



**SETTLEMENT  
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)**

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# SETTLEMENT REGULATIONS FOR TRADES MADE IN NON-ELIGIBLE SECURITIES ON THE BERMUDA STOCK EXCHANGE

## 1 CITATION

- 1.1 These Regulations shall be known as The Bermuda Stock Exchange Trading Regulations.

## 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 these Regulations.

## 3 GENERAL PRINCIPLES

- 3.1 All trades in non-eligible Securities executed on the Exchange must be settled in accordance with these regulations.
- 3.2 Every trading member must, for cash settlement purposes, maintain a cash settlement account with one of the Exchange's approved settlement organisations.
- 3.3 Every selling trading member must deliver full and good documentation on T + 1.
- 3.4 Every buying trading member must make irrevocable payment against delivery of good documentation on T + 3. This means that trading members must ensure that they either receive good funds from a buying client before they execute the trade or have sufficient funds/facilities with their settlement organisation to cover all buy trades made.

## 4 CLEARING PROCEDURES

- 4.1 The Exchange's Bermuda Electronic Securities Trading (BEST) System must be used for recording trades as follows:

4.1.1 Trade Date

A trade is executed between dealing parties on the BEST System, in accordance with The Bermuda Stock Exchange Trading Regulations. At the end of the trading session a ticket summary report (TSR) must be printed out by both the selling and the buying trading members and the buying trading member must notify the selling trading member of any discrepancies.

Selling trading members must amend any incorrect details and the buying trading members shall then confirm any amended trades. A TSR must be printed out for any amendments made through the BEST System.

## 5 SETTLEMENT PROCEDURES

### 5.1 Trade Date + 1

5.1.1 Selling trading members must deposit certificates and signed sold transfer forms at the Exchange by 12:00 hours. These must be accompanied by a copy of the TSR and by a two-part Deposit List, in the form prescribed by the Exchange from time to time. The TSR will show the unique ticket number for each trade. The Deposit List must show the trading member's code and must show for each trade:

- unique ticket number;
- security code;
- trade quantity;
- transfer quantity;
- total certificate quantity or indication that previous balance is to be used;
- balance required (the balance certificate will normally be issued in the name of the seller unless the registrar is requested to hold the balance pending further certifications).

If a selling trading member has not deposited the documents by 12:00 hours the trade will not settle on T + 3.

5.1.2 Selling trading members are responsible for ensuring good delivery including responsibility for:

- passing good title to the securities to the transferee;
- ensuring that the securities are freely transferable and, if in registered form, capable of being registered or re-registered;
- ensuring that the quantity on the transfer form(s) is equal to the trade quantity or quantities;
- ensuring that the transfer form is duly executed by the registered holder and stamped by the trading member;
- ensuring that the certificate(s) is/are not damaged or defaced so as to make it a bad delivery;
- ensuring that the name on the certificate(s) and the name and signature of the transferor are the same; and
- ensuring delivery of all other necessary documents to pass good title to the securities.

5.1.3 In the event of a defective transfer whereby a transferee, due to no fault of his or its own, is:

0.0.0.1 unable to effect registration or re-registration of a transfer of the securities purported to have been transferred for any reason, including a defect in the documentation delivered by the selling trading member; or

0.0.0.2 following registration or re-registration of a transfer of the securities found not to have good title to such securities,

then the selling trading member shall take all steps necessary to correct the defective transfer within seven (7) days of receipt of notice of the defect. The selling trading member shall further be responsible for any and all costs and expenses associated therewith including any losses suffered by the transferee as a result of the selling trading member's failure to comply with its responsibilities under (Regulation 5.1.2 above. For the avoidance of doubt, selling trading member shall continue to have these responsibilities set out in Regulations 5.1.2, notwithstanding the fact that a transferee may

also be partially at fault.

5.1.4 Buying trading members must deposit signed bought transfers at the Exchange by 12:00 hours. These must have the unique trade number on them and be accompanied by a two-part Transfer list, in the form prescribed by the Exchange from time to time. The Transfer List must show the trading member's code and for each trade must show:

- unique trade number;
- trade quantity;
- individual bought transfer quantity.

