



The Bahamas Government Securities Depository (BGSD) Guidelines

A GUIDANCE DOCUMENT ON THE OPERATIONAL FRAMEWORK OF THE BAHAMAS GOVERNMENT SECURITIES DEPOSITORY WITHIN THE CENTRAL BANK OF THE BAHAMAS.

BAHAMAS GOVERNMENT SECURITIES DEPOSITORY

GUIDELINES

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CHAPTER I: PREAMBLE

The Bahamas Government Securities Depository (hereinafter referred to as “**BGSD**”) makes the following Guidelines:

- 1.1. These Guidelines shall be known as “**The Guidelines of Bahamas Government Securities Depository**” and are for the sake of brevity and convenience, herein referred to as “**Guidelines**”, “**these Guidelines**” or “**the Guidelines of the BGSD**”.
- 1.2. These Guidelines shall come into force with effect from January 3, 2023.
- 1.3. These Guidelines shall be in addition to the applicable provisions of the Public Debt Management Act, 2021 (“**PDMA**”) and the regulations and directions made thereunder by the Central Bank of The Bahamas and/or the Government of The Bahamas and the provisions of the Central Bank of The Bahamas Act, 2020 (“**CBOB Act**”). These Guidelines shall at all times be read subject to the provisions of the PDMA and the CBOB Act.
- 1.4. The CBOB shall have authority to interpret the Guidelines and their interpretations shall be final and binding.

CHAPTER II: APPLICABILITY

These Guidelines shall be applicable to all the Users of the BGSD including Members/Participants of the BGSD as well as the Client(s) to the extent specified therein.

CHAPTER III: DEFINITIONS

- 3.1. “**Account Code**” means the unique ID provided to the Client(s)/Constituent(s) as provided under Guideline 5.1.5.
- 3.2. “**Applicable Law(s)**” means all applicable laws governing the BGSD, its activities, Government Securities, and includes the PDMA and the rules, regulations, directions or guidelines thereunder, the CBOB Act and the rules, regulations, directions or guidelines thereunder, and all rules, regulations, instructions, orders, circulars, guidelines and/or directions issued/ may be issued from time to time by the relevant authority as provided under PDMA and/or Government of The Bahamas and/or any other regulator, from time to time, with respect to or in relation to regulation of Government Securities and/or operation or activities of the BGSD.
- 3.3. “**BGSD**” shall mean the Bahamas Government Securities Depository, established by the CBOB for the purpose of carrying on depository activities in Government Securities in The Bahamas.
- 3.4. “**BGSD System**” means the electronic system of the BGSD for the purposes including but not limited to safe and accurate creation, storage, maintenance, cancellation, transfer, Clearing and Settlement of Government Securities and for creation and removal of third party rights in the nature of a pledge, charge, etc.
- 3.5. “**Beneficial Owner**” means investors who have the ultimate right, title and interest over the Government Securities held by them in the accounts maintained with the BGSD, including beneficial interest in Government Securities with respect to coupons and maturity proceeds.
- 3.6. “**Broker**” means a person having trading rights on the Exchange as per Applicable Law.
- 3.7. “**Business Rules**” means and includes such guidelines, circulars and manuals, containing the practices, procedures, functional and operational parameters, relating to services of the BGSD System as approved and notified by the Management Committee of the BGSD from time to time.
- 3.8. “**CBOB**” or “**Central Bank**” shall mean the Central Bank of The Bahamas.
- 3.9. “**CBOB Act**” means the Central Bank of The Bahamas Act, 2020, as amended from time to time.
- 3.10. “**Clearing and Settlement**” or “**Cleared and Settled**” or “**Clearing and Settling**” or “**Clear and Settle**” means clearing and settlement of Trades in such manner and subject to such conditions as may be specified by the Management Committee from time to time, unless the context indicates otherwise.
- 3.11. “**Client**” or “**Constituent**” means an entity or a person who has opened an account with the BGSD through a Member/Participant, for availing services offered by the BGSD in relation to Government Securities.
- 3.12. “**Constituent Account**” means the account opened by an eligible Member/Participant with the BGSD for holding Government Securities on behalf of its Constituents.
- 3.13. “**Constituent Account Holder**” means a Member/Participant who is eligible to open a Constituent Account for holding Government Securities on behalf of its Constituents.
- 3.14. “**DvP Model 1**” means delivery versus payment model, wherein the delivery of securities takes place only if the money transfer can and will take place. The DvP model 1 is the gross-gross one, that means both the fund transfer and securities transfer are performed on a gross basis.
- 3.15. “**Encumbrance Holder**” means a person in whose favour third party rights in Government Securities have been created including through pledge, lien, charge, mortgage, etc.
- 3.16. “**Exchange**” means the Bahamas International Securities Exchange operated by the Bahamas International Securities Exchange Limited and includes any other exchange that may be established for the purposes of trading in Government Securities.

