



TRADING  
MEMBERSHIP  
REGULATIONS  
MADE UNDER SECTION 11  
OF THE BERMUDA STOCK  
EXCHANGE COMPANY ACT 1992  
(AS AMENDED BY THE BERMUDA STOCK EXCHANGE  
AMENDMENT ACTS 1996, 1997 AND BY SPECIAL  
RESOLUTION IN 1998)

## 1. CITATION

- (1) These Regulations shall be known as The Bermuda Stock Exchange Trading Membership Regulations.

## 2. INTERPRETATION

- (1) In these Regulations (including the Appendices), unless the context otherwise requires:-

“the Act” means the Bermuda Stock Exchange Company Act 1992;

“applicant” means an applicant for trading membership or, in the case of a person who is already a trading member, an applicant for approval to act in a Trading Capacity and “application” shall be construed accordingly;

“bank guarantee” A guarantee or letter of credit in favour of the Exchange, in the form specified in Part I or Part II of Appendix B of the Bermuda Securities Depository Regulations, from a licensed bank or deposit taking company acceptable to the BSD, or such other guarantee in favour of the Exchange as the BSD may accept from time to time.

“the BMA” means the Bermuda Monetary Authority

“the BSD” means the department of the Exchange that operates the Bermuda Securities Depository service

“BSD account holder” means The person in whose name the relevant BSD account is held

“the BSD Nominee” means the nominee used by the BSD for the sole purpose of being the legal owner of securities held in the BSD

“Business Plan”, in relation to an applicant or a trading member, means the business plan of that applicant or trading member submitted as part of its application;

“the bye-laws” means the bye-laws for the time being of the Exchange;

“the Clearing Bank” means the bank appointed as such from time to time by the BSD

“codes” means those codes from time to time promulgated or adopted by the Exchange prescribing the conduct of trading members or establishing criteria by reference to which such conduct shall be governed and assessed, including the code set out in Appendix B hereto and “code” means any one of the codes;

“company” means a company incorporated in Bermuda;

“Compensation Fund” means a compensation fund established by the Exchange, providing for compensation to any client or former client of a trading member who has suffered loss as a result of any material breach by that trading member of these Regulations or other misconduct and where that trading member is or is likely to be unable otherwise to make good such loss;

“the Council” means the Council for the time being of the Exchange;

“Eligible Security” means a security that is eligible for holding within the BSD as determined by the BSD from time to time

“the Exchange” means The Bermuda Stock Exchange;

“the Executive Management Committee” means the committee of the Council having that designation;

“insider dealing” means dealing in securities 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 securities by such other person if he or it knowingly obtained the unpublished price sensitive information. For the purposes of these Regulations, “unpublished price sensitive information” is any 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 but which, if known, would be likely to have a material effect on the price or other trading aspects of such securities and “insider” means:

- (a) the directors and management of any legal entity whose securities have been listed or approved for listing and any other individuals whose relationship with that entity means that they are in possession of or have access to confidential information on the activities of that entity;
- (b) any shareholder holding at least five percent (5%) of the issued voting share capital of any legal entity whose securities have been listed or approved for listing; and
- (c) the staff of any trading member who, due to their position, are in possession of or have access to such confidential information;

“listed”, in relation to a security, means listed and permitted to be dealt in on the Exchange and “listing” has a corresponding meaning;

“Mark to Market” means the adjustment of the value of collateral deposited by a borrower to be maintained by a Participant in respect of a securities borrowing.

“market manipulation” means:

- (a) any act or omission to act with respect to any security directly or indirectly, by any means or facility creating a false or misleading appearance with respect to the market for any such security, to effect any transaction in such security which involves no change in the beneficial ownership thereof, or to enter an order or orders for the purchase of such 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 any such security, has been or will be entered by or for the same or different parties, or to enter any order or orders for the sale of any such 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 such security, has been or will be entered by or for the same or different parties; or
- (b) to effect, alone or with other persons, a series of transactions in any security creating actual or apparent active trading in such security, or raising or depressing the price of such security, for the purpose of inducing the purchase or sale of such security by others;

“misconduct” has the meaning assigned to it in Regulation 6 (2);

“month” means calendar month;

“Net Capital” and “Minimum Net Capital” have the meanings assigned to them respectively in Regulation 5;

“NIN” means Investor Number

“notice” means notice in writing and cognate expressions shall be construed accordingly;

“Participant” means an organisation granted access to the BSD and/or the BSD system which such organisation shall be deemed a member of the BSX with the rights and obligations as prescribed in The Bermuda Securities Depository Regulations.

