

The Bermuda Securities Depository (BSD)

Participants' User Guide

WEB VERSION

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Introduction

Purpose of the Guide

In 1998 the Bermuda Stock Exchange (BSX) introduced an automated trading system, known as BEST. The introduction of BEST enabled BSX trading members to trade electronically in the same way as on many other developed markets and in accordance with internationally accepted trading principles.

The BSX is pleased to announce that the Bermuda Securities Depository (BSD) will be going live in November 2001. This will permit the holding of securities in book entry form (through a central securities depository) and the electronic clearing and settlement of market trades. The introduction of the BSD will bring Bermuda into line with internationally accepted settlement principles.

The purpose of this guide is to provide BSX trading members and other system participants with information about the improvements that this service will provide and to enable them to plan for its introduction.

Overview of the System

The BSD is the clearing, settlement and depository service operated by the BSX. The BSD is linked electronically to the BEST trading system and thus enables the seamless trading and settlement of dematerialised securities.

BSX trading members, custodians, institutions and foreign depositories may become BSD participants. These participants will act on their own behalf and on behalf of investors.

Investors hold their securities in BSD through a participant. Participants may open as many accounts as they wish. This enables participants to operate an exclusive account for an individual person or institution. Alternatively, participants may operate omnibus accounts on behalf of a wide range of investors. However, participants must segregate securities held on their own behalf from securities held for their customers and must also separate securities held for Bermudian investors from those held for non-Bermudians.

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To move securities into dematerialised form in the BSD system, the legal owner (the investor or his agent) will need to sign a transfer form and transfer the legal ownership to the BSD nominee. Although legal ownership changes when the issuer updates the company register, there is no change of beneficial ownership, as the BSD will create a book entry holding in the name of the investor (or his agent). The BSD will provide each participant with on line access to details of the accounts under its control.

Holdings within the BSD nominee will be 'dematerialised' as issuing companies will not issue certificates in respect of this holding. However, the BSD will reconcile on a regular basis with the company registrar and will take steps to ensure that account holders enjoy the rights (e.g. receipt of dividends, attendance at company meetings etc.) of share ownership even though their securities are dematerialised. In addition the BSD will provide company registrars with on-line access to the system. This will enable them to view accounts and transactions on a real time basis.

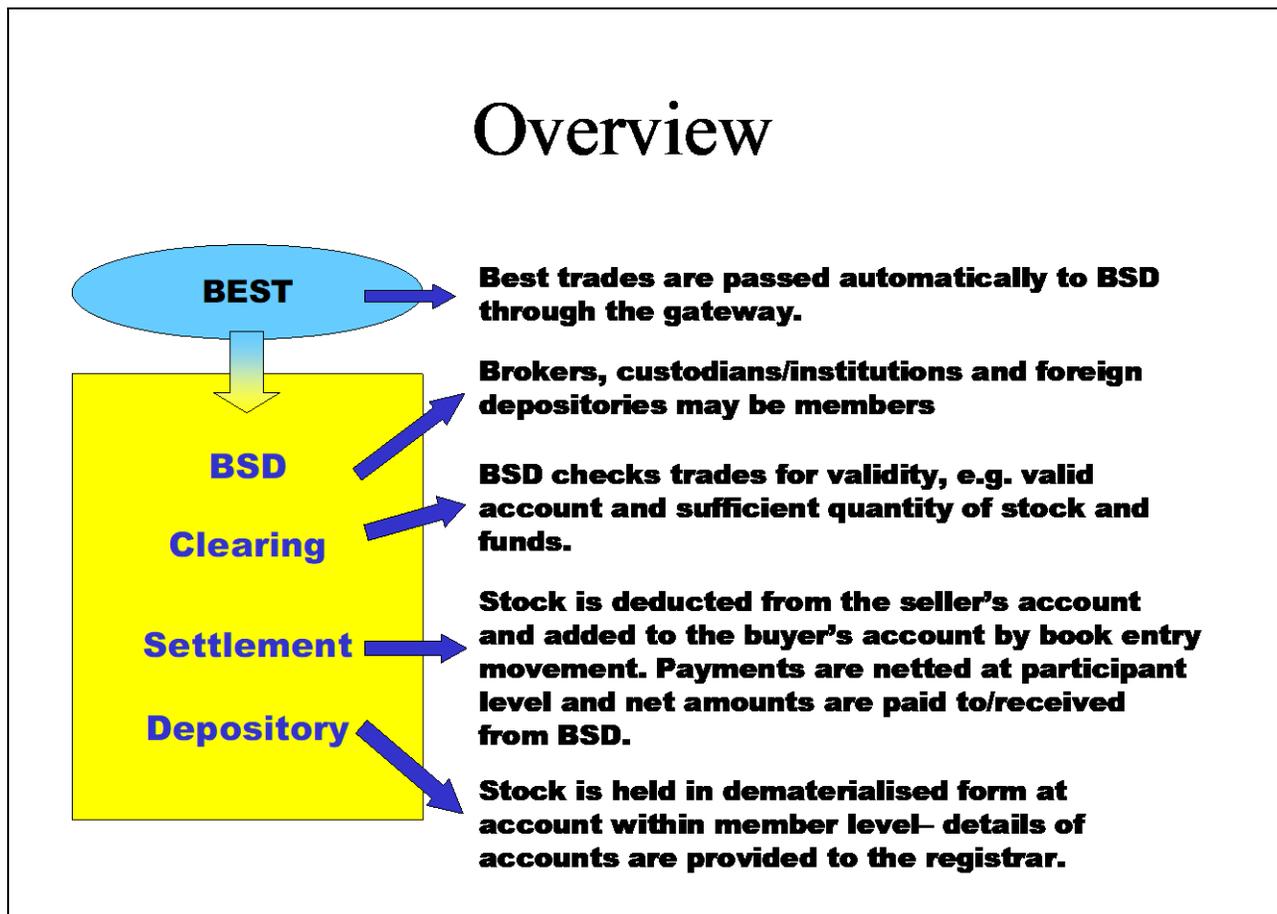
All trades executed on the BSX in BSD eligible securities will be settled by transfers from and to BSD accounts. The value of trades due for settlement on a specified day is netted to give a single pay or receive figure for each participant. Participants, who are due to pay, settle the net figure by wire (or intra bank) transfer on the settlement day. Conversely BSD will make payment to receiving participants in the same way.

Where an investor holds the securities, through a participant, in the BSD, then no further documentation is required from the seller and securities will be taken from the seller's account and added to the buyer's account immediately the trade is executed. Investors may therefore buy and sell on the same day. Investors who hold certificates must surrender them to their broker before they can sell. In addition the broker must arrange for the dematerialisation of the securities before the trade can take place.

Investors, who buy on the BSX, may request that their broker provide them with a certificate. In this case, following settlement (delivery of securities and payment of funds) the participant, will request the BSD to provide a certificate. The BSD will prepare a transfer from the BSD nominee to the name of the investor (or his agent) and request the issuer's registrar to transfer legal ownership and issue a certificate to the investor.

Securities in the BSD system can be transferred from account to account by book entry movement. Such transfers may arise from trades on the BSX, voluntary conveyances or changes in the relationship between an investor and the participant. In addition securities can be 'frozen' as a result of a pledge instruction. In this case the securities will not be released until the BSD receives a release request from the pledgee. Securities within the system can also be borrowed and returned by an automated book entry transfer procedure.

The implementation of the BSD will enable the BSX to provide a greatly improved level of service to investors. The BSX will ensure that all trades are settled on their due date through the delivery of good securities to a BSD account and that payment is made by and to participants. On the securities side, the BSX, through its link with the BSD, will check that securities are available to satisfy all sold orders before they are accepted into the system. Immediately the trade is executed the securities will be transferred to the buyer's account and may then be used for sale within the system. As all securities within the system are good stock no trade can be the subject of a bad delivery. In terms of funds, BSD participants are required to support their net trading levels with either cash deposits or acceptable financial guarantees. This will ensure that funds are available for participants to settle their net liabilities with the BSD on settlement due date.



Transition to BSD Settlement

The new BSD service will be subject to a phased introduction.

The BSD system will be opened for deposits and withdrawals in specified listed securities (called “eligible securities”). This period will enable participants to open accounts and dematerialise securities in a controlled manner. The BSD will make arrangements to withdraw securities and deliver them to the market if an investor sells during this period (See the section of this Guide called “Transition”).

As soon as the first security is eligible for settlement the BSD will implement the central payment system. From this time all cash payments for all trades executed in BEST will be settled through the clearing account nominated by the BSD, even though some of those trades will continue to require physical settlement through the BSX's existing central clearing facility.

After sufficient securities have been deposited into the system, securities (symbols) will become eligible for BSD settlement on an individual basis. Once a security has been made BSD eligible, BEST trades in these securities will be automatically passed from BEST to BSD. The service will start by settling a small number (possibly one) security but the number of eligible securities will then be built up as fast as possible, consistent with the efficient operation of the system and the market.

The identity of securities that become BSD eligible and the date for the take on of each security will be agreed with the issuing company and announced nearer to the time of implementation.

Legal Structure

Introduction

The BSD service will operate within the existing Bermuda legal structure.