- 3.17. “**Funds Settlement Account**” means a bank account opened and maintained by the Member/Participant and/or the Client with the Central Bank or with a Settlement Agent.
- 3.18. “**Government Securities**” has the meaning ascribed under the PDMA.
- 3.19. “**IPF**” means Investor Protection Fund as provided under Guideline 10.1.
- 3.20. “**ISIN**” means International Securities Identification Number.
- 3.21. “**Issuer**” means the Government of The Bahamas, the Central Bank of The Bahamas or any other person who is authorized to issue Government Securities under Applicable Law.
- 3.22. “**Management Committee**” means a committee constituted by the CBOB pursuant to Guideline 4.1.
- 3.23. “**Market Trades**” means trades that are concluded on the Exchange and Cleared and Settled through the BGSD.
- 3.24. “**MC Charter**” has the meaning prescribed to it under Guideline 4.1.2.
- 3.25. “**Member**” or “**Participant**” means an entity admitted as such by the BGSD under its Guidelines and Business Rules.
- 3.26. “**Member/Participant ID**” means the unique ID provided to a Member/Participant as provided under Guideline 5.1.5.
- 3.27. “**PDMA**” means the Public Debt Management Act, 2021, as amended from time to time.
- 3.28. “**Registrar**” means the BGSD for the purposes of these Guidelines and shall include any other person appointed as such under PDMA for the purposes of Government Securities.
- 3.29. “**Risk Exposure Limits**” means the maximum amount of risk expressed in terms of monetary value in respect of a Member/Participant which the BGSD may be willing to accept for Clearing and Settlement of Trades entered into by a Member/Participant and its Constituents.
- 3.30. “**Securities Account**” or “**Own Account**” means the account opened by an eligible Member/Participant with the BGSD for holding Government Securities acquired in its own name.
- 3.31. “**Securities Account Holder**” means a Member/Participant who is eligible to open a Securities Account for holding Government Securities in its own name.
- 3.32. “**Settlement Agent**” means a bank designated as such by the BGSD from time to time for settlement of transactions.
- 3.33. “**SGF**” means Settlement Guarantee Fund.
- 3.34. “**Trades**” means, unless the context indicates otherwise, buying and/or selling of Government Securities by a Member/Participant for itself or its Constituents and reported to the BGSD for Clearing and Settlement. Wherever the terms “deals”, “Trades”, “Transactions” or “contracts” occur in the Guidelines and Business Rules, they shall have one and the same meaning, unless the context indicates otherwise. For the purpose of the Guidelines and Business Rules a trade of a Constituent shall be deemed and construed as a Trade of the Member/Participant.
- 3.35. “**Trading Sessions**” has the meaning as provided under Guideline 5.5.1.2.
- 3.36. “**User**” means and includes all market intermediaries interacting with the BGSD and includes Members/Participants, Issuers and Registrars.
- 3.37. “**User Hardware System**” means the system as provided under Guideline 7.1.3 under the BGSD System.
- 3.38. “**Working Day**” means a calendar day when the BGSD is open for conduct of business.

Any of the capitalized terms used herein and also defined in the Applicable Laws including PDMA shall have the meaning as given above/ so assigned to the respective terms in those legislations and shall be deemed to be so amended as per any amendment in the respective Applicable Laws including PDMA, from time to time. Words, terms and abbreviations used but not defined herein, shall have the meaning assigned to those terms in the Applicable Laws.

CHAPTER IV: AUTHORITIES

4.1. Management Committee

- 4.1.1. The board of directors of the CBOB will appoint a Management Committee for dealing with the operation of the BGSD.
- 4.1.2. The constitution, composition, eligibility to become a member of the Management Committee; its duration, powers and functions ; nomination, disqualification, removal and vacation of the members of the Management Committee, appointment of officers and establishment of rules and procedures for the functioning of the Management Committee, dissolution of the Management Committee and any other aspect relating to the formation and/or working of the Management Committee shall be set out in the management committee charter (“**MC Charter**”) as approved by the board of directors of the CBOB, from time to time.
- 4.1.3. The Management Committee may organize, maintain, control, manage, regulate and facilitate the operations of the BGSD and of Government Securities transactions by the Members/Participants of the BGSD, subject to the Applicable Laws and the MC Charter.
- 4.1.4. The Management Committee shall have the authority to formulate, amend and repeal the Business Rules which are required for the effective and smooth functioning, operation and regulation of services of the BGSD.
- 4.1.5. Subject to the MC Charter, the Management Committee shall have the authority to issue directives from time to time to such other committees as may be constituted by it under Guideline 4.2.1 below, or to any other person/s to whom any powers have been delegated by the Management Committee, and such directives shall be binding on the committees or such other person/s, as the case may be.
- 4.1.6. The Management Committee shall be entitled to frame and amend the Guidelines either on its own or upon the directives of the relevant authority as provided under the PDMA and/or Government of The Bahamas, as the case may be. Such Guidelines and any amendments thereof shall be implemented only after obtaining prior approval of the relevant authority as provided under the PDMA and/or Government of The Bahamas, as the case may be, to the extent required under the Applicable Laws.
- 4.1.7. Subject to the prior approval of the board of directors of the CBOB, the Management Committee may amend, add, or repeal any of the provisions of the Guidelines framed by it.

4.2. Sub-Committees

- 4.2.1. Subject to the provisions of the MC Charter and the Applicable Laws, the Management Committee may, from time to time, establish such other committee(s) as it may deem fit or necessary.
- 4.2.2. Subject to the provisions of the Applicable Laws and the MC Charter, the Management Committee may in respect of any sub-committee which it establishes, decide *inter alia* on the constitution, composition, eligibility to become a member of such sub-committee; the duration, powers and functions of such sub-committee, the nomination, disqualification, removal and vacation of the members of such sub-committee; the appointment of officers; the rules and procedures for the functioning of such sub-committee); the dissolution of such sub-committee; and any other aspect relating to the formation and/or working of a sub-committee
- 4.2.3. Powers of sub-committees:
 - 4.2.3.1. The Management Committee may delegate, from time to time, to a sub-committee constituted by it under Guideline 4.2.1 above or to any person/s, such of the powers vested in it and upon such terms and conditions as it may think fit, and

cancel, withdraw, alter or vary all or any of such powers so delegated.

4.2.3.2. A sub-committee shall be bound and obliged to carry out and implement any directives issued by the Management Committee from time to time and shall be bound to comply with all conditions of delegation and limitations on the powers of the sub-committee as may be prescribed.

4.2.4. Meetings of the sub-committee

4.2.4.1. Subject to the provisions of the MC Charter and the Applicable Law, a sub-committee may decide on the mode and manner of transacting its business including for dispatch of business, the adjournment, physical/ virtual meetings, frequency of meetings, voting at meetings (including proxy voting, if any), circular resolutions and otherwise regulate its meetings and proceedings as it thinks fit.

4.2.4.2. The quorum for a meeting of a sub-committee shall be as laid down by the Management Committee subject to the Applicable Law from time to time.

4.2.4.3. Decisions at any meeting of a sub-committee shall be taken by a majority of its members. Every member of the sub-committee shall have only one vote except that in the case of an equality of votes, the chairman of the sub-committee who presides over the meeting shall have a second or casting vote.

4.2.5. Chairman

4.2.5.1. The members of the sub-committee may elect a chairman from amongst themselves, who shall be the chairman of the sub-committee in accordance with the Applicable Law.

