

**BAHAMAS INTERNATIONAL SECURITIES EXCHANGE
LIMITED**

BISX RULES

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BAHAMAS INTERNATIONAL SECURITIES EXCHANGE

SECTION 5: CLEARING AND SETTLEMENT -
TRANSITIONAL ARRANGEMENTS

Subsection 1: General Provisions

1.1 General

1. The purpose and intent of the rules relating to settlement of securities are to provide for the proper monitoring of the delivery of securities listed on the Exchange and the associated transfer of money between Members of the Exchange.
2. Amendments to the Rules approved by The Board of the Exchange shall take effect on the date specified by the Board and shall be implemented by Members.

1.2 The Exchange Procedures

1. These Rules may be supported by procedures that may be issued, from time to time, by the Exchange in accordance with the principles contained in these Rules.
2. The Exchange may from time to time issue guidelines to, or prescribe operating procedures for Members in order to ensure the proper execution of the Exchange and Member functions.

1.3 Dematerialised Securities

1. For the purposes of the Rules, securities are issued in a dematerialised form, if:
 - (i) in the case of shares, the Articles of Association of an Issuer shall include a provision by which a shareholder shall not have a right to demand the issuance of a stock certificate;
 - (ii) in the case of any other type of security, the terms of the issue shall specify that the securities shall be listed on the Exchange under the terms that no security certificates shall be issued.
2. All dematerialised securities for each issue recorded on the Exchange are totally fungible.

Subsection 2: Liability of the Exchange

2.1 Instructions and Data

The Exchange shall not be liable for any damage incurred by an investor or an Issuer whose securities are listed on the Exchange if such damage was incurred as a result of information provided to the Exchange by a Member in accordance with the provisions of the Rules.

Subsection 3: Clearing and Settlement Functions of a Member

3.1 General Provisions

1. A Member of the Exchange engaged in broking or dealing is responsible for performing clearing and settlement functions through the Exchange.

2. A Member is required to ensure, via proper procedures and systems which may be inspected by the Exchange, that required information is submitted to the Exchange in accordance with schedules contained in the Rules.
3. The employees and the Members of the Board of a Member are required during their employment or their period of directorship and after resignation from the Member, to keep in confidence all information that has become known to them during their involvement with a Member. A Member may be required to demonstrate adequate safeguards in the form of confidentiality agreements.

3.2 Application to perform Clearing and Settlement Functions

1. A Member of the Exchange is eligible to apply to perform clearing and settlement functions.
2. A Member of the Exchange wishing to perform clearing and settlement functions must formally write to the Exchange making such a request.
3. The Exchange may, after receiving the formal written request, require further information from the Member.
4. A processing fee, as defined in a fee schedule, may be charged to the Member. Such processing fee is non-refundable whether or not the Member is successfully in applying to perform clearing and settlement functions.
5. The Exchange has no obligation to permit a Member to perform clearing and settlement functions.

3.3 Contact Persons at the Member Firm

1. A Member is required to determine and identify to the Exchange, at least two (2) individuals amongst its employees, who shall be designated as contact persons, and be responsible for forwarding information to the Exchange and for making enquiries about the data kept on the Exchange.
2. A Member is required to ensure that the contact persons are competent to undertake the obligations of the Member described in the Rules.
3. The Exchange may require the Member to appoint an alternative Contact Person, giving the reasons in writing.
4. A Member is required to ensure that only contact persons release information to and receives information from the Exchange.
5. A Member is required to inform the Exchange immediately in writing if a Contact Person is no longer associated with the Member, or if there have been any changes in the job duties of a Contact Person, resulting in their inability to fulfil their obligations to release information to, or receive information from, the Exchange.

3.4 Member Ceasing to Perform Clearing and Settlement Functions

1. A Member may apply to the Exchange in order to cease clearing and settlement functions.
2. A Member is required to inform the Exchange in writing not less than one (1) calendar month prior to the desired date of its ceasing its clearing and settlement functions.
3. Until the cessation comes into effect, all rights and obligations of a Member with respect to clearing and settlement functions shall remain in force.

4. Not later than two (2) weeks prior to the effective date of cessation, a Member is required to publish an announcement to that effect in a newspaper circulating generally throughout The Bahamas and to write to each of its account holders.
5. A Member is required to meet all outstanding obligations relating to its clearing and settlement functions.

3.5 Penalties

1. Members performing clearing and settlement functions are subject to the penalties prescribed in Section 3 of these rules, which apply to all Members of the Exchange.

