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Inside the



Editor's Note.

This issue of “*Inside the RMOD*,” comes on the heels of the Regulatory & Market Oversight Committee (RMOC) and Regulatory & Market Oversight Division (RMOD) 2nd Anniversary on April 1st and you are definitely not being “Fooled”. On November 17, 2007 the JSE’s Board passed a resolution forming the RMOC, as well as ceded its regulatory responsibilities to the newly created body. Approximately 4-months later, on April 1, 2008, the RMOD was established as a new Division of the JSE.

This is the first release for 2010, and therefore a reflection of 2009 is necessary. This is represented in the lead article “2009 Regulatory & Compliance Activities.” The effects of the Global Financial Crisis are significant and are discussed in the piece entitled “Chief Regulatory Officers’ Concerns.” Remember to peruse our recurring feature “Rules to Remember,” which is a gentle reminder, to all, of what is required by the Exchange to promote and maintain regulatory compliance. The RMOD wants to keep stakeholders abreast with pertinent issues, and is therefore pleased to continue providing this informative publication. To all we say...Enjoy!

2009 Regulatory & Compliance Activities

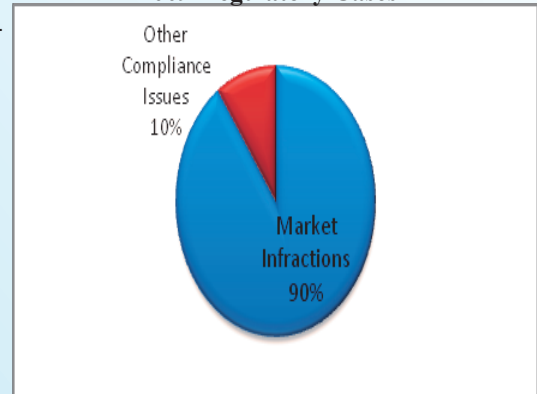
During the year, the RMOD addressed one hundred and twenty three (123) regulatory matters, which were thirty seven (37) issues more than those addressed in 2008. The activities were a composite of market surveillance and compliance issues for Listed Companies, member-dealers and other market stakeholders.

The RMOD attributes the growth in issues to its redefined and intensified focus in discharging its market oversight functions. It should be noted that of the total number of cases, 95% were closed and 5% were carried forward into 2010. Carry-over cases in 2009 were 6% of the previous year’s total cases. A summary of the RMOD’s oversight activities in 2009 is presented in diagram.

Other Divisional Undertakings in 2009

- *Developing new rules; namely: Management Discussion & Analysis, Complaint Management System Guidelines, the Regulatory and Market Oversight Committee and Disciplinary Proceedings.
- *Creating a Logo and Tagline for the Division, developing the RMOD’s Newsletter and implementing an Automated Market Surveillance System for the Exchange;
- *Standard member-dealers’ inspection and a Special Inspection; and streamlining elements of Industry reporting requirements and standards.

2009 Regulatory Cases



Pictorial Highlights–



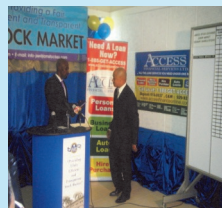
The RMOC at RMOD’s logo and tagline launch



Rule presentation at Barita’s listing



Automated Surveillance System launch



Rule presentation at Access’ listing



JSE’s 2010 Capital Markets Conference



The CRO at Reggae Marathon 2009

Chief Regulatory Officers' Concerns

The Chief Regulatory Officer, Mr. Wentworth Graham, attended the 5th Annual Chief Regulatory Officers' (CRO) Conference, at the New York Stock Exchange on October 14 – 15, 2009. This summary provides significant concerns among CROs, which retrospectively and futuristically, centered on the Global Financial Crisis – Lessons Learned; Direct Access and Cross-border Information Sharing, and the Challenges of Conducting Surveillance Across Markets.