“person” includes any company or association or body of persons, whether corporate or unincorporate;

“Prescribed Securities” means:

- (a) any security issued by a local company; and
- (b) any security from time to time prescribed by the Exchange, either generally or in a particular case;

“regulations” means the regulations made under section 11 of the Act;

“Secretary” means the secretary for the time being of the Exchange and includes an assistant or acting secretary;

“senior executive” means, in relation to a trading member, a person who is to perform functions of any of the following offices in the trading member, namely:

- (a) a director;
- (b) the chief executive officer;
- (c) the chief financial officer;
- (d) the company secretary,

by whatever named called;

“Settlement Cap” means the amount of the bank guarantee provided to the Exchange by a Participant plus any cash lodged with the Clearing Bank for the Exchange, less any amount set by the BSD.

“Sub-Committee” means a sub-committee of the Executive Management Committee to which the latter shall have delegated some part of its powers and functions under these Regulations and “designated Sub-Committee” means the Sub-Committee having responsibility in the particular case;

“these Regulations” means these Regulations (including the Appendices) as from time to time amended pursuant to sections 11 and 12 of the Act;

“Trading Capacity” means one of the trading capacities listed in Regulation 5 (2) and defined in Regulation 5 (3);

“trading member” means a person admitted to trading membership in the Exchange pursuant to these Regulations and “trading members” means the aggregate of trading members for the time being;

“trading membership” means membership of the Exchange pursuant to these Regulations;

“Transaction Levy” has the meaning assigned to it in Regulation 11;

“User Guide” means The Registrar’s Guide or the Participant’s Guide as amended by the Exchange from time to time.

unless otherwise expressly indicated, expressions defined in the Companies Act 1981 have the same meanings when used in these Regulations;

reference to writing shall include typewriting, printing, lithography, photography and other modes of representing or reproducing words in a legible and non-transitory form;

words importing only the singular include the plural and vice versa;

words importing only the masculine gender include the feminine and neuter genders.

(2) The headings shall not affect the interpretation of these Regulations, including the Appendices.

### 3. ELIGIBILITY AND APPLICATIONS FOR TRADING MEMBERSHIP

- (1) Only a company having the prescribed Minimum Net Capital may apply to be admitted as a trading member.
- (2) Applications shall be in the form set out in Appendix A hereto or in such other form as the Exchange may from time to time approve, either generally or in the particular case. At any time after receiving an application and before determining it the Exchange may in writing require the applicant to provide additional information or documents.
- (3) Each applicant shall, at the time of making application, pay to the Exchange such fee or fees as may from time to time be prescribed by the Exchange. The applicant may withdraw its application at any time prior to the determination of the application by the Exchange, but shall not be entitled to a refund of the said fee or fees.
- (4)
  - (a) The Exchange may, at its discretion, approve or disapprove applications.
  - (b) The Exchange shall not approve any applicant as a trading member unless it is satisfied that such applicant:
    - (i) is a company having the applicable Minimum Net Capital;
    - (ii) has appointed an independent auditor to audit its books of account on an annual basis; and
    - (iii) appears to it to be a fit and proper person to become a trading member.
  - (c) The Exchange may grant trading membership subject to such conditions or restrictions as it thinks fit and the Exchange may, at any time by written notice to a trading member, vary any condition or restriction, or impose further conditions or restrictions.
- (5) In considering whether the applicant appears to it to be a fit and proper person to become a trading member, the Exchange shall have regard to the following considerations: -
  - (a) whether the applicant has adequate insurance, having regard to the business and Trading Capacities disclosed in its Business Plan and its other activities;
  - (b) whether the applicant's senior executives and other staff have adequate knowledge, skill and experience of and in the securities industry;
  - (c) whether the applicant is of good reputation and character;
  - (d) whether the applicant has the ability to perform the duties expected of a trading member efficiently, honestly and fairly; and
  - (e) whether the applicant intends to be engaged in trading listed securities on a full-time basis.
- (6) In the event that the Exchange approves an application, the Exchange shall, as soon as practicable thereafter and in any event not later than 30 days following the date on which the application is approved, notify the applicant of the fact and of the date on which the admission to trading membership shall become effective (being a date not more than two months after the date of notification).

- (7) In the event that the Exchange disapproves an application, the Exchange shall, as soon as practicable thereafter and in any event not later than 30 days following the date on which the application is disapproved, notify the applicant of the fact, stating the reason or reasons for the Exchange's decision.
- (8) In making application for trading membership, the applicant shall be deemed to have agreed that if its application is approved it will thereupon become and be a trading member in accordance with these Regulations.

