

# The Bermuda Securities Depository (BSD)

## Participant's User Guide

# Contents

- Introduction ..... 4**
  - Legal Structure ..... 4
  - Legal Ownership ..... 4
  - Regulatory Status ..... 4
  - Interface with BEST ..... 4
  - Settlement Assurance ..... 4
  - Contact Information ..... 5
- Glossary of Terms ..... 6**
- System ..... 7**
  - Business Hours ..... 7
  - BSD Participants ..... 7
  - BSD Users ..... 7
  - Securities ..... 10
  - Accounts ..... 11
  - Inventory ..... 15
  - General Settings ..... 16
  - Training Videos ..... 17
- Trading ..... 17**
  - Orders are verified to Inventory ..... 17
  - Allocation Account ..... 17
  - Override Account ..... 18
  - Trade Cancellation ..... 19
- Settlement ..... 19**
  - General ..... 19
  - Settlement Payment ..... 19
  - Inventory ..... 19
- Settlement Cap ..... 20**
  - General ..... 20
  - Collateral Positions ..... 20
  - Settlement Guarantee ..... 21

Types of Collateral.....	22
Collateral Management .....	22
Cash Settlement .....	22
Cash Settlement Failure .....	23
Change Settlement Date (Unforeseen/Uncontrolled Events).....	23
Non-Payment.....	23
<b>Inventory Management .....</b>	<b>24</b>
Activity Types .....	24
Deposits.....	25
Withdrawals .....	25
Transfers – Intramember and Intermember .....	26
Pledges.....	27
Stamp Duty .....	28
<b>Corporate Actions .....</b>	<b>28</b>
Issuer Process .....	29
Dividends .....	30
Issuer Processes .....	31

## Introduction

### Legal Structure

The Bermuda Securities Depository (BSD) is the clearing, settlement and depository service operated by the Bermuda Stock Exchange (BSX).

Securities held within the depository are registered in the name of a nominee – BSD Nominee Limited. This is a Bermudian company, owned by the BSX. The securities are held in “book form” and are considered “dematerialized” which means investors do not receive certificates in respect of their holding in the BSD Nominee.

### Legal Ownership

The BSD Nominee only acts as a nominee company shareholder for the BSD. As a bare nominee, it does not hold assets, other than eligible securities on behalf of BSD Participants, and does not incur liabilities. The assets of investors are therefore secured in the event of a default by, or legal action against, the BSX. The BSD nominee is “Bermudian” for the purposes of the Companies Act.

The transfer of legal ownership into the BSD nominee name takes place in accordance with the Companies Act and the issuer’s bye-laws, through the use of a transfer form signed by the transferee and the BSD nominee as the transferor.

An investor which holds securities in the BSD will therefore have beneficial but not legal ownership of the securities.

### Regulatory Status

The BSD service has its own Regulations (BSD Regulations) governing the responsibilities and obligations of BSD Participants. Investors hold their securities in the BSD through a BSD Participant and BSD Participants act on their own behalf and on behalf of investors. BSX trading members, custodians, institutions and foreign depositories may become BSD Participants.

The BMA has oversight of the BSD in the same way as the BMA has oversight of all other BSX activities and approves the BSD Regulations.

### Interface with BEST

The BSD system is linked to the BSX’s trading system, BEST. Trades executed through the BEST system are automatically passed to the BSD for settlement.

### Settlement Assurance

The BSX ensures that securities are delivered and cash is transferred for all trades executed on BEST. To enable the BSX to provide this assurance:

- The BEST system does not accept a sell order unless securities are available in a BSD account specified by a BEST trader; and
- The BSD has a settlement cap for each Trading Member to ensure that the net indebtedness of a Trading Member to the BSD is supported by either a bank guarantee or cash deposit.

## Contact Information

Any questions on trading and settlement at the Bermuda Stock Exchange or about this this Guide should be directed to Market Control – BSX Operations

Email: [bsxops@bsx.com](mailto:bsxops@bsx.com)

Telephone: +1 441 292 7212

## Glossary of Terms

Term	Definition
Account	Can receive trades and/or hold inventory and collateral under a BSD Participant
Trading Member	A type of BSD Participant that is a trading member of the BSX and has access to the BEST Trading System and may also has access to the BSD System. In essence covering the functionality of a trading member and clearing member.
BSX	Bermuda Stock Exchange
BSX Operations	Refers to the Department of the Bermuda Stock Exchange which manages the BSD, also known as ‘Market Control’.
BSD	Bermuda Securities Depository. This System manages the settlement, clearing and depository function for the BSX. The Depository holds securities such as shares or debt securities, in dematerialized (electronic) form on behalf of an investor, allowing ownership to be easily transferred through a book entry rather than by a transfer of physical certificates.
Demat/deposit	Dematerialization or dematerialized. Registering paper-form securities so that it is replaced by a book-entry, usually in a depository/CSD. With the benefit that a transfer of ownership can be done in a book/depository, instead of physically transferring a proof of ownership in paper form.
ETF	Exchange traded fund
Inventory	A security holding on an account with the CSD. The inventory is tracked by different types of balances. E.g. available to balance to sell/remat/transfer, owned balance to reflect actual ownership.
Market Control	Refers to BSX Operations and the duties and responsibilities it has with the BSD
BSD Participant	Any entity that is a member of the BSD
Pledge	In order to secure funding of a loan, securities might need to be pledged, similarly to posting collateral. The loaning part is called a pledgor, and the lender a pledgee.
Remat/Withdrawal	Rematerialization. The reverse of a demat.
RTA	Registrar Transfer Agent. Typically, a bank or other financial institution that acts as a link/extension of the issuer, to approve remat and demat, and keep track of the security ownership for be listing company.
BSD user	BSD user is a user of the BSD system. A user is proposed by a BSD Participant and set up by the BSX.
Security	A financial instrument that in the context of BSD/BSX can be traded/cleared/deposited.

# System

## Business Hours

The BSD system is available from 7:00 am to 7:00 pm on BSX business days.

## BSD Participants

### Eligible BSD Participants

The type of entity that is eligible to be a BSD Participant is outlined in the BSD Regulations. A BSD Participant can be based in Bermuda or in an approved jurisdiction defined by the BSX.

### Participant Access

A BSD Participant can only see their own proprietary information. For example:

- A Trading Member can view trades, but only its own trades;
- A BSD Participant can view and manage accounts, but only its own accounts;
- An RTA can view a summary of account holdings but only for a security it is associated with.

The following summarises the role and access of the various types of BSD Participants:

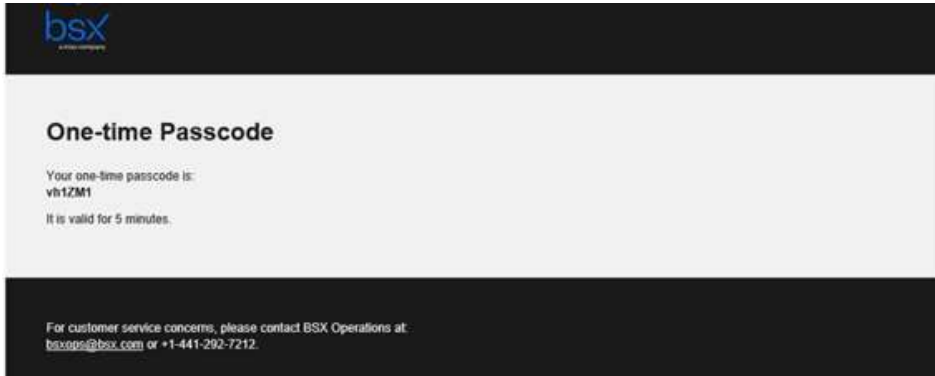
Participants			
Access Roles	Trading	Clearing & Settlement	Depository
Trading Member	Yes	Yes	Yes
Issuer/RTA	No	No	Yes
Custodian	No	Yes	Yes
Institution	No	Yes	Own Accounts
Foreign Depository	No	Yes	Omnibus Account

## BSD Users

### User Access

Access to the BSD system is given to an individual user who works in a BSD Participant in accordance with the BSD Regulations. A user in a BSD Participant can be set up to have read and write access or read-only access. Access to

the system is by username, password and a user will receive the One-Time Passcode (see below) from BSXOps as part of our Two-step Authentication. A user has 5 minutes to use this code to gain access into the system.