Subsection 4: Settlement of Transactions

4.1 Settlement Procedures

1. Settlement procedures shall be in accordance with the Memorandum of Settlement procedures, determined by The Exchange from time to time and notified to Members.

Subsection 5: Memorandum of Settlement Procedures

5.1 General Provisions

1. The settlement of a transaction for the purposes of the Rules is the settlement of trades agreed on the Exchange's BATS between the Exchange Members. Such settlements, when effected are final and irrevocable.
2. A purchase or sale transaction in securities shall be settled by means of an exchange of securities for money referred to in this section as Delivery Versus Payment (DVP).
3. The aim of a DVP process, for the purpose of these Rules, is to ensure that the movement of Powers of Attorney and the cheques to meet net money obligations occurs simultaneously between Members, within the constraints of a manual settlement process.
4. A Member sending a settlement instruction to another Member, is required to provide sufficient details of the transaction to permit confirmation by the counterparty.
5. The information for the settlement of a purchase or sale transaction conducted by a Member shall be conformed to the Exchange by the relevant Member.
6. The Member is required to reconcile its daily record of movements of securities as well as its record of net money obligations, against information provided by the Exchange on a daily basis.
7. The standard settlement period for transactions will be 3 business days after the day on which the trade occurred, such day will be referred to as the settlement day.
8. The Exchange may permit the standard settlement period to be varied where extreme conditions exist and such conditions have been notified to the Exchange by the Members involved in the settlement of relevant transactions at least 1 business day prior to the standard settlement day.

9. The net money settlement amounts associated with a DVP securities transaction will be exchanged directly between the Members and be monitored by the Exchange according to these Rules.
10. A Member must ensure that it has sufficient funds or credit limit in place in order to meet its net money obligations on settlement day.
11. Members may execute net money settlement obligations using cheques, bank drafts or certified cheques drawn on a bank registered in the Bahamas. Payments must be made in Bahamian Dollars.
12. In accordance with Section 1 of these Rules, all Members are required to submit a bank guarantee of B\$50,000 in favour of BISX which, under conditions specified by procedures, may be used for the Exchange's Guarantee Fund.
13. The Exchange may, from time to time, require a Member to submit additional bank guarantees that may be used for the Exchange's Guarantee Fund.
14. A Member must ensure that it has sufficient deliverable securities in place at time of order input to BATS in order to meet its securities settlement obligations on settlement day.
15. Where a Member is unable to meet its securities settlement obligations on settlement day, the Exchange may require the Member to borrow securities, or purchase securities in the market at the prevailing price, in order to meet its delivery obligations.

5.2 Transaction Report

16. The Exchange will produce transaction reports for all trades conducted via the Exchange's BATS.
17. Transaction reports for each trading day will be made available to members before the end of the business day and sent to members via electronic mail, facsimile or directly from the BATS.
18. The following information will be included in the Exchange's transaction report for each Member:

Field	Description
Order	The order number for the Member's side of the trade.
Trade num.	The reference number of each trade made by the Member during the preceding session.
Trader	The name of the registered trader involved in each trade.
Counterparty	The name of the other Member involved in each trade.
Security	The symbol of the security traded.
Side	Buy or sell trade
Volume	The number of securities involved in each trade.
Price	The price in respect of each trade (B\$).
Value	The value of each trade (B\$).
Time	The time the trade was matched.
Settlement Date	The standard settlement date for each trade – which is 3 business days from the date of the trade. The applicable settlement date if not the standard settlement date.

Field	Description
Account	The account indicated by the Member which was specified when the order was placed (either omnibus client, beneficial owner client, or house account) against which the trade will be effected,
Total value	The total value of all trades (B\$).

5.3 Review of Transaction Reports

1. Each Member shall review the transaction reports in respect of his trades with a view to determining their accuracy.
2. Where a transaction report indicates that a Member was involved in a trade of which he has no record, or conducted a trade of which there is no record, the Member must write to the Exchange indicating the details of the discrepancy.
3. Before proposing any corrections to the transaction report, the Member shall consult with any other Member who is affected.
4. The Exchange will determine whether the corrections to the transaction report proposed by the Member are valid. Only valid corrections will be adjusted in the transaction report or settlement report.
5. After review, each Member must inform the Exchange before 10.00am of the next business day of any proposed correction.
6. Members that do not return any proposed corrections to the Exchange by 10.00am of the next business day are deemed to have accepted the information contained in the transaction report as valid and correct.
7. No later than 12.30pm of the next business day, a report listing all corrections of which the Exchange has been advised and had validated, shall be issued to those members who are affected.