#### **4. MEMBERSHIP OBLIGATIONS**

- (1) A trading member shall at all times comply with the bye-laws, regulations and codes and all decisions, orders, directions and other things made or done by or on behalf of the Exchange pursuant thereto and shall generally conduct itself so as to satisfy the criteria relevant to the question of whether it is a fit and proper person, as set forth in Regulation 3 (5).
- (2) Without prejudice to the generality of Regulation 4(1), each trading member shall at all times maintain the applicable Minimum Net Capital.
- (3) Every trading member shall, as soon as practicable and in any event within four months after the last day of its financial year, deliver to the Exchange a copy of its audited financial statements in respect of such year, together with such information with respect to its business affairs and activities as the Exchange may from time to time require and in such form as the Exchange may from time to time prescribe.
- (4) Every trading member shall forthwith notify the Exchange of:
  - (a) any failure by it to maintain the applicable Minimum Net Capital;
  - (b) any substantial change in its ownership or control, whether direct or indirect, and, for this purpose, ownership or control of less than 10% of the capital of the trading member shall not be deemed substantial;
  - (c) any event or circumstance which may adversely affect or impair its ability to conform to, or meet the objectives stated in, its Business Plan;
  - (d) the appointment, resignation, removal or retirement of any of its senior executives and, in relation to any new appointee, there shall be submitted to the Exchange such information and documents as shall be required in connection with an application;
  - (e) any change in its insurer or auditor;
  - (f) any business other than that of dealing in securities in which it intends to be engaged; and
  - (g) any breach by it of any bye-law, regulation or code or of any suspicion that another trading member has committed such a breach.
- (5)
  - (a) 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 such annual membership fee or fees as may from time to time be prescribed by the Exchange.
  - (b) Every trading member shall, within one month after the date of notification of approval given pursuant to Regulation 3(6) and in every year following the year in which it became a trading member, make such contributions to the Compensation Fund as may from time to time be prescribed by the Exchange.

#### **5. MINIMUM NET CAPITAL**

- (1) For the purposes of these Regulations, the applicable Minimum Net Capital is prescribed by reference

to the Trading Capacity or Capacities in which an applicant or, as the case may be, a trading member proposes in its Business Plan to act.

- (2) Subject to paragraph (5) hereof, the Trading Capacities and the Minimum Net Capital applicable thereto respectively are as follows -

<b>Trading Capacity</b>	<b>Minimum Net Capital (BD\$)</b>
Broker	25,000
Broker/dealer	100,000
Market-maker	100,000

- (3) For the purpose of paragraph (2) of this Regulation, the following expressions have the following meanings:

“Broker” means any trading member engaged in the business of effecting transactions in securities for the account of others.

“Broker/dealer” means any trading member regularly engaged in the business of buying and selling securities for his own account and for the account of others.

“Market-maker” means any trading member who undertakes to the Exchange to be willing to buy and sell one or more specified securities for its own account on a continuous basis (by making regular bid and offer quotations in the manner, and subject to any market-making regulations, from time to time prescribed by the Exchange).

- (4) For the purposes of these Regulations, the Net Capital of a company is the amount obtained by subtracting from the value of the assets beneficially owned by that company the value of the liabilities of that company, exclusive of its share capital and surplus. In this context, “surplus” means retained earnings, contributed surplus and share premium.
- (5) The Exchange may from time to time vary the Minimum Net Capital applicable to any of the Trading Capacities and shall promptly give notice of the variation to all trading members affected thereby. Any trading member so affected shall, within three months after the date of notification, confirm in writing to the Exchange that it complies with the varied Minimum Net Capital requirement. The failure so to confirm shall be deemed prima facie evidence of non-compliance.
- (6) Each trading member shall, within three months after the completion of each successive period of six months following its admission to trading membership, send to the Exchange such information with respect to its Net Capital as at the end of such period and in such form as the Exchange may from time to time prescribe.

## 6. DISCIPLINING OF MEMBERS

- (1) The Exchange has the authority to investigate and review any alleged breach of these Regulations or other misconduct on the part of a trading member and to impose such penalty with respect to any such breach or misconduct as is proved to its satisfaction as it deems appropriate in the circumstances including, but not limited to: -
- (a) expulsion from trading membership;
  - (b) suspension from trading membership for a period not exceeding three months;
  - (c) payment of a fine not exceeding BD\$10,000.00;
  - (d) reprimand.

