

2019

# Guide for Going Public



**LISTING A SECURITY ON THE BSE**

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**BARBADOS STOCK EXCHANGE INC.**

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## INTRODUCTION

If you are holding this document in hand, chances are your business is at that juncture. You are carefully considering the way forward - to go or not to go public?

This guide seeks to clearly outline all the necessary steps to going public, listing and its pros and cons, so that you may decide whether this is the direction for you.

Along with this printed guide you will also have a knowledgeable and helpful Barbados Stock Exchange Representative to help you navigate this course through further explanation and answering of your questions as they arise.

**So, buckle up!!!**



## ABOUT THE BARBADOS STOCK EXCHANGE

### Our Vision

*To be a great and lasting Caribbean Institution by facilitating wealth creation through trading on an efficient and cost-effective Exchange.*

### Our Mission

*We intend, through education, to foster an environment of confidence and trust in the activities of the capital markets, so that all Barbadians would participate in the trading of financial instruments.*

### Our Core Values

- Integrity
- Fairness
- Quality service
- Confidence
- Trust
- Accuracy

### What we do

A stock exchange forms an integral part of the capital market in any country. In thinking of the capital market it is useful to see it from the perspective of a joint effort of investors

and business entrepreneurs to foster growth and business revenues; with each party meeting the other's needs. The entrepreneur needs capital to grow their business, while the investor is willing to take the risk of providing that capital with the view of receiving greater rewards in the long run.

To meet the needs of the investor, an entrepreneur participating in the capital market process can offer various types of financial instruments including ordinary and preference shares as well as debt instruments. It must be noted that these initial transactions occur between the entrepreneur's company and the investor.

The Stock Exchange only becomes a part of the process when the company decides to list on its board. The decision to list is a significant one for a business and one which requires careful thought.



At this stage however, we wish to clear up a common misconception about the Barbados Stock Exchange and stock exchanges in general. The Barbados Stock Exchange (BSE) provides a secondary market for the trading of shares and bonds. This means the trading on the exchange is between current owners of the company (those who initially invested) and interested investors of that company. By listing on the exchange owners of the company have the choice of either increasing their investment or divesting it. For the investor the key benefit is transparency and knowing that there are clear rules in place to govern the relationship between them and the entrepreneur's company. This is often critical in the decision to invest in the entrepreneur's company. In this booklet we will expand on the benefits and the challenges involved in listing and seek to provide a guide of the process which is involved to list.

## Markets

**The Regular Market** – This is the main market of the Barbados Stock Exchange. Companies listing on the Regular Market must be a profit-making venture with minimum assets of BBD \$1 million. At December 31<sup>st</sup>, 2010 there were twenty-four (24) listed companies and twenty-six (26) listed securities with a market capitalization value of approximately BBD\$10.5 billion.

**The Innovation and Growth Market** – This market caters to smaller and newer public companies, which may not meet all the requirements for listing on the Regular market. Companies listing on the Innovation and Growth Market must have a minimum equity capital of 1,000,000 shares with a minimum stated capitalization value of BBD\$200,000.00. At December 31<sup>st</sup>, 2010 there were three (3) companies listed, with a market capitalization value of approximately BBD\$15.1 million.

## TO GO PUBLIC OR NOT TO GO PUBLIC – FACTORS TO CONSIDER

### Are You Eligible?



Perhaps you have never considered going public or listing, or maybe you have but have been confused about what is necessary. In this segment we will provide guidance on the pros and cons of going public.

When considering going public and listing on the Barbados Stock Exchange it is required that the company is incorporated. This requirement excludes individuals and partnerships as well as limited companies from participating. Therefore, it may be necessary for such companies to change their legal structure to meet this requirement.

### The Advantages of Going Public:

#### 1. Shareholder advantages

- a. Oftentimes entrepreneurs have a significant portion of their personal wealth tied up into their business. This occurs because initially they are the firm's primary source of financing. What usually happens with private companies is that even though the company becomes profitable and the owner is able to earn a salary and receive dividends from the firm, the owner is unable to truly capitalize on the value of their company because it is intrinsic. This problem is exasperated if the owner needs money for personal reasons. Even with a profitable company getting financing for personal use may prove difficult and because the company is private it is often difficult to attract new equity investors for the company because of difficulty establishing the price and concerns about being able to divest their investment at a later date.
- b. By choosing to list their company the owners of the company unlock the intrinsic value of the company by the transparent mechanism of the market price. Founders then have the option to dispose of some or all of their holdings in a process called "cashing out." This permits the owners to diversify their wealth away from their business into other investments making them less vulnerable to the inevitable ups and downs of doing business.



