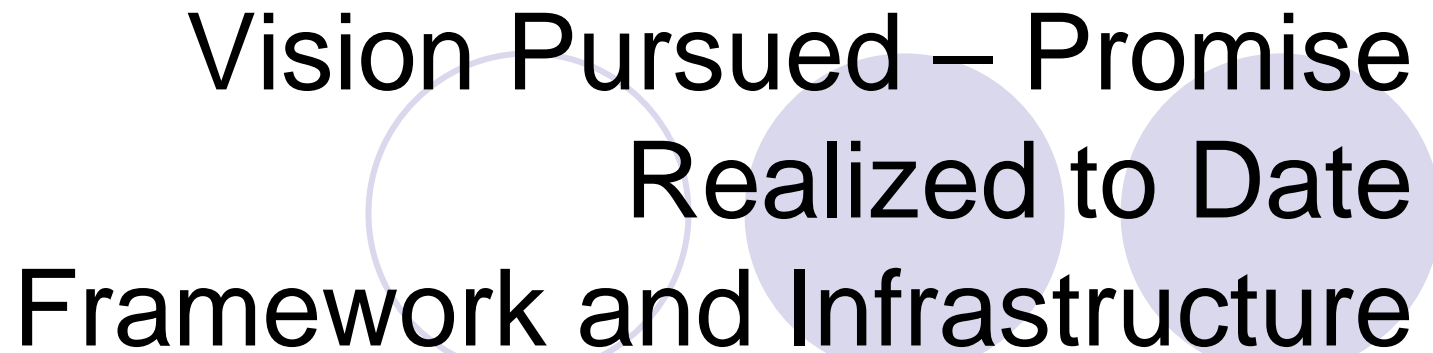


Vision Pursued – Promise Realized to Date Framework and Infrastructure



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Introduction

Our Vision - BSE

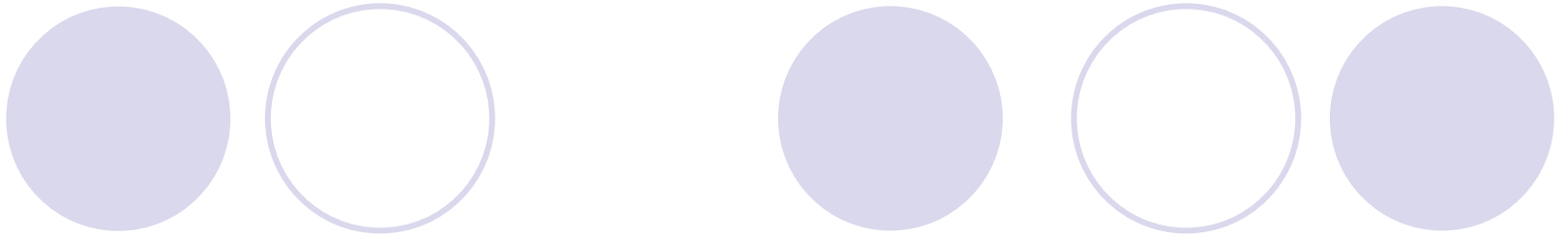
To be a **great** and lasting Caribbean Institution by facilitating wealth creation through trading on an efficient and cost-effective Exchange.



Introduction

Our Mission - BSE

We intend, through education, to foster an environment of confidence and trust in the activities of the capital markets, so that all Barbadians would participate in the trading of financial instruments.



Our Core Values - BSE

- Integrity
- Fairness
- Quality service
- Confidence
- Trust
- Accuracy



BSE - What have we done?

- Education/Market Development
- Improved policies & procedures – internal perspective
- Rules – Revised Rules; New Block Trade Rule
- Legislation – Legislative Review Committee
- Standards for market conduct
- Technology/telecommunications



Still challenges persist...

- Low liquidity
- Relatively small number of listed companies
- A few securities dominate trading on our exchanges.

