

THE RULES OF THE BARBADOS STOCK EXCHANGE INC

PART I

LISTING, TRADING AND SETTLEMENT

Article 1

Interpretation

1.01.0 Definitions

In these rules unless the context otherwise requires,

- (a) “Act” means the *Securities Act* Cap 318A, any regulations made thereunder and any amendments thereto;
- (b) “Approved Trader” means an individual who has been registered by the Financial Services Commission and has Exchange Approval to manage orders in the trading system;
- (c) “Auditor” means auditor within the meaning given in Section 153 of the *Companies Act* Cap 308 of the Laws of Barbados;
- (d) “Block trade” means the sale and purchase of a listed security on the board of the Exchange between Trading Members of the Exchange or with a single Trading Member where the Trading Member is acting on both sides of the transaction which is uninterrupted;
- (e) “BCSDI” means Barbados Central Securities Depository Inc.;
- (f) “Board” means the Board of Directors of the Exchange and includes any committee of the Board of Directors to which powers have been delegated in accordance with the By-Laws or the Rules;
- (g) “Broker” has the meaning given in the Act;
- (h) “Business Day” means any day from Monday to Friday inclusive, excluding Public Holidays;
- (i) “By-Laws” means the By-laws of the Barbados Stock Exchange as amended from time to time;
- (j) “Cause inspections” means the conduct of ad-hoc inspections with limited or no prior notification to the Member;

- (k) “Certificate” in relation to a share or debenture of a company means a certification of the transfer of the share or debenture within the meaning given in section 181 of the Companies Act Cap 308;
- (l) “Dealer” has the meaning given in the Act;
- (m) “Ex-distribution” means a classification of trading shares when a declared dividend belongs to the seller rather than the buyer;
- (n) “Exchange” means the Barbados Stock Exchange Inc.
- (o) “Exchange Approval” means any approval given by the Exchange;
- (p) “Exchange Auditor” means the Manager of Compliance and Regulatory Reporting and / or any other individual assigned by the Exchange to perform this function;
- (q) “Exchange Contract” means a contract between Members for the purchase or sale of any listed security, or a security listed at the time the contract was made;
- (r) “Exchange Requirement” means collectively:
- (i) these Rules,
 - (ii) the Trading Procedure; including Electronic Trading and Settlement procedures,
 - (iii) Policies issued by the Exchange, and
 - (iv) any direction, order or decision of the Exchange; and
 - (v) Guidance Notes.
- (s) “FSC” means the Financial Services Commission;
- (t) “Insider” means an insider as defined under the Act;
- (u) “Internal client orders” means orders made for the account of directors, principals, senior managers, Approved Traders;
- (v) “Listed Company” means a company that has any of its securities listed by the Exchange for trading;
- (w) “Material Information” means any information relating to the business and affairs of a company that results in or could reasonably be expected to result in a significant change in the market price or value of the company’s listed securities;
- (x) “Members” include Trading Members and Ordinary Members that have been accepted to membership on the Exchange;
- (y) “Ordinary Member” means any member of the Exchange who is not engaged in the trading of securities;

- (z) “Rights” without other qualifications means rights given to shareholders of a company to subscribe for or to acquire shares to be issued by the company;
- (aa) “Routine Inspections” means the conduct of periodic inspections of Members on a pre-announced basis;
- (bb) “Securities Companies” has the meaning given in the Act;
- (cc) “Security” has the meaning given in the Act;
- (dd) “Session” means the time period during which the Exchange is open for trading electronically or otherwise;
- (ee) “Settlement Day” means any trading day on which settlement in listed securities may occur through the facilities of a Clearing Corporation;
- (ff) “Shareholder” means an owner of shares in a limited company or limited partnership; a shareholder is a member of the company;
- (gg) “Trade” or “Trading” has the meaning given in the Act.
- (hh) “Trading Day” means a day upon which a session is held;
- (ii) “Trading Member” is any Member who has registered with the Financial Services Commission to conduct trading activities;
- (jj) “Trading System” includes all facilities and services provided by the Exchange to facilitate trading, including, but not limited to: electronic systems for trading listed securities; data entry services; any other computer-based trading systems and programmes; communications facilities between a system operated or maintained by the Exchange and a trading or order routing system operated or maintained by a participating organisation, another market or other person approved by the Exchange; and price quotations and other market information provided by or through the Exchange;
- (kk) “Unethical Conduct” includes any act, omission, conduct, or manner of doing business or negotiation that, in the opinion of the Board is not in the interests of the investing public or the interest of the Exchange;
- (ll) “Unlisted securities” means securities that are not listed by the Exchange for trading;
- (mm) “Warrants” means an instrument certifying that the holder thereof has the right to purchase securities at a stipulated price within a specified period or in perpetuity.

1.01.1 Construction of Rules

- (1) Words and expressions defined in the Act, By-laws and the relevant Companies Act have the same meaning when used in these rules; and, in particular, section 1.01.0 of the By-laws of the Exchange applies mutatis mutandis to the construction of these rules.

- (2) For the avoidance of doubt it is expressly provided that if there is a conflict between these provisions and the Act the latter will prevail.

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Article 2

Access to Trading

2.01.0 Dealer, Brokers, Securities Companies

- (1) A Member who wishes to trade on the Exchange as a dealer and/or broker in securities as those activities are defined in the Act, must:
 - (i) be registered as such under the Act;
 - (ii) lodge with the Exchange an application in the form prescribed by these Rules (Form 1).
- (2) The Exchange shall grant to such Member whose application has been approved a license to trade for such time period as the Exchange shall in its discretion determine.
- (3) The Exchange may revoke the license of a Member, or the Member's Approved Trader for contravention of these Rules.
- (4) A Member must notify the Exchange of the termination of employment of its Approved Trader and/or the cessation of the Member's trading activities as a dealer and/or broker, within 24 hours of the date of termination or date of cessation of the Member's trading activities as a dealer and/or broker.
- (5) Upon receipt of the notice under Rule 2.01.0 (4), the Exchange shall automatically revoke the license of the Approved Trader and/or Member, as the case may be.
- (6) A reasonable fee to defray the costs of licensing may be charged to the Member for each activity for which he is licensed.
- (7) The Exchange shall revoke the license of a Member:
 - (a) on cessation of the Member's trading activities as an Approved Trader with the brokerage company with which the Member is employed;
 - (b) on cessation of the Member's brokerage business.

2.01.1 Licensing of Approved Traders

Where the Member licensed as a dealer and/or broker is a company, it must apply to have at least two individuals licensed with the Exchange as the Trading Member's Approved Traders and; those persons shall be responsible for the discharge of the Trading Member's obligations in relation to its operations as a dealer and/or broker in accordance with the Act.

2.01.2 Investment Adviser Member and Underwriters

A Member, who wishes to hold himself out as an investment adviser, or an underwriter as that activity is defined in the Act, must be registered under the Act as such.

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Article 3

Listing of Securities for Trading

3.01.0 Power to List

The listing of securities on the Exchange is at the absolute discretion of the Board; An Application for listing must be in the form prescribed by these Rules (Form 2).