## 2. Corporate financing perspective

- a. Adequate financing is critical to the long-term well-being of any company. While going public provides access to financing initially, as a company continues to grow and develop, additional financing may be required in the future. When this situation arises, a public company is in a better position to acquire required financing. Firstly, a public company has the option to raise financing a second time by doing a rights issue. By virtue of being listed and having a track record (if positive) it should be easier to go through the process again. Additionally, the company can approach a bank for a loan. Again, there is an advantage to the listed company because it is likely to have a lower debt to equity ratio than a private company. This ratio is usually a key ratio for financial institutions in making a decision to extend loans to a company. The lower the ratio the more favorable the loan financing is likely to be.



## 3. Opens new business opportunities

- a. Generally, a public company is more valuable than a closely held non-public company. The shares are transferable, can be used as collateral for borrowing and they have a clear market price which gives the owner of the shares a clear understanding of the value of what he/ she actually owns.
- b. In a competitive environment for top skilled workers' incentives like executive and employee stock option plans and bonuses can provide an advantage over the privately held company.
- c. Publicly traded companies can also utilize their shares like cash to purchase assets or other companies. Again, stemming from the fact that the shares have a clear value which can be redeemed by the buyer, sometimes it is possible to complete an acquisition without any effect on cash or working capital.



## 4. Raises the profile of the company

- a. Another advantage of being a publicly listed company is that it raises your company's profile. Listed companies are expected to abide by higher standards of corporate governance than the average private company and this generally adds credence to your firm when negotiating business especially regionally and internationally. Additionally, a listed company is likely to receive more coverage on the business news than would the average private company.





## Common Apprehensions of Going Public

While there are clear advantages to going public and listing your company on an exchange there are some disadvantages which you must take into account.

### 1. Regulatory Requirements

Firstly, being a public company means that you will be required to adhere to a different standard of regulatory scrutiny than a private company. This is in line with the increased accountability which is associated with a public company and will lead the company to disclose more information to the public.

While this may no doubt lead an adjustment in the way your company operates, it is necessary to understand the reason for this increased scrutiny. The capital market is about balancing the needs of the entrepreneur with the needs and goals of the investor. While the investor is providing the firm with money to utilize in the running of the business, the firm is expected to provide the investor with information on how their investment is performing. Thus, regulators mandate these requirements as a means of sharing info with investors and allowing the regulator to spot if there is any misconduct being undertaken with shareholder funds.



### 2. Loss of control

Another concern many private companies have about listing and going public, is their exposure to takeover. While this is a fair concern, since it is easier to takeover a company which is public than a private one, this is not necessarily the case.

Firstly, a company can choose how many of its shares it intends to float to the public. Remember that a company can only be taken over if an outside party is able to acquire controlling interest in the company (50.1% of the total number of shares issued) As such a company can choose to only make 49% of the company's shares available to the public and ensure that it can never be taken over. As a rule, the more shares maintained by the original owners of the company the less vulnerable the company to take-over.

Secondly, even if the company's capital requirements force the company to issue a significant percentage of the total number of share outstanding to the public, there are





still ways to limit their exposure to takeover by issuing separate classes of shares. For example, one class of shares may have voting rights while another is without. As a sweetener, the shares which do not have voting rights may be entitled to a higher dividend. These and other options can be discussed with your listing team.

It is worth reminding you that shareholders vote to elect the board of a listed company. The Board is then charged with the responsibility of overseeing management's decisions. Therefore, the larger percentage of the voting right maintained by the current owners of the company the more likely that there would be little change in the company's structure after going public.

### 3. Cost associated with listing

While there are several advantages to be accrued by being a publicly listed company, there are costs which will be incurred as a result of listing that will not likely be incurred by a private company:

- Initial listing fees paid to the Stock Exchange
- Annual sustaining fees paid to the Stock Exchange
- A listed company may incur additional legal fees to ensure that it is in compliance with the securities legislation.
- The company may need to hire a registrar to maintain an accurate list of shareholders if it does not wish to maintain this list itself.
- Increased marketing fees as a result of regulatory requirements to keep shareholders informed.

### Other factors to consider before listing and going public

There are a host of other issues that a company must take into account when considering going public which would make your company more attractive to potential investors. These include:

- Company profitability
- Potential for growth
- Strong earnings potential
- Strong management team
- Need for cheaper capital
- Corporate governance framework
- Accountability and regulatory oversight



Ultimately, the most important consideration for a private company in going public is the determination that the future survival and growth of the company is dependent on bringing the public into its ownership structure. Once that decision has been made it is time to get the process started.