- (2) For the purposes of this Regulation 6, “misconduct”, in relation to a trading member, means any one or more of the following:
- (a) a breach of any agreement or undertaking entered into with the Exchange;
  - (b) a breach of any provision of the bye-laws, regulations or codes;
  - (c) the making of any material misstatement, or the provision of false or inaccurate information, to the Exchange;
  - (d) a failure to provide information requested by the Exchange, either within the stipulated period or at all;
  - (e) any fraudulent, dishonest or unethical conduct or behaviour;
  - (f) market manipulation;
  - (g) insider dealing;
  - (h) a failure to comply with a decision, order or direction made or given by or on behalf of the Exchange;
  - (i) a failure to pay, within one month of the due date, any fee, Transaction Levy or surcharge thereon, charge or fine payable to the Exchange;
  - (j) a failure on the part of the senior executives to take reasonable precautions to prevent any potential or actual breach of the bye-laws, regulations or codes or to ensure that powers of supervision delegated to others are properly exercised;
  - (k) conduct detrimental to the interests of the Exchange;
  - (l) conduct tending to demonstrate that the trading member is not a fit and proper person to be and remain a trading member.
- (3) An allegation by any person (including a member of the Council) that a trading member has or may have committed a breach of these Regulations or is or may be guilty of other misconduct shall be communicated to the Exchange in writing and signed by or on behalf of that person, accompanied by such supporting information and documents as are reasonably available to the person making the allegation.
- (4) If, following an investigation or review, the Exchange shall find that a prima facie case of a breach of these Regulations or other misconduct has been established, the Exchange shall as soon as practicable thereafter notify the trading member of the allegation and of the Exchange’s finding, affording to the trading member an opportunity (by means of written representation to, and/or appearance before, the Executive Management Committee or, as the case may be, the designated Sub-Committee) to answer the allegation or give an explanation with respect thereto. The decision of the Executive Management Committee or, as the case may be, the designated Sub-Committee (as to whether or not the allegation has been proved to its satisfaction and, if so proved, the nature and extent of the penalty consequent thereon) shall as soon as practicable following its making be communicated in writing to the trading member by the Exchange.
- (5) Where a breach of these Regulations or other misconduct on the part of a trading member is capable of remedy or cure by way of further action of that trading member, the Exchange may, instead of imposing a penalty under Regulation 6 (1), give an opportunity to that trading member to remedy or cure the breach or misconduct within the period of time specified by the Exchange. A failure by the trading member to effect a remedy or cure to the satisfaction of the Exchange within such period shall be deemed “misconduct” of that trading member within the meaning of paragraph (h) of Regulation 6 (2).
- (6) A trading member shall not be entitled to any of the privileges of trading membership during any period of suspension but, notwithstanding such suspension, shall remain obligated to comply with the provisions of these Regulations.



- (7) The Exchange may, in its discretion, by written circular or otherwise, make known to the other trading members or to the members of the public generally any decision made by it pursuant to Regulation 6 (3).

## 7. TERMINATION OF TRADING MEMBERSHIP

- (1) The trading membership of a company shall be terminated automatically forthwith upon the happening of any of the following events:
  - (a) the expiration of three months following the receipt by the Exchange of notice of that company's resignation as a trading member;
  - (b) the passing of a resolution or the making of an order for the winding-up of that company, whether as a result of insolvency or otherwise, not being a voluntary winding-up for the purpose of a reconstruction;
  - (c) the expulsion from trading membership of that company pursuant to Regulation 6 (1).
- (2) Termination of trading membership shall not in any way operate to relieve or release the company from the observance or discharge of its obligations to another or others under these Regulations arising and subsisting prior to such termination.

## 8. MISCELLANEOUS

- (1) Without prejudice to any antecedent obligation or liability, the membership of a trading member shall automatically terminate if it shall not have commenced trading on the Exchange within twelve months after the date of its admission to membership in the Exchange.
- (2) A trading member shall conduct its trading activities as such utilising such system or mechanism as shall from time to time be prescribed by the Exchange and in accordance with the trading and settlement regulations prescribed by the Exchange from time to time.
- (3) A trading member may not, otherwise than through the facilities of the Exchange, trade in any Prescribed Securities which are listed or approved for listing, but this prohibition shall not extend to shares of a mutual fund or to units of a unit trust scheme.
- (4) A trading member may not act in any Trading Capacity which is not disclosed in its Business Plan without the prior written approval of the Exchange. In particular, a Broker may not buy and sell securities for its own account. The procedure with respect to an application for such approval, the fees payable in respect of such an application and the determination of that application shall, so far as practicable, be the same as those for the time being governing applications for trading membership, unless otherwise specified by the Exchange.
- (5) A trading member shall not accept any property from a client or prospective client for the purpose of its trading activities on the Exchange unless it has reasonable grounds for believing that such property has been lawfully acquired by such client and has not been connected with or derived from any criminal or unlawful activity, transaction or source.
- (6) Every trading member, in maintaining its records of account and otherwise, shall keep segregated the transactions and property of its clients from those of itself and shall hold all client moneys in separate accounts.
- (7) Except where such an interest shall be granted by the Exchange in the particular case, no trading member shall, other than as a creditor, have any interest in the property of the Exchange, whether in liquidation or otherwise.