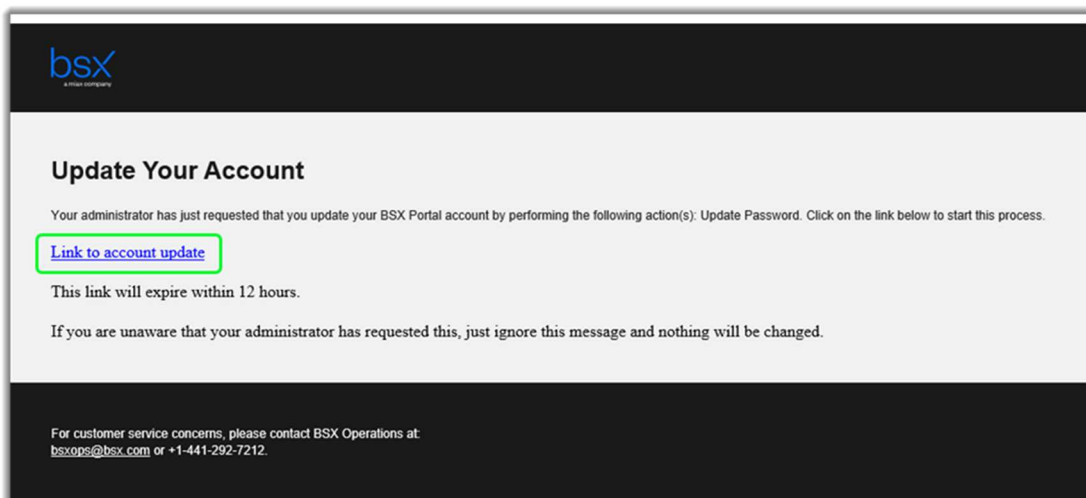


## Setting up a New User

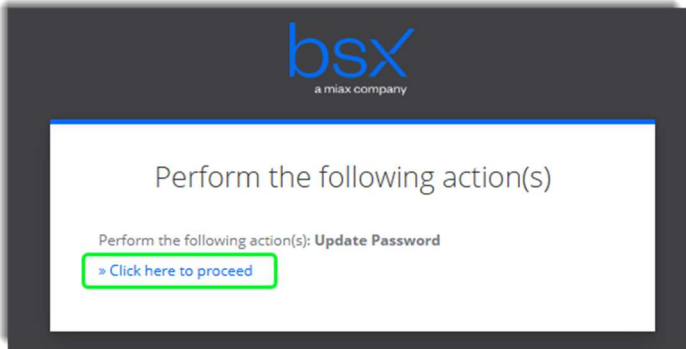
A User Access Form is required for each new user. The form is available on the BSX website. The User Access Form is approved by an appropriate Compliance or Senior Manager within the BSD Participant organization.

Email the completed form to [bsxops@bsx.com](mailto:bsxops@bsx.com). A new user is assigned a username (email address) and temporary password. Once a new user logs in for the first time, the system will prompt the user to change the password. Here are the steps:

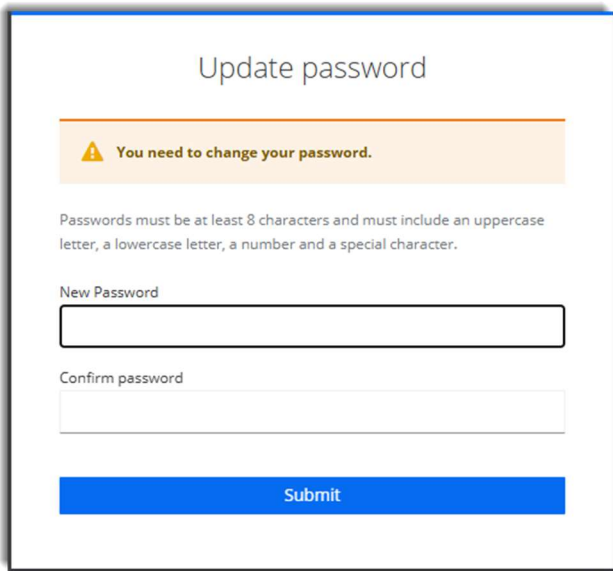
### FIRST STEP:



**SECOND STEP:**

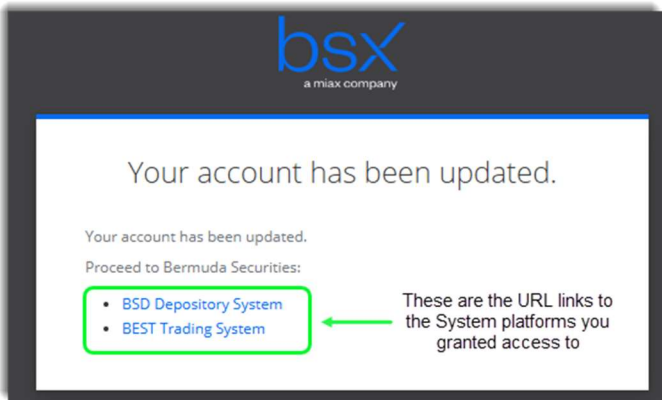


**THIRD STEP:**



**LAST STEP:**

Your Username and access rights will be based on the email and confirmation details that we collected during the PRE-CHECK exercise conducted with your company.

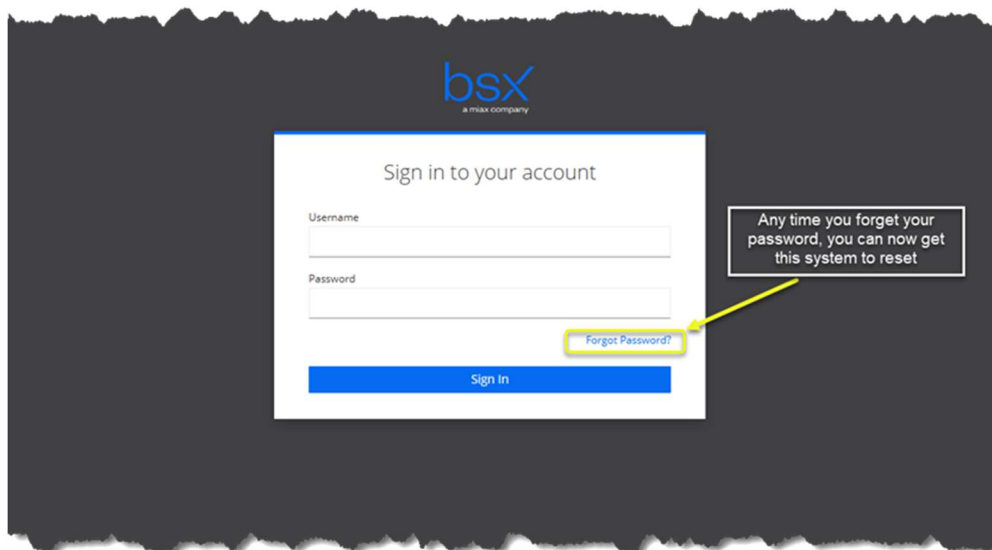


## Deleting a User

A User Deletion Form should be used to disable a user. Upon receiving this form, the BSX will delete a user. If these End Users want to restore access, they will need to go through the New User setup process as noted above.

## Changing passwords

A User password must be changed at least every 90 days. The same password cannot be reused. Password resets are self-service which avoids the need to contact the BSX.



A User can also get a password reminder using the “forgot password” option. Please note that 3 failed login attempts will result in the User having to reset their password on their account.

## Securities

### Eligible Securities

Securities listed on the BSX are eligible for deposit in the BSD system as stated in the BSD Regulations. This includes equities, rights, ETFs, Government bonds, corporate bonds and warrants. In addition, the BSX may determine that other types of securities may be held in the BSD from time to time.

### Approval of Eligible Securities

An Eligible Security can only be added to the BSD by BSX Operations.