## THE STEPS TO GOING PUBLIC – THE PROFESSIONAL'S PERSPECTIVE

Even after the decision has been made to go public your work has just begun. Going public takes time and careful planning. Here are some of the steps you will have to go through:

- Set up an Internal Planning Committee
- Determine your vision
- Prepare a business plan
- Set a Timetable
- Establish a budget
- Have a plan for developing & crafting the identity of the company – “Branding”
- Prepare a Prospectus
- Identify the personnel within the company who will “lead the charge”
- Initiate weekly team meetings and produce individual team status reports



### Identify the Professionals:

- An Initial Purchase Offer (IPO) Listing advisor
- Legal advisor
- Underwriter
- Accounting advisor
- Marketing Specialist

### The Role of the IPO Listing Advisor:

The Barbados Stock Exchange Inc. acts as the IPO Listing Advisor and will guide you step by step through the entire process of listing.

### The Legal Advisor's Role



The legal advisor assists the company and its management in preparing the prospectus and performing due diligence. This role is critical in the process of issuing securities to the public.

In Barbados the rules and regulations governing the issuing of shares to the general public are contained in the Companies Act Cap 308 and the Securities Act Cap 318A along with the Securities Regulations 2002. These pieces of legislation are administered by the Registrar of

Companies and the Financial Services Commission respectively. Readers requiring greater detail in this section should consult the applicable sections of the legislation or consult the various regulatory authorities.

As you begin to consider the process of issuing securities to the public it is likely that you will have to produce a prospectus which will need to be registered and approved by the Registrar of Companies and the Financial Services Commission before it is published and disseminated to the public.

## **What is a prospectus?**

A prospectus is the document which invites investors to buy the securities in a company. As such the document must have sufficient detail that the prospective investor can make an informed decision about the company. As such certain things are expected to be found in the prospectus.

- Type of business the company is involved in.
- What are the risks associated with the business?
- What are the opportunities available?
- Why do they need the funds?
- What are the minimum funds you need to receive for listing to be effective?
- How has the company performed in over the past few years?
- How do you expect the company to perform in the future?

The prospectus is therefore a critical document in the process of going public. It is likely that you will require assistance from your accountant regarding the financial elements as well as from your legal advisor to ensure that it does not contravene the relevant legislation.

A company must take special care to ensure the accuracy of the prospectus bearing in mind that this is the information which investors will be using to make a financial decision to purchase shares in the company. As a result, there cannot be any omission that would result in a half-truth.

To show the importance of this document the ultimate responsibility and liability for misstatements lies with the directors of the issuing company. Each of the directors is liable for any loss or damage sustained by other persons, who, on the faith of a prospectus subscribed for, or purchased, any shares or debentures, by reason of any untrue statement in the prospectus, or by reason of the willful non-disclosure in the prospectus of any matter of which the director had knowledge and that he knew to be material.

The draft prospectus must also be approved by the Registrar of Companies and the Financial Services Commission before it is published. It should be noted that approval by any of the Regulators does not in any way indicate that they have evaluated the merits

of the securities on offer only that the prospectus meets the requirements outlined in the requisite legislation.

The Commission can refuse to approve a prospectus for a number of reasons set out in Section 70 of the Securities Act.

### **When a prospectus is not required?**

The Securities Act Cap 318A sets out specific instances when a prospectus is not required. Your legal adviser must decide whether or not the prospectus requirement provisions apply on a case-by-case basis.

### **Reporting issuer**

It must be noted that any Company who proposes to issue securities to the public must register with the Commission as a "Reporting Issuer". The securities must also be registered with the Commission. These requirements are set out from Section 57-60 of the Securities Act.

## **The Underwriter's Role**

### **What is underwriting?**



Underwriting is defined as the process by which financial institutions will commit to raise capital for corporations and governments that are issuing debt or equity securities from institutional and individual investors on their behalf.

### **Key role of the Underwriter**

Provides commitment to Company that funds expected from the IPO will be received regardless of whether the shares are sold successfully.

As a result, the underwriter:

- Assists with the structuring of the transaction
- Determines the proper timing & marketability factors of the offering (competing for limited investment dollars)
- Assists with pricing of shares for IPO
- Travel on "Road Shows" with Company Executives giving details of the Issuing Company
- Prepares Offering Document & files them with Financial Services Commission and other regulatory bodies

- Distribute shares through its network of investors on behalf of Issuer (single most important function – success of IPO)
- Acts as Intermediary between the issuer and the investing public

## Risks Associated with Underwriting

- The Underwriter could be left with an unsold position in shares if unable to distribute successfully (firm commitment agreement)
- Failed IPO substantially increases risk of shares dropping after issue which would lead to losses by underwriter.
- At its worst, the Underwriter could be forced to “fire sale” the unsold shares at severely reduced prices.
- Considerable outlay of funds if IPO is substantially under-subscribed
- Damaged reputation due to unsuccessful IPO



## Distribution

The Securities Act (Cap 318A) defines distribution with respect to an IPO as, “a sale of a security by or on behalf of the issuer of the security that has not been previously issued”. As Reporting Issuer, the selection of the Underwriter is paramount to the IPO process and its success. The existence of following attributes should be considered when selecting the Underwriter:

- Access to Institutional Investors (Local and regional)
- In-house distribution sources
- A network of individual investors (through brokerage business or private banking).
- Reputation of Underwriter
- Previous deals
- Depth of management
- Ability to draw on wide areas of expertise.