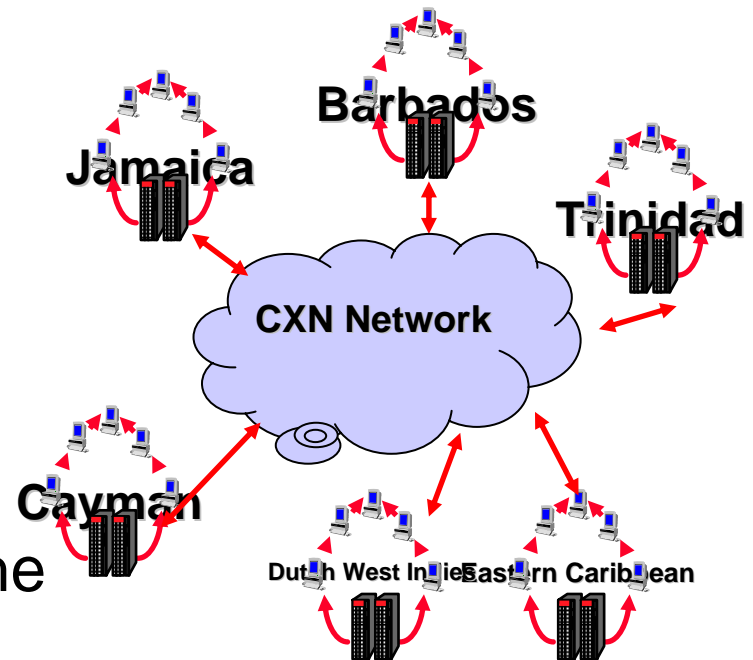
Caribbean Exchange Network

CXN



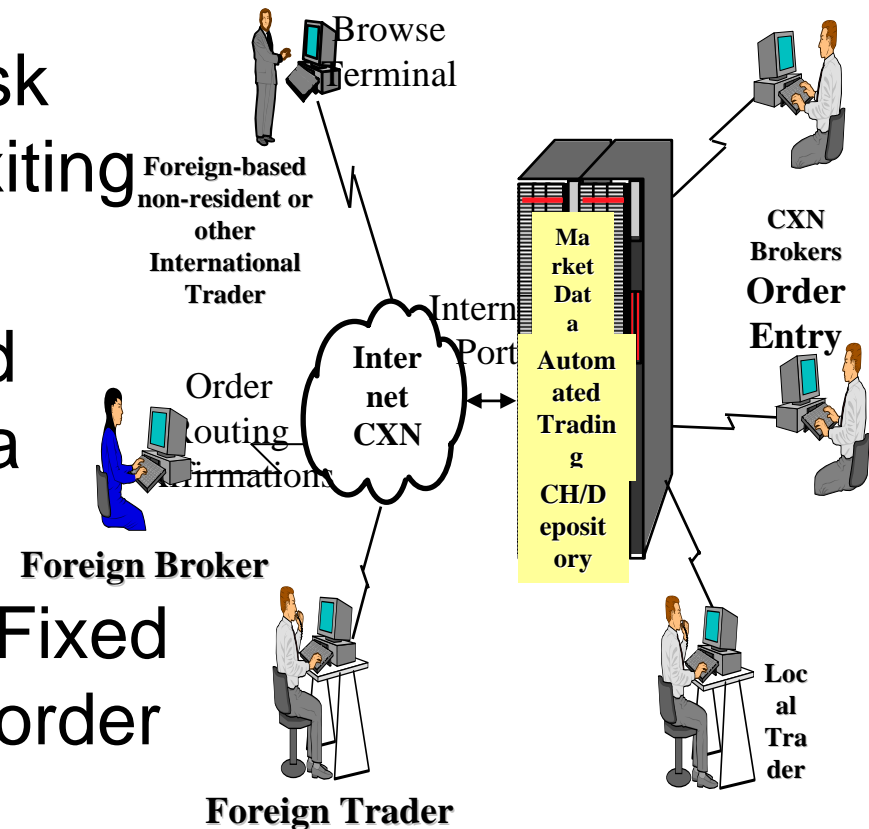
Regional Integration- Phase 1

- Specifically for Exchanges utilizing common platform (Barbados, Jamaica, Trinidad and Tobago)
- Trading and settlement systems linked via CXN Network
- Local markets continue to exist in present form
- Facilitate trading in other jurisdictions
- Brokers to establish accounts in the respective Depository to facilitate trading and settlement



