

CAYMAN ISLANDS



STOCK EXCHANGE COMPANY LAW

(2014 Revision)

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Originally enacted (as the *Cayman Islands Stock Exchange Law, 1996*)—

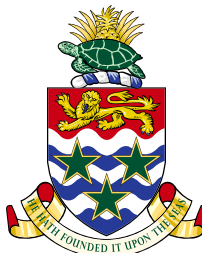
Law 1 of 1996-20th March, 1996

Law 7 of 2014-11th April, 2014.

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Note (not forming part of the Law): This revision replaces the 2001 Revision which should not be discarded.



CAYMAN ISLANDS**STOCK EXCHANGE COMPANY LAW****(2014 Revision)****Arrangement of Sections**

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STOCK EXCHANGE COMPANY LAW

(2014 Revision)

Short title

1. This Law may be cited as the *Stock Exchange Company Law (2014 Revision)*.

Definitions

2. In this Law —

“**Articles**” means the Articles of Association of the Exchange;

“**Authority**” means the Stock Exchange Authority appointed under section 3;

“**business day**” means any day during any part of which the facilities of the Exchange are available to the Exchange members for trading purposes or would have been available but for a suspension of trading ordered by the Authority under section 17;

“**Companies Law**” means the *Companies Law (2013 Revision)*;

“**company**” means a body corporate constituted under the Laws of the Islands or of any other jurisdiction;

“**Council**” means the Council of the Exchange;

“**Council member**” means a member of the Council;

“**Exchange**” means the Cayman Islands Stock Exchange Company incorporated under section 4;

“**Exchange member**” means a person admitted to membership in the Exchange under the rules;

“**listing**” means the grant of a list and permission to deal in securities on the Exchange, and “**listed**” shall have a corresponding meaning;

“**partnership**” means —

- (a) a limited partnership registered under the *Partnership Law (2013 Revision)*;
- (b) an exempted limited partnership registered under the *Exempted Limited Partnership Law, (2013 Revision)*; or
- (c) a partnership constituted under the laws of a jurisdiction other than the Islands;

“**rules**” mean rules made under section 11;

“**Secretary**” means the Secretary of the Exchange and includes an assistant or acting Secretary;

“**securities**” mean securities of all descriptions and include —

- (a) any shares, stocks, debentures, loan stocks, funds, units, interests in a limited partnership, unit trust or company, bonds or notes of or issued by any body whether incorporated or unincorporated, or of any government or local government or public authority;
- (b) rights under a contract for the sale of a commodity or property of any other description including any securities, financial instrument or any other derivative under which delivery is to be made at a future date and at a price to be calculated in accordance with a formula to be agreed upon;
- (c) rights under a contract for differences or under any other contract the purpose or intended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in the value or price of a commodity or property of any description including any securities, financial instrument or any other derivative or in an index or other fact or designated for that purpose in that contract;
- (d) rights, options, or interests (whether described as units or otherwise) in or in respect of any of the foregoing or in respect of any currency, commodity, precious metal, metal or hydrocarbon or any other substance whatsoever;
- (e) certificates of interest or participation in, or temporary or interim certificates for, receipts for, or warrants to subscribe to or purchase, any of the foregoing;
- (f) any swap or other derivative; and
- (g) any other securities or other instruments determined by rules made by the Council;



“**securities market**” means a stock market or a place where, facility or arrangement by which (and situated in whole or in part in the Islands) securities are listed, regularly offered for purchase or sale or by reference to which transactions in securities are regularly entered into by or on behalf of competing buyers; and

“**unit trust**” means a trust established by a trustee which, for valuable consideration, issues trust units in profits or gains arising from the acquisition, holding, management or disposal of investments by the trustee of the trust, the proper law of which is the law of the Islands or the law of any other jurisdiction.