Operations

The BSD will be operated by the BSX. The BSD service has its own rules and regulations governing the actions and responsibilities of the BSD and its participants. The BSX listing rules have been amended to require listed issuers to comply with the section of the BSD rules that relates to issuers of eligible securities.

Regulatory Status

The BSD will be operated as a facility of the BSX. The operation and rules of the BSD are therefore regulated by the BMA in the same way as all other BSX activities. The BMA has approved the BSD rules and associated changes to the BSX rules.

Legal Ownership

Securities within the depository will be registered into the name of a nominee – BSD Nominee Limited. This is a Bermudian company, owned by the BSX. The objects of the company are narrowly drafted to provide that it will only act as a nominee company shareholder for the BSD. As a bare nominee, it will not hold assets, other than eligible securities on behalf of participants, and will not incur liabilities. The assets of investors are thus 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 and out of the BSD nominee name will take 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.

Investors who hold securities in book entry form within the BSD will therefore have beneficial but not legal ownership of the securities. In the rules this is referred to as ‘an interest in securities’.

Dematerialisation

The BSD nominee's shareholdings will be held in "book form" as the rules will require that companies do not issue certificates in respect of the holding of the BSD nominee. Eligible securities held through the BSD will thus have been "dematerialised".

Transparency

BSD participants will be responsible for opening accounts. These accounts may relate to a single investor or may be an omnibus nominee. However, the BSD rules require the BSD to provide the issuer, on a regular basis, with details of the account holders and their balances in the security concerned. This service will ensure that investors and the company can enjoy the same level of contact as they do today.

Stamp Duty

Transfers within the BSD as a result of market trades are free of stamp under the auspices of the BSX Private Act that exempts transfers of listed securities from stamp if the transfer is by way of sale.

Transfers within the BSD as a result of voluntary conveyances will remain subject to adjudication by the Accountant General and the BSD rules require participants to ensure that stamp is paid as required. The BSD will provide the Accountant General, on request, with information concerning transfers that take place within the BSD, other than as a result of market trades.

Transfers of legal ownership to and from the BSD nominee will not be subject to stamp duty as no change of beneficial ownership is taking place.

Stock loans will be subject to a fixed rate of stamp duty of \$10 under Head 27 Marketable Securities and Shares. (See the section of this Guide called "Transactions" and the sub-section called "Stock Loans").

Phase II

In the longer term the BSD will approach the government to seek a change in the law such that investors who hold securities in book entry form within the BSD can be given full shareholder rights, as if they held the securities directly.

Participants

Introduction

The following types of organisations may become direct BSD participants:

- Trading Members of the BSX;
- Banks, regulated by the BMA, that provide domestic custody services;
- Institutions that are regulated by the BMA or are licensed as Insurance Entities by the Registrar of Companies, who hold BSD eligible securities;
- Trust companies licenced by the BMA;
- Members of professional bodies, which regulate the activities of their members acceptable to the BSD, that provide domestic custody services;
- Foreign entities regulated by an overseas regulator acceptable to the BSD;
- Foreign central depositories regulated by an overseas regulator acceptable to the BSD.

In addition the system permits securities within the system to be used as collateral and therefore recognises Pledgee Banks as participants, although these organisations do not need direct access to the system (See the section of this Guide called “Accounts” and the sub-section called “Pledging”).

BSX Trading Members

Trading members of the BSX will automatically be granted membership of the BSD. However, before the BSD becomes operational, existing BSX trading members who wish to trade on the BSX will be required to provide a financial guarantee or cash to support their net trading activity (see the section of this Guide called “Clearing”).

Brokers (as defined in the BSX Trading membership Regulations) may only hold accounts on behalf of customers. Broker dealers and market makers may act on their own behalf and on behalf of customers. However customer’s securities must be held in accounts clearly identified as such and separate from securities beneficially owned by the firm.

BSX trading members who do not wish to become direct members of the BSD may appoint a clearing member to settle on their behalf, provided that the clearing member is contractually bound to settle all market trades on behalf of the BSX trading member. The BSX will need to review the clearing agreement.

Custodians

Custodians who are banks or members of professional associations (or other custodians when they are regulated by the Bermuda Monetary Authority or an equivalent overseas regulator) may also become direct members of the BSD. They will not have access to the BEST trading system but will enjoy all the services offered by the BSD.

Custodians may hold securities on their own behalf or on behalf of their customers.

It will not be necessary for the participant to be a local incorporated company or to have a presence in Bermuda provided they are able to demonstrate a capacity to communicate effectively with the BSD.

Custodians may deliver securities to brokers and brokers may deliver securities to custodians using an inter member movement (see the section of this Guide called "Transactions") or may take advantage of the special settlement facilities in the BSD system (see the section of this Guide called "Clearing"). However, all movements to and from custodians, in the system, are free of payment.

Institutions

Institutions such as insurance companies and trust companies that hold BSD eligible securities may also become direct BSD participants. These institutions may only act as a custodian for securities held on their own behalf although different funds may be identified on the BSD records.

Institutions may also be incorporated and/or located outside of Bermuda, in the same way as custodians. The delivery mechanisms available to institutions are the same as those available to custodians.

Foreign Depositories

Foreign depositories, such as DTCC, may also become direct BSD participants.

BSD Participants

	Trading	Clearing	Settlement	Depository
Brokers	Yes	Yes	Yes	Yes
Custodians	No	Yes	Yes	Yes
Institutions	No	Yes	Yes	Own Accounts
Foreign Depositories	No	Yes	Yes	Omnibus Account

Fees

The BSD will levy a participation charge on direct participants, who are not BSX trading members. The fee will vary depending on whether the participant only holds for investors or holds on their own behalf (see Appendix B).

System

Overview

The BSD is using a computer system supplied by EFA Software Services Ltd. This system is used by a wide variety of stock exchanges and depositories, worldwide. The BSX's fully electronic trading system, known as BEST, is supplied by the same software company and the trading and settlement systems are designed to work closely together.

System Access

The BSD system will be available online from 7:00 am to 7:00 pm on BSX trading days and can be made available outside of those hours with the prior agreement of the BSD's Operations Department and subject to an out of hours access charge.

Users

Each user within a participant is given individual access to the system by the BSD's Operations Department following a request from the participant. Each participant will be required to appoint a single person within its organisation who will be required to specify the level of access for each user within the organisation. Varying levels of access may be authorised, i.e.:

- read only access;
- access to information concerning specific securities;
- access to information concerning specific accounts;
- the ability to enter specific transaction types; i.e.
 - account opening and closing;
 - inter broker movement;
 - intra broker movement;
 - stock loans; this is entered by the lender or the borrower and agreed by the counterparty.

To request that the BSD set up a new user, participants must complete a User Access Form (see Appendix C) and submit it to the BSD. The same form can be used by participants to request access changes and BSD must be advised if a user's access is to be disabled.

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All access to the system is password controlled. When a user is set up a password, which will be exactly the same as the user name, will be established. The first time a user logs on, the system will require that the password be changed. The new password must be eight characters long and must include a digit (a number). The system will require the password to be changed after each thirty days and the same password cannot be reused for twelve months.

If there are three invalid attempts to sign on the system will automatically disable a user. The user can only be re-enabled by the BSD's Operations Department.

Accounts

Account Opening

Participants in the BSD system are responsible for opening accounts for their customers. These accounts may contain securities for:

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

Where a participant operates omnibus accounts, the participant is responsible for ensuring that the balances held for each investor are properly recorded.

Participants may open as many (or as few) accounts as they wish. The only restrictions imposed by the rules are:

- the account name must be a name that would be capable of being entered as the name of a member on the register of members of a company incorporated in Bermuda;
- customer's securities must be segregated from the principal's securities, i.e. an account must not contain both customer's and the principal's securities;
- only broker/dealers and market makers may have "House", i.e. principal accounts;
- only BSX trading members may have allocation accounts (see below);
- omnibus accounts must be identified; the account set up screen has an account description of "Group Account"; this is set at "Y" for omnibus accounts and "N" for accounts that relate to a single individual, trust or company;
- securities held for Bermudians must be held in a separate account from securities held for non Bermudians; for Bermudians the account description field called "Citizenship" must be set as "BDA"; for non Bermudians the Account Type must be shown as "F" for Foreigner (non Bermudian) and the account description field called "Citizenship" must be set as anything other than "BDA";

The procedure for opening accounts is shown in Appendix F1. The same procedure can be used to hold, suspend or close accounts.

The system will automatically allocate an account number and an investor number (see below) for each account that is opened.

Allocation Accounts

An allocation account may be used to defer the allocation of bought securities to a particular investor or to require settlement staff, rather than traders, to specify the destination of securities following a bought trade. Allocation accounts cannot be used for sold trades and the system will check the availability of securities in an investor's account before accepting a sold order.

The allocation account and the account to which securities are to be moved must have the same Account Type. Participants will therefore need to set up separate allocation accounts for each Account Type (e.g. foreign, local client) that they use.

Participants that establish Allocation Accounts will also need to establish a default account. This account will be used for all trades assigned to an allocation account that are not allocated before the last time for allocation. The procedure for setting up an allocation default account is shown in Appendix F2.