- (8) The Exchange may, in its discretion, at any time by notice to that effect given to the trading members, require trading members to charge fixed or minimum or maximum rates of commission in connection with transactions effected through the facilities of the Exchange and may from time to time by notice to the trading members vary such rates.
- (9) The Exchange may supply information about a trading member to the BMA and any such passing of information shall not be treated as a publication for the purposes of the law of defamation and the Exchange shall not incur any liability as a consequence of supplying such information. Except as otherwise expressly contemplated by or provided in these Regulations, information supplied by or in relation to a trading member pursuant to these Regulations to the Exchange or any person acting in the performance of his duties on behalf of the Exchange shall be kept confidential.
- (10) A trading member may not transfer, assign, mortgage, pledge or otherwise pass on its trading membership or any rights attached thereto to any other person.

## 9. DELEGATION OF POWERS

- (1) The Executive Management Committee has the power and authority, by reason of delegation to it in that behalf by the Council pursuant to the bye-laws, to do any or all of the following things: -
  - (a) to make regulations;
  - (b) to approve or disapprove applications;
  - (c) to investigate and review any alleged breach of these Regulations or other misconduct;
  - (d) to impose penalties on trading members under Regulation 6 (1);
  - (e) to prescribe or specify matters requiring to be prescribed or specified under these Regulations;
  - (f) to do any other thing from time to time delegated to it by the Council pursuant to the bye-laws; and
  - (g) to sub-delegate any of the foregoing powers and functions, other than the power to make regulations, to such Sub-Committee as it may designate for the purpose.
- (2) Where the Executive Management Committee exercises the power to investigate and review any alleged breach of these Regulations or other misconduct and to impose penalties on trading members under Regulation 6(1), the rights of the relevant trading member to make representations or to appear under Regulation 6(4) shall be to make representations to or to appear before the Executive management Committee. Where the Executive Management Committee has sub-delegated such power to a Sub-Committee, the rights of the relevant trading member to make representations or to appear under Regulation 6(4) shall be to make representations to or appear before that Sub-Committee.

## 10. APPEALS

- (1) A decision of the Executive Management Committee or of a designated Sub-Committee to:
  - (a) reject an application for trading membership; or
  - (b) impose a penalty on a trading member under Regulation 6(1)
    - may be appealed to the Council. The decision of the Council on such matters shall be final and binding on all parties and the Council shall not be required to disclose the reason for its decision.
- (2) In every case, an appellant must give notice of its appeal to the Exchange within one month of the date of notification of the Exchange's decision (being that of the Executive Management Committee or, as the case may be, the designated Sub-Committee) and such notice shall address and respond to the reason or reasons given by the Exchange for the decision. In making its determination, the Council

may confirm or reverse the decision or, in the case of a rejection of an application for trading membership, may approve the application subject to the applicant complying with such conditions as the Council may see fit to impose. As part of any appeal, the appellant shall be given an opportunity (by means of written representation to, or appearance before, the Council, or both) to set out and enlarge upon the grounds of its appeal.

## 11. TRANSACTION LEVY

- (1) Every trading member shall pay a Transaction Levy to the Exchange on every purchase or sale of Prescribed Securities listed or approved to be listed on the Exchange which is carried out by that trading member whether as principal or agent and whether the transaction is arranged or concluded in Bermuda or elsewhere.
- (2) The rate of the Transaction Levy shall be as prescribed from time to time by the Exchange.
- (3) Within 7 days from the beginning of each month, every trading member shall submit to the Exchange a complete and signed return of the Transaction Levy payable in respect of transactions carried out during the previous month in such form as may be prescribed by the Exchange from time to time. Without prejudice to the foregoing, the Exchange shall have power to require trading members to make such returns at such other time(s) and in respect of such other period(s) as the Exchange may require.
- (4) Within 15 days from the beginning of each month, every trading member shall remit the total Transaction Levy as stated in its return made under Regulation 11(3) to the Exchange in such manner as the Exchange may from time to time prescribe. Without prejudice to the foregoing, payment of all Transaction Levy due from a trading member relating to transactions of any period prior to the date of payment shall be effected forthwith upon demand by the Exchange.
- (5) If any trading member fails to remit the Transaction Levy to the Exchange within the period specified in Regulation 11(4), a surcharge of 10% on the total amount of Transaction Levy payable may be imposed by the Exchange. If the Transaction Levy and the surcharge remain unpaid at the end of the month in which the Transaction Levy is due, the trading member shall be liable to be suspended from trading membership or such other disciplinary action under Regulation 6 as the Exchange may think fit. Notwithstanding any such action which the Exchange may take against the trading member in default, the Exchange may also take legal action to recover the outstanding amount of Transaction Levy and surcharge, and all expenses incurred or to be incurred by the Exchange in taking recovery action against a trading member shall be borne by the trading member.
- (6) Where the total amount of Transaction Levy payable, as disclosed in the return of a trading member submitted under Regulation 11(3), is different from that computed by the Exchange on the basis of transactions recorded by the Exchange, the trading member shall take immediate action to verify its records to ascertain the correct amount which is payable. The trading member shall, however, remit the lesser of the two sums to the Exchange under Regulation 11(4). Upon the correct amount being ascertained, the amount owing, if any, shall be paid to the Exchange immediately. In the case of dispute, the amount computed by the Exchange shall, in the absence of manifest error, be final and binding.
- (7) If a trading member suspends or ceases its business of dealing in securities, it shall immediately notify the Exchange of the fact in writing. It shall submit a return up to and including the date of suspension or cessation within 7 days after such date and shall effect payment of Transaction Levy within 15 days after such date and Regulations 11(2) to (6) shall, mutatis mutandis, apply.
- (8) The Exchange shall have absolute discretion to apply the Transaction Levy so collected towards the costs of running the Exchange or in making contributions to the Compensation Fund or in both modes.

