. In other cases the suspension will be continued until any relevant requirements have been met.
- 3.4.3 The continuation of a suspension for a prolonged period without the Issuer taking appropriate action to obtain restoration of trading may lead to the Exchange terminating the listing.
- 3.5.1 Where the Exchange considers that an Issuer or its business is no longer suitable for a listing, after notification to the Issuer, the Exchange will issue an announcement naming the Issuer and specifying the period within which the Issuer must have remedied those matters which have rendered it unsuitable for a listing.
- 3.5.2 Where appropriate the Exchange may suspend trading in the securities of the Issuer.
- 3.5.3 If the Issuer fails to remedy those matters within the period set out in the announcement, the Exchange will terminate the listing.
- 3.6 The Exchange shall also suspend trading or terminate the listing of an issue upon an order from the Commission made in accordance with its powers under Sections 16 and 20 of the Securities Act.
- 3.7 Exchange's powers of inspection and examination**  
The Exchange has the power at any time to examine the books and records of the Issuer and to examine or question, under oath, any Director, officer, employee or agent of the Issuer as to his knowledge of any violation or possible violation of these Rules.
- 3.8 Imposition of sanctions**  
If the Exchange determines that an Issuer has violated these Listing Rules it may, in addition to, or instead of, a suspension in trading or termination of a listing:
- (a) Censure the Issuer;
  - (b) Publish the fact that the Issuer has been censured; and
  - (c) Impose a fine of up to US \$10,000 per violation on the Issuer.
- 3.9 If the Exchange considers that a contravention of these Listing Rules by an Issuer is due to a failure by all or any of its Directors to discharge their responsibilities it may do one or more of the following:

- (a) Censure the relevant Directors;
  - (b) Publish the fact that the relevant Directors have been censured; and
  - (c) State publicly that in its opinion the retention of office by or appointment of the relevant Directors would be prejudicial to the interests of investors.
- 3.10 The Issuer and its Directors, as a condition of listing the securities on the Exchange, shall be deemed to irrevocably consent to the imposition of such sanctions.
- 3.11 Voluntary termination of a listing**  
An Issuer whose primary listing is on the Exchange may voluntarily terminate its listing only if it gives the holders of the affected securities, and the holders of any securities Convertible into the affected securities, and the Exchange at least ninety (90) days' advance written notice, providing a clear and adequate explanation of its decision to terminate the listing and if either:
- (a) The Issuer has or will have at the time of delisting an alternate listing on another Stock Exchange acceptable to the Exchange; or
  - (b) The Issuer has obtained the approval of three-fourths (3/4) of securities, and three-fourths (3/4ths) of the holders of any securities convertible into the securities, to the termination of the listing.
- 3.12 An Issuer whose Primary Exchange is another Stock Exchange may voluntarily withdraw its listing on the Exchange if it notifies the Exchange in writing, at least sixty (60) days' in advance of the intended termination of the listing.

## CHAPTER 4: LISTING PROCEDURES

### 4.1 Listing Department of the Exchange

Listing applications shall be reviewed in the first instance by the Exchange's listing department. Issuers and their professional advisers are encouraged to contact the Exchange's listing department staff and the Exchange's General Manager for information and informal assistance and guidance as early as possible in the listing process.

4.2 The listing department staff shall review all applications for listing submitted to the Exchange, confer with the Issuer and its professional advisors about the Listing Document, and shall make recommendations concerning the grant, whether conditional or unconditional, or denial of a listing to the Listing Committee.

### 4.3 Listing Committee: Appointment

The Exchange shall establish a Listing Committee which shall consist of the General Manager of the Exchange and at least three (3) other natural persons designated by the General Manager. The General Manager may also appoint an alternate member for each member of the Listing Committee.

#### 4.4.1 Listing Committee: Powers

The Listing Committee shall have the power to:

- (a) Grant or deny listing applications, with or without imposing conditions to be met by the Issuer;
- (b) Apply, interpret, waive, and grant derogations from these Listing Rules, in particular cases or classes of cases;
- (c) Suspend trading in an listed Security; and
- (d) Suspend or cancel a listing.

#### 4.4.2 Listing Committee: Convening of Meetings

The Listing Committee shall meet on the call of the General Manager, or, in his absence or unavailability, on the call of the person designated by the General Manager.

#### 4.4.3 Listing Committee: Composition

A quorum of the Listing Committee shall consist of two (2) or more members or alternate members, one of whom must be either the General Manager or the person designated by the General Manager - whichever of them called the meeting.

#### 4.4.4 Listing Committee: Procedures during meetings

A member of the Listing Committee may participate in its meetings by conference telephone call or videoconference and shall for all purposes be deemed to be present at the meeting if he participates in such fashion.

4.4.5 Each member of the Listing Committee in attendance at the meeting shall have one vote, but in the event of a tie the General Manager or Deputy General Manager who called the meeting shall have a casting vote.

4.4.6 The Listing Committee may also act by unanimous written consent.

**4.4.7 Listing Committee: Confidentiality of proceedings**

Proceedings of the Listing Committee shall be confidential, and each member and alternate member of the Listing Committee shall be bound to keep such proceedings confidential.

**4.4.8 Listing Committee: conflicts of interest**

Members and alternate members who have a conflict of interest or whose Associates have a conflict of interest with respect to any matter before the Listing Committee shall declare their conflict of interest at the earliest possible time and shall not attend, participate in, or vote at the meeting of the Listing Committee considering that matter.

**4.5.1 Appeals from certain decisions of Listing Committee**

A decision of the Listing Committee:

- (a) To deny an application for listing on the grounds of the unsuitability of the Issuer or its business for a listing;
- (b) To reject an application to lift a suspension of trading which has been in effect for more than thirty (30) consecutive days; or
- (c) To cancel a listing may be appealed by the Issuer to the Board of Directors of the Exchange

4.5.2 Other decisions by the Listing Committee are final and are not subject to appeal to the Board of Directors or to challenge in any court, regulatory agency or other forum.

4.5.3 (a) An appeal by an Issuer to the Board of Directors against a decision of the Listing Committee shall be in writing and must be filed with the Exchange for transmission to its Board of Directors within thirty (30) days after notice of the decision of the Listing Committee has been given to the Issuer in writing.

(b) The Issuer and the Listing Committee may make written submissions to the Board of Directors in connection with the appeal.

(c) The appeal shall be decided by the Board of Directors, within such time as the Board shall determine.

(d) The decision of the Board of Directors or committee of the Board shall be communicated to the Issuer in writing and shall final, and shall not be subject to

further appeal or to challenge in any manner in any court, regulatory agency or other forum.

## **CHAPTER 5: CORPORATE SECURITIES**

### **5.1 General**

Corporate securities listed on the Exchange **shall be** classified into one of the four (4) tiers as specified below.

### **5.2 Equity Securities – Entry Level Tier**

The following are the requirements for listing in the equity securities Entry Level Tier:

- (a) The Issuer shall be a going concern with net capital and paid up capital of the equivalent of at least one million Eastern Caribbean dollars (EC\$1.0 million); and
- (b) The Issuer shall have been in operation for at least eighteen (18) months.

### **5.3 Equity Securities – Large Capitalization Tier**

The following are the requirements for listing in the equity securities - Large Capitalization Tier:

- (a) The Issuer shall be a going concern with net capital and paid up capital of the equivalent of at least ten million Eastern Caribbean dollars (EC\$10.00 million);
- (b) The Issuer shall have been in operation for at least five (5) years; and
- (c) The Issuer shall have shown a net profit in at least two of its last three financial years.

### **5.4 Corporate Debt Securities – Lower Tier**

The following are requirements for listing in the Corporate Debt Securities - Lower Tier:

- (a) The Issuer shall have minimum paid up capital of the equivalent of at least one million Eastern Caribbean dollars (EC\$1.0 million); and
- (b) The Issuer shall have been in operation for at least eighteen (18) months.

### **5.5 Corporate Debt Securities – Upper Tier**

The following are requirements for listing in the Corporate Debt Securities - Upper Tier:

- (a) The Issuer shall have minimum paid up capital of the equivalent of at least ten million Eastern Caribbean dollars (EC\$10.0million);
- (b) The Issuer shall have been in operation for at least five (5) years; and
- (c) The Issuer shall have shown a net profit in at least two of its last three financial years.

**5.6 Movement between tier**

Securities listed in one tier may be transferred to another tier by subsequent agreement between the Exchange and the Issuer if the Issuer's history and condition warrant such a transfer.

**5.7 Copies of Annual Report**

Upon the approval of a listing, the Issuer will provide five (5) hard copies and 1 (one) in electronic form) of its most recent annual report to the Exchange.

**5.8 Prospectus**

If the securities to be listed on the Exchange are the subject of a prospectus which has been approved by the Commission under Section 94 of the Securities Act and the securities (Prospectus) Regulations, and the Issuer is in compliance with its obligations of continuing disclosure under Section 96 of the Securities Act, the Listing Document shall consist of that prospectus and such documents as have been published by the Issuer under Section 96 of the Securities Act since the approval of the prospectus by the Commission. The Issuer shall also provide the Exchange with a letter from the Commission confirming its compliance with Sections 94 and 96 of the Securities Act as of the date of listing.

**5.9 Exemption from prospectus requirements under the Securities Act**

If the securities to be listed on the Exchange are exempt from the requirement to issue a prospectus under Section 92 of the Securities Act, Section 3 of the Securities (Prospectus) Regulation, or by decision of the Commission, the Listing Document shall consist of a prospectus which, although not approved or required to be approved by the Commission, contains the information required by, and meets the standards of, the Securities Act and the Securities (Prospectus) Regulation for non-exempt securities. The Issuer shall also provide the Exchange with a letter from the Commission confirming that the issue of securities to be listed is exempt from the requirement that the Commission approve the prospectus.

**5.10 Certain disclosures omitted**

Where in the opinion of any Issuer, disclosure of any matter required by the Listing Rules would be unduly detrimental to the Issuer for business reasons, the Issuer may apply for a waiver from the relevant requirement. The information together with a statement of the reasons why the Issuer believes the information should not be disclosed at that time must be provided to the Exchange on a strictly confidential basis.



## **CHAPTER 6: FOREIGN SECURITIES AND INTERMEDIARIES**

### **6.1 Eligible foreign securities**

- (a) An Issuer of foreign securities of any kind may apply for a primary listing of the Foreign securities on the Exchange under rule 6.2, if the securities have been approved for listing on the ECSE under Part II of the Securities (Foreign securities and Intermediaries) Regulations.
- (b) An Issuer of foreign securities of any kind may apply for a secondary listing of the foreign securities on the Exchange under rule 6.3 if the securities are already listed on a recognized securities exchange.
- (c) The Securities Exchanges listed in the Schedule to this Chapter shall be recognized by the Exchange for the purposes of Part XVA of the Securities Act and Part II of the Securities (Foreign securities and Intermediaries) Regulations and sub-rule (b).
- (d) The Exchange may from time to time, with the approval of the Commission, amend the Schedule to add or remove recognized Securities Exchanges.
- (e) Foreign companies wishing to list securities on the Exchange that do not meet the requirements of sub- rules (a) through (c) are encouraged to apply to the Exchange and the Commission for permission to list on a case by case basis.

### **6.2 Primary listing of foreign securities**

- (a) A foreign Issuer whose securities are not listed on a recognized securities Exchange shall comply, *mutatis mutandis* with all requirements of these Rules, except as expressly modified by this rule.
- (b) Audited financial statements prepared in accordance with the laws and accounting practices of the Issuer's home jurisdiction shall be accepted as satisfying all requirements for the provision of audited financial statements set out in the section 82 of the Securities Act. However, where the Exchange concludes that the audited financial statements do not present a true and fair view of the financial condition of the Issuer, the Exchange may require the Issuer to prepare audited financial statements in accordance with the relevant provisions of the Act.

### **6.3 Secondary listing of foreign securities**

- (a) A security listed on a recognized Securities Exchange may be admitted to listing on the Exchange under this rule.
- (b) The Issuer of the securities shall:

- (i) execute and deliver to the Exchange a listing application and Issuer listing agreement;
  - (ii) confirm to the Exchange that it has executed and delivered to the ECCSR or other acceptable share registry licensed by the Commission a registry agreement;
  - (iii) provide the Exchange with copies of all correspondence between the Issuer and the Primary Exchange that it is listed on concerning any alleged violation by the Issuer or any affiliate of the Issuer of that exchange's rules for the three (3) years immediately preceding its listing application to the Exchange and undertake to provide copies of all the correspondence immediately after it is sent or received as long as it is listed on the Exchange;
  - (iv) certify at the time of its admission to listing and at least annually thereafter as long as it is listed on the Exchange that it is in full compliance with all listing and continuing obligations of its Primary Exchange;
  - (v) after listing, provide copies to the Exchange of all its prospectuses, Listing Documents, audited financial statements, annual reports, semi-annual reports, quarterly reports, proxy statements and communications with its securities holders that are filed with its primary exchange within seven (7) business days after they are so filed;
  - (vi) after listing, provide copies to the Exchange of all subsequent filings made to the foreign Securities Commission within seven (7) business days; and
  - (vii) undertake, to immediately make all public announcements and disseminate all information made public in compliance with the rules of the Primary Exchange on the Exchange.
- (c) The Exchange shall immediately provide a copy of any correspondence received under sub-rule (b)(iii), (v) and (vi) to the Commission.
- (d) The Issuer of securities listed under this rule must immediately advise the Exchange if its securities are delisted or suspended from trading on its primary regulatory exchange.
- (e) (i) Subject to sub-rule (f) the Exchange will automatically delist or suspend the trading of the securities on the Exchange in accordance with the actions of the Primary Exchange.
- (ii) The Exchange may, with the concurrence and consent of the Commission, waive the application of this sub-rule in particular cases for a period not exceeding sixty (60) days from the date of the action by the Primary Exchange.

- (f) An Issuer that has a secondary listing on the Exchange whose securities are delisted by its Primary Exchange for a reason other than a reason that is a violation of a rule of the Primary Exchange or a violation of a rule of the Exchange may apply to convert its secondary listing to a primary listing on the Exchange at any time within thirty (30) calendar days after the securities' delisting by the Primary Exchange without payment of an additional listing fee and trading on the Exchange shall resume, if the application for a primary listing is granted by the Exchange.
- (g) In the event of a conflict between the requirements of these rules and those of the Issuer's Primary Exchange, the latter shall override the former, but if this occurs the Issuer must immediately notify the Exchange of the conflict.
- (h) The Exchange reserves the right, in its absolute discretion, to refuse to grant a secondary listing, even if the Issuer has a primary listing on a recognized exchange, if the Exchange believes that it is not in the public interest to grant such status. The Exchange reserves the right to suspend or cancel the Issuer's listing at any time if the Exchange, in its sole and absolute discretion, is not satisfied that the Issuer continues to be subject to adequate regulation outside the OECS.

#### **6.4 Listing Document**

The Listing Document for Foreign securities shall consist of:

- (a) The Issuer's most recent prospectus or comparable Listing Document filed with the Issuer's Primary Exchange;
- (b) The Issuer's most recent audited annual financial statements;
- (c) Any subsequent interim financial statements;
- (d) A cover page or pages which must contain the following information:
  - (i) The official name and jurisdiction of incorporation or other formation of the Issuer;
  - (ii) A statement in the following form:

**Application has been made to the Eastern Caribbean Securities Exchange Limited (the "Exchange") to list these securities on the Exchange. This Listing Document includes information given in compliance with the Exchange's Listing Rules in connection with that application. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Listing Document and confirm, having made reasonable enquiry, that to the best of their knowledge and belief there are no facts the omission of which would make any statement within the Listing Document misleading. The Exchange takes no**

**responsibility for the contents of this document, makes no representations as to its accuracy or completeness, and has no liability to any person for any loss or damage arising from any statement or omission in this Listing Document.**

- (iii) A description of the relevant securities, giving their exact designation or class;
  - (iv) A statement of the date on which the securities are expected to be admitted to listing, if known;
  - (v) If the listing is a secondary listing, the name of the Issuer's Primary Exchange and a statement that the primary regulation of the Issuer's securities for which a secondary listing is sought on the Exchange is or is to be provided by such other Stock Exchange;
  - (vi) Particulars of all other Stock Exchanges on which any part of the securities of the Issuer are listed or dealt in (or on which listing or permission to deal or trade is being or is proposed to be sought);
  - (vii) A statement that no significant change has been made in any matter contained in the most recent prospectus and that no significant new matter has arisen, the inclusion of information in respect of which would have been required to be mentioned in the most recent prospectus filed with the Issuer's Primary Exchange had it arisen at the time of its preparation, or a detailed description and disclosure of such matters;
- (e) Any circulars or communications sent to the holders of its securities since the date of the most recent prospectus or comparable Listing Document filed with the Issuer's Primary Exchange; and
- (f) Such other information and materials as the Exchange may determine in particular cases or classes of cases to be necessary for the full disclosure of material information about the Issuer and for the protection of investors.

## **6.5 Other documents to be submitted**

The following documents shall be submitted to the Exchange in connection with the application for a primary or secondary listing of foreign securities:

- (a) An application for admission to listing, in the form set out in the Appendix to these Listing Rules;
- (b) Two copies of the Listing Document in final form;
- (c) A declaration by the Issuer in the form set out in Appendix 2 to these Listing Rules;

- (d) A letter from the Issuer confirming which of the listing requirements, if any, do not apply;
- (e) A letter from the Issuer requesting, where relevant, non-publication of certain information, giving reasons for such request;
- (f) The most recent prospectus filed with the Issuer's Primary Exchange and the Issuer's most recent audited annual financial statements and any subsequent interim financial statements;
- (g) Such other documents as may be required by the Exchange;
- (h) The initial listing fee and the annual fee, if applicable, in respect of the first year, which are calculated in accordance with the schedule of fees in the Appendix 6 to these Listing Rules; and
- (i) A letter from the Primary Exchange certifying that the Issuer is in material compliance with the requirements of that exchange, or a certificate to the same effect signed by all the Directors of the Issuer.

## **6.6 Trading, clearance, settlement and registration**

- (a) Foreign securities listing on the Exchange may be offered, sold, purchased, traded, cleared and settled in any currency.
- (b) The Exchange may require, in either a primary or secondary listing of foreign securities, that a foreign Issuer submit an opinion of counsel from the Issuer's home jurisdiction concerning either or both of the following:
  - (i) The free transferability of the foreign securities in accordance with section 175 of the Act and the rules and procedures of the ECCSD or other clearing agency licensed by the Commission; and
  - (ii) The recognition of the ownership of foreign securities listed and traded on the Exchange as determined by the records of the ECCSR or other share registry licensed by the Commission.
- (c) The Exchange requires as a condition of listing that a foreign Issuer agrees to recognize as the owners of its securities for all purposes those persons who are shown as the owners of such securities on the books and records of the ECCSR.

## **6.7 Continuing Obligations**

- (a) The Issuers of all listed foreign securities shall be subject to the general Continuing Obligations set forth in Chapter 2 of these Listing Rules, subject to the exceptions allowed by Section 4 of the Securities (Foreign Securities and Intermediaries) Regulations.

- (b) In the case of a secondary listing, the Issuer shall also provide to the Exchange at the same time it provides them to its Primary Exchange all documents required to be filed with its Primary Exchange. In the case of a secondary listing, the Issuer shall also provide to the Exchange, immediately upon their coming to the attention of the Issuer, any documents relating in any way to any violation of any rule of the Primary Exchange, whether such documents are issued by the Issuer, the Primary Exchange, or any other party or person.

#### **6.8 Foreign broker dealers and limited service brokers**

- (1) A foreign broker dealer or limited service broker may be admitted to Membership in the Exchange pursuant to this Rule and to the applicable provisions of Part II of these Rules.
- (2) An applicant for Membership as a broker dealer or limited service broker shall first be licensed as a foreign broker dealer or limited service broker by the Commission.
- (3) The applicant shall execute and submit to the Exchange a Membership application and a depository agreement with the ECCSD or other acceptable clearing agency licensed by the Commission.
- (4) The applicant shall furnish to the Exchange all filings submitted to the foreign Securities Regulatory Commission.

#### **6.9 Registration of principals and representatives of foreign broker dealers and limited service brokers**

- (1) A foreign broker dealer or limited service broker that becomes a Member of the Exchange must have a least one principal and one representative who are registered with the Exchange.
- (2) Principals and representatives of a foreign broker or limited service broker that is a Member of the Exchange who are required to be and have been licensed by the Commission pursuant to regulation 8 of the Securities (Foreign securities and Intermediaries) Regulations, shall register with the Exchange.

#### **(3) Sanction**

- A foreign listed Issuer in breach of these Rules is liable to disciplinary action by the Exchange, subject to section 4 of the Securities Regulations.
- (4) A foreign broker dealer, or foreign limited service broker or foreign investment adviser in breach of these Rules is liable, subject to the provisions in Chapter 17 of these Rules, to disciplinary action by the Exchange.

**SCHEDULE**  
**[Rule 6.1 (c)]**

**SECURITIES EXCHANGES RECOGNISED BY THE ECSE**

- (1) American Stock Exchange
- (2) Athens Exchange
- (3) Australian Stock Exchange
- (4) Bahamas International Securities Exchange
- (5) Barbados Stock Exchange
- (6) Bermuda Stock Exchange
- (7) Bolsa de Barcelona
- (8) Bolsa De Comercio De Buenos Aires
- (9) Bolsa De Comercio De Santiago
- (10) Bolsa De Valores De Lima
- (11) Bolsa De Valores De Sao Paolo
- (12) Bolsa Italiana
- (13) Bolsa Mexicana De Valores
- (14) Borza ta Malta
- (15) Bourse De Montreal
- (16) Canadian Venture Exchange
- (17) EURONEXT
- (18) Frankfurt Wertpapierbourse
- (19) Guyana Stock Exchange
- (20) Iceland Stock Exchange
- (21) Irish Stock Exchange
- (22) Jamaica Stock Exchange
- (23) London Stock Exchange
- (24) Malta Stock Exchange
- (25) Member Exchanges of BOLCEN
- (26) NASDAQ
- (27) New York Stock Exchange
- (28) Nordic Exchange
- (29) Singapore Exchange
- (30) Stock Exchange of Hong Kong
- (31) Stock Exchange of Jamaica
- (32) Stock Exchange of Suriname
- (33) Stock Exchange of Thailand
- (34) Tokyo Stock Exchange
- (35) Toronto Stock Exchange
- (36) Trinidad and Tobago Stock Exchange

## **CHAPTER 7: LISTINGS ON THE REGIONAL GOVERNMENT SECURITIES MARKET**

### **7.1 DEFINITIONS**

As used in this Chapter, unless the context requires otherwise, the following terms have the following meanings:

#### **ECCB**

Eastern Caribbean Central Bank.

#### **Fiscal Agent**

The ECCB acting in its capacity as a fiscal agent under a Fiscal Agent to Issuers regarding Government securities listed on the RGSM.

#### **Fiscal Agent Agreement**

The written agreement of that name between the Issuer and the ECCB concerning the services provided and the responsibilities of each party.

#### **Government Issuer**

The Government of Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts and Nevis, St. Lucia, or St Vincent and the Grenadines, or any political subdivision or agency of such Government, which issues securities to list on the RGSM.

#### **Government securities**

Debt securities issued by a Government Issuer.

#### **RDCC**

The Regional Debt Co-ordinating Committee.

#### **RGSM**

The Regional Government Securities Market operated by the Exchange.

### **7.2 Purpose of Chapter**

This Chapter provides guidelines for listing Government securities on the Exchange's RGSM.

### **7.3 Government securities eligible for listing**

Treasury bills, treasury notes and bonds issued by a Government Issuer are Government securities eligible for listing on the RGSM. Applications to list other Government securities will be considered on a case-by-case basis by the Exchange.



#### **7.4 Approval of RDCC required**

The Exchange will make all determinations regarding the listing of Government securities on the Exchange based upon the standards set out in these Listing Rules. Listing applications for Government securities must also be approved by the RDCC.

#### **7.5 Criteria for listing; documents to be executed and filed with Exchange**

To be eligible for listing on the RGSM, Government securities must:

- (a) Meet the relevant requirements set forth in the Securities Act;
- (b) Be issued by a Government Issuer which has a signed Fiscal Agent Agreement with the ECCB;
- (c) Be the subject of a Government Listing Agreement and the Government Registry Agreement with the Exchange; and
- (d) If the Government securities have already been issued, the Government Issuer must provide a list of existing securities holders to the ECCSR.

7.6 The Government Listing Application Form along with a Listing Document must be submitted to the Exchange at least fourteen (14) business days before the date the security is to be listed. For previously issued and outstanding Government securities, the date the security is to be listed is subject to provision of the relevant data concerning the securities holders to the ECCSR.

#### **7.7 Continuing Obligations**

A Government Issuer whose Government securities are listed on the Exchange must comply with the following continuing obligations after the listing is effective.

7.8 The Government Issuer is required to submit a written notice to the Exchange at least twenty (20) business days in advance of the date regarding any action which would result in a redemption, retirement, or cancellation of a listed Government Security, in whole or in part.

7.9 The Government Issuer will be required to regularly (semi-annually and annually) provide the market with information on its fiscal situation.

Semi-annual information is to be provided within sixty (60) days of the end of the semi-annual period of the Government Issuer's fiscal year and annual information within one hundred and twenty (120) days of the end of the Government Issuer's fiscal year.

The order and format for such reporting will be in line with requirements set forth in the Government Listing Agreement.

7.10 Information regarding any material events, which are of importance to investors or securities holders and that have not been previously reported, has to be disclosed to

Exchange within seven (7) days of the date the event becomes known to the Government Issuer.

7.11 Material events include, but are not limited to:

- (a) Principal and interest payment delinquencies or defaults;
- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves (sinking fund or redemption fund) reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (d) Adverse tax opinions or decisions or events affecting tax-exempt status of the Government Security;
- (e) Modifications to rights of the holders of the Government securities;
- (f) Rights to subscribe to new or additional securities;
- (g) Calls of any of the Government securities;
- (h) Defeasances affecting the Government securities;
- (i) Changes in, or new ratings of, the Government securities;
- (j) Changes of Finance Secretary and Budget Directors in the Government; and
- (k) Any other information which a reasonable investor would want to know in assessing the value of the Government Security.