## Capital

- Access to capital to be put at risk

## Funding

- Access to funding in the event that sale of shares fall short is key.

## The Accountant's Role

“Let's face it. Keeping a business going takes money. And growing it takes even more.”  
Andrew Sherman – Raising Capital

### The accountant's role is:

- Working with management to assess the best source of capital for the business at various points in time.
- Help determine most appropriate financing for stage of business cycle and determining the best time to shift from one source to another.
- Advising on timing of IPO and determining the best value.
- Assist in preparing for the IPO (adding value).
- Preparing accurate financial statements for compliance with listing requirements.
- Reviewing forecasts/projections prepared by management – adding credibility.
- Advising on prospectus content.



## The Marketing Specialist's Role



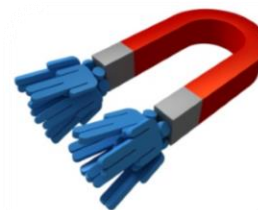
The reputation of a company is a key determinant of IPO success. For maximum results companies must invest in Corporate Communications and Investor Relations strategy.

The marketing specialist will set a Strategy Implementation Timetable that charts:

1. The launch of the Investor Relations campaign (at least one year prior to the IPO).
2. The roll-out of a stepped campaign. (Increasing communications frequency and spend as the IPO date draws closer.)
3. Management of the “quiet period”.

### 1. Why investor relations?

We must first start with building a basic idea of how the market works. In layman's terms, the stock market works like any other, **demand and supply**. The more the shares for a company are demanded, the higher the price. There are, of course, many factors that determine the strength of that demand. Some come to mind very easily, these would include the strength of the company's balance sheet, their liquidity and their historical profit levels.



However, there are other more intangible factors, which are of equal interest to the savvy investor. These include the reputation and track records of its Chairman and of the CEO, the level of brand awareness enjoyed by the company itself, its products and services, and the anticipation of future profit levels. Example: Will they be introducing new products into the market that are expected to do well? Will they be facing increased competition

in the short or medium term from a larger, more successful company? Is the company currently the subject of a major lawsuit?

Another important non-tangible issue is that of Corporate Governance. Corporate Governance standards seek to reassure the investing public in the accuracy of market valuation. The investing public seeks this security in order to be comfortable with their investment decision.

In fact, according to Baruch Lev, Professor of Accounting and Finance at New York University's Stern School of Business, approximately 40% of a company's market valuation can be directly attributed to non-financial factors.

Potential investors, brokers and analysts will investigate both the tangible and intangible factors affecting the corporation and determine the level of risk versus the potential reward.

So where does corporate communications and investor relations come in?

For companies seeking to be listed on the stock market, there is only one factor which will determine the success or failure of the IPO and that is the company's reputation in the market. It will be imperative, therefore to communicate the following information to this critical audience:

- Your current and historical financial outlook
- Your future prospects & projections
- The quality and competency of your principals and directors.
- Your relative positioning within the market, i.e., your competitive standing.
- Your customer base, contracts, and agreements
- Your partnerships with established entities
- Any pending patents, exclusive rights or licenses which you hold.

These indicators speak volumes on your company's investment potential but the market needs to hear this information.

## 2. Stepped campaign - HOW should you communicate AND WHERE?

- Research
- Corporate Profile Creation
- Road Shows
- Financial Press Coverage
- Investor and Community Outreach Programs
- Crisis and Response Management





