



Bank of Jamaica

National Payments System

JamClear

Central Securities Depository

Participant Rules

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1. INTRODUCTION

The Bank of Jamaica has implemented a Real Time Gross Settlement (RTGS) system and a Central Securities Depository (CSD), two key components in the reform of the National Payments System (NPS).

The Bank of Jamaica and the Government of Jamaica are the sole issuers of securities in the CSD.

The RTGS system provides a mechanism for Participants to settle large value and time critical payments, while the CSD manages the life cycle of Bank of Jamaica (BOJ) and Government of Jamaica (GOJ) fixed income securities. Both systems are tightly coupled to ensure that the payment for and transfer of all securities traded or purchased are executed simultaneously, guaranteeing Delivery versus Payment (DvP).

This document contains the Rules for participating in the CSD and is divided into the following nine (9) sections described below:

[Section 1 Introduction](#) - explains the purpose of this document and provides references to other documentation necessary to obtain a full understanding of the CSD Rules.

[Section 2 Definitions and Interpretation](#) - prescribes the meaning of specified terms or words used within the context of these rules.

[Section 3 General Purpose and Objectives](#) – gives an overview of the purpose and objectives of the CSD.

[Section 4 Participation](#) – defines the groups eligible for membership and the criteria governing admission, withdrawal, suspension, termination and reinstatement of Participants.

[Section 5 Accounts in the CSD](#) – gives an overview of the accounts which will be kept in the CSD.

[Section 6 Roles and Responsibilities](#) – Defines the role and specifies the responsibilities of Participants, the Systems Operator, the Issuer of Securities and the Systems Overseer.

[Section 7 Ownership of Securities in the CSD](#) – defines the rules of ownership of the securities held in the CSD and details the Immobilisation and Dematerialisation rules.

[Section 8 CSD Operating Rules](#) – describes the rules applicable to all participants within the CSD.

[Section 9 Governance Arrangements](#) – specifies the rules governing operating hours and days, procedures to amend the CSD rules, dispute resolution, legal

jurisdiction and other rules essential to the orderly and efficient functioning of the CSD.

1.1 Document Purpose

The purpose of this document is to clearly and unambiguously define the CSD rules.

1.2 Related Documents

These rules should be read in conjunction with the following documents:

- CSD User Guides
- CSD Operational Processes manual
- RTGS Rules
- RTGS Procedures manual
- Payments System Communications Network (PSCN) Operations Manual
- Payments System Risk Policy

1.3 Circulation

These rules will be provided to all Participants in the CSD. It will also be made available to prospective Participants on application for membership.

1.4 Effective Date

These Rules become effective as at 15 May 2009.

2. DEFINITIONS AND INTERPRETATION

2.1 Definition of Terms

The following words have these meanings in these rules unless the contrary intention appears:

Term	Definition
Account or Settlement Account	Means settlement accounts in the RTGS system at the Central Bank.
Agreed Currencies	Means those currencies that the CSD or BOJ may from time to time authorise for use within the CSD or RTGS systems.
Beneficial Owner	Means the natural person or body corporate entitled to

receive some or all of the benefits of ownership of a security or other financial instrument (e.g. income, voting rights, and power to transfer). Beneficial Ownership may be one or more Holders

Beneficial Owner Account	Means the account used to record the ownership of the securities. It facilitates the payment of the benefits of ownership.
BOJ	means the Bank of Jamaica/ Central Bank
Business Day or Day	means a calendar day other than i) Saturday, ii) Sunday, iii) legal Holiday or iv) any other day as determined by the competent authority to be a public holiday or a day on which banks shall be closed to the public
Central Securities Depository or CSD	means the Depository maintaining the Register of Government of Jamaica and Bank of Jamaica domestic securities and through which transactions evidencing the sale, purchase, transfer of securities are processed by book entry, primary market auction facilities and all associated linkages.
Counterparty	means those participants engaged in a securities transaction
Court	means a Jamaican court of competent jurisdiction.
Customer	means any person or institution who uses the services of a Participant and into whose account payments are credited.
Delivery versus Payment or DvP	means the simultaneous transfer of ownership and payment for securities traded between counterparties.
Dematerialise or Dematerialisation	means the process of eliminating physical certificates as a record of securities ownership, and where the ownership of the security exists only as an electronic record in the CSD.
Depository	means the Central Securities Depository or CSD
Dispute	means a dispute or difference between: a) the BOJ and the participant; or b) two or more participants arising out of, or in any way connected with the Rules.

Final Cut-off	means the time the RTGS closes to all participants. At final cut off no further payment instructions can be entered and all pending payments instructions are cancelled.
Finality	means irrevocable and unconditional settlement.
FISD	means Financial Institutions Supervisory Division.
Free of Payment	means any security transaction in which ownership is transferred and does not require a payment.
FSC	means Financial Services Commission.
GOJ	means Government of Jamaica
Holder	means a person, business, trust or other entity that may have participation in the beneficial ownership of a security.
Immobilise or Immobilisation	means the lodging of the physical security certificate with the Depository that acts as a custodian, in this case the Operator. Evidence of the investor's ownership will be maintained electronically in the CSD.
Initial Cut-off	means the time the RTGS closes for Participant's customer transactions.
Intraday Liquidity	means funds which can be accessed from the Central Bank during the business day usually to enable financial institutions to make payments in real time and must be reimbursed within the business day, prior to final cut-off.
Irrevocability	means transfers or settlements which cannot be revoked by the transferor
Issuer	means either the BOJ or GOJ who issues fixed income securities on the Primary Market.
Membership Agreement	means the Memorandum of Understanding (MOU) entered into between the BOJ and the Participants and Members
Notifiable Event	means, an event related to a Participant requiring the Participant or other legally entitled party to: (a) make a general assignment for the benefit of, or enter into a reconstruction, reorganisation, compromise,

arrangement or composition with, its creditors; or to

(b) admit in writing or otherwise to its inability to pay its debts as they become due; or to

