



Bahamas International Securities Exchange
Suite 201 Fort Nassau Centre
British Colonial Hilton, Bay Street
P. O. Box EE-15672, Nassau, Bahamas

Telephone: (242) 323-2330 Facsimile: (242) 323-2320
Email: info@bisxbahamas.com Website: www.bisxbahamas.com

BISX QUESTION AND ANSWERS

What is a stock split and how does it work on BISX?

1. What is a Stock split?

A stock split is a corporate action undertaken by a company where their existing shares are divided into multiple shares. That is, the amount of outstanding shares increases by a specified multiple. However, the total dollar value of the shares remains the same compared to pre-split amounts, because no real value has been added as a result of the split.

- An example of this would be ABC Company splitting their stock 2-for-1. If before this split, you owned 100 shares worth \$10 each, for a total value of \$1000 then after the transaction, you would own 200 shares worth \$5 each for a total value of \$1000.

On the Effective Split Date, your 100 shares of ABC Corporation would be retired and replaced with 200 new shares in ABC Corporation.

2. Who authorizes a Stock Split?

A company must adhere to its Memorandum and Articles of Association when authorizing a stock split. With some companies the Directors of the company are empowered to make this determination, while in other companies shareholders authorize a stock split through a majority vote at a general meeting of shareholders.

3. What are the dates to remember with Stock Splits?

There are four important dates to remember with regards to stock splits, they are:

- a. **The Announcement Date:** The date the Company discloses its intention to perform a stock-split to the public.
- b. **The Record Date:** The date determined by the Company when shareholders become entitled to receive shares pursuant to the stock split. Shareholders do not receive shares on this date.
- c. **The Trading Date (Ex-Split Date):** The date when trading will begin using the split-adjusted basis for the new stock on BISX. This action is done on this date so that any trades on or post the ex-split date will be settled using the split adjusted price and volume.
- d. **The Effective Split Date:** The date the shareholder register is updated with the split-adjusted share holdings by shareowners and, thereafter, notices are mailed to shareholders advising them of their holdings.



Bahamas International Securities Exchange
Suite 201 Fort Nassau Centre
British Colonial Hilton, Bay Street
P. O. Box EE-15672, Nassau, Bahamas

Telephone: (242) 323-2330 Facsimile: (242) 323-2320
Email: info@bisxbahamas.com Website: www.bisxbahamas.com

4. What happens if I am a shareholder on the Record Date but sell my shares before the Effective Split Date?

If a shareholder is a holder of record on the record date, that shareholder is entitled to receive the new shares for the stock split. However, if this same shareholder sells their shares prior to when shares begin trading on the split adjusted basis on the Exchange, this seller will be transferring the entitlement to the additional shares to the buyer. The seller will receive full value for the shares sold and the buyer will receive the shares purchased which would include the benefit of the stock split on the Effective Split Date.

For this reason stock splits differ from dividend payments in that the entitlement to the stock split always remains with the shares and is traded when the shares are traded, while in a dividend payment the entitlement remains with the holder of record as of the Record Date.

5. Can I trade my entitlement to these new shares?

Entitlement to the new shares is not traded separately from the shares themselves. Before the Effective Split Date the new shares do not actually exist, therefore, the entitlement to any new shares will transfer with the existing shares.

6. When does trading begin using the split-adjusted price?

Trading on BISX using the split-adjusted price will begin two clear trading days (i.e. a total of three trading days in total = trade date + clear trading day #1 + clear trading day #2) before the Effective Split Date, this date is referred to as the Trading Date (Ex-Split Date).

7. Why does trading begin at the split-adjusted price on the Trading Date?

Once a trade occurs on BISX there is a three day period before the delivery of money and securities takes place to settle the trade, this is referred to as the Settlement Date. Therefore, the Trading Date (Ex-Split Date) is set two clear trading days before the Effective Split Date, so that settlement after the Effective Split Date will occur using the new split-adjusted price.

- An example of this would be ABC Company splitting their stock 2-for-1 with an Effective Split Date of Friday, 15 December 2017. The Trading Date (Ex-Split Date) would be Tuesday, 12 December 2017.
- A trade that occurred on Wednesday, 13 December 2017, would not settle until Monday, 18 December 2017, which is after the Effective Split Date, therefore, settlement would need to be in accordance with the new split-adjusted price.

8. A complete example of a stock split from beginning to end:

On Thursday 2 November 2017 ABC Corporation announces a 2-for-1 stock split. The Company sets a record date of Thursday 30 November 2017. The Effective Split Date of the shares is set by the Company to be Friday 15 December 2017.



Bahamas International Securities Exchange
Suite 201 Fort Nassau Centre
British Colonial Hilton, Bay Street
P. O. Box EE-15672, Nassau, Bahamas

Telephone: (242) 323-2330 **Facsimile:** (242) 323-2320
Email: info@bisxbahamas.com **Website:** www.bisxbahamas.com

On December 11, the shares close on the Exchange at a price of \$24.50. Consequently, on December 12, the Trading Date (three days before the Effective Split Date), the shares will begin trading on BISX at a price of \$12.25.

At the end of the trading day on December 15, the shareholder register is updated to reflect the stock split entitlements that came into existence on the Record Date, inclusive of any transactions that took place in the interim prior to the Effective Split Date.

- If John Smith owned 100 shares on November 30, and sold 20 shares on December 2 leaving him with 80 shares, then at the end of trading on December 15, he will be mailed a confirmation noting that he now holds 160 shares. Which is his original 100 minus the 20 he sold, leaving him 80, which were subject to the 2-for-1 stock split?

9. What should I do if I still have more questions?

If you still have more questions about the stock split and how your holdings may be affected, you should contact the Company's Registrar and Transfer Agent (RTA). For the just completed FOCOL stock split and the upcoming Commonwealth Bank stock split, the Companies' RTA is The Bahamas Central Securities Depository and they can be contacted at 242-322-5573. Additionally, investors should contact their Broker with any questions about trading, stock splits and/or other securities related issues.