### Suspending or Restricting Eligible Securities

BSX Operations can suspend or restrict trading and inventory activity in an Eligible Security. BSX Operations monitor announcements for potential delistings or other activities requiring a security to be suspended from trading. BSX

Operations and Listing & Compliance Dept discuss and agree any action to make inactive a Symbol/Security from trading or from being held in the BSD. This will only affect equities and domestic debt which are added to the BSD and BEST.

BSX Operations inactivates a symbol/security from trading before it is finally made unavailable on the BSX Platform. BSX Operations notifies the Trading Member by email and expects the Trading Member to notify the underlying shareholder as soon as possible. The BSX gives a timeline of 2 weeks for the stock to be made inactive. When Trading Members don’t delist the stock, BSX Operations will then make arrangements to delist the stock.

BSX Operations will know that the Trading Members has complied when it can be seen in the BSD System that the stock has been made unavailable. Notification by the Trading Member must be given to the respective Shareholders who have current holdings of this symbol/security on BSD System prior to initiating inactivation of the Symbol/Security from the BSD System.

## Accounts

### Account Opening

A BSD Participant is responsible for opening an account. A BSD Participant may open as many (or as few) accounts as it wishes. The system automatically allocates an account number for each account that is opened. An account may hold securities for:

- A single identified investor;
- A single investor identified only by a nominee designation;
- Multiple investors (i.e. be an omnibus account).

### Account Naming Restrictions

There are restrictions imposed by the BSD Regulations on the nature of accounts that may be opened:

- A BSD Participant must identify whether an account is for a single investor or an omnibus account;
- The account name should be worded as a suitable name on the register of members of an Issuer of an Eligible Security;
- An account for a BSD Participant’s principal holding must be separate from client accounts;
- An account for a holder(s) of interest(s) in an Eligible Security that are subject to Bermudian investment restrictions must identify whether the account is for a Bermudian or non-Bermudian investor(s);
- An omnibus account for holders of interest(s) in an Eligible Security that are subject to the restricted marketing provisions of the *Exchange’s Listing Regulations* must all meet the *Qualified Investor* suitability requirements.

### Participant Account Types

This table shows which sub-account types are available in the BSD that are tied to the various Participants in accordance to the account types which is tracked in the BSD system.

Participant Type	Account Type	Sub-Account Types (in BSD)
Brokerage	House	<ul style="list-style-type: none"> <li>• Segregated</li> <li>• Omnibus</li> <li>• Nominee</li> </ul>
	Client	<ul style="list-style-type: none"> <li>• Segregated</li> <li>• Omnibus</li> <li>• Nominee</li> <li>• Allocation</li> <li>• Override</li> </ul>
Institution	House	<ul style="list-style-type: none"> <li>• Segregated</li> <li>• Omnibus</li> <li>• Nominee</li> <li>• Allocation</li> </ul>
Custodian	House	<ul style="list-style-type: none"> <li>• Segregated</li> <li>• Omnibus</li> <li>• Nominee</li> <li>• Allocation</li> </ul>
	Client	<ul style="list-style-type: none"> <li>• Segregated</li> <li>• Omnibus</li> <li>• Nominee</li> <li>• Allocation</li> </ul>
Hybrid RTA	House	<ul style="list-style-type: none"> <li>• Segregated</li> <li>• Omnibus</li> <li>• Nominee</li> </ul>
Registrar/Transfer agent (RTA)	Cannot open accounts	

### Using “House” Account Type

A “House” account is typically used as a proprietary account belonging to the Trading Member (or Brokerage) where the securities held in the account are beneficially owned by the Brokerage itself. Whereas, a “Client” account is an account where the Trading Member (Brokerage) is acting on behalf of the client and holds the client assets.

A client should NOT be in a “House” account type since the “House” account has more functional features designed for the Brokerage than a “Client” account. If, by accident, a client is placed in a “House” account type, the Trading Member is unable to change this account type in the BSD. The Trading Member will need to OPEN a new “Client” account and then do an Intramember transfer of the holdings from this “House” account into the new “Client” account created.

## Participant Sub Account Types

Account Types	Descriptions
Segregated	An account where there is one beneficial investor.
Omnibus	An account for a group of beneficial investors. The securities/inventory is held by all clients are combined so that the system does not identify the end-client. Where a BSD Participant operates omnibus accounts, the BSD Participant is responsible for ensuring that the balances held for each investor are properly recorded and it must have appropriate authorisation from its regulatory authority to hold assets in this way.
Nominee	This is an account held by a BSD Participant where the securities in the BSD are held in the BSD Participant’s own name on behalf of beneficial owner(s). Where a BSD Participant operates a nominee account, it is responsible for ensuring that the balances held for each investor are properly segregated and it must have appropriate authorisation from its regulatory authority to hold assets in this way.
Allocation	An account used where several client orders are pooled together on submission to the BEST system so that they are executed together. It is only used for buy orders. Post execution of the pooled buy order, trades are allocated from this allocation account to individual client accounts.
Override	An account set up by a Trading Member for a custodian that it is trading on behalf of. The override account is a pass-through account and is linked to the custodian’s account at the depository to automatically create pending settlements on that account upon clearing the trade. Override accounts do not hold inventory.

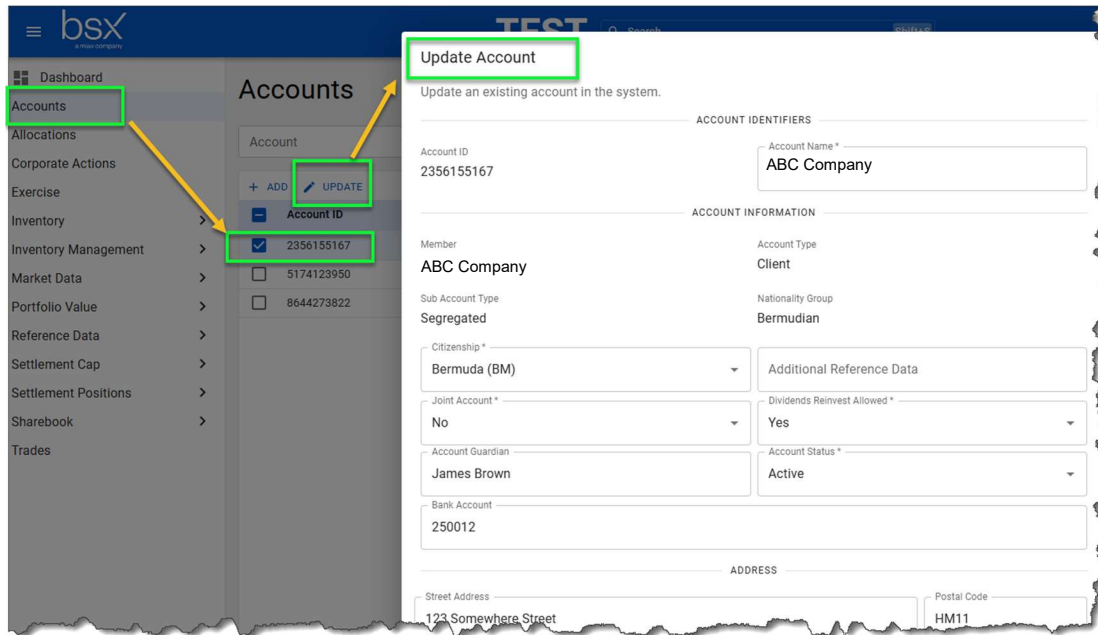
## Account Updates

Please note that an account opened by a BSD Participant in the BSD will be activated at the start of the next business day for trading purposes on BEST. Similarly, when account details are changed the details will appear on the BEST trading system the next business day. Inventory balances can be updated immediately as noted in the inventory section.