(c) seek, consent to or acquiesce in the appointment of any trustee, administrator, receiver or liquidator or analogous officer over any material part of its property; or ;

(d) present or file an application in respect of it:

(i) in any court or before any agency alleging or for its bankruptcy, winding up or liquidation (or any analogous proceeding) unless it can be demonstrated by the Participant that the filing or application is vexatious or that it is otherwise unlikely to result in the winding up or liquidation of the Participant, in either case within a period of time to be specified by the BOJ;

(ii) seeking any reorganisation, arrangement, composition, readjustment, administration, winding up, liquidation, dissolution or similar relief, under any present or future statute, law or regulation, such application (except in the case of an application for liquidation or any analogous proceeding) not having been stayed or dismissed within 30 days of its filing; or

(e) appoint a receiver, administrator, liquidator or trustee or analogous officer of it over all or any material part of its property; or to

(f) declare to the Operator at least 7 days before it is about to pass a resolution or seek a declaration for its voluntary winding up; or

(g) declare the occurrence of any event having a substantially similar effect to any of the events specified in (a) to (f) above under the law of any applicable jurisdiction.

Operator or CSD	means the department established in the Bank of Jamaica
Operator	to manage depository operations
Overseer or Payment System Overseer	means the department within the BOJ charged with providing Payment System Oversight .

Participant	means any institution that has authorised access to the CSD.
Parties	means a Participant in the payment system and/or the Bank of Jamaica.
Payment Instruction	means a payment order or value message initiated by a participant to transfer funds to the order of a beneficiary by means of an electronic book entry on an RTGS account in accordance with these rules.
Payments System	means the RTGS and CSD systems and related applications
Primary Dealer	means a securities dealer licensed by the FSC that has been given Primary Dealer status by the BOJ thereby enabling them to participate in the primary market for BOJ and GOJ securities.
Primary Market	means the market for new securities issues where securities are purchased directly from the Issuer.
Procedures	means the CSD Procedures which set out the standards adopted by the BOJ from time to time and which govern the operation of the CSD and or other related systems.
PSCN	means the Payments System Communications Network, which is the Interbank network provided by the BOJ for all value and non value messages.
Public Holidays	means those days, other than weekends, when the RTGS system is not open for operations to participants.
Regulator	means the Financial Services Commission (FSC) and/or any other body that regulates Participants to these Rules.
Repurchase Agreement	A contract in which the seller of securities sell and subsequently repurchase the securities at a specified date and price.
RTGS System or Real Time Gross Settlement System	means the settlement system established, owned and operated by the BOJ for real time gross settlement, seamlessly integrated with the CSD and other related

	linkages
Rules or System Rules	means the CSD Rules, as amended from time to time, which govern the operation of the CSD.
Secondary Dealer	Means a FSC licensed securities dealer, that is not a Primary Dealer, and is a Participant in the CSD..
Secondary Market	means a market where Participants trade existing securities.
Securities	means any domestic securities issued by the BOJ or GOJ.
Services	means any services provided by the CSD system or related applications to the Participants.
Value Date	means the date on which financial and or securities value is transferred or is due to be transferred.
Window or Settlement Window	means the period in which a clearing house settles on the RTGS system

2.2 Interpretation

In these Rules:

- words importing one gender include the other genders;
- the plural number includes the singular and vice versa;
- headings are inserted for convenience of reference and do not alter the interpretation of these Rules;
- a reference to any legislation includes any statutory regulations, rules, orders or instruments made or issued pursuant to that legislation and any amendments to, re-enactment of, or replacement of that legislation;
- where any inconsistency arises between these Rules and the Procedures, these Rules will prevail.

3. GENERAL PURPOSE AND OBJECTIVES

The CSD is an electronic registry of holders of debt and money market instruments issued by the Government of Jamaica and the Bank of Jamaica, respectively. Its primary purpose is to improve the efficiency of the market by, transferring ownership of a security immediately on confirmation of payment (DVP). In conjunction with the RTGS, it manages the efficiency of interest and redemption payments, and maintains a comprehensive record of pledges against

securities and repo transactions. A major medium term objective is the dematerialisation of securities, through the immediate dematerialisation of primary issues made over the CSD and the immobilisation of securities issued prior to the establishment of the CSD. The CSD will:

1. Manage bids against Primary Market Issues of GOJ/BOJ after implementation date.
2. Maintain an electronic record of the securities issued through the CSD. The electronic record will be the sole evidence of legal ownership, effectively dematerialising these securities.
3. Record and hold in custody all securities issued by the GOJ/BOJ prior to the implementation of the CSD/RTGS systems on a phased basis. Once the holding of a security previously issued is transferred to the CSD the security will be immobilised.
4. Maintain and manage the record of pledges against securities held.
5. Maintain and manage the record of Repo transactions and the associated transfer of ownership.
6. Maintain accounts of the holdings of all Participants and their customers.

4. PARTICIPATION IN THE CSD

The Operator, with the agreement of the Issuer(s) and in conjunction with the Overseer, has the responsibility for designating entities as Participants in the CSD. The Operator in evaluating eligibility for inclusion in the list of Participants will take into consideration the applicant's status as determined by the Financial Services Commission (FSC), and the rules and requirements of the Operator.

4.1 Participant Groups

Participants are classified into the following groups

Commercial Bank – As approved by the BOJ.

Primary Dealers – Security Dealers Licensed by the FSC and designated Primary Dealers by the BOJ.