5.4 Disputes about Transaction Reports

1. When there is a dispute between members regarding a transaction report, or any correction to a transaction report, the dispute shall be resolved by the Exchange.
2. An original trade confirmation from the Exchange's electronic trading system shall be taken as definitive evidence of a trade, and any dispute concerning the information recorded on a trade confirmation shall be resolved by the Exchange.

5.5 Settlement Reports

1. Members will send the Exchange a confirmed settlement report for each security as defined in Form 1 of these procedures.
2. The Member must send the completed settlement report to the Exchange by 10.30 am of the next business day following the trading session.
3. The Exchange reserves the right to query or send proposed corrections to Member's settlement reports, prior to the settlement day.

5.6 Securities Delivery

1. A securities transfer, for the purposes of the rules, is initiated by a trade performed via the Exchange's BATS.
2. The delivering Member shall attach to his delivery of securities to the receiving member a signed Power of Attorney, as shown in Form 2.
3. The receiving Member shall acknowledge the receipt of the Power of Attorney to the delivering Member.
4. The security transfer is recorded by an entry in the Issuer's register of members, which reflects the change in legal ownership of the quantity of securities transferred to the new registered owner.

5.7 Good Delivery

1. A Member delivering a security is responsible for the genuineness and complete regularity thereof; and certificate or transfer that is not in an acceptable form shall be replaced forthwith by one that is valid in an acceptable form.
2. A Member who has received a certificate or transfer that is not acceptable as good delivery of the security by the transfer agent shall return the certificate or transfer to the delivering Member. The delivering Member shall make delivery of a certificate or transfer that is acceptable delivery
3. The following shall be deemed acceptable delivery:
 - (i) For certificated securities - A share certificate and signed Power of Attorney, or;
 - (ii) For uncertificated securities - A signed Power of Attorney

5.8 Money Transfer

1. A Member with a net payment obligation shall provide a cheque on settlement day to the value of the agreed net payment obligation, made payable to each relevant Member and notified to the Exchange on settlement day.
2. The receiving Member shall acknowledge receipt of the cheque by signing a receipt form and returning this to the delivering Member.

5.9 Settlement Hours and Location

1. The time for making deliveries of securities and cheques shall be between 9.00 am and 10.30am on settlement day, unless otherwise agreed between the members.
2. The exchange of securities and cheques will take place at the Exchange or at another location agreed in advance by the Exchange and the Members.
3. An officer of the Exchange shall be present during all settlements between Members.
4. The Exchange bears no liability for any documents or cheques left at the Exchange during the settlement day or transported by the Exchange to Members offices.

5.10 Recording the Legal Transfer of Securities

1. The Member that is receiving securities when settling a transaction is required to present the relevant authorised documents to the Register and Transfer Agent of the Issuer (RTA) containing the details of the transfer of securities to the new legal owner of the securities.
2. The Member must inform the RTA of the transfer within 48 hours of end of the settlement period on which Settlement occurred.
3. The new registered owner must be recorded on the register of members of the Issuer within the timescales specified in section 7 of the Rules (Issuer's Continuing Obligations)
4. The Exchange may review the members record of securities transfers communicated to RTAs in order to ensure that the information provided was accurate and timely.

5.11 Invalidating Trades

1. The Exchange shall have the right to invalidate a trade prior to settlement date if:
 - (i) the Exchange has suspended or cancelled the status of the Member, or;
 - (ii) the Member is unable to meet its securities or money settlement obligations, or;
 - (iii) the Exchange considers invalidation necessary in order to protect the interests of other securities market participants.
2. Irrespective of a reason for the invalidation of an instruction, the Exchange shall not be liable for any losses that may be incurred by a counterparty to the transaction or by a Member.
3. Members shall have the right to receive information about transactions invalidated by the Exchange prior to the settlement date of those transactions.

5.12 Settlement Delays

1. Members shall file each day a report with the Exchange before 10.30 am showing any transactions which the member believes will not be settled on settlement day or which are unsettled. The report shall show, for each transaction:
 - (i) the trade date
 - (ii) purchase or sale
 - (iii) amount
 - (iv) security identification
 - (v) price
 - (vi) contra member
2. Where a Member is unable to meet its securities settlement obligations on settlement day:
 - (i) The Exchange will immediately report any delay in the delivery of securities to the Commission.
 - (ii) The receiving member shall have the option to delay the payment of net obligations to the delivering member until such time that the delivery of securities is completed.
 - (iii) The Exchange may require the Member to borrow securities, or purchase securities in the market at the prevailing price, in order to meet its delivery obligations.