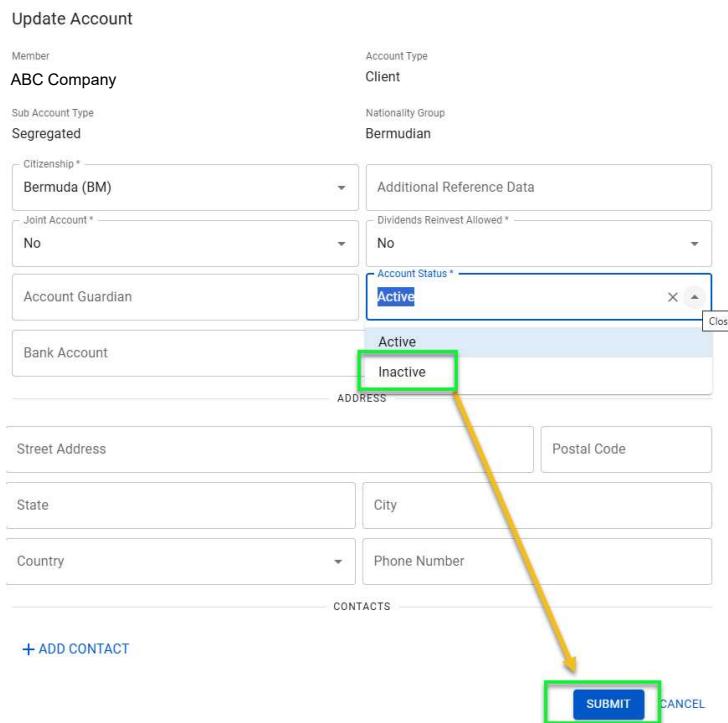
## Account De-activation

To make an Account inactive (or de-activated), this can be done by the BSD Participant based on the following steps:

- Choose from the left-hand menu, ‘Accounts’ which will list all the Accounts tied to your user access. Then choose the Account to be made Inactive by clicking the box to the right of Account ID then click on the Update button to open the Update Account Window (as shown below)



- Once the Update Account Window is open, then scroll down to find the Account Status entry field, and change the drop-down selection from 'Active' to 'Inactive' then click on the SUBMIT button to complete this Update request (as shown below).



## Account Information Available to Issuer/RTA

The BSD makes available details of account holders and their balances to issuers or RTAs on a real time basis. The Regulations permit RTAs to make account holders’ details available to the public on the same basis as the legal register is available.

## Inventory

### Inventory Balances

The BSD keeps track of and displays the holding of a security in an account by providing various balances. These are also available on an aggregate basis in the inventory view. The balances are described as follows:

Type	Description of Type	Balances are updated as follows:
Start of Day Balance	The balance at the start of today	
Activity	Today’s changes to inventory	The activity balance is updated through changes in the account by: <ul style="list-style-type: none"> <li>• deposits of securities (when good delivery confirmed by the registrar)</li> <li>• withdrawals into certificated form (when request is accepted)</li> <li>• intermember movements (when movement is approved)</li> <li>• intramember movements (when movement is approved)</li> <li>• settlement of a trade (on T+2)</li> </ul>
Current Balance	An indicative owned balance that is updated throughout the day.	The current balance can change as a result of the following transactions: <ul style="list-style-type: none"> <li>• deposits of securities (when good delivery confirmed by the registrar)</li> <li>• withdrawals into certificated form (when request is accepted)</li> <li>• intermember movements (when movement is approved)</li> <li>• intramember movements (when movement is approved)</li> <li>• settlement of a trade (on T+2)</li> </ul>
Available	Updated from trade and depository activity to reflect how many units of a security that are available for further trade and/or depository activity. Inactive securities have an available balance of zero.	The transactions above in addition to restrictions and pledges affect the available balance immediately. This balance is the most up to date balance within the depository.

<b>Pledged</b>	Securities that are pledged	When a pledge is approved or released; it moves shares to/from the Available balance immediately.
<b>Restricted</b>	Restricted from trading	When share is restricted or released; it moves shares to/from the Available balance immediately.
<b>Net Pending</b>	The balance of inventory which is due to settle.	

## General Settings

### View

A BSD User can set the display to have an individualised view in the BSD through the use of filters and choice of fields to display. The view setting is kept for future logins of that user. This is demonstrated in the training videos.

### Data Export

Data held in the BSD is available to export in excel or CVS formats. User can choose the fields and apply filters prior to download. This is demonstrated in the training videos.

Historical data is available from the launch date. Data from the previous BSD and BEST systems is not available and a BSD User which requires information prior to March 2025 is requested to contact [bsxops@bsx.com](mailto:bsxops@bsx.com)

### Logs

Each update to inventory and its balance creates a log entry so a user can view and follow any changes. Each log entry has a user reference as well as a reason describing the business process leading to the change. An historical log to show changes is available within the following menu options:

#### For Issuers and their RTAs

- a) Pending Transaction Logs
- b) Price Change Logs

#### For Trading Members

- a) Inventory Logs
- b) Pending Transaction Logs
- c) Price Change Logs
- d) Collateral Position Logs
- e) Cash Settlement Logs
- f) Physical Settlement Logs

#### For Custodians

- a) Inventory Logs
- b) Price Change Log

## Training Videos

Training videos are available to show how to use the BSD functionality. Access to training is granted via a virtual data room (Intralinks) to BSD Participants and BSD Users following the approval of a BSD User by the BSX. The available training videos are noted below:

### For Issuers and their RTAs

- a) Dashboard basics
- b) Accounts
- c) Corporate actions
- d) Exercise
- e) Inventory
- f) Inventory Management
- g) Market Data

### For Trading Members

- a) Dashboard basics
- b) Allocations
- c) Inventory
- d) Inventory Management
- e) Market Data
- f) Portfolio Value
- g) Reference Data
- h) Settlement Cap
- i) Settlement position
- j) Sharebook
- k) Trades

### For Custodians

- a) Dashboard basics
- b) Accounts
- c) Inventory
- d) Market Data
- e) Reference Data
- f) Sharebook

## Trading

### Orders are verified to Inventory

1. A Trading Member is required to ensure that a holding of a security is available in a specified account before they place a sell order on behalf of that investor regardless of whether the full quantity is disclosed to the market.
2. BEST checks the availability of securities in the account. If the securities are available the BEST system will accept the order and reduce the available balance by the specified quantity of securities. An order for a quantity more than the available balance in an account will be rejected.
3. If the order is executed the securities are moved to net pending balance, awaiting settlement.

### Allocation Account

#### Usage

An allocation account is used for buy orders only to pool a number of clients buy orders into one buy order on the BEST system. An allocation account is not used for sell orders.

## Allocation before Settlement

Trades in the allocation account need to be allocated to ensure settlement. The pending settlement amount can be allocated fully or partially, to one or more accounts in the BSD within the same Trading Member. Trades remain in the account until they are allocated.

To allocate a transaction from an allocation account:

- Click Allocations from the menu on the left side of the screen
- Choose Unallocated trades at the top of the page
- Choose a transaction from the list and click 'create'
- Complete the online form
- Click 'Submit' once complete
- Repeat the process until the shares purchased are fully allocated

## Override Account

### Usage

An override account is used where a BSD Participant (custodian, institution or trading member) uses a Trading Member to trade on its behalf but keeps its inventory in its own account. The BSD enables settlement of securities to take place directly with the custodian/institution on the settlement date.

The override account in the Trading Member is linked to inventory in an account managed by the BSD Participant. Once set up, on instruction from the BSD Participant, the Trading Member can place an order. The order will only be executed if there is sufficient inventory in the BSD Participant's own account. As the override account never has an inventory balance, the BSD Participant's own account will be updated following the execution of orders.

The BSD Participant manages the inventory settlement and the Trading Member handles the cash settlement. A BSD Participant can link to more than one Trading Member or have more than one override account.

### Set up

1. The BSD Participant sets up a new client account in the BSD identifying the account as a trading account. This is the account which holds inventory.
2. The BSD Participant notifies the BSX via email to [bsxops@bsx.com](mailto:bsxops@bsx.com) of the account name and number and also provides details of the Trading Member which will be undertaking trades on its behalf through an Override Account.
3. Market Control confirms with the relevant Trading Member that an Override Account is being set up for the BSD Participant.

4. Market Control opens a new client account in the Trading Member, with the client type, Override Account. Market Control links this Override Account to the BSD Participant’s Account which holds the inventory.
5. Market Control confirms set up of the Override Account to both the BSD Participant and the Trading Member.
6. Once linked, the override is in place and the Trading Member can enter sell orders on behalf of the BSD Participant provided there is sufficient inventory in the linked account to the BSD Participant.