- **Research.** By assessing current investor perceptions and attitudes towards the brand, the company, and the product or service offerings, specific strategies can be developed to address misconceptions, misinformation and lack of information in the market. The right message can then be devised and delivered.
- **Corporate Profile Creation.** Inherent to sending the right message is producing a corporate profile that includes all pertinent investor information. This profile should be provided to all major media houses and will act as a starting point of any investigation into the company by the independent press.
- **Road Shows.** These are a series of meetings and forums for industry stakeholders, i.e., bankers, financiers, brokers and analysts. The goal is to disseminate financial information regarding the company as well as its prospects for future growth and advancement. These industry professionals are key in influencing potential investors. Both by directly recommending the purchase of shares, but also by validating the strength and potential of the organization and creating a positive “buzz” surrounding the IPO.
- **Financial Press Coverage.** Articles can be placed in business and financial journals, newspapers and publications to target the investment community and other stakeholders with the company’s message.
- **Investor and Community Outreach Programs.** The company’s message is spread among community groups, service organizations and professional bodies through various media and communications channels.
- **Employee Relations & Internal Communications.** This is especially pertinent in our small society where virtually every potential investor may know someone who knows someone who works at the company. The company’s financial outlook should be shared with these “non-paid advocates”, as what they say must echo what is said through other channels to achieve the appearance of legitimacy. To quote Bob Gallagher of RW Gallagher and Associates, “When a company’s communications are delivered to all market audiences from a single integrated source, the message has greater resonance. That’s because each audience hears the same message in a consistent manner, so they are more apt to relay that information with greater accuracy”
- **Crisis and Response Management.** It is critical to have corporate communications specialists on board who can respond to market speculation, negative publicity or misinformation during this crucial time in the life of the corporation. Left unchecked, these will adversely affect the success of the IPO, as well as future trading of the company’s stock. A crisis management plan means that responses to most eventualities have been pre-conceived and a team has been briefed and assembled and stand ready to execute said plan.

**3. Managing the quiet period.** It is important to note that what is referred to as a “quiet period” is observed while the company is “in registration” with the Financial Services Commission. The company should take care during this period to avoid activities that could “hype” their stock or “improperly condition the market”. This period is typically approximately 90 days prior to the public offering. However, this does not mean that no investor relations can occur, but more so, deals with new information being leaked to the market.

There is currently a move internationally to change the regulations surrounding the quiet period; this is referred to as the “aircraft carrier proposal”. This would reduce the time period to one month and allow free marketing to potential investors and the public once all information is also logged with the Financial Services Commission. As the region’s exchanges continuously seek to benchmark to international best practice, this change if successful will probably be adopted.



The only question left to be answered is **Who?**

*The importance of Corporate Communications and Investor Relations in the launch of an IPO is overlooked only to the detriment of the corporation in question. It is not only a question of building goodwill among stakeholders it is the very real question of dollars and 'sense'. Failure or success?*

**So, if a tree falls in an empty forest does it make a sound?**

When making the decision to launch an Initial Public Offering the answer is “**NO**”.

Not if your investors aren't there to hear it.

## THE ROLE OF THE FINANCIAL SERVICES COMMISSION

### Introduction



Concurrent with the transformation of the Barbados Financial System, the need for market monitoring and the internationalization of securities markets and transactions it became important for Barbados to upgrade its Capital Market Regulatory structure and system. This was done, not only to monitor the domestic Market but also to strengthen regional co-operation to deal with any violation of market fairness with the potential to extend beyond national borders. In order to fulfill these responsibilities and in this context the Securities Commission was established. It must be noted, however, that effective April 1<sup>st</sup>, 2011 the Securities Commission was subsumed by what is now called the Financial Services Commission which has been established by the Government of Barbados to regulate and supervise the operations of the non-banking financial sector.

The Commission is the overarching Regulator for the securities market in Barbados including regulation of the Self-Regulatory Organizations (SROs), which are the Barbados Stock Exchange Inc (BSE) and its wholly owned subsidiary, the Barbados Central Securities Depository Inc. (BCSDI). The *Securities Act* Cap 318A (the Act) provided the enabling legislation for the establishment of the Securities Commission ("the Commission") which regulates the Barbados Capital market.

The Commission became fully operational in January 2003 and in accordance with Section 4 of the Act is responsible for *inter alia* advising the Minister on all matters relating to the Commission and the securities market. The regulatory function of the Commission is supported by several pieces of legislation. Beginning with the *Companies Act*; the *Securities Act* and Regulations; the *Mutual Funds Act* & Regulations; the Property Transfer Tax Act and the Stamp Duty Act.

Specifically, the Commission's regulatory function pays attention to shareholder rights, maintaining surveillance over the securities market and ensuring orderly fair and equitable dealings in securities; registering and regulating all Market Actors including Issuers, Brokers, Dealers and Investment Advisers' including governance, fairness, disclosure and transparency; all issues in the interest of investor protection. Section 4 of the Securities Act details the functions of the Commission. Following are some of the various procedures used by the Commission in regulating the Market.

### Registration of the Company

The registration and review process for the Company starts with liaising with the Office of the Registrar of Corporate Affairs and Intellectual Property to ensure that the company's registration and compliance are in good standing after which confirmation of the following procedure is observed:

- Examination of the registration statement and accompanying documentation. The documents that must accompany the registration statement include but are not limited to:
  - Copies of the constitutive documents of the company such as the Bylaws, Memorandum of Association, Articles of Association, Certificate of Incorporation, Certificate of Continuation and the like;
  - Copies of other documents to be filed with the Corporate Affairs and Intellectual Property Office including those relating to the directors of the company, amendments to the company, restoration of the company to the Register etc.;
  - Annual Reports for at least 3 years;
  - The Prospectus or Short Form Distribution Circular or Offering Document.
  