3.01.1 Requirements for Listing

- (1) No listing may be granted except upon application of the body corporate or government institution concerned with the issue of the security.
- (2) The body corporate or government institution shall enter into a listing agreement in the form prescribed by the Exchange (Form 3) and shall comply with all requirements contained within the same listing agreement.
- (3) An application for the listing of any additional securities to be issued for a specific purpose, must be made to the Exchange on the prescribed form (Form 4) at least 48 hours prior to the security being issued or a binding agreement to issue having been executed, whichever is the earlier accompanied by a certified copy of the resolution of the board of directors.
- (4) Companies applying for listing of its securities on the Regular Market of the Exchange must be able to show evidence of a successful operation, and at a minimum must:
 - (a) have assets of not less than \$5 million dollars;
 - (b) in the opinion of the Exchange have adequate working capital (based on the last three (3) years financials);
 - (c) in the case of a new company provide three (3) years projections;
 - (d) have evidence of competent management; and
 - (e) be incorporated under the Laws of Barbados or another jurisdiction approved by the Exchange.
- (5) Companies applying for listing on the Junior Market of the Exchange must meet the following criteria:
 - (a) have assets of not less than \$1 million dollars;
 - (b) minimum equity capital of \$500,000;
 - (c) subordinated loan capital (other than prior-charge) not more than $\frac{1}{4}$ of Equity Capital;

- (d) public shareholders not less than 25 holding and not less than 20% of Equity Capital;
 - (e) market introduction and continued sponsorship by a Member of the Exchange;
 - (f) have evidence of competent management; and
 - (g) be incorporated under the laws of Barbados or another jurisdiction approved by the Exchange.
- (6) In considering an application for listing, the Exchange may take into consideration other factors or situations which may result in the rejection of the application notwithstanding the applicant having met the requirements in (4) or (5).

3.01.2 Maintaining a Listing

In order to maintain its listing privilege a listed company must observe and comply with the Exchange Requirements and must specifically:

- (a) make timely public disclosures of the interim and audited annual financial statements;
- (b) keep the Exchange fully informed of events and decisions affecting its security holders;
- (c) disclose material information concerning its business and affairs forthwith upon the information becoming known to management, or in the case of information previously known, forthwith upon it becoming apparent that the information is material;
- (d) disclose its approach to corporate governance in its annual report. For this purpose “approach to corporate governance” means a complete description of the company’s system of corporate governance with specific reference to such guidelines as may be issued by the Exchange from time to time;
- (e) maintain its solvency and for the purpose of this Rule a listed company may be deemed to be insolvent in the same manner as a Member in Part I, Rule 9.01.1 (1) of these Rules; and
- (f) not have been declared bankrupt within the meaning of the Bankruptcy and Insolvency Act Cap 303 of the Laws of Barbados.

3.01.3 Halting of Trading, Suspension and Delisting of Securities

The Exchange may at any time temporarily halt trading in any listed security, or suspend from trading or delist a company’s securities.

3.01.4 Halting of Trading

- (1) A halt of trading is a temporary measure which will usually not last more than one hour following the public disclosure under subsection (2)(a) or twenty-four hours in other cases.
- (2) The Exchange may temporarily halt the trading in the securities of a listed company in the following circumstances:
 - (a) to permit disclosure of material information which requires immediate public disclosure under these Rules;
 - (b) where such action is deemed to be in the public interest; or
 - (c) where the company fails to comply with the provisions of the Listing Agreement or with any Exchange Requirement.
- (3) In some cases a halt may be changed to a suspension.

3.01.5 Suspension of Trading and Delisting of Securities

- (1) The Exchange may at any time in its discretion, suspend trading in a listed security if the Board is satisfied in respect of the security, that:
 - (a) there has been a failure to comply with any of the terms and conditions of its Listing Agreement;
 - (b) there has been a failure to comply with any of the Exchange Requirements;
 - (c) the company appears to have become insolvent or a bankrupt within the meaning of the Bankruptcy and Insolvency Act Cap 303 of the Laws of Barbados;
 - (d) the financial condition and or operating results of the company have deteriorated to the extent that it appears questionable as to whether the company will be able to continue as a going concern; or
 - (e) the public distribution, price, or trading activity of the securities have been so reduced as to make further dealings in the securities on the Exchange unwarranted.
- (2) During the suspension of trading under this section the company remains subject to all Exchange Requirements.
- (3) A company whose securities are suspended from trading must remedy all of the conditions which resulted in the suspension and must meet the Exchange Requirements for original listing, in order to be considered for reinstatement of trading privileges.
- (4) Securities which have been suspended from trading for a period of one year and which have not been approved for reinstatement by the Exchange may be delisted at that time.

It is the listed company's responsibility to obtain the Exchange's approval for reinstatement of trading privileges within this time period.

- (5) A company wishing to have all or part of its listed securities, or any class of its securities delisted from the Exchange must apply formally to the Exchange to do so, setting out the reasons for the request and submit a certified copy of the resolution of the company's board of directors authorizing the request and evidence of shareholder approval.
- (6) No listed security may be suspended for more than two weeks without a hearing instituted and conducted in accordance with the procedure established under Part II of these Rules.

3.01.6 Fees

- (1) The fees payable to the Exchange shall be such as the Board of the Exchange may from time to time determine.
- (2) The fees of the Exchange are, but are not limited to the following:
 - (a) Listing Fees;
 - (b) Application Fees;
 - (c) Sustaining Fees;
 - (d) Additional Listing Fees;
 - (e) Cancellation Fees;
 - (f) Substitutional Listings – Re-organisation;
 - (g) Minimum and Maximum Listing Fees;
 - (h) Filing Fees re: Options and Material Changes;
 - (i) Transaction fees; and
 - (j) Block trade fees

Article 4

Obligations Attached to Listings

4.01.0 Transfer Facilities

- (1) Every listed company must maintain a transfer and registry office in Barbados.
- (2) The Exchange must be immediately notified of the transfer or any change of a registered office of a listed company.

4.01.1 Annual and Special Meetings and Proxies

- (1) Every listed company, whose shareholders are entitled to vote at a meeting, shall issue forms of proxy for all meetings of such shareholders.
- (2) Every listed company shall notify the Exchange at least twenty-one days in advance of the date on which its annual and special meetings will be held in each calendar year.
- (3) A listed company must advise the Exchange of a postponement of its Annual General Meeting at least 24 hours prior to the announcement to shareholders in respect of the same postponement.

4.01.2 Filing Financial Statements

- (1) Every listed company must forthwith file with the Exchange in electronic and paper form one copy of its interim and annual financial statement required to be published or filed for inspection by the Companies or Securities legislation of the jurisdiction in which the company is incorporated.
- (2) A listed company that wishes to extend the period for filing interim or annual financial statements must request in writing an extension of the said period and set out in writing the reasons for filing the statements late.
- (3) The Exchange shall consider the reasons for filing late and in its discretion set out a new time period within which the said interim and annual financial statements must be filed by the listed company.
- (4) Interim and Annual Financial Statements must be prepared in accordance with International Accounting Standards and International Financial Reporting Standards.

4.01.3 Annual Report and Annual Financial Statements

- (1) Every listed company shall forward annually to each of its shareholders and file with the Exchange within ninety days from the end of its fiscal year, an annual report containing annual financial statements and an account of its principal activities during the period covered.
- (2) The securities of a company that fails to comply with subsection (1) may be suspended from trading.
- (3) The financial statements contained in the annual report must relate separately to:
 - (a) the last completed fiscal year; and
 - (b) the fiscal year preceding the last completed fiscal year, if any, and include:
 - (i) statement of comprehensive income;
 - (ii) a statement of changes in equity;
 - (iii) a statement of cash flows; and
 - (iv) a statement of financial position.
- (4) The financial statements required under subsection (3) must be prepared for or as at the end of the period as applicable, and must be accompanied by a report of the auditor thereon approved by the Board of Directors of the company, which approval must be evidenced by the manual or facsimile signatures of two directors duly authorized to signify approval.
- (5) In addition, shareholdings of:
 - (i) directors;
 - (ii) senior management;
 - (iii) connected persons of directors and senior management; and
 - (iv) persons holding the 10 largest shareholdings;must be included in the Report.

4.01.4 Interim Financial Statements

- (1) Every company whose securities are listed on the Exchange shall, within sixty days from the end of the period to which the statements relate, file with the Exchange in an electronic format, interim financial statements for the three-month, six-month and nine-month periods of the current fiscal year that began immediately following the last fiscal year including comparative statements to the end of each of the corresponding periods in the last fiscal year.