## 5.2 Trade Date + 2

5.2.1 By 12:00 hours all trading members must lodge any documentation which has been returned to them by the Exchange for amendment or correction. Selling the trading members who have filed to deliver on T + 1 may deposit late certificates and sold transfers with the Exchange.

5.2.2 Buying trading members will be required to pay sellers on T + 3 for stock where the seller has fully lodged accepted documentation. Where the seller has made a partial delivery or has made no delivery at all the buyer will be required to provide the Exchange with a statement from their settlement organisation confirming that funds will be available to meet the delivery when it is made.

## 5.3 Trade Date +3

5.3.1 Settlement of net funds must take place on T + 3 between the trading members' settlement organisations. However, whenever an approved settlement organisation is unexpectedly closed due to an emergency or act of God (e.g. a hurricane), the cash payment obligations of the trading members associated with that organisation will be automatically postponed to the next a business day on which that organisation is again open for business.

5.3.2 If a selling trading member has not made good delivery and the trade does not settle on T + 3 then the selling trading member shall pay a penalty to the Exchange of BD\$50 per failed trade.

5.3.3 Payments due to or from each settlement organisation will be calculated as follows:

- the net amount due to or from each trading member will be netted to form a single pay or receive figure;
- the net figures due to or from each trading member within a single settlement organisation will be netted to give a single pay or receive figure for each settlement organisation;
- the net pay and receive figure for the settlement organisations will be linked so that each organisation either makes or receives a single SWIFT payment.

5.3.4 The buying trading members must ensure that by 11:45 hours their settlement organisation makes a SWIFT payment of the net amount to the designated receiving settlement organisation. All amounts owing in respect of BD\$ denominated securities must be paid in BD\$. Buying trading members who fail to make good payment on T + 3 will be immediately suspended unless there are extenuating circumstances acceptable to the Exchange. In such cases the buying trading member shall pay a penalty to the Exchange of BDF\$100 per day and cover the selling trading member's cost of funding the consideration until full payment has been made.

5.3.5 the selling trading members must ensure that by 16:00 hours their receiving settlement organisation has confirmed to the Exchange that payment of the net amount has been received and not cancelled. (If payment has not been received the Exchange will not send documents to the registrar for

registration or delivery them to the buying trading member).

5.3.6 Once payment has been confirmed to the satisfaction of the Exchange, the Exchange will match certificates and sold transfer with bought transfers and send them to the appropriate registrar with a Registration List or otherwise to the order of the buying trading member.

5.3.7 Selling trading members who have failed to deliver must deposit certificates and sold transfers with the Exchange by 14:00 hours in order to secure payment on T + 4

#### **5.4 Trade Date + 4**

5.4.1 Selling trading members who have failed to deliver may deposit certificates and sold transfers with the Exchange.

5.4.2 If, by the time, signed bought transfers have not been received, the buying trading member must submit bought transfers into the name of the buying trading member. This will enable all deposited certificates and sold transfers to be sent to the appropriate registrar.

5.4.3 If a selling trading member has not made good delivery by T + 3 and the trade does not settle on T + 4 then the selling trading member shall pay a penalty to the Exchange of BD\$50 per failed trade.

#### **5.5 Trade Date + 5**

The Exchange will action “buy ins” to settle any remaining failed trades as required. The selling trading member shall be responsible for any and all costs and expenses associated therewith including any price difference suffered by the transferee and, in addition, shall pay a penalty to the Exchange of BD\$100 per trade bought in. The selling trading member will receive funds on the day after deposit of good delivery documentation as a result of the buy in, in the normal way.

