



Editor’s Note

In this issue of “*Inside the RMOD*” we present the 2022 Year in Review. We also share rule amendments passed in 2022 and pictorial highlights of RMOD’s involvement in activities in 2022. In our feature - Market Watch, we provide to investors tips on engaging with a Member Dealer. We also profile Mr. Michael McNaughton in this issue of “*Inside the RMOD*” . We hope that you enjoy it!

2022 Year in Review

The year 2022, was an active one for the Regulatory and Market Oversight Division (RMOD) of the Jamaica Stock Exchange (JSE), as it discharged its responsibility to effect daily oversight of market activities. From the activities pursued in 2022, there was a noticeable increase in the number of cases identified and closed in 2022 when compared to 2021. The increase in cases handled and closed in 2022, reflects the ongoing efforts of the RMOD supported by the Regulatory and Market Oversight Committee (RMOC) to strengthen the JSE’s regulatory operations to enhance compliance with the rules and regulations of the JSE that promote and maintain an orderly market.

The RMOD monitors, reports on and enforces compliance by the following major players in the market:

1. Listed Company and
2. Member/Dealer

Operationally, the RMOD carries out its functions through.

- Automated Market Surveillance Systems
- Enforcement of fines and penalties
- Processing and Initiating complaints’ procedures
- Dispute Resolution; and
- Risk Assessment;

In discharging the functions mentioned above during the year, the RMOD identified and processed three hundred and twenty-six (326) compliance and market surveillance issues, which represented an increase of 28% when compared to the number of issues handled in 2021 of Two Hundred and Fifty-Five (255). A summary of the regulatory issues handled in 2022 by type and group is presented in Table 1 below while Table 2 presents information on the RMOD’s performance indicators over the past five (5) years 2018 -2022:

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RMOC Chairman Report 2022 (Cont'd)

**Table 1 - Regulatory Issues by Type & Group
(2022/2021)**

Year	2022	2021
Nature of Infraction	Total	
Complaints on Member-dealers	11	5
Complaints on Listed Companies	1	4
Complaints on Other Market Participants	1	0
Compliance & Mkt. Surveillance -Member-dealers	35	31
Compliance & Mkt. Surveillance -Listed Company	278	214
Other Compliance & Mkt. Surveillance Issues.	0	1
Total	326	255

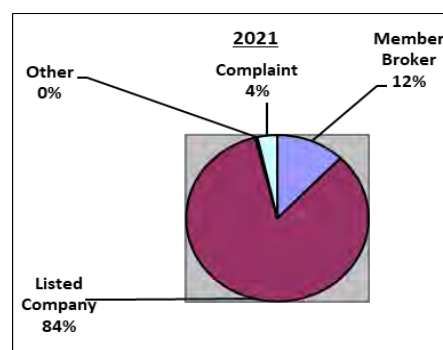
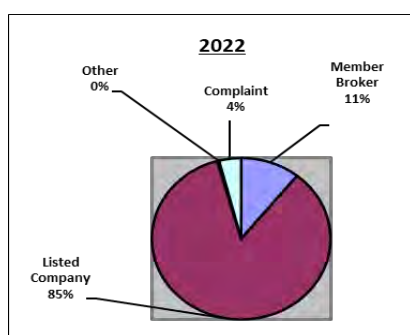


Table 2 – Performance Indicators

Activity	2022	2021	2020	2019	2018
Compliance and Market Surveillance Issues handled	326	255	263	315	486
Percentage of Regulatory/ Compliance Issues Closed	95%	90%	93%	92%	99%
Total Number of Enforcement Actions	83	96	73	41	49
Member-dealer timely filing of Monthly Statements	94%	96%	96%	99%	97%
Member-dealers timely filing of Quarterly Statements	92%	96%	92%	98%	98%
Member-dealers timely filing of Audited Statements	92%	92%	92%	77%	92%
Member-dealers Compliance Rate to Insurance	100%	100%	100%	100%	100%
Main Market Companies timely filing of Unaudited Statements -	92%	94%	96%	95%	93%
Main Market Companies timely filing of Audited Statements	94%	89%	85%	63%	78%
Main Market Companies timely filing of Annual Report	76%	74%	80%	74%	78%
Main Market Companies timely filing of Share Registers	99%	99%	99%	100%	100%
Junior Market Companies timely filing of Unaudited Statements	96%	89%	97%	93%	90%
Junior Market Companies timely filing of Audited Statements	85%	77%	92%	74%	78%
Junior Market Companies timely filing of Annual Report	55%	71%	76%	63%	66%
Junior Market Companies timely filing of Share Registers	100%	100%	90%	100%	100%
Main Market Companies timely filing of Trade Notices	92%	92%	97%	97%	96%
Junior Market Companies timely filing of Trade Notices	83%	91%	79%	76%	86%