- (2) The financial statements must consist of:
 - (a) a statement of comprehensive income;
 - (b) a statement of changes in equity;
 - (c) a statement of cash flows;
 - (d) a statement of financial position; and
 - (e) Management Discussion and Analysis in the format required by the Exchange.
- (3) Interim financial statements need not be audited but must be prepared in accordance with International Financial Reporting Standards and International Accounting Standards.
- (4) Every listed company shall make public the financial statements required by this section.
- (5) In special circumstances, the Exchange in its discretion may exempt a company or class of companies from the application of any provisions of this section.
- (6) Companies with quarterly financial statements which are thirty days overdue may have trading in their shares suspended until the requirements of this section are met.
- (7) The Exchange may at any time require a company to submit to the Exchange a financial statement in a form approved by the Exchange and to submit such further particulars of its activities as the Exchange directs.

4.01.5 Changes in Outstanding Capital

Save and except as permitted by the Act:

- (1) Every listed company shall give written notice to the Exchange within five business days of the date upon which a Board decision is made in respect of each proposal by the company pertaining to any option, underwriting, sale or issue of its securities (other than debt securities which are not convertible into shares) and; shall file with the Exchange within the same five day period as aforementioned, a copy of each option, underwriting or sales agreement that the company has entered into with respect to any such securities as the above-mentioned written notice.
- (2) The Exchange has the right either to accept or reject the proposal, and in the case of its non-acceptance, the proposal shall not be proceeded with by the company.
- (3) The Exchange may require shareholder approval as a condition of acceptance of a proposal under this section, if, in the opinion of the Exchange, the proposed transaction:
 - (a) might materially affect control of the company;
 - (b) has not been negotiated at arm's length; or
 - (c) is of such a nature as to make shareholder approval desirable, having regard to the interests of the company's shareholders and of the investing public.

- (4) If the proposal is accepted, the Exchange shall give prompt notice to the FSC, and to the Members, and may give notice thereof to the press.
- (5) If the proposal is proceeded with when it has not been accepted, the securities of the company may be suspended from trading or delisted.
- (6) Every company that has made a proposal or entered into an agreement to which this section applies shall give prompt notice to the Exchange of each payment default thereunder and of each proposed extension, assignment or other material change therein and no such proposed extension, assignment or other material change shall be proceeded with unless approval for such has been granted by the Exchange.
- (7) Where a listed company proposes to enter into a transaction which requires the prior consent of the Exchange, any public announcement of the proposed transaction should disclose this fact. A statement that the transaction is subject to regulatory approval is sufficient for this purpose.
- (8) After a transaction has been accepted by the Exchange under sub-section (1) the listed company must give the Exchange immediate notice of the issuance of securities pursuant to the transaction. This reporting requirement includes any issuance of listed securities, and an issuance resulting from the conversion of other securities. In addition, any reductions in the number of issued securities of a listed class must be reported to the Exchange.

4.01.6 Material Changes

- (1) Every listed company shall give prompt notice to the Exchange of any proposed material change in the business or affairs of the company.
- (2) Without in any way limiting the generality of the foregoing, the following are considered material changes in the business or affairs of a company:
 - (a) a change in the nature of the business activities of the company;
 - (b) a change in the board of directors or the principal officers of the company;
 - (c) a change in the known beneficial or registered ownership of shares of the company that, to the knowledge of the company, or its officers, directors or major shareholders, or in the opinion of the Exchange, is sufficient to materially affect control;
 - (d) a material acquisition or disposition by the company, in one transaction or in a series of transactions, of securities in another company.

4.01.7 Public Availability of Documents

- (1) Subject to subsection (2), all notices accepted as filed with the Exchange pursuant to sections 4.01.5 and 4.01.6 and all documents filed in support of such notices or in support of listing of any securities, shall be made available to the public on request and; at the discretion of the Exchange, may be published.
- (2) The Exchange may hold documents in confidence so long as the Exchange is of the opinion that the documents so held disclose intimate financial, personal or other information and; that the desirability of avoiding disclosure thereof in the interest of any person or company affected outweighs the desirability of adhering to the general principle that the documents be available to the public for inspection.
- (3) Notice of any service contracts between a company and a director, not expiring or determinable by the company within one year may be made available to the shareholders at the request of the Exchange.

4.01.8 Annual Questionnaire

- (1) Every listed company shall complete and file an annual questionnaire in the form prescribed by the Exchange (Form 5).
- (2) The securities of a company that fails to complete and file the questionnaire within the period prescribed by the Exchange may be suspended from trading until the information is received.

4.01.9 Dividends, Rights and Changes

- (1) Every listed company:
 - (a) shall within 5 business days of the board meeting, give notice of any action in respect of dividends, in the following manner:
 - (i) To the shareholders by circulation of the notice in the local press; and
 - (ii) To the Exchange by sending to the Exchange a copy of the duly executed resolution of the board or a certified copy of the extract of the minutes of the board meeting as the case may be.
 - (b) shall give to the Exchange notice at least ten days in advance of the date for the taking of a record of shareholders for the purpose of ascertaining who are entitled to any such dividends or rights or for any other purpose.
- (2) An entitlement to subscribe for or acquire securities that are issued by a company whose securities are listed on the Exchange must be assignable. A copy of all documents relating to the securities must be filed with the Exchange at least five days prior to issue.

- (3) Every company whose securities are listed on the Exchange shall give prompt notice to the Exchange of any proposed change in the provisions relating to any warrants or rights to acquire or to subscribe to its securities.

4.01.10 Redemption, Cancellation or Retirement of Securities

Every company whose securities are listed on the Exchange shall notify the Exchange promptly of any corporate or other action that will result in the redemption, cancellation or retirement, in whole or in part, of any of its securities listed on the Exchange or any security convertible into securities listed on the Exchange.

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Article 5

Trading Sessions and Trading Officials

5.01.0 Time of Sessions

- (1) Sessions of the Exchange for trading in listed securities between Trading Members may be held on any Business Day of the week.
- (2) Except as approved by the Exchange, no trade in a listed security shall be made on the Exchange at a time prior to the dissemination by the Exchange on the trading system of a message opening the Session or at a time after the dissemination by the Exchange on the trading system of a message closing the Session.

5.01.1 Suspension or Change of Session

- (1) The Board may at any time suspend, close, reduce, extend or otherwise alter the time of any Sessions.
- (2) Action under subsection (1) may be taken by the Board on its own initiative or upon a written petition from at least three Trading Members.
- (3) In the event of an emergency (including a technical problem with the trading system), the Chairman of the Board or, in his absence, the Deputy Chairman, or in his absence the General Manager, may suspend all trading at any Session, or reduce, extend or otherwise alter the time of such Session.

5.01.2 Market Surveillance

- (1) Subject to the general control of the Board, sessions of the Exchange shall be monitored by an employee(s) of the Exchange designated by the General Manager for that purpose.
- (2) The person so designated shall report any conduct he or she determines to be inappropriate to the General Manager of the Exchange.
- (3) On a report from the person designated under subsection (1) above, the General Manager may delay for any period of time the calling of trading in a security after the customary time of opening.
- (4) The General Manager may at his discretion refer any matter in connection with trading to the Board for further investigation.

5.01.3 Unethical Conduct

For the purposes of this Article, the Board may make such investigations, including the taking of such evidence, as it considers necessary or advisable in the circumstances.

5.01.4 Disciplinary Powers of the Board

- (1) Where a Trading Member or its Approved Trader is, in the opinion of the Board, guilty of any contravention of the Exchange Requirements pertaining to trading or of unethical conduct in connection with trading, the Board may:
 - (a) suspend the Trading Member or Approved Trader from trading for such period and upon such terms and conditions as the Board may determine; or
 - (b) revoke the appointment of an Approved Trader.
- (2) Where the Exchange suspends or revokes the appointment of an Approved Trader, the Exchange shall commence disciplinary proceedings within two business days of the suspension or revocation.

5.01.5 Other Decisions

Any decision made by the General Manager or his designate under this Article, except decisions regarding orderly trading, interruption of trading, delayed opening of trading, investigations and regulations relating to trading activities, may be appealed to the Board by any person directly affected by the decision.