Investor Number

When an account is opened the system will automatically assign an Investor Number (NIN) to the account, unless the participant enters an existing, valid NIN (e.g. to link multiple accounts that relate to one particular investor).

In the BSD system the NIN should be entered by the participant where the account is being opened to facilitate settlement between a broker and a custodian or institution in respect of the same investor (see the section of this Guide called "Clearing").

The NIN is also used where the account is opened in the name of joint holders and the participant requires that the joint names appear on the Statement of Account printed from the BSD system and also requires that the joint names are reported to the company registrar (see "Joint Accounts" below).

Joint Accounts

Where a broker wishes to record joint names as account holders an account is opened in the name of the first named holder with Joint Account marked as "Yes". In order to enter the names of the joint holders the participant must request the BSD's Operations Department to establish a NIN for each joint account holder unless the participant has already established NIN's that relate to each account holder (through previously having opened other accounts for those account holders) or by opening an account for the

investor in his own right. Once the NIN has been established the participant can enter details for each joint account holder.

Transparency

The intention of BSD is to ensure that companies and their investors retain, to the maximum extent possible, the level of transparency that exists today. The BSD will therefore make available details of account holders to registrars on a real time basis (through the registrar's terminal – see Registrars' User Guide). The rules permit registrars to make account holders' details available to the public on the same basis as the legal register is available.

Participants need to be aware that account holder details may be disclosed in this way when they are establishing customer accounts. Where an investor does not want his identity to be revealed to the company and/or the general public then securities should be held in a nominee account.

Inventory

Within an account, inventory is held under the following headings:

- Owned Balance;
- New Balance;
- Available;
- Net Pending;
- Frozen;
- Pledged.

These balances are updated as follows:

- Owned Balance; updated at the end of the business day as a result of the following transactions;
 - settlement of a trade (on T+2);
 - deposits of securities (when good delivery confirmed by the registrar);
 - withdrawals into certificated form (when request is accepted);
 - interbroker movements (when movement is approved);
 - intrabroker movements (when movement is approved);
 - pledges (when securities are pledged or released);
 - stock loans (when securities are lent/borrowed or returned);
- New Balance; updated in real time when the above transactions (except settlement) are approved; this balance plus trade settlements will move to the Owned Balance when the end of day processes are run;
- Available; updated when:

- an order is accepted or cancelled; securities move from Available to Frozen (order) and from Frozen to Available (order cancellation);
- a transaction (see above) other than a trade updates the owned balance;
- Frozen; updated when:
 - an order is accepted or cancelled; securities move from Available to Frozen or vice versa;
 - a trade is executed; securities moves from Frozen to Net Pending;
- Net Pending; updated when a buy or sell order is executed; in the case of a buy the Net Pending and the Available are credited; in the case of a sell the Frozen (which was credited from Available when the order was entered) and the Net Pending are debited;
- Pledge; updated when a pledge is approved or released; it moves to/from the Available and updates the New Balance.

Fractional Securities

Fractional securities may be held in a BSD account. Fractional securities will be allocated a different symbol from the underlying securities. The fractional symbol will show the number of fractions that are held in the account. If sufficient fractional securities are deposited to make a whole share then the fractions will be withdrawn and a whole share deposited by the BSD Operations.

Example:

A holding of 25.75 shares of a security where the fractions were issued in hundredths will be held as:

- Underlying shares 25
- Fractional shares 75

The price of each fractional share would be 1/100th of the price of the underlying shares.

Fractional securities cannot be traded through the BEST system. However, the issuer will usually buy back fractions at the market price. Arrangements for such a buy back should be made with the issuer and the BSD Operations Department.

Account Update

When orders are executed, (i.e. a trade takes place), the system immediately updates the Available and Net Pending balances of both parties. As the buyer's Available

balance is immediately updated these securities are therefore immediately available for sale. However securities cannot be withdrawn or transferred to another account until the Owned Balance has been updated, which will not take place until after payment has been received on settlement date (T+2).

Accounts are updated immediately inter or intra member transfers and pledges are approved.

Movements in respect of stock loans, stock loan returns and corporate actions take place at the end of the relevant day.

Statements of Account

The BSD will not communicate directly with investors as all communication will take place through participants. However, if account holders wish to receive a statement of their holdings direct from the BSD this may be requested by their participant in writing giving the following information:

- Account holder's name and address;
- Address to which statement is to be sent;
- Account reference (or references);
- Date at which statement is required (this may be the current date or a date in the past).

The request lodged at the BSD must be accompanied by the relevant fee (see Appendix B) and the relevant account must not be designated as a Group Account.

Account Fees

Fees will be charged for:

- each account that is opened;
- holding the securities in the depository. This fee is related to the value of the securities held and is calculated on a sliding fee scale.

A fee schedule is contained in Appendix B.

Trading

There will be a small number of changes to the trading procedures as a result of tightly coupling the trading and depository systems. These relate to:

- mandatory entry of account reference;
- ensuring that securities will be available to settle sold trades;
- suspending existing and rejecting new orders when a broker's net indebtedness exceeds the settlement cap;
- suspending existing and rejecting new orders if the foreign ownership or single ownership limits, as advised by the company, are exceeded.

Account Reference

The trading system will require that an account reference is entered on each order, both bought and sold, in respect of eligible securities. A list of the BSX trading member's account references and account names will be available on the trading system. When a new BSD account is established or account details are changed the details will appear on the BEST trading system within a minute of the update.

However, if the trader has not logged on for an extended period of time or has moved workstations then it is possible that not all updates will be available. If this occurs, traders should contact the BSD's Operations Department which can quickly provide a full update.

Trading members may enter an Allocation Account on bought but not sold orders.

Availability of Securities

When a sold order is entered the system will check that securities are available in the designated account to settle the order in full if it is executed. If securities are not available to settle a resulting trade in full, the trading system will reject the order. When an order is accepted the system will 'freeze' securities in the designated account to satisfy the order (i.e. the Available balance is debited and the Frozen balance is credited). This freeze is released if the order is cancelled by the trader or automatically cancelled by the BEST system (e.g. the order is "good till..." and expires unexecuted).

Settlement Cap

A settlement cap will be established in the system for each BSX trading member. The system will warn the BSD's Operations Department if the cap is likely to be breached, (i.e. when the net amount owed by the trading member to the BSD, for all unsettled trades, exceeds a specified percentage of the settlement cap). When such a warning is received the BSD's Operations Department will contact the BSX trading member and agree a course of action.

If an order is executed that breaches the settlement cap, the system will automatically reject all further bought orders and will suspend all bought orders currently in the system. Sold orders may continue to be entered and executed. Further bought orders may be entered with the approval of the BSD's Operations Department, when the net amount outstanding has been reduced to a figure below the level of the settlement cap.

Such a reduction may be achieved either by executing sell orders or by increasing the level of the guarantee or cash lodged with the BSD.

The settlement cap will not prevent a broker from executing a large trade across his own office as the settlement cap is adjusted for net purchases and sales within a trading day.

Ownership Limits

Each company will advise the BSD of ownership limits related to:

- the aggregate of foreign owners;
- a single foreign owner;
- a single domestic holder.

In addition to the absolute limit the BSD will set warning limits at a percentage of the absolute limit. When an order is entered that triggers a warning that the specified limit may be breached, the BSD's Operations Department will issue a warning to the market (for aggregate limits) or to the broker concerned (for individual limits).

If an order, when executed, would breach the limit the system automatically prevents the order from being entered (for foreign or individual investors as appropriate).

Clearing

Interface with BEST

Once a security has been declared eligible for BSD settlement, the BSX rules will require that all trades executed through BEST be settled through the BSD system by the update of BSD accounts unless the BSX have approved alternative arrangements in advance. Trades in eligible securities executed through the BEST system will automatically be passed to the BSD for settlement.

Trade Assurance

The BSD will ensure that securities and cash will pass for all BSX trades i.e. that once a trade is executed, securities will pass from seller to buyer and brokers will receive any net funds due to them in respect of a day's trading.

To enable the BSX to provide this assurance:

- the BEST system will not accept sold orders unless securities are available in a BSD account specified by the trader; and
- the BSD will use a settlement cap to ensure that the net indebtedness of the broker to the BSD is supported by either a financial guarantee or cash.

Validation of Sold Orders

BSX trading members are required, under the rules, to ensure that securities are available in a specified BSD account before they sell on behalf of an investor.

When a sold order is entered the trader will be required to specify the account from which the securities are to be taken. The system will check the availability of securities in the nominated account. If the securities are available the system will accept the order and freeze the specified quantity of securities. If the order is subsequently executed the securities will be moved to a pending account, awaiting settlement. If the order is cancelled, either by the broker or automatically following expiry of the order time, the securities will be moved from the frozen quantity back to the available quantity.

The BEST system will not accept sold orders where there are insufficient securities to satisfy the order in full, whether or not the full quantity is disclosed to the market.

Settlement Cap

In order to ensure that funds will be available to settle their net liabilities, BSX trading members will be 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.