Stock Exchange Authority

3. (1) There is a Stock Exchange Authority which shall be responsible for the policy, regulation and supervision of the Exchange.
- (2) The Authority consists of —
- (a) the Financial Secretary;
 - (b) the Inspector of Financial Services;
 - (c) the Attorney General or his assignee; and
 - (d) not less than two other members appointed by the Cabinet on the recommendation of the Minister charged with responsibility for Financial Services.
- (3) The other members of the Authority appointed by the Cabinet shall be appointed from among public officers who, in the opinion of the Minister charged with responsibility for Financial Services, have had experience of, and shown capacity in, commercial, financial or administrative matters.
- (4) The Cabinet may make regulations with respect to —
- (a) the tenure of members and vacation of office by the members of the Authority;
 - (b) the quorum, procedure of meetings, and determinations of the Authority; and
 - (c) the execution of instruments and the proof of documents purporting to be executed, issued or agreed by the Authority, the Chairman or any other member of the Authority.
- (5) Subject to any regulations made under subsection (4), the Authority shall have power to regulate its own procedure.

**Spent provision*

- *(6) The members of the Authority shall, for and on behalf of the Government, incorporate the Exchange in accordance with the Companies Law (1995 Revision) within one month after the 1st August, 1996.*

The Exchange

4. The Exchange shall be a body corporate having perpetual succession and a common seal and —
- (a) have the sole and exclusive right to —
 - (i) operate one or more securities markets in the Cayman Islands; and
 - (ii) use the name the Cayman Islands Stock Exchange; and
 - (b) carry on its business under the powers conferred by and in accordance with this Law and the *Companies Law (2013 Revision)*, insofar as the provisions of such law are not in conflict with any provision of this Law.

Capital of the Exchange

5. (1) The authorised and paid up share capital of the Exchange shall be such sum, not less than one hundred thousand dollars, as the Authority may, from time to time, determine.
- (2) The share capital of the Exchange shall be divided into shares of a par value of one dollar each.
- (3) The Authority shall, on behalf of the Government, subscribe for all of the shares of the capital of the Exchange.
- (4) The Authority shall pay the amount of the subscription to the shares out of money appropriated by the Legislative Assembly for that purpose.

Purposes of the Exchange

6. The purposes of the Exchange are to engage in and carry on the business of establishing and operating one or more securities markets for the listing and trading of securities, which business shall include the admission of persons as Exchange members entitled by reason of membership of the Exchange to engage in the listing and trading of securities through the facilities made available by the Exchange for such purpose.

Additional powers of the Exchange

7. In furtherance of the purposes specified in section 6, the Exchange shall have the following powers and rights (in addition to and without prejudice to any powers conferred by this Law or the *Companies Law (2013 Revision)*) —
- (a) to pay, satisfy or compromise any claims made against the Exchange or any one or more Exchange members which, in the opinion of the Council acting on the advice of the Authority, it may be deemed expedient to pay, satisfy or compromise, and to make gratuitous payments to or on behalf of one or more Exchange members which it may be deemed expedient to pay, satisfy or compromise;



- (b) to consider all questions connected with the business of the Exchange and to collect and circulate statistics and other information relating to any securities market established and operated by the Exchange and the securities listed on the Exchange; and the proprietary rights in respect of such statistics and other information shall be vested exclusively in the Exchange;
- (c) to make arrangements for the clearance of sales and purchases of securities, for the guarantee and fulfilment of contracts, agreements and undertakings relating to the trading of securities, and for the delivery of the securities so traded, with such parties as the Exchange may deem appropriate;
- (d) from time to time, to set such charges, levies, commissions and fees to be payable by the Exchange members, issuers of listed securities and other users of the services and facilities provided by the Exchange as the Council shall think fit; and
- (e) to make and amend, from time to time, rules in accordance with section 11.

Articles of Association of the Exchange

8. The Articles shall provide that —

- (a) a person who is not an Exchange member may be appointed a Council member;
- (b) a person who is not an Exchange member may be appointed a proxy holder; and
- (c) without prejudice to the appointment of other officers, the Exchange shall have a chairman and may, but shall not be required to, have a secretary.

Council of the Exchange

- 9.** (1) The business affairs of the Exchange shall be managed by a Council consisting of not less than seven persons appointed by the Authority who shall hold office until their successors are chosen or elected in accordance with the Articles.
- (2) The Council may, as provided in the Articles, delegate such duties to such persons as it considers necessary to facilitate the operation of the Exchange and may appoint employees for these purposes.
- (3) Subject to this Law, election of the Council shall be conducted in accordance with and in the manner prescribed by the Articles.
- (4) All meetings of the Council, and voting at meetings, shall be governed by the Articles.