Article 6

Approved Traders; Submission of Documents; Notification to the Exchange

6.01.0 Approved Traders

- (1) Except as permitted by the Exchange, no person shall enter orders or trade listed securities for or on behalf of a Trading Member (whether as principal or agent) on the Exchange by any means unless that person has been approved for access to the market as an Approved Trader by the Exchange.
- (2) No person shall be approved as an Approved Trader unless that person is a Member or a partner in or a director of a Trading Member or an employee of a Trading Member, and meets such qualifications as to experience, formal education and knowledge of trading rules as may be established by the Exchange.
- (3) Each Approved Trader shall be assigned a unique identifier for trading purposes. The Approved Trader shall be held responsible for all trades using his/her identifier and shall ensure that the identifier is kept safe at all times.

6.01.1 Approved Trader's Fees

A Trading Member shall pay such fees for the Approved Traders' trading privileges as the Exchange may from time to time prescribe.

6.01.2 Annual Review

The General Manager shall review the approvals of all Approved Traders at least once each calendar year.

6.01.3 Revocation of Power

- (1) Where the authority of an Approved Trader is revoked by a Trading Member, the Trading Member shall forthwith give notice in writing to the Exchange and to the FSC, which said notice shall be circulated to all Members.
- (2) A revocation of the authority of an Approved Trader takes effect when the written notice of revocation is received by the Exchange, unless a later date of revocation is set out in the notice of revocation.

6.01.4 Member Accounts

All accounts in securities over which an Approved Trader has authority or control, whether directly or indirectly, shall be maintained with the Trading Member.

6.01.5 Annual Questionnaire

All Trading Members shall complete and file an annual questionnaire in a format prescribed by the Exchange.

6.01.6 Audited Financial Statements

- (1) All Trading Members shall file with the Exchange within ninety days from the end of its fiscal year, an annual report containing annual financial statements and an account of its principal activities during the period covered.
- (2) A Trading Member who fails to comply with subsection (1) may be suspended from trading, but the Exchange may at its discretion, extend the period for filing in special circumstances.

6.01.7 Interim Financial Statements

- (1) All Trading Members shall, within sixty days from the end of the period to which the statements relate, file with the Exchange in an electronic format, interim financial statements for the three-month, six-month and nine month periods of the current fiscal year that began immediately following the last fiscal year including comparative statements to the end of the corresponding periods in the last fiscal year.
- (2) Interim financial statements need not be audited but must be prepared in accordance with International Financial Reporting Standards.
- (3) In special circumstances, the Exchange in its discretion may exempt a Trading Member from the application of any provisions of this section.
- (4) Trading Members with quarterly financial statements that are overdue may be suspended from trading until the requirements of this section are met.
- (5) The Exchange may at any time require a Trading Member to submit a financial statement in a form approved by the Exchange and to submit such further particulars of its activities as the Exchange directs.

6.01.8 Notification to the Exchange

All Members shall advise the Exchange promptly of changes to its Directors, senior management and Approved Traders.

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Article 7

Trading

7.01.0 Trades of Listed Securities

- (1) No Trading Member shall trade or participate in any trade in any listed security, whether acting as principal or agent, unless the trade is made in a manner approved by the Exchange.
- (2) Each order entered in the trading system shall contain the identifier of the Approved Trader as assigned in accordance with Rule 6.01.0 and must be in conformity with the Electronic Trading Procedures.

7.01.1 Broker Self-Trading

No Approved Trader shall conduct trades or participate in trades for their own account in any listed security.

7.01.2 Priority of Customers Orders

Orders for the accounts of customers have priority over all internal client orders of the Trading Member of equal price represented on the Exchange.

7.01.3 Bids, Offers and Contracts

All bids and offers made and accepted in accordance with the Exchange Requirements are binding; and all Exchange contracts thereby effected and arising therefrom are subject to the Rules of the Exchange.

7.01.4 Disputes as to Trades

Disputes arising on trades, if not settled by agreement between the Approved Traders interested, will be referred to the Board of the Exchange, and the Board shall investigate the dispute and shall make such order for the resolution of the dispute as it thinks fit.

7.01.5 Settlement

- (1) All bids and offers made on the Exchange are for regular settlement, as provided in Article 8, unless special terms such as ‘settlement for cash’ or ‘delayed delivery’ are specifically designated.
- (2) Orders stating special terms of settlement shall be subject to such special rules of trading and priority as the Board shall determine.
- (3) Trades which are not settled on the agreed settlement date are subject to “closing out” under the provisions of Article 9.

7.01.6 Trading Procedures

Trading Procedures shall be in accordance with the Electronic Trading Procedures of the Exchange which form part of these Rules.

7.01.7 Dividends and Interest

On settlement, all rights in a security pass to the purchaser unless otherwise agreed.

7.01.8 Ex-Distribution (Dividends, Rights and Subscription Privileges)

- (1) Trades for regular settlement shall trade on an “ex-distribution” basis on any trading day which has a settlement and delivery date which falls after the record date.
- (2) Trades made specifically for cash settlement shall be ex-distribution, on the trading day following the record date.
- (3) The Exchange may in any particular case provide that trades be ex-distribution at any other time.
- (4) If subscription rights attached to securities are not claimed by the persons entitled thereto at least twenty-four hours before the expiration of the time within which trading in respect of those rights can take place on the Exchange, a Trading Member holding the rights may, at his discretion, sell the whole or any part thereof, or exercise the whole or any part thereof, and shall thereafter, account therefore to the person or persons entitled thereto, but in no case is a Trading Member liable for any loss arising through failure to sell or exercise any unclaimed rights.

7.01.9 Price Stabilization

- (1) The General Manager or his designate may halt trading in a security for a period of not more than 2 hours if the offer price or bid price rises or falls more than 10% above or below the closing price of the previous day's trading.
- (2) The trading halt will occur for a minimum period of 15 minutes and a maximum of 2 hours.
- (3) A trading halt will only occur once in a trading session in any one security.
- (4) Where the trade is in a security which has been inactive for more than two years on the Exchange but has been trading on a regional exchange approved by the Exchange, this section shall not apply provided the offer price does not fall or the bid price does not rise more than 10% above or below respectively the closing price of the previous trading day on the approved exchange.

7.01.10 Contract Record and Official Transaction Record

- (1) The electronic record of a trade in a security is the official transaction record for the purpose of determining:
 - (a) best ask price;
 - (b) best bid price; and
 - (c) best sale price.
- (2) In the event of a dispute between parties to the contract, effect shall be given to the electronic record.

7.01.11 Just and Equitable Principles

No fictitious sale or contract may be made; and each Trading Member shall transact his business openly and fairly and in accordance with the Exchange Requirements.

7.01.12 Manipulative or Deceptive Trading

- (1) An Approved Trader shall not, directly or indirectly, engage in or participate in the use of any manipulative or deceptive method, act or practice in connection with any order or trade on a marketplace if the Approved Trader knows or ought reasonably to know the nature of the method, act or practice will be considered to be a manipulative or deceptive method, act or practice.

- (2) An Approved Trader shall not, directly or indirectly, enter an order or execute a trade on a market place if the Approved Trader knows or ought reasonably to know that the entry of the order or the execution of the trade will create or could reasonably be expected to create:
 - (a) a false or misleading appearance of trading activity in or interest in the purchase or sale of the security; or
 - (b) an artificial ask price, bid price or sale price for the security or a related security.

7.01.13 Manipulative and Deceptive Activities

- (1) There are a number of activities, which, by their very nature, will be considered to be a manipulative or deceptive method, act or practice. For the purpose of subsection (1) of Rule 7.01.12 and without limiting the generality of that subsection, any one of the following activities when undertaken on a marketplace constitute a manipulative or deceptive method, act or practice:
 - (a) Making a fictitious trade;
 - (b) Effecting a trade in a security which involves no change in the beneficial or economic ownership;
 - (c) Effecting trades by a single interest or group with the intent of limiting the supply of a security for settlement of trades made by other persons except at prices and on terms arbitrarily dictated by such interest or group; or
 - (d) Purchasing a security with the intention of making a sale of the same or a different number of units of the security or a related security on a marketplace at a price which is below the price of the last sale of a standard trading unit of such security displayed in a consolidated market display.
- (2) If persons know or ought reasonably to know that they are engaging or participating in these or similar types of activities those persons will be in breach of subsection (1) of Rule 7.01.12 irrespective of whether such method, act or practice results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price for a security or a related security.

