

Trading Member Regulations – Code of Conduct

All Trading Members

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1. Citation

- 1.1 This Code of Conduct shall be known as the Code of Conduct for Trading Members of The Bermuda Stock Exchange.

2. Interpretation

- 2.1 Unless the context otherwise requires all expressions defined in The Bermuda Stock Exchange Trading Membership Regulations shall have the same meanings when used in this Code.

3. Internal Controls

- 3.1 Every Trading Member shall adopt, by way of a Board resolution, maintain and diligently enforce an internal procedures manual which ensures that:-
 - 3.1.1 when acting as agent, the trading member acts in the best interests of its client at all times;
 - 3.1.2 the trading member's directors, officers and employees act in conformity with their relevant responsibilities under the securities supervisory and regulatory system of Bermuda, including the regulations issued by the Exchange and the provisions of the Bermuda Monetary Authority Act 1969, and with appropriate arrangements on propriety in personal dealings; and
 - 3.1.3 the trading member will comply with the principles set out in this Code of Conduct.
- 3.2 No investment related activities shall be conducted on account of a director, officer, employee or shareholder of a trading member or the immediate families of such persons except with the prior consent of a duly designated senior officer of the trading member.

4. Market Manipulation

- 4.1 In any activities relating to trading in securities, a trading member must not engage in any market manipulation or any other conduct directly or indirectly with the aim of manipulating securities market prices unless authorized by the rules and regulations of the Exchange.

5. Overall Conduct

- 5.1 In its conduct of securities business, a trading member shall at all times act according to the principles of best practice and, in particular, shall:-

- 5.1.1 act with due skill, care and diligence;
- 5.1.2 obtain from clients information about their circumstances and investment objectives which might reasonably be expected to be relevant in enabling it to fulfil its responsibilities to its clients;
- 5.1.3 take reasonable steps to give every client it advises, in a comprehensible and timely way, any publicly available information of which the trading member is aware and which is needed to enable the client to make a balanced and informed investment decision;
- 5.1.4 avoid any conflict of interest with its client and, where such a conflict unavoidably arises, to ensure fair treatment to its clients by complete disclosure (provided this is acknowledged and accepted by the client) or by declining to act; furthermore a trading member should never place its interests above those of its clients;
- 5.1.5 protect properly, by way of segregation and identification, those client assets for which a trading member is properly responsible;
- 5.1.6 organize and control its internal affairs in a responsible manner, keep proper records, and have adequate arrangements to ensure that all staff employed are suitable, adequately trained and properly supervised, together with well-defined compliance procedures;
- 5.1.7 not recommend a transaction to a client unless it has taken reasonable steps to enable the client to understand the nature of the risks involved;
- 5.1.8 ensure that where it may trade for its own account, it has previously informed its client of this fact by way of the Client Agreement or otherwise;
- 5.1.9 deal with client and own account orders fairly, strictly in due turn and with total integrity and shall never "front run" ahead of client orders;
- 5.1.10 execute orders promptly, and if acting as agent, at the best available price;
- 5.1.11 ensure that every transaction it executes is promptly allocated;
- 5.1.12 not make a recommendation to deal, or deal or arrange a deal in the exercise of discretion for any client, if the dealing would reasonably be regarded as too frequent in the circumstances (i.e. churning);
- 5.1.13 take reasonable steps to ensure it does not make any recommendation to a client, or effect or arrange a discretionary transaction with or for a client, unless the recommendation or transaction is suitable for that client having regard to the facts about that client of which it is, or reasonably should be, aware;
- 5.1.14 not participate in any insider dealing in relation to dealing in securities nor knowingly assist any other person to participate in any such insider dealing;

- 5.1.15 satisfy itself on reasonable grounds and on a continuing basis that any representative that it appoints is fit and proper to act in that capacity;
- 5.1.16 send to each client for whom it maintains securities in custody a statement of account on a regular basis and at least annually, unless otherwise agreed by the client;
- 5.1.17 have procedures to ensure the proper handling of complaints from clients;
- 5.1.18 deal with the Exchange and the Authority in an open and co-operative manner and keep them informed of anything concerning the trading member that might reasonably be expected to be disclosed to them.