2022 Year in Review (Cont'd)

Highlights from Table 2's statistical data show that ten (10) of the fourteen (14) key performance measures for timely filing of financial statements and notices had compliance rates of over 90%. It also represents improvements in timely filing rate of Junior and Main Market Companies as follows:

- Junior Market Listed Companies – Audited Financial Statements, increased from 77% in 2021 to 85% in 2022.
- Junior Market Listed Companies – Unaudited Financial Statements, increased from 89% in 2021 to 96% in 2022.
- Main Market Listed Companies – Audited Financial Statements, increased from 89% in 2021 to 94% in 2022.

OUTLOOK

The number of cases identified in 2022 and the case closure rate of 95%, is an improvement on the results recorded in 2021 and is a direct result of the work that was conducted in the previous year to improve the quality of alerts from the Automated Market Surveillance System (AMSS) and implementation of procedures to support the detection of market breaches. It is expected that with the implementation of recommendations from the RMOC's Assessment of the JSE's Regulatory Framework, which was completed in 2022, the RMOD will continue to enhance the efficiency and effectiveness of the regulatory processes available to all stakeholders in 2023 and beyond.

Rule Development

In this issue of "Inside the RMOD", we could not miss the opportunity to alert the market of amendments to the Main and Junior Market rules of the JSE. The amendments, which were passed in 2022, received a no objection from the FSC on April 19, 2023, and were circulated to Listed Companies on May 11, 2023, focuses on the JSE's requirements for Listed Company's Audit and Remuneration Committees. The effective date for the adoption of the rules in January 1, 2024. Please see table below for further information on the rules that were amended.

#	Description	Rule Addition/ Amendment	Rationale	Status
1	JSE Main Market Rule Appendix 3, Listing Agreement - Section 14 – Audit Committee	Rule Amendment	Bolster Corporate Governance Standards in respect to composition and functions.	Passed
2	JSE Junior Market Rule 504 2 (b) – Responsibilities and Functions – Audit and Remuneration Committee	Rule Amendment	Same as above	Same as above
3	JSE Junior Market Rule Appendix 1 – Definitions – Audit Committee and Remuneration Committee	Rule Amendment	Same as above	Same as above

Look out for our next issue of "Inside the RMOD", where we will provide more details on the changes in the rule.

MARKET WATCH:

Did
you
Know

A Listed Company shall not exercise its power to forfeit unclaimed dividends until twelve (12) years or more has passed since the dividend declaration date.

*in a
nutshell*
Net Free Capital

The JSE's Net Free Capital (NFC) requirement is a risk-based capital assessment applied to Member/Dealer (M/D) Statement of Assets, Liabilities and Equity, in keeping with JSE's requirements. It acts as an early warning indicator for the JSE, should the need arise, to engage M/Ds in respect to **JSE Rule Appendix 12 - Member/Dealer's Report and Financial Information, Statement B, Footnote - Procedure for Handling Deficiencies in Member/Dealers' Net Free Capital**, so that they can take the necessary measures to bolster their risk-based capital. Please note that the reporting of a deficit in NFC does not represent that a M/D has negative capital.

5 TIPS WHEN ENGAGING YOUR MEMBER/DEALER (BROKER)



1) REVIEW CLIENT AGREEMENTS & OTHER DOCUMENTS CAREFULLY

Go through your account opening documentation and client agreement carefully before signing. Pay close attention to areas regarding transactions, settlements and indemnification. Ensure you understand all terms and ask questions if something is unclear before signing.

2) SAFEGUARD ORDER INSTRUCTIONS

Where available practice placing orders via an online platform. This will allow you to keep track of the processing of your order instructions at anytime. Additionally, it will ensure that there are no oversight with the timely execution of your order. Where this is not available, use other electronic means which allow you to keep a record of your order. Such electronic means should be in keeping with your client agreement.