4.2.5.2. The chairman may assume and exercise all such powers and perform all such duties as may be delegated to him by the sub-committee from time to time.

4.2.5.3. The chairman, and in his absence, a person elected by the sub-committee, shall be entitled to exercise any or all of the powers exercisable by the sub-committee whenever he/it be of the opinion that immediate action is necessary, subject to such action being confirmed by the sub-committee.

4.2.5.4. The sub-committee, at its meeting at which a quorum is present, shall be competent to exercise all or any of the powers and discharge all such functions as are vested in or exercisable by such sub-committee.

4.3. Business Rules

4.3.1. The Management Committee shall formulate Business Rules for the functioning and operations of the BGSD and to regulate the functioning and operations of the Members/Participants of the BGSD and shall have power to amend and/or alter such Business Rules, from time to time.

4.3.2. Without prejudice to the generality of Guideline 4.3.1, the Management Committee shall have power to make Business Rules, for all or any of the following matters:

4.3.2.1. admission of financial intermediaries as Members/Participants of the BGSD and for specifying the rights, liabilities and obligations of the Members/Participants;

4.3.2.2. determination, from time to time, as to the fees, system usage charges, deposits, margins and other monies payable to the BGSD by the Members/Participants and by the Issuers and/or the Registrar;

4.3.2.3. norms and procedures for approval of Issuer and/or the Registrar to act as such;

4.3.2.4. norms which shall be required to be followed by the Users;

- 4.3.2.5. supervision of the market and formulation of a code of ethics as it may deem fit;
 - 4.3.2.6. maintenance of records and books of accounts by Members/Participants;
 - 4.3.2.7. administration, maintenance and investment of the corpus of the fund(s) set up by the BGSD;
 - 4.3.2.8. dissemination of information, announcements to be placed on the BGSD System;
 - 4.3.2.9. the manner in which the accounts of the Members/Participant shall be reconciled with the records of the BGSD on a daily basis;
 - 4.3.2.10. requirements for submission of periodic reports to the BGSD on its activities in relation to the BGSD;
 - 4.3.2.11. the manner and form in which the Members/Participants shall maintain continuous electronic means of communication to the BGSD;
 - 4.3.2.12. the manner and format in which every Member/Participant shall submit periodic reports to the BGSD;
 - 4.3.2.13. prescription from time to time, and administration of penalties, fines and other consequences, including suspension/expulsion of a Member/Participant from the BGSD for defaults or breach or violation of the Guidelines and/or the Business Rules, directives or orders of the BGSD;
 - 4.3.2.14. norms, procedures and terms and conditions for Clearing and Settlement of Trades in Government Securities;
 - 4.3.2.15. norms, terms and conditions, functioning and procedures for clearing through the BGSD or other arrangements including Settlement Agents for Clearing and Settlement;
 - 4.3.2.16. norms, procedures and terms and conditions for guaranteed settlement by the BGSD;
 - 4.3.2.17. administration, maintenance, and investment of the corpus of any fund set up for guaranteeing settlement of Trades;
 - 4.3.2.18. norms, procedures, terms and conditions for arbitration;
 - 4.3.2.19. dissemination of information and announcements;
 - 4.3.2.20. any other matter as may be decided by the Management Committee or directed by the Central Bank, and/or by any relevant authority under PDMA, to implement any requirements under Applicable Laws.
- 4.3.3. Subject to Applicable Laws, the Management Committee may, from time to time, specify additional requirements in the Business Rules.

CHAPTER V: TRADING

5.1. Admission of Member/Participant

5.1.1. Admission of Member/Participant:

- 5.1.1.1. Any person desiring to become a Member/Participant of the BGSD shall file an application with the BGSD, in the prescribed manner as notified by the BGSD, from time to time.
- 5.1.1.2. An application which is not complete in all respects and does not conform to the instructions specified by the BGSD shall be rejected. The BGSD may, before rejecting any application, give to the applicant in writing, an opportunity to address within such time as specified by the management of the BGSD, the objection indicated by the BGSD.
- 5.1.1.3. The BGSD may require the applicant to furnish such further information or clarification as required within such time as it may specify. Failure to provide any information within the time provided or such further time as may be granted will result in the rejection of the application.
- 5.1.1.4. The BGSD may approve or reject any application as it may deem fit in its absolute discretion.
- 5.1.1.5. Once the application is approved by the BGSD, the applicant shall make payment of such fees, security deposits and/or such other sums of money as specified by the BGSD, from time to time.

5.1.2. Admission Criteria

- 5.1.2.1. An applicant shall be eligible to become a Member/Participant of the BGSD, provided it meets the criteria as set forth in the Guidelines and/or Business Rules by the BGSD from time to time, if any.
- 5.1.2.2. An applicant shall furnish the following documents/ information in the manner and format as may be prescribed by the BGSD from time to time:
 - (a) information and details of its business history including the background and experience of directors and promoters of the applicant;
 - (b) information on whether the applicant was convicted in any of the five years immediately preceding the filing of the application of any offence involving misappropriation of funds or securities, theft, embezzlement of funds, fraudulent conversion or forgery;
 - (c) information on whether the applicant meets the minimum net worth requirement as may be specified by the BGSD, from time to time;
 - (d) the applicant should have adequate office space for the BGSD operations. The applicant should also furnish details of its main office, address, fax, and phone number(s). The BGSD shall have the sole discretion to decide whether, in its opinion, the applicant has adequate infrastructure facilities at the time of considering the application;
 - (e) the applicant has adequate arrangements for conducting effective and safe depository operations, including security measures, software and hardware requirements, risk containment and insurance requirements, as specified by the BGSD;
 - (f) For the purpose of satisfying itself regarding the eligibility of the applicant to become a Member/Participant, the BGSD may carry out an inspection of the office and facilities of the applicant either on its own or through such other

agency as may be appointed in accordance with the norms prescribed by the BGSD.

- (g) The applicant shall be eligible to become a Member/Participant with effect from the date on which it is registered with the BGSD.