6. Client Agreements

- 6.1 Before accepting or operating a securities trading account for any client, a trading member shall ensure that it knows who the client is (including whether the client is Bermudian or non-Bermudian) and shall enter into a Client Agreement with that client. A Client Agreement shall in all cases contain, inter alia, a statement that in respect of transactions duly concluded on the Exchange, the rules and regulations of the Exchange including in particular those relating to trading and settlement, shall apply to every transaction and shall be binding on both the trading member and the client.

7. Trade Confirmation Notes

- 7.1 A trading member shall, in respect of every contract for the purchase, sale or exchange of securities entered into by it (whether as principal or as agent), not later than the end of the next business day after the contract was entered into, make out a trade confirmation note which shall include such disclosure as is necessary to show fair dealing, including:-
 - 7.1.1 where the trading member is acting as principal, a statement that it is so acting;
 - 7.1.2 the quantity and description of the securities that are the subject of the trade;
 - 7.1.3 the price per unit of the securities;
 - 7.1.4 the amount of commission (if any) and any other fees charged; and
 - 7.1.5 the trade date and time and the settlement date.

8. Use of Name

- 8.1 A trading member must not permit others to use its name to conduct securities business.

9. Record Keeping

- 9.1 A trading member shall keep accounting records which are sufficient to show and explain its transactions (whether effected on its own behalf or on behalf of others) and which shall disclose with reasonable accuracy the financial position of the trading member at any point in time and demonstrate whether or not the trading member is complying with the applicable Minimum Net Capital requirements prescribed by the Exchange.
- 9.2 A trading member shall make all books of account and other records required to be kept under this Code or the Trading Membership Regulations of the Exchange, available to the Exchange and/or the Authority for inspection by any person appointed by the Exchange or the Authority, when required by the Exchange or the Authority to do so and for audit by the Exchange on the giving of reasonable notice.

Trading Membership Practice Notes

Trading Membership Practice Notes		
Practice Note No.	Title	Status
1	Trading Membership Fee and Transaction Levy Rate	In effect since 9 October 1995 and amended in October 1996 by Practice Note 2, 9 and 10
2	Transaction Levy Rate	Replaced in January 2012 by Practice Note 10
9	Annual Trading Membership Fees	In effect since 1 January 2012
10	Transaction Levy Rate	In effect since 3 January 2012
11	Extension of Daily Trading Hours	In effect from 28 September 2016

Practice Note 1 - Trading Membership Fees & Transaction Levy Rate

1. Joining Fee

As prescribed by the Exchange pursuant to the Trading Membership Regulations.

Every successful applicant for trading membership shall pay an initial joining fee in accordance with the following table:

Joining Fees	
Trading Capacity	\$
Broker	20,000
Broker/Dealer	30,000
Market-Maker	30,000

The initial joining fee shall be payable as follows:-

- (1) the application shall be accompanied by a non-refundable, payment of \$1,000; and
- (2) the balance of the initial joining fee shall accompany the application for trading membership, but will be refunded if the application is rejected.

2. Annual Fee

Every trading member shall pay an annual fee for each calendar year in which it is a trading member. The annual fee payable shall be **in accordance with Practice Note 9**.

Every application for trading membership shall be accompanied by an advance, refundable payment of the annual membership fee for the first year. If an application is approved, the annual fee payable for the calendar year in which the membership is approved shall be prorated on a per diem basis by reference to the period commencing on the date on which the Exchange approves the application for trading membership and ending on the 31st December of

the calendar year in which that date falls. Any excess in the amount paid in advance by the applicant and the prorated amount actually payable for the first calendar year of trading membership shall be carried forward by the Exchange and applied as a credit against the amount of annual fee payable by that trading members in respect of the subsequent calendar year.

Every trading member shall, on or before the 31st day of January in every year following the year in which it became a trading member, pay to the Exchange in advance the annual fee in respect of that calendar year.

The Exchange shall notify the trading members of any increase in the annual fee not less than three months before the beginning of the year in respect of which it is payable.

3. Transaction Levy

Repealed and replaced by Practice Note 10 effective 3 January 2012.

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