- (iv) The member which has delayed the delivery of securities will be required to pay to the receiving member a financial charge equal to the value of the securities not delivered plus 2% over the prime interest rate, payable for each calendar day of delay past the settlement date plus any loss of benefits incurred by the receiving member and any costs of recovery.
3. Where a Member is unable to meet its money payment obligations on settlement day:
- (i) The Exchange will immediately report any delay in the transfer of money to the Commission.
 - (ii) The receiving member shall have the option to delay the delivery of securities to the paying member until such time that the cheque is received.
 - (iii) The Exchange may require the Member to provide additional bank guarantees to cover the Member's outstanding money obligations.
 - (iv) The member which has delayed the payment of net obligations will be required to pay to the receiving member a financial charge equal to the unpaid monetary obligation plus 2% over the prime interest rate, payable for each calendar day of delay past the settlement date.

5.13 Ex-Distribution (Dividends, Rights, Subscriptions Privileges)

1. In all sales, all rights pass with the security and belong to the purchaser, unless otherwise declared, at the time of sale.
2. Trades for settlement on T+3 shall trade on an "ex-distribution" basis on any trading day that has a settlement and delivery day that falls after the record date.
3. The Exchange may in any particular case provide that trades be ex-distribution at any other time.
4. Claims for dividends and rights and any other benefits to be distributed to shareholders of record on a certain date must be made by the purchasing member against the member owing the shares to him on record date.
5. The onus is on the claimant if a claim for a dividend, right or other benefit is paid and subsequently found to be incorrect.

Form 1: Members Settlement Report

The Members settlement report to the Exchange must contain the following details for each transaction, in time order, or as otherwise agreed by the Exchange:

User	Symbol	A/C	Counter party	Time	Order	Action	Side	Volume matched	Price	Value	Flags	Ticket Num
								Net Deliver / Receive (X)		Net Pay / Receive (Y)		

Key:

- User – Registered Trader (prefix broking firm, suffix trader ID)
- Symbol - Security
- A/C – Settlement account of the Broking Firm
- Counterpart – Other side of trade
- Time- Time trade matched
- Order- Order number of order being filled (system or user specified)
- Action - Always Filled
- Side- Buy or Sell
- Volume Matched - Volume of trade filled
- Price- Price at which matched
- Value – Price x Volume
- Flags - 3 = T+3 settlement period, C = Client source, P= Professional Source, R=regular Mkt.
- Ticket Num – System generated unique number allocated to each trade
- **Per security - Net Deliver/Receive (X) – Net of Volume Column**
- **Money (all transactions) - Net Pay / Receive (Y) - Net Total of Value Column**

Form 2: POWER OF ATTORNEY TO SELL AND TRANSFER SECURITIES

Description of Securities

Complete ("a") for stocks	(a)		Shares
		(Number of Shares)	(Class)
		Herein referred to as the "shares") of the Capital Stock	
Or		Of	
("b") for debt obligations such as bonds, debentures, notes or other securities		(Name of Corporation)	
		(Hereinafter referred to as the "Corporation" represented	
		by certificate(s) No. (s)	{Book Stock}
	(b)		%
		(Principal Amount)	(Description of Obligation)
		Hereinafter referred to as the "Debentures" of _____	
		(Name of Issuer)	
		Referred to as the "Issuer" in the denomination(s)	
		of _____	evidenced by
		Instruments(s) No. (s.) _____	

For value received the undersigned hereby sells, assigns and transfers unto

_____ of _____
 (Name of Transferee) (Address)

the shares above-mentioned standing in the name of the undersigned on the books of the Corporation and/or the debt obligations of the above-mentioned Issuer, together with the principal thereof and all accrued interest thereon, and hereby Irrevocable constitutes and appoints

_____ the attorney of
 [to be inserted by the Registry and Transfer Agent]

The undersigned to transfer the said Shares on the books of the Corporation and/or to the said Debentures on the register(s) kept by the Trustees named in the said Debentures or on the books of the Issuer, in each case with full power of substitution in the premises.

Dated: _____

Signature(s) guaranteed by: _____

Signatures (s) _____

(Person(s) executing this document sign here)

INSTRUCTIONS

The signature(s) to this assignment must correspond with the name(s) as written upon the face of the certificate(s) or instruments(s) in every particular without any change whatsoever. The signature(s) must be guaranteed by an approved Bank or Trust Company or by a consular office of the American, British or Canadian Government.