5.1.3. Eligible Member/Participants of the BGSD: The following entities may be admitted as Member/Participants to the BGSD:

- 5.1.3.1. Commercial banks
- 5.1.3.2. Insurance companies
- 5.1.3.3. Other local financial institutions
- 5.1.3.4. Trust funds
- 5.1.3.5. Mutual funds
- 5.1.3.6. Pension funds
- 5.1.3.7. Securities exchanges
- 5.1.3.8. Brokers and brokerage companies
- 5.1.3.9. Any other entities as may be specified by the BGSD from time to time.

5.1.4. Member/Participant account

- 5.1.4.1. Members/Participants may hold, Clear and Settle Trades either on their Own Account or on behalf of their Constituents unless otherwise specified by the BGSD from time to time.
- 5.1.4.2. Each financial intermediary admitted as a Member/Participant of the BGSD shall open an account called the “**Securities Account**” or “**Own Account**” with the BGSD for holding Government Securities acquired in its own name and an account called the “**Constituent Account**” for holding Government Securities on behalf of its Constituents. Government Securities will be held in dematerialized form.

5.1.5. Member/Participant ID

- 5.1.5.1. Every applicant admitted as a Member/Participant of the BGSD shall be allotted a unique Member/Participant ID for the purpose of identifying the Member/Participant.
- 5.1.5.2. The Client(s) for whom accounts are opened/maintained by a Member/Participant shall be allotted an Account Code for the purpose of identifying the Client(s).
- 5.1.5.3. Every Member/Participant shall incorporate the Member/Participant ID/Account Code, in all its communications to the BGSD.
- 5.1.5.4. The failure of a Member/Participant to incorporate its ID and/or Account Code, as the case may be, in any trade or communication shall absolve the BGSD of all liabilities or consequences of inaction by the BGSD.
- 5.1.5.5. Every Member/Participant shall ensure that incorporation and/or use of its Member/Participant ID/ Account Code, is restricted to authorized personnel only.
- 5.1.5.6. The BGSD and/or any of its officials shall not in any way be responsible for any loss or consequences that may arise on account of unauthorized and/or wrongful use of Member/Participant ID and/or the Account Code.

5.1.6. Conditions for Member/Participant for opening & maintenance of a Securities Account

- 5.1.6.1. An Eligible Member/Participant of the BGSD may open a Securities Account.
- 5.1.6.2. A Member/Participant shall submit a signed application form, indemnity bond and such other documents, including approval of relevant regulator, as may be decided by the BGSD and prescribed in the Business Rules from time to time.
- 5.1.6.3. To enable the BGSD to settle the funds in respect of transactions pertaining to a Securities Account, a Securities Account Holder may be allowed to maintain a Funds Settlement Account with the CBOB or designate a Settlement Agent for this purpose subject to obtaining specific approval of the CBOB.
- 5.1.6.4. A Securities Account may be closed by the account holder by submitting a request letter outlining therein the reason(s) for closure and the action, if any, required to be taken by the BGSD in respect of the Government Securities held in such Securities Account.
- 5.1.6.5. Any misuse of the Securities Account facility by the Securities Account Holder concerned will make the Securities Account Holder liable to be barred from continuing to hold such account and in addition may attract penalties as provided under the Applicable Laws.
- 5.1.7. Conditions for opening & maintenance of a Constituent Account
 - 5.1.7.1. An Eligible Member/Participant of the BGSD may open a Constituent Account for holding Government Securities on behalf of its Client(s)/Constituent(s)/Beneficial Owner(s).
 - 5.1.7.2. A Constituent Account Holder shall open separate Constituent Accounts for each of its Client(s) for holding Government Securities on behalf of its Client(s).
 - 5.1.7.3. A Member/Participant may open a Constituent Account on receiving from the Client a complete application form in the format, and along with such documents, as may be specified by the BGSD from time to time.
 - 5.1.7.4. A Constituent Account Holders shall ensure that the Client for whom a Constituent Account is opened/maintained satisfies the eligibility conditions for holding Government Securities as specified by the BGSD from time to time.
 - 5.1.7.5. A Member/Participant shall open/activate the Constituent Account of a Client in the BGSD System only after receipt of complete account opening form, KYC and supporting documents as may be prescribed by the BGSD from time to time, and when the application referred to above has been found to be valid and accepted by the Member/Participant.
 - 5.1.7.6. Constituent Account Holder shall be liable to the Client for all the acts and deeds performed by the Constituent Account Holders. The BGSD shall not be liable to any person other than a Member/Participant or a Client who may have any claim/s in relation to any matters concerning the BGSD operations.
 - 5.1.7.7. A Constituent Account Holder should have necessary infrastructure for accounting and safe keeping of Government Securities in accounts opened and maintained by it on behalf of its Client and have the systems capability to effectively discharge its activities as custodian of the Government Securities, while maintaining an arm's length relationship with the other businesses of the Constituent Account Holder.
 - 5.1.7.8. A Constituent Account Holder should ensure at all times that transactions in the individual Constituent Accounts are put through according to the instructions of the Client and the Government Securities held in such accounts are used only for transactions explicitly authorised by the Client.