7.12 This information must also be made public within seven (7) days of the said event having occurred. The normal method of release of material information will be by means of release to be sent to the Exchange as well as the media.

**7.13 Suspension or termination of listing**

Reasons and procedures for suspending or terminating the listing of Government securities are generally the same as those set forth in Chapter 3.

However, the listing of Government securities will also be suspended or terminated by the Exchange upon the written request for a suspension or termination received by the Exchange from the RDCC.

In cases where the Exchange intends to suspend or terminate a listing of Government securities, it will consult with the RDCC about its intent to do so in advance.

## **CHAPTER 8: COLLECTIVE INVESTMENT SCHEMES**

### **8.1.1 Scope of Chapter**

This Chapter sets out the conditions for listing for Collective Investment Schemes and the information which is required to be included in the Listing Document.

8.1.2 All Collective Investment Schemes must also comply with the relevant provisions of Chapter 2 of these Listing Rules.

8.1.3 This Chapter does not apply to the listing of Foreign Collective Investment Schemes, which are regulated by Chapter 6 of these Rules.

### **8.2 Jurisdiction**

The Collective Investment Scheme must be incorporated in an OECS territory or such other jurisdiction as may be acceptable to the Exchange and the Commission.

### **8.3 License from Commission**

The Collective Investment Scheme and its custodian and management company must be licensed by the Commission under Part IX of the Securities Act and the securities (Collective Investment Schemes) Regulation.

### **8.4 Listing Document**

(a) The Listing Document shall consist of those documents filed by the Collective Investment Scheme with the Commission in connection with the authorization of the Collective Investment Scheme under the Securities Act, together with such amendments, supplements, and updates of such documents filed by the Issuer with the Commission since the authorization of the Collective Investment Scheme by the Commission. The cover page shall comply with the requirements of Rule 2.16.

(b) The Collective Investment Scheme shall also provide the Exchange with a letter from the Commission confirming that it has been authorized by the Commission and is in compliance with all provisions of the Securities Act and the securities (Collective Investment Schemes) Regulations as of the date of listing.

### **8.5 Net asset value**

In addition to the general Continuing Obligations of an Issuer as specified in Chapter 2, the Collective Investment Scheme shall notify the Exchange, without delay, for dissemination by the Exchange, whenever it is calculated, of the net asset value of its listed securities.

## **CHAPTER 9: TYPES OF SECURITIES**

### **DEFINITION OF SECURITIES**

#### **Listing of other types of securities**

- 9.1.1 For the avoidance of any doubt it is hereby provided that, the Exchange shall have the power to list other types of securities not specifically mentioned in Chapters 5 through 8 herein.
- 9.1.2 The Exchange is prepared to list such other securities provided always they meet the general requirements for listing set forth in Chapter 2 and such other specific requirements as the Exchange and the Commission may impose in particular cases or classes of cases.
- 9.1.3 Without limiting the generality of the expression, “such other securities” shall include warrants, options, debt instruments issued by supranational bodies, specialist securities, credit-linked securities, Eurobonds, Special Purpose Vehicles (SPVs), municipal bonds, asset-backed securities.

## PART II

### TRANSFER AND REGISTRATION OF SECURITIES

#### CHAPTER 10: THE EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

##### 10.1 Definitions

The following terms have the following meaning when used in this Chapter unless the context otherwise requires:

**BET or Book Entry Transaction**

The instruction to the ECCSD that initiates a movement of securities, whether free or versus payment, from one account to another or from one position to another within the ECCSD.

**Board of Directors**

The Board of Directors of the ECCSD.

**Business Day**

A day on which the ECCSD is open for business.

**Contract**

A compared transaction for the purchase or sale of eligible securities, or for the payment of money in connection with a transaction in such securities.

**Contract Data**

That information, as determined by the ECCSD, which is to be submitted with respect to Contracts compared by another source and which is in such form as is acceptable to the ECCSD.

**Correspondent Client**

A financial intermediary that accesses the ECCSD's services indirectly, through a Correspondent .

**Correspondent Participant**

A Participant in the ECCSD that provides access to the ECCSD's services to another financial institution.

**Credited Securities**

In relation to a Participant, any securities from time to time credited to the account of the Participant on the books of the ECCSD by Registry Transfer or Deliver.

**Delivery**

In relation to a securities transaction, the issuance or transfer of the securities to the account of the ECCSD or a Participant. A Delivery may be made free of payment within the ECCSD (a "Free Delivery") or against a debit to the Settlement Account of the receiving Participant under the Trade-for-Trade System (in each case a "Delivery Versus Payment") subject to the provisions of Rule 10.8 of these Rules and as specified in the Procedures. Deliveries may be initiated by terminal input, among other means.

**Delivery versus Payment (DVP)**

The Book Entry delivery of securities to the Depository Account of a Participant combined with a money transaction to the Settlement Account of the Participant where all such money transactions are netted and the net money settlement value is delivered or received according to ECCSD Procedures.

**Eligible Securities**

Those securities defined in Rule 10.4 and included in the lists for which provision is made in Rule 10.

**Free Delivery**

The book entry transfer of securities from the Depository account of one Participant to the Depository account of another Participant free of payment.

**Free Position in a security**

The position of a Participant, other than a Segregated Position, with respect to a security held by the ECCSD for which the Participant has fully paid or his account has been charged, and to which a quantity of the securities will be debited or credited, as the case may be, in settlement of transactions.

**Gross Credit Balance**

The aggregate amount of money the ECCSD credits to a Participant's account pursuant to these Rules for a Business Day without accounting for any amount of money the ECCSD debits or charges to the Participant's account pursuant to these Rules for that Business Day.

**Gross Debit Balance**

The aggregate amount of money the ECCSD debits or charges to a Participant's account pursuant to these Rules for a Business Day without accounting for any amount of money the ECCSD credits to the Participant's account pursuant to these Rules for that Business Day.

**Market Value**

The current market value of a security.

**Net Credit Balance**

The amount by which the Participant's Gross Credit Balance for a Business Day exceeds its Gross Debit Balance for the Business Day.

**Net Debit Balance**

The amount by which the Participant's Gross Debit Balance for a Business Day exceeds its Gross Credit Balance for the Business Day.

**Net Settling Purchases**

The excess of Settling Purchases over Settling Sales for a Security for a Business Day.

**Net Settling Sales**

The excess of Settling Sales over Settling Purchases for a security for a Business Day.

**Net Settling Trades**

The sum of the Settling Purchases and Settling Sales of such security for a Business Day.

**Participants**

Those entities whose applications have been approved by the ECCSD as having met all of the requirements under Rule 10.2; which have to be agreed to be bound by the conditions stated in Rule 10.2.11 and to which the ECCSD has agreed to make or makes its services available in terms of the provisions of Rule 10.5.

**Procedures**

The Procedures of the ECCSD adopted pursuant to Rule 10.26.

**Registry**

Any entity that performs the functions of a registry and is licensed by the Commission pursuant to Part III of the Securities Act or in the case of listed securities traded on the ECSE, a foreign securities registry referred to in Part XVA of the Securities Act.

**Registry Transfer**

A transfer on the books of a Registry to or from the account of the ECCSD on behalf of a Participant

**Representative**

A natural person authorized to act on behalf of a Participant as provided in Rule 10.7.

**Segregated Position**

An account into which customers' securities must be transferred for purposes of segregation pursuant to the ECCSD Rules and Procedures.

**Settlement Account**

The account maintained by the ECCSD for each Participant to which all money transactions of the Participant, relative to transactions effected through the facilities of the ECCSD, are debited and credited, as more fully specified in the Procedures.

**Settlement Date**

The date on which the delivery of securities is due and payment is required on a Contra.

### **Settlement Price**

- (a) On a Business Day, the closing price of a Security on the market on which it was traded on the last previous Business Day on which there were trades in the security but shall not include the price at which trades are cleared through the Trade-for-Trade system.
- (b) When there has not been a previous trade in a security, the settlement price shall be the price deemed appropriate by the ECCSD.
- (c) Notwithstanding the foregoing, the ECCSD may fix the Settlement Price of a Security at such amount (including zero) as it deems necessary and appropriate in the circumstances to protect the respective interests of the Participants and the ECCSD.

### **Settling Purchases**

All Settling Trades for a Business Day involving the purchase of a Security.

### **Settling Sales**

All Settling Trades for a Business Day involving the sale of a Security.

### **Settling Trades**

The Contracts cleared through the ECCSD on a Business Day which is the Settlement Date.

### **Trade-for-Trade System**

The ECCSD's system of accounting for and effecting settlement of security transactions that are accepted for clearance on a trade-for-trade basis.

## **10.2 Participants**

10.2.1 The ECCSD shall make its services available to entities which meet the requirements in Rule 10.2.2 and whose applications for the use of ECCSD's services have been approved by the ECCSD.

### **10.2.2 ECCSD's Approval**

The ECCSD shall only approve applicants which meet the institutional qualifications specified in Rule 10.2.3. and which meet the standards of financial condition, operational capability and character defined in Rule 10.2.4 below.

### **10.2.3 Institutional Qualifications**

Subject to the provisions of Rule 10.2.2, a corporation, or other organization or entity is eligible to become a Participant if it satisfies at least one of the following qualifications:

- (a) it is a licensed broker dealer or limited service broker which is a member in good standing of a securities exchange or securities association licensed under the Securities Act;



- (b) It is a licensed custodian under the Securities Act; or
- (c) It is a regulated financial institution other than those in sub-rules (a) and (b) above, which demonstrates to the Board of Directors that its business and capabilities are such that it could reasonably expect material benefit from direct access to the ECCSD's services.

#### 10.2.4 Required Standards

The following are the standards of financial condition, operational capability and character which the eligible applicant has to meet:

##### **Financial Strength**

The applicant shall have demonstrated that it has sufficient financial capacity to meet its anticipated obligations to the ECCSD.

##### **Personnel**

The applicant shall have demonstrated that it has adequate personnel capable of handling transactions with the ECCSD and adequate physical facilities, books and records and procedures to fulfill the applicant's anticipated commitments to, and to meet the operational requirements of, the ECCSD and other Participants with necessary promptness and accuracy and to conform to any condition and requirement which the ECCSD reasonably deems necessary for its protection.

##### **Fitness of applicant**

The ECCSD shall have received no substantial information, such as the following, which would adversely reflect on the applicant or any person associated with the applicant to such extent that access of the applicant to the ECCSD should be reasonably denied:

- (A) Information providing the ECCSD with reasonable grounds to believe the applicant or any person associated with the applicant to be responsible for:
  - (I) fraud, fraudulent acts or breach of fiduciary duty;
  - (II) a material fact or omitting a material fact to the ECCSD in its application to become a Participant or thereafter; or
  - (III) the willful violation of Securities Act or any Commission rule or regulation at any time thereunder;
- (B) Information that the applicant or any person associated with the applicant has been convicted within the ten (10) years preceding the filing of the application to become a Participant or at any time thereafter of any crime, felony or misdemeanour, which:
  - (I) involves the purchase, sale or delivery of any securities or arose out of conduct of the business of a broker, dealer, investment company, investment adviser, underwriter, bank, insurance company or other financial institution; or

- (II) involves robbery, larceny, embezzlement, fraudulent conversion, forgery or misappropriation of funds, securities or other property;
- (C) Information that the applicant or any person associated with the applicant is permanently or temporarily enjoined by order, judgment or decree of any court or other governmental authority of competent jurisdiction from acting as, or as a person associated with, an investment adviser, underwriter, broker, dealer, investment company, bank, registry, insurance company or other financial institution or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase, sale or delivery of any securities; or;
- (D) Information that the applicant or any person associated with the applicant has been expelled or suspended from a securities association, exchange, registry, or collective depository, or has been barred or suspended from being associated with any member of an exchange, association, registry, or collective depository.

#### **10.2.5 Conditional or unconditional approval as Participant**

The ECCSD may approve the application of any applicant, either unconditionally or on an appropriate temporary or other conditional basis, if the ECCSD determines that any standard specified in this Rule, as applied to such applicant or any person associated with such applicant, is unduly or disproportionately severe or that the conduct of such applicant or person associated with such applicant has been such as not to make it against the interest of the ECCSD, the Participants, or the public to approve such application.

#### **10.2.6 Capacity of Applicants**

- (a) Notwithstanding the foregoing, the ECCSD may decline to accept the application of any applicant upon a determination by the ECCSD that the ECCSD does not have adequate personnel, space, data processing capacity or other operational capability at that time to perform its services for additional Participants without impairing the ability of the ECCSD to provide services for its existing Participants, to assure the prompt, accurate and orderly processing and settlement of securities transactions, to safeguard the records, the funds, and securities held for Participants or otherwise to carry out its functions.
- (b) However, the applicants whose applications are denied pursuant to this paragraph shall be approved as promptly as the capabilities of the ECCSD permit in the order in which their applications were filed with the ECCSD.

#### **10.2.7 Nondiscrimination; Right of Appeal**

The ECCSD shall apply the foregoing requirements on a nondiscriminatory basis. Any applicant aggrieved by action taken by the ECCSD in applying such qualifications shall be entitled to a right of appeal in accordance with the provisions of Rule 10.21.

#### 10.2.8 **Person associated with Participant**

For the purposes of this Rule, the term "person associated with" when applied to any person shall mean any partner, officer, director, or employee of such person or any person directly or indirectly controlling or controlled by such person.

#### 10.2.9 **Cessation of Services**

- (a) The ECCSD may at any time cease either temporarily or permanently to make its services available to a Participant in accordance with Rules 10.9, 10.10 and 10.11 and the Participant shall, upon receipt of notice thereof given by the ECCSD as provided in these Rules, cease to be a Participant; provided however, that if the ECCSD notifies a Participant that it has ceased to act for it with respect to a particular transaction or transactions, the Participant will continue to be a Participant.
- (b) A Participant may terminate its business with the ECCSD by notifying the ECCSD thereof; the Participant shall, upon receipt and acknowledgement of such notice by the ECCSD, cease to be a Participant.
- (c) In the event that entity shall cease to be a Participant, the ECCSD shall thereupon cease to make its services available to the Participant, except that the ECCSD may perform services on behalf of the Participant or its successor- in- interest necessary to terminate the business of the Participant or its successor with the ECCSD.
- (d) The Participant or its successor shall pay to the ECCSD fees and charges pursuant to these Rules with respect to services so provided by the ECCSD subsequent to the time at which the Participant ceases to be a Participant.
- (e) The ECCSD shall immediately notify the Commission if it temporarily or permanently ceases to make its services available to a Participant in accordance with these Rules.

#### 10.2.10 **Cooperation of Participant with ECCSD**

Upon the request of the ECCSD, any Participant shall furnish to the ECCSD, information sufficient to demonstrate its satisfactory financial condition and operational capability and shall permit representatives of the ECCSD to inspect its books, records, equipment and premises and to question its Directors, officers and employees. The furnishing of any such financial or operational information to the ECCSD shall be subject to any applicable laws or rules and regulations of regulatory bodies having jurisdiction over the Participant which relate to confidentiality of records.

#### 10.2.11 **Conditions of Designation as Participant**

An entity whose application to become a Participant has been approved by the ECCSD shall be bound by the following conditions:

##### **Constitution of ECCSR and Rules**

- (i) The Participant will abide by the constitution and Rules of the ECCSD and the ECCSD shall have all the rights and remedies contemplated by the constitution and Rules of the ECCSD;

**Amendment**

- (ii) The constitution and Rules of the ECCSD shall be a part of the terms and conditions of every contract or transaction which the Participant may make or have with the ECCSD;

**Payment of Obligations**

- (iii) The Participant will pay to the ECCSD the compensation due it for services rendered based on the ECCSD's fee schedules, and such fines or levies as may be imposed or deposits as may be required in accordance with the constitution and Rules of the ECCSD for the failure to comply therewith;
- (iv) The Participant will pay to the ECCSD any amounts which pursuant to the provisions of Rules 8 and 19 hereof shall become payable by the Participant to the ECCSD;

**Inspection of Facilities and Records**

- (v) The Participant's books and records shall at all times during the regular business hours of the Participant (and at such other times as may be acceptable to the Participant) be open to the inspection of the duly authorized employees or agents of the ECCSD and that the ECCSD shall be given all such information in respect of the Participant's business and transactions as it may require, provided, however, that the ECCSD's right to inspect the books and records of the Participant and to be given information as prescribed herein shall be subject to any applicable laws or rules and regulations of regulatory bodies having jurisdiction over the Participant which relate to confidentiality of records;

**Provision of Information**

- (vi) The ECCSD, via the ECCSR, is authorized to provide to the Issuer of any Security at any time credited to the account of the Participant the name of the Participant and the amount of the Issuer's securities so credited and is authorized to provide similar information relating to all positions in any Security to the Commission or any legally authorized governmental or self-regulatory authority or organization;

**Custodians**

- (vii) The Participant appoints the ECCSD as its agent (1) to enter into a custody agreement if necessary with any bank or other appropriate entity (hereinafter referred to as "Custodian") chosen by it, in such form and containing such terms and provisions as the ECCSD may in its sole discretion approve, and the Participant hereby ratifies and confirms any and all action previously taken by the ECCSD in this connection, and (2) to instruct each Custodian as to the delivery of any and all securities or funds held by any such Custodian pursuant to any such agreement;

**Instructions to ECCSD**

- (viii) The Participant will, except as otherwise permitted by the ECCSD, give all instructions concerning any Credited securities held by the ECCSD for the Participant's account, or by any Custodian subject to the instructions of the ECCSD,

through the ECCSD and not otherwise;

**Reliance of Custodian**

- (ix) Each Custodian shall be entitled to act and rely in all respects upon, and that as regards such Custodian the Participant shall be bound by, the instructions of the ECCSD with respect to any Credited securities from time to time held by the ECCSD for the Participant's account or by any such Custodian subject to the instructions of the ECCSD;

**Nominees**

- (x) Each Security to be credited to the Participant's account with the ECCSD may be transferred into the name of any nominee designated by the ECCSD or by such Custodian as the ECCSD may select, and the Participant will indemnify the ECCSD and any nominee of the ECCSD in the name of which securities credited to the Participant's account are registered against all loss, liability and expense which they may sustain, without fault on the ECCSD's part, as a result of securities credited to the Participant's account being registered in the name of any such nominee, including (a) assessments, (b) losses, liabilities and expenses arising from claims of third parties and from taxes and other governmental charges, and (c) related expenses in respect of any such securities. Participants will be notified of any such transfers within ten (10) business day of such transfer;

**Amendment to Constitution or Rules**

- (xi) The Participant will be bound by any amendment to the constitution of the ECCSD or these Rules with respect to any transaction occurring subsequent to the time such amendment takes effect as fully as though such amendment were now a part of the constitution and Rules of the ECCSD, provided, however, that no such amendment shall affect the Participant's right to cease to be a Participant. Before such amendment or change becomes effective, the ECCSD will give the Participant ten (10) business days notice thereof and the opportunity to give written notice to the ECCSD of its election to terminate its business with the ECCSD; and

**Binding effect**

- (xii) The obligations of the Participant under these rules shall be binding upon the Participant's successors and assigns.

## **NOTICES**

### **10.2.12 Change of personnel**

The Participant shall provide written notice to the ECCSD of any change in personnel related to its securities activities within 10 business days of such change. Such change shall include but be not limited to the authorized representative and most senior executive officer.

### **10.2.13 Change of Service Providers**

The Participant shall provide written notice to the ECCSD of any change in Contracted Service Providers related to its securities activities with 10 business days of such change. Such change in service providers shall include but not limited to the External auditor.

### **10.2.14 Notices to Participants**

- (a) Any notice from the ECCSD to a Participant under these Rules or under any agreement between the ECCSD and a Participant shall be sufficiently served on such Participant if the notice is:
  - (i) In writing; and
  - (ii) Is delivered to the Participant's box maintained by the ECCSD on its premises or, if such Participant maintains no such box, is delivered by the means other than mail, if any, normally employed by the ECCSD for delivery of communications to such Participant; or
  - (iii) Is delivered or mailed to the Participant's office address to the attention of such person as the Participant shall have designated in writing or, if the Participant shall have filed with the ECCSD a written request that notice to it be delivered to it at some other address, then to such other address.
- (b) Any such notice to a Participant if mailed, shall be deemed to have been given when deposited in the Postal Service, with postage thereon prepaid, directed to the Participant at such address.

### **10.2.15 Notices to the ECCSD**

- (a) Any notice from a Participant to the ECCSD, including any notice under any agreement between the ECCSD and a Participant, shall be sufficiently served on the ECCSD if the notice is in writing and is mailed through the postal service to the ECCSD at Post Office Box 94, Bird Rock, Basseterre, St Kitts, Attention: General Manager.

(b) Any such notice to the ECCSD if mailed, shall be deemed to have been given when deposited in the Postal Service, with postage thereon prepaid, directed to the ECCSD at address specified above.

#### **10.2.16 Participant as Principal of Non- Participant**

A Participant who utilizes the services of the ECCSD for a person who is not a Participant shall, so far as the rights of the ECCSD, and another Participants are concerned, be liable as principal.

#### **10.2.17 Rights and Remedies against the ECCSD**

These Rules and the Procedures and the terms and conditions of every agreement and transaction by and among Participants and the ECCSD in connection therewith and pursuant thereto are not intended to confer upon any persons other than such Participants, successors and assigns any rights or remedies against the ECCSD.

#### **10.2.18 Confidentiality**

Except as provided in Rules 10.2.10 and 10.2.11(v) hereof, all records of Participant activity with the ECCSD shall be kept strictly confidential.

#### **10.2.19 Liability Disclaimer**

The ECCSD shall use its best efforts to perform its duties and responsibilities in the manner specified in the Rules, but shall have no liability to any Participant or any third party except for the non-performance or mis-performance of duties and responsibilities.

### **10.3 Participant's Reporting Requirements**

10.3.1 Once approved and as long as they remain as such, participants shall be required to submit to the ECCSD (i) unaudited quarterly financial statements within 30 calendar days after the end of each quarter, (ii) annual financial statements audited by auditors approved by the ECCSD within 120 calendar days after the end of the financial year, (iii) monthly net capital report within two weeks after the end of the month (iv) monthly position confirmation reports within 10 days of the month end.

10.3.2 The Participant shall also provide the ECCSD with immediate notification in writing of any change in financial condition that could affect the Participant's ability to meet its obligations as a participant.

10.3.3 The ECCSD may also require such other financial statements or information as may be necessary to assure the ECCSD that the participant's financial condition and performance do not create undue risks to the ECCSD and other Participants.

## **10.4 Securities**

### **10.4.1 Eligible securities**

- (a) Eligible securities may only be those issues of securities which when credited with the ECCSD, may lawfully (as determined by the ECCSD) be the subject of transfer by book-entry pursuant to applicable provisions of law.
- (b) The ECCSD shall accept an issue of securities as Eligible securities only upon a determination by the ECCSD that it has the operational capability and can obtain information regarding the securities necessary to permit it to provide its services to Participants when securities of such issue are credited.
- (c) The timing of additions of such issues shall be on a nondiscriminatory basis consistent with the ECCSD's objective to provide the maximum practical degree of service in facilitating the prompt and orderly settlement of securities transactions.

### **10.4.2 Disqualification of Eligible Securities**

10.4.2.1 An Eligible Security which the ECCSD in its discretion determines no longer meets the requirements imposed pursuant to Section 1 of this Rule shall cease to be an Eligible Security.

10.4.2.2 In addition to the provisions of Rule 10.4.1 above, the ECCSD may determine that an Eligible Security shall cease to be such in the event that:

- (i) Securities have been suspended from being traded through the facilities of any securities association or exchange, or
- (ii) The Board of Directors find that the level of activity concerning that security during the period of three consecutive months preceding that determination is insufficient to produce benefits commensurate with the costs for the Participants arising from its continued inclusion, or
- (iii) The ECCSD determines that the security must be exchanged for, or will be converted into, another security which is not an Eligible Security, or
- (iv) The security is subject to a tender offer or an exchange offer.

10.4.2.3 Furthermore, any security shall cease to be an Eligible Security upon a finding by the ECCSD, in its judgment that the continued eligibility of the security might endanger the financial condition of the ECCSD or the Participants.

### **10.4.3 Notice to Participants of Disqualified Securities**

- (a) If the ECCSD refuses to accept a security as an Eligible Security or determines that an Eligible Security shall cease to be such, the ECCSD shall give notice to all Participants,



and from and after the effective date specified in the notice, the ECCSD shall cease to render any service with respect to such security.

- (b) A refusal to accept a security as an Eligible Security or a determination that an Eligible Security shall cease to be such shall be subject to appeal under Rule 21 by any Participant or the issuer of such security.

## **10.5 Services**

### **10.5.1 Types of Services**

- (a) Subject to the provisions of these Rules and the Procedures, the ECCSD, acting in accordance with duly authorized instructions from the Participants, shall:
  - (i) Credit the account of a Participant by book-entry with the securities for which it submits an inquiry and a transfer instruction to the appropriate Registry at such time as the registration of the transfer thereof into the name of the ECCSD's nominee is effected at such Registry in response to the Participant's instruction;
  - (ii) Effect book-entry transfers at the ECCSD based on instructions in respect of a Participant's Credited securities, including instructions initiated by a Participant using terminal input, to another Position of such Participant or to another Participant or Participants for free, or in the Trade-For-Trade System versus payment pursuant to Rule 10.6;
  - (iii) Instruct the Registry to transfer a Participant's Credited securities from the ECCSD's registration at the Registry to a Participant or a person designated by the Participant by Registry Transfer;
  - (iv) Disburse money to, and receive money from, Participants in connection with related securities transactions; or
  - (v) Acting on its own or by appropriate instruction, shall provide to Participants information and statements of account regarding their business with the ECCSD.
- (b) Such transactions shall be effected in accordance with the By-Laws, these Rules and the Procedures, and the Regulations of the Commission.
- (c) The ECCSD may also provide such other services as are consistent with the purposes and powers of the ECCSD; provided, however, that the ECCSD shall not initiate any change in the nature of, or any service other than, the services specified in 10.5.1(a) above without first notifying the Commission thereof.
- (d) Any or all credited securities may be required by the ECCSD to be removed from a Participant's account with the ECCSD by Registry Transfer when the ECCSD in its discretion deems such removal necessary or expedient.