Regional Integration- Phase 2

- Connectivity for other Regional Exchanges
- International Order Desk Application replaces existing workstation
- Workstations populated using consolidated data feeds
- Order routing through Fixed Gateway - automated order routing





Key Issues- The Framework

- Technology / connectivity
- Framework for trading
- Clearance and Settlement
- Harmonization of Rules, Policies and Procedures



Technology/ Connectivity

- Common Platforms will be utilized to link the system in each jurisdiction via high speed connections
- Participants will have simultaneous access to the Trading workstation and CSD systems for each Exchange
- No additional hardware is required for Phase 1 thus facilitating ease of migration to Phase 2



Framework for Trading

- In order to trade brokers must first connect to their respective Central Securities Depository then, using the CXN network, they will gain access to the other Depositories and Exchanges
- When connected, brokers will have access to three Horizon Trading Workstation and three Equator Clearance and Settlement Systems (each representing a jurisdiction on the CXN)
- Brokers will then be able to enter trades and create accounts seamlessly in other jurisdictions
- The system will not be integrated so in circumstances where a security is cross-listed the broker will be required to observe all markets in order to ensure the best execution

Clearance and Settlement

- Clearance and settlement is processed through a settlement bank with a regional footprint and will be regulated through:
 - Settlement agreement with the chosen settlement bank
 - One common InterCSD Depository Agreement to cover treatment of securities, trading and settlement
 - Risk Management through Reconciliation and Reports
 - A Common Settlement Cycle T+3
 - Funds Clearance will be CSD to CSD , CSD to Brokers - Addressed in Regional Settlement Analysis document. We are awaiting request of proposals from three regional banks

Clearance and Settlement



- Trades will be settled T+ 3, however in cases where a holiday arises in the jurisdiction on the normal settlement date, settlement will be the next business day
- No transfer of securities will be done until settlement takes place
- CSD will guarantee settlement if member defaults and CSD will assume market to market risk