- 5.1.7.9. Constituent Account Holders shall maintain a separate account for each Client and ensure that the Government Securities of the Client are not mixed with its own Government Securities.
 - 5.1.7.10. A Constituent Account Holder shall send a statement of account to each Client at such intervals as may be prescribed by the BGSD, from time to time.
 - 5.1.7.11. A Constituent Account Holder shall refrain from selling off Government Securities in a Constituent Account or otherwise dealing with them to partly or fully extinguish any amounts due to it from the Constituent without the latter's express consent in writing.
 - 5.1.7.12. A Constituent Account Holder shall, from time to time, distribute interest or the redemption value in respect of the Government Securities received or collected by it on behalf of the Constituent.
 - 5.1.7.13. A Constituent Account Holder shall be continuously accountable for the movement of Government Securities in and out of a Constituent Account and shall provide a complete audit trail, whenever called for by the Client or the BGSD.
 - 5.1.7.14. A Constituent Account Holder shall ensure that its operating procedures and systems are well documented.
 - 5.1.7.15. A Constituent Account Holder shall maintain confidentiality in respect of a transaction executed on behalf of an individual Constituent.
 - 5.1.7.16. Where custodial records are kept electronically, a Constituent Account Holder shall take such precautions as may be necessary to ensure that continuity in record keeping is not lost or destroyed and that sufficient back up of records is carried out.
 - 5.1.7.17. A Constituent Account Holder shall create and maintain records of the Government Securities held in its custody in such manner that the tracing of Government Securities or obtaining of a copy of the title documents may be facilitated, in the event of loss of original records for any reason.
 - 5.1.7.18. A Constituent Account Holder shall have adequate internal controls to prevent any manipulation of records and documents and ensure proper discharge of obligations as given above.
 - 5.1.7.19. A Constituent Account Holder shall provide all information to the BGSD during an inspection of the Constituent Accounts and records maintained relating to Government Securities, as and when required.
- 5.1.8. Termination/ suspension of services of Member/Participant
- 5.1.8.1. Subject to Applicable Laws, the BGSD may at any time, and on such conditions as it thinks fit, terminate the services of a Member/Participant by giving not less than thirty days' notice of such termination in writing.
 - 5.1.8.2. Without prejudice to the generality of the foregoing, the BGSD may terminate the membership/ service of a Member/Participant where:
 - (a) the Member/Participant no longer meets the eligibility criteria to be a Member/Participant; or
 - (b) the Member/Participant has been debarred by the CBOB or any regulatory authority or has been expelled or declared defaulter by the CBOB or any regulatory authority.
 - 5.1.8.3. Without prejudice to any other rights a Member/Participant may have, and notwithstanding anything to the contrary in the Guidelines, the BGSD may

suspend, with immediate effect, the services of the Member/Participant on such grounds as may be laid down by the BGSD from time to time.

5.1.9. Resignation from Membership

- 5.1.9.1. A Member/Participant may resign from membership, at its discretion, subject to such terms and conditions as laid down under the Guidelines and/or Business Rules.
- 5.1.9.2. A Member/Participant desirous of resigning from membership of the BGSD shall give prior written notice of minimum 6 months or other specified time period to the BGSD clearly indicating its decision to resign from membership.
- 5.1.9.3. The notice shall be effective on the resignation request date in such written notice as received by the BGSD when delivered in person or by courier, or any other mode as may be agreed upon by the BGSD from time to time.
- 5.1.9.4. Until the resignation comes into effect, all rights and obligations of a Member/Participant with shall remain in force.
- 5.1.9.5. The resignation shall come into effect from such date of approval by the Management Committee or by an official so authorized by the Management Committee or in the absence of such approval or rejection, it shall be deemed to be approved at the end of such number of business days from the resignation request date as may be provided under the Business Rules.
- 5.1.9.6. Notwithstanding anything to the contrary contained in the Guidelines and the Business Rules, no Member/Participant shall be permitted to resign from the BGSD unless and until the Member/Participant has:
 - (a) issued notice of its intended resignation to all Client holding accounts with it;
 - (b) met all outstanding obligations relating to the BGSD and all accounts of Clients held with the Member/Participant have been closed either by transfer of Government Securities to a Constituent Account opened with another Member/Participant of Client's choice or by transfer/sale of all the Government Securities by the Client; and
 - (c) complied with such other terms and conditions as the BGSD may have specified in that behalf.

5.2. Admission of Client(s)

5.2.1. Account Opening

- 5.2.1.1. A Member/Participant shall maintain separate accounts in respect of each Client and its Own Account.
- 5.2.1.2. Any prospective Client who wishes to avail the services of the BGSD will have to open a Constituent Account with the BGSD through a Member/Participant.
- 5.2.1.3. The Client will have to make an application for this purpose to the Member/Participant in the form and manner as prescribed by the BGSD, from time to time.
- 5.2.1.4. Once the application has been accepted by the Member/Participant, the applicant will be issued an Account Code.
- 5.2.1.5. The Member/Participant shall open/activate a Constituent Account in the BGSD system only after receipt of the requisite documents as specified by the BGSD from time to time, and when such application has been found to be valid and is accepted by the Member/Participant.

- 5.2.1.6. Upon such application by the Client and its acceptance by the Member/Participant and the opening of an account as per these Guidelines and the relevant Business Rules, the Member/Participant and the Client shall be deemed to have entered into an agreement under these Guidelines and the Business Rules.
- 5.2.2. Freezing and Unfreezing of Accounts
 - 5.2.2.1. A Client may request to freeze:
 - (a) its account maintained with a Member/Participant; or
 - (b) a specific number of Government Securities held under an ISIN in its account; or
 - (c) by giving an instruction to the Member/Participant or to the BGSD, in the form and manner prescribed by the BGSD.
 - 5.2.2.2. The Member/Participant may freeze the account and/or specific number of Government Securities of a Client, on the basis of instructions received from the Client or pursuant to the directions, instructions or orders received by the BGSD, or the Government of The Bahamas, or the CBOB or any directions, instructions or orders issued by a court, tribunal, or pursuant to any written law.
 - 5.2.2.3. The BGSD, at the request of a Member/Participant or on the basis of a request received from the Client or pursuant to the directions, instructions or orders received from the Government of The Bahamas, the CBOB or any directions, instructions or orders issued by a court, tribunal or pursuant to any written law, may freeze the account and/or specific number of Government Securities of the Client.
 - 5.2.2.4. The BGSD may, on its own freeze a Member/Participant's Own Account and/or a Constituent Account and/or specific number of Government Securities to the extent of the Government Securities held in the Member/Participant's name and/or the Constituent's name, as the case may be, or advise the Member/Participant to do so, on the basis of the directions, instructions or orders received from the Government of The Bahamas, the CBOB or any court or tribunal or pursuant to any written law or if the Member/Participant or the Client has become insolvent, bankrupt or in a case where a Member/Participant or a Client which is a body corporate, is being wound up or liquidated.
 - 5.2.2.5. The account and/or specific number of Government Securities which were frozen in terms of these Guidelines may be unfrozen pursuant to the directions, instructions or orders received from the Government of The Bahamas, the CBOB or any directions, instructions or order issued by a court, tribunal or pursuant to any written law or as per the procedure prescribed by the BGSD in this regard.
- 5.2.3. Closure of Constituent Account
 - 5.2.3.1. A Client wanting to close its Constituent Account shall make an application to the Member/Participant, in the format specified by the BGSD. The Member/Participant shall notify the BGSD within seven days of receipt of application for closure of Constituent Account
 - 5.2.3.2. The Client may close its Constituent Account if no balances are standing to its credit in the account. If any balances exist, the account may be closed by transferring the balances to its other account held with a different Member/Participant.
 - 5.2.3.3. The Member/Participant shall ensure that all pending transactions as well as suspended accounts have been adjusted before closing such account. After

ensuring that there are no balances in the Constituent Account, the Member/Participant shall execute the request for closure of the Constituent Account.