## **10.5.2 Indemnity to ECCSD for Participant’s Credited Securities Registered in Name of ECCSD’s Nominee**

10.5.2.1 In consideration of the Participant's credited securities being registered in the name of the ECCSD's nominee, the Participant shall indemnify the ECCSD and any nominee of the ECCSD in the name of which such securities are registered against all loss, liability and expense, which they may sustain, without fault on the ECCSD's part, resulting from such.

10.5.2.2 Without limiting the meaning the extent of the phrase “all loss, liability and expense” shall include including:

- (A) Assessments;
- (B) Losses, liabilities and expenses arising from claims of third parties and from taxes and other governmental charges;
- (C) Related expenses in respect of any such securities;
- (D) The inability of any person entitled to exercise any rights in respect of such securities (including, but not limited to, voting rights, dissenters' rights, rights to purchase other securities or exchange or conversion rights) so to exercise such rights or exercise such rights on a timely basis; and
- (E) The inability of any such person entitled to dividends or other distributions in respect of such securities to obtain such dividends or other distributions on a timely basis.

## **10.5.3. Maintenance of Sufficient Securities in Participant’s Securities Account**

Any instruction given to the ECCSD by a Participant shall be deemed to be an undertaking to the ECCSD by such Participant that it has and will maintain sufficient securities balances in its account on the books of the ECCSD to support all transactions specified in such instruction.

## **10.5.4. Instructions by Participants to the ECCSD**

The ECCSD may accept or rely upon any instruction given to the ECCSD by a Participant, in a form acceptable to the ECCSD and in accordance with the Procedures, which reasonably is understood by the ECCSD to have been delivered to the ECCSD by the Participant, and the ECCSD shall have no responsibility or liability for any errors which may occur, without negligence on the ECCSD's part, in the course of transmission of such instruction to the ECCSD.

### 10.5.5. Participant's Indemnity

10.5.5.1 Any Participant delivering instructions as provided above, shall indemnify the ECCSD, and any of its employees, officers, directors, stockholders, agents, and Participants who may sustain any loss, liability or expense as a result of:

- (i) Any act done in reliance upon the authenticity of any instruction received by the ECCSD;
- (ii) The inaccuracy of the information contained therein or;
- (iii) Effecting transactions in reliance upon such information or instruction

against any such loss, liability or expense so long as such transactions are effected in accordance with such information and instructions even though they be inaccurate or not authentic and so long as the person asserting a right to indemnification shall not have, or should not have had, knowledge of such inaccuracy or lack of authenticity at the time of the event or events giving rise to such loss, liability or expense.

10.5.5.2 Notwithstanding the foregoing, the ECCSD will not act upon any instruction purporting to have been given by a Participant which is received commencing one business day after the ECCSD receives written notice from the Participant that the ECCSD shall not accept such instructions until such time as the Participant shall withdraw such notice.

### 10.5.6. Services Based on Corporate Actions

10.5.6.1 If the ECCSD:

- (i) Receives notice that an issuer of an Eligible Security has declared a stock or cash dividend on such security or has authorised a stock split or combination or a distribution of rights or of other property or any other transaction with respect to such security (a "transaction") prior to the record date for the transaction; or
- (ii) Receives notice of a proposed meeting of holders of an Eligible Security or other occasion for the exercise of voting rights or the giving of consents ("voting rights") prior to the record date for the voting rights,

The ECCSD shall:

- (i) Credit the proceeds of the transaction received by the ECCSD to the accounts of Participants with a record date position in such Eligible Security; or

- (ii) On or immediately after a record date for the exercise of voting rights, the ECCSD will use its best efforts to permit Participants to exercise voting rights in accordance with this Rule and the Procedures.

If a Participant:

- (i) Has a security credited to its account which is subject to the transaction or the voting rights after the record date, the ECCSD shall not credit the proceeds of the transaction to the account of the Participant or provide for the exercise of voting rights by the Participant.

The ECCSD shall:

- (i) Have no responsibility or obligation to Participants or others in respect of the exercise of voting rights except to use its best efforts to act in accordance with this Rule and the Procedures.

Without limiting the generality of the foregoing, the ECCSD shall have no responsibility in the event that:

- (i) The ECCSD, without fault on the ECCSD's part, receives insufficient notice of a proposed meeting to permit action in accordance with this paragraph, or
- (ii) No record date for a transaction or the exercise of voting rights is established by the issuer.

The ECCSD shall not have any lien on or other interest in any fully paid securities held for customers in a Segregated Position.

## **10.6. Trade-For-Trade System**

### **10.6.1 Trade-For Trade System Defined**

10.6.1.1 The Trade-For-Trade System is a system of accounting for and settling Trade-For-Trade Contracts pursuant to which the Participant is either obligated to deliver units of each Security in which it has activity for that settlement period (a Short Position), or is entitled to receive units of that Security (a Long Position).

10.6.1.2 The delivery obligation shall be to the buying Participant with whom the contract was made and the right to receive being against the selling Participant with whom the contract was made; whereby Short Positions or Long Positions outstanding in respect of prior days' unsettled activity are carried forward until settled or closed-out in accordance with the provisions of this Rule 10.6 or other Rules; and whereby the contract money on all settling purchases is netted for each Participant against the contract money on all settling sales for that

Participant and any mark-to-the-market payment obligations or miscellaneous payment items of or to that Participant.

#### **10.6.2. Maintenance of Position in Each Security**

10.6.2.1 The ECCSD will maintain for each Participant for accounting purposes a position for each Contract in each Security for which the Participant has activity. The ECCSD will maintain either a Short Position reflecting units, which the Participant is obligated to deliver to another participant or a Long Position reflecting units, which the Participant is entitled to receive from another Participant.

#### **10.6.3. Delivery and Receipt of securities**

The ECCSD will on each Settlement Date by book-entry notations automatically effect delivery of securities from a selling Participant's Free Positions to the applicable buying Participant's Free Position for the purpose of clearing Settled Trades.

A Participant must hold all fully paid securities held on behalf of third parties in a Segregated Position and must transfer such securities promptly to a Segregated Position from a Free Position unless such third party has instructed the Participant to sell such securities.

Notwithstanding the foregoing, deliveries and receipts of securities may also be effected in such other manner as may be prescribed in the Rules.

#### **10.6.4. Submission of Contract Data by Participant**

Each Participant shall cause to be submitted to the ECCSD for recording Contract Data with respect to all Contracts to be recorded, cleared or settled through the ECCSD which have been compared by another source. Such Contracts may include, but shall not be limited to, Contracts executed and compared through the facilities of any securities exchange or association.

All Contract Data submitted to the ECCSD shall be recorded in accordance with this Section.

#### **10.6.5. Issuance of Detail Trade Report**

10.6.5.1 On each business day each Participant will retrieve a Detail Trade Report which will show as to each Trade-For-Trade Security the Trade-For-Trade Contracts recorded on trade day with the ECCSD that are due to settle on settlement day or on another day as established by the contracting Participants, including details of each trade and such other information as the ECCSD may deem advisable.

10.6.5.2 It shall be the duty of Participants to check all Detail Trade Reports immediately upon receipt thereof and to cause corrections of any errors thereon in accordance with Rule 10.6.6.

#### **10.6.6 Error Correction**

Immediately upon discovery of any error reflected on the Detail Trade Report, the Participant shall be responsible to correct the error by notifying the applicable securities exchange or association with respect to Contracts completed by such exchange or association, or such other person or entity which is responsible for the comparison of trades which are submitted to the ECCSD for recording. The Participant or other appropriate person where applicable, shall take whatever action is required to correct such error.

With respect to an error in any Contract which is discovered prior to settlement of such Contract, such Contract may be corrected by notifying the ECCSD to cancel the incorrect Contract, and, if applicable recording the correct Contract when both parties to such Contract have authorized this action and the ECCSD has agreed to such action.

In the event that an error in any Contract is discovered after such Contract has been settled through the ECCSD, such Contract may be corrected only by executing a new trade, which reverses the incorrect Contract when both parties to such incorrect Contract have authorized a new and correct Contract.

#### **10.6.7 Issuance of Actual Settlement Report**

10.6.7.1 On each Settlement Date, the ECCSD will issue to each Participant an Actual Settlement Report which will reflect for each Trade-For-Trade Security in which there was activity, the Participant's activity in such Trade-For-Trade Security on trade day, the transactions or transfers into and out of its Free and Segregated Positions, and the closing Long or Short Position for that day in each Trade-For-Trade Security.

10.6.7.2 The Actual Settlement Report or such other report as the ECCSD shall determine, will show the Participant's money activity for that Settlement Date.

#### **10.6.8 Additional Mark-To-The-Market Payments**

The ECCSD may, when it deems it necessary for the protection of the ECCSD and the Participants in view of the price fluctuations in or volatility or lack of liquidity of any Security, require any or all Participants to make mark-to-the-market payments on any Long or Short Position in respect of such security or to make mark-to-the-market payments in respect of any or all transactions in such Security prior to the Settlement Date for such transaction. The obligation to make mark-to-the-market payments in accordance with this Rule shall be a contractual obligation of each Participant in consideration of, and shall

constitute current value for, the ECCSD's continuing processing of Trade-For-Trade activity for such Participant with the ECCSD.

The ECCSD shall hold all such mark-to-the-market payments until the transactions or positions giving rise to the payments are settled.

#### **10.6.9 Special Notice to Participants of Inadequate securities to Settle Trades**

A Participant having Settling Sales in a Trade-For-Trade Security which do not settle on Settlement Date because the Participant has failed to make available securities it has an obligation to deliver, shall be sent a special notice from the ECCSD by the close of business on Settlement Date to eliminate such Short Position.

Upon receipt of such special notice, the Participant shall promptly credit or cause to be delivered to its Free Position the amount of such Security specified in the notice, and if the Participant shall fail to do so prior to the post-closing cut-off time for processing trades, credits or deliveries on such Settlement Date, the ECCSD may take action as it deems necessary to protect its participants and itself (according to close-out Rules and Procedures) including causing such securities to be bought in for the account of such Participant and for purposes of completing the required delivery on the first Business Day after Settlement Date.

When a Security is bought in for the account of a Participant pursuant to this Rule, the ECCSD shall do so in the best available market and at the best price and terms then obtainable, and neither the ECCSD nor any officer, director or employee thereof shall have any liability in respect of a buy-in executed in good faith under this Rule.

The ECCSD shall have the discretion to appoint such broker or brokers as it may desire to execute the buy-in transaction, and the failing Participant shall be responsible for the payment of all costs and expenses incurred in connection with such transaction.

### **10.7 Participant's Representatives**

#### **10.7.1 Authorized Representative of Participant**

There shall be present at the location of each Participant on each business day between the hours of 8:00 am and 4:00 p.m., and until the Participant's account with the ECCSD, in the judgment of the ECCSD, is settled and in balance, a representative authorized in writing by the Participant in the name and on behalf of the Participant to sign all instruments, correct errors and perform such duties as may be required under these Rules and the Procedures and transact all business in connection with the Participant's business with, and the operations of, the ECCSD.

### **10.7.2 Filing of Authorized Signature**

Every Participant shall file with the ECCSD the signature of each person who is authorized to act on behalf of the Participant pursuant to Section 1 of this Rule together with its written authorization.

### **10.7.3 Appointment of Participant as Agent of Another Participant**

A Participant may appoint another Participant as its agent with respect to all the appointing Participant's business carried out with the ECCSD, provided such appointment has been consented to by the ECCSD and is evidenced by such appointments, authorizations, certifications and other agreements in such form as the ECCSD may require.

### **10.7.4 Operational Arrangements by Participant without Another Participant as Agent**

10.7.4.1 Each Participant which does not appoint another Participant as its agent pursuant to Rule 10.7.3 shall make operational arrangements satisfactory to the ECCSD to deliver to, and receive from, an office, or agency of the ECCSD and appropriate Registries, instructions and other documents.

10.7.4.2 In addition, if required by the ECCSD because of the location of the Participant, the Participant shall arrange communications facilities between the Participant and the ECCSD and appropriate Registries, which shall be satisfactory to the ECCSD.

## **10.8 Money Payments**

### **10.8.1 Settlement of Transactions**

Pursuant to the settlement of transactions under Trade-for-Trade System specifying an amount of money payable, the ECCSD is authorized to, and will (subject to the right of the ECCSD to cease to act for a Participant either with respect to a particular transaction or transactions or with respect to transactions generally pursuant to these Rules), credit the deliverer's account with the ECCSD with the amount specified and debit the receiver's account with the ECCSD with the same amount. Payments through the facilities of the ECCSD shall be made in accordance with these Rules and the Procedures.

### **10.8.2 Money Payments between Participants**

Money payments between Participants pursuant to Section I of this Rule shall, except as otherwise provided in the Procedures, be made through an account established for that purpose at the Eastern Caribbean Central Bank (ECCB) (or at another bank on terms approved by the ECCSD) as provided in this Rule 10.8.2.

In addition to the debits and credits pursuant to Rule 10.8.2.2, the ECCSD shall debit or credit itself, and Participants with other amounts receivable and payable in accordance with these Rules and the Procedures.



On each business day the ECCSD shall net all debits and credits to the accounts of each Participant subject to adjustments fails as set forth for the Trade-for-Trade System in Rule 10.6.

If at any time a balance is due the ECCSD from a Participant, payment of the amount of such balance shall be made by the Participant to the ECCSD in the manner and at the time and place specified in the Procedures and if at any time a balance is due a Participant from the ECCSD, payment of the amount of such balance shall be made by the ECCSD in the manner and at the time and place specified in the Procedures.

Each Participant shall open an account with the Eastern Caribbean Central Bank (ECCB) or a bank approved by the ECCSD to facilitate money settlement with the ECCSD pursuant to these Rules, and shall, at the ECCSD's request, authorize the ECCSD to deposit to, and withdraw from, such account, as the case may be, such amounts as are due to or from the ECCSD.

A Participant shall pay the ECCSD the whole or any part of its Net Debit Balance at any time on the ECCSD's demand.

At the request of the ECCSD, a Participant shall immediately furnish it with such assurances as the ECCSD shall require of the Participant's financial ability to fulfill its commitments and shall conform to any conditions which the ECCSD deems necessary for its protection and the protection of other Participants, which may include, in the sole discretion of the ECCSD, Credited securities; provided, however, that any such conditions shall not be inconsistent with any applicable laws or rules or regulations of regulatory bodies having jurisdiction over the Participant.

If a Participant shall fail to furnish the ECCSD with such assurances, the ECCSD may, in its discretion, withhold any Net Credit Balance, or take any other action authorized under these Rules.

### **10.8.3 Delivery of securities between Participants**

10.8.3.1 Notwithstanding any provision in these Rules to the contrary, any action taken by the ECCSD pursuant to the Trade-for-Trade System to deliver securities from one Participant's account to the account of another Participant (the "receiver") by book entry on a business day for which, pursuant to such instruction, payment is to be made by the receiver through the facilities of the ECCSD shall, notwithstanding the nature of such action, not constitute an entry on the books of the ECCSD increasing the account of the receiver by the amount of the obligation or the number of shares or rights subject to the instruction until the earlier of (the "effective time")(a)the time it is finally determined by the ECCSD on such business day that the receiver has a Net Credit Balance for such business day; or (b)the time the receiver pays its Net Debit Balance, as finally determined

by the ECCSD for such business day, to the ECCSD in the manner specified in these Rules.

In the event the ECCSD, prior to the effective time, ceases to act for the receiver with respect to transactions generally pursuant to Rule 9 or ceases to act for the receiver pursuant to Rule 11, or in its sole discretion, determines that, in light of the receiver's financial or operating condition, it is in the best interests of the ECCSD and its Participants not to complete certain transactions with respect to the receiver although it does not cease to act therefore, the ECCSD shall have the right to sell out some or all of the securities subject to the instruction in the manner specified in Section 4 of this Rule 8 and credit the proceeds of such sale to the receiver's money account with the ECCSD; and provided, further, that to the extent that the receiver shall obtain control of any such securities, the receiver shall be considered as holding the same for the benefit of the ECCSD, and the ECCSD shall have the right to reclaim possession thereof from the receiver. If the receiver shall transfer or pledge the securities to a third party for value by a book entry transaction on the books of the ECCSD, the ECCSD shall have the right to reclaim, and shall be entitled to, any proceeds obtained by the receiver as a result thereof.

#### **10.8.4 Sale of Securities Pursuant To Rule 10.8.3**

In the event the ECCSD shall sell any securities pursuant to Rule 10.8.3, such sale may be made in any available market or at public auction or by private sale, and may be made without demand or notice to the receiver. If the sale is made in any market, or if the sale is at public auction, the ECCSD may purchase the securities sold for its own account. The ECCSD shall, upon receipt of the proceeds of the sale of such securities, apply such proceeds to the payment of the receiver's Net Debit Balance for such business day and any surplus shall be credited to the account of the receiver with the ECCSD.

### **10.9 Discretionary Termination**

#### **10.9.1 Adequate Cause for Discretionary Termination**

Based on its judgment that adequate cause exists to do so, the ECCSD may at any time cease to act for a Participant either with respect to a particular transaction or transactions or with respect to transactions generally. Adequate cause for ceasing to act shall be deemed to exist if:

- (i) The Participant has failed to make any required deposit with the ECCSD; or
- (ii) The Participant has failed to pay any fine, fee, or other charge provided for in these Rules or the Procedures on the payment date therefore; or
- (iii) The Participant has failed to pay any amounts owing in respect of securities subject to delivery to it, by the time required by the Procedures or reasonable grounds exist

for a determination by the ECCSD that the Participant will not make such timely payment; or

- (iv) The Board of Directors, or a committee authorized thereby, shall have reasonable grounds to believe that (I) the Participant or any person associated with the Participant is responsible for (a) fraud, fraudulent acts or breach of fiduciary duty, (b) making a misstatement of a material fact or omitting to state a material fact to the ECCSD in connection with its application to become a Participant or thereafter, (c) violating any ECCSD Rule or any agreement with the ECCSD or (d) the willful violation of the Securities Act or any Commission rule or regulation thereunder or that (II) such ceasing to act is necessary for the protection of other Participants or to facilitate the orderly and continuous performance of the ECCSD's services; or
- (v) The Participant or any other person associated with the Participant has been convicted within the ten years preceding its application to become a Participant or at any time thereafter of any crime, felony or misdemeanor which involves the purchase, sale or delivery of any securities or arises out of conduct of the business of a broker, dealer, investment company, investment adviser, underwriter, bank, insurance company or other financial institution; or involves robbery, larceny, registry, embezzlement, fraudulent conversion, forgery or misappropriation of funds, securities or other property; or
- (vi) The Participant or any person associated with the Participant is permanently or temporarily enjoined by order, judgment or decree of any court or other governmental authority of competent jurisdiction from acting as an investment adviser, underwriter, broker, dealer, investment company, bank, insurance company, registry, or other financial institution or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase, sale or delivery of any securities; or
- (vii) The Participant or any person associated with the Participant is expelled or suspended from a securities association, exchange, registry, or collective depository or has been barred or suspended from being associated with any member of such an exchange, association, registry, or collective depository; or
- (viii) The Participant is in such financial or operating condition that reasonable grounds exist for a determination by the Board of Directors, or of the General Manager of the ECCSD if time does not permit action by the Board of Directors, that its continuation as a Participant would jeopardize the interests of other Participants. Any such action taken by the General Manager in this matter, must be subsequently ratified by the Board of Directors.

For the purposes of this Sub-Rule, the term "person associated with" when applied to any person shall mean any partner, officer, director, or employee of such person or any person directly or indirectly controlling or controlled by such person.

A written report of the reasons for such action shall be promptly made and filed with the ECCSD and the Commission.

When the ECCSD ceases to act for a Participant with respect to a particular transaction or transactions, it shall notify such Participant and such other Participants as it deems proper and shall determine what steps are to be taken in respect of the transaction or transactions with respect to which it is ceasing to act for such Participant.

When the ECCSD ceases to act for a Participant with respect to transactions generally, it will notify such Participant and all other Participants. The notice that the ECCSD has ceased to act for a Participant given by the ECCSD shall state in at least general terms how pending transactions will be affected.

#### **10.9.2 Mandatory delivery of Participant's Fully Paid Credited Securities**

Notwithstanding Sub-Rule 10.9.1 above, the ECCSD may not at any time cease to deliver a Participant's fully paid credited securities to such Participant by Registry Transfer.

#### **10.9.3 Refusal To Accept Contract Data and Instructions**

After the ECCSD has ceased to act for a Participant generally, except as provided by the Board of Directors in any particular case, it shall decline to accept any Contract Data for recording with the ECCSD on behalf of the Participant and any instructions from other Participants with respect to any transfer of credited securities to such Participant and shall decline to accept instructions from such Participant with respect to the transfer of credited securities to other Participants.

After the ECCSD has ceased to act for a Participant, in respect of a particular transaction or transactions, except as provided by the Board of Directors in any particular case, it shall decline to accept any applicable Contract Data for recording with the ECCSD on behalf of the Participant and instructions from other Participants with respect to any transfer of credited securities to the Participant and shall decline to accept instructions from the Participant with respect to the transfer of credited securities to other Participants in respect of such transactions.

#### **10.9.4 The ECCSD as Subrogee**

After the ECCSD has ceased to act for a Participant, in respect of either a particular transaction or transactions generally, the ECCSD shall nevertheless have the same rights and remedies in respect of any Debit Balance due from such Participant or any liability incurred on its behalf as though the ECCSD had not ceased to act for it.

#### **10.9.5 Insolvent Participants Excluded from Provisions**

The provisions of this Rule shall not apply in a case where a Participant is insolvent, as defined in Rule 11, and in such cases the provisions of Rule 11 shall govern.

## **10.10 Mandatory Termination**

The ECCSD, upon determining to its reasonable satisfaction that none of the qualifications set forth in Rule 3 apply to a Participant, shall cease to act for such Participant with respect to transactions generally as provided in Rule 9, and in such cases the provisions of Rule 9 and the provisions therein as to notice shall govern.

## **10.11 Insolvency**

### **10.11.1 Notice of Insolvency**

A Participant, who fails to perform its contracts or obligations or determines that it is unable to do so shall immediately inform the ECCSD orally and in writing of such failure or inability.

### **10.11.2 Insolvent Participant**

A Participant shall be treated by the ECCSD in all respects as insolvent:

- (a) In the event specified in Rule 10.11.1, provided, however, that a Participant shall not be treated as insolvent hereunder in such event if such Participant provides or posts a bond, indemnity or guaranty which the ECCSD in its sole discretion deems satisfactory to insure such Participant's performance under such contracts or obligations (without being deemed to have admitted its liability thereunder), or
- (b) In the event that the Participant is determined to be insolvent by any agency which regulates such; or
- (c) In the event of:
  - (i) The entry of a decree or order by a court having jurisdiction:
    - Adjudging the Participant as bankrupt or insolvent, or
    - Approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Participant under the applicable law, or
    - Appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Participant or of any substantial part of its property, or ordering the winding up or liquidation of its affairs; or
  - (ii) The institution by the Participant of proceedings to be adjudicated as bankrupt or insolvent, or
    - The consent by it to the institution of bankruptcy or insolvency proceedings against it, or

The filing by it of a petition or answer or consent seeking reorganization or relief under the applicable law, or

The consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Participant or of any substantial part of its property, or

The making by it of an assignment for the benefit of creditors, or

The admission by it in writing of its inability to pay its debts generally as they become due, or

The taking of corporate action by the Participant in furtherance of any such action.

### **10.11.3 Time of Insolvency**

As used in Rule 10.11, the phrase "Time of Insolvency" shall mean the time when the ECCSD determines to its reasonable satisfaction that any event specified in Rule 10.11.2 has occurred.

### **10.11.4 The ECCSD Ceases to Act for Participant**

From and after the Time of Insolvency of a Participant, the ECCSD shall cease to act for it, except as determined by the ECCSD in any particular case. The ECCSD shall as soon as possible after the Time of Insolvency notify the insolvent Participant and other Participants whether it has ceased to act for the insolvent Participant pursuant to the provisions of this Rule and such notice shall state, at least in general terms, how pending matters will be affected and what steps are to be taken in connection therewith.

### **10.11.5 Non-acceptance of Participant's Contract Data**

From and after the Time of Insolvency of a Participant, except as provided by the Board of Directors in any particular case, the ECCSD shall decline to accept any Contract Data for recording with the ECCSD on behalf of the Participant and any instructions from other Participants with respect to any transfer of Credited securities to the insolvent Participant and shall decline to accept instructions from the insolvent Participant with respect to the transfer of Credited securities to other Participants.

## **10.12 Rights of ECCSD with Respect To securities & Positions and Reinstatements**

### **10.12.1 ECCSD's securities and Positions**

In case the ECCSD ceases to act for a Participant pursuant to Rules 10.9, 10.10 or 10.11, the ECCSD may, in its discretion, withhold any Net Credit Balance, close any or all Long or Short Positions held by such Participant under the Trade-For-Trade System by offsetting transactions in any reasonably available market for the account of such Participant, and immediately employ the remedies for uncompleted trades or open

obligations set forth in Rules 6 and 8 and may cause all or any of the securities or other property held by it for the account of such Participant to be transferred to a proprietary account of the ECCSD, or, to the extent permitted under these Rules, be sold. Such sale or offsetting transactions may be made in any available market, or by private sale, and may be made without further demand or notice to the Participant. The proceeds of sale shall be applied by the ECCSD to the payment of the Participant's Net Debit Balance and any surplus shall be paid over to the Participant or its legal representative. The ECCSD shall be entitled promptly to recover from the Participant all amounts payable in such Participant's account with the ECCSD, including all amounts payable as a result of the foregoing transactions, together with all of the ECCSD's expenses in connection therewith.