Secondary Dealers – Secondary Dealers licensed by the FSC which have not been designated Primary Dealers by the Bank of Jamaica.

Other Participants – Other groups of people or institutions that the Issuers may, from time to time, approve to participate in the CSD.

4.2 Initial Participants

The initial CSD participants are listed at Attachment 1.

4.3 Criteria and Conditions for Participation

Participation in the CSD is limited to the organisations within the Groups defined in Section 4.1 which have agreed, in writing, to comply with these Rules and applicable procedures, and have provided the Operator with the required documentation as set out in the CSD operational Processes Manual . Participants will be required to:

1. Provide the Operator with a Mandate on the Prescribed Forms as provided by the Depository, indicating the names titles and specimen signatures of authorized officers who can act on their behalf and who should be given access to the CSD;
2. Maintain accurate, complete and detailed records of their trading activities in Securities held in the CSD. Such records are to be maintained outside of the CSD and must be made available to the securities regulator (FSC) and the Payments System Overseer (BOJ) on request, and within the time stipulated. Failure to maintain such records and or to make the records available, within the time period stipulated within the request, may constitute sufficient grounds for suspension as provided for in section 4.6 ;
3. Remain free from practices, which in law are deemed to be anti-competitive.;
4. Pay the system fees (Initial Entry Fee, the annual Participant Fee and Transaction Fees) as established from time to time by the Operator. The Operator has the right to waive fees due;
5. Sign and unconditionally agree to the Membership Agreement between the Participants and the Operator;
6. Maintain and comply with an Information Systems Security Policy (ISSP), approved by the BOJ, that adequately protects the confidentiality, availability and integrity of all information both within the Payments System and within their own organisation;
7. Sign and comply with the BOJ's Payment Systems Communication Network Connection (PSCN) Agreement, where applicable;
8. Obtain a SWIFT BIC to uniquely identify them in the system. Where a Participant is not a SWIFT member, they must obtain and hold a Non-Connected BIC;
9. Comply with all rules and procedures for the use and maintenance of Security Tokens providing access to the Payment System.

4.4 Admission of New Participants

Organisations may apply to the Operator for designation as a Participant. The Operator will be responsible for admitting new members and will do so in accordance with the provisions of Section 6.2. The applicant must:

- a) Be incorporated in Jamaica or be a Statutory Corporation;
- b) Be operating in Jamaica;
- c) Demonstrate to the satisfaction of the Operator that partners, directors, officers and the institution itself is compliant with all applicable regulations, rules, orders or directions of the Regulatory body having jurisdiction over that institution;
- d) Obtain certification from the Operator of the competence of its staff in the use of the systems;
- e) Sign and unconditionally agree to the Membership Agreement.;
- f) Agree unconditionally to the CSD Participant Rules and associated responsibilities, as provided for in this document.

4.5 Restriction

4.5.1 *Reasons for restriction*

The Operator may restrict the right of a Participant to use the CSD and any feature thereof, in the following circumstances:

- a) Where the Operator determines that the Participant is unable to properly use the CSD and any feature thereof, due to operational or technical problems with the Participant's own systems or the systems of third parties, or due to events over which the Participant has no control;
- b) Where the Participant requests the Operator to do so;
- c) When in the course of monitoring the Participant pursuant to rule [6.1](#), the Operator determines such action is necessary to protect the interests of the CSD or any feature thereof, and is in the best interest of all other Participants.

4.5.2 *Notification of Restriction*

Prior to restricting the right of a Participant to use the CSD under Rule 4.5.1, the Operator shall give at least five (5) business days written notice of its intention to do so, which notice shall specify the reason(s) for the restriction; provided that the Operator shall be fully entitled to give such shorter period of notice as in the *Operator's sole judgement is justified, having regard to the particular circumstances.*

4.5.3 *Length of Restriction*

The restriction imposed on a Participant under Rule 4.5.1 shall remain in effect until such time as the Operator determines that the circumstances which resulted in the imposition of the restriction have been rectified by the Participant to the satisfaction of the Operator .

4.6 **Suspension**

The Operator, subject to the approval of the Overseer, may suspend the Participant's access to and utilization of the Services, or any element thereof, for the following reasons.

4.6.1 *Mandatory Suspension*

The Operator, subject to the approval of the Overseer, shall suspend a participant if it determines, in good faith, on the evidence available to it, that the Participant is in such financial or operating condition that its continuation as a Participant would cause a significant disruption to the services or would jeopardise the interests of the CSD or other Participants.

The occurrence of any of the following events will lead to an automatic suspension:

- a) the Participant ceases to be eligible for participation in CSD or to satisfy the qualification or standards set by these rules; and
- b) the registration or license of the participant has been cancelled or suspended by a regulatory;

A Participant will automatically be suspended from the system, until further notice in the event of bankruptcy, winding up, or the appointment of a receiver or liquidator.

4.6.2 *Discretionary Suspension*

The Operator, subject to the approval of the Overseer, may suspend a Participant if the Participant:

- a) is in breach of the rules, procedures and user guides;
- b) fails to comply with all the conditions of membership;
- c) commits a breach of the provision of the Rules that the Operator in its discretion considers to be a significant breach;
- d) fails to settle agreed fees and charges as set out by the Operator;
- e) is engaging in or is about to engage in an unsafe or unsound practice which in the opinion of the Operator is likely to hinder the satisfactory functioning of the system.

4.6.3 *Notification of Suspension*

Prior to suspending a Participant under Rule 4.6.2; the Operator shall give at least five (5) business days written notice of its intention to do so, which notice shall specify the reason(s) for suspension; provided that the Operator shall be fully entitled to give such shorter period of notice as in the Operator's sole judgement is justified, having regard to the particular circumstances.