## APPENDIX A

### THE BERMUDA STOCK EXCHANGE

### APPLICATION FOR TRADING MEMBERSHIP

#### Notes on Application Form:

The application form is intended to be self-explanatory, but any questions should be directed to The Exchange. The form has been designed with a view to eliciting all relevant facts necessary to enable The Exchange to determine whether or not the applicant is a fit and proper person to become a Trading Member.

The application must be completed in its entirety and a failure to do so may result in delay or even rejection. Where a question or requirement does not apply, please so indicate by either "Not applicable" or "N/A".

Completed applications should be returned to The Exchange and written notification of the results of the application will be forwarded to candidates once a decision has been made by The Exchange. The Exchange may, in its discretion, require an interview with at least two senior executives of the applicant. In any event, the Exchange may require the applicant to provide additional information or documents (Regulation 3 (2)).

Misleading or attempting to mislead the Exchange by supplying incomplete, false or inaccurate information on any material fact or circumstance will lead to immediate rejection of the application.

Any questions in connection with the form of application should be addressed to the Chief Executive Officer in writing.

You may withdraw your application at any time prior to its determination by the Exchange. However, fee or fees payable at the time of making application will not be refunded (Regulation 3 (3)).

In making application for trading membership, you will be deemed to have agreed that, if your application is approved, you will thereupon become and be a trading member in accordance with the Regulations (Regulation 3 (3)).

## APPLICATION FOR TRADING MEMBERSHIP OF THE BERMUDA STOCK EXCHANGE (THE "EXCHANGE")

[Date]

The Chief Executive Officer  
The Bermuda Stock Exchange  
3/F Washington Mall  
Church Street  
Hamilton  
Bermuda HM FX

Dear Sir,

We hereby apply for Trading Membership of the Exchange and to act in the following trading capacity(ies):

Broker  
Broker/dealer  
Market-maker

(Delete as appropriate)

In support of this application, we enclose the following documents:

- (a) a bank draft in favour of the Exchange in the amount of BD\$[ ], being the non-refundable application fee;
- (b) a Business Plan (see Exhibit 1);
- (c) a copy of our latest Annual Report/audited financial statements;
- (d) a statement, certified by our auditors, of our Net Capital as at [ ];
- (e) financial references supplied by [ ] and [ ], both being accredited banks which have known us for at least three years;
- (f) certified copies of the following or equivalent constitutional documents: -  
Memorandum of Association  
Bye-laws/Articles of Association  
Certificate of Incorporation  
Certificate of Compliance or Good Standing;
- (g) certified copies of relevant professional qualifications;
- (h) evidence of memberships in relevant professional associations;
- (i) General Background Questionnaire (see Exhibit 2);



## **EXHIBIT 1**

### **BUSINESS PLAN**

The applicant should provide a comprehensive statement setting out:

- \* the nature and scale of the business to be carried on;
- \* the Trading Capacity or Capacities in which the applicant proposes to act;
- \* the arrangements proposed for the operation of such business.

The statement should cover the first five years of operations and describe, as a minimum, the following:

- \* aims and objectives for each of the five years;
- \* sources and nature of expected business; (Please break down by type of business and by reference to proposed Trading Capacities and specify the class of client to be serviced e.g. institutional, retail or private client.)
- \* systems and procedures proposed for the proper financial accounting, management and administration of the affairs of the applicant and those of its clients;
- \* internal controls, including security arrangements;
- \* separation or segregation of assets of clients from those of the applicant;
- \* capital structure and financing arrangements;
- \* insurance arrangements;
- \* intentions to delegate any responsibilities to third parties;
- \* requirements for premises and personnel.

## **EXHIBIT 2**

### **GENERAL BACKGROUND QUESTIONNAIRE**

1. Name of Applicant.
2. Has the Applicant ever carried on business under another name? If so, please supply details.
3. Is the Applicant a member of any other recognised stock exchange? If so, please give details (including the duration of membership).
4. Has the Applicant ever been refused membership of any stock exchange for which it has applied? If so, please supply details.