#### **10.12.2 Reinstatement of Participants**

A Participant for whom the ECCSD shall have ceased to act pursuant to the provisions of Rules 10.9, 10.10, or 10.11 may, at any time, be reinstated by the affirmative vote of a majority of the entire Board of Directors.

#### **10.13 Insurance**

The ECCSD may maintain such insurance, in such amounts and having such coverage as the Board of Directors shall deem appropriate.

If the ECCSD shall materially reduce the amount or coverage of any such insurance or the persons providing such insurance shall notify the ECCSD of a material reduction in the amount or coverage thereof, the ECCSD shall promptly notify each Participant, and the Commission thereof stating the effective date of such reduction.

#### **10.14 Reports**

10.14.1 Within 120 days after the end of each financial year, the ECCSD shall provide to each Participant and to the Commission financial statements of the ECCSD audited by external auditor selected by the Board of Directors for such calendar year.

10.14.2 Within 120 days after the end of each financial year an audit of the ECCSD's system shall be conducted by external auditors selected by the Board of Directors and the report of such an audit will be submitted to the Board of Directors and to the Commission.

#### **10.15 Lists to be Maintained**

##### **10.15.1 List of Eligible Securities**

The ECCSD shall maintain lists of the securities which may be the subject of services rendered by the ECCSD which shall be called "Eligible Securities," and may from time to time add to, or delete from, such lists, securities in accordance with the provisions of Rule 10.4.

### **10.15.2 List of Participants**

The ECCSD shall maintain lists of all Participants.

### **10.16 ADMISSIONS TO PREMISES**

No person will be permitted to enter the premises of the ECCSD on behalf of any Participant unless he has first been approved by the ECCSD and has been issued such credentials as the ECCSD may from time to time prescribe and such credentials have not been canceled or revoked.

Each Participant shall, if any person in its employ to whom any credentials have been issued pursuant to this Rule or to whom a power of attorney or other authorization has been given to act for it in connection with the business of the ECCSD shall for any reason cease to be so employed, give to the ECCSD immediate notice in writing of such termination of employment and if any such power of attorney or other authorization is otherwise revoked or canceled, shall likewise give to the ECCSD immediate notice in writing of such revocation or cancellation.

All credentials issued pursuant to this Rule shall be immediately surrendered to the ECCSD, accompanied by a written statement specifying that they are being surrendered pursuant to this Rule, upon their revocation by the ECCSD or by the employer or upon the termination of the employment of the holder thereof.

Unless revoked by the ECCSD, all credentials, authorizations and powers of attorney issued pursuant to this Rule or in connection with the work of the ECCSD shall remain in full force and effect until the ECCSD shall have received written notice of the revocation thereof or of the termination of the holder's employment.

### **10.17 Waiver or Suspension of Rules and Procedures**

The time fixed by these Rules and the Procedures for the doing of any act or acts may be extended or the doing of any act or acts required by these Rules or the Procedures may be waived or any provision of these Rules or the Procedures may be suspended by the Board of Directors, or by the Chairman of the Board or the General Manager whenever, in its or his/her judgment, such extension, waiver or suspension is necessary or expedient.

A written report of any such extension, waiver or suspension (other than an extension of time of less than one hour) shall be promptly made and filed with a member of the Board of Directors of the ECCSD.

Any such extension, waiver or suspension shall not take effect until approved by the Commission.



### **10.18 Notice of Proposed Rule Changes**

The ECCSD shall immediately notify all Participants and the Commission of any proposal it has made to change or revise these Rules and of any proposal it has made to add or repeal any Rule, and of the text of any such proposal.

The ECCSD shall notify all licensed registries of any proposal the ECCSD has made to change, add, or repeal a rule that concerns or implicates Registry records or Registry processing.

Participants and the Registry may submit to the ECCSD for its consideration their comments with respect to any such proposal, and such comments shall be filed with the ECCSD's records and copies thereof delivered to the Commission.

### **10.19 Charges for Services Rendered**

Each Participant shall pay such fees and charges to the ECCSD as shall be specified in the fee schedule and approved by the Board of Directors on a reasonable and nondiscriminatory basis. In addition, a Participant may be charged for any unusual expenses caused directly or indirectly by such Participant or incurred at its request.

### **10.20 Disciplinary Sanctions**

The ECCSD may discipline a Participant for a violation of any of these Rules or the Procedures or for errors, delays or other conduct detrimental to the operations of the ECCSD, or of Participants, or for not providing adequate facilities for its business with the ECCSD by imposing any of the following sanctions: expulsion; suspension; limitation of activities, functions and operations; fine; or censure. In addition, in the event a Participant shall violate these Rules, the Procedures, or any of its agreements with the ECCSD, the ECCSD may require such cash or other deposit by a Participant as shall be necessary or appropriate to protect the ECCSD or Participants in the circumstances.

In the event that a Participant shall fail to settle any fine or cash payments under Rule 10.20.1, the ECCSD is authorized by these Rules and the Procedures to charge interest to that Participant and/or other Participants in substantially the same amounts as the ECCSD shall have paid by reason of such event; the charge of such interest shall not be considered a disciplinary sanction and shall not therefore be subject to this Rule or Rule 10.21.

When the ECCSD proposes to impose a sanction it will send the Participant a written statement describing the reason for the proposed sanction and notifying the Participant that it has an opportunity to respond pursuant to Rule 10.21.

The sanction proposed may be imposed by the Chairman of the Board, or the General Manager of the ECCSD, unless, within five business days after notification of such proposed sanction, the Participant provides written notice of its desire to contest the sanction as provided in Rule 10.21.

The right to contest a sanction before it is imposed pursuant to Rule 10.21 shall not apply to a case where the ECCSD summarily ceases to act for a Participant pursuant to these Rules.

## **10.21 Right to Contest Decisions**

### **10.21.1 Right to Hearing**

A Participant or an applicant to become a Participant, or an issuer of a security (hereinafter in this Rule referred to as the "Interested Person"), shall have the opportunity to be heard on any decision of the ECCSD:

- (a) Which proposes to deny the applicant's application to become a Participant; or
- (b) To cease to act for the Participant pursuant to Rules 10.9, 10.10 or 10.11; or
- (c) Which proposes to impose a disciplinary sanction pursuant to Rule 10.20.1; or
- (d) To refuse to accept a security as an Eligible Security or to decide that an Eligible Security shall cease to be such.

### **10.21.2 Request for Hearing**

10.21.2.1 An Interested Person may request an opportunity to be heard by filing with the ECCSD, within five days after notification of the action or proposed action, a written request for a hearing setting forth:

- (i) The action or proposed action of the ECCSD with respect to which the hearing is requested;
- (ii) A copy of the statement sent by the ECCSD describing the action or proposed action; and
- (iii) The name of the Interested Person and its Counsel who may be contacted with respect to the hearing.

10.21.2.2 Within 15 business days after the Interested Person files such written request with the ECCSD, or 3 business days in the case of ceasing to act summarily for the Interested Person pursuant to these Rules, the Interested Person shall submit to the ECCSD a clear and concise written statement setting forth with particularity the basis for objection to such action and whether the Interested Person chooses to be represented by counsel at the hearing.

10.21.2.3 The failure of the Interested Person to file the written request referred to above within the time period required by these Rules and/or the failure of the Interested Person to submit the written statement referred to above within the

time period specified above shall constitute a waiver by the Interested Person of its right to a hearing.

10.21.2.4 The ECCSD shall notify the Interested Person in writing of the date, place and hour of the hearing at least 5 business days prior to the hearing.

### 10.21.3 **Composition of Hearing Panel**

10.21.3.1 The hearing will be before members of a panel (hereinafter the "Panel") selected by the Chairman of the Board from persons employed by Participants. Unless otherwise stipulated by all parties, including the ECCSD, the Panel shall comprise three members.

Notwithstanding the above, the Panel shall not include any person who had responsibility for the action or proposed action of the company as to which the hearing relates, or has a direct interest in the matter.

- 10.21.3.2(a) The Chairman of the Board shall appoint one of the Panelist to be the Chairman of the Disciplinary Panel.
- (b) The ECCSD shall provide the cited party with the names of the persons on the Disciplinary Panel within three (3) business days of the finalization of the panel.
  - (c) Any objections to any of the proposed individuals shall be made by the party cited in writing not later than seven (7) business days prior to the scheduled hearing and shall specifically state the nature and reasoning for the objection.
  - (d) The said objections shall be directed to the Chairman of the Board of Directors of the ECCSD for his decision.
  - (e) The Chairman of the ECCSD shall rule on the objection within three (3) business days of the receipt of the objection. Within five (5) business days of the receipt of any objection, the cited party shall be notified whether the objection is sustained or denied.
  - (f) Should the Board Chairman sustain the cited party's objection, he shall remove the Member in question and substitute another person as a panelist; and he (the Board Chairman) may also postpone the hearing as well as reschedule the hearing.
  - (g) In reconstituting the Panel, the Chairman of the ECCSD shall be guided by the provisions of Rule 17.08 of these Rules.

10.21.4 **Right to Legal Representation**

At the hearing, the Interested Person shall be afforded an opportunity to be heard and may be represented by counsel if the Interested Person has so elected pursuant to Rule. 10.21.2.1.

A record shall be kept of any hearing held pursuant to this Rule, and the cost of the record may, in the discretion of the Panel, be charged in whole or in part to the Interested Person in the event that the decision at the hearing is adverse to the Interested Person.

10.21.5 **Notification of Decision**

The Panel shall advise the Interested Person of its decision in writing within 10 business days after the conclusion of the hearing.

If the decision of the Panel shall have been to deny the Interested Person's application to become a Participant, a notice of decision setting forth the specific grounds upon which the decision is based shall be furnished to the Interested Person.

If the decision of the Panel shall have been to impose a disciplinary sanction on the Interested Person in accordance with 10. 21 or to affirm any summary action previously taken against the Interested Person pursuant to these Rules, a notice of decision setting forth (i) any act or practice in which the Interested Person has been found to have engaged, or which the Interested Person has been found to have omitted, (ii) the specific provision(s) of the Rules or Procedures of the ECCSD or of the Participant's agreements with the ECCSD which any such act or practice or omission to act has been deemed to violate, and (iii) the sanction imposed and the reasons therefore shall be furnished to the Interested Person.

A copy of the Panel's notice of decision shall also be furnished to the Chairman of the Board and the Commission in all cases.

10.21.6 **Application for Review by Commission**

In the event that a Panel censures, fines, suspends, expels or limits the activities, functions or operations of any Interested Person, the Interested Person may apply for review to the Commission, by written motion filed with the Secretary to the Commission within 10 business days after issuance of the Panel's written statement of its decision.

### **10.21.7 Final Ruling**

10.21.7.1 Any action or proposed action of the ECCSD as to which an Interested Person has the right to be heard pursuant to this Rule shall be deemed final:

- (i) When the Interested Person agrees to the taking of such action by the ECCSD, at which time the ECCSD shall furnish the Interested Person with a statement containing the information referred to Rule 10.21.5;
- (ii) Upon the expiration of the applicable time period provided in these Rules for the filing of a written request or a written statement pursuant to Rule 10.21.2, at which time any such proposed action of the ECCSD shall become final and at which time the ECCSD shall furnish the Interested Person with a statement containing the information referred to in Rule 10.21.5; or
- (iii) if a hearing has been held pursuant to this Rule, upon expiration of the time provided for the filing of a motion for review of the decision of the Panel, or, if a motion for review is timely filed, when the Interested Person is notified of the denial of the motion or the decision of the Board of Directors on review, as the case may be; or if the Commission grants the motion or reviews the Panel's decision, upon the notification to the interested person and the ECCSD of its decision.

10.21.7.2 Notwithstanding the foregoing, if the Board of Directors shall determine on its own motion to review any action by a Panel hereunder, such action shall not be deemed final until notice of the decision of the Board of Directors on review is sent to the Interested Person.

### **10.21.8 Establishment of Procedures for Hearing outside Rule 10.21**

A Panel may at any time establish procedures for a hearing not otherwise provided for by these Rules with respect to any action or proposed action of the ECCSD.

### **10.22 Bills Rendered**

The ECCSD will render bills to Participants as provided in the Procedures for charges on account of services provided or fines imposed.

### **10.23 Forms**

In connection with any transactions or matters handled through, with or by the ECCSD under or pursuant to these Rules or the Procedures, such forms or lists, notices and other

documents shall be used as the ECCSD may, from time to time prescribe, and additions to, changes in and elimination of any such forms may be made by the ECCSD at any time in its discretion.

#### **10.24 Business Days**

The Procedures shall specify the days on which the ECCSD will be open for business. Any deliveries to the ECCSD; any deliveries which the ECCSD is required to make; and any transactions which the ECCSD is instructed to effect on days on which the ECCSD is not open for business will be accepted, made or effected on the next day on which the ECCSD is open for business.

#### **10.25 Facsimile Signatures**

A Participant may execute any documents to be delivered to the ECCSD or to any other Participant pursuant to these Rules or the Procedures in order to effect transactions through the facilities of the ECCSD by means of a mechanically reproduced facsimile signature of a representative of the Participant, provided that the Participant shall have:

- (i) Executed and filed with the ECCSD, in form prescribed by it, an agreement with respect to the use of such facsimile signature;
- (ii) If the Participant is a corporation, filed with the ECCSD, in the form prescribed by it, a certified copy of resolutions of the board of directors of such Participant authorizing the execution and filing with the ECCSD of such agreement; and
- (iii) Complied with such other requirements as may be prescribed by the ECCSD in connection with the use of facsimile signatures.

#### **10.26 Rules and Procedures**

##### **10.26.1 Amendments**

The Board of Directors shall pursuant to these (subject to the prior approval of the Commission) prescribe from time to time Rules and Procedures and other regulations in respect of the business of the ECCSD. The Board of Directors may by resolution delegate to the Chairman of the Board or the General Manager the power to prescribe Rules and Procedures. Each Participant and the ECCSD will be bound by such Rules and Procedures any amendment thereto in the same manner as it is bound by the provisions of the constitution of the ECCSD and these Rules.

#### **10.26.2 Notice to Participants**

Participants shall be given 10 business days notice of any amendment of the Rules and Procedures.

#### **10.27 Delegation**

Except where action by the Board of Directors is specifically required by the Rules, the ECCSD may act by the Chairman of the Board, the General Manager, or by such other person or persons, whether or not employed by the ECCSD, as may be designated by the Board of Directors from time to time.

## **CHAPTER 11: THE EASTERN CARIBBEAN CENTRAL SECURITIES REGISTRY LIMITED**

### **11.1 Scope and Effect of Rules**

Where the ECCSR contracts with the Issuer to provide the latter certain registry and other services, the Rules in this Chapter shall apply to the provision of such services and the relationship between the ECCSR and the Issuer whether the Issuer's securities are listed on the ECSE or not.

These Rules shall be deemed to be an integral part of every contract or agreement between the ECCSR and an Issuer and may not be varied or contradicted by any contractual provisions.

### **11.2 Documents to be provide**

Each Issuer shall provide the following documents to the ECCSR prior to the commencement of the provision of services to the Issuer by the ECCSR:

- (i) A copy of the Issuer's constitution as filed with the Registrar of Companies of the jurisdiction in which it is incorporated and duly certified by the Registrar of Companies in that jurisdiction;
- (ii) A current copy of its register of those securities holders whose securities are to be registered in the ECCSR in both paper form and by electronic means;
- (iii) A certified copy of the resolution of the board of directors (or comparable official body) approving the appointment of the ECCSR as well as the Issuer/Registry agreement;
- (iv) A certificate from the Registrar of Companies of the jurisdiction in which the Issuer is incorporated showing the incorporation, continued existence and authorized securities or stated capital of the Issuer;
- (v) A certificate of the Secretary of the Issuer confirming the authorized and outstanding securities of the Issuer; and
- (vi) The address to which notices are to be sent and the names and specimen signatures of the Issuer's officers who are authorized to sign letters of instruction or requests to the ECCSR on behalf of the Issuer.

### **11.3 Notice to ECCSR**

Whenever a change is made in any matter covered by Rule 11.2, the Issuer shall promptly notify the ECCSR and shall provide all relevant resolutions, specimen signatures, opinions, and other necessary and related documents as the ECCSR requires.



#### **11.4 Services**

The ECCSR shall keep the Issuer's register of members whose securities have been registered with the ECCSR and shall perform all services relating thereto as are required or provided by these Rules or the listing and trading rules and requirements of the ECSE.

#### **11.5 Coordination with ECCSR; documents to be furnished**

- (a) Whenever the Issuer determines to issue a stock dividend, effect a stock split, or otherwise distribute its own securities or any other securities to its existing holders, and whenever the Issuer plans to effect a corporate reorganization that involves its securities, including a plan to exchange one class of its securities for those of another class or the securities of another Issuer, or otherwise takes or is subject to corporate actions that affect its securities or register of members, the Issuer shall coordinate those actions, including the scheduling of those actions, with the ECCSR and shall employ the ECCSR's facilities and services for record-keeping and transfers incident to those actions. The ECCSR shall use reasonable and customary effects to accommodate the preferred schedule and procedural approaches of the Issuer.
- (b) Whenever securities are to be split, distributed, or exchanged through the ECCSR, the Issuer shall furnish the ECCSR with (i) a certified copy of a resolution of the board of directors authorizing the action; (ii) an opinion of counsel as to the validity of the issuance or exchange; and (iii) any other documentation as may be required by the ECCSR.

#### **11.6 Electronic Access**

ECCSR agrees to provide the Issuer with ongoing electronic access to its register of members through the Online Issuer Service of the ECCSR.

#### **11.7 Optional Services**

The matters set forth in Rules 11.8 through 11.11 below shall be the subject of agreements for optional services between the Issuer and the ECCSR. In the event an Issuer requests the ECCSR to provide such optional services, those Rules shall apply.

#### **11.8 Dividend and interest payments**

- (a) If an Issuer appoints the ECCSR to distribute dividends and interest payments to the Issuer's holders of record as recorded in the ECCSR, this Rule shall apply.
- (b) The Issuer shall provide the ECCSR with written notice of a declaration of securities income payable promptly after the declaration occurs and at least ten (10) days in advance of the record date established for payment.
- (c) Upon timely receipt of written notice of a declaration or scheduled payment, and timely receipt or notice of receipt of funds in an appropriate form and of sufficient quantity, the ECCSR shall distribute or cause a disbursements agent (appointed by

the ECCSR with the written approval of the Issuer) to distribute the dividends or interest amounts to the applicable class of holders as of the applicable payment date.

- (d) Distributions of amounts to beneficial owners who are not of record are the responsibility of the applicable intermediary custodian, not the ECCSR. Unless separately and expressly agreed in writing between the Issuer and the ECCSR, the Issuer shall bear exclusive responsibility for all withholding and reporting of taxes.

## **11.9 Proxy Materials and Ballots**

11.9.1 If an Issuer appoints the ECCSR:

- (i) To distribute proxy materials and ballots to holders of record as of a date identified by the Issuer in respect of matters to be voted by such holders, or
- (ii) To tabulate, and report to the Issuer, the outcome of the votes returned, or
- (iii) To perform both functions, this Rule shall apply.

The Issuer shall supply the ECCSR with a written request for proxy voting services at least sixty (60) days in advance of the date established by the Issuer for an annual meeting and as soon as practicable in advance of the meeting date for special meetings.

11.9.2 The ECCSR shall promptly notify the ECCSD of the meeting date and request the number of materials needed by the ECCSD participants for voting by participants and their customers.

11.9.3 The Issuer agrees to supply sufficient quantities of proxy materials to enable the ECCSR to complete the dissemination and tabulation.

## **11.10 Materials for Dissemination**

11.10.1 If an Issuer appoints the ECCSR to transmit to the Issuer's holders of record as of a date identified by the Issuer materials prepared by or for the Issuer for dissemination to its holders this Rule shall apply.

11.10.2 Notice of a dissemination must be received by the Issuer at least thirty (30) days prior to the dissemination date.

11.10.3 The ECCSR will inquire of the ECCSD with respect to the number of copies of materials requested by ECCSD participants for retransmission by the ECCSD and its participants to beneficial owners.

## **11.11 Dividend Reinvestment and Stock Transaction Plans**

- 11.11.1 If an Issuer appoints the ECCSR to provide users of any dividend reinvestment and stock transaction plan created by the Issuer for the Issuer's shares, this Rule shall apply.
- 11.11.2 Such plans may enable Issuer shareholders, employees, or other persons to acquire, hold in safekeeping, and sell Issuer shares through the plan only.
- 11.11.3 The ECCSR's fees to the Issuer and service fees to plan participants for such plan services shall be separately negotiated in connection with the development and implementation of such plan and shall be expressly stated in writing.

## **11.12 Procedures**

In performing its services to the Issuer, the ECCSR shall maintain its registry system and records, generate reports, obtain internal control reviews, and otherwise operate in accordance with the Securities Act, the Securities Regulations and the ECCSR's internal operating procedures.

## **11.13 Confidentiality of Records**

- (a) Subject to the remaining provisions of this Rule, the ECCSR shall keep confidential all records maintained on behalf of the Issuer.
- (b) The ECCSR may provide access to such records to its auditors and accountants, to designated officials of the Issuer, to the Commission, and in response to an order from a court of competent jurisdiction.
- (c) Subject to subsection (d) below, the ECCSR shall notify the Issuer of any demand for its records pertaining to the Issuer or the holders of its securities if permitted to do so under applicable law. If the Issuer wishes to challenge such demand, it shall be solely and exclusively responsible for, and shall bear all expenses of any such challenge and shall indemnify and hold the ECCSR completely harmless with respect to all costs, expenses and liabilities of any such challenge, including the ECCSR's counsel fees.
- (d) Notwithstanding subsection (c) immediately above, the ECCSR may provide access to the requested records with or without advance notice to the Issuer whenever advised by its counsel that it may be liable for failure so to do, and in such a case the ECCSR shall have no liability to the Issuer or any other party, including the holders of the Issuer's securities, for any action taken by the ECCSR in accordance with such advice of counsel.

## **11.14 Instructions from Issuer**

- (a) At any time, the ECCSR may apply to the Issuer for instructions in respect of any matter arising in connection with the provision of services to the Issuer or the holders of its securities, and the ECCSR shall be held harmless by the Issuer for any liability, loss or damage it incurs, including its counsel fees, for any action taken or omitted by it in good faith in accordance with such instructions. The ECCSR shall be protected

and held harmless in acting upon any request, inquiry, or instruction it reasonably believes to be genuine and duly authorized.

- (b) The ECCSR shall not be held to have notice of any change of authority of any officer, employee, or agent of the Issuer until the ECCSR receives written notification from the Issuer of such change given in accordance with the contract between the Issuer and the ECCSR.

#### **11.15 Indemnification by Issuer**

- (a) Provided the ECCSR has acted in good faith, with due diligence, without negligence and in accordance with the Securities Act and the Securities Regulations, the Issuer assumes full responsibility and shall indemnify the ECCSR and save it harmless from and against any and all actions and suits, whether groundless or otherwise, and from and against any and all losses, damages, costs, charges, counsel fees, payments, expenses, and liability arising directly or indirectly out of its activities on behalf of the Issuer.
- (b) In furtherance and not in limitation of the preceding sentence, the Issuer shall be fully responsible for and shall indemnify the ECCSR and save it harmless from all liability and against any and all actions and suits in connection with any differences or inaccuracies which existed at the time the records of the holders of the Issuer's securities are initially established at the ECCSR, provided that the ECCSR shall provide a copy of such records to the Issuer at the time of their establishment for review and approval by the Issuer.

#### **11.16 Failure to pay fees**

Failure by the Issuer to pay fees may result in the immediate suspension of services provided by the ECCSR.

#### **11.17 Term of Agreements; Obligations after Termination**

- (a) The initial terms of agreements between the Issuer and the ECCSR shall be established by written agreement, but if not specified shall be for three (3) years with automatic renewal for one (1) year periods at the end of the initial and each subsequent term unless written notice of intent to cancel is provided by either the Issuer or the ECCSR to the other party ninety (90) days prior to the end of the current term of the agreement.
- (b) Notwithstanding the termination of any agreement between the Issuer and the ECCSR, any outstanding obligations of the Issuer and the ECCSR with respect to the performance or failure to perform their duties during the term of an agreement shall survive its termination and shall remain binding on the ECCSR and the Issuer.

#### **11.18 Assignment**

The obligations of the Issuer may not be assigned without the prior written consent of the ECCSR. The ECCSR may assign certain of its functions to third parties.

### **11.19 Rule Book of securities Transfer Association**

In processing transactions and resolving issues concerning the ownership or transfer of the Issuer's securities subject to the ECCSR, in cases not resolved by these Rules or by the ECCSR's by-laws or procedures, the ECCSR will apply, *mutatis mutandis*, the principles and procedures of the current Rule Book of the securities Transfer Association.

## **PART III MEMBERSHIP RULES**

### **CHAPTER 12 GENERAL PROVISIONS**

#### **12.1 Definitions**

In this Chapter the terms and phrases below have the following meanings:

##### **Affected Person**

A customer or Member who has a business relationship with another Member or an Associated Person and who initiates a grievance based on a possible violation of the Rules stemming from that business relationship.

##### **Associated Person**

Any individual accredited to a Member. An Associated Person may be a Principal or a Representative

##### **Best Bid and Offer**

The highest bid and lowest offer shown in the ECSE trading system

##### **Best Execution**

The terms which are the best available to the customer under prevailing market conditions.

##### **Business Day**

A day of the week other than a Saturday, Sunday or any official holiday on which the Exchange is open for business.

##### **Cited Party**

Any Member or Associated Person who has been cited and accused in the Letter of Formal Charges with violating any of the Rules.

##### **Disciplinary Committee**

The committee of the Exchange which is authorized to adjudicate alleged violations of the Rules and to exercise powers assigned to it by the Board of Directors of the Exchange in connection with disciplinary and other matters.