4.6.4 *Length of Suspension*

The suspension of a Participant under Rule 4.6.2 shall remain in effect until such time as the Operator determines that the circumstances which resulted in suspension have been rectified by the Participant to the satisfaction of the Operator.

4.6.5 *Requested Suspension*

A Participant can request suspension for a limited period, not exceeding one (1) business day, where due to temporary technical or other serious operational issue, they believe they are temporarily unable to fulfil their obligations under these Rules. This request is subject to the approval of the Payments System Overseer.

4.7 **Notification of Suspension**

The Operator shall promptly notify a participant of its suspension from participating in the System and the causes of this suspension. The Operator shall promptly inform the FISC, the FSC and all other participants of the suspension of a participant.

4.8 **Appeal of Suspension**

4.8.1

A Participant who is suspended under the provisions of these Rules, with the exception of section 4.6.5, may appeal to the Overseer.

4.8.2

The appeal shall be, by way of notice in writing, issued by the Participant to the Overseer within five (5) business days of the day on which the Participant receives notification from the Operator of its suspension, and shall include a clear and concise statement setting forth the basis on which the appeal against the suspension is being made and whether the Participant will be represented by legal counsel at the hearing of the appeal.

4.8.3

The failure of a Participant to issue notice of the appeal within the time period provided in these Rules shall constitute a waiver by that Participant of its right to a hearing.

4.8.4

The Overseer shall arrange for a hearing to be held within five (5) business days after receipt of notice of the appeal from a Participant. The Overseer shall notify the Participant in writing of the date, place and time of the hearing at least five (5) business days prior to the date set for the hearing. The hearing shall be held within ten (10) business days from the date on which notice of the appeal is received by the Overseer, unless otherwise agreed between the parties.

4.8.5

The appeal shall be heard by a panel comprised of representatives of the Overseer, a representative of the relevant Regulator and a representative from the Ministry of Finance and Public Service.

4.8.6

At the hearing, the Participant shall be afforded an opportunity to be heard and may be represented by legal counsel in circumstances where the Participant had in its notice of appeal indicated an intention to be so represented. The Participant must make available to the panel all relevant documents on which it relies in support of the appeal.

4.8.7

The panel shall advise the Participant of its decision in writing within five (5) business days after conclusion of the hearing.

4.9 Termination and Withdrawal

4.9.1 Termination

The Bank of Jamaica has sole authority to determine the existence of cause sufficient to consider termination of an entity's designation as Participant of the CSD.

Prior to de-registration the BOJ shall:

- a) Notify the participant and the FIRD and FSC of the intention to terminate.
- b) Give to the participant a summary of the reasons for the proposed termination;
- c) Give at least five (5) business days written notice of the date of the meeting at which the termination of the participant is to be considered.

- d) Give the participant opportunity to make representations to the BOJ to justify its continued membership.

Upon termination of a participant:

- a) The participant shall cease to be a participant as of the date and time specified by the BOJ
- b) The Operator shall promptly inform the FISD, the FSC and all other participants of the termination.

4.9.2 *Withdrawal by Participant*

If a participant at anytime wishes to withdraw from participating in the CSD, the participant must:

- a) give at least 90 days prior written notice to the Operator;
- b) cease to be a participant at a time determined by Operator.; and
- c) must have satisfied all its obligations and meet any other requirement that the Operator deems necessary for withdrawal from the CSD.

The Operator shall promptly give notice to the FSC, FISD and all other participants that the participant has given notice of its intention to withdraw. Withdrawal from the system will not entitle a participant to any refund of operating costs which it has paid or incurred and will incur a withdrawal fee covering administrative costs.

4.10 **Reinstatement**

A participant who has withdrawn or have been terminated may at any time be reinstated by the Operator. The participant must:

- a) give notice to the Operator requesting reinstatement;
- b) meet the standards and qualifications for participation;
- c) demonstrate to the satisfaction of the Operator and the Overseer that it has discharged all of its liabilities and indebtedness to BOJ and the other Participants arising from any service; and
- d) pay a reinstatement fee to be determined by Operator.

The Operator in consultation with the Overseer may approve or reject a request for reinstatement in its discretion. The Operator shall promptly inform the FISD, the FSC and all other participants of the reinstatement of a participant.

4.11 **Dormancy**

The operator may, by way of a written notice to the Participant, designate a Participant as dormant if a Participant has not used any of the Services or Functions for a period of at least six months to a degree determined reasonable by the

Operator. The Participant shall within 30 days of receipt of such notice elect by written notice to the Operator to commence to use the Services and Functions of CSD on an active, ongoing basis, be designated as a dormant Participant, or cease to be a Participant of the CSD. Failure to make such election shall be deemed to have elected to be designated as dormant.

A dormant Participant shall not be entitled to use any of the Services or Functions to the extent prescribed in the Procedures unless and until it has been designated as an active Participant. A dormant Participant shall remain liable for all obligations and liabilities under the Rules arising from or related to the period prior to its being designated as dormant including any such obligations arising under the Rules. A dormant Participant shall pay such annual fees and other charges as may be determined by the CSD from time to time pursuant to the Rules including a reactivation or continued dormancy fee if it wishes to be designated as an active Participant or continue as a dormant Participant in accordance with these Rules.