Cash to support the settlement cap will be held in a special account at the clearing bank. The cash will be identified as the participant's cash and any interest earned on the cash will be payable to the 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 participant's settlement cap is then reduced accordingly.

Guarantees 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 form of the guarantee is specified in Appendix A.

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 system will produce a warning when the net indebtedness of a broker reaches a specified percentage of the level of the settlement cap. At this point BSD may require the broker to withdraw some bought orders from the market or take such other steps as are necessary to ensure that the settlement cap is not breached.

If, nevertheless, the settlement cap is breached the BSD will automatically eject any further bought orders and suspend all outstanding bought orders until the indebtedness is reduced (by a sold trade) or the level of the guarantee plus cash is increased (or both). In addition the BSD may require the broker to sell out to reduce the level of the indebtedness to below the level of the settlement cap.

Securities held by Custodians/Institutions

Where an investor trades through one BSX trading member but holds his securities with a custodian, or an institutional participant of the BSD trades through a BSX trading member, the participants may transfer securities from one to another using inter member movements (see the section of this Guide called "Transactions"). Where the investor is selling this movement must take place before the securities can be sold. Where the investor is buying this transfer can only take place after the settlement due date.

Alternatively the BSD system provides functionality to enable settlement of securities to take place directly with the custodian/institution on the settlement date.

The broker and the custodian must both open an account with the same investor number (NIN). Where a single account is maintained by the custodian for an investor the custodian may advise the broker of the investors NIN. Alternatively the custodian may move the securities that are the subject of sale to a segregated account that may be accessed by the broker.

The BSX trading member may then request the BSD to enter an override instruction from their account to the account under the control of the custodian/institution. Once the override is in place the broker may enter the sold order. It will be accepted provided securities are available in the account maintained by the custodian and those securities will be frozen in that account until the trade is executed. They will then be moved from the Frozen balance to the Net Pending balance on settlement day. For purchases the Net Pending balance in the account maintained by the custodian will be updated immediately following the trade execution.

On settlement day, the Owned Balance will be updated in the account under the control of the custodian. However the settlement of funds must take place between the broker and the investor/custodian outside of the system.

Allocations

Where an allocation account has been entered on a bought order the trade will not result in an update to the balance in the allocation account. Instead the transaction details will be shown as awaiting allocation. The trade must be allocated before 1600 hours on T+1.

Details of the allocation process are contained in Appendix F3.

Trades may only be allocated to an account with the same account type as the allocation account that has been used, e.g. allocation accounts with Account Type F (foreign) may only be allocated to another account with Account Type F. Only one allocation per receiving account is allowed. However, it is possible to amend the quantity allocated to a particular receiving account at any time before the cut off time.

Trades, which are not allocated before the cut off time, will be added to the default account on Settlement Date.

Trade Cancellation

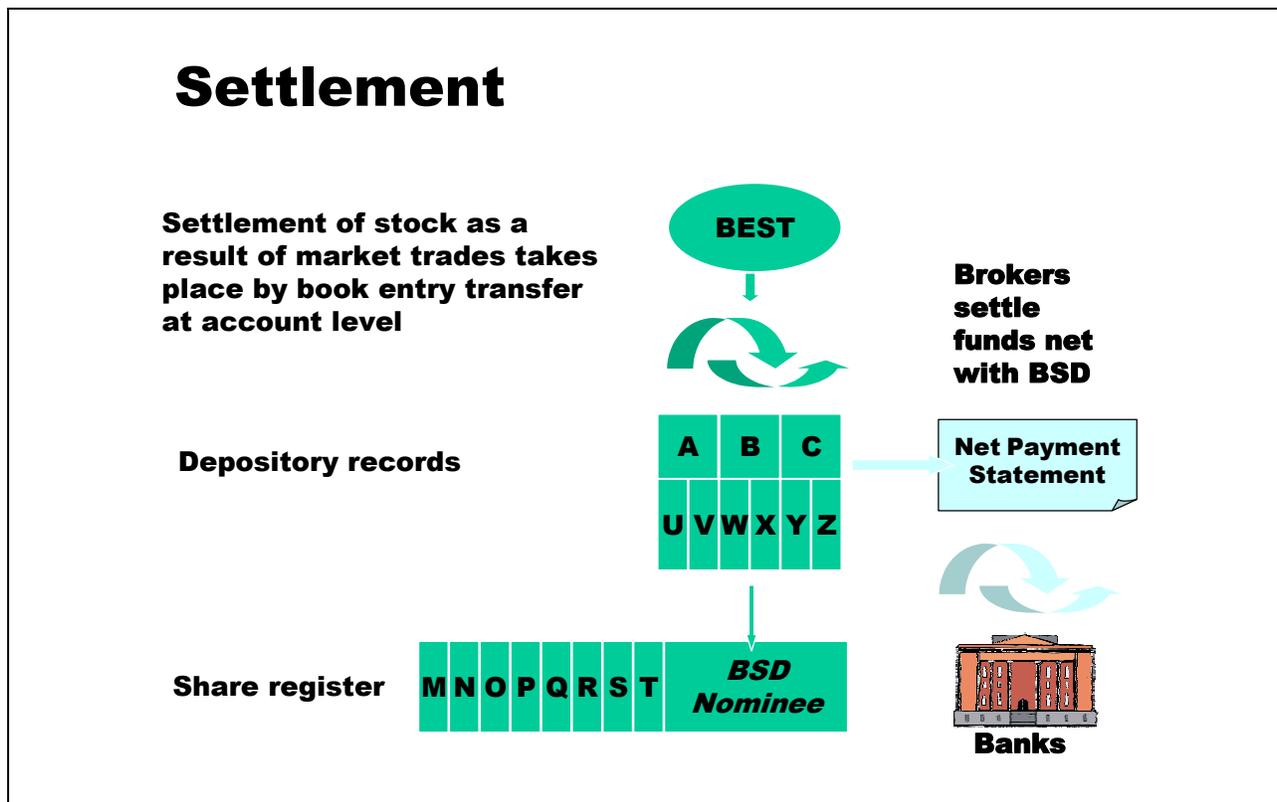
In the event that the BSX cancels a trade, in accordance with Article 8 of the Trading Regulations, the BSD's Operations Department will ensure that securities are transferred from the buyer to the seller.

Settlement

Securities

On the evening of the settlement due date, currently **T+2**, the Net Pending balance and the Owned Balance in the accounts will be updated as a result of settlement of the trade.

All deliveries to BSX trading members, as a result of trades executed through BEST, will be settled by delivery to the account nominated by the BSX trading member. However, some investors may insist on receiving a physical certificate in respect of their securities and having their ownership recorded on the company's legal register. In these cases the BSX trading member will need to withdraw the securities and pay a withdrawal fee (see the section of this Guide called "Transactions").



Funds

The central payment arrangements will come into effect for all securities as soon as the first security becomes eligible for settlement within the BSD system. Thus the net payment amount will be in respect of all trades due for settlement on that date, regardless of whether or not they are to be settled within BSD in or physical form.

At the end of each trading day, the BSD system will make available a payment statement (Member Clearing Report) showing the net amount to be paid or received by each participant in each currency on the settlement date (T+2). On the settlement date, BSD participants settle the cash value of trades net with the BSD in accordance with the Member Clearing Report.

The BSD has appointed a clearing bank and all participants who are net payers must remit funds to the BSD clearing account at the clearing bank. Payment must be made by wired funds through SWIFT instructions entered before 2:00 pm on the settlement due date. Where a firm is a net recipient of funds, then the BSD will instruct the clearing bank to make payment on the settlement due date.

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 broker's settlement cap by a prudential amount;
- draw down on any cash lodged by that broker to support the settlement cap;
- call the guarantee lodged by that broker 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 broker;
- fine the broker; and/or
- suspend the broker.

Transactions

Deposits

Once an account is open, investors are encouraged to deposit securities into the BSD. Securities must be credited to an account in BSD before they can be sold on the BSX. When a sold 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.

To deposit securities, shareholders must sign a completed transfer form showing BSD Nominee Limited as the transferee.

As soon as the participant has received the necessary documentation they must enter a deposit into the BSD system as a Stock Adjustment (Positive). Following this data capture a record will appear on the participant's system as 'entered' but not posted or approved. The balances in the account will not yet be updated.

Following data entry, participants must enter the sequence code from the system onto the transfer form to enable both BSD and the registrar to identify the deposit. Participants should then deposit the forms and certificates (or indemnities, where applicable) at the BSD, accompanied by a completed deposit list, see Appendix D. A separate list is required for each security, as the list will be passed on to the relevant registrar.

Following data entry 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 participant and 'post' the deposit entry. The posting will appear on the participant's screen to enable the progress of the deposit to be tracked through the system. However, no balances will be updated.

The documents are then sent to the registrar for approval. Once the registrar has effected the transfer of legal ownership from the shareholder to the BSD nominee, the deposit will be approved and securities will be moved to the Available Balance in the account specified on the original deposit data entry by the participant.

In normal circumstances the deposit should be approved by the registrar within two business days of deposit. However, this is not guaranteed and participants are advised

to ask investors, who intend to sell, to deposit securities well before the anticipated sale date.

The BSD does not charge a fee for making deposits.