5. Has the Applicant's membership of any stock exchange ever been terminated by or pursuant to action of that exchange? If so, please supply details.
6. Has the Applicant ever applied for and been refused a licence or an equivalent authorisation to act in a Trading Capacity in another jurisdiction? If so, please supply details.
7. Does the Applicant subscribe (or plan to subscribe) to a quotation, pricing and/or information system such as Reuters or Bloomberg? If yes, please give details.
8. Name, address, telephone and facsimile numbers of contact person in relation to this application.

Note: Parts I to IV attached hereto form an integral part of this Questionnaire.

**PART I: DETAILS OF APPLICANT**

1. Address of registered office or (in the case of a firm) principal business office.
2. Does the Applicant intend to engage the services of an agent or agents in relation to the performance of its functions as a trading member?

Yes: \_\_\_\_\_ No: \_\_\_\_\_

If yes, please supply, on a separate sheet of paper, name(s) and address(es) of such agent(s) and details of relevant functions.

3. If a company, please supply the following details of share capital:
  - (a) Currency of share capital:
  - (b) Amount of authorised share capital:
  - (c) Amount of issued and paid-up share capital:
  - (d) Par value (if any) of shares:
4. If a firm, please supply details of partnership capital:
5. Name, address and telephone number of auditor:
6. Name(s), address(es) and telephone number(s) of bankers:

**PART II: OWNERSHIP DETAILS**

1. Please provide a diagram, on a separate sheet of paper, illustrating ownership details.
2. In respect of the Applicant:
  - (1) The direct beneficial owner(s) is(are) as follows:
    - a) If an individual, state:



- \* Name:
- \* Address:
- \* Occupation:
- \* Nationality, and state if Bermudian:
- \* No. and type of Shares:
- \* % of Voting Rights:

b) If a company, state:

(i)

- \* Name:
- \* Address:
- \* Place of Incorporation:
- \* Quoted or Unquoted:
- \* No. and type of Shares:
- \* % of Voting Rights:

(ii) Its principal business:

c) If a partnership, state:

- (i) Name of partnership:
- (ii) Number and % of shares held:
- (iii) Date and place of creation of partnership:
- (iv) Purpose of partnership:
- (v) Names of Partners:
  - Address:
  - Occupation:
  - Nationality, and state if Bermudian:
  - % Interest in Partnership:

d) If a trust or settlement, state:

- (i) Name of trust or settlement:
- (ii) Number and % of shares held:
- (iii) Date established:
- (iv) Name and address of settlor/grantor:
- (v) Name(s) of Trustee(s)                      Address:
- (vi) Name(s) of Beneficiary(ies)              Address:

- (2) Where a direct beneficial owner is an unquoted company and there are one or more intermediate companies in the chain of ownership, please state, for each such company, the following:
- (i)
    - \* Name:
    - \* Address:
    - \* Place of incorporation:
    - \* Quoted or Unquoted:
    - \* No. and type of shares:
    - \* % of Voting Rights:
  - (ii) Its principal business:
- (3) The direct beneficial owner(s) not being also the ultimate beneficial owner(s), the ultimate beneficial owner(s) is(are) as follows:
- a) If an individual, state:
    - \* Name:
    - \* Address:
    - \* Occupation:
    - \* Nationality, and state if Bermudian:
    - \* No. and type of shares held:
    - \* % of Voting Rights:
  - b) If a company (being a quoted company), state:
    - (i)
      - \* Name:
      - \* Address:
      - \* Place of Incorporation:
      - \* No. and type of shares:
      - \* % of Voting Rights:
    - (ii) Its principal business:
  - c) If a partnership, state:
    - (i) Name of partnership:
    - (ii) Number of shares and % held:
    - (iii) Date and place of creation of partnership:
    - (iv) Purpose of partnership:

- (v) Names of Partners:
  - Address:
  - Occupation:
  - Nationality, and state if Bermudian:
  - % Interest in Partnership:
  
- d) If a trust or settlement, state:
  - (i) Name of trust or settlement:
  - (ii) Number of shares and % held:
  - (iii) Date established:
  - (iv) Name and address of settlor/grantor:
  - (v) Name(s) of Trustee(s)                      Address
  - (vi) Name(s) of Beneficiary(ies)              Address
  
- 3. Except in the case of a beneficial owner which is a public company, have any of the beneficial owners of the Applicant, whether direct, intermediate or ultimate, ever been associated with a company where that company has been the subject of insolvency proceedings, placed in receivership, warned as to future conduct, publicly criticised or the subject of a court order or has been, is or expects to be involved in litigation? If so, provide details.
  
- 4. Has any formal investigation ever been carried out into the affairs of the senior executives of the Applicant or of any of the beneficial owners of the Applicant, whether direct, intermediate or ultimate, or into the affairs of any company with which they or any of them have been associated? If so, provide details.