##### **Disciplinary Panel**

A panel appointed for a specific case pursuant to these Rules and charged with determining the validity of the allegations of Rule violations as contained in the Letter of Formal Charges against the cited party(parties).

##### **Discretionary Trading**

Where a customer allows the Member and its Associated Persons to use its judgment as to the time and manner of trade execution.

**Fraud in connection with a securities transaction**

One or more of the following violations by a Member or any of its Associated Persons:

- (a) Acting with intent to deceive, manipulate or defraud; or with an equivalent degree of reckless disregard in making a recommendation, or
- (b) Making material misrepresentations or failing to disclose material information, if the customer justifiably relied to his detriment on the Member's fraudulent conduct or the Member controlled the customer's account.

**Front Running**

As defined in the Securities Act or Securities Regulations.

**Investment Discretion**

A person exercises "investment discretion" with respect to an account if, directly or indirectly, such person:

- (a) Authorized to determine what securities or other property shall be purchased or sold for the account;
- (b) Makes decisions as to what securities or other property shall be purchased or sold for the account even though some other person may have responsibility for such investment decisions; or
- (c) Otherwise exercises such influence with respect to the purchase and sale of securities or other property for the account as the Commission, by rule, determines, in the public interest or for the protection of investors, should be subject to the operation of the provisions of this title and the rules and regulations thereunder.

**Member**

A legal entity licensed by the ECSRC as a securities intermediary under the Securities Act and admitted to Membership in the Exchange pursuant to these Rules whose Membership has not been suspended or terminated, and "Membership" shall be construed accordingly.

**Market Maker**

A Member who, with respect to a Security, holds himself out (by entering quotations in a trading system or otherwise) as being willing to buy and sell such security for his own account on a regular or continuous

**Non-Exchange securities business**

Any securities business conducted outside the Exchange.

**Parking**

A situation in which one party appears to own a security, but in fact another party has the risk of the position.

**A Principal**

An Associated Person actively involved in the management and daily supervision of the business of the Member including supervision, solicitation and training and who is licensed as such by the Commission

**Public Communications**

Any advertisements, sales literature or transmission in written, audio, electronic or visual form, distributed or made available to customers or the general public

**Representative**

As defined in section 2 of the Securities Act.

**Sales Literature**

Any other written or electronic communication distributed or made generally available to customers or to the public including circulars, research reports, market letters, performance reports or summaries, telemarketing scripts, seminar texts and reprints or excerpts.

**Wash Trades**

The purchase and sale of the same securities within a short period without any material change in beneficial ownership with an intention to mislead the investing public and to create the illusion of trading volume.

**12.2 Scope**

These Rules establish requirements for the admission to membership on the Exchange, the conduct of Members' business on the Exchange, the discipline of Members, and related matters. These Rules apply to all Members of the Exchange and their directors and officers and to all Associated Persons of such Members.

**12.3 Interpretation and Implementation of Rules**

- (a) The Exchange has the authority to apply and interpret these Rules so that all practices by its Members in connection with their securities business are just, reasonable and not unfairly discriminatory.
- (b) Powers to be exercised by the Exchange under these Rules shall be exercised by the Board of Directors of the Exchange or, to the extent authorized by the Board of Directors by resolution, by a committee or by the management or staff of the Exchange.



- (c) The Exchange may delegate specific authority granted to it by these Rules to a committee of the Exchange's Board of Directors or to specified officers or employees of the Exchange.

#### **12.4 Adoption of Requirements**

The Exchange, with the approval of the ECSRC, may adopt and amend requirements applicable to Members and Associated Persons, establishing classifications and appropriate standards with respect to training, experience, competence, and such other qualifications. The Exchange may periodically publish opinions, instructions or interpretations of any of these rules and its requirements and standards which shall be binding on all persons subject to these Rules.

#### **12.5 Membership**

- (a) All Members must, in the opinion of the Exchange, be fit and proper persons to be Members of the Exchange. Suitability for Membership depends on many factors.
- (b) Compliance with these Rules does not in itself guarantee or determine an applicant's Membership. Membership in the Exchange, though subject to regulation, is a voluntary contractual relationship between the Exchange and each Member.
- (c) The Exchange therefore retains absolute discretion to accept or reject applications for Membership. Prospective Members and their professional advisers are encouraged to contact the Exchange staff to seek informal and confidential guidance as to the suitability of a proposed application for Membership.

#### **12.6 Application for Membership**

Application for Membership in the Exchange shall be made on the form in Appendix 5 to these Rules and shall contain the information prescribed therein. The Exchange may require the submission of additional information or documents in connection with applications for membership in particular cases or classes of cases.

#### **12.7 Procedure for Applications**

Decisions on admission to Membership are made by the Board of Directors of the ECSE upon the recommendation of the ECSE staff. Prospective Members are encouraged to discuss their applications on a confidential basis with the ECSE staff at the earliest possible time.

#### **12.8 Powers of Board**

12.8.1 The Board of Directors shall have the power to:

- (a) Grant or deny applications for Membership, with or without imposing conditions to be met by the member;

- (b) Apply, interpret, waive, and grant derogations from these Listing Rules, in particular cases or classes of cases; and
- (c) Suspend or cancel a Membership.

12.8.2 The Board of Directors may deny Membership to, or condition the Membership:

- (a) If a prospective Member does not meet such standards of operational capability required by the Exchange or if such applicant or any Associated Person does not meet such standards of training, experience, and competence as are prescribed by these Rules; or
- (b) Member or applicant or any Associated Person has engaged in, and there is a reasonable likelihood he will again engage in, act or practices inconsistent with just and equitable practices of trade or constituting violations of these Rules.

### **12.9 Denial, Suspension or Cancellation of Membership**

If the Exchange denies an application for Membership or suspends or cancels a Member's Membership, it shall promptly file with the Commission a copy of its decision and any other information required by the Commission. An applicant for Membership or a Member shall be notified of the decision in writing at the same time and may appeal such decision to the Commission in accordance with the Commission's rules and procedures.

### **12.10 Principal**

Each Member shall designate a principal who shall where necessary represent, vote and act for the Member in all the affairs of the Exchange.

### **12.11 Registration of Branch Offices**

A Member shall register with the Exchange each of its branch offices along with the list of its Associated Persons employed there in. The Member shall also notify the Exchange of the opening and closing of its branch offices at least 30 days before the opening or the closing.

12.12.1 A Member shall give written notice, to the Exchange of the death, retirement, bankruptcy or resignation of any of its Directors and Associated Persons within seven (7) days after the occurrence or the event.

12.12.2 A Member shall give written notice to the Exchange:

- (a) Within seven (7) days after it comes to the knowledge of the Member that any of the following events has occurred:
  - (i) The presentation of any winding-up petition or the making of any winding-up order against the Member or any of its subsidiary; or

- (ii) The entry into possession of, or the sale by any mortgagee of a portion of the Member's assets; and

(b) Within seven (7) days after the passing of any resolution by the Member that it be wound up by its shareholders.

### **12.13 Amendment of Member's Constitution**

No Member shall propose any amendment to its constitution without securing the prior written approval of the Exchange.

### **12.14 Resignation**

A Member shall be allowed to voluntarily resign only by a formal written resignation delivered to the Exchange. The resignation shall not take effect until forty five (45) calendar days after the receipt thereof by the Exchange and all debts and obligations due the Exchange have been satisfied and all outstanding disciplinary actions have been concluded.

### **12.15 Suspension**

(a) The Exchange shall immediately suspend any Membership rights and limit the use of the Exchange's facilities of any Member if the License of Member to conduct its securities business is suspended by the ECSRC;

(b) The Exchange shall immediately suspend any Membership rights and limit the use of the Exchange's facilities of any Member if

- (i) The Member fails to make payments or execute other obligations it has to the Exchange, including timely payment of Membership fees, duties and fines, or fails to clear and settle trades in accordance with the ECCSD's rules and procedures;
- (ii) The Member or any member of its staff violates these Rules;
- (iii) The Exchange determines that financial or operational problems of Member might impair the operation of the Exchange or the Member's obligations to its clients, other Members or the Exchange; or
- (iv) The Member obtains a license from the ECSRC or Membership from the Exchange by mistake or material misstatement.

(c) A suspension may be for a definite period of time not to exceed ninety (90) days, or until specified conditions have been met by the Member, whichever is longer, but a suspension may be extended by the Exchange for additional consecutive periods if the Exchange makes a new decision that circumstances warrant such an extension. During a suspension, the Member does not have Member rights and privileges, including trading on the Exchange or use of the Exchange's facilities, but remains bound by all obligations to the Exchange, to other Members, to the ECCSD and

ECCSR, and to its customers.

- (d) Suspension of Membership is implemented out at the discretion of the Disciplinary Committee.

#### **12.16 Termination**

(a) Termination of Membership in the Exchange may be ordered for:

- (i) Termination by the ECSRC of Member's license to conduct its securities business;
- (ii) Obtaining a license from the ECSRC or Membership from the Exchange by fraud, mistake or material misstatement;
- (iii) Repeated and continuing failure to pay its Membership fee or other obligations to the Exchange, the ECCSD, the ECCSR, other Members or its customers; and
- (iv) Persistent failure (defined as more than three times) to comply with applicable law or these Rules or the standards of professional conduct or norms of professional ethics required of Members of the Exchange.

(b) A decision to terminate a Membership takes effect from the date stated in the decision, or, if no such date is stated, immediately.

(c) A Member may appeal any aspect of a suspension to the Board of Directors of the Exchange in accordance with its rules and procedures, and may appeal an unfavorable decision of the Board of Directors to the ECSRC in accordance with the ECSRC's rules and procedures.

(d) A Member whose Membership has been terminated may not be reinstated as a Member within one (1) year from the date of expulsion unless the ECSRC directs otherwise.

#### **12.17 Effect of Resignation, Suspension or Termination**

Resignation, suspension or termination of a Member shall not affect in any way its rights against or obligations to the Exchange, other Members, its customers, the ECCSD or the ECCSR arising out of its Membership prior to the effective date of its resignation, suspension or termination. A Member which has resigned or has been suspended or terminated shall remain subject to disciplinary proceedings by the Exchange in connection with its activities during its Membership.

#### **12.18 Effect on Associated Persons**

Associated Persons affiliated with a Member whose membership has been resigned, suspended or terminated shall not act on behalf of that Member or any other Member

without the express written permission of the Exchange or until they have become affiliated with another Member.

## 12.19 Registration of Principals and Representatives

12.19.1 Any Person engaged in the Securities Business and who is Associated with any Member in any fashion must hold an appropriate license from the ECSRC and must register with the Exchange as such.

12.19.2. An Application for registration as Principal or Representative with the Exchange:

- (a) Shall be on the Associated Person Registration Form prescribed by the Exchange;
- (b) Shall be properly signed by a natural person;
- (c) Shall be sponsored by a Member;
- (d) Shall contain the following:
  - (i) Applicant's personal data, including, name, address, telephone number, date of birth, educational background, and employment history,
  - (ii) A commitment to abide by all the rules and regulations of the Commission and the Exchange,
  - (iii) A commitment to pay assessments and other charges as shall be periodically fixed by the Exchange, and
  - (iv) Such other reasonable information of the applicant as the Exchange may require; and
- (e) Shall be submitted to the Exchange.

12.20 Registration as a Representative or Principal by the Exchange is contingent upon:

- (a) Evidence of employment and sponsorship for registration by a Member;
- (b) Licensure as such by the ECSRC; and
- (c) Such other materials which the Exchange may require.

12.21 A Principal or Representative is registered to the sponsoring Member, so in the event of resignation from or termination of employment by the Member, the Principal or Representative's registration automatically becomes null and void until and unless the Principal or Representative is employed by a new Member and submits a new application for registration.

12.22 A Principal or Representative who has voluntarily surrendered his registration or whose registration has been revoked by the Exchange shall continue to be subject to the disciplinary jurisdiction of the Exchange for his actions which occurred during his registration.

**12.23 Official Directory of Members and Associated Persons**

The Exchange shall maintain a complete directory of current and former Members and Associated Persons. The Directory shall be referred to as the “Exchange Official Directory” and shall contain all of the information which the Members and Associated Persons are required to furnish to the Exchange.

12.24 Each Member and Associated Person shall keep all the information required in the Directory current and updated. Any changes and updates to the Directory must be made by notifying the Exchange in writing.

## **CHAPTER 13: CONDUCT OF MEMBERS**

### **13.0 Business Conduct in General**

- 13.1 Every Member and Associated Person, in the conduct of its or his securities business, shall observe high standards of commercial practice and just and equitable principles of trade.
- 13.2 A Member must always disclose to its customers in writing at, or before the completion of the transaction, whether he is acting as a dealer for his own account, as a broker for such clients, or as a broker for some other person.
- 13.3 In addition to the Rules, every Member and Associated Person shall comply with and be bound by all the rules, regulations and policies promulgated by the Commission.
- 13.4 Non-compliance with any of these Rules shall be considered conduct inconsistent with the high standards of commercial practice and just and equitable principles of trade.

### **Registration**

- 13.5 No Member shall permit any person Associated with such Member to engage in the securities business unless that person is licensed by the ECSRC and registered with the Exchange pursuant to Chapter 12 of these Rules.
- 13.6 Each Member shall employ at least one person licensed by the ECSRC as a Principal and at least one person licensed by the ECSRC as a Representative and registered with the Exchange pursuant Chapter 12 of these Rules.

### **Customer Account Form; Records**

- 13.7 All Member firms shall create a customer account form containing such information as presented in the Exchange's sample Customer Account Form. No account shall be opened and no transaction shall be executed for a customer until and unless that customer has completed and delivered a Customer's Account Form to the Member and it has been countersigned by a Principal of the Member.
- 13.8 (a) Each Member must maintain copies or originals of all customers' account records indicating the name, address, nationality and occupation of each customer, whether the customer is legally of age, the signature/seal of the customer, the registered Representative introducing the account, and the signature of the principal accepting the account.



(b) The duration for which and the manner in which these records are to be maintained shall be in accordance with the ECSRC's uniform securities Regulations.

13.9.1. All customer account forms shall be updated annually or whenever the customer notifies the Member of a material change in the customer's financial resources or investment objectives or other material information pertaining to the customer

13.9.2 Members shall send their customer's a copy of their customer account form for review following the opening of an account and thereafter at least once every 12 months or when the account is updated to reflect a change in the customer's name, address, or investment objectives.

13.10 Where discretionary authority is granted by the customer to the Member, the customer must sign a discretionary account authorization, which should include the period for which discretionary powers are granted and the signature of each person authorized to exercise discretion in such account and the Member shall attach the original copy of the discretionary account authorization to the customer account form.

#### **13.11 Customer Accounts requiring Prior Written Consent**

Where a customer is employed by another Member, the ECCB, the ECSRC, the ECSE or any of its subsidiaries, or a listed issuer, approval must be sought from the prospective a customer's employer, prior to the opening of an account. The client's employer must be provided duplicate confirmations, statements, or other information requested by the employers identified above.

#### **13.12 Recommendations to Customer**

A Member must not recommend the purchase, sale or exchange of any Security to a client unless the Member has a reasonable basis to believe that the recommendation or transaction is suitable for the customer, upon the basis of information and facts disclosed by the customer.

#### **13.13 No recommendation in the absence of required Customer's information**

If the customer refuses to supply any of the information requested upon the opening of the account, the Member shall make no recommendations to the customer concerning the purchase, sale or exchange of any securities.

#### **13.14 What constitutes making recommendations to a Customer**

13.14.1 Subject to all the relevant facts and circumstances, a Member may be deemed to make a recommendation if it brings a specific security to the attention of the customer through any means, including but not limited to, direct communication, the delivery of promotional material through the mail, or the transmission of electronic message.

### **13.14.2 Disclosure of Control**

In interpreting the foregoing, the following information or services shall be deemed to constitute recommendations:

- (a) Programs that provide customers with a list of potential investments based upon customer specific criteria provided by the customer;
- (b) Research automatically delivered to a customer based upon criteria specific to each customer;
- (c) Information highlighting particular securities based upon criteria specific to each customer; and
- (d) E-mails to customers with information on particular securities based upon criteria specific to each customer.

13.14.3 However, a Member that makes information about a broad range of securities available to a customer shall not be deemed to have thereby recommended such securities.

13.15 A Member must disclose the yield to maturity on all debt securities recommended or sold to customers.

### **13.16 When Members may effect Customers' trades**

In making a specific investment recommendation, a Member must have a reasonable basis for the recommendation, disclose the Security's price or price range at the time the recommendation is made and disclose the existence of any of the following situations:

- (a) That the Member and/or its Directors, officers or principal shareholders have a current or contingent financial interest in the recommended securities, unless the extent of the financial interest is nominal;
- (b) That the Member participated in a public offering of the recommended securities within the last two years; and
- (c) Any other conflicts of interest between the Member and the recommended securities.

13.17 Prior to the execution of a transaction recommended to a customer, a Member must ensure that such recommendation is consistent with certain information concerning the customer's:

- (a) Financial status;
- (b) Investment objectives; and
- (c) Ability to incur and tolerate risk as reflected on the New Customer's Account Form.

13.18 A Member controlled by, controlling or under common control with the Issuer of any securities recommended to any customer, shall disclose to customer the existence of such relationship prior to the execution of the transaction.

13.19 A Member may effect trades for a customer if:

- (a) It has made no recommendations to the customer;
- (b) The trade is executed according to the customer's instructions, and
- (c) Prior to the execution of the transaction the customer fully paid for the securities he wants to purchase, or proves ownership of the securities which are to be sold.

### **Unauthorised Transactions**

13.20 A Member may not execute any transaction for which it did not have the customer's prior written authorization.

13.21 A Member is prohibited from exercising its investment discretion over a customer's account, absent a written discretionary account authorization from the customer which has been signed and approved by a Principal of the Member prior to any transaction.

### **13.22 Fraudulent and Deceptive Activities**

A Member shall not engage in any transaction or induce the purchase, sale or exchange of any securities by means of any manipulative, deceptive or fraudulent practice or activity.

- (a) It shall be considered a deceptive and fraudulent activity for a Member to affix on any document a customer's signature, with or without that customer's authorization; to falsify any records mandated by the Exchange or the ECSRC or to forge any document or instrument used in the conduct of its business.
- (b) No applicant for Membership shall make false statements on, or omit material information from the respective Exchange applications or, in the case of a natural person, cheat on any examination required by the Exchange or the ECSRC.
- (c) A Member or its Associated Persons shall not make improper use of a customer's securities or funds, such as but not limited to, cases of (a) theft, (b) borrowing of funds or securities; or (c) loaning or pledging funds or securities.
- (d) A Member or its Associates shall not directly or indirectly engage in securities trading for the purpose of creating a false market.

- (e) A Member or its agent shall not encourage excessive trading in a customer's account for the purpose of increasing the Member's or its agents' commissions or other revenues generated by such activity.

### **13.23 Priority of Customer's Orders**

Customers' limit orders always take priority over orders for the Member's own account and orders for Associated Persons of the Member. Bids or offers placed by customers should be effected (entered into the system) in the order in which they were received.

### **13.24 Confirmation of Customers' Orders**

Where a trading transaction is made in a security, a written confirmation of that transaction shall be sent to the customer and shall set out; (a) whether or not the trade was a dealer or agency trade (b) price at and the consideration for which the sale or purchase was effected (c) commission and any other charges charged in respect of the transaction (d) date and time at which the transaction took place.

### **13.25 Delivery of Funds and Securities**

A Member shall promptly deliver funds or securities to its customers and the ECCSD.

### **13.26 Security Transfers**

- (a) All Member firms must maintain a securities Transfer Ledger detailing all transfers in and transfers out for securities under the control of the Member.
- (b) The following two transfers will be done at the point of opening the account by way of registration instructions, so further written transfer instructions from the customer are not necessary: (i) A customer wishes to have securities registered in his own name at the ECCSR rather than held by the broker dealer or (ii) a customer wishes to have securities held in the broker dealer's account at the ECCSD on his behalf rather than held in his own name at the ECCSR.
- (c) In the case of a legal transfer arising from a change of ownership due to death, divorce, gift, or a court order, the Member shall obtain the relevant documentation (death certificate, divorce decree, court order or similar documents) as required to transfer the securities.
  - (I) In the case of a securities transfer at the Depository from one Member to another, because the client moves his account from one Member to another, the receiving Member firm must obtain a written request by the client on a form such as Customer Account securities Transfer Form. The new Member that will receive the account must immediately submit the instructions to the Member that currently carries the account.

- (II) When the old Member receives the transfer form it must "freeze" the account to be transferred. All open orders must be cancelled and no new orders shall be accepted by the old Member.
- (III) Upon receipt of the transfer form, the old Member has two (2) business days to verify the positions and validate them or take exception to the listing. If discrepancies are found they must be resolved promptly.
- (IV) Upon validation of the transfer instructions, the old Member must return the transfer form to the new Member, with an attachment indicating all securities and money positions of that customer. The transfer of the account to the new Member must be completed within 3 days of receipt of the transfer form provided that all discrepancies have been resolved.

### **13.27 Charges for Services Performed**

Charges for services performed (commissions and mark-ups), in connection with securities transactions, shall be reasonable and not be unfairly discriminatory between customers and shall not exceed the maximum levels set forth by the ECSRC.

### **Segregation of Customers' Accounts**

- 13.28 A Member shall properly identify and maintain all its customer Customers' funds and securities in a segregated account distinct from any account containing its own funds and securities.
- 13.29 Every intermediary (broker dealer, limited service broker, or custodian) shall maintain with a bank or banks at all times a "Bank Account for the Exclusive Benefit of Security Holders" (hereinafter referred to as the "Customers' Bank Account"), and it shall be separate from any other bank account of the intermediary.
- 13.30 Every broker dealer, limited service broker, and custodian at all times shall maintain in such Customers' Bank Account all Clients' funds in its custody and possession that are related to its intermediary activities.

### **13.31 Customers' Account Statements**

Where a customer has a debit or credit balance with a Member, the Member shall send a statement of accounts to that customer at the end of each month.

### **13.32 Financial Statements to Customers**

Within 120 days of its reporting year-end, a broker dealer must furnish to each customer:

- (a) An audited statement of financial condition; and
- (b) Related notes including, the broker-dealer's net capital.

Such notes shall indicate whether any material inadequacies were discovered in the firm's annual audit.

### **13.33 Outside Business Activity**

No Representative or Principal associated with a Member shall be engaged in any other outside business activity or accept compensation from any other person or legal entity unless the Associate has prior written authorization from the Member approving the specific business activity or relationship and the Exchange has been notified of such authorization.

### **13.34 Net Capital and Reporting Requirements**

Each Member shall at all times be in compliance with the minimum net capital and reporting requirements promulgated by the ECSRC.

Net Capital computation must be done on a daily basis.

A Member shall notify the staff of the Exchange, either by telephone or fax, immediately upon discovery that it is not in compliance with any of the ECSRC's mandated capital requirements.

A Member is permitted to operate its securities business only when it is in full compliance with the ECSRC's net capital requirements.

In the instances when the Member falls below the minimum net capital requirement, it shall cease its securities business until it has successfully demonstrated to the Exchange that it is in full compliance with the ECSRC's requirements.

### **13.35 Supervision**

Each Member and its designated Principal shall be liable for the conduct and actions of its Representatives and other persons in its employ.

Each Member shall designate and register with the Exchange a licensed Principal who shall have the authority and responsibility for the supervision responsibilities of the Member's securities business.

A Principal shall be deemed to have failed to execute his supervisory responsibilities if:

- (a) No established procedures or system for applying such procedures was in place;
- (b) The Principal did not reasonably discharge the duties and obligations incumbent upon him; and

(c) There has been a failure on the part of any person for whom the Principal may be responsible to abide by any established standards or principles, and the Principal knows or ought to have known of such failure.

13.36 The designated Principal shall ensure firm's performance of all functions identified as operational procedures for Member firms by the Exchange to assure compliance of the Member's operations and policies with ECSRC as well as Exchange rules, and regulations.

13.37 Supervision by the Principal shall include a daily review of the firm's net capital requirements, customer new accounts, discretionary accounts, daily sales and purchase blotters, confirmation statements and customer complaints; weekly review of the firm's active customer accounts; and an annual review of the firm's operations, procedures and practices.

A log of each review shall be maintained noting which accounts have been reviewed and any problems cited.

In conducting the review, the firm shall focus on such issues including but not limited to:

- (a) Suitability of recommendation;
- (b) Sharing in customer accounts;
- (c) Wash trades;
- (d) Churning;
- (e) Free-riding by Representatives or employees;
- (f) Insider trading;
- (g) Late payments or transfers of securities;
- (h) Excessively large positions;
- (i) Substantial losses;
- (j) Concentration of low-priced securities;
- (k) Customer complaints; and
- (l) Any unusual or suspicious transactions.

13.38.1 Trading by Member's employees shall be subject to supervisory review.

13.38.2 All employees of the Member must have prior written approval of a Principal before opening any securities accounts.

13.38.3 This written approval shall be kept in the personnel file of the individual. Copies of periodic statements from any outside securities accounts shall be provided to the Principal by the Member holding that account. These statements shall be placed on the employee's personnel file.

13.39 Each Member shall compile and maintain a Supervisory Procedures Manual ("Compliance Manual") specifying the internal oversight procedures implemented to supervise the

securities business in which the Member engages, including the supervision of the activities of the Member's employees.

These procedures shall be reasonably designed and periodically updated to achieve compliance with the rules and regulations of the ECSRC and the Exchange.

13.40 Each Principal shall file evidence of his audit reviews and the actions taken to respond to potential problems in a specific review file located at the firm's office and report problems immediately to the Exchange.

13.41 Any Member which receives material non-public information shall (a) maintain a list of "restricted securities" as to which the firm and its employees are prohibited from trading and (b) maintain a "watch list" for reviewing proprietary and employee trades for signs of impropriety.

#### **13.42 Training**

All Member firms are required to develop and administer internal training to enhance the knowledge, skills and professionalism of its employees. The Member's internal training program shall take into consideration the firm's organizational structure and scope of its business activities, and must cover the general investment features and associated risk factors, suitability and sales practice consideration and applicable regulatory developments relating to the securities activities of the Member.