The system procedures for deposits (Positive Stock Adjustments) are shown in Appendix F4.

Withdrawals

When a holder of book entry securities in a BSD account wishes to receive a share certificate, the participant must obtain from the investor a signed transfer form (showing the investor as the transferee) and request a withdrawal of securities by entering a Stock Adjustment (Negative) into the system. As for deposits this transaction will appear on the participant's screen as entered but not posted or approved. The participant must then lodge the signed transfer form at the BSD.

Where the name on the account and the name on the signed transfer are different the participant must ensure that either any stamp duty due has been paid or that the transfer does not represent a change of beneficial ownership.

On receipt of the form, the BSD will update the system by posting and approving the transaction. This will result in the Available Balance being reduced but will not affect the Owned Balance. The BSD nominee will then complete and sign the transfer form authorising the registrar to transfer the securities from the BSD nominee to the name of the investor. The Owned Balance will be updated when the registrar approves the withdrawal and updates the register.

The registrar will be requested to send the certificate directly to the investor – the new registered shareholder.

No particular time scale is set by the BSD for withdrawals as certificate production is dependent on the Bye-Laws of the company concerned.

The BSD charges a fee for making withdrawals – see Appendix B.

The system procedures for withdrawals (Negative Stock Adjustments) are contained in Appendix F5.

Transfers

Securities may be transferred from one account to another either within (intra) or across (inter) participants. These transfers are all made free of value. However participants are reminded that voluntary conveyances are still subject to stamp duty and must be adjudicated by the Accountant General.

The system procedures for intra member movements are shown in Appendix F6 and those for inter member movement in Appendix F7.

Intra and inter member movements are effected immediately the instruction is approved by an update of the new and available balances.

The BSD charges a fee for inter member transfers but not for intra member transfers – see Appendix B.

Stock Loans

The clearing facilities provided by BSD require that securities are available in a BSD account before a sale order will be accepted by the BEST trading system. There can therefore never be an open short position in the BSD system. However, the BSD system provides a facility for the reporting and settling of stock loans and stock loan returns. Use of this facility will enable participants to arrange the loan of securities prior to executing sale orders. This may be useful either where an investor wishes to sell short, anticipating a fall in market prices, or where investors hold share certificates and wish to sell prior to registration into the BSD nominee being effected.

Participants who wish to have access to this service must advise the BSD's Operations Department, as access needs to be set up at the participant level. The BSD does not provide a central guarantee for stock loans and the contracting parties must assess and assume the risk that securities will not be returned. The BSD system does not cover the movement of collateral from the borrower to the lender or back. It is the responsibility of the contracting parties to ensure that sufficient collateral is passed initially and that the outstanding loan is re-valued and re-collateralised as required. In addition the lender is responsible for claiming, from the borrower, any benefits (e.g. dividends) that are paid during the term of the loan.

Loan requests may be made through the system but lender and borrower must agree the terms outside the system. The parties must agree on a contract number, which must be entered by both parties before the system will record a loan agreement.

If securities in an account may be lent then the account must be set up as a **Margin** account (see Account Maintenance Appendix F1). Securities may not be lent from accounts that are not set up in this way. Similarly, if an account holder is able to borrow securities then the account must also be identified as a margin account.

Borrowers enter loan requests into the system. Once a loan request is entered it will be displayed to all participants until the expiry date. Each request must contain a contract reference although the contract reference will not be displayed. Participants must contact each other to agree the terms outside of the system, in accordance with the rules, and the borrower must advise the lender of the relevant contact number. The lender then agrees the loan by entering the contract number.

Securities will then be moved from the account of the lender to the account of the borrower. At the end of the return date and each day thereafter, the system will check to see if securities are available for return in whole or in part. As soon as securities are available, the borrower's account will be reduced and the lender's account increased by the available quantity.

Details of all loans and their status are visible on the system at all times.

Stock Loans are subject to stamp duty. Participants are therefore responsible for ensuring that the loan agreement is stamped. The BSD holds pre-paid stamps and will provide a stamping service for participants for a fee – see Appendix B. The lending participant must lodge a copy of the duly stamped loan agreement with the BSD.

The system procedures for entering, viewing and executing stock loans are given in Appendix F8.

Pledges

The BSD system allows securities in accounts to be used as collateral. On receipt of instructions from the relevant 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 pledgor's account to the pledgee's account if instructed to do so by the pledgee.

To pledge securities the participant must instruct the BSD in writing containing the following information:

- name of account;

- account number;
- investor NIN;
- quantity of securities to be pledged;
- name and address of pledgee together with copy of pledge agreement showing the authorised signatory of the pledgee.

To release a pledge or to instruct the transfer of the securities to the pledgee, the pledgee must instruct the BSD in writing, giving the information as above.

Fees

The BSD will not make any charges for deposits or intra participant movements in the initial stages.

Fees will be chargeable for all other transactions. A fee schedule is contained in Appendix B.

Benefits and Corporate Events

Cash Benefits

The BSD will provide the registrar with a report giving details of the account holders including:

- record date balance;
- account holder's name and address;
- account holder's bank account;

Dividends and interest will be paid directly to account holders by the registrar unless the issuer has agreed alternative arrangements with the BSD. The BSD Operations Department will advise participants of any alternative arrangements that are agreed.

Participants indicate that the bank account on the account record is to be used for the payment of dividends by setting the bank account type of the account record as D and entering the relevant bank account number (See Account Maintenance – Appendix F1).

Dividend Re-investment Plans

Where the company offers a dividend reinvestment plan the benefit will be processed as follows:

- the BSD will send a message to participants advising them of the details of the forthcoming dividend and that investors may opt to have their dividends reinvested;
- participants may then identify the accounts and the percentage of securities in the account that wish to benefit from the dividend reinvestment plan;
- when the company advises the reinvestment price, the BSD will create an algorithm for distributing securities rather than cash;
- as soon as possible after the record date the BSD will run the dividend and produce a report showing the amount of securities and/or cash due on each account;
- the registrar will pay cash dividends direct to the account holder, as above;
- BSD will credit the new securities to the account on the relevant distribution date;

- 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.

The Bank of Bermuda is planning to manage their dividend reinvestment plan from the US. It will therefore not be possible to hold securities in the BSD system on behalf of investors that wish to participate in this dividend reinvestment plan once the register is transferred.

Dividends and Bonus Issues

The securities account balance will be automatically updated on the effective date.

Rights Issue

Rights will be 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 will be updated as for normal trades. However, the BSD will 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 will be 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.

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.

Company Meetings and Proxies

Companies will distribute information concerning company meetings and proxies direct to account holders in accordance with information supplied by the BSD. Account holders should return proxy forms to the company or registrar as appropriate.

If an issuer's bye-laws permit the appointment of multiple authorised representatives, then an investor may also attend and speak at a shareholder meeting of that issuer as an authorised representative of BSD Nominee Limited (which is the registered

shareholder). In order to do this, the participant must request that the BSD issue a Letter of Representation of the BSD Nominee Limited in respect of a specified number of securities (being that investor's interest in the securities credited to that account holder).

Cash Fractions

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

Enquiries and Downloads

General

The screens relating to account update and entry of transactions provide information on the status of the accounts, transactions concerned. The screens relating to the account master enables participants to see basic account details but also details of account inventory and the underlying transactions.

Enquiries/Reports/Messages

Participants use the **Inquiries/Reports/Messages** windows to see transactions as they are processed. The BSD system provides a wide variety of reports from which a participant can choose to display participant and account activities, balances, inventory and other data.

All enquiries can be turned into reports by pressing the PRINT or PRINT SCREEN key on the keyboard.

The BSD's Operations Department will use the message system to send messages to users. Participants need to select **Read Your Messages** from the **Messaging** menu before the messages are displayed.

It is strongly recommended that checking for messages should therefore form part of the log on routine for each user.

Downloads

Participants who wish to receive information in machine readable (comma separated values) form may request output from the BSD's Operations Department (see Appendix F11).

Transition

The BSD will initially go live with facilities for participants to open accounts and deposit certificates and transfers. This service will be provided for all securities provided the articles of the company do not include any provisions that prevent this happening. A list of eligible securities will be published shortly before live date.

Although participants can open accounts and commence the process of dematerialising securities, settlement will continue to take place in certificated form.

Where an investor has deposited securities into his account the participant may use these securities to settle a market trade by:

- entering a withdrawal into the system;
- lodging a Settlement Form – Sell (see Appendix E) at the BSD in lieu of the certificate.

The BSD will complete and sign a transfer form and use this to settle the trade.

When an investor buys during this period and wishes to hold securities in the BSD, the participant should:

- enter a deposit into the system;
- lodge a Settlement Form – Buy (see Appendix E) at the BSD in lieu of a signed bought transfer.

The BSD will complete and sign a bought transfer and credit the securities to the account when the registrar confirms that the sold securities are good delivery.

After a period during which securities may be deposited, the BSD will move to cash settlement through the depository procedures. The date of this implementation will be announced in advance. Once cash settlement through BSD is implemented, participants will be required to:

- have bank guarantees and/or cash in place to support their net trading values;
- enter an account reference on each transaction; the system will not, however, at this stage check account balances to see if stock is available in respect of non-eligible securities.