### **PART III: OPERATIONS OF APPLICANT**

[If any of the following requested information has already been supplied in the section entitled "Business Plan", please so indicate.]

- 1. Name(s) and address(es) of bank(s) to be used by the Applicant as a trading member:
  
- 2. What arrangements are proposed with respect to the clearance of security transactions? In your answer, please provide name(s) and address(es) of clearing agent(s) to be used.
  
- 3. Name(s) and address(es) of principal custodian(s) to be used by the Applicant as a trading member:
  - (a) cash:
  
  - (b) securities:
  
  - (c) other:
  
- 4. (a) Name(s) and address(es) of the person(s)/institution(s) to be used as providers of investment advisory services to the Applicant as a trading member:
  - (b) Please provide bank references and financial statements with respect to each of those identified in (a) above, together with information evidencing their relevant experience and expertise.

**PART IV: PRODUCT MIX**

Please indicate, with an "X", those of the following product lines and Trading Capacities in which you presently deal or engage:

Equities:

Listed	_____
OTC	_____
Foreign	_____

Debt Securities:

Corporate	_____
Municipals	_____
Government	_____
GNMA	_____
FNMA	_____

Options:

Listed	_____
OTC	_____
Index	_____
Future	_____

Commodities:

Repo's/Reverse Repo's	_____
Interest Rate or Foreign Currency swap	_____
CDS	_____
I.R.A.	_____
Commercial Paper	_____
Mutual Funds	_____
Stock/Loan Borrow	_____
Money Market Funds	_____
Arbitrage	_____

Trading Capacity:

Broker	_____
Broker/dealer	_____
Market-maker	_____

## EXHIBIT 3

### FORM OF LETTER OF RECOMMENDATION

- Note: (i) An Applicant must be recommended by two sponsors (being individuals) of reputable standing within Bermuda's business community.
- (ii) Except where the Applicant has previously been a trading member, every application must be accompanied by letters of recommendation.

[Date]

The Chief Executive Officer  
The Bermuda Stock Exchange  
5/F Washington Mall  
Church Street  
Hamilton  
Bermuda HM FX

Dear Sir,

I have known [the Applicant] for [ ] years. I have reviewed his/its/their application for trading membership and, to the best of my knowledge and belief, the representations and information contained therein are correct and complete. I recommend the Applicant as a "fit and proper person" to become a trading member.

Yours faithfully,

[Signature of Sponsor]  
Name of Sponsor (in print)

## EXHIBIT 4

### FORM OF QUESTIONNAIRE: SENIOR EXECUTIVES

Note: This form must be completed by each of the Senior Executives of the Applicant, ie:

- (a) the directors;
  - (b) the chief executive officer;
  - (c) the chief financial officer;
  - (d) the company secretary;
- by whatever name called.

1. Surname:
2. Forename(s):
3. Any previous name(s):
4. Date of birth:  
Place of birth:
5. Country of citizenship:
6. Residential address:
7. Position with Applicant:
8. Description of principal duties of position:
9. Please provide financial references from accredited bank(s) where you have maintained an account for at least three years.
10. Please provide details of your educational and professional qualifications and the years in which they were obtained.
11. Please provide a resume of your related work experience.
12. Please answer "Yes" or "No" to the following questions, providing full details (on a separate sheet) where the answer is "Yes":
  - (a) Is it intended that any of the organisations with which you are or have been associated will have any dealings with the Applicant or any of its beneficial owners?
  - (b) Have you ever applied for, and been denied, a licence or other authorisation to carry on the business of providing a financial service to the public or had such a licence suspended, withdrawn or revoked?
  - (c) Have you, or has any organisation with which you are or have been associated:
    - (i) ever been censured, penalised, disciplined, warned as to future conduct, publicly criticised or been the subject of a court order or official investigation?
    - (ii) ever failed to satisfy your/its debts?
    - (iii) ever been the subject of bankruptcy/insolvency proceedings?

- (iv) ever been convicted of an offence involving embezzlement, fraud, theft or other dishonesty or a violation of any corporate securities statute or regulation?
- (d) Have you ever been dismissed for misconduct, or barred, from any position of employment or from any professional or other occupation?
- (e) Has any court or regulatory agency ever enjoined you, or made a finding that you were guilty of a violation of any statute or regulation, in connection with any investment-related activity?
- (f) Has any regulatory agency ever made a finding that you had made a false statement or failed to disclose material information or that you had been dishonest, unfair or unethical?
- (g) Are you presently the subject of any complaint, investigation or proceeding with respect to any of the matters referred to above?
- (h) Are there any unsatisfied judgments or liens against you?

I HEREBY CERTIFY that the information contained in the Application made by [        ], incorporating the information disclosed in this Questionnaire, is true and complete to the best of my knowledge and belief.

Date: \_\_\_\_\_ Signature

Name (Please print)