4.12 Limitation of Liability for Suspension

“The Operator shall not incur any liability as a result of anything done by it bona fide in the exercise of any power or the exercise of any function or duty conferred on imposed by or under the MOU or the Participant Rules which results in the restriction of the rights of a Participant to use the System, the suspension of a Participant or the termination of an entity’s designation as a Participant of the system. Neither in any such case shall the operator be liable for any loss, damage, cost, expense, liability or claim suffered or incurred by any Participant, arising from the restriction or suspension of a Participant or the termination of an entity’s designation as a Participant in the system, or the decision by the Operator not to take any such action against a Participant, including any loss of opportunity, profit, market, goodwill, interest or use of securities, or any other special indirect or consequential loss damage cost, expense, liability or claim. Each Participant irrevocably releases the Operator from any such liability.”

4.13 Survival of Obligations

The liabilities and obligations of a Participant to the CSD and to other Participants, and of CSD and other Participants to the Participant, arising from its use of any Service or pursuant to the Rules, shall survive the suspension, termination or withdrawal of the Participant as though the former Participant were still a Participant.

5. ACCOUNTS IN THE CSD

The CSD will maintain segregated accounts for each Participant and their Clients. The account which records all holdings owned by the Participant is referred to as the

Own Account, while the account which records all holdings owned by the client is referred to as the Client Account.

All Participants and their Clients are required to have a valid TRN before they can be recorded in the CSD.

A Beneficial Owner Account is generated automatically for each participant and their client at initial creation in the CSD. This account has a named primary holder and can have a single holder or group of holders... Each holder may have up to 9999 beneficial owner accounts. Tax payments will be applied against the TRN of the primary holder.

Clients of participants may define their payment instructions in the beneficial owner account.. All beneficial rights of ownership and tax payments will be paid/applied to the Beneficial Owner Account.

6. ROLES AND RESPONSIBILITIES

6.1 The Participant

- 6.1.1 It is the responsibility of each Participant to ensure they have agreements in place to fund their settlement account in the RTGS.
- 6.1.2 Each Participant is responsible for the correct generation and transmission of its securities movement instructions and for the authenticity of such instructions, and must accept responsibility for the accuracy and completeness of all its messages.
- 6.1.3 Each Participant must ensure that all securities transactions which qualify for inclusion in the CSD system are authenticated messages (as illustrated in the CSD message guidelines) transmitted either via the Montran Gateway or the Browser using the PSCN: all messages are in the SWIFT format.
- 6.1.4 Each Participant is responsible for complying with the conditions of any Service Level Agreements, which may be agreed periodically.
- 6.1.5 Each Participant must have the appropriate technical capability, including adequate Business Continuity arrangements, so as not to hinder the smooth operation of the system(s).
- 6.1.6 Each Participant must be capable of sending and receiving approved messages during the hours of operation of the system as set out in the CSD system Procedures Manual.
- 6.1.7 Each Participant is responsible for its own connection device and communication facilities within the PSCN.

- 6.1.8 Each Participant must issue a Portfolio Statement to a Stockholder in accordance with section 9.4.
- 6.1.9 Each Participant is liable for all charges which it incurs through the operation of the system, including but not limited to any SWIFT message charges, operating charges for its own payment system(s), or charges in relation to the operation of its settlement account at the Central Bank.
- 6.1.10 Each Participant is obliged to advise the BOJ of any Notifiable Event(s) which may affect its participation in the system.
- 6.1.11 In the event of a prolonged technical problem a Participant must request that the Operator suspends it from the CSD. In such an event, the Operator will inform all other participants, however it will be the responsibility of the Participant requesting the suspension to implement the required Business Continuity procedures to ensure that all outstanding commitments are settled.
- 6.1.12 Where any Participant is aware that, through a system failure, it will be unable to participate normally it must inform the BOJ and any affected Participant(s), within a half-an-hour (½-hr) of the discovery of the failure and advise its plan for restoring normal operations.
- 6.1.13 Each Participant must notify the BOJ, at least thirty (30) days in advance, and in writing of any such hardware and/or software changes which will impact the Participant's participation in the CSD.

6.2 The Operator

6.2.1 *The Operator is responsible for:*

- i. the admission of Participants and assigning Participants to a Group. All appointments will be done with the agreement of the Issuer and in consultation with the Overseer;
- ii. the day-to-day business operations of the CSD, and the day-to-day management of all routine daily activities;
- iii. providing all systems hardware, software and utilities;
- iv. invoking business continuity arrangements for the CSD system;
- v. providing access to the system to approved users;
- vi. providing detailed user guide and operational procedures; and
- vii. the custodianship of all information held on behalf of the Issuer.

- 6.2.2 The Operator will keep the Issuer and the Overseer fully informed of all operational or management issues that could compromise the safety and efficiency of the system.
- 6.2.3 The operator will develop an annual business plan that will be agreed with the Overseer and the Issuer(s) after consultation with Participants.

6.3 The Issuer

The Issuer(s) will issue all new securities (effective 15 May 2009) in the CSD. The issuer has the responsibility of publishing the detailed prospectus. The data on the system is the property of the Issuer.

6.4 The Overseer

The Overseer is responsible for implementing and maintaining the Oversight Policy. The Oversight process ensures that all Systemically Important Payments Systems in Jamaica are operated in a safe and efficient manner.

Each Participant agrees to provide to the Overseer, in writing, and within five (5) business days of any request, any information relating to its operation of the CSD system that the Overseer may require. Failure to supply information as requested by the Overseer may be grounds for suspension under section 4.6.2 of these Rules.

7. OWNERSHIP OF SECURITIES IN THE CSD

The CSD will be the legal record of ownership of all securities instruments which have been immobilised or dematerialised by the Issuer in accordance with 6.3.

The Participants agree that, from the day the CSD becomes operational, all securities movements including pledges, sale, purchase, Repurchase Agreements or Reverse Repurchase agreements or otherwise, that gives rise to automatic access to title in the event of default, will take place on the books of the CSD, and that the CSD will become the sole legal record of ownership of these securities.