7.01.14 False or Misleading Appearance of Trading Activity or Artificial Price

- (1) For the purposes of subsection (2)(a) of Rule 7.01.12 and without limiting the generality of that subsection, if any of the following activities are undertaken on a marketplace and create or could reasonably be expected to create a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price, the entry of the order or the execution of the trade shall constitute a violation of subsection (2)(a) of Rule 7.01.12:

- (a) Entering an order or orders for the purchase of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the sale of that security, has been or will be entered by or for the same or different persons;
 - (b) Entering an order or orders for the sale of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the purchase of that security, has been or will be entered;
 - (c) Making purchases of, or offers to purchase, a security at successively higher prices or in a pattern generally of successively higher prices;
 - (d) Making sales of or offers to sell a security at successively lower prices or in a pattern generally of successively lower prices.
 - (e) Entering an order or orders for the purchase or sale of a security to:
 - (i) establish a predetermined sales price, ask price or bid price
 - (ii) effect a high or low closing sale price, ask price or bid price, or
 - (iii) maintain the sale price, ask price or bid price within a predetermined range;
 - (f) Entering an order or a series of orders for a security that are not intended to be executed;
 - (g) Entering an order for the purchase of a security without, at the time of entering the order, having the ability or the reasonable expectation to make the payment that would be required to settle any trade that would result from the execution of the order;
 - (h) Entering an order for the sale of a security without, at the time of entering the order, having the reasonable expectation of settling any trade that would result from the execution of the order; and
 - (i) Effecting a trade in a security between accounts under the direction and control of the same person with the purpose of driving the share price upwards or downwards.
- (2) If persons know or ought reasonably to know that they are engaging or participating in these or similar types of activities, those persons will be in breach of subsection (2)(a) of Rule 7.01.12 irrespective of whether such activity results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price for a security or a related security.

7.01.15 Artificial Pricing

- (1) For the purposes of subsection (2)(b) of Rule 7.01.12, an ask price, bid price or sale price will be considered artificial if it is not justified by real demand or supply in a security. Whether or not a particular price is “artificial” depends on the particular circumstances.

- (2) Some of the relevant considerations in determining whether a price is artificial are:
- (a) the prices of the preceding trades and succeeding trades;
 - (b) the change in the last sale price, best ask price or best bid price that results from the entry of the order on a marketplace;
 - (c) the recent liquidity of the security;
 - (d) the time the order is entered and any instructions relevant to the time of entry of the order; and
 - (e) whether any Participant, Approved Trader or account involved in the order:
 - (i) has any motivation to establish an artificial price, or
 - (ii) represents substantially all of the orders entered or executed for the purchase or sale of the security.
- (3) The absence of any one or more of these considerations is not determinative that a price is or is not artificial.

7.01.16 Short Selling

- (1) Except with the approval of the Exchange, no short sale of a security may be made unless the price is at or above the last traded price.
- (2) For the purposes of this section short sale means a sale of a security which the seller does not own directly or through an agent or trustee and; for this purpose, a seller shall be considered to own a security if the seller:
- (a) has purchased or has entered into an unconditional contract to purchase the security, but has not yet received delivery of the security;
 - (b) has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security;
 - (c) has an option to purchase the security and has exercised that option;
 - (d) has a right or warrant to subscribe for the security and has exercised the right or warrant;
 - (e) is making a sale of a security that trades on a “when issued” basis and the seller has entered into a contract to purchase such security which is binding on both parties and subject only to the condition of issuance or distribution of the security;
 - (f) but a seller shall be considered not to own a security if the seller has borrowed the security to be delivered on the settlement of the trade and the seller is not otherwise considered to own the security in accordance with this definition.

7.01.17 Front Running

- (1) An Approved Trader with knowledge of a client order that on entry could reasonably be expected to affect the market price of a security, shall not, prior to the entry of such client order:
 - (a) enter a principal order or a non-client order for the purchase or sale of the security;
 - (b) solicit an order from any other person for the purchase or sale of the security; or
 - (c) inform any other person, other than in the necessary course of business, of the client order.
- (2) An Approved Trader does not contravene subsection (1) if:
 - (a) no director, principal, senior management, Approved Trader or broker of the Trading Member who made or participated in making the decision to enter an internal client order or to solicit an order had no actual knowledge of the client order;
 - (b) an order is entered or a trade made for the benefit of that client or any other unsolicited client for whose account the order is made;
 - (c) an order is solicited to facilitate the trade of the client order; or
 - (d) an internal client order is made to fulfill a legally binding obligation entered into by the Trading Member before having actual knowledge of the client order.

7.01.18 Best Execution Obligation

- (1) An Approved Trader shall diligently pursue the execution of each client order on the most advantageous terms for the client as expeditiously as practicable under prevailing market conditions.
- (2) An Approved Trader shall make reasonable efforts prior to the execution of a client's order to ensure that:
 - (a) in the case of an offer by the client, the order is executed at the best bid price; and
 - (b) in the case of a bid by a client, the order is executed at the best ask price.
- (3) An Approved Trader shall give priority to its client orders over all of its internal client orders in the same security and on the same side of the market, unless the internal client order is executed at a price above the client's limit price (for a buy order) or below the client's limit price (for a sell order).

7.01.19 Special Facilities

- (1) The Exchange may permit use of the Exchange by a Trading Member to give notice of a bid for, or an offering of, a substantial quantity of a listed security at a fixed price, where the bid or offering is in compliance with all applicable securities laws, regulations and Exchange Requirements.
- (2) Any notice given under subsection (1) must, in addition to the name of the Trading Member making the bid or offering, contain a statement of the name and quantity of the listed security in respect of which the bid or offering is made and must indicate that it will remain open until the time specified in the notice or the time of the purchase or sale, whichever is earlier, as the case may be, of all of the securities in respect of which the bid or offering is made.

7.01.20 Block Trade Rule

- (1) A block trade shall not be subject to the normal trading procedures of the Exchange and shall be conducted pursuant to a privately negotiated contract.
- (2) The Exchange may approve a block trade in respect of:
 - (a) the sale and purchase of a listed security between associates as defined under the Act;
 - (b) the sale and purchase of a listed security which will not effect a change in the ultimate beneficial ownership of the securities;
 - (c) the sale and purchase of a listed security approved by the Commission;
 - (d) the sale and purchase of a listed security pursuant to a take-over transaction, conducted or to be conducted in accordance with applicable laws; and
 - (e) in any other case where in the opinion of the Exchange a block trade transaction is deemed appropriate.
- (3) The Exchange shall refuse to approve a block trade where it is of the opinion that the block trade will conflict with the rules in respect of market conduct and regulation.

7.01.20(1) Block Trade Pricing

- (a) The Block Trade Price can be negotiated between the parties and may be different from the price prevailing on the Trading System. The block trade price must be fair and reasonable in light of the size of the transaction and the prevailing price on the regular market.

- (b) The Exchange may request the methodology and calculation of the negotiated block trade price except in the case of an approved take-over where the methodology and calculation of the negotiated block trade price shall be required by the Exchange to be made available to the public.
- (c) The block trade transaction will have no effect on the closing market price of the security and will therefore have no effect on the index movement.