5.2.4. Transfer of Government Securities

5.2.4.1. A Member/Participant shall not execute any debit or credit in the account of a Client without authorisation from such Client and the Member/Participant shall maintain the original documents and the audit trail of such authorizations.

5.2.4.2. The mode and the form of authorisation shall be as may be specified by BGSD, from time to time.

5.2.4.3. Where there is a transfer of a balance from the Client of one Member/Participant to the Client of another Member/Participant, both the delivering and the receiving Members/Participants must enter instructions for delivery and receipt respectively. After the instructions are matched in BGSD System, such transfer will be executed in the Constituent Account. Alternatively, the receiving Member/Participant should advise the BGSD of brokerage relationship with an existing Member or Participant and request transfer of holdings.

5.2.4.4. The BGSD may, on receipt of a court order, transfer the balances standing in a Member/Participant's account to another Member/Participant's account.

5.2.5. Statement of Account

5.2.5.1. A Member/Participant shall provide statements of accounts in electronic form to its Clients in the manner and at such time as agreed with the Client and as specified by BGSD in this regard, from time to time.

5.3. Issuance of Government Securities

5.3.1. The Government Securities issued in dematerialized form shall be eligible to be held in dematerialized form in the BGSD.

5.3.2. A register of holders of Government Securities shall be maintained by the Registrar. For this purpose, the record/register of Beneficial Owners maintained by the BGSD shall be deemed to be the register of holders of Government Securities.

5.3.3. Procedure for Issuing Government Securities:

The method, procedure and mechanisms for issue of Government Securities shall include auction, private placement, syndication, offer for sale by tender and offer for sale at fixed price or any other method as may be prescribed under Applicable Laws.

5.4. Payment of interests and maturity proceeds

5.4.1. Payment of interest: Payment of interest on Government Securities held in a Securities Account shall be paid by the BGSD by credit to the Funds Settlement Account.

5.4.2. Discharge of a security: For obtaining maturity proceeds due on Government Securities held in any of the Securities Account or Constituents' Accounts, payment of the maturity proceeds shall be credited to the Funds Settlement Account maintained with the CBOB.

5.5. Secondary Market

5.5.1. Market Trade:

5.5.1.1. Government Securities may be bought or sold by a Member/Participant or Client in the secondary market through the Exchange. The Member/Participant or Client may trade in Government Securities through a registered Broker of the Exchange.

5.5.1.2. The Exchange will facilitate the trading of Government Securities listed on the

Exchange on such days and at such times as may be decided by the Exchange from time to time and notified to Member/Participants. Such facility shall be referred to as “Trading Sessions”.

- 5.5.1.3. The Exchange may extract a holding report from the BGSD System containing a list of all Beneficial Owners before the start of business of each Working Day or at such other frequency as it may deem fit.
 - 5.5.1.4. The Exchange will only accept orders during Trading Sessions.
 - 5.5.1.5. Market opening and closing times during Trading Sessions are decided by the Exchange from time to time and notified to Member/Participants.
 - 5.5.1.6. All trades which are executed on the Exchange platform will be Cleared and Settled by the BGSD in such manner as may be prescribed from time to time.
 - 5.5.1.7. The Exchange will provide the trade files to BGSD after the end of market hours for settlement.
 - 5.5.1.8. A Member/Participant shall effect a debit or credit to the accounts of its Clients only on receipt of proper authorization from the Clients. Alternatively, a Client may give standing instructions or power of attorney to its Member/Participant to debit or credit its account. In case the Client/Member/Participant does not have sufficient balance in its own account, the trade shall be rejected or debit shall be effected to the extent of balance available.
- 5.5.2. Over the counter trade (“**OTC**”):
- 5.5.2.1. A Member/Participant, who wants to buy or sell Government Securities, may contact another Member/Participant directly and negotiate the price and quantity of securities.
 - 5.5.2.2. The details of all trades undertaken on the OTC market shall be inputted in the BGSD System within 1 (one) Working Day.
 - 5.5.2.3. All OTC trades will be Cleared and Settled by BGSD in such manner as may be prescribed by BGSD from time to time.
 - 5.5.2.4. Transfer of Government Securities by a Client in respect of off-market trades shall be inputted in the BGSD System by a Member/Participant on receipt of a Government Securities transfer instruction, in the form as may be prescribed by the BGSD, from time to time, from the Client for delivery and/or receipt, as the case may be, of Government Securities. In the case of a transfer of Government Securities held by the Member/Participant, the Member/Participant shall itself input the trading details in the BGSD System.

CHAPTER VI: CLEARING AND SETTLEMENT

The Trades relating to Government Securities are settled through the Member/Participant's Securities Accounts and Constituent Accounts maintained with the BGSD.

6.1. Contract Notes

- 6.1.1. Contract notes shall be issued by a Broker to a Client within such period as may be specified by the Exchange, from time to time, for deals effected with Clients or on behalf of Clients. The contract note will contain such details as the Exchange may specify from time to time. The contract note shall specify that the deal is subject to the guidelines and business rules of the Exchange and subject to arbitration as provided therein.

6.2. Settlement of Trade:

6.2.1. Acceptance of Trade:

- 6.2.1.1. Upon receipt of Trades for Exchange, the BGSD shall accept such Trade/s after verification of Risk Exposure Limits in respect of each Member/Participant and its Client as enumerated in the Business Rules or as may be prescribed by the BGSD, from time to time.
- 6.2.1.2. Trades accepted shall be classified as (a) Trades falling within the Risk Exposure Limits that are guaranteed for settlement, and (b) Trades exceeding the Risk Exposure Limits, in the manner as may be prescribed by the Management Committee, from time to time.

