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LISTING ON THE MAIN BOARD OF THE JAMAICA STOCK EXCHANGE



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When a company is described as “listed”, the true meaning of that description is that some or all of the company’s securities are listed on the stock exchange. Those securities may be the company’s ordinary shares, preference shares, redeemable shares or debenture stock.

Other than the advantage of the high market profile given to a listed company, another significant advantage is its ability to raise capital from the public. Such capital may be used to finance operational and structural growth without the company taking on additional loan capital or debt. This opportunity to raise capital from the public is facilitated by listing on the Jamaica Stock Exchange (JSE).

The first such foray into the market is usually made by an “Initial Public Offering” or “IPO”. This is the method by which a public company makes its first offer to the public by way of a prospectus inviting the public to subscribe for securities issued by it. A prospectus is basically a document issued by a company that is proposing to list containing important information on its past financial performance, its current status and its future prospects.

The offer to the public to subscribe for the offered securities is opened for a period of time and then closes. After the offer closes, the securities taken up by the public are ‘listed’ on the stock exchange. If ordinary shares are to be listed they must have a

value of at least \$100,000 and be held by no less than 100 shareholders controlling at least 20% of the issued share capital of the company. Those are, in fact, fairly low thresholds for a public company to attain upon listing.

In launching an IPO, the Companies Act and the Securities Act require that the prospectus should contain, *inter alia*:

- The auditors' report on the historical and current profit and loss and asset and liabilities of the company;
- Information on how the company will use the proceeds raised from the offer;
- information on the directors and the management team;
- information on trade investments of the company, and;
- details about the opening and closing of the offer and the procedure to subscribe for the offer.

The prospectus is therefore designed to protect the public so that persons can make an informed decision whether to apply for the securities offered by the company. Further, our present regime requires that the Registrar of Companies under the Companies Act, and the Financial Services Commission (FSC) under the Securities Act, register the prospectus and that the JSE also approves it before it is issued to the public.

Another significant advantage of listing on the JSE is the ability it offers to investors to trade their securities across the floor of the stock exchange. Trading on the JSE confers flexibility and liquidity – flexibility to acquire and dispose of securities, and, liquidity which comes from the ease of converting the securities to cash; both of which can be done within days through a stockbroker. These advantages make investing in a listed company attractive to both small and large investors. It is also important to note that no transfer tax or stamp duty are payable on the sale and purchase of listed securities, and, no withholding tax is payable on dividends paid to shareholders.

Accordingly, the investor base of a listed company is diversified in that it is made up of persons from every sphere of life motivated by different reasons to invest. For the listed company, the risk that a single investor or small group of investors can determine the

financial well being or future of the company is reduced, and, for the individual investor it means that the risk of failure of the company is spread over hundreds of investors.

The rules of the JSE require that upon listing a company enters into a listing agreement with it. Under the terms of this agreement the company agrees to abide by the rules of the JSE which include full and timely financial disclosures to the JSE as part of the company's continuing obligation of openness and transparency of its operations for the benefit of the investing public.

It is important to note that JSE has been responsive to the needs of the market place as was demonstrated last year by the establishment of the JSE Junior Market on which small to medium enterprises in Jamaica and CARICOM may list its securities to attract investors and raise capital. In October last year, the JSE also responded to the need to reduce the cost of publication and circulation of the prospectus to the public, by amending its rules requiring companies to publish its prospectus in a daily newspaper to allow for simply uploading it on the JSE website and by inserting a notice in a national newspaper indicating that the prospectus is available on the JSE website. This will no doubt substantially reduce the cost of publishing the prospectus in newspapers and of printing and circulating hundreds of hardcopies of the prospectus to the public.

It is hoped that Parliament will also be responsive to the need of companies to raise capital by changing the present legal requirement that a prospectus must be registered with both the Registrar of Companies and the FSC. Such double registration is often expensive, tedious and can delay the time for the opening of the offer where timing of entry into the market is often critical to its success. It is recommended that a prospectus be registered only by the FSC and approved by the JSE to achieve greater efficiency in the listing process and to reduce its costs because there appears to be no practical benefit to the company or the public in having the same prospectus registered by both the Registrar of Companies and the FSC.

In closing, what therefore are some of the basic steps that a company should take to list on the JSE?

- if the company is a private company, conversion to a public company.

- the board of directors should make the decision to 'go public' based on the expert advice of accountants, auditors, financial analysts and marketing advisors on the prospects of the company making a successful public issue.
- the board of directors should appoint a subcommittee of the board comprising the above experts and other competent persons such as experienced attorneys-at-law, dedicated to listing by a particular date since timing entry into the market is often important in determining its success.

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