The Financial Crisis – Lessons Learned

There was unanimity that the financial crisis was a clear demonstration that financial markets are the fulcrum of most economies, and the present systems of communication and information technology created an interlocking financial network across the globe. Notwithstanding the presence of sophisticated risk models, there are gaps in their application and user understanding. Furthermore, there was acceptance that regulators, be it statutory or private, did not understand all the issues that led to the financial crisis and therefore a rethinking of oversight activities that are more responsive to the ever changing market environment is necessary.

Direct Access and Cross Border Information Sharing

Regulators are faced with challenges of market access, and the issue of sharing and receiving information. The matter is amplified when one considers laws and regulations that preserve territorialism and promote national jurisdictional centres. Regulators also recognized that in today's global market, automated surveillance systems and talented personnel are critical resource requirements.

The Way Forward

- Creating the resolve at the governmental/political and direct market participant levels to address the concerns.
- Developing a closer relationship between statutory and private regulators.
- Looking at the regulatory framework of Developed Markets as a learning-curve and not necessarily as an infallible standard.

If it is accepted that the turmoil that rocked the financial world started in Developed Markets and ventured outwards; there is always the lingering question as to what their regulatory functionaries did to prevent or even abate the occurrence given their resources and structures. This is certainly a contestable and debatable issue, but the discussion may not be justifiable if the crisis is believed to be over. In this case, emphasis is best placed on looking ahead and possibly defining the lessons learned.

RULES TO REMEMBER!



JSE Rule 409 – Annual Report

Within 120 days of the company's financial year-end, a printed copy of the company's Annual Report and Financial Statements, which shall include the shareholdings of directors and senior management and their connected persons, shall be forwarded to each of the company's stockholders and 6 printed copies and one electronic copy forwarded to the Stock Exchange.

RMOD Objectives

1. Monitor the adequacy and effectiveness of the Exchange's regulatory programme and assess the Exchange's regulatory performance.
2. Structure and direct the regulatory functions of the Exchange.
3. Establish regulatory rules of the Exchange.
4. Monitor the compliance with the Exchange's rules by market participants and Listed Companies.
5. Monitor member dealers' trading activities, investigation of trading activities and enforcement of the Exchange's Rules.



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1. Email as an attachment to rmod@jamstockex.com
2. Fax to 876-967-3275

Or mail to:

The Chief Regulatory Officer
Regulatory & Market Oversight Division
Jamaica Stock Exchange
40 Harbour Street
Kingston

Also, the public can send enquires to rmod@jamstockex.com or call the toll free number at 1-888- 429-5678 for further information.

Rule Amendment Proposal – JSE Rule 227 Managed Account

The RMOD recommended to the RMO a rule amendment to JSE Rule 227 – Managed Account. The Committee has had its deliberations and has sought feedback from Member-dealers. The amendment is seeking to require member-dealers to institute additional procedures and internal controls for their Managed Account operations. The rule change would require of member-dealers to implement a supervisory system that ensures Managed Accounts are appropriately authorized and reviewed on a regular basis.

Rationale for Amendment to JSE Rule 227

The amendment is deemed necessary as there is no provision in the existing JSE Rules for the supervision of Managed Account operations. While it is expected that member-dealers who offer Managed Accounts services would have had internal controls for the monitoring of Managed Accounts activities; the RMOD identified gaps within the industry from the inspections of member-dealers, which have potential exposures and risks to the industry.

Some Pertinent Reasons for the Amendment

- *Strengthening of member-firms' internal controls and compliance programme.
- *Reducing risks associated with trade infractions such as excessive and unauthorized trading.
- *Improvement in transparency and equality in investment allocation and management.
- *Greater controls and oversight within member-dealers' operations
- *Bolstering the RMOD's regulatory and oversight functions of Managed Accounts.
- *Improving JSE's Managed Account Rules to current best practices and international standards.

Going Forward

The RMO will review and consider comments and feedback from member-dealers. Thereafter, legal advice will be sought and the finalized rule will be submitted to the Financial Services Commission for approval. Other standard activities to notify the market will be undertaken thereafter.