## Trade Cancellation

A matched trade can only be cancelled on the same business day. A trade cancellation must be approved by BSX Operations.

A request to cancel a trade must be sent from both the buying and selling Trading Member by email to [bsxops@bsx.com](mailto:bsxops@bsx.com) outlining the trade reference number, the reason for the cancellation request, the price and volume of shares. The title of the email should state “Trade Cancellation Request”.

The trade is deleted by BSX Operations as if the trade was never executed and therefore does not impact settlement.

## Settlement

### General

Trades settle on a T+2 basis.

### Settlement Payment

The BSD has appointed a clearing bank, the Bank of N.T. Butterfield & Sons.

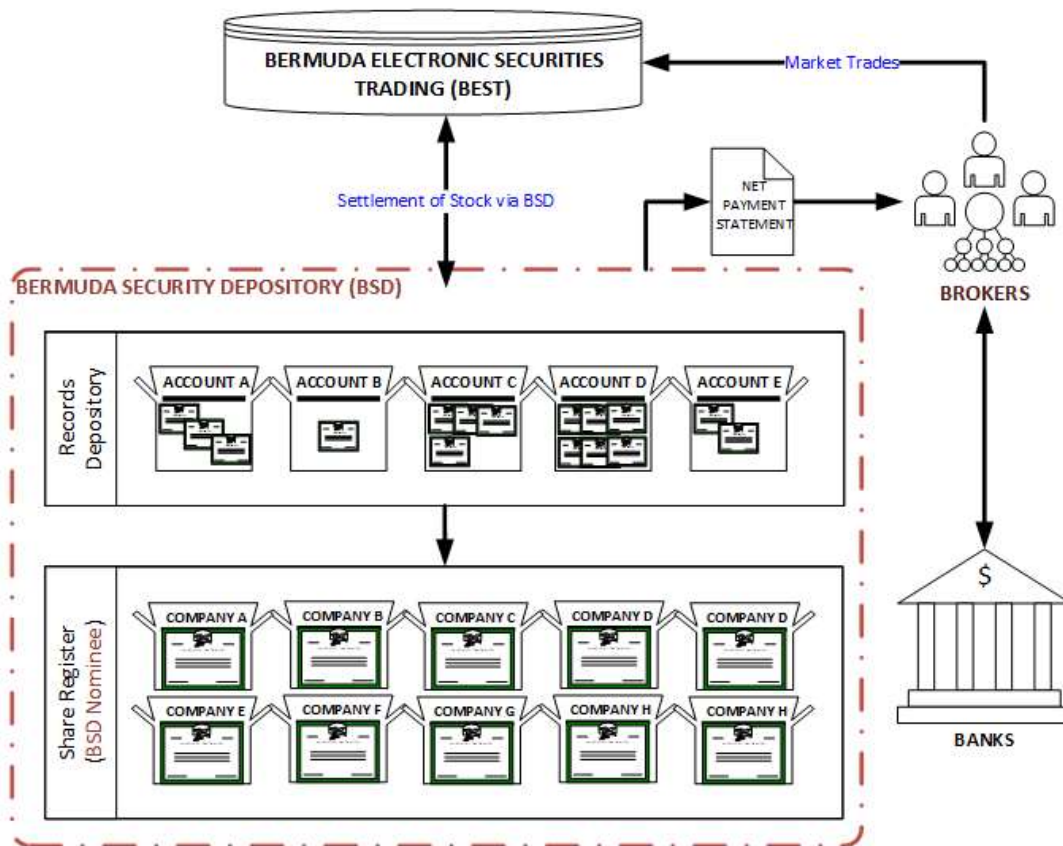
At the end of each trading day, the BSD system will make available a payment statement (Cash Settlement Report) showing the net amount to be paid or received by each Trading Member in each currency on the settlement date (T+2).

A Trading Member who is a net payer on the settlement date must remit funds per the Cash Settlement Report by wire transfer to the BSD account in the Clearing Bank **before 10:00 am**.

Where a Trading Member is a net recipient of funds on the settlement date, the BSD will transfer funds per the Cash Settlement Report to the Trading Member from the BSD account in the Clearing Bank before noon.

### Inventory

The delivery of securities, as a result of a trade executed through BEST, are settled automatically to relevant BSD accounts at noon on the settlement date.



## Settlement Cap

### General

A settlement cap is established in the BSD system for each Trading Member which is supported by the settlement guarantee provided by the Trading Member.

In the BSD, information on the available settlement cap is provided directly from the dashboard via a widget or through the menu items.

The settlement cap information is linked to the BEST System so that a Trading Member can see the live available settlement cap prior to and post the execution of trades on an ongoing basis.

### Collateral Positions

All changes to the collateral positions are approved by BSX Operations (or Market Control).

A Trading Member can view:

- The nature of their settlement cap i.e. whether it is a cash deposit, letter of guarantee or letter of credit.
- The expiry date of a letter of guarantee or letter of credit.
- Any historical position from March 2025.

A Trading Member can monitor its available settlement cap on a real time basis and can increase or decrease its settlement cap intraday where necessary.

BSX Operations (or Market Control) will also monitor the position and may contact a Trading Member if the settlement cap appears to be close to its limit.

## Settlement Guarantee

In order to ensure that funds are available to settle their net liabilities, BSX trading members are required to provide a financial guarantee (callable by the BSD) or cash, equivalent to 100% of their net indebtedness at any time. The amount of the guarantee plus cash is known as the settlement cap. The BSD Regulations requires a Trading Member to have an active Settlement Guarantee to cover 100% of their net indebtedness at any time. An expired settlement guarantee prevents the Trading Member from trading.

The system maintains a settlement cap per BSD Participant (excluding Custodians and RTAs):

ABC Company - Settlement Cap Calculation on BSD based on T+2

Trade Date		3-Mar	4-Mar	5-Mar	6-Mar	7-Mar	10-Mar	11-Mar	12-Mar	13-Mar	14-Mar	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Buy		-100	-1000	-100	-2000			-300		-800	-900					
Buy		-200		-300	-600						-300					
Buy		-500														
Sell		300	500	2000				500		1000		900	500			
Sell		500		300						500		300	300			
Sell		500														
Settlement Cap *		100,000	99,700	99,000	99,600	94,800	100,000	100,000	99,900	100,000	99,900	98,300	100,000	100,000	100,000	100,000
		100,500	99,200	100,900	97,000	94,800	100,000	100,200	99,900	100,700	98,700	99,500	100,800	100,000	100,000	100,000

Start of Day (SoD)      \* - Settlement Cap is always reset to the Guarantee Amount on the SoD. However, during the Intra-day trading period, any excess of above the Cap is available for usage until the EoD.  
End of Day (EoD)

Where the net unsettled cash amounts are the difference between the collect/payout settlement positions and the pay settlement positions for the BSD Participant (see Cash Settlement” below), only collateral that does not expire within the next two business days are counted.

## Types of Collateral

Collateral is held by an indication of the collateral type, the amount and an expiration date (if applicable). There are two categories of collateral:

- Cash which does not expire
- Non-cash, which expires

E.g. bank guarantee, letter of credit.

## Collateral Management

Collateral values are manually added, adjusted or removed by BSX Operations (based on a communicated external account balance).

Cash to support the settlement cap is held in a special account at the clearing bank. The cash accounts are identified as the BSD Participant’s cash and any interest earned on the cash is payable to the BSD Participant, but the BSD may withdraw cash from the account to meet the BSX trading members settlement obligations. The amount of cash may be increased at any time. Participants may withdraw cash on application to the BSD, provided that it is not needed to support an outstanding liability as a result of market activity. That BSD Participant’s settlement cap is then reduced accordingly.

Guarantees or letters of credit may be provided by any bank or deposit taking company licensed by the Bermuda Monetary Authority under the Bank and Deposit Taking Companies Act or any foreign bank that has an acceptable credit rating.

The settlement cap held in the system, at any point in time, is:

- The amount of the guarantee plus the amount of cash less any prudential amount set by the BSD;
- Less any net liability owing to the BSD as a result of previous days transactions that are not yet settled;
- Plus, the consideration of today’s sold trades;
- Less the consideration of today’s bought trades.