### **6 EX-DIVIDEND TRADES**

6.1 A buying trading member’s client who purchases shares prior to the ex-dividend date is entitled to receive the dividend. If the selling trading member delivers the shares after the record date, the buying trading member’s client will not receive the dividend cheque from the company’s registrar. The registrar will show the selling trading member’s client as the holder of record and issue the dividend cheque to the selling trading member’s client. The selling trading member must attach a “due bill” (addressed to the buying trading member) to the shares on delivery to the Exchange. The “due bill” serves as an “IOU.” The Exchange will deliver the due bill to the registrar (or to the order of the buying trading member) and the registrar will then either cancel the “due bill” (if the dividend has been paid to the buyer) or forward the “due bill” to the buying trading member along with the new share certificate(s). On the dividend payment date, the buying trading member must send the “due bill” to the selling trading member, and the selling trading member shall send a cheque to the buying trading member within five business days. It is then the selling trading member’s responsibility to collect from its client the dividend paid to which the client is not entitled. Delayed deliveries will be settled on a basis mutually agreeable to the affected trading members, who shall make their own private arrangements.

## 7 CERTIFICATION

- 7.1 When a large value certificate is lodged at the Exchange in respect of smaller size trades, with further sales to follow, it will be marked “hold for certification”. The Exchange will record the transferee’s name, the security and the certificate quantity. The certificate will be sent to the registrar with a request to defer the issue of a balance certificate. Registrars will be requested to confirm that the certificate is good delivery and confirm that no balance will be issued without authority from the Exchange. Subsequent sales are satisfied by the deposit of a signed transfer with the Exchange, which will identify the unissued balance certificate as the cover. The Exchange will accept the transfer form as good delivery for payment purposes and will reduce the outstanding balance in its records.
- 7.2 The selling trading member can ask for the issue of a certificate for any unused balance through the Exchange once the selling programme is complete. Alternatively the registrar may advise the Exchange and issue a balance certificate if the balance has not moved for a specified period of time (if so provided in the company’s bye-laws).

## 8. RESTRICTIONS ON FOREIGN OWNERSHIP

- 8.1 After the Exchange has been advised in writing by a local company that the percentage of non-Bermudian ownership has exceeded 30% and the Exchange has notified the market accordingly, trading members with buy orders from non-Bermudians must contact that company’s registrar and obtain pre-clearance for their purchase to ensure that registration of the trade would not result in a violation of the 60/40 ownership provisions of The Companies Act 1981.
- 8.2 After the Exchange has been advised in writing by a local company that additional non-Bermudian ownership would be in violation of the 60/40 ownership provisions of The Companies Act 1981 or its own bye-laws and has notified the market accordingly, buy orders from non-Bermudians may only be executed against sell orders from non-Bermudians. In such cases, buy orders from Bermudians may take priority over buy orders from non-Bermudians until another sell order from a non-Bermudian is available.

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**TRADING AND SETTLEMENT PROCEDURES PRACTICE NOTES**

<b>Practice Note No.</b>	<b>Title</b>	<b>Status</b>
1	New Trading Procedures and Extended Trading Hours	Deleted effective December, 1998
2	Settlement Procedures Update	In effect since 6 February 1996
3	Trading and Settlement Procedures for Secondary Listing	In effect since 13 February 1996
4	Pricing Fractions	Deleted effective December, 1998
5	Trading and Settlement Regulations for Crossings	In effect since 21 October 1996
6	Settlement Procedures Update	In effect since 1 May 2000

**PRACTICE NOTE 1**

**TRADING AND SETTLEMENT PROCEDURES**

**Deleted effective December, 1998**

## **PRACTICE NOTE 2**

### **SETTLEMENT PROCEDURES UPDATE**

#### **(As prescribed by the Exchange pursuant to the Procedures Governing Settlement of Trades in non-Eligible Securities on The Bermuda Stock Exchange)**

Trading Members are reminded that all documentation supporting trades in non-Eligible Securities executed through the facilities of the Exchange **must** be delivered into the Exchange no later than 12:00 on the third day business day after the trade is executed (T+3).

As from 12 February 1996, the Exchange will vigorously enforce this cut off time. Any transaction whose documentation has not been submitted by 12:00 on T+3 will fail to settle on T+5.

NOTE: Consideration monies with respect to failed trades **WILL NOT** be paid on T+5. Further, the failing entity will be liable for any costs incurred should the Exchange initiate a "buy-in" to cover the failed trade.