7.1 Securities Immobilization

Securities must be immobilised before they can be traded or redeemed in the CSD. It is the responsibility of the Participant to deliver the securities to be immobilised to the Operator and to ensure that a receipt has been provided by the Operator.

The process of Immobilisation will be complete once the Security has been received by the Operator and a receipt printed and supplied to the Participant.

The Operator will hold the Security in custody until the Security is redeemed.

7.2 Securities Dematerialization

Dematerialized securities are securities that are not on paper and a certificate to that effect does not exist. They exist in the form of entries in the CSD. All new securities (commencing 15 May 2009) will be issued dematerialized in the CSD.

8. CSD OPERATING RULES

This section describes the Rules for participation in the CSD and for the clearance and settlement of securities transactions.

8.1 Authority to Act

All CSD Participants authorise the Operator to execute instructions which are received in a format as described in these Rules or as provided for in the CSD Procedures.

Participants authorise the Operator to effect Transfers:

- (a) for settlement of fees and charges;
- (b) for any other transaction that has been agreed in writing by the Participants or any of them.

8.2 Securities Transactions

- 8.2.1 Only transactions in agreed currencies conducted in the CSD between Participants and between Participants and the BOJ are permitted.
- 8.2.2 Transactions may only be inputted by Participants through the Payments System Communication Network.
- 8.2.3 Participants may enter trade details for a future date. The CSD will advise Participants of any restriction to future dating of transactions.
- 8.2.4 Where a Participant enters trading information for a future date, that information is not matched with the counterparty information until the future date, and is not considered a trade until that future date.
- 8.2.5 In the case of 8.2.3, either party may change the trading information at any time prior to settlement however the counterparty must also change their information for it to match on the future date.
- 8.2.6 Any securities transactions for value, earlier than the date of transmission or greater than the future date limit will be automatically rejected by the system.
- 8.2.7 Any private arrangement between the sender and the receiver is outside of the depository.

8.3 RTGS Settlement Arrangements

8.3.1 Primary Dealers and Commercial Banks.

Primary Dealers and Commercial Banks will be allowed to hold Settlement Accounts in the RTGS. The objective of providing settlement accounts is to ensure Delivery versus Payment in securities transactions and to promote settlement among Participants in a safe and efficient manner. The following terms will apply to settlement accounts:

- i. Settlement Account holders will use these accounts for the purpose of settling approved securities transactions with the Central Bank and other Participants;
- ii. Each account must be pre-funded before settlement will be effected. If the account is not funded payment will not be made and any transaction pending for that account will be cancelled at the end of the day of settlement;
- iii. Holders of Settlement Accounts will be required to manage their liquidity efficiently and will be responsible for arranging for any surplus funds exceeding the agreed minimum balance to be transferred from their Settlement Account;
- iv. No other rights or status are conferred upon Settlement Account holders;
- v. The provision of a Settlement Account is at the Central Bank's sole discretion.

8.3.2 Secondary Dealers

Secondary Dealers will not be allowed to hold Settlement Accounts in the RTGS. These Dealers must appoint a Commercial Bank as Settlement Agent. Their transactions in the CSD will cause settlement on the account of the appointed Settlement Agent in the RTGS. The following terms will apply to settlement accounts held by the Settlement agent for the secondary dealers:

- i. Settlement Account will used for the sole purpose of settling approved securities transactions with other participants;
- ii. Each account must be pre-funded before settlement will be effected. If the account is not funded payment will not be made and any transaction pending for that account will be cancelled at the end of the day of settlement;
- iii. Settlement of securities operations cannot exceed the limit of the Trading Ceiling set in the CSD by the settlement agent.

8.3.3 Intraday Liquidity Arrangements

Participants who have settlement accounts in the RTGS can access intraday liquidity from the Central Bank through the auto-repo facility. These repos will be backed by securities

in the depository and will be executed by way of the sell/buy back functionality in the depository. Intraday liquidity will therefore be granted to participants automatically, guaranteeing Model 1 delivery versus- payment (gross payment versus gross delivery). Participants requiring intraday liquidity will send a repo message (MT543) in the system. The system will then validate this message, ensuring that there are sufficient and eligible securities to execute the repo. The participants account in the RTGS is then funded and the securities transferred to the BOJ. The second leg settlement is started as part of the Delivery versus Payment (DvP) prior to cut-off (closing) procedure or can be timed for settlement at any point during the day.

Securities for intraday repos will be limited to short-term GOJ and BOJ securities and must be immobilized in the CSD. The Central Bank will be able to limit the amount of intraday repos provided to participants in the RTGS system. Intraday Repo with the Central Bank will only be allowed for securities denominated in Jamaican Dollars. Where there are insufficient securities in the account of the Participant for the settlement of the first leg, the Intraday Repo with the Central Bank operation would not be allowed. Intraday liquidity should only be requested for pending transactions in the RTGS. In the event of default, securities are owned by the Central Bank and penalties as defined by the BOJ will be applied.

The facility is guided by the published guidelines governing the provision of intraday liquidity via the Auto Repo Facility.

Access to this Facility is at the sole discretion of the Central Bank.

8.4 System Maintenance and Enhancements

- 8.4.1 Any fixes, changes or enhancements to the CSD system that the Operator considers necessary for the running of the CSD will be implemented by the Operator. The Operator reserves the right to recoup the cost of such system maintenance and enhancements through adjustment in the fees chargeable to Participants.
- 8.4.2 Any maintenance or enhancement for the purposes of clause 8.4.1 will be implemented by the Operator in accordance with the Change Management process contained in the CSD Procedures Manual.
- 8.4.3 The Operator will use all reasonable endeavours to consult with and take due account of the requirements of Participants if any change is required to ensure that the CSD system continues to meet its business requirements. Any system maintenance or enhancement will, however, be at the sole discretion of the Operator.