The BSD system displays the available settlement cap to each Trading Member via the system dashboard or through choosing the settlement cap option on the system menu.

## Cash Settlement

Settlement positions are kept per account. BSD keeps updated preliminary settlement positions based on delivery vs payment for cleared trades, payments due to corporate actions as well as manually entered settlement amounts. At the end of the day, settlement positions are no longer preliminary.

Changes to the settlement positions also update the settlement cap, (see “Collateral Management” and “Settlement Caps” above).

Settlement positions are categorized based on the business process that created them. A settlement breakdown shows the totals by category and settlement date. On the settlement date, cash settlement positions are netted into a single settlement instruction per BSD Participant.

## Cash Settlement Failure

A Trading Member (TM) is not allowed to trade without an active settlement Guarantee which is its Settlement Cap as per the Trading Membership Regulations. The Settlement guarantee provided is entered into the BSD System and linked to BEST for trading purposes. This means that a TM cannot trade without having a settlement Guarantee in place.

A TM must pay the settlement net payment amount **by 10am (Atlantic Time)**. Failure to pay by this time cut off should be followed up immediately by BSX Operations to ensure settlement to the corresponding TM is received **by 12 noon (Atlantic Time)**.

If there is a catastrophic cash settlement failure the BSX can “call” of the settlement guarantee which may be a deposit or bank guarantee in accordance with the Trading Membership Regulations. The “call” will be utilized to ensure that the market continues to operate seamlessly.

## Change Settlement Date (Unforeseen/Uncontrolled Events)

A change in settlement date occurs only when settlement fails due to unforeseen circumstances i.e. a hurricane or blackout rendering business on the island impossible. BSX will move settlement missed to the next available business day.

The decision to move settlement can only be made in conjunction with the BSX CEO and/or CCO. The decision must be documented in writing outlining whether all previous settlement days will be consolidated or completed separately.

## Non-Payment

The BSD will make payment to net recipients even though funds have not been received from firms with a net amount to pay. However, in the event that a firm does not pay on the due date the BSD, at its sole discretion, may:

- Reduce that Trading Member's settlement cap by a prudential amount;
- Draw down on any cash lodged by that Trading Member to support the settlement cap;
- Call the guarantee lodged by that Trading Member for sufficient funds to cover the amount due;
- Draw down on any cash and the guarantee to cover any interest payable by the BSD on its overdraft or any expenses incurred by the BSD because of the non-payment of that Trading Member;
- Fine the Trading Member; and/or
- Suspend the Trading Member.

## Trade Capture

Successfully received trades are automatically cleared to:

- Create or update pending settlements of the security for the BSD Participant (see “Physical Settlement” below);
- Create or update cash settlement positions for the BSD Participant (see “Cash Settlement” below);
- Update the inventory balances of the BSD Participant (see “Inventory Balances” above).

## Inventory Management

### Activity Types

Security inventory can be managed in the BSD through the following types of activities (this is separate to security updates from trading activity or a corporate action).

Activity Types	Descriptions
<b>Deposit</b> Securities – Dematerialisation (demat)	An investor can deposit securities in the BSD. A BSD account is set up and a BSD User enters the deposit request. Deposits are subject to approval by both the BSD and an RTA. The BSD and/or the RTA can choose to reject a transaction request, in which case the registered transaction can be withdrawn or amended for a new review.
<b>Withdrawal</b> Securities – Rematerialisation (remat)	A BSD account holder can withdraw securities in the BSD. A BSD user enters this withdrawal request. Withdrawals are subject to approval by both the BSD and an RTA. The BSD and/or the RTA can choose to reject a transaction request, in which case the registered transaction can be withdrawn or amended for a new review.
<b>Restrict</b> Securities	A BSD account holder can have their holding in a particular security restricted by a BSD User so that the holding cannot be traded or transferred to another account. This can be done by a BSD User. The securities are immediately restricted and the available inventory is reduced.
<b>Pledge</b> Securities	A BSD User enters the pledge details. Separately, instructions are sent by the BSD User to <a href="mailto:bsxops@bsx.com">bsxops@bsx.com</a> Pledges are approved by BSX Operations (or Market Control).
<b>Transfer</b>	<p><b>“Transfer-intra” – within one BSD Participant</b></p> <p>This can be entered by one BSD User.</p> <p><b>“Transfer-inter” - between BSD Participants</b></p> <p>This is entered by one BSD User and approved by a BSD User in the other BSD Participant (the transferor). The transferred securities are immediately transferred once accepted by the transferor.</p>

## Deposits

Securities must be credited to an account in BSD before they can be sold on the BSX. When a sell order is entered into the BEST system, the system will check that securities are available in the designated BSD account and will reject any uncovered sold orders.

### How to deposit a holding of a security into the BSD (or Lodgment Posting)

To deposit a holding in a security in the BSD:

1. A holder must complete and sign a Transfer Form showing BSD Nominee Limited as the transferee and provide this to the BSD Participant (Trading Member).
2. The BSD Participant enters the deposit into the BSD system. Following this data capture a record will appear on the BSD Participant's system as 'entered' but not posted or approved. The balances in the account will not yet be updated.
3. The BSD Participant attaches and sends the completed transfer form, a copy of the BSD deposit transaction, certificates (or indemnities, where applicable) and other backup documentation to the BSD.
4. The BSX will check the documentation to ensure that it is prima facie good delivery and will check the documents against the data entered by the BSD Participant and 'post' the deposit entry.
5. The posting will appear on the BSD Participant's screen to enable the progress of the deposit to be tracked through the system. However, no balances are updated.
6. The documents are then sent to the registrar for approval. Once the registrar has affected the transfer of legal ownership from the investor to the BSD nominee, the deposit is approved and securities are moved to the Available Balance in the account specified on the original deposit data entry by the BSD Participant.
7. In normal circumstances the deposit should be approved by the registrar within two business days of deposit. However, this is not guaranteed and BSD Participants are advised to ask investors, who intend to sell, to deposit securities well before the anticipated sale date.

## Withdrawals

Securities must be legally owned by an account in BSD before they can be withdrawn from the BSD. This means that a withdrawal of a holding purchases on trade date (T) cannot happen before a security is settled (T+2).

### How to withdraw a holding of a security from the BSD

To withdraw a holding in a security in the BSD

1. A holder must complete and sign a Transfer Form showing BSD Nominee Limited as the transferor and provide this to the BSD Participant (Trading Member).

2. The BSD Participant enters the withdrawal into the BSD system. Following this data capture a record will appear on the BSD Participant’s system as ‘entered’ but not posted or approved. The balances in the account will not yet be updated.
3. The BSD Participant attaches and sends the completed transfer form, a copy of the BSD withdrawal transaction, and other backup documentation to the BSD.
4. Where the name on the account and the name on the signed transfer are different the BSD Participant must ensure that either any stamp duty due has been paid or that the transfer does not represent a change of beneficial ownership.
5. The BSD will check the documentation to ensure that it is prima facie good delivery and will check the documents against the data entered by the BSD Participant and ‘post’ the withdrawal if everything is in order.
6. The posting will appear on the BSD Participant’s screen to enable the progress of the withdrawal to be tracked through the system. However, no balances are updated.
7. The documents are then sent to the registrar for approval. Once the registrar has affected the transfer of legal ownership to the investor from the BSD nominee, the withdrawal is approved and securities are removed from the Available Balance in the account specified on the original withdrawal data entry by the BSD Participant.
8. The registrar is requested to send a certificate or statement directly to the newly registered investor. No particular time scale is set by the BSD for withdrawals as certificate production is dependent on the Bye-Laws of the company concerned.