**Trading and Settlement Practice Note No. 2 issued by the  
Exchange on 1 November 2001.**

## **PRACTICE NOTE 3**

# **TRADING AND SETTLEMENT PROCEDURES FOR SECONDARY LISTINGS**

**(As prescribed by the Exchange pursuant to the Procedures Governing Trading and the Procedures Governing Settlement of Trades on The Bermuda Stock Exchange and valid from 13 February, 1996)**

### **Introduction**

In order to enable trading on the Exchange in the securities of companies which take a secondary listing here it is necessary to modify the standard Trading Procedures.

### **Ex-dividend Trading**

Trading in secondary listed securities will go **EX** on the same day as the primary market.

### **Suspensions**

Trading will normally be suspended whenever the primary market suspends.

### **Settlement Procedures**

The settlement procedures will follow the primary market. The details will be set out in the relevant prospectus supporting the introduction to listing on the Exchange.

Where physical settlement is permitted in Bermuda, in addition to any other mechanism, the settlement date will follow the primary market. In addition, the Selling Trading Member must inform the Buying Trading Member which settlement mechanism applies to that trade at the time of execution of a trade **AND** must indicate this on the BSX trade confirmation ticket (in the notes section).

**Trading and Settlement Practice Note No. 3 issued by the  
Exchange on 13 February 1996**

**PRACTICE NOTE 4**

**PRICING FRACTIONS**

**Deleted effective December, 1998**

## **PRACTICE NOTE 5**

### **TRADING AND SETTLEMENT PROCEDURES FOR CROSSINGS**

**(AS PRESCRIBED BY THE EXCHANGE PURSUANT TO THE BERMUDA STOCK EXCHANGE TRADING REGULATIONS AND SETTLEMENT REGULATIONS FOR TRADES MADE ON THE BERMUDA STOCK EXCHANGE AND VALID FROM 21 OCTOBER 1996)**

#### **1. Introduction**

In order to enable Trading Members to execute “crossings” in international securities on the Exchange, it is necessary to modify the standard Trading and Settlement Regulations of the Exchange.

#### **2. Crossings**

For the purposes of this paragraph a “crossing” means a transaction in which one trading member handles both sides of the trade (including, without limitation, transactions in which the trading member is itself either the buyer or the seller). A crossing may include international securities which are not listed or approved for listing on the Exchange.

#### **Trading Sessions**

Notwithstanding the normal trading session times set out in regulation 4.1 of the Bermuda Stock Exchange Trading Regulations, crossings of international securities may be made on the Exchange at any time

#### **Settlement Procedures**

The settlement procedures for international securities which are traded on the Exchange in a crossing will follow the primary market.

**Trading and Settlement Practice Note No. 5 issued by the Exchange on 21 October 1996**

## PRACTICE NOTE 6

### SETTLE PROCEDURES UPDATE

**(As prescribed by the Exchange pursuant to the Procedures Governing Settlement of Trades on The Bermuda Stock Exchange)**

**Effective Date: 1 May 2000**

Trading Members are reminded that all documentation supporting trades executed through the facilities of the Exchange must be delivered into the Exchange **no later than 12:00** on the next business day following the trade execution (T+1). Failure to produce completed Selling and Buying documentation as outlined in Section 5 of the Trading Settlement Regulations will result in a Penalty Fee assessment of **\$50 per trade per day on either the buy or sell side until documentation is presented to the Exchange.**

As of 1 May 2000, the Exchange will actively enforce the penalties outlined above. **Thus any transaction that is not supported by the appropriate buy or sell documentation, or if such documentation is not lodged with the Exchange by the specified deadline, the transaction will also fail to settle and begin accrual of penalties until the situations is rectified.**

**Note:** Consideration proceeds pertaining to failed trades **Will Not** be paid on T+3. Further the failing entity will be liable for any costs incurred should the Exchange initiate a 'buy-in' to cover the failed trade.

**Trading and Settlement Practice Note No. 6 issued by the Exchange on 1 May 2000.**