#### **13.43 Financial Obligations**

Each Member shall be responsible for and shall promptly and fully pay any charges, levies or fines assessed by the Exchange, including any fines levied against the Member in any disciplinary proceeding.

#### **13.44 Margin Accounts**

Members shall comply with margin and other prudential requirements prescribed by the Exchange in consultation with the ECSRC in respect of advances granted to their Customers for securities purchases.



## **CHAPTER 14:      ADVERTISING STANDARDS**

### **General Advertising Standards**

- 14.1 All Member communications with the public that are intended to solicit securities business must be based on the principles of fair dealing and good faith. Such communications must provide a sound basis for evaluating the facts conveyed about any particular securities, class of securities or investment recommendation or trading strategy.
- 14.2 Members are prohibited from publishing, circulating or otherwise distributing any public communication which is intended to solicit business that the Member knows, or should know, contains any untrue statement. Additionally, no material fact or qualification may be omitted if such omission would cause the communication to be misleading.
- 14.3 Members are prohibited from using exaggerated, unwarranted or misleading statements in their public communications. In preparing advertising scripts and sales literature, a Member must acknowledge the risks inherent in investing in securities. Such risks include, without limitation, fluctuating market prices, the uncertainty of dividends, rates of return, yields and corporate profits and currency fluctuations.
- 14.4 When sponsoring or participating in a seminar, public forum, radio or television interview, the Member, or the Member's representative must comply with these advertising standards.
- 14.5 A Member's responsibility for compliance with these general standards is not relieved by the employment of a non-Member organization to prepare advertisements, sales literature or scripts on the Member's behalf.

### **Specific Advertising Standards**

- 14.6 In addition to the general standards set forth above, Members must adhere to the specific standards identified below regarding communications with the public that are designed to solicit securities business.
- 14.7 All advertisements and sales literature must clearly identify the responsible Member and contain current and accurate information.
- 14.8 Members shall furnish upon request of the Exchange any information compiled in support of its recommendation.
- 14.9 A Member may publish or circulate material that does not make any specific recommendations but offers to supply a list of all past recommendations made by the Member. The list to be provided must contain the following elements:

- (a) The name of each security recommended;
  - (b) The date and type of recommendation made (i.e. purchase or sale);
  - (c) Price or price range at the time the recommendation was made; and
  - (d) The price or price range within which the recommendation was intended to be followed.
- 14.10 With regard to any particular investment or investment strategy, the Member's public communication must not contain promises of specific results, guarantees, exaggerated or unwarranted claims, or projections or forecasts of results for which no reasonable basis currently exists. All forecasts or projections must be clearly identified as such.
- 14.11 To the extent that a Member makes use of endorsements, quotations, tables, charts, graphs, statistics and other similar devices in its public communications, the source of this information must be disclosed and cited in the communication.

#### **Compliance with the Advertising Standards**

- 4.12 A Member must establish advertising review procedures and include them in its Compliance Manual. At a minimum, the procedures must include the following:
- (a) The Member shall designate a Principal in the firm to be responsible for the review of each piece of public communication (including scripts of information to be broadcast by radio or television) prior to its initial publication or distribution;
  - (b) If the communication satisfies the requirements of these Rules, the designated Principal must approve and certify by initialing each sample piece of communication and maintain said sample as a record available for inspection by the Exchange;
  - (c) If the Principal cannot approve or certify the piece of communication, it shall not be published, broadcast or distributed until it is in compliance with these Rules; and
  - (d) The designated Principal must certify by initialing each sample piece of communication and maintain said sample as a record available for inspection by the Exchange.

## CHAPTER 15: SYSTEM OPERATING RULES AND TRADING CONDUCT

### Regulation of Access

- 15.1 The Rules in this Chapter shall govern access to and use of the Eastern Caribbean Securities Exchange Limited Trading System (SYSTEM).
- 15.2 Normal market hours for the SYSTEM shall be 09.00 a.m. to 2.00 p.m. Eastern Caribbean Time, from Monday through Friday (excluding national holidays). The Board of Directors of the Exchange has the discretion to modify this time period based on a finding that such action is necessary or appropriate for the orderly conduct of business through the SYSTEM.
- 15.3 securities eligible for quotation in the SYSTEM are the following: (i) debt and equity instruments of an ECCB area Member Company or any other Company approved by the Commission; (ii) securities of ECCB Member governments and (iii) such other shares or securities that may be authorized for inclusion in the SYSTEM by the Commission and the Exchange.

### Continuous Trading

15.3A Continuous Trading. Definition. As used in these Rules, the term “Continuous Trading” means the activity of a Member of the ECSE consisting of the offer to buy or sell specified quantities of a particular listed Security during all hours of a business day on which the ECSE is open for trading and the Security is eligible to be traded under the other Rules of the ECSE.”

15.3A.1 Matching of offers. Under Continuous Trading, buy and sell offers for specified quantities of particular listed Securities shall be automatically routed through the ECSE’s trading platform. If matched, the offer shall be immediately and automatically executed and confirmed through the ECSE’s trading platform in strict price and time priority in accordance with the ECSE’s Trading Rules.

15.3A.2 All transactions on the ECSE shall be conducted by Continuous Trading.

15.3A.3 Failure of a Member to honor its posted bid or asked price for specified quantities of a Security is a serious violation of these Rules and will result in disciplinary action by the ECSE.

## Market Makers

15.3B Market Makers. Definition. “As used in these Rules, the term ‘Market Maker’ means an ECSE Member (1) who is obliged to continuously post offers to buy and sell specified quantities of a particular listed Security during all hours of a specified number of consecutive business days on which the ECSE is open for trading and the Security is eligible to be traded under the other Rules of the ECSE, and (2) who has previously been authorized in writing by the ECSE to act as a Market Maker, and the term “Market Making” shall be construed accordingly.

15.3B.1 Minimum period. The minimum period of Market Making for a Security shall be five (5) consecutive business days during which the ECSE is open for trading unless the ECSE, on application by the Member, allows a shorter period of time.

15.3B.2 Obligations of Market Maker. A Market Maker shall, at all times during the period it is acting as such, display on the ECSE’s trading platform the particulars of its current offers to both buy and sell shares of the Security being traded, including the price and quantity offered for purchase and sale. A Market Maker shall not offer to purchase a Security unless it also posts an offer to sell the Security and *vice-versa*.

15.3B.3 Minimum number of shares. The minimum number of shares offered for purchase or sale by a Market Maker shall be twenty (20) shares unless the ECSE, on application by the Member, allows a lesser quantity for that Security for a limited period of time.

15.3B.4 Spread between bid and asked prices. The ECSE may from time to time, in light of the price of the Security, the volume of trading in the Security, and other market characteristics establish a minimum or maximum spread between the bid and asked price posted by a Market Maker in the interest of maintaining an orderly market in Securities or for the protection of investors.

15.3B.5 Alteration of quotations. A Market Maker may alter its posted bid or asked price or the quantity of Securities offered for sale and purchase at any time prior to its matching.

15.3B.6 A Market Maker shall provide the ECSE with such reports of its activities as the ECSE may request.

15.3B.7 The ECSE may, on application of a Member engaging or proposing to engage in Market Making, may vary any of the conditions set forth in these Rules for the entire period of Market Making or any portion thereof. All such variation shall be in writing.

15.3B.8 Short sales by Market Makers. A Market Maker who engages in short selling need not have on hand or borrow shares of the Security sold short, but must comply with the remaining provisions of Rules 15.3C2 and 15.3C3 below concerning short sales.

15.3B.9 The ECSE may suspend or terminate the application of this Rule or any variation of this Rule previously allowed by the ECSE, and may order a Market Maker to take or cease to take any action as the ECSE may deem necessary in the interest of maintaining an orderly market in Securities or for the protection of investors.

15.3B.10 Failure of a Market Maker to honor its posted bid or asked price for specified quantities of a Security is a serious violation of these Rules and will result in disciplinary action by the ECSE.

### Short Sales

15.3C Short sales. (i) Defined. As used in these rules, a “short sale” is the sale by a Member of a Security which it does not own at the time of the sale, whether for its own account or the account of a customer.

15.3C.1 Eligible Securities. Short sales shall be allowed in such Securities as may be authorized in writing by the ECSE from time to time.

15.3C.2 Maintenance of sufficient shares or funds to cover short sale obligation. A Member which makes a short sale of a particular quantity of a Security shall, at all times until it has purchased or otherwise acquired ownership of a sufficient quantity of the Security to cover its short sale delivery obligations, have and maintain on hand a sufficient amount of liquid assets over and above its net capital requirements to cover the purchase of that quantity of the Security at its then-current market price. A Member shall be exempt from this liquid assets requirement only if:

(a) it is a party to a financial instrument (such as an option, warrant, or ownership of a convertible Security) entitling it to become the owner of a sufficient quantity of the Security in time to cover its short sale delivery obligations; and

(b) it has a sufficient amount of liquid assets to enable it to acquire a sufficient quantity of the Securities under the contractual obligation or financial instrument, such as the exercise price of an option.

15.3C.3 Lending and borrowing of Securities for short sales.

(a) A Member who proposes to lend to another Member Securities beneficially owned by its customers shall fully disclose its ability to do so and the risks inherent therein to all affected customers in writing prior to the time of such lending.

(b) A Member who has loaned another Member Securities belonging to a customer shall, at all times until it has been paid for the loaned Securities or they have been returned to the loaning Member, have on hand a sufficient amount of liquid assets to cover the total cost of purchasing the loaned Securities on the open market at the request of the customer.

(c) If, in connection with a short sale, the Member has borrowed the Security sold short from another Member for delivery to the buyer, the borrowing Member shall, at all times while such borrowing is outstanding, in addition to its obligation under Rule 15.3C.2 above, have on hand a sufficient amount of liquid assets to cover the total cost of borrowing that quantity of the Security from the other Member.

15.3C.4 Remedial actions and reports to ECSE. A Member whose liquid assets fall below the levels prescribed in Rules 15.3C.2 and 15.3C.3 above shall immediately

(a) Purchase a sufficient quantity of the Security to close out its short sale position by delivering that quantity of the Security to the buyer or the Member from whom it was borrowed;

(b) Pay any costs of borrowing or other expenses incidental to the short sale; and

(c) Notify the ECSE of the particulars of the short sale, the shortfall, and the actions taken to close out the short position.

15.3C.5 Short sales by customers. A Member shall require of any of its customers for whom it proposes to execute short sales to maintain on deposit with the Member, in the customer's general account or in a separate account, from time to time liquid assets or financial instruments sufficient to enable the Member to satisfy its obligations under these Rules. Members shall immediately advise the customer of any additional deposits required to be made due to fluctuations in the price of the Security sold short or for any other reason, and shall promptly take appropriate steps under Rule 15.3C.4 if the customer fails to make such deposits. Default by a customer does not excuse a Member from compliance with its obligations under these Rules.

15.3C.6 Prohibited short sales. A Member may not execute a short sale in a Security unless the price at which it is concluded is either:

- (a) higher than the last price at which a round lot of the Security was traded; or
- (b) equal to the last price at which a round lot of the Security was traded, if such last price is higher than the previous different price at which a round lot of the Security was traded.

15.4 Direct participation in or access to the SYSTEM is limited to Members that satisfy all applicable requirements for participation established by the Exchange.

These requirements may include:

- (a) a level of capitalization above the minimum level fixed by the Commission for licensed intermediaries to trade securities;
  - (b) Specific computer hardware, software, telecommunications links, equipment maintenance, security and other operational requirements contained in service contracts, user guides, or similar documents;
  - (c) System certification;
  - (d) Minimum staffing and supervisory procedures; and
  - (e) Such additional requirements that the Exchange may establish in the future.
- 15.5 Members must also comply with any regulatory requirements administered by the Commission relating to access to, or use of the SYSTEM for the intermediation of securities in the Exchange.
- 15.6 A Member's right to participate in the SYSTEM is automatically revoked in the following circumstances:
- (a) For the duration of any suspension of the firm's Membership in the Exchange;
  - (b) Upon the effective date of the termination of the firm's Membership in the Exchange;
  - (c) Upon the Exchange's finding that the Member has been delinquent for more than 30 days, in paying any due, fee, assessment or other charge levied by the Exchange;
  - (d) When a sanction is imposed by the Exchange or Commission, as a result of an enforcement proceeding, that suspends or terminates the Member's right to participate in the SYSTEM; or
  - (e) Upon the Exchange's finding a reasonable basis to conclude that a Member had engaged in fraudulent or criminal activities, or that a Member breached a material term or condition of its service contract with the Exchange.
    - Direct access to the SYSTEM is controlled by individual usernames and password codes assigned to each Member authorized for direct participation.

“Direct access” refers to the ability of a Member to enter quotations, and to report or confirm transactions directly into the SYSTEM through a computer terminal (PC).

A Member is responsible for maintaining the security of its assigned codes and of the computer equipment that enables the Member’s participation in the SYSTEM.

In particular, the Member must locate such computer equipment so that it is directly accessible only to authorized personnel of the Member.

15.8 In the event of extraordinary market conditions, natural disasters, failure of the national telecommunications or electric power systems, failure of the computer infrastructure that supports the SYSTEM, or major national or international crises, the Exchange may order a temporary suspension of the System’s operation.

15.9 As to any security authorized for quotation in the SYSTEM, the Exchange may order a temporary suspension of quotations in that security upon finding that such action is necessary or appropriate to protect customers or to maintain public confidence in the integrity of the securities market that the SYSTEM supports.

The Exchange may establish a department of market surveillance to monitor trading for possible rules violations and to investigate complaints of alleged violations or misuse of the SYSTEM, regardless of the source of the complaint.

Among other things, this department will be responsible for analyzing trade data and other relevant information regarding any alleged trading violation.

15.10 The results of this investigative work will be reported to the Exchange, or its designated committee responsible for initiating disciplinary proceedings or proceedings to revoke a Member’s right to access or use the SYSTEM.

**15.11 Quotation Increments**

Unless otherwise permitted by the Exchange, quotes must be expressed in increments of 0.01

**15.12 Circuit Breakers**

Whenever trading in a particular Security causes average declines, or advances of the price of a stock to exceed pre-determined guidelines established by the Exchange based on the previous day's close, trading in the Security may be temporarily halted by the Exchange in order to reduce market volatility.

**15.13 View Access by non-members**

Any entity that is not a Member is prohibited from having direct access to the SYSTEM.

Non-Members are permitted to have “view only” access to the SYSTEM.



With this level of access, a non-Member can retrieve and view any information or market data that is generally available through the SYSTEM, including the full range of quotation and transaction information that Exchange collects, validates, and distributes during normal market hours.

To obtain view-only access, a non-Member must enter into the appropriate service contract(s) and pay all related fees established by the Exchange.

#### **15.14 Reporting of Off-Exchange Transactions**

All off exchange transactions by Member firms must be reported to the Exchange.

The following categories of transactions are exempt from the trade reporting requirements of this Rule:

- (a) Transactions resulting from a legal directive (e.g., a court order or inheritance of the securities);
- (b) Transactions between accounts that have the same beneficial owner;
- (c) Transactions made to effect a gift, or a donation to a recognized charity; and
- (d) Such other transactions as the Exchange may periodically approve.

15.15 Dealer trades and agency cross trades shall be reported to the Exchange within two (2) minutes after the buyer and seller have agreed to the terms of the trade.

15.16 The Member responsible for entering a trade report is determined by reference to the following:

- (a) In transactions between two Members, the Member on the sell side must report the trade;
- (b) In transactions between any Member and a non-Member, the Member must report the trade; or
- (c) In transactions in which a Member matches the buy and sell orders of two or more customers, the Member must report the trade.

15.17 A transaction report shall include the following information for a particular trade:

- (a) Security symbol;
- (b) Unit price (excluding any commission, mark-up or mark-down, or other transaction-based fee);
- (c) The volume of the transaction;

- (d) A symbol indicating whether the reporting party effected a buy, sell, dealer or an agency cross transaction (i.e., the matching of buy and sell order between two customers of the same Member);
- (e) A symbol indicating whether the reporting party effected the trade as principal or agent;
- (f) The identity of the Member on the opposite side of the trade;
- (g) A late indicator and the time of execution in the case of a trade report entered more than two (2) minutes after the time of a trade's execution; and
- (h) Such other information that the Exchange specifies as necessary for clearance/settlement, and regulatory purposes or to implement future enhancements to the SYSTEM.

15.18 Public dissemination of reports of off-exchange trades that have been executed between Members will be delayed until those transactions are confirmed pursuant to the Exchange's procedures.

#### **15.19 Confirmation of Transactions Between Members**

- (a) The trade confirmation process is independent of the trade reporting process described above. The trade confirmation process described in this Rule does not apply to trades consummated between Members via the Exchange System.
- (b) Exchange transactions in eligible securities must be confirmed through the SYSTEM whenever both parties to the trade are Members. The confirmation of such a trade is accomplished according to the following procedures.
- (c) Within two (2) minutes after one Member has reported the trade pursuant to the procedures set forth above, the other Member (or contra side Member) must respond by making one of following entries:
  - (i) An acceptance of the terms of the reported trade;
  - (ii) A rejection of the terms of the reported trade; or
  - (iii) A rejection of the terms of the reported trade accompanied by the proposal of modified terms; in this instance, the Member receiving the modified terms must respond within thirty minutes to effect a confirmation.

#### **Acceptance and Execution of Orders**

15.20 Members must deal fairly with customers, exercise reasonable diligence in the handling of customers' orders to achieve the best available price under prevailing market conditions, and charge reasonable fees for the services provided to customers.

- 15.21 Members shall maintain a reasonable level of fees for their services according to the requirements of the Exchange and the ECSRC.
- 15.22 A Member that has consummated a trade with another Member or a customer must honor the specific terms of the trade so as to enable settlement within the time period prescribed by these Rules or the requirements of the ECCSD.
- 15.23.1 In any transaction for or with a customer, a Member shall use reasonable diligence to ascertain the best inter-dealer market for the subject Security and execute the order so that the resultant price to the customer is as favourable as possible, under the prevailing market conditions.
- 15.23.2 In determining whether a Member has used reasonable diligence to comply with these Rules, the following factors will be considered:
- (a) The character of the market for the security, as indicated by the last reported price for one unit (normally at least 100 shares), the best bid and offer prices displayed in the SYSTEM for the security;
  - (b) Overall market conditions at the time that the trade was executed;
  - (c) The size of the customer's order in relation to the size being quoted by any registered market makers in the security at the time of execution (if applicable);
  - (d) Any conditions attached to the execution of the customer's order (e.g., a price limit or a customer's requirement for the execution of the entire order at a single price); and
  - (e) The steps actually taken by the Member to obtain the best execution price.
- 15.24 In handling an order for an eligible security for customer's account, a Member shall not involve another intermediary to obtain an execution of that customer's order, unless the Member can demonstrate that doing so has reduced the transaction costs to the customer.
- 15.25 Before accepting a buy or sell order from a customer, a Member shall:
- (a) In the case of a sell order, access the registry and verify the customer's ownership of the security(ies) that such customer proposes to sell;
  - (b) Access the SYSTEM to determine the most recent price information available (i.e., the highest bid, lowest offer, and price of the last reported transaction); and
  - (c) Communicate that information to the customer; and (d) ask whether the customer wishes to place a price limit or any other condition on the order (e.g., that a partial execution would or would not be acceptable or that the order is to be cancelled if not filled by a particular date).

15.26.1 A Member shall be entitled to execute large transactions either by trading as principal with a customer or by matching the buy and sell orders of two (or more) customers, outside the range of the best firm bid and firm offer currently displayed in the SYSTEM.

15.26.2 For this purpose, a large transaction shall mean a block of at least five thousand (5,000) shares with a market value of 10,000 EC, or 125,000 shares with a market value of 1,000 EC . However-amalgamation or a bunching by a Member of more than five orders in which no order is less than twenty percent (20%) of the total orders, shall not be recognized as a large transaction.

15.26.3 The execution of a large transaction shall be treated as a special transaction outside the normal round-lot market reflected in the SYSTEM.

Nevertheless, the executing Member shall ensure the execution of any customer limit orders he holds and which would be eligible for execution at the price of the large transaction:

(a) by either allowing the customer limit orders to participate directly in the large transaction; or

(b) by the Member trading as principal to satisfy the customer limit orders at the unit price of the large transaction.

15.26.4 In any event, a Member shall report large transactions for public dissemination in accord with the requirements of these Rules.

### **15.27 Priority of Customer Orders**

Customer orders shall have right of priority to those of the firm. A Member firm cannot execute a proprietary trade ahead of a customer order.

### **15.28 Trading Price For On Exchange Activity**

The price that optimizes the trading volume shall be the trading price in the call auction market. This price shall be a function of supply and demand within the market.

### **15.29 Trading Price For Off-Exchange Activity (Agency Cross and or Dealer Trades)**

The highest bid and the lowest offer shall be known as the best bid and offer.

In order to ensure the protection of the customers, an orderly market, as well as to maintain the confidence of the public in the integrity of the Exchange, the following restrictions regarding the price of the transactions in securities executed off the Exchange are established.

(a) When there are firm bids and firm offers for the Security, the transaction must be executed or effected at price that is at the best bid and asked prevailing prices for the Security at the time of the transaction.

(b) When there are only firm bids for the security, the price of the transaction shall at least equal the best firm bid.

15.30 When there are only firm offers for the Security, the price of the transaction shall at the most equal the best firm offer.

15.31 When there are no firm quotations for the Security, the price of the transaction shall be within 20% of the price of the last transaction.

15.32 If no transactions occurred previously in the security, the price of the transaction shall be determined by trying to negotiate with the Members displaying indicative quotations, to the extent such quotations can, at least partially, fulfill the customer's order.

(a) In all these situations, if the Member, acting as principal, may fulfill the customer's order at a better price than the one currently displayed in the system, by buying or selling the securities for or out of its own account, the price may constitute an exception to these restrictions.

(b) In all situations, the Member shall make all the efforts to provide the best execution for the customer's order.

## **CHAPTER 16: OPERATIONS OF MEMBERS**

### **16.1 Books and Records**

Members shall keep such books, accounts, and other records:

- (a) As may be necessary to show the nature and details of all dealings and transactions entered into;
- (b) As may be required to explain transactions and the financial status of its business at any time;
- (c) To enable a true profit and loss account and balance sheet to be prepared from time to time; and
- (d) Such other books and records as the Exchange may from time to time prescribe.

### **16.2 Member must maintain the record keeping of the following files and records:**

- (a) Customer files containing all documents related to the customer including copies of customer account forms, order forms and copies of confirmations of all purchases and sales of securities and copies of notices of all other debits and credits for securities, cash and other items for the accounts, account statement correspondence and customer complaints;
- (b) Purchase and sale blotters reflecting all securities transaction and must include account number, name and amount of securities, unit and aggregate price, trade date and contra party;
- (c) Stock records reflecting all securities movements between accounts and locations: between Registry and Depository, legal transfers between customers, movements between free and segregated sub accounts within the Depository and updates by the date following the movement;
- (d) Copies of each periodic statement sent to a customer;
- (e) Firm ledgers:
  - (i) Ledgers reflecting all assets and liabilities, income and expense and capital accounts of the firm;
  - (ii) Ledger accounts itemising separately all purchases, sales, receipts and deliveries of securities for each cash account, and all other debits and credits to such accounts;

- (iii) A securities ledger showing all securities carried by the broker-dealer for the broker-dealer's own account or for the account of its customers and the location of those securities; and
  - (iv) Ledgers showing securities in transfer, dividends and interest received, money and securities borrowed and loaned, securities which the firm for any reason has not received or delivered when due;
- (f) Copies of approved advertisements, sales literature and public communications of the Member;
- (g) All of the Member's correspondence;
- (h) Employment and registration information of Associated Persons of the Member;
- (i) All customer complaints received by the Member involving the Member or its employees and the action taken by the broker-dealer firm with respect to each complaint;
- (j) A litigation file documenting each criminal or civil action filed against the broker dealer firm, or against any of its personnel with respect to a securities or an investment advisory transaction and the disposition of any such litigation; and
- (k) Any other documents or information required by the Exchange.
- 16.3 These records must be kept for a period of six (6) years and be readily accessible for at least the first two years.
- 16.4 A Member firm must keep for at least three years (the first two years in an easily accessible place) all cheque books, bank statements, cancelled checks and cash reconciliations, bills receivable or payable, and correspondence.
- 16.5.1 Every Member firm must submit quarterly un-audited financial statements (within one month after the quarter) and annually audited financial statement within three months after the end of its financial year, to the Exchange.
- 16.5.2 Financial Statements include Balance Sheet, Income Statement, and a Statement of Cash Flows accompanied by appropriate notes to the accounts, in respect of that period.
- 16.5.3 All accounts must be in accordance with the format approved by the Exchange and the ECSRC.
- 16.6 All Member firms shall submit each month a Liquidity Return Report indicating the net capital computation in the form prescribed as per the Appendix 7.

## **16.7 Financial Year**

- (a) Every new Member shall within one (1) month of the commencement of business notify the Eastern Caribbean Securities Exchange Limited of the date of its financial year-end;
- (b) The balance sheet shall be prepared within three months after the end of the financial year;
- (c) A Member firm desirous of changing its financial year date should notify the Eastern Caribbean Securities Exchange Limited of its intention to do so no later than (7) days following the passage of the relevant decision by the firm's Board of Directors; and
- (d) Any such change in date shall not be permissible within a period of less than three months prior to the existing financial year-end.

### **16.8.1 Balance Sheet**

Members shall disclose, in the balance sheet the following:

- (a) The paid up capital of the Member;
- (b) Capital and revenue reserves;
- (c) Subordinated loans by each Director;
- (d) Total credit and total debit due to or from Directors in respect of transactions in securities;
- (e) Credit or debit balances on other accounts of each Director;
- (f) Amounts to the Member relating to transactions in securities for the accounts of the Directors;
- (g) The aggregate amount of assets consisting of shares or interests in and amounts owing by subsidiary companies or organizations established under the Rules of the Exchange by the Member firm or any of its Directors distinguishing shares and interest from indebtedness;
- (h) Amounts appropriately categorized of any other assets; and
- (i) Liabilities as specified by the Exchange.