- Confirmation of the parties involved in the operation of the company such as its Auditors, Legal Advisors, Corporate Secretary, Underwriters and Administrators. The Commission may be required to license, register or approve some of the parties to the company. The relationships of relevant parties and their respective roles are examined to identify potential conflict of interest issues to ensure that adequate disclosure is made to investors or that steps are taken to eliminate the conflict of interest. The Commission also examines the overall structure of the company to have a clear idea of the holding companies, subsidiaries and related companies.
  
- Analysis of the financial and operational capabilities of the company. This involves detailed review and analysis of the following:
  - Level of debt or leverage of the company
  - Creditors of the company
  - The company's working capital adequacy
  - Cash Flow positions
  - Growth potential – inclination and ability to diversify
  - Competitive position & Management:
  - Quality & experience
  - Integrity and other interests
  
- Conduct of Due Diligence Review  
In this regard the Commission:
  - Liaises with other regulators (local and international) to obtain information relating to the company's compliance with their legislation; and
  - Reviews information and documentation relating to the beneficial owners, senior officers and or directors of the company.

*Information relating to the Registration forms and required documentation can be found on the Commission's website [www.fsc.gov.bb](http://www.fsc.gov.bb) under the **Registration** heading.*

## Regulation of the Company

Regulation of the company involves ongoing monitoring of the company and the conduct of its business to ensure that there is fairness and transparency in the company's dealings with investors. Specifically, this task involves:

- monitoring the trading activity of the company;
- making sure that the company abides by the statutory requirements for filing of information and documentation with the Commission;
- ensuring that the company complies with statutory provisions for disclosure of material information;
- handling investor complaints;
- ensuring compliance with the other provisions of the relevant legislation.



## Statutory Requirements

- *Securities Act 2001-13*
- *Companies Act Cap 308*
- *Mutual Funds Act, Cap. 320B and its Regulations*

## PROCEDURE FOR LISTING

### Power to List:

It is important to note that, subject to the requirements of the Exchange, the Board reserves the right to list for trading on the Exchange only those securities it determines to be suitable for listing.

### Four Steps of Listing

The following four steps outline the procedure for listing:

- **Application Submission** – The Issuer is required to submit the Application for listing and pay the application fee of \$500.00 to the Exchange.
- **Management Level Review** – Management team conducts due diligence on the Application to ensure the validity of the information contained before submission to the Listing Committee of the Exchange.
- **Listing Committee Review** – The Listing Committee of the Board reviews the Application and makes its recommendation to the Board.
- **The Decision** – The Board reviews the recommendations of the Listing Committee and makes the final decision.



## REQUIREMENTS FOR LISTING

### Qualitative Requirements

Each Company seeking to list securities on either the Regular or Innovation and Growth Market of the BSE must be registered and in good standing with the Registrar of Companies. The Company must also provide evidence of competent management; these are essential. After listing, companies (including their officers and directors) must observe and comply with the rules of the Exchange. They must also meet ongoing requirements such as timely public disclosure of the interim and audited annual financial statements and disclosure of any material changes affecting the affairs, business, operations or capital structure of the company that could in any way affect shareholders.

It must be noted, however, that a Company seeking listing on the Innovation and Growth Market of the BSE must be introduced to the market and continually sponsored by a Member of the Stock Exchange such as a Registered Broker.

## Quantitative Requirements

Each Company seeking to list securities on the Regular Market of the BSE must meet the following requirements:

- Have gross assets of not less than \$5 million dollars;
- in the opinion of the Exchange have three (3) years audited financial statements;
- in the case of a new company provide three (3) years projections;
- have evidence of competent management; and
- be incorporated under the Laws of Barbados or another jurisdiction approved by the Exchange.



Each Company seeking to list securities on the Innovation and Growth Market of the BSE must meet the following requirements:

- Have gross assets of not less than \$500,000.00 excluding goodwill;
- minimum equity capital of \$200,000;
- subordinated loan capital (other than prior-charge) not more than 25% of Equity Capital;
- public shareholders not less than 25 holding and not less than 25% of Equity Capital;
- market introduction and continued sponsorship by a Shareholder of the Exchange;
- have evidence of competent management; and
- be incorporated under the laws of Barbados or another jurisdiction approved by the Exchange.



## OBLIGATIONS ATTACHED TO LISTING

There are certain obligations which must be maintained by a publicly listed company. These obligations were established to allow for better transparency in the market.