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Securities will be made fully eligible for stock settlement on a one by one basis. Once a security is fully eligible participants will be required to have securities available in the nominated account before a sale can take place.

Appendices

Appendix A – Form of Financial Guarantee

PART I: Guarantee

BANK/COMPANY LETTERHEAD

Date:

The Bermuda Stock Exchange (the "Beneficiary")
Street Address

Dear Sirs,

Our Guarantee No: G.....

We, [.....Bank/Company name.....] hereby issue in your favour our Guarantee No. G.....for the account of (Full Name and street address of applicant) for a sum or sums not exceeding a total of BD\$(Amount). This Guarantee is issued in your favour in consideration of you admitting (Applicant's Name) as a participant in the Bermuda Securities Depository.

In consideration of you doing so, we hereby give you our Guarantee and undertake to pay you promptly up to the sum of (\$ Amount) in aggregate, on receipt of your demand(s) (in Writing) for all or any part of this Guarantee certifying that you have not been paid by (Applicant's Name) in accordance with its settlement obligations as a participant of the Bermuda Securities Depository and you remain out-of-pocket. The amount drawn will be applied against indebtedness recorded on your books in the name of the (Applicant's Name).

The term "Beneficiary" includes any successor by operation of law of the named Beneficiary, including, without limitation, any liquidator or receiver.

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Except as expressly stated herein, this Guarantee is not subject to any condition or qualification. The obligation of [.....Bank/Company name.....] under this Guarantee is the individual obligation of [.....Bank/Company name.....], and is in no way contingent upon reimbursement with respect thereto, or upon our ability to perfect any lien, security interest or any other reimbursement.

This Guarantee expires on (Date) and in the event of no claims being received at this office on or before (Date) our liability hereunder ceases to exist.

It must be strictly understood that our maximum liability under this Guarantee is limited to (\$ Amount).

This Guarantee shall be governed and construed in accordance with the Laws of Bermuda and shall be subject to the exclusive jurisdiction of the Bermuda Courts.

Yours faithfully
For and on behalf of
[.....Bank/Company name.....]

PART II: Letter of Credit

BANK/COMPANY LETTERHEAD

Date:

The Bermuda Stock Exchange (the "Beneficiary")
Street Address

Dear Sirs,

Letter of Credit No.....

We hereby establish this clean, irrevocable, and unconditional Letter of Credit in your favour as beneficiary for drawings up to BD\$, effective immediately. This Letter of Credit is issued, presentable and payable at our office at [address] and expires with our close of business on Except when the amount of this Letter of Credit is increased, this Letter of Credit cannot be modified or revoked without your consent.

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The term "Beneficiary" includes any successor by operation of law of the named Beneficiary, including, without limitation, any liquidator or receiver.

We hereby undertake to promptly honor your sight draft(s) drawn on us indicating our Letter of Credit No..... for all or any part of this Letter of Credit upon presentation of your draft drawn on us at our office specified in the first paragraph, on or before the expiry date hereof, or any automatically extended expiry date.

Except as expressly stated herein, this undertaking is not subject to any condition or qualification. The obligation of [...../Company name.....] under this Letter of Credit is the individual obligation of [.....Bank/Company name.....], and is in no way contingent upon reimbursement with respect thereto, or upon our ability to perfect any lien, security interest or any other reimbursement.

This Letter of Credit is deemed to be automatically extended without amendment for one year from the expiration date or any future expiration date, unless 30 days prior to such expiration date, we notify you by registered mail that this Letter of Credit will not be renewed for any such additional period.

This Letter of Credit is subject to and governed by the laws of Bermuda and shall be subject to the exclusive jurisdiction of the Bermuda Courts.

Yours faithfully
For and on behalf of
[.....Bank/Company name.....]

Appendix B – Fee Schedule

	Fee
Participation fee for BSX trading members	NIL
Participation Fee for non BSX trading members who wish to operate an account(s) to hold stock as principal	\$5,000 initial \$5,000 per annum (payable in advance)
Participation Fee for non BSX trading members who wish to operate an account(s) on behalf of investors/clients (e.g. custodians or trustees)	\$1,000 per annum (payable in advance)
Account Opening Fee	\$10
Dematerialised Holding Fee (based on \$ value of securities in each account at the end of each month)	An annual fee of 3 basis points
\$ 0 – \$1,000 million	\$10 per side
BSX Round Lot Trades	\$ 5 per side
BSX Odd Lot Trades	NIL
Intra member movements	\$20
Inter member movements	NIL
Deposits	\$100
Withdrawals	\$20 charged to the pledgor
Pledges	\$50 charged to the borrower
Stock Loans	\$30 per agreement
Stock Loan Stampjng Fee (includes \$10 stamp duty)	\$20 per statement
Statement of Account	

No charges are made to issuers of eligible securities.

Appendix C – User Access Form

Firm Name	Firm Code	
	Date	

Please set up the following user with the privileges identified or amend an existing users privileges to the following.

Authorised Signatory of Firm

User Name	Read only	Enter	Post	Approve
Account Opening				
Intra Member Movements (1)				
Inter Member Movements (1)				
Stock Adjustments				
Stock Loan – borrow				
Stock Loan – execute				
Allocations (2)				
Inquiries				

Note 1 Where a single user is permitted to post and approve please indicate whether the actions should be simultaneous (i.e. entry automatically posts and approves) or sequential (posting and approval as a separate action from entering).

Note 2 Where a participant requires to use the allocation facility, a default account for any unallocated trades must be specified.

Please specify any restrictions that are to be applied in terms of:

- securities that may be viewed;
- accounts that may be viewed;
- inquiries that may be viewed.

Appendix E – Settlement Form

Settlement Form - Sell			
Firm Name		Firm Code	
		Date	

Shareholder.	Account Number	Quantity

Settlement Form - Buy		
Shareholder.	Account Number	Quantity

Appendix F System Procedures

Appendix F1	Opening an Account
Appendix F2	Setting a default account for allocations
Appendix F3	Trade Allocations
Appendix F4	Deposit
Appendix F5	Withdrawals
Appendix F6	Intra Member Movements
Appendix F7	Inter Member Movements
Appendix F8	Stock Loans
Appendix F9	Dividend Reinvestment Instructions
Appendix F10	Inquiries
Appendix F11	Downloads

Appendix F1 - Opening and Viewing Accounts

Participants open accounts through the Account Master Maintenance facilities on the workstation.

To view the Account Master Maintenance:

1. Select **Processing and Administration** from the **BSD main** menu;
2. Select **Data User Maintenance** from the **Administration** menu;
3. Select **Account Master Maintenance (1)** from the **Data Maintenance** menu.

To create a new account:

1. Select **Account Master Maintenance** from the **Data Maintenance** menu and press F6;
2. Enter the following information
 - a. Participant (Trading Member) code; this will be automatically filled by the system
 - b. Account type; certain items are grouped by account type, most notably the summary reports; the following account types must be used where they are relevant (account type is a mandatory field and so one of the other account types must be used where none of the following apply);
 - i. L – Local (Bermudian) - if the account contains securities for one or more Bermudian investors
 - ii. F – Foreign (non Bermudian) – if the account contains securities for one or more non Bermudian investors;
 - H - House – if the account contains securities beneficially owned by the participant;
 - c. Client type; one of the valid client types must be chosen
 - d. Joint Holder; details of joint holders can be added if this is set to Y, although BSD must be requested to allocate a NIN for each joint holder;
 - e. Allocation account; if a Y (Yes) is entered against Allocation Account the system will hold transactions referencing this account until the correct account has been identified by the BSX trading member and the transactions have been allocated using the Allocation process described in Appendix F1;
 - f. Group; this must be set to Yes (Y) if the account relates to more than one investor;
 - g. NIN (Identification Number); this should only be completed where settlement with a custodian or institution is required; otherwise it should be left blank;
3. Press ENTER: a new screen will appear with the previous information already included; mandatory information on this screen is as follows:

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- a. Margin Account; this must be set to indicate whether the securities are or are not available for lending or borrowing in accordance with the valid codes;
 - b. Portfolio Account; this has no processing implications in the system; this should be Yes if the investor wishes to participate in a dividend reinvestment scheme;
 - c. Address; this must be completed as it will be used by the registrar to distribute company information direct to the account holder;
 - d. Citizenship; this is a mandatory field; this must show the nationality of the investor at least to the extent of Bermudian (enter "BDA") and non Bermudian (enter any other valid country). The BSD system uses this field to calculate the permitted percentages of non Bermudian ownership of eligible securities and this is reported to the registrar to enable the issuer to monitor the 60/40 rule where necessary;
 - e. Name and first line of address, city and country;
4. Press F6 twice; this brings up the bank account screen; if the investor does not wish to have the dividend paid directly into his bank account simply press F12; the following information must be completed on this screen if the account holder wishes the dividend to be paid directly to his bank account (it should not be completed in any other circumstances):
- a. Bank Account Type; where relevant participants must indicate that this account must be used for dividend distribution;
 - b. Effective Date;
 - c. Local or Foreign Bank account; the local bank account number has a fixed format, which is not used in Bermuda; it is therefore recommended that the foreign bank account field is used;
5. Press F6 twice.