6.2.2. Rejection of Trades

The BGSD shall have the discretion to reject trades received by it for settlement under the following conditions:

- 6.2.2.1. when Trades by a Member/Participant have exceeded the Member/Participant's Risk Exposure Limits for its proprietary Trades and/or its Client's Trades;
- 6.2.2.2. when one of the parties to the Trade has been suspended or has been rendered ineligible to avail itself of the BGSD's services whether temporarily or otherwise;
- 6.2.2.3. when one of the parties to the trade is no longer a Member/Participant or a Client of the Member/Participant;
- 6.2.2.4. when there is any inaccuracy in the reporting of the Trade viz., incorrect Member/Participant ID etc.; and
- 6.2.2.5. when one or more Securities Account(s) and/or Constituent Account(s) are inactive and/or dormant.

6.2.3. Status of Trades

All Trades received by the BGSD from the Exchange for settlement through the BGSD must be specifically accepted for settlement by the BGSD, subject to such terms and conditions as may be specified by the Management Committee from time to time. If at the end of a settlement cycle, a specific trade has not been accepted, such trade shall be deemed to have been rejected by the BGSD.

6.2.4. Settlement Process

The BGSD shall provide settlement through the RTGS module using the DvP Model 1 for individual transactions, in such manner as may be prescribed by the BGSD, from time to time. Settlement shall be final and irrevocable when the net obligations are determined.

6.2.5. Settlement Obligations of Members/Participants

- 6.2.5.1. Obligations of Members/Participants arising through Settlement Process for effecting delivery and/ or receiving Government Securities, and paying and/or receiving funds shall constitute the settlement obligations of Members/Participants.
- 6.2.5.2. Settlement obligations of all Trades shall be met by delivery and/or payment by the Members/Participants of the BGSD in the following manner:
 - (a) on the settlement date, all Government Securities deliverable by Members/Participants to the BGSD shall be received by credit into a designated account specified by the BGSD ;
 - (b) on the settlement date, all funds deliverable by Members/Participants to the BGSD shall be received by credit into a designated account specified by the CBOB.
- 6.2.5.3. In the event a Member/Participant fails to meet its obligations to the BGSD arising out of Clearing and Settlement operations of Trades, the Management Committee may charge such interest, impose such penalties and fines and take such disciplinary action against the Member/Participant as it may determine from time to time. Any disciplinary action which the Management Committee takes pursuant to the above shall not affect the obligations of the Member/Participant to the BGSD or any remedy to which the BGSD may be entitled under Applicable Law.

6.2.6. Modes of Delivery

The BGSD may, from time to time, prescribe different modes of deliveries of Government Securities and conditions relating thereto. Without prejudice to the generality of the above, modes of deliveries for all Trades are specified as under:

- 6.2.6.1. Security receipts and deliveries towards outright and repo trades shall be carried out through Securities Accounts of a Member/Participant and/or through the Constituent Accounts of the Constituent. The BGSD regulations/guidelines relating to a Securities Account and Constituent Accounts shall be deemed to form part of any settlement process so prescribed;
- 6.2.6.2. Funds receipts and deliveries shall be effected through the Funds Settlement Account. Regulations prescribed by the CBOB relating to the Funds Settlement Account shall be deemed to form part of any settlement process so prescribed.

6.2.7. Obligation Reports

The BGSD shall generate and provide to each Member/Participant the (a) Securities Obligation Report, and (b) Funds Obligation Report, containing such details as may be prescribed under the Business Rules, from time to time.

6.2.8. Failure in Delivery

If a selling Member/Participant fails to deliver Government Securities on the settlement date for itself or its Constituent, it shall be considered as an act of shortage by that Member/Participant. Such shortage shall be dealt with in such manner as may be prescribed by the BGSD, from time to time. Any failure in delivery of Government Securities by the selling Member/Participant shall be subject to such penalty as may be prescribed by the BGSD, from time to time.

6.2.9. Failure in Payment

If a Member/Participant purchasing Government Securities fails to pay funds on the settlement date, it shall be considered as an act of shortage by that Member/Participant. Such shortage shall be dealt with in such manner as may be prescribed by the BGSD from time

to time. Any failure in payment for Government Securities by the purchasing Member/Participant shall be subject to such penalty as may be prescribed by the BGSD, from time to time.

6.2.10. Failure to receive delivery of Government Securities/ Funds

If a Member/Participant fails to take up Government Securities and/ or funds delivered to it by BGSD on the settlement date, the BGSD shall cancel the transaction and return the Government Securities and/or funds without any cost, risk and/ or responsibility to itself and / or any of its officials.

6.2.11. Pay out to the Constituents by the Member/Participant

BGSD shall ensure that pay out of funds and / or Government Securities are made to the respective Constituent(s) on the relevant settlement day.

6.3. **Settlement and Cycle**

6.3.1. The settlement cycle for the Trades shall be such as is specified under the Business Rules.

6.4. **Settlement Hours and Location**

6.4.1. The hours for Clearing and Settling of the BGSD shall be during such time as may be decided by the BGSD, from time to time. The BGSD shall, from time to time, notify the cut-off timings for normal acceptance of Trades from Members/Participants for settlement. The BGSD shall be authorised to make changes to the cut-off timings, as considered necessary from time to time, depending upon changes in market practices and/ or requirements of the CBOB and/ or other regulatory bodies/agencies.

6.4.2. The BGSD may declare a list of holidays in a calendar year. The Management Committee may, from time to time, alter the holidays fixed in accordance with these provisions. It may, for reasons to be recorded, suspend Clearing and Settlement operations on days other than or in addition to holidays.

6.4.3. The Management Committee may, for reasons to be recorded, close the BGSD on the market closure days other than or in addition to holidays.

6.4.4. The Management Committee may reduce, extend or otherwise alter the time of clearing hours of the BGSD on any particular day.

6.5. **Reports**

6.5.1. The BGSD shall, at its discretion, decide the mode and manner of delivery/receipt of reports to/from its Members/Participants and the same shall be prescribed by the Management Committee from time to time.

6.5.2. The BGSD shall have the discretion to make changes in the report formats as and when it may consider necessary from time to time.