16.8.2 Each balance sheet and or statement of financial condition shall show separate classes for approved and non-approved assets.



16.8.3 The following are deemed by the Rules to be approved assets:

- (a) Certificates of Deposit redeemable within one year of the balance sheet date issued by banks recognized by the ECCB, and Treasury Bills issued by the governments of the ECCB Member countries;
- (b) Money on deposit with a non-bank financial institution recognized by the ECCB which is encashable within one year of the Balance Sheet date;
- (c) Balances on current or deposit accounts which are cashable within one year of the balance sheet date; balances in foreign currencies must be shown separately from EC dollar balances and shall distinguish:
  - (i) Balances which are freely remittable to the ECCB Member countries through a recognized banking system; and
  - (ii) Balances which may only be used in settlement of securities transactions in the country in which the balances are held.
- (d) ECCB Member government securities and corporate securities listed on the Eastern Caribbean Securities Exchange Limited excluding any in which dealings have been suspended;
- (e) Listed securities on foreign exchanges approved by the ECCB;
- (f) Receivables in the ordinary course of securities exchange business excluding all amounts in respect of Directors transactions, and consisting only of amount due from:
  - (a) Customers and/or employees who have not in any way declared or repudiated as null and void their original contract with the broker-dealer firm which had at the balance sheet date customer accounts owing for not more than (90) days, or accounts owing to settle against delivery of securities to the extent that such securities have not been delivered;
  - (b) Employees who are due to settle on account day which had at the balance sheet date accounts owing for not more than ninety (90) days , or accounts to settle against delivery of securities to the extent that such securities have not been delivered;
  - (c) The Central securities Depository regarding net settlement;
  - (d) Member firms, distinguishing between:
    - (i) Balances which at the balance sheet date had been outstanding for ninety (90) days or less;

- (ii) Balances in respect of open securities positions which had at the balance sheet date been outstanding for more than ninety days;
- (iii) Other balances which had at the Balance Sheet date been outstanding for more than ninety (90) days; and
- (iv) Such other assets of the Member firm as may be agreed with the Board of the Eastern Caribbean Securities Exchange Limited.

16.8.4 Each balance sheet and or statement of financial condition shall show the following liabilities, which shall be used in determining the net capital requirement for the Member firm in their Liquidity Return:

- (a) Amounts due to:
  - (i) Customers,
  - (ii) Employees,
  - (iii) Member firms,
  - (iv) Central securities Depository,
  - (v) Member companies of overseas securities exchanges,
  - (vi) Banks specifying the nature and market value of any security given and the fact, where applicable, that the security given is not the property of the Member Company, together with particulars by way of note, of any charge guarantee or indemnity given, and
  - (vii) Foreign exchange dealers;
- (b) Any other liabilities which are secured, either by the deposit of securities or otherwise, specifying the nature and market value of the security at the date of the balance sheet and the fact - where applicable - that the security given is not the property of the Member Company, together with particulars by way of note of any charge, guarantee or indemnity given;
- (c) Aggregate amount due to any subsidiary Company. The total amount of the companies' tax (or a fair estimate thereof) payable or expected to be payable on the whole of the profits up to the balance sheet date;
- (d) The amount, if any, by which the sum at which the securities ranking as approved assets under Rule 16.08.03 are brought into account exceeds their aggregate market value;
- (e) The amount of any loss which the Member Company could incur at the balance sheet date in respect of transactions to be settled in overseas currencies, where the Member Company has not covered the relevant amount by a forward purchase or sale of currency, and the amount of any loss (were there to be substituted for the rates of exchange employed in the account the rate ruling in the ECCB at the date of the

balance sheet);

- (f) The amount of any accumulated losses, so far as they concern the Member firm or any subsidiary company or organization established under the Rules of the Exchange by the Member firm which are not covered by the investment in the organization or Company respectively;
- (g) The amount of any foreseeable losses from bad or doubtful debts or from any other causes;
- (h) All other liabilities of the Company apart from those specified in this paragraph separately designated where material.

### **16.9 Income Statement**

The Income Statement shall show under separate headings:

- (a) Gross commission earned;
- (b) Commissions shared and paid away;
- (c) Interest receivable;
- (d) Interest payable on:
  - (i) bank loans and balances,
  - (ii) all other loans;
- (e) The charge in respect of bad and doubtful debts;
- (f) Audit fees (including expenses).
- (g) Other material items of income and expenditure explained in reasonable detail; and
- (h) The net profit before tax.

### **16.10 Cash Flow Statement**

All Members firms shall disclose in the Cash Flow Statement showing the net cash flow of each category of business activity of the firm for the period under review, with itemization of the cash flows from operating activities, cash flows from investing activities and the cash flows from financing activities.

### **Liquidity Return; Net Capital Requirement**

- 16.11.1 All Members shall prepare and submit to the Exchange monthly a Liquidity Return Report showing the Net Capital Computation in the prescribed Form as in Appendix 7 hereof.
- 16.11.2 Each Liquidity Return shall be submitted within two weeks of the date on which it is made up.
- 16.11.3 Each Member must maintain every day the firm is in business a minimum net capital of not less than SIX percent (6%) of the total liabilities of the Member firm.

16.11.4 Net Capital means the net worth of a Member Company reduced by all non-approved assets and other charges.

**16.12 Notes to Accounts**

Notes to a Member's accounts must state the accounting principles and practices followed in their preparation, the basis on which securities are included and other notes as may be necessary for an understanding of the Statements or Notes to the Accounts.

**Audit of Members' Accounts**

16.13.1 Each Member firm must have an accountant retained to audit the firm's books and records.

16.13.2 The auditor must be an independent auditor approved by the ECSRC.

16.13.3 For the purpose of this Rule, "auditor" means a person or firm who is in public practice; independent of the Member Company and has the approved accreditation (namely: CA, CPA, ACCA, or CGA) to perform the required duties.

16.13.4 The audit must be made in accordance with International accounting/auditing standards.

16.13.5 The audit must include a review of the accounting system, the internal accounting controls and procedures for the safeguarding of securities and funds including appropriate tests.

16.13.6 The audit report must be prepared in keeping with the securities (Accounting and Financial Statements) Regulations.

16.13.7 The auditor shall, if not satisfied, qualify the accounts and notify the Exchange and ECSRC.

## **CHAPTER 17: DISCIPLINARY PROCEDURES**

### **17.1 Application**

The procedures in this Chapter shall apply to: (a) all proceedings relating to disciplinary matters involving the Rules, an employee of the Exchange and any Member or Associated Person, and (b) to any other proceedings the Exchange or the ECCSD or the ECCSR shall deem appropriate.

**Definition.** “As used in these Rules, the term ‘Disciplinary Committee’ means ....and shall be construed accordingly.

#### **The Membership of the Disciplinary Committee**

#### **Appointing Authority of the Disciplinary Committee.**

#### **Jurisdiction of the Membership**

### **17.2 Confidentiality**

All disciplinary investigations and proceedings conducted either by the Exchange staff or the Board of Directors of the Exchange or any committee of the Exchange and any materials or testimony associated therewith shall be considered privileged and confidential.

### **17.3 Grievances**

Any customer or Member may file a grievance against a Member or any Associated Person relating to the possible violations of the Rules.

17.4 All grievances shall:

- (a) Be made in writing;
- (b) Be properly signed;
- (d) Identify the Member or the Associated Person against whom the grievance is made;
- (e) Specify in detail the facts surrounding the charges; and be filed with the Secretariat of the Exchange.

17.5 When the grievance is filed, the Exchange shall promptly forward it to the accused party and to the designated staff of the Exchange for preliminary investigation and completion of the written report. The said report shall be completed within five (5) business days and shall be forwarded to appropriate staff of the Exchange which shall then forward the report to the Chairman and Members of the Disciplinary Committee within three (3) business days.

### **17.6 Time Limitations**

The affected customer, affected Member or the Exchange staff shall not be able to file any grievance pursuant to these Rules if more than one (1) year has elapsed from the date of the alleged violation of the Rules which is the subject of the grievance.

- 17.7 The Disciplinary Committee shall authorize a Letter of Formal Charges against a cited party for a specific violation of the Rules not later than thirty (30) days after receipt of the preliminary investigation report from the Exchange.

### **Conflicts of Interest**

- 17.8.1 No person on the Disciplinary Committee, Disciplinary Panel, or any other committee or panel, shall sit on or participate in any disciplinary matter if: (a) he, his Member firm, any Associated Person of his Member firm or any relative (to the third degree) is a cited party, has an involvement, interest or is a witness in such matter; or (b) his participation in such matter would pose or would be construed as a conflict of interest.
- 17.8.2 (a) Upon the occurrence of the conflict of interest, the person shall be disqualified from the proceedings and another eligible person, if available or applicable shall be substituted.
- (b) Should the Chairman of the Disciplinary Committee have a conflict of interest, then the Vice Chairman shall be substituted and charged with the chairman's tasks.
- (c) If both should have a conflict, then the eligible Members of the Committee shall elect a chairman from among themselves.

If all the Members of the Committee have a conflict, then the Board of Directors of the Exchange shall appoint a Committee of independent persons.

### **17.9 Investigative Process**

- (a) Upon the completion of the preliminary investigation and the investigation report, the Disciplinary Committee shall be convened to review the matter and decide whether to dismiss the grievance, request a supplementary investigation or authorize a Letter of Formal Charges to be issued against the accused Member or Associated Person.
- (b) The Disciplinary Committee may be convened by telephone, provided that each Member has received a copy of all relevant materials prior to the meeting. Should a grievance be dismissed by the Disciplinary Committee, a letter noting that decision shall be sent to the complainant.
- (c) In the course of any Exchange staff investigation, every Member and Associated Person shall co-operate fully with the investigation.

### **17.10 Letter of Formal Charges**

- (a) If the Disciplinary Committee finds that the allegations in the filed grievance require disciplinary action against a Member or an Associated Person, the Committee shall authorize, upon a “majority plus one” vote, the issuance of a Letter of Formal Charges against the party (which shall be referred as the cited party).
  - (b) The authorized Letter of Formal Charges shall be signed by the Chairman of the Disciplinary Committee. It shall be made in writing and specify in detail the nature of the charges and the Rules allegedly violated. If the Letter of Formal Charges consists of several allegations, each allegation shall be separately stated.
  - (c) Additionally, the Letter of Formal Charges shall set a date, time and place for a hearing regarding the alleged violations.
  - (d) The Letter of Formal Charges shall be sent to the cited party by registered mail to the current address, which is listed in the Exchange’s official Directory. In the event that there are multiple cited parties in the action, each individual cited party shall be mailed a separate Letter of Formal Charges. A copy of the Letter of Formal Charges shall also be sent to the Member with whom any cited party is presently Associated.
- 17.11 (a) At any time prior to the commencement of the hearing, any Letter of Formal Charges may be withdrawn or amended, in whole or in part, by the Disciplinary Committee.
- (b) Any withdrawal of the charges must be approved by a “majority plus one” vote of the Disciplinary Committee and the formal letter of withdrawal shall be sent to the cited party along with a copy to the Member with whom the cited party is Associated.
  - (c) Any amendments, including additions of new cited parties to the Letter of Formal Charges must be approved by a “majority plus one” vote of the Disciplinary Committee and an Amended Letter of Formal Charges shall be sent by registered mail to all the cited parties in the action.

**17.12 Answer to the Letter of Formal Charges**

- (a) The cited party must provide an answer to the Letter of Formal Charges or any amendments thereto. All answers shall be in writing, properly signed by the cited party or his attorney and submitted to the Disciplinary Committee within twenty one (21) calendar days from the date of receipt of the Letter of Formal Charges or the amendment by the cited party. The answer shall contain the cited party’s admission or denial, in whole or in part, and may contain any defence to each allegation.
- (b) If no answer is received by the Committee within the time required, the Disciplinary Committee shall send a second Letter of Formal Charges to the cited party by

registered mail requiring an answer within ten (10) calendar days of the receipt of the second notice by the cited party.

- (c) If no answer is received by the Disciplinary Committee in the time required by the second notice, the Disciplinary Committee may consider the allegations contained in the Letter of Formal Charges or the amendment as admitted by the cited party. The Chairman of the Disciplinary Committee, in that case, shall appoint a Disciplinary Panel pursuant to these Rules.

### **17.13 Cited party's objections about the Hearing Notice of Hearing**

- (a) Should the cited party object to the scheduled date, time or place of the hearing, he shall file the objection, either by letter or fax, with the Chairman of the Disciplinary Committee no later than five (5) days from initial receipt of the notice of hearing. The said objections shall be specific and shall specify alternative dates, times or places for the hearing.
- (b) The Chairman shall rule within seven (7) business days from the receipt of the initial objection and shall respond to the cited party in writing.
- (c) Should the Chairman deny the objections, the cited party may appeal the decision within three (3) business days of receipt of the written denial, either by letter or fax, to the Chairman of the Board of Directors of the Exchange.
- (d) The Board's Chairman shall rule on the objection and respond in writing to the cited party within three (3) business days of receipt of the objection. The Chairman's ruling is final.

### **Waiver of Hearing**

#### **17.14 Disciplinary Panel**

- (a) The cited party may waive the hearing and elect not to avail himself of the hearing process. The waiver shall be in writing, properly signed by the cited party, and submitted to the Chairman of the Disciplinary Committee no later than fourteen (14) calendar days prior to the hearing date, if one was already set.
- (b) Should the cited party waive the hearing, the matter shall be decided by the Members of a Disciplinary Panel, appointed by the Chairman pursuant to these Rules.
- (c) The Disciplinary Panel may either:
  - (i) Reject the cited party's waiver and compel him to appear and participate at the hearing; or



- (ii) Cancel the hearing and consider the matter only from the written submissions by all the parties.

In the latter event, all the parties shall have the opportunity to submit additional materials.

- 17.15.1 (a) The Chairman of the Disciplinary Committee shall appoint at least three (3) but not more than five (5) Members of the Disciplinary Committee to sit at the hearing as a “Disciplinary Panel” for a particular disciplinary matter.
  - (b) The Chairman may appoint any other Member of the Exchange’s Board of Directors other than the General Manager of the Exchange, provided that a majority of the Members of the Disciplinary Panel shall be Members of the Disciplinary Committee.
  - (c) If the Chairman is not a Member of the Disciplinary Panel then the individuals selected shall elect a Chairman of the Disciplinary Panel.
- 17.15.2 (a) The Chairman shall provide the cited party with the names of the persons on the Disciplinary Panel within three (3) business days of the finalization of the panel.
  - (b) Any objections to any of the proposed individuals shall be made by the party cited in writing not later than seven (7) business days prior to the scheduled hearing and shall specifically state the nature and reasoning for the objection.
  - (c) The said objections shall be directed to the decided by the Chairman of the Board of Directors of the Exchange.
  - (d) The Chairman of the Exchange shall rule on the objection within three (3) business days of the receipt of the objection. Within five (5) business days of the receipt of any objection, the cited party shall be notified whether the objection is sustained or denied.
  - (e) Should the Board Chairman sustain the cited party’s objection, he shall remove the Member in question and substitute another Member of the Disciplinary Committee or the Board of Directors; and he (the Board Chairman) may also postpone the hearing as well as reschedule the hearing.

## **Hearing**

- 17.16.1 Provided that (a) a hearing in a disciplinary matter shall be scheduled on any business day not less than forty-five (45) calendar days from receipt of the initial mailing of the notice of hearing; and (b) it shall be conducted at or near the offices of the Exchange, the hearing may be rescheduled, as to the time, date or location, upon agreement of all the parties to the proceedings.

17.16.2 The hearing proceedings shall:

- (a) Be confidential and conducted before a Disciplinary Panel pursuant to these Rules;
- (b) Be an informal proceeding and shall not be conducted in accordance with the formalities of OECS judicial procedural rules, (provided that the principles of natural justice, fairness and impartiality shall be observed); and
- (c) Be conducted generally as follows: after each party has made its opening statement, the Exchange staff would present its case, followed by the cited party presenting his; both sides may submit exhibits and call witnesses to testify but they shall not be bound by the formal rules of evidence, as commonly found in a OECS judicial proceedings; each party may cross-examine the others' witnesses and the Disciplinary Panel may ask questions of either party at any time during the proceedings.

17.16.3 The Exchange staff shall have the burden of proving that the cited party violated the Rules as alleged in the Letter of Formal Charges.

17.16.4 The burden of proof shall be "the balance of probability."

#### **17.17 Decision of the Disciplinary Panel**

- (a) Following the conclusion of the hearing, the Disciplinary Panel, shall decide by a "majority plus one" vote, whether or not the cited party violated the Rules of the Exchange as charged in the Letter of Formal Charges. In the event that the cited party is found to have violated the Rules, the Disciplinary Panel shall impose sanctions.
- (b) Regardless of the outcome, the Disciplinary Panel shall issue a written decision which shall include: (i) the pertinent facts; (ii) the Rule(s) allegedly violated; (iii) the panel's ruling and the basis upon which its findings were made; and (iv), if applicable, the sanctions imposed. Any minority or dissenting opinions of the persons on the Disciplinary Panel may be included in the decision.
- (c) If the Disciplinary Panel determines that no violation occurred, it shall dismiss the charges.
- (d) The decision of the Disciplinary Panel shall be promptly sent by registered mail to the cited party. The cited party may appeal such decision to the Board of Directors of the Exchange of Directors of the Exchange pursuant to these Rules.

#### **17.18 Appeal to the Board of Directors**

A cited party may appeal any decision by the Disciplinary Panel to the Board of Directors of the Exchange within seven (7) business days of receipt of the written decision but only if: (a) there is new or additional evidence in the matter; (b) the

Disciplinary Panel had not considered or incorrectly considered the evidence which was initially presented; or (c) the Disciplinary Panel misapplied the Rules.

- 17.19.1 The appeal shall be in writing, properly signed by the cited -appellant, and shall: (a) identify the new or additional evidence to be submitted or state with specificity the reasoning for the appeal; and (b) have attached copies of the new evidence; and (c) in the event of new testimony, contain the name, address and relationship of the witness and a synopsis of such testimony. The appeal, which may be sent by fax, shall be addressed to the General Manager of the Exchange.
- 17.19.2 The Management of the Exchange may make written submissions to the Board of Directors in connection with the appeal.
- 17.20 (a) The General Manager of the Exchange shall inform the Board of Directors of the Exchange of the appeal and schedule an appellate hearing within sixty (60) calendar days of receipt of such appeal.
- (b) The General Manager of the Exchange shall also forward a copy of the appeal and the attached documentation to the Exchange staff.
- (c) The General Manager shall inform the cited -appellant of the date, time and place of the appellate hearing by registered mail. Such hearing shall be scheduled on a date not less than twenty-one (21) days from mailing of the notice of the appellate hearing.
- 17.21 (a) The appellate hearing shall be conducted only by the **Non-Executive Directors** of the Exchange who were not Members of the Disciplinary Panel which rendered the initial decision. A non-Executive Member of the Board may chair the appellate hearing.
- (b) The appellate hearing shall be conducted in a similar fashion as the original hearing pursuant to these Rules, except that: (i) the cited -appellant shall proceed first with his appellate argument, followed by the Exchange staff and (ii) the appellate hearing shall only focus and be limited to the issues addressed by the cited appellant in his original notice of pursuant to Rule 17.03.
- 17.22 (a) Following the appellate hearing, the Board of Directors of the Exchange may sustain, reverse or modify the original decision and/or the sanctions, in whole or in part.
- (b) The decision of the Board shall be by a “majority plus one” vote of the members participating.
- (c) Should the Board reverse the original decision, in whole or in part, then the respective charges against the cited party shall be dismissed.

17.23 The appellate decision of the Board of Directors of the Exchange shall be in written form and similar to the requirements of a decision of the Disciplinary Panel. It shall be promptly sent by registered mail to the cited party.

17.24 The appellate decision of the Board of Directors shall be final and not subject to further appeal or review in any court or administrative body.

#### **17.25 Final Decision**

(a) All Final Decisions approved by the Board of Directors of the Exchange shall promptly be sent by registered mail to the cited party and the sanctions, if any, shall be effective from the date stated in the decision.

(b) Copies of the all Final Decisions shall also be promptly forwarded to the party filing the original grievance, the cited party's Member-firm and the ECSRC.

(c) Any Final Decision which imposes upon the cited party the sanctions of an expulsion, termination of Membership, suspension, or restitution and/or fine in excess of 20,000 EC dollars shall be made public and available to the media.

#### **Settlement Procedure**

17.26.1 Any cited party may propose an Offer of Settlement of the Formal Charges at any time prior to the issuance of a decision by the Disciplinary Panel.

17.26.2 The Offer of Settlement, properly signed, shall contain:

(a) The pertinent facts;

(b) The Rules involved;

(c) Admission of said violations by the cited party or the withdrawal of charges by the Exchange staff;

(d) The proposed sanctions, if any; and

(e) A waiver of the cited party's right of appeal to the Board of Directors.

17.26.3 The Offer of Settlement may be recommended for acceptance by the General Manager of the Exchange.

17.26.4 Every executed Offer of Settlement shall be submitted to the Disciplinary Panel for its review and approval. It shall then be submitted to the Board of Directors of the Exchange.

#### **17.27 Sanctions**

In any disciplinary proceeding involving Members and Associated Persons, the Disciplinary Panel or any other committee designated by the Board of Directors of the

Exchange in the enforcement of the Rules, may impose any or a combination of the following sanctions on a cited party having been found to have violated the Rules:

- (a) Issue an official warning;
- (b) Impose a private or public censure;
- (c) Require re-examination or re-qualification of a cited person as a Representative or Principal;
- (d) Impose a monetary fine to the extent authorized by the ECSRC or the Securities Act;
- (e) Require that restitution be made to another party;
- (f) Impose a suspension of Membership;
- (g) Expel a Member or withdraw the Exchange registration of an Associated Person;
- (h) Require that the terms of the Final Decision be published and made public;
- (i) Require the payment to the Exchange of the costs and expenses of the disciplinary proceeding and investigation; and/or
- (j) Impose any other fitting sanctions deemed appropriate under the circumstances.

#### **17.28 Compliance with the Final Decision**

All the terms and requirements of the Final Decision shall be complied with by the cited party within fourteen (14) calendar days of the effective date, unless otherwise specifically stated therein. In the event the cited party applies to the Board of Directors for a Review of the Final Decision, the terms and requirements of the Final Decision shall be stayed until notification of the Exchange by the Board of Directors as to the outcome of the Review application.

17.29 All fines and other monetary sanctions, other than restitution to specified parties, shall be paid to the Exchange and may be used for general corporate purposes.

- 17.30 (a) The Board of Directors of the Exchange may expel or decide the cease of the privileges of any Member or Associated Person, in the case of any cited party who has failed comply with all the terms and requirements of the Final Decision within the time required by these Rules.
- (b) The Board of Directors of the Exchange may summarily suspend or expel any cited - Member or suspend or withdraw the registration of any cited Associated Person who has failed to comply with all the terms and requirements of the Final Decision within the time required by these Rules.

### **17.31 Summary Suspension or Expulsion**

- (a) The Board of Directors of the Exchange, upon a majority vote, may summarily suspend a Member or an Associated Person who has been expelled, barred or is currently subject to a suspension from a CARICOM Member exchange, any other recognized exchange in a regulated market or from any self-regulatory organization.
- (b) A Member or the Associated Person who has been summarily suspended may petition the Board of Directors of the Exchange, in writing, for reinstatement.

### **17.32 Effect of an Expulsion or Suspension on a Member**

In the event that the Final Decision imposes on a Member the sanction of expulsion or suspension from the Exchange, the Member and all its employees shall cease engaging in any aspect whatever of the non-exchange securities business permanently, in the case of an expulsion, or for the specified time period, in the case of a suspension.

### **17.33 Effect of a Revocation of registration or Suspension on an Associated Person**

In the event that the Final Decision imposes the sanction upon an Associated Person of a withdrawal or suspension of the Exchange registration, the Member shall not allow that person to be Associated with that Member in any capacity whatever, including clerical or non-professional functions. When an Associated Person's Exchange registration is withdrawn or suspended, a Member shall not pay or credit any salary, commissions, profit or other compensation which results directly or indirectly from any non-exchange security transaction which the individual might have earned during the period of the withdrawal or suspension.

### **17.34 Effect of Disciplinary Proceedings**

- (a) The pendency or outcome of any disciplinary proceeding pursuant to these Rules shall not excuse a cited person from compliance with its obligations in connection with any conduct which is the subject of such disciplinary proceeding, including the prompt settlement or clearance of trades or the payment of its obligations to customers and other persons.
- (b) Evidence gathered or given during disciplinary proceedings under these Rules and decisions made under these Rules shall not be admissible in evidence against any party in any judicial or administrative proceeding, including arbitration or mediation proceedings, unless all parties to such proceeding consent to its admissibility.

## **CHAPTER 18: COOPERATION BY MEMBERS AND ASSOCIATED PERSONS**

### **18.1 Request for Information or Co-operation**

In connection with any request from either the Exchange staff during an investigation or the Disciplinary Panel, the Disciplinary Committee, any other Committee of the Board or the full during a disciplinary proceeding, each Member or Associated Person shall be required to:

- (a) Truthfully and fully report with regard to any information requested in connection with the investigation or hearing; and
- (b) Produce complete and correct books, records, data, and other materials requested in connection with the investigation or hearing.

The requirements of this Rule shall also be applicable to former Members and Associated Persons.

### **18.2 Requests for Information**

During any investigation of an alleged violation of the Rules which involve fraudulent or manipulative activities, the General Manager or the Disciplinary Panel are authorized to request any Member or Associated Person for documents or information.

### **18.3 Impeding Requests**

No Member or Associated Person, whether the subject of the investigation or disciplinary proceedings, shall impede or permit others to impede any requests, the inspection of records or the investigation by the Exchange staff, the hearing panel or Disciplinary Committee.

