

Trading Membership of the BSX

The following is a concise overview of the BSX Membership process, complete information on the Trading Member role may be found in the *BSX Trading Membership Regulations*, which includes the full form of application, the *Trading and Settlement Regulations* (and *Practice Notes* made thereunder), and the *Code of Conduct*.

With the continuing growth of the BSX, BSX Trading Member status offers many attractive business opportunities.

Introduction

The BSX was established in 1971 by the three Bermuda banks in operation at that time and was formally incorporated as a for profit, limited liability company under the Bermuda Stock Exchange Company Act in 1992.

Today the BSX is the world's leading fully electronic offshore securities market. Domestic and international trading is executed on a daily basis, Monday to Friday on BEST, the Exchange's fully electronic trading system. Settlement occurs electronically on a rolling T + 3 basis. The Bermuda Securities Depository (BSD) provides electronic safekeeping services for all BSX listed issues.

Trading Members are granted non-transferable licenses to trade on the Exchange and membership is open to both international and domestic brokers that meet the requirements of the BSX, without limitation on numbers.

Trading Membership Requirements

The BSX invites applications for Trading Membership from any company that meets the requirements as set out in the BSX Trading Membership Regulations or as otherwise varied by the BSX, including:

- a business plan setting out the company's plans to be actively engaged in trading securities on a full time basis;
- be a limited liability company incorporated in Bermuda (local 80/20 or 60/40 or exempted) i.e., no individual members or permit companies will be admitted.
- meet the Minimum Net Capital (MNC) requirements, both at the time of admission and on a continuous basis thereafter;
- have appointed an independent auditor;
- satisfy the BSX's requirements for relevant experience;
- install and use terminals for the BSX's BEST trading system;

- pay an admission fee, an annual membership fee and an ad valorem transaction levy;
- agree to be bound by the Regulations of the BSX, as prescribed by the BSX and approved by the Bermuda Monetary Authority (BMA) from time to time.

Categories of Trading Membership

Trading Members may choose to join the BSX as Brokers, Broker/dealers, or Market-makers.

- A *Broker* may only act in an agency capacity (i.e., execute trades on behalf of clients) and may not trade on a principal basis.
- A *Broker/dealer* may act in an agency capacity and trade as principal (subject to prior notification of the client if it is dealing with a client). A broker/dealer is subject to a higher Minimum Net Capital (MNC) requirement than a broker to reflect the higher risk involved in such business.
- A *Market-maker* is a Trading Member who agrees to provide continuous two way quotes, as principal, in one or more specified securities.

Membership Fees

The membership fees and MNC requirements for Trading Members are as follows:

| Local and Exempted Companies: | | | | |
|--------------------------------------|--------------------|-------------------|------------|----------------------------|
| (All figures in \$) | | | | |
| <u>Category</u> | <u>Joining Fee</u> | <u>Annual Fee</u> | <u>MNC</u> | <u>Eligible to Sponsor</u> |
| Broker | 20,000 | 7,500 | 25,000 | Yes |
| Broker/dealer | 30,000 | 7,500 | 100,000 | Yes |
| Market-maker | 30,000 | 7,500 | 100,000 | Yes |

Sponsorship

Trading Members may sponsor all forms of application to list on the BSX in addition to their trading privileges. Listing Sponsors, by comparison, do not have trading privileges and may not sponsor primary equity listings.

Management of the BSX

The BSX is managed by a board of directors, in this instance known as the “Council”. The Council includes bank representatives as well as senior securities market experts who serve as non-executive directors. The Council meets at least quarterly to review policy issues on the development of the BSX, on the securities market in Bermuda, and on an ad hoc basis to hear appeals and other urgent business.

The Council delegates most of its powers and functions to the Executive Management Committee (EMC), which supervises the daily operation of the BSX. In turn the EMC delegates some of its powers to sub-committees, such as the ‘Listing Committee’ – which review Issuers’ suitability for listing on the BSX and supervises listed companies. Trading Members are represented on both the EMC and sub-committees.

A list of current BSX Trading Members and Listing Sponsors is attached.

Current BSX Members

Trading Members include:

- Appleby Securities (Bermuda) Ltd.
- Barrington Investments Ltd.
- BCB Asset Management Ltd.
- Bermuda International Securities Ltd.
- Butterfield Securities Ltd.
- Clarien BSX Services
- Cohort Ltd.
- Global Custody & Clearing Ltd. (Member of the LOM Group)
- Hamilton Securities (Bermuda) Ltd.
- Nomura Securities (Bermuda) Ltd.

Listing Sponsors include:

- Apex Financial Services Ltd.
- Argonaut Financial Services Ltd.
- Continental Sponsors Ltd
- Harbour Financial Services Ltd.
- Prime Management Ltd.