The Account Master Maintenance can be used to:

- view account details (5)
- change all details (2)
- change basic details (6)
- change bank account details (7)
- view inventory positions for each account (15) and then transactions affecting the inventory (7)
- close accounts (20)

Appendix F2 – Setting a default account for allocations

To establish a default account for allocations use the **Member Unallocated Trades Handling** screen.

To view the **Member Unallocated Trades Handling** screen:

1. Select **Processing and Administration** from the **BSD main** menu;
2. Select **User Data Maintenance** from the **Administration** menu;
3. Select **Member Unallocated Trades Handling (20)** from the **Data Maintenance** menu.

To establish a default account:

1. Select **Member Unallocated Trades Handling (20)** from the **Data Maintenance** menu and press F6;
2. Press F4 and select either **All Trades** or **Buy Trade** (*it is not possible to sell from an allocation account in a tightly coupled environment*);
3. The **Trading Member** will be automatically entered; Press ENTER;
4. Enter own Member Code as **Member to Allocate to**;
5. Enter or select (F4) the default account to be used;
6. Press F6 twice.

To change the default account select the appropriate record from the **Member Unallocated Trades Handling** menu using **2- Change**. Make the necessary changes and Press F6 twice.

Appendix F3 – Trade Allocations

To view **Trade Allocations**:

1. Select **Processing and Administration** from the **BSD main** menu.
2. Select **Maintenance (4)** from the **Administration** menu;
3. Select **Trade Allocations (4)** from the **Standard Actions** sub menu in the **Actions** menu.

By using the status indicator, this screen can be instructed to show:

- All trades subject to allocation
- Fully allocated trades
- Partially allocated trades
- Unallocated trades

To allocate a trade:

1. Select **Trade Allocations** from the **Actions** menu;
2. Tab to a trade in the list in the **Trade Allocations** record window and then type **2** to allocate the trade;
3. Type or select the account number to which the trade is to be allocated (this account must have the same Account Type as the Allocation Account)
4. Type the quantity of securities to be allocated;
5. Complete the remaining fields;
6. Press F6 twice.

Appendix F4 – Deposit

To record a deposit of securities for an account, participants use a Stock Adjustment (Positive)

To view Stock Adjustments:

1. +Select **Processing and Administration** from the **BSD Main** menu;
2. Select **Maintenance (4)** from the **Actions** sub menu in the **Administration** menu;
3. Select **Stock Adjustments (11)** from **Standard Actions** sub menu in the **Actions** menu.

To add a Stock Adjustment:

1. In the **Actions** menu, select **Stock Adjustments** from the **Standard Actions** menu; this will bring up a screen showing details of previously entered Stock Adjustments; to add a new Stock Adjustment Press F6;
2. Type the transaction code (**450 001**) or Press **F4** and select **Stock Adjustment – Positive** and then Press ENTER;
3. The new screen will have the **Member Number** field pre-filled;
4. Type the account number to be credited in the **Account Number** field (or select using F4);
5. Type the security symbol under the **Symbol Number** field (or select using F4);
6. Type the quantity of securities to be deposited in the **Volume (in Lot)** field;
7. Type today's date in the **Effective Date** field;
8. Type notes about the stock adjustment in the **Reference** field; this can be used to record any notes for the use of the participant;
9. Press F6 twice.

Once a stock adjustment has been entered it will appear on the main Stock Adjustment screen. However, at this stage, it will not have been posted or approved and will therefore not have affected the securities balance in the account.

As posting and approving is undertaken by the BSD and the registrar the change of status will appear on this screen.

Appendix F5 - Withdrawals

Withdrawals are processed in the same way as deposits except that the transaction type is **450 002 (Stock Adjustment – Negative)**.

Appendix F6 - Intra Member Movement

To view Intra Member Movements:

1. Select **Processing and Administration** from the **BSD main** menu;
2. Select **Maintenance (4)** from the **Actions** menu;
3. Select **Intra Member Movements (14)** from **Standard Actions** sub menu in the **Actions Maintenance** menu.

To enter a Intra Member Movement:

1. Select **Intra Member Movements** from the **Standard Actions** menu in the **Actions** menu window; this brings up a screen which shows the status of previous Intra Member Movements; to add a new movement Press F6;
2. A new screen will appear with your participant code in the **Member** field
3. Type or select (F4) the code for the symbol in the **From Symbol Code** field;
4. Type the quantity of securities to be moved in the **Volume** field;
5. Type or select the account number from which securities are to be delivered in the **From Account #** field;
6. Type extra information on the from account in the **From Reference** field;
7. Type or select the account to receive the securities in the **To Account #** field;
8. Type more information about the receiving account in the **To Reference** field;
9. Press F6 twice (the **Effective Date** field will automatically be set to the date of entry).

To Post an Intra Member Movement:

1. Select **Intra Member Movement** from the **Actions Maintenance** menu;
2. Tab through the list to the record to be posted in the **Movements** record window;
3. Type **10** beside the record. (An **I** appears in the **P** column indicating that posting is complete).

To Approve an Intra Member Movement;

1. Select **Intra Member Movement** from the **Actions Maintenance** menu;
2. Tab through the list to the record to be approved in the **Movements** record window;
3. Type **11** beside the record. (An **I** appears in the **A** column indicating that the transfer has been approved.)

Appendix F7 - Inter Member Movements

For Inter Member Movements the transfer is entered, posted and approved by the delivering participant. Where the delivering participant knows the account code to

which the securities are to be delivered this may be entered on the record when it is entered. However, where the taker does not wish to reveal this the deliverer may enter the record without the takers account code. The taker may view the record on the screen and add the relevant code. The deliverer may then post and approve the transaction.

To view Inter Member Movements:

1. Select **Processing and Administration** from the **BSD main** menu;
2. Select **Maintenance (4)** from the **Actions** menu;
3. Select **Inter Member Movement (15)** from **Standard Actions** sub menu in the **Actions** menu.

All movements affecting the participant (whether to or from) will be shown on this screen with their status.

To add an Inter Member Movement record (deliverer):

1. Select **Inter Member Movements** from the **Standard Actions** menu in **Actions Maintenance** menu window; this will bring up a screen showing the status of previous Inter Member Movements; to add a new record Press F6;
2. Another screen will appear with the Participant Code in the **From Member** field prefilled;
3. Press ENTER;
4. Type or select the symbol code in the **From Symbol Code** field;
5. Type the quantity in the **Volume** field;
6. Type or select the account number the movement is from in the **From Account #** field;
7. Enter extra information about the sending account in the **From Reference** field;
8. Type or select the recipient account in the **To Account #** field
9. Type more information about the account in the **To Reference** field;
10. Press F6 twice (the **Effective Date** field will be automatically set to the date of entry).

To add an Account Reference (taker):

1. Select **Inter Member Movements** from the **Standard Actions** menu in **Actions Maintenance** menu window; this will bring up a screen showing the status of previous Inter Member Movements;
2. Select the relevant record using **2 – Change**; another screen will appear with the movement details and the Participant Code in the **From Member** field prefilled;

3. Type or select the account number the movement is to in the **To Account #** field;
4. Press F6 twice (the **Effective Date** field will be automatically set to the date of entry).

To Post an Intra Member Movement (deliverer):

1. Select **Inter Member Movement** from the **Actions Maintenance** menu;
2. Tab through the list to the record to be posted in the **Movements** record window;
3. Type **10** beside the record. (An **I** appears in the **P** column indicating that posting is complete).

To Approve an Intra Member Movement (deliverer):

1. Select **Inter Member Movement** from the **Actions Maintenance** menu;
2. Tab through the list to the record to be approved in the **Movements** record window;
3. Type **11** beside the record. (An **I** appears in the **A** column indicating that the transfer has been approved.)

Appendix F8 - Stock Loan

Stock Loans are requested and arranged through the Borrowing and Lending subsystem. To view the Borrowing and Lending Subsystem menu:

1. Select **Processing and Administration** from the **BSD main** menu;
2. Select **Borrowing and Lending Subsystem (6)** menu from the **Actions** menu.

To create a Loan Request:

1. Select **Borrow/Loan Request Maintenance** from the **Borrowing/Lending** subsystem menu and then Press F6;

(Note: if you have not been set up as a participant in the lending and borrowing program then an error message will appear at this time. To be set up you should contact the BSD's Operations Department).

2. Type the code for the symbol in the **Symbol Code** field;
3. Type **B** for borrow in the **Request Type** field;
4. Type the date the borrowing or lending is required in the **Effective Date** field; and the date the borrowing request expires in the **Expiry Date** field; (Note: the system will display stock loans to other participants until it is filled or expires);
5. Type the price per share you are prepared to pay for the loan (the collateral value) in the **Price per share** field;
6. Type the name of the person to call for further information in the **Contact** field, the contact's telephone number in the **Phone Number One** field, an alternate contact's telephone number in the **Phone Number Two** field and the contact's fax number in the **Fax Number** field;
7. **User to get Message** or **List to get Message** Complete User to get Message with the user code of the person who is to get a message when the loan is executed;
8. Press F6 twice.