7.01.20(2) Block Trade Procedures

- (a) All block trades shall be conducted in the manner determined by the Exchange in accordance with this Rule. The Exchange shall determine procedures and policies with respect to a block trade from time to time as required under this Rule.
- (b) The minimum number of units that can be traded in any one security via the block trade facility is ten thousand (10,000) units. A Trading Member shall not:
 - (i) aggregate transactions in order to qualify for treatment under the block trade facility; or
 - (ii) add subsequent transactions to a block trade in order to increase its size.
- (c) Trading Members who wish to transact a block trade must seek approval from the Exchange at least five (5) clear business days prior to the scheduled date of the transaction. Market notification will take place two (2) trading sessions prior to the transaction even though intervention is not possible by the market.
- (d) On the execution of the block trade transaction, the Exchange shall publish to the market details of the block trade confirmed and validated by the Exchange, including security, quantity, time, price and identity of the participants.

7.01.20(3) Settlement of Block Trade transactions

A block trade transaction may occur at anytime during the course of a trading day and shall be settled within the normal settlement cycle. If the parties, at the time of seeking approval for the transaction, jointly make request to settle their transaction before the normal settlement cycle, the Exchange may facilitate such a request.

7.01.20(4) Fees for Block Trade transactions

- (a) The fees on a block trade shall be calculated on:
 - (i) the negotiated price; or
 - (ii) the market price on the day preceding the transaction

whichever is higher and in accordance with the sliding scale of fees which may be determined by the BSE from time to time. Please refer to the block trade fee schedule.

- (b) The BSE may withdraw a Trading Member's access to the block trade facility for non-compliance with this Rule.

Non—Exchange Trades

7.01.21 Trading in Unlisted Securities

Except for trades made on an established Over-The- Counter Market, no trade shall be made on the Exchange in unlisted securities except bonds, debentures or other debt obligations of the Governments of member states of the Caribbean Community.

7.01.22 Member Trading in Own Name - Exchange Requirements

- (1) In order to trade in his own name or carry the accounts of customers, a Trading Member must satisfy the Exchange of continuing ability to meet all financial obligations as they become due, to receive and deliver securities and perform all other administrative functions in a timely and orderly manner as prescribed by Article 8.

Article 8

Delivery and Settlement

8.01.0 Definitions

In this Article, unless the context otherwise requires;

- (a) “Delivery” means, in respect of a trade in securities, the conveying of the securities by the physical movement of securities, certificates or transfers directly, or by transfer of a book-based position in accordance with the rules of the BCSDI;
- (b) “Delivery Day” or “settlement day” has the meaning given it in the Electronic Trading Procedures;
- (c) “Delivery Member” means a Trading Member who is obligated to make settlement by delivering securities against payment;
- (d) “Receiving Member” means a Trading Member obligated to make settlement by making payment against delivery of securities.

8.01.1 Trades to be Cleared

All trades in listed securities shall be reported confirmed and settled through the BCSDI pursuant to the Rules of the BCSDI and the Electronic Trading Procedures.

8.01.2 Trades in Warrants and Rights

The last day for trading warrants or rights on a regular delivery basis will be the trading day before the last delivery day which precedes the expiry date.

8.01.3 Settlement Procedures

- (1) Settlement procedures shall be in accordance with the Electronic Trading Procedures.
- (2) The Exchange may take such action as it considers appropriate if in the opinion of the Exchange settlement of a trade appears to be unreasonably or improperly delayed.

Article 9

9.01.0 Closing out Contracts

- (1) If any Trading Member makes default in, or fails to meet, or admits or discloses his inability to meet his liabilities or engagements to the Exchange, or to another Member or to the public, the Member concerned may be adjudged a defaulter and notice thereof shall be published by the Exchange and mailed or delivered to each Member, and it may be announced publicly.
- (2) Any Member may be adjudged a defaulter who fails to make delivery of securities or to make a payment within the time limited by the rules governing the Exchange.
- (3) The Board may at any time and either with or without notice to him suspend a defaulter as a Member pursuant to Part 2 Rule 3.02.5 and notice thereof shall be made by the Exchange and mailed or delivered to each Member, and it may be announced publicly.
- (4) A Member who has been suspended as a defaulter may be reinstated by the Board at any time and notice thereof shall be mailed or delivered to each Member, and it may be announced publicly.
- (5) If a reinstatement does not take place within thirty (30) days from the date of the suspension, the Board may declare the Member's seat forfeit and may thereupon proceed to dispose of the seat and distribute the proceeds thereof in accordance with Article 9 of the By-laws.
- (6) A Member is not entitled to be present at any session, or to exercise the rights and privileges of a Member during such time as he is a defaulter.
- (7) No Member may do business for or for the account of a defaulter without the written consent of the Exchange.

9.01.1 Insolvency and Bankruptcy

- (1) If any Trading Member becomes insolvent or bankrupt, within the meaning of this section, the Member concerned thereby automatically and without the necessity of any action by the Exchange becomes suspended from the exercise of the privileges of Membership.
- (2) A notice of that result shall be forthwith published by the Exchange and mailed or delivered to each Member; and
- (3) The said notice may be publicly announced.

- (4) A Member is deemed to be insolvent if:
- (a) he is for any reason unable to meet his obligations as they generally become due,
 - (b) he has ceased paying his current obligations in the ordinary course of business as they generally become due, or
 - (c) the aggregate of his property is not as a fair valuation, sufficient or, if disposed of at a fairly conducted sale under legal process, would not be sufficient, to enable payment of all his obligations, due and occurring due.
- (5) A Member is deemed to be bankrupt if he has committed an act of bankruptcy as set forth in the *Bankruptcy and Insolvency Act* Cap 303.
- (6) The seat(s) of any Member who has been suspended by reason of insolvency or bankruptcy may at any time be declared forfeit to the Exchange by the Board who may thereupon proceed to dispose of the seat(s) and to distribute the proceeds thereof in accordance with Article 9 of the By-laws.

9.01.2 Closing out Exchange Defaulters and Bankrupts

- (1) All outstanding Exchange contracts with a defaulter or with a bankrupt or insolvent Member shall be closed out at the first session at which this can reasonably be done after the notice of the default, bankruptcy or insolvency has been received or posted.
- (2) Notwithstanding subsection (1), the Board in its discretion may postpone the time for closing out any or all Exchange contracts described in that subsection.
- (3) If there is any profit, it shall be paid into the Guarantee Fund, and if there is any loss, claims thereof shall be filed with the Exchange; and all claims shall be settled from the Guarantee Fund in accordance with Rule 6.2 of the Rules of the BCSDI.

Article 10
Disclosure

10.01.0

Any person who falls under the jurisdiction of the Exchange is strictly prohibited from trading on the basis of information which has not been previously disclosed to the public.

10.01.1

A listed company shall notify the Exchange of the following information within 5 business days of the Board Meeting in which a decision is made in respect of the following information:

- (1) Profit announcements;
- (2) Rights or bonus issues;
- (3) Acquisition or sale of assets;
- (4) Significant changes in ownership or control; and
- (5) Any other information which would enable a shareholder to make an informed decision regarding his investment in the listed company.

10.01.2

- (1) The Exchange shall in its discretion determine whether the above-stated information should be disclosed by the listed company to the public.
- (2) Where it is the decision of the Exchange that the said information be disclosed to the public, the Exchange shall determine the time frame in which the said information be disclosed and the details which should be disclosed to the public.
- (3) If in the opinion of the listed company the information should not be disclosed to the public it shall set forth in writing the reasons why the information should not be so disclosed and the Exchange shall consider those reasons in making its decision under this Rule.

PART II
DISCIPLINE OF PERSONS UNDER THE JURISDICTION OF THE EXCHANGE

Article I

Application of this Part

1.02.0 Application

For the purposes of this Part persons under the jurisdiction of the Exchange include Members, Approved Traders and listed companies.

DRAFT 2011-10-17

Article 2

Complaints, Inspections and Investigations

2.02.0 Complaints

All complaints or other communications in the nature of complaints relating to the business or affairs of the Exchange or the conduct, business or affairs of any person under the jurisdiction of the Exchange must:

- (a) be in writing;
- (b) signed by the complainant;
- (c) addressed to the Chairman of the Board; and
- (d) lodged with the Exchange for transmission to the Chairman of the Board.