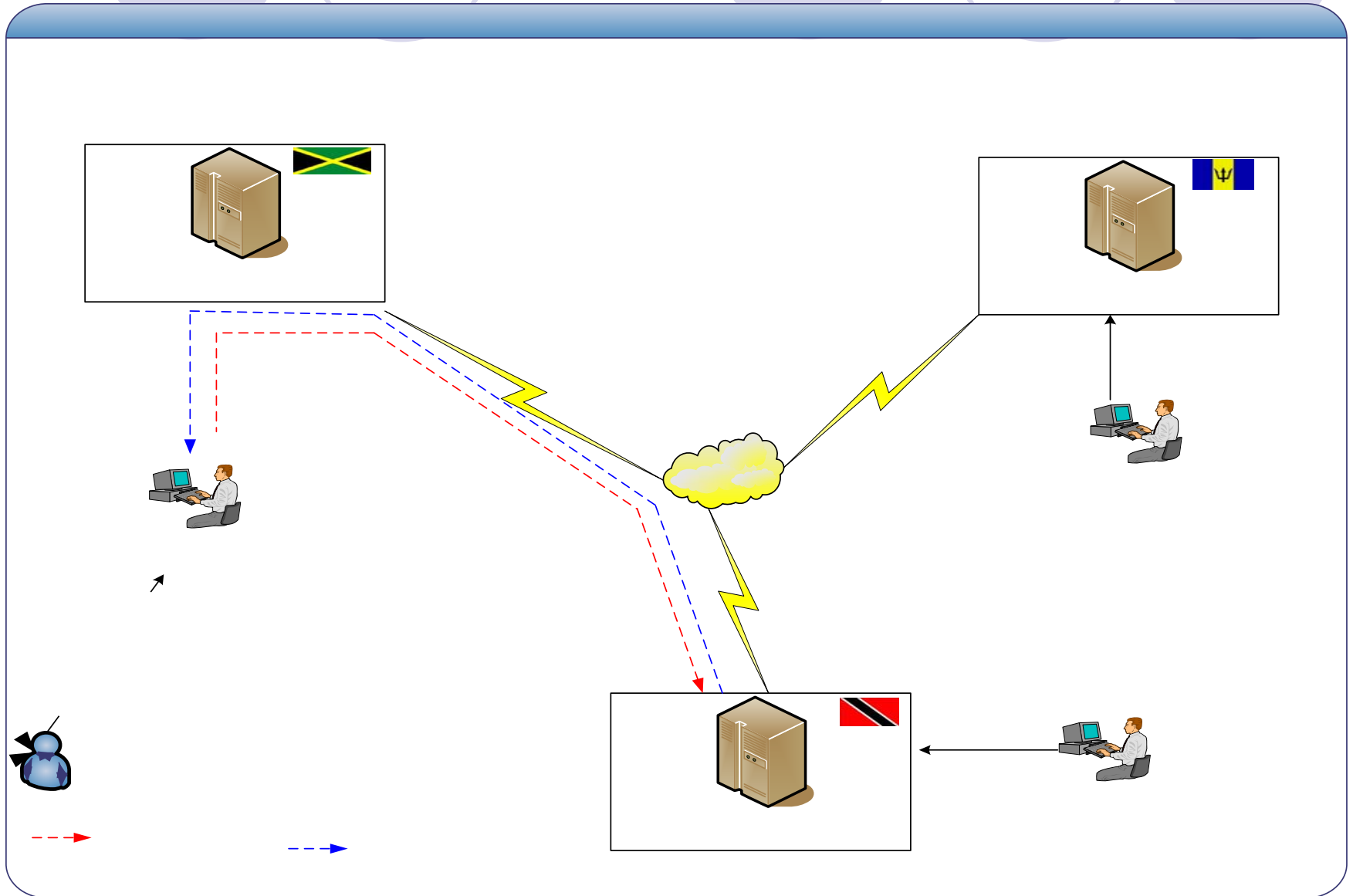
Simplified illustration of CXN at work

- Barbadian client wishes to purchase shares that are listed on the Jamaican Stock Exchange
- Client contacts local broker
- Broker checks price on the JSE Trading workstation on his system and quotes the ask price to the client
- An account is created with the JCSD in the name of the client
- An order is entered and the trade occurs

Simplified illustration of CXN at work


- Confirmation is received by Barbadian Broker
- Barbados Broker funds his Barbadian Dollar account domiciled in the settlement bank and transfers funds to the BCSDI account for his net to pay value
- The settlement bank sources the requisite currency for transfer in settlement of the transaction (JSD)
- The BCSDI transfers the funds into the JCSD account
- Jamaican Funds are distributed to the Jamaican Broker for settlement of the transaction

Visual Look at the Network



Harmonization of Rules, Policies and Procedures

- Agreement for provision of Exchange Network
- Caribbean Exchange Network (CXN) member rules
- Regional Inter CSD Agreement
- Regional CXN Agreement
- Application for the Trading Membership in the CXN
- Agreement for Settlement Service for the CXN



Conclusion The Way Forward

- Connectivity framework is almost complete
- Proposals have been received from two of the three Settlement Banks
- Agreements have been drawn up and will be sent to respective exchanges and commissions for approval
- A draft copy of the CXN rules has been compiled and circulated to the constituent exchanges



What a single regional capital market means to us:

“Stock market integration means, to us, that investors can buy and sell shares in those markets without restriction and that identical securities can be issued and traded at the same price across the markets after foreign exchange adjustment.” Phillip A. Wellons – Integration of Stock Exchanges in Europe, Asia, Canada and the U.S.

This is the essence of the Caribbean Exchange Network

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