8.5 Transactions and Settlement

- 8.5.1 A Participant may access the System and undertake transactions between the hours and on the basis set out by the System Operator from time to time in the System Timetable.

- 8.5.2 A Security transaction shall be deemed to be settled only at the time the System records Settlement and denotes the transaction's status as "FINAL"
- 8.5.3 For the purpose of determining the time of such a Settlement, the security leg of a Trade shall be deemed to be settled at the same moment in time as the cash leg is settled.
- 8.5.4 Upon settlement of all elements of a trade or transaction. The transaction shall be final and irrevocable.
- 8.5.5 The CSD shall not settle securities movement instructions if the securities holding of the Participant is insufficient.
- 8.5.6 If a Transaction cannot be settled on a Settlement Date, either security or cash leg, the transaction will be cancelled.
- 8.5.7 Under exceptional circumstances and with the prior agreement of the BOJ, the Central Bank may initiate transactions on behalf of Participants using the Central Bank user interface.
- 8.5.8 Nothing in these Rules shall be construed as permitting any Participant (other than the System Operator) to attach any condition or restriction to the Settlement of any Element except as may be specifically provided for in these Rules. Any condition or restriction which is imposed by a Participant contrary to the provisions of these Rules shall be void and of no effect.

9. GOVERNANCE ARRANGEMENTS

9.1 Ownership

The CSD is owned by the Bank of Jamaica.

9.2 Operating Hours

The Operating Hours will be set by the Operator in consultation with the RTGS system operator and the Participants. These hours will be detailed in the CSD Procedures Manual and will identify *inter alia* cut-off times for all CSD transactions.

The Operator may provide access to the CSD system at hours outside of those of the RTGS system, however settlement of the cash leg of a securities trade, and therefore transfer of securities ownership will only occur during the operating hours of the RTGS system.

9.3 Operating Days

The CSD will operate on the same days as the RTGS system which will usually be all normal banking days; this will be any day other than Saturdays and Sundays and public holidays and any other days as notified by the Central Bank.

The Operator may provide access to the CSD system on days outside of those of the RTGS system, however settlement of the cash leg of a securities trade, and therefore transfer of securities ownership will only occur during the operating hours of the RTGS system.

In exceptional circumstances, as may be advised by the Overseer, such as a natural disaster affecting the whole of the banking industry, and at the sole discretion of the Overseer, a normal operating day may be declared a holiday and any holiday may become a normal banking day. In such an event the Operator will act as if it is a normal business day and the Participants will ensure that there is no penalty or loss of interest to any party where transactions normally carried out on the affected day are processed on an alternate day.

9.4 Statements and Reports

- 9.4.1 Portfolio Statements generated by the CSD are available to Participants via the reporting option in the CSD. Participants may retrieve statements and other reports generated by the CSD as required or they may request specific reports from the Operator as required..
- 9.4.2 Participants must issue a Portfolio Statement at the time of purchase of a security as well as the end of each month in which the client has effected a transaction.
- 9.4.3 Where a client has not effected a transaction but there are securities held by the Participant on a continuing basis, the Participant shall, not less than once every three months, forward a Portfolio Statement to the client
- 9.4.4 Stockholders may request Portfolio Statements or other reports from the Depository.

9.5 Amendments to Rules

The Operator is responsible for these rules and may amend them periodically after consultation with Participants.

Participants may submit proposals for changes in these Rules. Such proposals should fully describe the purpose and benefit of the change being proposed and should be delivered to the Payments System Overseer.

The Operator will rule on the acceptability or otherwise of proposals to change these rules.

Reasonable notice will be given in writing to Participants before implementation of any changes.

9.6 Dispute Resolution

The Participants agree that every effort shall be made to resolve amicably by direct negotiation, any disagreement or dispute arising between them under or in connection with these Rules.

Where attempts at direct negotiation have been unsuccessful, notification of intent to dispute must be sent to the other participant and the Overseer as well setting out a full description of the matters in dispute within fourteen (14) days of such intention arising.

Pending the resolution of the dispute, the participants will continue to perform all their obligations under these Rules.

The Chief Executive Officer of the participants must personally or through nominees attempt to resolve the dispute, on the basis that the participants wish to retain an ongoing relationship.

If the Chief Executive Officers, or their nominees, are unable to resolve any dispute within fourteen (14) days of the notice or any other time frame as the Participants may agree, then either participant may give notice to the other participant that the matter is not resolved and that participant shall refer the dispute to arbitration before a single arbitrator in accordance with the Arbitration Act of the Laws of Jamaica or any statutory modification or re-enactment thereof for the time being in force. The Arbitrator is to be appointed by the president of the Jamaican Bar Association. The decision of such arbitrator shall be final and binding on the Parties.

9.7 Fees and charges

Participants acknowledge that the Operator has the right to set fees and other charges as set out in Payments System Pricing Policy/Plan.

The Operator agrees to apply the same fee structure to all Participants using the same services within the CSD.

The Participants acknowledge that the Operator may recover ongoing and variable costs where feasible by volume based charges.

The Participants agree that the Operator may periodically review its fees and charges, following consultation with, and taking due account of their views. The Operator reserves the right to charge Participants on a cost recovery basis for any additional services rendered.

9.8 Law and Jurisdiction

The Rules of the system and any agreements hereunder shall be governed by and construed in accordance with the Laws of Jamaica.

