

# TRADING MEMBER FAQs

## WHAT ARE THE RESPONSIBILITIES?

A trading member, as implied, is a member responsible for the trading of securities on the board of the International Securities Market (ISM). Trading members will fall into one of the following three categories:

- I. **Brokers** – A Broker is a person who will engage in the business of effecting transactions in securities for the account of others/third parties. Brokers will only be allowed to trade on behalf of **Qualified Investors**. A Qualified Investor is a person who has such knowledge and experience in financial, securities, investment and other business matters that he or she is capable of evaluating the merits and risks of the prospective investments and who subscribes for securities of an issuer in an amount of at least \$US 100,000.00.
- II. **Dealers** – A dealer is a person engaged in the business of buying and selling securities for his own account.
- III. **Market Makers** – A market maker is a broker-dealer firm that assumes the risk of holding a certain number of shares of a particular security in order to facilitate the trading of that security.

It is expected that trading members shall operate with integrity, competence and capability, and financial soundness.

## IS THE ISM REGULATED ONSHORE OR OFFSHORE?

As it relates to the securities and funds markets, the Financial Services Commission of Barbados (FSC) supervises and regulates the following types of entities:

- Self-Regulatory Organizations (SROs) including the Barbados Stock Exchange Inc (BSE) and the Barbados Central Securities Depository Inc (BSCDI).
- Market actors, specifically securities companies, brokers, investment advisers, dealers in securities, underwriters of securities, traders in securities.
- Issuers
- Mutual funds
- Mutual fund administrators/managers

Information on registration and licensing, including the process; timeframe for processing; checklists of requirements; and requisite documentation, is outlined on the FSC's website at <http://fsc.gov.bb> under the *Securities Division* tab.

## OK. I'M A TRADING MEMBER ON A FOREIGN EXCHANGE, WHAT ARE MY OPERATIONAL RESPONSIBILITIES ON THE ISM?

Great! First we must ensure that your exchange meets the FSC's standards for quality administration. The foreign securities exchange in question:

- must be regulated by an IOSCO member or signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) and
- must have rules that have been approved by its regulator to govern its members

In addition, the *regulator* of the foreign securities exchange and jurisdiction should be:

- a member of IOSCO and
- a signatory of the MMoU

Finally, as a trading member from outside the local Barbados' market, you must:

- satisfy the Exchange that you are duly registered with the FSC as a market actor;
- satisfy the Exchange that you, including your directors, officers and substantial shareholders holding more than 10% of the equity, are fit and proper to be an ISM trading participant;
- satisfy the Exchange that you have in place:
  - adequate internal procedures and controls;
  - adequate systems for the execution, recording and reporting of transactions;
  - systems and controls which satisfactorily address the identification and management of risk;
  - adequate insurance for the type of business you undertake;
  - satisfactory systems or arrangements for the clearing and settlement of transactions whereby either you will be a BCSDI participant or use the facilities of a clearing agent.
- comply with the rules of the ISM and such other requirements for trading membership as the Exchange may from time to time prescribe.

**Please note:** Membership as a trading member on the ISM is *not* transferable.

## IS THERE A NET CAPITAL REQUIREMENT?

As an ISM Trading Member, you are required to maintain adequate Net Capital levels. Trading members (*brokers, broker-dealers, market makers*) must have sufficient liquid assets, in excess of current liabilities, to cover market/credit/other risks that may arise in the event of a liquidation proceeding.

For local trading members, the Financial Services Commission (**FSC**) mandates the level of Net Capital. However, international trading members are subject to the jurisdictional oversight of the regulator in their home country.

## WHY SHOULD I BECOME A TRADING MEMBER?

The ISM was created to accommodate the needs of a wide range of international business. Local and international trading members will play an integral role in bolstering the market. However, international trading participants must be licensed in Barbados under the ***Companies Act*** before they can commence trading activities on the market.

Finally, the ISM's low-cost structure relative to other emerging market exchanges makes it an attractive platform to conduct business. With fees set 30-50% below competing exchanges, the ISM can offer profit margins unmatched by other exchanges, a critical factor in this increasingly competitive environment.