2.02.1 Conduct of Inspections of Members

- (1) The Exchange may at any time conduct, or request that the Exchange Auditor or the Auditor of the Trading Member conduct, a routine or cause inspection and report on the current financial position and operational condition of the Trading Member in general or on any specific matter.
- (2) A request for such inspection and report shall be made by the General Manager with the agreement of the Chairman and the Board of the Exchange.

2.02.2 Investigations

The Exchange may at any time, whether or not on the basis of a complaint or other communication in the nature of a complaint, investigate the conduct, business or affairs of any person under the jurisdiction of the Exchange and the Exchange may authorize any committee or persons to conduct or to assist in the conduct of the investigation.

2.02.3 Information, Books, Records

- (1) Trading Members shall comply with the record-keeping procedures as outlined in the Act and any guidance notes issued by the Exchange from time to time,
- (2) Upon request of the Exchange or a committee or person authorized by the Exchange, a person under the jurisdiction of the Exchange shall forthwith:

- (a) provide any information, books, records and paper in his possession or control that the Exchange or authorized committee or person determines may be relevant to the matter under investigation or during the course of an inspection;
- (b) allow the inspection of, and permit copies to be taken of, any information or records in his possession or control that the Exchange or authorized committee or person determines may be relevant to a matter under investigation or during the course of an inspection;
- (c) provide a statement to the Exchange or authorized committee or person determined to be relevant to a matter under investigation or during the course of an inspection, provided that in the case of a person other than an individual, the statement shall be made by an appropriate officer, director, partner or other authorized individual associated with the person under the jurisdiction of the Exchange.

2.02.4 Assessment of Investigation Costs

- (1) The Exchange may, after conducting an investigation, assess the costs of the investigation against a person under the jurisdiction of the Exchange upon whom a penalty has been imposed.
- (2) Where the Exchange conducts an investigation of a complaint or other communication in the nature of a complaint that was made by a person under the jurisdiction of the Exchange and determines that the complaint or other communication in the nature of a complaint was frivolous, the Exchange may assess the costs of the investigation against that person who made the com

2.02.5 Record of Complaints

- (1) Each Trading Member shall keep records of all written complaints received by the Trading Member that relate in any way to the conduct, business or affairs of the Trading Member or of a director, partner, officer or employee of the Trading Member.
- (2) A complaint and any reply to the complaint shall be retained for twenty-four months from the date of receipt of the complaint by the Trading Member and shall be made available to the Exchange upon the request of the Exchange.

2.02.6 Delegation by Board

- (1) The Board may from time to time in writing delegate to one or more persons or committees any or all of the powers of the Board

- (a) to consider, hold hearings and make determinations regarding applications for any acceptance, approval, registration or authorization and to impose terms and conditions regarding any such acceptance, approval, registration or authorization;
- (b) to investigate and examine the conduct, business or affairs of Members and other persons authorized to trade on the Exchange and of their employees and agents and other persons associated with them in the conduct of business; and
- (c) to hold hearings, make determinations and make recommendations to the Board.

DRAFT 2011-10-11

Article 3

3.02.0 Notice of Particulars

(1) Whenever the Exchange proposes:

- (a) to commence disciplinary proceedings;
- (b) to decline the granting unconditionally of an Exchange approval;
- (c) to revoke, suspend or amend a previously granted Exchange approval;
- (d) to decline to grant unconditionally the admission of a person to be a Member;
- (e) to revoke, suspend or amend any of the rights or privileges of a Member, or
- (f) to revoke, suspend or amend any of the rights or privileges of a seat-holder or of a holder of the right to use a seat,

the Exchange must serve at least ten days in advance of a hearing of the matter, a Notice of Particulars on any person who is directly affected by the proposal.

(2) A Notice of Particulars must contain:

- (a) a statement of the date, time and place of the hearing of the matter;
- (b) a reference to the authority under which the hearing will be held;
- (c) the facts alleged and intended to be relied upon by the Exchange; and
- (d) the provisions of subsections (3), (4) and (5).

(3) A person served with a Notice of Particulars shall, within ten days from the date of service, serve on the Exchange a Reply signed by the person or by an individual authorized to sign on behalf of the person that specifically denies, with a summary of the supporting facts and arguments, any or all of the facts alleged.

(4) The Board or a committee of the Board may accept as having been proven any facts alleged in the Notice of Particulars that are not specifically denied, with a summary of the supporting facts and arguments, in the Reply.

(5) If a person served with a Notice of Particulars fails to:

- (a) serve a Reply in accordance with subsection (3) , or
- (b) attend the hearing specified in the Notice of Particulars, notwithstanding that the person has served a Reply in accordance with subsection (3),

the Exchange may proceed with the hearing of the matter on the date and at the time and place set out in the Notice of Particulars without further notice to and in the absence of the person, and the Board or a committee of the Board may proceed to make a determination in his absence.

3.02.1 Hearings

- (1) A person who has been served with a Notice of Particulars is entitled at the hearing of the matter:
 - (a) to attend and be heard in person except where the parties all agree that the hearing may take the form of the exchange of documents whether in written form or by electronic means;
 - (b) to be represented by an attorney-at-law or other individual;
 - (c) to call and examine witnesses and to present arguments and submissions; and
 - (d) to conduct cross-examinations of witnesses at the hearing reasonably required for a full and fair disclosure of the facts in relation to which they have given evidence.
- (2) The Board, or the committee of the Board that presided at a hearing, shall, if requested by a person served with a Notice of Particulars, give reasons for the decision of the hearing.
- (3) The Board, or the committee of the Board, shall give in writing and send by registered mail the decision of the hearing and, if reasons have been requested under subsection (2), the reasons for the decision, to each person entitled to be served with a Notice of Particulars.

3.02.2 Offer of Settlement

- (1) Subject to subsection (5), the person served with a Notice of Particulars may submit an Offer of Settlement to the Exchange.
- (2) An Offer of Settlement must be consented to by the parties to the dispute and
 - (a) be in writing;
 - (b) be signed by the parties consenting to the Offer of Settlement or by the individuals authorized to sign on behalf of the parties; and
 - (c) contain:
 - (i) the provisions of any of the exchange requirements that have been contravened, as agreed upon by the Exchange and the parties entering into the Offer of Settlement;
 - (ii) a statement of the facts agreed upon by the Exchange and the parties to the Offer of Settlement;
 - (iii) the disposition of the matter, including any penalty to be imposed, as agreed upon by the Exchange and the person submitting the Offer of Settlement; and

- (iv) a waiver by the consenting party of all rights under the By-Laws to a hearing or to an appeal if the Offer of Settlement is accepted.
- (3) Subject to subsection (4) an Offer of Settlement shall be submitted to the Board or to a committee of the Board appointed to hear the matter, and the Board or a committee of the Board, as the case may be, shall either accept or reject the Offer of Settlement.
- (4) An Offer of Settlement in respect of a matter described in paragraph (a) of section 3.02.0(1) may be submitted to the Secretary of the Exchange for review where the penalty to be imposed is a reprimand, a sum not exceeding \$5,000.00, or both, and upon being submitted, the Secretary shall
 - (a) accept the Offer of Settlement ;
 - (b) reject the Offer of Settlement; or
 - (c) refer the matter to the Board or to a committee of the Board for review.
- (5) An Offer of Settlement may not be entertained in respect of a matter described in paragraph (b) to (f) inclusive of section 3.02.0(1).
- (6) The negotiating of an Offer of Settlement must not adversely affect the position of the Exchange or that of any other persons involved in the negotiations. The negotiations may not be used as evidence or referred to in any proceedings.
- (7) If an Offer of Settlement is accepted by the Board, a committee of the Board or the Secretary of the Exchange,
 - (a) the matter becomes final;
 - (b) there can be no appeal of the matter; and
 - (c) the disposition of the matter agreed upon in the Offer of Settlement is to be included in the permanent record of the Exchange in respect of the parties who consented to the Offer of Settlement.
- (8) If an Offer of Settlement is rejected by the Board, a committee of the Board or the Secretary of the Exchange, the Exchange may proceed with a hearing of the matter.