9.9 Indemnity

All officers, employees and agents of the Operator shall be indemnified against any action, claim, liability or suit whatsoever in respect of any act or matter done or ordered to be done, or omitted to be done, by them in good faith and in the intended exercise of any power or performance of any duty conferred on them under these Rules.

Each Participant shall indemnify and hold harmless BOJ and all other Participants and their respective directors, officers, employees and agents from and against any loss, damage, cost, expense, liability or claim (including the cost of legal counsel to advise on or defend against such claims) suffered or incurred by or made against it, them or any of them arising from:

- (a) any interruption, malfunction or disruption of the CSD operations to the extent caused or contributed to by any negligent, reckless, willful, fraudulent or dishonest act or omission of the Participant or of any director, officer, employee, servant, contractor or agent of the Participant done while acting in the course of office or employment or made possible by information or opportunities afforded by such office or employment;
- (b) any incorrect instructions, information or documentation provided to by the Participant; and
- (c) any breach by the Participant of its obligations, under the MOU, or the Participant Rules or any applicable laws or regulations.

9.10 Severability

In the event that any one or more of the terms and conditions contained in these Rules shall be determined invalid, unlawful or unenforceable in any respect, then such term(s) or condition(s) shall be severed from the remaining terms and conditions which shall continue to be valid and enforceable to the fullest extent permitted by law.

9.11 Compliance

Upon reasonable notice, at the request of the Operator, a participant shall within a reasonable time provide to the Operator a statement signed by a signing officer on behalf of the Participant, confirming that the participant's use of the services is in compliance with all rules and procedures.

9.12 Information Disclosure

The Operator will provide every issuer whose securities are entered in the CSD system information on the account details, account holders and other relevant details from the CSD.

The Operator will provide relevant regulatory bodies and Payments System Overseer information on participant activity details and status from the CSD as required.

Stockholders may request information from the Operator pertaining only to their specific holdings of securities in the CSD and at the discretion of the Operator. These requests may incur a service charge as defined by the Operator.

9.13 Confidentiality

The Operator and its servants and/or agents shall regard and deal with as confidential all documents, information and records obtained in the course of the operations of the CSD relating to the affairs and operations of a Participant and the affairs of the holders of accounts in the CSD, and shall take all reasonable measures to prevent the unauthorized disclosure of any such documents, information and records.

The Operator and each participant will preserve the confidentiality of how i) CSD works, and ii) any and all information concerning or provided by the Operator, that, at the time of disclosure, is marked as confidential or is disclosed orally as confidential and that becomes known to the Participant through the operation of any service, or in anticipation of any new service, including any on-going projects, records, data and reports.

In preserving such confidentiality, the Operator and each Participant shall exercise the same degree of care as it uses with respect to its own confidential information.

The Operator authorises the participant to release any confidential information concerning the CSD:

- a) to the auditors of the Participant, as may reasonably be required to perform their duties;
- b) to the legal counsel of the Participant, as may reasonable be required to perform their duties;
- c) as may be required from time to time by order, summons, subpoena, statutory direction or other process of, or pursuant to an agreement with, a court, regulatory body or other administrative or regulatory agency, having in the opinion of the Participant, jurisdiction over the Participant.

In all cases such disclosure must be advised to the Operator

9.14 Notices

Any notice, request or other communication required or desired to be given or made pursuant to these Rules shall be in writing and shall be considered to have been made when the relevant document is delivered to the addressee, unless the parties otherwise agree in writing. Notices to the CSD Operator should be addressed to:

The Manager
Electronic Securities Department

Bank of Jamaica
Nethersole Place
Kingston
Jamaica, West Indies

ATTACHMENT 1 - INITIAL CSD PARTICIPANTS

The following are those participants at the time of the introduction of the CSD. The Operator reserves the right to change this list without notice.

Participant

Bank of Nova Scotia Jamaica Limited

Citibank, N.A.(Jamaica Branch)

National Commercial Bank Jamaica Limited

RBTT Bank Jamaica Limited

FirstCaribbean International Bank (Jamaica) Ltd

First Global Bank Limited

PanCaribbean Bank

Bank of Jamaica (Central Bank)

Ministry of Finance and The Public Service

Barita Investments Limited

Capital & Credit Merchant Bank

MF&G Trust and Finance Limited

Citifinance Limited

ScotiaDBG Investments Limited

FirstCaribbean International Securities Ltd

First Global Financial Services Limited

Jamaica Money Market Brokers Limited

JN Fund Managers Limited

Participant

Mayberry Investments Limited

NCB Capital Markets Limited

PanCaribbean Financial Services Limited

RBTT Securities Jamaica Limited

Stocks and Securities Limited

Alliance Investment Management Limited

Capital & Credit Securities Limited

Capital Solutions Limited

Churches Co-operative Credit Union limited

City of Kingston Co-operative Credit Union Ltd

Guardian Asset Management Limited

Guardian Life Limited

Ideal Finance Corp. Limited

Ideal Portfolio Services Limited

Intertrade Finance Corp. Limited

Jamaica Co-operative Credit Union league Limited

Jamaica National Building Society

MF&G Asset Management Limited

MoneyMasters Limited

NCB Insurance Company Limited

Prime Asset Management Limited

Participant

Sagicor Life Jamaica Limited

Sterling Asset Management Limited

UGI Finance & Investments Limited

Victoria Mutual Wealth Management Limited

West Indies Union Investment Management Limited

ATTACHMENT 2 - ADDITION/SUSPENSION CSD PARTICIPANTS

The following are those participants that have been granted access or have been suspended from the CSD since its introduction.

ADDITION

Ministry of Finance and the Public Service (Issuer)

BPM Financial Limited

Credit Union Fund Management Co. LTD.

SUSPENDED

UGI Finance & Investments Limited