- **Transfer Facilities** – A listed company is required to maintain a transfer and registry office in Barbados.
- **Proxies and Annual Meetings** – A listed company whose shareholders are entitled to vote at a meeting are required to issue forms proxy for all meetings of said shareholders. These companies are also required to hold an annual general meeting of its shareholders in each calendar year. Twenty-one (21) days prior to the annual meeting the listed company is required to communicate notice of the meeting to the BSE. An annual report must be prepared for dissemination to the company's shareholders as well as filed with the BSE during this same twenty-one (21) day period.





- **Changes in Outstanding Capital** – Each listed company is required to give prompt notice of each proposal made by the company for any option, underwriting, sale or issue of treasury securities (other than debt securities that are not convertible into shares) or of securities held for the benefit of the company's treasury or to be created for its treasury. The company is also required to supply the BSE with a copy of each option, underwriting or sales agreement that the company has entered into with respect to any such treasury securities. The BSE reserves the right to accept or not accept the proposal and, in some cases may require shareholder approval as a condition of acceptance. 
- **Filing of financial statements** – Each company whose securities are listed on the Exchange is required to file with the Exchange a copy of the annual or interim financial statement required by law to be published or filed for inspection.
- **Interim financial statements** – Listed companies are required to submit, within sixty days from the end of the period to which the statements relate, interim financial statements for the three, six and nine-month periods of the current fiscal year that begin immediately following the last fiscal year. Statements must be prepared in accordance with the generally accepted accounting principles and should include comparative statements consisting of an income statement and an explanatory statement by the Chairman of the financial performance of the company and must be forwarded to each shareholder or disclosed publicly. 
- **Material Changes** – Companies whose securities are listed on the Exchange are required to give notice of any material change in the business or affairs of the company. Material changes in the business or affairs of a company may include but are not limited to the following:
  - a change in the nature of the business of the company
  - a change in the board of directors or the principal officers of the company;
  - a change in the beneficial or registered ownership of shares of the company that, to the knowledge of the company, or its officers, directors or major shareholders, or in the option of the Exchange, is sufficient to materially affect control
- **Filing Fees Re: Options and Material Changes** – A filing fee of \$250.00 shall be paid to the Exchange by a listed company.
- **Public Availability of Documents** - All notices and their supporting documentation accepted as filed with the Exchange shall be made available to the public on

request and, at the discretion of the Exchange, may be published in the print media.

- **Annual reports** – Listed companies are required annually to file with the Exchange and forward to each of its shareholders an annual report. The annual report must be filed within one hundred and eighty (180) days of the end of the previous fiscal period and must contain annual financial statements – income statement, statement of surplus, state of changes in financial position and balance sheet – and an auditor's report approved by the board of directors prepared in accordance with generally accepted accounting principles as well as an account of its principal activities during the fiscal period covered. 
- **Annual Questionnaire** – Companies whose securities are listed on the Board of the Exchange are required to complete and file an annual questionnaire in the form prescribed by the Exchange.
- **Dividends, Rights and Changes** – Listed companies are required to give prompt notice to its shareholders and to the Exchange, by way of a formal letter, of any action with respect to dividends or allotment or rights for subscription to shares or other securities. They are also required to give the Exchange notice at least ten days in advance of the date for the taking of a record of shareholders for the purpose of ascertaining who are entitled to any such dividends or rights or for any other purpose. Listed companies must also give adequate time for overseas shareholders to exercise any such rights. Should there be any changes to the provisions relating to any warrant or rights to acquire or to subscribe for its securities of a listed company, prompt notice must be given to the Exchange. 
- **Redemption, Cancellation or Retirement of Securities** - Every company whose securities are listed on the Exchange shall notify the Exchange promptly of any corporate or other action that will result in the redemption, cancellation or retirement, in whole or in part, of any of its securities listed on the Exchange, or any security convertible into securities listed on the Exchange.

Explicit details relating to the obligations of publicly listed companies are outlined in the Listing Agreement of the BSE.

## WHAT DOES IT COST TO BE LISTED?

Any company considering going public must understand that there will be costs incurred in undertaking such an initiative. These costs can be divided into two broad categories – initial fees and ongoing fees.

### Initial Fees

The dollar amount of the costs incurred will vary and are dependent on the nature of the issue. These costs include but are not limited to:

- **Professional Fees** – dependent on the professionals retained – Lawyers, Accountants, Consultants, etc.
- **Broker's/Underwriter's Fees** – normally a percentage of the amount being raised and is often negotiated between the issuer and the broker/dealer.
- **Initial Listing Fee** – these are based on the value and type of securities being listed.
- **Printing Costs** – dependent on the quality of documents prepared for the proposed issue – Prospectus and other related material.
- **Filing Fees** – The preliminary Prospectus must be filed with the Financial Services Commission and the BSE.