Once the information in the **Borrowing/Lending Request** detail window has been saved, a second detail window appears with the first five fields of the previous screen already populated: **Request Member, Member, Contract, Symbol and Request Type.**

1. Type the borrowing account number in the **Account Number** field;
2. Type the amount of securities you want to borrow in the **Nominated Volume** field;
3. Type the loan's return date (or first return date) in the **Return Date** field;
4. Press F6 twice.

The loan request will not be displayed to other participants unless an account number has been completed.

To view your outstanding loan requests and to change or delete them use **Borrow/Loan Request Maintenance**.

To view outstanding loan requests from third parties and to execute a loan:

1. Select **Borrow/Loan Availability Inquiry** from the **Borrowing/Lending** subsystem menu;
2. Type **B** to see outstanding borrowing requests or ***** to see all requests;
3. The records will appear in a list below and display the available loan requests;
4. TAB to the required record and type **5** beside the record. The **Borrow/Lend Availability Contact Details** window appears;
5. Press F6 to start the execute process. The **Execute Lending Contract** window appears;
6. Type the contract number, given to you by the counterparty when you agreed the details of the loan in the **Counterparty Contract** field;
7. Press F6 again;
8. Type the lender's account number in the **Account** field, the volume to be lent in the **Volume** field and the return date in the **Return Date** field;
9. Type additional information in the **Reference** field;
10. Press F16 to process the loan. The following message appears "Loan Number X has been created from your request. Press ENTER to continue.";
11. Press ENTER. The request is executed;
12. Verify the transaction and volumes in **Borrow/Loan Request Maintenance** by selecting option **9 = Loan Details** for the borrowing member's record (e.g. select the member from the **Member** field, select **Borrow** as the **Request Type** and then TAB to the specific record).

To change the return date on a loan:

1. Select **Maintain Loan Data** from the **Borrowing/Lending** subsystem menu;
2. Type your participant code in the **Member** field;
3. Type the loan number in the **Position to** field and then press ENTER;
4. TAB to the record to be changed and type **7** in the field beside the record;
5. Type the new date in the **Return Date** field;
6. Press F6 Twice.

Participants can use **Loan Inquiries/Reports** to enquire and print out reports on loans. After retrieving the records it is possible to view and print details:

- by account;
- by counterparty;

- by activity.

To enquire about a loan:

1. Select **Loan Inquiries/Reports** from the **Borrowing/Lending Activity** menu;
2. Type the identification code of the member who received the loan in the **Member** field in the **Member Loan Position** window;
3. Type the return date of the loan in the **Position Date** field;
4. Press ENTER. The records specific to the member will appear;
5. Choose the options menu to continue enquiring on loans (e.g. by account, by counterparty, by activity).

To print out a report on a loan enquiry, press PRINT SCREEN on the keyboard.

Appendix F9 – Dividend Reinvestment Schemes

When a company with a dividend reinvestment plan announces a dividend, the BSD will send a message to all users. Messages can be viewed under:
17 Inquiries/Reports/Messages, 32 Read your messages.

To advise the registrar of accounts where the investor wishes to have the dividend reinvested i.e. to take securities instead of cash:

1. Select **Processing and Administration** from the **BSD main** menu;
2. Select the **Corporate Actions Maintenance (9)** from the **Actions** menu; this will automatically bring up the **Cash/Stock Reinvestment Allocation screen**;
3. Select F4 the required corporate event;
4. Select your participant code F4;
5. Press F6 to start the execute process; a second screen appears;
6. Type or select the account number;
7. Press F6 again;
8. Enter the percentage of the account for which securities and cash is required; the total must equal 100;
9. Press F6 to execute.

This allocation process will only be effective before the run date of the corporate event.

Appendix F10 – Inquiries/Reports

To access inquiries and reports use **17 Inquiries/Reports/Messages** in **1 Processing and Administration**.

The following inquiries can be made using **1 Inquiries**:

- Member Activity Details by Account;
- Member Activity Details by Account;
- Member Activity Details by Account Type;
- Member Activity Transaction Details;
- Member Activity Transaction Details;
- Member Activity by Symbol;
- Member Activity Details by Transaction;
- Member Activity Details by Transaction;
- Cash Adjustments;
- Clearing by Account; shows amount to Pay and Receive by Account within Client Type;
- Clearing Details by Account; shows total of buys and sells and adjustments per account; no details are shown where an account override exists even though money is payable by the broker;
- Clearing by Account Type; shows amount due by Account Type (e.g. domestic and foreign);
- Clearing Detail; shows net amount to Pay and Receive by type of payment; F16 shows clearing by account type (as 16) and F17 shows details of Cash Adjustments;
- Member Clearing by Funds; shows the amount to be paid and received in total for each currency. 5 = the amount for each Account Type e.g. Foreign;
- Clearing by Funds and Account Type;
- Clearing by Funds and Account Type; shows the amount to Pay or Receive by type of account;
- Member clearing by Symbol; this inquiry shows individual trades for each symbol;
- Corporate Actions Diary;
- Corporate Actions Summary by Member;
- Corporate Actions Summary File by Account;
- Member Inventory Details by Sector;
- Member Inventory Enquiry;
- Inventory Inquiry by Symbol;

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- Inventory by Symbol and Account Type;
- Member Inventory by Account;
- Member Inventory Inquiry by Account Type;
- Member Inventory Inquiry by Account and Symbol;
- Loan Position by Account;
- Loan Position by Account Type;
- Loan Position by Counterparty;
- Loan Position by Counterparty, Account;
- Loan Position by Counterparty, Type;
- Loan Position by Symbol;
- Member Cash Activity Details;
- Member Cash Details by Account Type;
- Member Cash Details by Account;
- Pledges – Member Pledged Inventory;
- Pledges – Member Pledged Inventory by Symbol and Account;
- Pledges – Member Pledged Inventory by Symbol/Type/Account;
- Trades by Account;
- Trades by Account Details;
- Trades by Symbol;
- Transaction Fees by Member;
- Transaction Fees Tran by Member and Date;
- Transaction Fees by Member and Date;
- Account Change Inquiry.

The following reports can also be printed from this screen:

- Member Account List; Prints a list of all accounts for a specified member, which were opened within the date range with account type and name and address details;
- Statement of Account Report; Prints a statement for an individual account; this is for use within the firm; Special Statement of Account is for sending to the customer;
- Corporate Actions Diary; shows the status of all corporate actions for a symbol;
- Member Clearing Reports; Prints a report that shows net settlement amounts, by currency, with details per security;
- Transaction Report Request; Prints a report by date, member, account, symbol and transaction type (all except trades). Each must be specified;
- Internal Settlement Report Request; this shows settled transactions for the range of dates selected;

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- Special Statement of Account; Prints the same information as Statement of Account but in a different format and allows the broker to add three lines of free form text. This is intended to be sent to the customer.
- Member Account List – New Format.

In addition the screen allows users to read messages.

- **32. Read your message**; shows messages that have been sent to participants by BSD.

Appendix F11 – Downloads

In the initial stages these files must be requested from the BSD's Operations Department and will be provided by e-mail as a comma separated file.

Member Transaction Download

This shows all transactions that affected a member's account between the specified dates. The information contained in the file is as follows:

- Transaction No. (this is allocated by the system for each transaction, e.g. stock adjustment or transfer);
- Transaction Sequence; this is the sequence number of this transaction within the transaction number; the sequence number is incremented for each action undertaken in relation to a transaction, e.g. the buy and sell sides of a trade are given a transaction number and the sequence number is incremented when the trade is received, allocated, settled;
- Transaction Code; (this, together with the sub code identifies the type of transaction, e.g. bought trade, deposit, transfer in;
- Transaction Sub Code;
- Source Transaction Number; this shows the transaction reference of actions undertaken by a third party, e.g. approval of deposits;
- Broker Code;
- Account Reference;
- Identification (this is the NIN number);
- Symbol Code;
- ISIN Number;
- Vault (this should always be blank because all securities in BSD are dematerialised);
- the effect of following balances of the transaction concerned:
 - Shares Owned
 - Shares Available
 - Shares Pledged;
- Unit Value (Price);
- Ticket Number;
- Effective Date; this is the date the transaction in entered into the system;
- Transaction Date;
- Current Date;
- Add User, Post User, Approve User; these fields do not currently contain data.

Inventory Download

This produces two files (RGS1 And RGS2). RGS1 contains information about the account holder, RGS2 contains information about the balances at the specified date.

Information in RGS1 is:

- Broker code
- Account number
- NIN
- Birth Date
- GSITIT; this is the title of the investor but is not used by BSD;
- Account Holder Name
- Guardian NIN
- Guardian Name
- Address (first line only)
- Post Code
- City
- Tax Collection Point
- Guardian Address
- Post Code
- City
- Tax Collection Point
- Country Code
- Phone No. 1
- Bank Account
- Change Date; this is the date that the balance on the account last changed.

Information in RGS2 is:

- Broker
- Account Number
- Symbol Code
- ISIN Number
- Current Balance
- Shares Available
- Shares Pledged
- Position Date
- Change Date, i.e. the date the balance last changed.