3) REVIEW STATEMENTS AND TRADE CONFIRMATIONS

Know when statements and trade confirmations are due and ensure that you are receiving them on time. All trading transactions on the JSE must be evidenced by a Contract Note (JSE Rule 311). The Contract Note must include the name of the institution, the price, the commission fee, the date of the transaction and the value of the transaction. This should be prepared within two (2) business days after the transaction. Examine all materials received from your Member/Dealer and ask questions if you do not understand something or if it does not look right to you. Ensure that your name, account number, transaction date(s) and amounts reconcile with your order instruction(s).



4) KEEP RECORD OF ALL COMMUNICATIONS

It might feel like work, however, keeping a record of all communications, i.e., agreements, statements, order instructions, notifications, receipts, etc., may be valuable in the long run. Keep the documents in chronological order, for easy retrieval if necessary. Try as best as possible to follow up face to face and telephone conversations with an email.



5) ESCALATE CONCERNS

If you experience difficulties with your broker representative, report the matter to a supervisor or a senior officer at your Member/ Dealer as soon as possible. Ensure your report is in writing. Inform yourself of the institution's procedures and policies for filing and handling a complaint.



Pictorial Highlights 2022



Inside the RMOD presents.....Mr. Michal McNaughton



Mr. Michael McNaughton was appointed on the JSE Board on November 18, 2020, as an Independent Director. Subsequently, he was appointed as a member of the Regulatory and Market Oversight Committee (RMOC). He is also a member of the Executive, the Member Dealer Admissions and the Audit Committees of the JSE.

Mr. Michael McNaughton is the Managing Director of Amber Group Limited, a global information technology company headquartered in Kingston, Jamaica and also serves as director of all Amber Group subsidiaries. Prior to his current position, he spent 15 years with GraceKennedy Limited, originally as the Manager of Bill Express and thereafter as Group Vice President of Business Development of the GraceKennedy Money Services (GKMS) Group, where he was responsible for innovation and

the development of new products and expansion of the money services division of Grace Kennedy Ltd into new markets.

Mr. McNaughton gained his early experience as a stockbroker and investment consultant in Jamaica after having worked as a banker. He has complemented his formal working activities as an entrepreneur having worked as an investment and real estate consultant in Jamaica and Toronto, Canada. As an independent consultant, he has consulted with National Commercial Bank, Finsac Ltd, Beal Bank, Ocwen Financial Corporation through Dennis Joslin & Co and many other corporate entities here and abroad. Mr. McNaughton was instrumental in the formation, growth and sale of Jamaica Online Information Services Ltd (JOL), one of Jamaica's first commercial Internet service providers. Mr. McNaughton complements his busy schedule by giving back to the community in Spanish Town where he spent his formative years. He is an active member of the Spanish Town Rotary Club having served as both Director and President and as District Secretary of District 7020 of Rotary International. He is an active member of the St Jago Past Students' Association having served as Treasurer and President and today serves as member of the St. Jago High School Board of Trustees in the capacity of Vice Chairman. He holds a Bachelor of Science in Management Studies from the University of the West Indies and an MBA (Finance) from Manchester Business School (UK). Mr. McNaughton lists his hobbies as art collecting, photography, and travelling.

Rules to Remember

JSE Rule 314–

Ex-Dividends, Ex-Rights,
etc.

Transactions in shares shall be ex-dividend, ex-rights or ex-subscription privileges, as the case may be, the business day immediately preceding the record date or the date of the closing of the transfer books therefore.



Complaint Process

The RMOD welcomes information from all stakeholders who believe that a market infraction relating to Listed Companies, Member-Dealers, trading activities and other related matters has occurred.

Please note that a complaint may also be referred to other regulatory bodies.

Complaints are made via the RMOD's complaint form, which are available on the RMOD's page at www.jamstockex.com or you could request that a form be emailed to you via telephone or email at RMOD@jamstockex.com.

You can also mail the complaint form to:

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

The Complaint Process:

Once a complaint is logged at the RMOD, a letter acknowledging receipt will be issued. Thereafter a process of assessment will be undertaken. As a matter of practice, and in keeping with the rules of the JSE, the RMOD does not disclose the result of an investigation. You may be requested to submit documentation to support your case.

Once our assessment is complete, the complainant will be informed of the outcome. The complainant may be referred to other regulatory body if the case does not fall under our jurisdiction.

RMOD Objectives

1. Monitor the adequacy and effectiveness of the Exchange's regulatory program 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.

The RMOD welcomes your feedback to any of our publications. Kindly send feedback to rmod@jamstockex.com