General powers of the Council

10. Subject to this Law, the Council shall administer the affairs of the Exchange and the day to day operations of the Exchange and the provisions of the *Companies Law (2013 Revision)* relating to directors' duties of care and fiduciary duties shall, unless the context otherwise requires, apply in all respects to the Council members as if the words "Council member" or, as the case may require, "Council members" had been substituted for the words "director" and "directors" respectively wherever the latter expressions appear in the *Companies Law (2013 Revision)*.

Rules of the Exchange

11. (1) In consultation with the Authority and subject to section 12, the Exchange shall make rules which provide for —
- (a) the types or classes of transactions which may be effected through the facilities of the Exchange;
 - (b) the form and manner of execution of transactions effected through the facilities of the Exchange, and other trading requirements;
 - (c) the entry into and termination of membership, and the disciplining by means of censure, fine, suspension or otherwise, and regulation generally of the conduct of Exchange members;
 - (d) the financial, record-keeping, capital adequacy and accounting requirements of Exchange members;
 - (e) the requirements for listing securities to any one or more securities markets established and operated by the Exchange;
 - (f) the suspension of trading in, and de-listing of, any security listed on any one or more securities markets established and operated by the Exchange;
 - (g) confidentiality with respect to information relating to the affairs of the Exchange and of any Exchange member in connection with the business of the Exchange; and
 - (h) the arbitration of disputes arising out of or in connection with the establishment and operation of any one or more securities markets.
- (2) In consultation with the Authority and subject to section 12, the Exchange may make such other rules as it considers necessary or desirable for the proper and efficient regulation, management and control of the Exchange and any one or more securities markets established and operated by the Exchange.
- (3) The trading of securities through the facilities of the Exchange may commence only after all such rules as are required by subsection (1) have been made.
- (4) The power conferred on the Exchange to make rules includes the power to amend or rescind a rule without consequent liability.



Approval of Articles and rules by the Authority

- 12.** (1) No Article or rule or amendment to or rescission of the Articles or rules or any of them shall have effect unless first approved in writing by the Authority.
- (2) Where it is proposed to make or rescind any Article or rule, or any amendment thereto the Exchange shall forward written notice of such proposal together with a draft of the proposed Article, rule, rescission or amendment, as the case may be, to the Authority for its approval.
- (3) Within two weeks after receipt of a notice under subsection (2), the Authority shall give written notice to the Exchange either that it disapproves of the whole or any specified part of the proposed Article, rule, rescission or amendment or that the proposed Article, rule, rescission or amendment, as the case may be, meets with its approval.
- (4) The Authority may, in a particular case, with the agreement of the Exchange, extend the period prescribed by subsection (3).
- (5) The Authority may, in writing, request the Exchange to make, rescind or amend any Article or rule and, if the Authority makes such a request, the Exchange shall comply with the request as soon as practicable after its receipt by the Exchange.

Register of trading members

- 13.** (1) The Council shall keep or cause to be kept a register of the Exchange members and shall enter in the register the names and addresses of the Exchange members and the date on which each name was entered in the register or a member ceased to be an Exchange member.
- (2) The register shall be evidence of the membership of the Exchange.
- (3) The register of Exchange members shall be kept at the registered office of the Exchange and shall, except when closed pursuant to the instructions of the Council or as prescribed by the Articles —
- (a) be open for at least two hours in each day for inspection by a member of the Authority, the Council or the Exchange; and
- (b) be open for at least two hours in each day for inspection by any other person upon payment of the prescribed fee by that person.
- (4) The Council may, upon the request and payment of the prescribed fee by an Exchange member or any other person, provide such member or other person with a copy of the register or any part of the register.

Accounts of the Council, etc.