### **18.4 Participation at a Disciplinary Proceeding**

A Member or an Associated Person shall be required to appear as a witness for either party and provide truthful and complete testimony at any Exchange disciplinary proceeding upon the formal request of the Disciplinary Panel. Such Member or Associated Person need not be a cited party in the proceeding.

### **18.5 Notice**

Any demand upon a Member or an Associated Person requiring a report, production of documents, inspection of records or appearance as a witness pursuant to these Rules shall be deemed to have been received by the Member or the Associated Person to whom it is directed by the mailing by registered mail thereof to the last known address as reflected in the Exchange's official Directory.

## **18.6 Non-compliance with a Request**

- (a) Should a Member or Associated Person fail to comply, in whole or in part, with an official request by the Disciplinary Panel or the Exchange staff in the course of an investigation, pursuant to this Chapter, then in that case, the matter will promptly be referred to the Disciplinary Committee for action.
- (b) Should a cited party fail to comply, either in whole or in part, with an official request from a Disciplinary Panel pursuant to this Chapter, the panel may, upon unanimous vote, issue an order of suspension against the cited party.
- (c) The order shall be in writing and shall state: the text of the official request and the degree of non-compliance by the cited party.
- (d) The order shall take effect upon its issuance by the Disciplinary Panel and be effective for the duration of the non-compliance.
- (e) The order shall promptly be communicated and sent by registered mail to the cited party, with a copy forwarded to the cited party's Member firm.
- (f) The order shall promptly be referred to the Board of Directors of the Exchange for review and approval by a "majority plus one" vote.
- (g) The suspension shall not be stayed pending the review of the Board of Directors of the Exchange.
- (h) In the event that the order of suspension is not approved by the Board of Directors of the Exchange, then the order is dismissed and the cited party shall be reinstated.
- (i) In the event that the Board of Directors of the Exchange has approved the order of suspension and the cited party has not complied with the terms of the official request after six (6) months from the Disciplinary Panel's initial demand, then the cited - Member may be expelled or the cited -Associated Person's license may be revoked. This shall be construed as the Final Decision of the Exchange.



## CHAPTER 19: ARBITRATION OF DISPUTES

### 19.1 General Provisions

- (a) Disputes between or among Members or Associated Persons shall be submitted to arbitration by an arbitration panel created by the Exchange.
- (b) Pursuant to the Arbitration Act or any other law applicable in that regard, contractual disputes between the Members or their Associated Persons and their customers may be submitted to the arbitration panel of the Exchange upon mutual agreement of the parties to do so.
- (c) A Member may contractually require a customer to agree to arbitration under these Rules as a condition of opening or maintaining an account with the Member.

19.2 While the Exchange, acting in its capacity as a self-regulatory organization, administers the arbitration system, it does not decide cases. Instead, independent arbitrators make the substantive decisions about cases based upon the facts that are presented to them.

- 19.3
- (a) Any party may file with the Exchange a written document stating the claim.
  - (b) The document should set forth the details of the dispute including all relevant dates and names, in a clear, concise, and chronological fashion and should conclude by indicating what relief (money damages in a specific amount, performance of a particular agreement, interests, etc).
  - (c) The claimant shall attach copies of documents and supporting materials as exhibits to the Statement of Claim.

- 19.4
- (a) Once the Statement of Claim has been received, the Exchange will forward a copy to the respondent(s).
  - (b) The respondent has twenty calendar days to respond. The respondent may assert a related counterclaim as part of its answer or may file a claim against a third party, that is, a claim against another person who may bear responsibility for any of the alleged damages, or reliefs.
  - (c) A claim is considered to be related if it pertains to the customer's account at a Member.
  - (d) In the event that a counterclaim is made, the Claimant has twenty (20) calendar days within which to reply to the particulars. The arbitrators may in their discretion allow or require further written statements.

- (e) In support of its defence or counter claim, the respondent should attach copies of documents and supporting material to its answer.
  - (f) The arbitrators may extend any period of time prescribed by these Rules.
- 19.5 Filing of a Statement of Claim or a written response thereto constitutes irrevocable consent to arbitration in accordance with these Rules as the exclusive method of resolving the dispute by the filing party.
- 19.6 (a) The Exchange will appoint, as appropriate, an arbitrator or panel of arbitrators. The Exchange will notify the parties of the names, current affiliations and 10 year business histories of the proposed arbitrators.
- (b) Arbitration cases shall be decided by one or three impartial persons (depending on the magnitude of the dispute) who vow to resolve disputes fairly. One arbitrator shall be from the securities industry (but not with the Company or people involved in the arbitration) in order to assure that there is adequate expertise among the decision-makers.
- 19.7.1 A party may object to one or more of the proposed arbitrators via a written notice indicating the reason why it is believed that such person(s) cannot render a fair and impartial award. The arbitrator will be disqualified if the objection is based on facts that reasonably support the objection.
- 19.7.2 All parties shall make every effort to prepare the case in advance of the hearing so that it may be resolved justly and promptly. Preparation shall include arranging for witnesses and documentary evidence to be available for presentation to the arbitrators at the hearing. To the extent possible, testimony and documentary evidence shall be exchanged voluntarily by the parties without the use of subpoenas. The parties may employ an attorney for these proceedings.
- 19.8 The arbitrators shall decide the substance of the dispute in accordance with the law chosen by the parties.
- (1) In the absence of a choice of law by the parties, the arbitrators shall apply the law that they determine appropriate having due regard to the terms of any relevant contract.
- (2) The law applicable to the conduct of the arbitration shall be the arbitration law of the seat of arbitration unless the parties have expressly agreed on the application of another arbitration law.
- (3) Unless otherwise agreed by the parties, the seat of arbitration shall be decided by the Exchange, taking into consideration any observation of the parties and the circumstances.
- (4) Notwithstanding sub-clause (1), the arbitrators may after consultation with the parties conduct hearings at any place that it considers appropriate, however the law of the seat shall govern the proceedings.

(5) Decisions by arbitrators are final and binding, and are subject to review in the courts only on the grounds set forth in the Arbitration Act.

(6) The Arbitration Act in this Chapter shall mean the Arbitration Act (CAP 6) or analogous legislation howsoever called) of the seat of the arbitration or the Act agreed on by the parties if different from the Act of the seat.

19.9 To the extent not expressly provided in these Rules, arbitration proceedings hereunder shall be governed by the provisions of the Arbitration Act.

19.10 (a) The pendency or outcome of any arbitration proceeding pursuant to these Rules shall not excuse a party from compliance with its obligations in connection with any conduct which is the subject of such arbitration, including the prompt settlement or clearance of trades or the payment of its obligations to customers and other persons.

(b) Evidence gathered or given during arbitration proceedings under these Rules and decisions made under these Rules shall not be admissible in evidence against any party in any judicial or administrative proceeding, including disciplinary proceedings, unless all parties to such proceeding consent to its admissibility.

## APPENDIX 1

### APPLICATION FOR LISTING

{Rule 2.18 (a)}

\_\_\_\_\_200\_\_\_\_\_

**To:** The Eastern Caribbean Securities Exchange Limited (the “Exchange”)

\_\_\_\_\_  
*(insert name of Issuer)* (“the Issuer”) hereby applies for the securities detailed below to be admitted to the official list of the Exchange subject to the Listing Rules of the Exchange.

Name of Issuer: \_\_\_\_\_

Jurisdiction where incorporated or established: \_\_\_\_\_

Form (corporation, partnership, etc.): \_\_\_\_\_

Number of years in business: \_\_\_\_\_

Description of business: \_\_\_\_\_

Official name of securities to be listed: \_\_\_\_\_

Number of securities authorized: \_\_\_\_\_

Number of securities issued and outstanding: \_\_\_\_\_

Par or nominal value: \_\_\_\_\_

If debt securities, maturity date and interest rate: \_\_\_\_\_

If listed on another exchange, state where and when listed: \_\_\_\_\_

The Issuer hereby authorizes the Exchange to obtain information from, and pass information to, any authority, agency or body having responsibility for the supervision of financial services or for law enforcement, whether in the OECS or elsewhere.

The Issuer hereby irrevocably undertakes, if a Listing is granted, to comply with all applicable Rules of the Eastern Caribbean Securities Exchange Limited and the Eastern Caribbean Securities Regulatory Commission and irrevocably submits to their jurisdiction.

Signed on behalf of the Issuer

By: \_\_\_\_\_

**Director, Secretary or other duly authorized representative**

Required attachments:

1. Issuer's Annual Reports and Financial Statements for the last five (5) years or since date of foundation if shorter.
2. Copies of Issuer's current constitutional documents (Memorandum and Articles or comparable documents) and any amendments thereto in the last five (5) years.
3. Resolution of the Issuer's Board of Directors authorizing the making of this application for listing.
4. Draft Listing Document.
5. Declaration of each Director and Substantial Shareholder of the Issuer.

## APPENDIX 2

### ISSUER'S DECLARATION { Rules 2.18(c), 2.27(c) & 6.5(c) }

\_\_\_\_\_200\_\_\_\_\_

**To:** The Eastern Caribbean Securities Exchange Limited (the "Exchange")

1. We, being all the Directors of:

\_\_\_\_\_  
(insert name of Issuer) ("the Issuer"), hereby declare that to the best of our knowledge, information and belief (having taken reasonable care to ensure that such is the case):

- (a) The Issuer has satisfied all the relevant conditions for listing and all the other relevant requirements of the Listing Rules of the Eastern Caribbean Securities Exchange Limited ("Listing Rules") both in relation to the Issuer and the securities of the Issuer which are the subject of the application for listing;
  - (b) All the information required to be included in the Listing Document pursuant to the Listing Rules has been included;
  - (c) All the documents required by the Listing Rules to support the application for listing have been or will be supplied to the Exchange in accordance with the Listing Rules; and
  - (d) There are no other facts bearing on the Issuer's application for listing which in our opinion, should be disclosed to the Exchange.
2. We hereby confirm that we understand the nature of our responsibilities and obligations as Directors of a listed Company under the Listing Rules and, in particular, understand what is required of us to enable holders of the Issuer's listed securities and the public to appraise the position of the Issuer and avoid the creation of a false market in its securities once they are listed.
3. We hereby acknowledge that our securities shall remain listed only during the pleasure of the Exchange, and we hereby undertake and agree to comply with the Listing Rules and other rules from time to time issued by the Exchange and, in particular, undertake and agree to comply with the continuing obligations to the Exchange, as set out in the relevant part of the Listing Rules of the Exchange. We acknowledge the power of the Exchange to suspend or terminate our listing and to take other actions with respect to us in accordance with its rules.
4. We hereby authorize the Exchange to obtain information from, and pass information to, any authority, agency or body having responsibility for the supervision of financial services or for law enforcement, whether in the OECS or elsewhere.

5. We hereby declare that to the best of our knowledge and belief the Issuer has its primary listing on the \_\_\_\_\_ (name of the Primary Exchange) and is in good standing with that exchange. \*

6. We hereby declare that to the best of our knowledge and belief the Issuer's securities will be marketed only to investors who are particularly knowledgeable in investment matters. \*\*

Signed on behalf of: \_\_\_\_\_

By: \_\_\_\_\_  
**Director, Secretary or other duly authorized representative**

*\*This declaration needs to be made with regards to secondary listings only.*

*\*\*This declaration needs to be made with regards to issues of restricted securities.*

### APPENDIX 3

#### DIRECTOR'S DECLARATION

{ Rules 2.18(d) & @.27(e) }

*Note: This Declaration should also be completed by each Substantial Shareholder of the Company*

\_\_\_\_\_200\_\_\_\_\_

To: The Eastern Caribbean Securities Exchange Limited (the "Exchange")

#### Declaration

State:

(a) Present surname(s) and any former surname(s): \_\_\_\_\_

(b) Present forename(s): \_\_\_\_\_

(c) Date of birth: \_\_\_\_\_

(d) Residential address: \_\_\_\_\_

(e) Nationality and former nationality, if any: \_\_\_\_\_

(f) Professional qualifications, if any: \_\_\_\_\_

(g) Business experience during the last five years: \_\_\_\_\_

Are you a Director of any other Company, a trustee of any trust or a partner in any partnership? If so, state the name of any such Company or partnership, the nature of business where this is not indicated in the title, and date you became a Director or partner.

Have you at any time been adjudged bankrupt or sequestrated in any jurisdiction? If so, state the court by which you were adjudged bankrupt and, if discharged, the date and conditions on which you were granted your discharge.

Have you at any time been a party to a deed of arrangement or made any other form of composition with your creditors?

Are there any unsatisfied judgments outstanding against you? If so, give full particulars.  
Has any Company been put into compulsory liquidation or had an Administrator or an administrative or other receiver appointed during the period when you were (or within the preceding twelve (12) months had been) one of its Directors or shadow Directors?



Has any partnership or unit trust been put into compulsory liquidation or been sequestrated during the period when you were (or within the preceding twelve (12) months had been) one of its partners or trustees? If so, in each case state the name, nature of business, date of commencement of winding up, administration or receivership and the amount involved together with an indication of the outcome or current position.

Have you at any time or has a Company of which you were a Director or shadow Director at the time of the offence been convicted in any jurisdiction of any offence involving fraud or dishonesty or an offence under legislation relating to companies. All such convictions must be disclosed even though they may now be "spent convictions". If so, state the court by which you were or the Company was convicted, the date of conviction and full particulars of the offence and the penalty imposed.

Have you, in connection with the formation or management of any Company, partnership or unincorporated institution been adjudged by a court in any jurisdiction civilly liable for any fraud, misfeasance or other misconduct by you towards it or towards any of its Members? If so, give full particulars.

Have you ever been disqualified by a court from acting as a Director of a Company, or from acting in the management or conduct of the affairs of any Company? If so, give full particulars.

Have you, in any jurisdiction, been refused admission to, or renewal of Membership in, any professional body, trade society, institution or association, or Stock Exchange, or been censured or discipline, or had Membership withdrawn by any such body to which you belong or belonged or have you held a practicing certificate subject to conditions? If so, give full particulars.

I \_\_\_\_\_, a Director (Director, general partner or trustee) of \_\_\_\_\_ (state name of Company) declare that to the best of my knowledge and belief (having taken all reasonable care to ensure that such is the case) the answers to all the above questions are true. I hereby authorize the Exchange to obtain information from, and pass information to, any authority, agency or body having responsibility for the supervision of financial services or for law enforcement, whether in the OECS or elsewhere.

Signed by: \_\_\_\_\_  
**Director**

## APPENDIX 4

### UNDERWRITER'S DECLARATION

{Rule 2.9(a)}

\_\_\_\_\_200\_\_\_\_\_

**To:** The Eastern Caribbean Securities Exchange Limited (the "Exchange")

We, \_\_\_\_\_, being

underwriters to \_\_\_\_\_  
(*name of Issuer*) hereby declare that:

#### **Part I -- General Declarations**

1. To the best of our knowledge and belief, having made due and careful enquiry of the Issuer and its advisers, the Issuer has satisfied all relevant conditions for listing and all other relevant requirements of the Listing Rules of the Eastern Caribbean Securities Exchange Limited ("Listing Rules") both in relation to the Issuer and the securities of Issuer which are the subject of the application for listing.
2. To the best of our knowledge and belief, having made due and careful enquiry of the Issuer and its advisers:
  - (a) All the information required to be included in the Listing Document pursuant to the Listing Rules has been included;
  - (b) All the documents required by the Listing Rules to be included in the application for listing have been supplied to the Exchange;
  - (c) All other relevant requirements of the Listing Rules have been complied with; and
  - (d) There are no matters other than those disclosed in the Listing Document; or otherwise in writing to the Exchange which should be taken into account by the Exchange in considering the suitability for listing of the securities for which application is being made.
3. The Directors of the Issuer:
  - (a) Have had explained to them by us or other appropriate professional advisers the nature of their responsibilities and obligations as Directors of a listed Company under the Listing Rules; and
  - (b) In particular, understand what is required of them to enable holders of the Issuer's listed securities and the public to appraise the position of the Issuer and avoid the creation of a false market in its securities once they are listed.
4. We are satisfied that any profit forecast or estimate in the Listing Document has been made after due and careful enquiry by the Issuer.

## **Part II - Specific Declarations**

### **Financial requirements**

5. We have obtained written confirmation from the Issuer that the working capital available to the Group is sufficient for its present requirements and we are satisfied that the confirmation has been given after due and careful enquiry by the Issuer; and that the persons or entities providing such finance have stated in writing that the relevant financing facilities exist.

### **Public distribution of securities**

6. To the best of our knowledge and belief, at the time trading on the Exchange commences, twenty (20%) percent or more of the issued securities will be in the hands of the public in accordance with the Listing Rules unless an exemption has been granted by the Exchange.

## **Part III - Acknowledgement of Exchange's disciplinary power**

7. We acknowledge that if the Exchange considers that we have been in breach of our responsibilities under the Listing Rules or this declaration, then the Exchange may censure us and that the Exchange may publicize the fact that it has done so and the reasons for its actions.

## **Part IV -- Waiver of Confidentiality**

8. We hereby authorize the Exchange to obtain information from, and pass information to, any authority, agency or body having responsibility for the supervision of financial services or for law enforcement, whether in the OECS or elsewhere.

**Signed:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**For and on behalf of:** \_\_\_\_\_  
(Name)

*The person signing the above declaration must be a registered representative of the underwriter Member registered as such with the Exchange.*

**APPENDIX 5**

**APPLICATION FOR MEMBERSHIP**

(Rule 12.6)

\_\_\_\_\_200\_\_\_\_\_

**To:** The Eastern Caribbean Securities Exchange Limited (the “Exchange”)

\_\_\_\_\_  
*(insert name of applicant)* hereby applies for Membership in the Exchange.

**Name of Applicant:** \_\_\_\_\_

**Jurisdiction where incorporated or established:** \_\_\_\_\_

**Form** (*corporation, partnership, etc.*): \_\_\_\_\_

**Number of years in business:** \_\_\_\_\_

**Description of business:** \_\_\_\_\_

**Name and address of all shareholders to be listed separately.**

\_\_\_\_\_  
\_\_\_\_\_

**Name and address of all Associated Persons, stating whether Representatives or Principals, to be listed separately.**

\_\_\_\_\_  
\_\_\_\_\_

**Do all Associated Persons hold a valid license from the Eastern Caribbean Securities Regulatory Commission?**

\_\_\_\_\_

**Membership in other Exchanges:**

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The applicant hereby authorizes the Exchange to obtain information from, and pass information to, any authority, agency or body having responsibility for the supervision of financial services or for law enforcement, whether in the OECS or elsewhere.

The applicant hereby irrevocably undertakes, if a Listing is granted, to comply with all applicable Rules of the Eastern Caribbean Securities Exchange Limited and the Eastern Caribbean Securities Regulatory Commission and irrevocably submits to their jurisdiction.

**Signed on behalf of the applicant:**

By: \_\_\_\_\_

**Director, Secretary or other duly Authorized Representative**

**Required attachments:**

1. Applicant's Annual Reports and Financial Statements for the last five (5) years or since date of foundation if shorter.
2. Copies of applicant's current constitutional documents (Memorandum and Articles or comparable documents) and any amendments thereto in the last five (5) years
3. Resolution of the applicant's Board of Directors authorizing the making of this application for listing.
4. Declaration of each Director and Substantial Shareholder of the Issuer

## **APPENDIX 6**

### **FEEES**

{Rules 2.18; 6.5(h); 13.36 &15.22}

*[ Exchange staff to provide FEEES details]*

**APPENDIX 7**

**LIQUIDITY RETURN REPORT  
(Rule 16.10 )**

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**LIQUIDITY RETURN**

*This report is being filed in accordance with the Rules of the ECSE.*

**Name of Member:** \_\_\_\_\_  
(Do not use P.O. Box Number)

**Name and telephone number of person to contact with regard to this report for quarter ended:**

\_\_\_\_\_

Tick here if Respondent is filing an Audited Report:

**EXECUTION:**

The firm submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, financial information and/or supporting details are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, attachments and schedules remain true, correct and complete as previously submitted.

**Dated** the \_\_\_\_\_ day of \_\_\_\_\_ 200\_\_\_\_\_

**Signatures of:**

(1) \_\_\_\_\_  
**Senior Principal**

(2) \_\_\_\_\_  
**Chief Executive Officer** (*if different*)



*Liquidity Return - Statement of Financial Condition*

**LIQUIDITY RETURN**

**STATEMENT OF FINANCIAL CONDITION  
ASSETS**

	<b>Approved</b>	<b>Non-Approved</b>	<b>Total</b>
<b>1. Cash and Bank Balances</b>			
A. Cash, Bank Balances encashable within 90 days	_____	_____	_____
B. Fixed deposits etc	_____	_____	_____
C. Deposits with non-bank financial institutions	_____	_____	_____
encashable within 90 days	_____	_____	_____
D. Deposits for securities loaned to a Member firm	_____	_____	_____
<b>2A. securities Positions (at market value)</b>			
A. ECCB Member Government Non-Listed securities	_____	_____	_____
B. ECCB Member Government Listed securities	_____	_____	_____
C. Other listed securities on the ECSE	_____	_____	_____
D. Others	_____	_____	_____
<b>2B Cash and investments required to be segregated</b>	_____	_____	_____
<b>3. Receivables from Customers, Staff and Directors' Connected persons</b>			
A. Accounts owing in ordinary course of securities exchange Business	_____	_____	_____
- receivables from customers for accounts owing for not more than 90 days	_____	_____	_____
- receivables from customers for accounts owing for more than 90 days	_____	_____	_____
- receivables from employees for accounts owing for not	_____	_____	_____

more than 90 days	_____	_____	_____
- receivables from employees for accounts owing for more than 90 days	_____	_____	_____
<b>B. Accounts owing other than in ordinary course of securities Exchange</b>			
- Business	_____	_____	_____
- Customers	_____	_____	_____
- Employees	_____	_____	_____
- Others			
<b>4. Receivables from ECCSD</b>	_____	_____	_____
<b>5. Receivables from Member Firms</b>			
A. Receivables with a balance outstanding for ninety days or less	_____	_____	_____
B. Receivables with a balance outstanding for more than ninety days	_____	_____	_____
<b>6. Deposits with the ECCSD (Participant Fund –future use)</b>	_____	_____	_____
<b>7. Fixed Assets</b>	_____	_____	_____
<b>8. Payments in advance</b>	_____	_____	_____
<b>9. Taxation recoverable</b>	_____	_____	_____
<b>10. Shares and indebtedness of subsidiary firms</b>	_____	_____	_____
<b>11. Others (Shares in the ECSE and or its subsidiaries)</b>	_____	_____	_____
		<b>TOTAL ASSETS</b>	_____

**LIQUIDITY RETURN  
STATEMENT OF FINANCIAL CONDITION**

**LIABILITIES**

			<b>Total</b>
<b>12. Loans and advances</b>			
A. Bank loans and overdrafts-secured		_____	_____
Bank loans and overdrafts-unsecured		_____	_____
B. Other loans		_____	_____
<b>13. Payable to Customers, Staff and Directors' Connected persons</b>			

A.	Customers for securities exchange business	_____	_____
B.	Customers for money placed on deposit	_____	_____
C.	Employees	_____	_____
<b>14.</b>	<b>Member Firm Payables</b>		
A.	Net Payables to Broker Dealer Firms	_____	_____
B.	Net Payables to CSD	_____	_____
<b>15.</b>	<b>Other amounts payable in the transactions of securities exchange business</b>	_____	_____
<b>16.</b>	<b>Amount owing to subsidiary companies</b>	_____	_____
<b>17.</b>	<b>Tax provisions</b>		
A.	Provisions for taxation at latest financial year end adjusted for subsequent payments and revisions	_____	_____
B.	Estimated provision for tax on profit earned latest financial year end	_____	_____
<b>18.</b>	<b>Creditors and accruals</b>	_____	_____
<b>19.</b>	<b>Others (list)</b>		
A.		_____	_____
B.		_____	_____
C.		_____	_____
D.		_____	_____
	<b>TOTAL RANKING LIABILITIES</b>		
	<b>STOCK HOLDERS EQUITY</b>		
<b>20.</b>	<b>Corporation (firm)</b>		
A.	Preferred shares	_____	_____
B.	Common shares	_____	_____
C.	Share premium- other reserves	_____	_____
D.	Retained earnings	_____	_____
E.	<b>TOTAL</b>	_____	_____
F.	Add: subordinated loans	_____	_____
<b>21.</b>	<b>Total stockholders equity and subordinated loans</b>	_____	_____
<b>22.</b>	<b>Total liabilities, stockholders equity and subordinated loans</b>	_____	_____

**Liquidity Return- Computation of Net Capital  
(Rule 13.43 )**

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**LIQUIDITY RETURN  
COMPUTATION OF NET CAPITAL**

- 1. Total stockholders equity (from statement of financial condition line 20 E) \_\_\_\_\_
- 2. Deduct: stockholders equity not allowed for net capital where applicable (\_\_\_\_\_)
- 3. Total stockholders equity qualified for net capital \_\_\_\_\_
- 4. Add:
  - A. Subordinated loans allowable in computation of net capital \_\_\_\_\_
  - B. Unrealized profits and losses and deferred liabilities \_\_\_\_\_
- 5. Net worth \_\_\_\_\_
- 6. Deductions and/or charges
  - A. Total non-approved assets from statement of financial condition \_\_\_\_\_
  - B. Other deductions and/or charges including haircuts \_\_\_\_\_
- 7. Total deductions and/or charges \_\_\_\_\_
- 8. Net capital \_\_\_\_\_

**COMPUTATION OF RANKING LIABILITIES**

- 9. Total liabilities from Statement of Financial Condition \_\_\_\_\_
- 10. Percentage of ranking liabilities to net capital (line 9 divided by line 8) \_\_\_\_\_

**COMPUTATION OF MINIMUM NET CAPITAL REQUIREMENT**

- 11. Minimum net capital (6 % of line 9) \_\_\_\_\_
- 12. Excess /Deficit of net capital (line 8 less line 11) \_\_\_\_\_