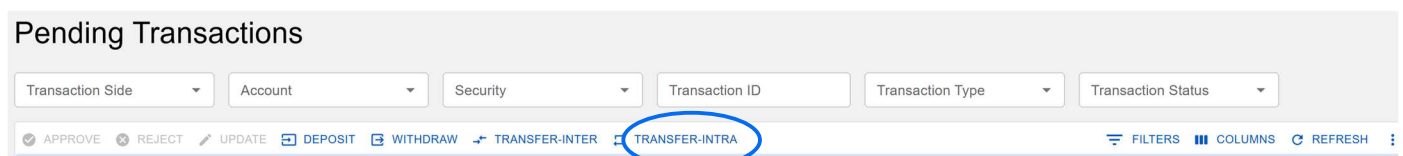
## Transfers – Intramember and Intermember

Securities may be transferred from one account to another either within a BSD Participant (intramember movement) or across BSD Participants (intermember transfer). A transfer is made free of value with the BSD. However voluntary conveyances are still subject to stamp duty and must be adjudicated by the Accountant General. Intra and inter member movements are affected immediately the instruction is approved by an update of the available balances.

### How to affect an intramember transfer

An intramember transfer is a transfer between accounts within a BSD Participant. To complete the transfer

1. The BSD Participant must choose Inventory Management from the menu and choose Pending Transactions.
2. Click Transfer–Intra.



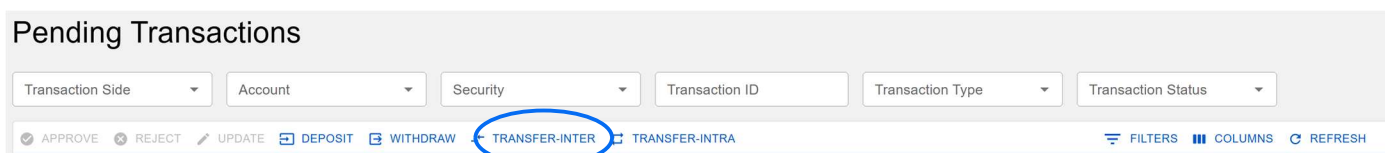
3. Complete the form displayed and hit submit.

4. Identify the Transaction ID of your Transfer-Intra and click the boxes to the left of Transaction ID.
5. Click approve and confirm your approval.
6. A green message will appear in the bottom left of your screen indicating your transaction is approved.

## How to affect an intermember transfer

An intermember transfer is a transfer between BSD Participants. To complete the transfer:

1. The BSD Participant must choose Inventory Management from the menu and choose Pending Transactions.
2. Click Transfer–Inter.



3. Choose the type of transfer you wish to complete from the list (Receiving or Delivering) BSD Participant and click submit
4. Complete the form outlined on the screen, once all the details are complete click submit.
5. Identify the Transaction ID of your Transfer-Inter and forward the transaction ID to the counter party.
6. The counter party accesses the transaction utilizing the Transaction ID provided.
7. Complete the account details and hit submit.
8. The transaction will automatically be approved and the shares transferred.

## Pledges

The BSD system allows securities in accounts to be used as collateral. On receipt of instructions from the relevant BSD Participant the BSD will ‘pledge’ securities to the order of the nominated pledgee. Once pledged, securities cannot be transferred until the pledgee releases them. In addition, the BSD will transfer securities from the pledger’s account to the pledgee’s account if instructed to do so by the pledgee.

The Pledger must be a BSD account holder which is managed by a BSD Participant.

## How to pledge securities

To pledge securities the BSD Participant must send an instruction to the BSD in writing to [bsxops@bsx.com](mailto:bsxops@bsx.com) containing the following information:

- Name of account;
- Account number;
- Quantity of securities to be pledged;
- Name and address of pledgee together with copy of pledge agreement showing the authorised signatory of the pledgee and details on the distribution of proceeds derived from interest or dividends.

## How to release a pledge

To release a pledge or to instruct the transfer of the securities to the pledgee, the pledgee must instruct the BSD in writing to [bsxops@bsx.com](mailto:bsxops@bsx.com), giving the information as above.

## Stamp Duty

A transfer of listed securities within the BSD as a result of a market trade on BEST is free of stamp under the BSX Private Act.

A transfer of legal ownership to and from the BSD nominee (i.e. via a deposit or withdrawal) is not subject to stamp if there is no change of beneficial ownership taking place.

A transfer within the BSD as a result of a voluntary conveyance is subject to adjudication by the Accountant General and the BSD Regulations require BSD Participants to ensure that stamp is paid as required.

The BSD Regulations provide for the BSX to provide the Accountant General, on request, with information concerning transfers that take place within the BSD, other than as a result of market trades on BEST.

## Corporate Actions

Administration of all corporate actions in the BSD is undertaken by the BSX.

The BSD can handle simple changes such as those affecting security attributes to more complex variants where the existing inventory in a security is updated, replaced by an amount of new securities/cash, or a combination.

### Payment of Dividends – Trading Members

1. The BSX distributes the issuer's announcement regarding the dividend to BSD Participants prior to the record date indicating the dividend amount per share, the record date and the payment date.
2. The BSX also adds the information to the security details on the BSX website so that investors can see upcoming dividends and paid dividend history.
3. If the BSD is to process the dividend payment, it will add the information to the Corporate Actions menu recorded in the BSD. This information is available for viewing by BSD Participants on corporate actions.
4. The BSX will distribute dividend payments to relevant Trading Members via the Clearing Bank on the payment date.

5. A Trading Member can see the entitlement for the accounts they manage on the settlement report. A Trading Member should download the sharebook on the record date and apply the dividend amount per share to get the entitlement per account holder.

## Issuer Process

An issuer or their RTA should complete a Corporate Action Form (Appendix B) with relevant information including the effective date and send this to BSX Operations by email to [bsxops@bsx.com](mailto:bsxops@bsx.com)

### Examples

Examples of the types of changes that the BSD can handle include:

Change Types	Descriptions
New Ticker (ISIN or CUSIP)	The existing security is updated with the new ticker, ISIN and/or CUSIP.
Splits, reversed splits and stock dividends	The BSD system automatically adjust all inventories by the adjustment factor and, if any, creates cash settlement position for residual amounts by applying the price.
Mergers	For a cash, equity or cash and equity merger, the BSD system automatically <ul style="list-style-type: none"> <li>removes the inventory in the merged security, and</li> <li>replaces it with the, per original share unit, new shares and/or as cash amount a cash settlement position <ul style="list-style-type: none"> <li>any resulting residual cash amounts calculated from the residual security not credited times the price</li> </ul> </li> </ul>
Rights, warrants and spin-offs	This is handled the same way as a stock dividend, but in a new security.
Delisting	If a security is subject to delisting, all inventory in the security get a set delisting date. The security is first redeemed and then automatically inactivated, and all inventory is removed.
Default	Security is inactivated. Further handling of inventories and payments must be done manually by BSX Operations, or via the other Corporate Action processing if feasible.

## Dividends

The issuer or RTA can download the sharebook by account on the record date which gives details of the account holders including:

- Name and address;
- Bank account details;
- Whether the account holder is has opted for dividend reinvestment.

Dividends are paid directly to account holders by the registrar or the BSD can arrange to make payments to BSD Participants for onward distribution to account holders. See the process in Announcement and Payment of Dividend below.

### Dividend Re-investment Plans

Where the company offers a dividend reinvestment plan as part of a dividend, the BSD processes the entitlement for account holders in the BSD.

1. The Issuer decides on the reinvestment price (typically the last traded price before the record date).
2. The Issuer or RTA downloads account holder information on the record date and notes account holders who have opted for a dividend reinvestment rather than payment.
3. The Issuer or RTA then calculates the reinvestment entitlement of relevant account holders and sends this information (by xls or csv) to [bsxops@bsx.com](mailto:bsxops@bsx.com) before the payment date (which is also the distribution date for the dividend reinvestment). As the BSD handles multiples of 1 only, the information submitted should not include fraction entitlements.<sup>1</sup>
4. The BSD credits the entitlement of new securities to relevant account holders.
5. The transactions will be highlighted as pending transactions for the issuer or RTA
6. The issuer or RTA approves the entitlement and the securities are immediately added to the account holder.
7. Due to small cash amounts carried forward, the amount added to each account may not be exactly the same as the amount credited by the registrar; in this case the BSD will reconcile with the registrar and make the necessary correcting entries.

---

<sup>1</sup> The BSD does not handle fractions of securities. Therefore, the Issuer or RTA is required to hold fractions on the official register or remit payment to an account holder where a dividend reinvestment option results in a fraction of a security being allocated.