3.02.3 Appeals

- (1) A decision of the Board or committee of the Board, after a hearing of the matter to which the decision relates, under Rule 3.02.1, may be appealed to the Board by a Member of the Board or by any person directly affected by the decision.
- (2) A Board or committee of the Board shall, on the same date, give its Order and written decision.
- (3) The written decision shall set out clearly the reasons for the decision and the Order.

- (4) The Exchange shall within 5 business days of the date on which the Order and written decision of the Board or committee of the Board is given send by registered mail to the Member or person directly affected by the decision a copy of the order and written decision of the said board or hearing committee.
- (5) An appeal pursuant to subsection (1) is commenced by serving on the Secretary of the Exchange, and each of the persons entitled to appeal the decision, a written Notice of Appeal that specifies the grounds with a summary of the supporting reasons for the appeal, within thirty days from the date of the Order.
- (6) Within twenty days from the date of receipt by the Secretary of the Exchange of a Notice of Appeal, the Secretary shall in writing notify all persons who have appealed, of the date, time and place for the hearing of the appeal. The date for the hearing of the appeal must be within forty-two days from the date of the filing of the appeal.
- (7) On an appeal of the decision of the Board, the Board shall consider the record of the hearing and may consider any new evidence that the Board determines appropriate under the circumstances.
- (8) Upon an appeal or review of the decision of the Board, the Board may confirm, reject or vary the decision;
- (9) Upon holding an appeal or review of the decision of the Board, the Board shall give in writing and send by registered mail to each person that appealed the decision, copies of the decision of the appeal or review and, if requested by a person entitled to appeal the decision of the hearing, reasons for the decision of the appeal or review, if any.

3.02.4 Report to Board

- (1) Any committee of the Board that has conducted a hearing shall report to the Board on the hearing upon the expiration of the time periods for appeal if no appeal of the decision of the hearing has been commenced.
- (2) Any committee of the Board or any officer of the Exchange that or who has reviewed and accepted an Offer of Settlement shall report to the Board on the Offer of Settlement.

3.02.5 Powers and Remedies

- (1) Where a person under the jurisdiction of the Exchange has:
 - (a) contravened any Exchange Requirement, or
 - (b) engaged in any conduct, business or matter that is unbecoming or inconsistent with just and equitable principles of trade or detrimental to the interests of the Exchange or the public, or

(c) is not in compliance with any Exchange Requirement, the Board or a committee of the Board may impose any one or more penalties or remedies against the person.

(2) The penalties or remedies to be imposed pursuant to subsection (1) may be one or more of the following:

- (a) a reprimand;
- (b) the suspension as a Member for the period and/or upon the terms and conditions, if any, determined by the Board or a committee of the Board;
- (c) the revocation, suspension or amendment of the terms and conditions of a Membership;
- (d) the imposition of any terms and conditions, determined by the Board or a committee of the Board, that a person must satisfy prior to being fully restored as a Member;
- (e) the expulsion as a Member;
- (f) the forfeiture of a seat or a right to use a seat;
- (g) the making of restitution to any person who has suffered a loss as a result of the acts or omissions of a person under the jurisdiction of the Exchange;
- (h) a fine not exceeding \$5,000.00; or
- (i) any other penalty or remedy available by law.

3.02.6 Interim Orders

(1) Notwithstanding any provisions in the by-laws or the rules, as the case may be, to the contrary, where

- (a) the Board determines that a person under the jurisdiction of the Exchange
 - (i) has engaged in or might engage in any course of conduct,
 - (ii) has carried on or might carry on business in a manner, or
 - (iii) has otherwise acted in a mannerthat is detrimental to the interests of the Exchange or the investing public; and
- (b) the Board considers it necessary for the protection of the interests of the investing public,

the Board may without notice of a hearing impose one or more of the interim orders described in subsection (2) against that person.

- (2) The interim orders to be imposed are:
 - (a) the suspension of the rights and/or privileges of trading for a period upon terms and conditions, if any, determined by the Board; or
 - (b) the suspension or amendment of the terms and conditions of a previously granted Exchange Approval;
- (3) Upon the imposition of an interim order by the Board pursuant to subsection (1), the Exchange shall commence an investigation pursuant to sections 2.02.1 and 2.02.2.
- (4) An interim order issued by the Board pursuant to subsection (1) expires fifteen days after the date on which the interim order was made, unless
 - (a) a hearing is held within that period of time to confirm or set aside the interim order; or
 - (b) the person against whom the interim order is made consents to an extension of the interim order until a hearing of the matter is held.

3.02.7 Responsibility of Members and Others

- (1) A Member may be found liable by the Exchange for the conduct, business or affairs of an authorized representative or an employee of the Member and may be made subject to penalties as if the Member had engaged in the conduct, business or affairs.
- (2) Notwithstanding subsection (1), the imposition of any penalties against a Member does not prevent the imposition by the Exchange of any penalties against the authorized representative or employee of the Member.

3.02.8 Partners and Directors of Members

- (1) Any partner or director of a Member may be found liable by the Exchange for the conduct, business or affairs of the Member, if he had responsibility for the Member, and may be made subject to any penalties as if he had engaged in that conduct, business or affairs.
- (2) Notwithstanding subsection (1), the imposition of any penalties against any partner or director of a Member does not prevent the imposition by the Exchange of any penalties against the Member.

3.02.9 Service

- (1) Subject to any provision of the by-laws or rules, as the case may be, to the contrary, any document required by this section to be served:
 - (a) on the Exchange must be served by personal service on or by registered mail addressed to the registered office to the attention of the Secretary of the Exchange; or
 - (b) on any person other than the Exchange must be served by personal service or by registered mail to the attention of that person and addressed to the last residence or business address shown in the records of the Exchange for that person.
- (2) If service of a document cannot be effected by personal service pursuant to the requirements of subsection (1) (b), the Board may prescribe any other manner likely to bring the document to the attention of the person.
- (3) An affidavit of an employee or agent of the Exchange attesting that subsection (1)(b) has been complied with is sufficient proof of service.

Article 4

Making of Rules

4.02.0 Making and Confirming Rules

- (1) Except to the extent that any unanimous Member agreement otherwise provides, the Board may by resolution make, amend or repeal any rules for the regulation of the affairs and business of the Exchange.
- (2) The Exchange shall submit any rule, or any amendment or repeal of a rule, to the Members at the next meeting of the Members held after the making, amendment or repeal of the rule; and the Members may by ordinary resolution confirm, amend, or repeal any such rules for the regulation of the affairs and business of the Exchange.
- (3) A rule, or any amendment or repeal thereof, is effective from the date of the resolution of the Board making, amending or repealing the rule until:
 - (a) the rule, amendment or repeal is confirmed, amended or rejected by the Members pursuant to subsection (2) , or
 - (b) the rule, amendment or repeal ceases to be effective pursuant to subsection (4) and, if the rule, amendment or repeal is confirmed or amended by the Members, it continues in operation in the form in which it was confirmed or amended.
- (4) When a rule, amendment or repeal of a rule, is not submitted to the Members as required by subsection (2) or is rejected by the Members, the rule, amendment or repeal ceases to be effective; and no subsequent resolution of the Board to make, amend or repeal a rule having substantially the same purpose or effect is effective until the resolution is confirmed, with or without amendment, by the Members.
- (5) A Member who is entitled to vote at an annual meeting of Members may, in the manner provided by the Companies Act Cap 308, make a proposal to make, amend or repeal a rule.

4.02.1 Guidance Notes

The Exchange shall issue such guidance notes to its Members from time to time, for the governance of its Members, as the Exchange shall think fit.

4.02.2 Effective Date

These rules come into force when made by the Exchange in accordance with section 4.02.0.