### Ongoing Fees

On listing, the Company will incur costs associated with maintaining the listing. These costs include but are not limited to:

- Annual Listing Fee
- Investor Relations and Public Relations
- Board of Director Fees
- Director & Officer Liability Insurance
- Reporting Costs
- Shareholder Services and Meetings
- Transfer Agent Fees
- Newswire Services
- Management and Administrative Time



## BSE SHAREHOLDER FIRMS

The following firms are registered with the Financial Services Commission and the BSE to perform various services with respect to taking a company public:

Barbados Chamber of Commerce & Industry

Braemar Court  
Deighton Road  
St. Michael  
T. 246.434.4750  
F. 246.228.2907

Ernst & Young Services Limited

One Welches  
Welches  
St. Thomas  
Tel. 246.430.3900  
Fax 246.426.9551

Barbados Bar Association

“Leeton”  
Perry Gap  
Bridgetown  
Roebuck Street  
Tel. 246.537.7316  
Fax 246.538.1739

K P M G

Hastings  
Christ Church  
Tel. 246.434.3900  
Fax 246.427.7123

Barbados Institute of Banking and Finance

5<sup>th</sup> Floor – Tom Adams  
Financial Centre Spry Street  
Bridgetown  
Tel. 246.467.5781

First Citizens (Barbados) Limited

#2 Broad Street  
Bridgetown  
St. Michael  
Tel. 246.431.4500  
Fax 246.430.0221

Central Bank of Barbados

Tom Adams Financial Centre  
Spry Street  
Bridgetown  
Tel. 246.436.6870  
Fax 246.427.9559

Millennium Heritage Incorporated

Parker House  
Willey Business Park  
Willey Road  
St. Michael  
Tel. 246.436.6287  
Fax 246.436.9812

Brentwood Securities Incorporated

C/o Grenville Philips & Associates  
Suite 5 – James Fort Building  
Hincks Street  
Bridgetown  
Tel. 246.431.0581  
Fax 246.431.0431

Chancery Chambers LLP

Chancery House  
High Street  
Bridgetown  
Tel. 246.431.0070  
Fax 246.431.0076

## SHAREHOLDER-BROKERS

Capita Financial Services Limited  
2<sup>nd</sup> Floor  
Cooperators General Insurance Building  
Upper Collymore Rock  
St. Michael  
Tel. 246.431.4726  
Fax 246.426.6168  
Web [www.capitacaribbean.com](http://www.capitacaribbean.com)

### **Rep. Mr. Paul Maxwell**

Caribbean Financial Services Corporation  
"Radley Court"  
Collymore Rock  
St. Michael  
Tel. 246.431.6400  
Fax 246.426.1869  
Web [www.cfsc.com.bb](http://www.cfsc.com.bb)

### **Rep. Mr. Anthony Maughn**

Fortress Fund Managers Limited  
1<sup>st</sup> Floor Carlisle House  
Hincks Street  
Bridgetown  
Tel. 246.431.2198  
Fax 246.431.0514  
Web [www.fortressfund.com](http://www.fortressfund.com)

### **Rep. Mr. Roger Cave**

CIBC FirstCaribbean International Bank (Barbados) Limited  
Ground Floor Michael Mansoor Building  
Warrens  
St. Michael  
Tel. 246.367.2300  
Fax 246.426.9034  
Web [www.cibcfcb.com](http://www.cibcfcb.com)

### **Rep. Ms. Elizabeth Morgan**

First Citizens Investment Services (Barbados) Limited  
One Welches  
Welches  
St. Thomas  
Tel. 246.417.6810  
Fax 246.421.2140  
Web [www.firstcitizensbb.com](http://www.firstcitizensbb.com)

### **Rep. Mrs. Norlann Gabriel**

Royal Fidelity Merchant Bank & Trust (Barbados) Limited  
"Royal Fidelity House"  
#27 Pine Road  
St. Michael  
BB11113  
Tel. 246.435.1955  
Fax 246.435.1964  
Web [www.royalfidelity.com](http://www.royalfidelity.com)

### **Rep. Ms. Jillian Nunes**

SigniaGlobe Financial Group Incorporated  
Shirley House  
Hastings Main Road  
Christ Church  
BB15156  
Tel. 246.434.2360  
Fax 246.434.0057  
Web [www.signiaglobefinancial.com](http://www.signiaglobefinancial.com)

### **Rep. Mr. Paul Ashby**

Sagicor Asset Management Incorporated  
Sagicor Financial Centre  
Wildey  
St. Michael  
Tel. 246.467.7506  
Fax 246.426.7907  
Web [www.sagicor.com](http://www.sagicor.com)

### **Rep. Mr. Dexter Moe**

## CONTACT US

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W. [www.bse.com.bb](http://www.bse.com.bb)



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Building a Better Market!*