## Dividends and Bonus Issues

The securities account balance is automatically updated on the effective date if processed by the BSD.

## Rights Issue

Rights are automatically allocated to account holders in proportion to their holding of the underlying securities on the record date.

Rights may be traded and account balances are updated as for normal trades. However, the BSD does not handle subscription monies and these must be sent directly to the registrar or appropriate entity handling the transaction. The registrar will advise the BSD of the subscription monies that have been received and the accounts are updated accordingly. Once an account has been updated in this way it is not possible to sell securities from the 'fully paid' amount. Following the last day for subscription the system will update the accounts by adding new securities.

## Cash Fractions

The BSD system does not handle cash fractions and these are distributed by the issuer in the same way as dividends.

## Stock Events

For Stock Events such as stock splits (subdivisions) and reverse splits (consolidations), the BSD will automatically update the account balances on the effective day.

## Issuer Processes

### Approval of deposits made into the BSD

An issuer or its RTA approve deposits into the BSD Nominee. Deposits for approval are shown in pending transactions in inventory management and a link is directly available from the dashboard.

1. The Trading Member sends the Transfer Form with back up documentation to the BSX.
1. Once posted by the BSX, the BSX sends documents to the registrar for approval.
2. The registrar can approve or reject the transfer based on a verification of the account holding in the security.
3. If the registrar has questions on the documentation, it should contact [bsxops@bsx.com](mailto:bsxops@bsx.com)
4. Deposits should be approved (or rejected) within two business days.
5. As soon as approved by the registrar, the holding is available for trading immediately.

6. The registrar should ensure that it retains relevant records for future reference.

## Approval of withdrawals from the BSD

An issuer or its RTA approve withdrawals from the BSD Nominee. Withdrawals for approval are shown in pending transactions in inventory management and a link is directly available from the dashboard.

2. The Trading Member sends the Transfer Form with back up documentation to the BSX.
3. Once posted by the BSX, the BSX sends documents to the registrar for approval.
4. The registrar can approve or reject the transfer based on a verification that the account holder has a sufficient holding to withdraw the security.
5. If the registrar has questions on the documentation, it should contact [bsxops@bsx.com](mailto:bsxops@bsx.com)
6. Withdrawals should be approved (or rejected) within two business days.
7. As soon as approved by the registrar, the holding is removed immediately from the BSD.
8. The registrar is required to send appropriate confirmation to the investor within 2 business days.
9. The registrar should ensure that it retains relevant records for future reference.

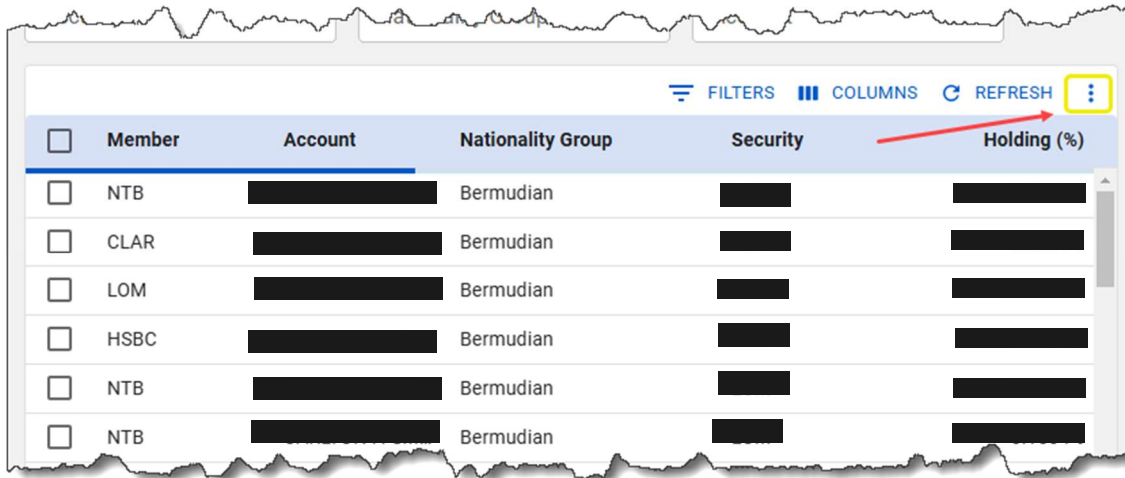
## Reconciliation of the Register with the BSD Nominee

An issuer or its RTA is required to perform a reconciliation of holdings of the BSD Nominee with its shareholder register on a monthly basis and to submit this to the BSX within 5 business days of the month end.

A download of the shareholder data is available directly from the BSD in the Sharebook menu which includes an account and nationality option which enables the issuer to perform the reconciliation.

To download shareholder data, there are a series of ‘how to’ training video available to demonstrate how this is done.

1. Choose the sharebook by account menu.
2. Choose the required filters e.g. security, nationality.
3. Choose the export function located on the right side of the screen.



<input type="checkbox"/>	Member	Account	Nationality Group	Security	Holding (%)
<input type="checkbox"/>	NTB	[REDACTED]	Bermudian	[REDACTED]	[REDACTED]
<input type="checkbox"/>	CLAR	[REDACTED]	Bermudian	[REDACTED]	[REDACTED]
<input type="checkbox"/>	LOM	[REDACTED]	Bermudian	[REDACTED]	[REDACTED]
<input type="checkbox"/>	HSBC	[REDACTED]	Bermudian	[REDACTED]	[REDACTED]
<input type="checkbox"/>	NTB	[REDACTED]	Bermudian	[REDACTED]	[REDACTED]
<input type="checkbox"/>	NTB	[REDACTED]	Bermudian	[REDACTED]	[REDACTED]

4. Export the selected information to an excel or csv.
5. Perform the reconciliation on the standard Reconciliation sheet.
6. Return the sheet to the BSX by email to [bsxops@bsx.com](mailto:bsxops@bsx.com) within five business days of month end.

Historical data is available from the launch date. Shareholder data prior to March 2025 can be provided by the BSX Operations – please contact [bsxops@bsx.com](mailto:bsxops@bsx.com)

### Company Meetings and Proxies

An issuer or its RTA is required to notify the BSX of an upcoming shareholder meeting i.e. AGM, EGM etc.

Domestic Companies - to comply with the Regulations

1. An announcement regarding the GM should be sent to [listings@bsx.com](mailto:listings@bsx.com) at least five business days prior to the meeting (a longer timeframe is preferred). The announcement should include the meeting notice, shareholder resolution, proxy form, reports or other relevant documents. This information is disseminated to the market by the BSX.
2. Separately this information should be sent to [bsxops@bsx.com](mailto:bsxops@bsx.com) as the BSD Nominee. This can be concurrent with sending the information to [listings@bsx.com](mailto:listings@bsx.com) and should specify the deadline that the issuer requires for receipt of proxy votes.
3. The BSX distributes the information to BSD Participants, collates the proxy votes received and submits a summary of the votes to the issuer with backup information.
4. Should the BSX receive a Letter of Representation requesting attendance at the meeting from a BSD Participant on behalf of an investor, the letter will be submitted to the issuer along with the proxy votes.

## Process for Dividend Announcement and Payment handled by the BSD

1. An issuer or its RTA is required to notify the BSX of an upcoming dividend. An announcement regarding the dividend should be sent to [listings@bsx.com](mailto:listings@bsx.com) and [bsxops@bsx.com](mailto:bsxops@bsx.com) at least five business days prior to the record date (a longer timeframe is preferred). The announcement should include the dividend amount per share, the record date and the payment date. This information is disseminated to the market by the BSX.
2. The BSX distributes the information to BSD Participants. The BSX also adds the information to the security details on the BSX website so that investors can see upcoming dividends and paid dividend history.
3. If the BSD is to process the dividend payment, it will add the information to the Corporate Actions menu recorded in the BSD. This information is available for viewing by BSD Participants on corporate actions.
4. Prior to or on the payment date, the issuer is required to deliver the total value of the dividend payment related to the holdings in the BSD.
5. The BSX will distribute these payments to relevant Trading Members via the Clearing Bank.