- 14.** (1) The Council shall cause to be kept proper accounts and records of the transactions and affairs of the Exchange and shall do all things necessary to ensure that all moneys received are properly brought to account and that all payments out of its moneys are correctly made and properly authorised.
- (2) The accounts of the Exchange shall be audited annually by an auditor appointed by the Authority with the approval of the Chief Officer in the Ministry responsible for Financial Services.
- (3) The financial year of the corporation shall coincide with the calendar year.
- (4) The Council shall cause to be prepared and submitted to the Authority, within four months after the expiration of the financial year of the Exchange, a report containing —
- (a) audited financial statements for the financial year;
 - (b) a report on the operations of the Exchange during the preceding financial year; and
 - (c) such other information as the Authority may direct in writing.
- (5) The financial statements referred to in paragraph (a) of subsection (4) shall be prepared in accordance with international accounting standards.
- (6) The financial statements referred to in paragraph (a) of subsection (4) shall —
- (a) present fairly the financial transactions of the Exchange during the financial year to which they relate;
 - (b) present fairly the financial position of the Exchange at the end of the financial year; and
 - (c) be certified in a manner required by the Auditor General.
- (7) The Authority shall, within one month after receiving the financial statements and other information referred to in paragraphs (b) and (c) of subsection (4), submit the statements and information to the Auditor General.
- (8) The Minister charged with responsibility for Financial Services shall cause copies of each annual report together with a copy of the opinion of the Auditor General to be laid before the Legislative Assembly as soon as practicable after receiving that report.

Exemption from various statutory provisions

- 15.** (1) The *Stamp Duty Law (2011 Revision)* shall not apply to any instrument which relates to the issue or transfer of a security which is listed or is a class of securities which is listed on the Exchange.
- (2) Notwithstanding paragraph (b) of section 4 and section 18 of this Law, Part III, sections 78, 79 and Part V of the *Companies Law (2013 Revision)* do not apply to the Exchange or to this Law.



- (3) Notwithstanding the *Public Holidays Law (2007 Revision)* and the *Sunday Trading Law (2014 Revision)*, the Exchange may carry on its business for twenty-four hours in each day on any and all days of each week, subject to any limitation or restriction imposed by the rules.

Companies not deemed to be engaged in or carrying on a trade or business

16. A company, partnership or unit trust shall not be deemed to be engaging in or carrying on a trade or business in the Islands for the purpose of the *Companies Law (2013 Revision)* or any law —

- (a) by reason only that securities of such company, partnership or unit trust are listed on a securities market established and operated by the Exchange; or
- (b) by reason only that that company, partnership or unit trust is an Exchange member and that transactions are effected by or on its behalf through the facilities of the Exchange,

and the *Local Companies (Control) Law (2007 Revision)* and the *Trade and Business Licensing Law (2007 Revision)* shall not apply to any such company, partnership or unit trust by virtue of the same.

Suspension of trading

- 17.** (1) The Authority may, by written notice, direct the Exchange to suspend trading on one or more securities markets established and operated by the Exchange, either wholly or in respect of specified securities for a period not exceeding five consecutive business days, if after consulting with the Council, it determines that the orderly conduct of such trading is being or is likely to be prevented by reason of *force majeure*, natural disaster, strike or lockout, war, revolution or other political upheaval, or economic or financial crises occurring in the Islands or elsewhere.
- (2) The Authority may, after consulting with the Council, direct the Exchange to extend the period of suspension of trading under subsection (1), either wholly or in part, for additional periods not exceeding five consecutive business days in each case, if it gives to the Exchange two clear business days' written notice of such extension and indicates in the notice the reason for the extension.
- (3) A notice given by the Authority under subsections (1) and (2) shall be effective upon its delivery to the registered office of the Exchange.
- (4) The Authority shall, on the business day next following delivery to the Exchange of a notice issued pursuant to subsection (1) and (2), provide an opportunity for the Council to be heard on the need for any suspension of trading or any extension of suspension of trading.

- (5) The Authority may revoke, withdraw or modify any direction made under subsection (1) or (2) at any time prior to the expiration of the period of suspension.

Conflict between laws

- 18.** Subject to section 15(2), where there is any conflict or inconsistency between this Law and any other law, this Law shall prevail unless the other law expressly provides otherwise.

Exemption from civil liability and indemnity

- 19.** (1) No act or omission of the Cabinet, the Exchange, any member of the Authority or Council or any other person acting under the direction of the Authority or any officer acting on behalf of the Government under this Law shall subject the Cabinet, the Exchange, that member, officer or other person to any liability, action, claim or demand whatsoever unless that act or omission was reckless or fraudulent.
- (2) An Exchange member shall indemnify the Government against any liability, action, claim or demand upon his appointment whatsoever in respect of any act or omission under this Law by such Exchange member when acting in that capacity.

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Kim Bullings
Clerk of Cabinet