6.6. **Settlement Guarantee Fund**

6.6.1. The BGSD may maintain a Settlement Guarantee Fund (“SGF”) or such other fund as may be specified by the Management Committee, from time to time, to guarantee the settlement of Trades executed on the BGSD System. In the event a Member/Participant fails to fulfil the settlement obligations, the SGF may be used to fulfil the settlement obligations of the Member/Participant.

6.6.2. The Management Committee may prescribe, from time to time, the norms, procedures, terms and conditions governing the SGF which may inter alia specify the amount of deposit or contribution to be made by each Member/Participant to such SGF, the terms, manner and mode of deposit or contributions, conditions of repayment of deposit or withdrawal of contribution from the SGF, charges for utilisation, penalties and disciplinary actions for

non-compliance.

- 6.6.3. Without prejudice to the generality of the foregoing, the Management Committee shall be entitled to make rules relating to norms, procedures and processes relating to: (i) the management and administration of the SGF; (ii) the structure and composition of the SGF; (iii) the contributions to be made to the SGF by the relevant stakeholders as may be prescribed by the Management Committee from time to time; (iv) investment of the SGF; (v) use of the SGF; (vi) persons who would be disentitled from receiving a benefit from the SGF; (vii) minimum value of funds in the SGF; (viii) the money and property to be paid to or received by the Management Committee; (ix) the application of the money and property paid to or received by the Management Committee including the order of priority in which they shall be applied; (x) such other matters as the Management Committee may deem fit.

CHAPTER VII: CUSTODY

7.1. The BGSD System:

- 7.1.1. The BGSD may prescribe Business Rules from time to time for the functioning and operations of the BGSD System and to regulate the functioning and operations of the Users of the BGSD System.
- 7.1.2. The BGSD manages Government Securities operations, including registration and settlement of auction results from the primary market, sales and purchases, exchange of Broker, registration, cancellation, and execution of pledges; registration, management, and execution of repo and reverse repo agreements; payment of interest, registration and payment of security redemptions. The BGSD may prescribe Business Rules, from time to time, for the functioning and operations of the BGSD System and to regulate the functioning and operations of the aforementioned activities.
- 7.1.3. The User shall carry out transactions relating to the BGSD only through the approved User Hardware System located at approved locations of the office of the User. No other workstation, computer system or hardware may be connected to the User Hardware System without the prior approval of the Management Committee.

7.2. Manner of Dealings by Users:

- 7.2.1. Only those persons who are approved as Users in accordance with the provisions of the Guidelines and Business Rules of the BGSD may be approved as Users of the BGSD System.
- 7.2.2. Manner of dealings by Users permitted on the BGSD System shall be such as provided in these Guidelines and Business Rules or as specified by the Management Committee from time to time, and no other manner of dealings are permitted.

7.3. Supervision by Member/Participant:

- 7.3.1. Each Member/Participant shall establish, maintain and enforce procedures to supervise its business and to supervise the activities of its employees that are reasonably designed to achieve compliance with the Guidelines, Business Rules, notifications and directions issued thereunder by the BGSD.
- 7.3.2. The Management Committee may, from time to time, under the Business Rules provide the manner of supervision by Members/Participants which shall include but not be limited to the process for maintenance of internal records of supervisory personnel, the process for review of business relating to the operations of the BGSD and the procedure for bringing any indictments, penalties or orders to the notice of Clients and the BGSD.

7.4. Working Days:

- 7.4.1. The working days of the BGSD shall be during such time as may be decided by the Management Committee, from time to time.
- 7.4.2. The Management Committee may declare a list of holidays in a calendar year. The Management Committee may from time to time, alter the holidays fixed in accordance with these provisions. It may, for reasons to be recorded, suspend BGSD operations on days other than or in addition to holidays.
- 7.4.3. The Management Committee may, for reasons to be recorded, close the BGSD on the market closure days other than or in addition to holidays.
- 7.4.4. The Management Committee may reduce, extend or otherwise alter the time of clearing hours of the BGSD on any particular day.

7.5. Working Hours:

- 7.5.1. The working hours of the BGSD shall be during such time as may be decided by

the Management Committee from time to time. The Management Committee may, from time to time, specify working hours for different types of operations.

- 7.5.2. The Management Committee may reduce, extend or otherwise alter the time of working hours of the BGSD on any particular day.

7.6. Member/Participant Hardware and Software Requirements:

7.6.1. A Member/Participant shall install the hardware and software which shall be in conformity with the configurations specified by the BGSD System from time to time.

7.6.2. The BGSD shall provide an application software to the Member/Participant and any upgrades or modifications to such software on payment of such fees as may be determined by the BGSD.

7.7. Failure of Members'/Participants' terminal

7.7.1. In the event of failure of the User's Hardware System and/or loss of access to the BGSD System, the BGSD may, at its discretion, undertake on behalf of the Member/Participant (although not guaranteed) to carry out the necessary functions which the Member/Participant is eligible on a valid request from such Member/Participant subject to such terms and conditions as the Management Committee may specify in this behalf.

7.8. Reconciliation, Accounts and Audit

7.8.1. Reconciliation

7.8.1.1. The Member/Participant shall notify the BGSD, all Government Security balances held by the Member/Participant with the BGSD on a daily basis at the end of the day and the said balances will be reconciled with its balance held by the BGSD.

7.8.1.2. The BGSD shall, on a weekly basis, reconcile the records of the dematerialised Government Securities with the statement provided by the CBOB.

7.8.1.3. If there is failure of the reconciliation as specified in these Guidelines or the Business Rules, the BGSD may initiate necessary action including suspension of a Member/Participant or suspension of transactions in a particular Government Security until the process of reconciliation has been completed.

7.8.2. Accounting, internal control and reports

7.8.2.1. A Member/Participant shall furnish to the BGSD every year, a copy of its audited financial statement at such intervals as may be prescribed by the BGSD, from time to time.

Provided that when the BGSD is satisfied that circumstances warrant an extension of time to furnish such report, it may grant such extension to the Participant/Member.

7.8.2.2. A Member/Participant shall keep accounts and records in respect of the operations of the BGSD which shall be distinct and independent from the records and accounts maintained by it in respect of any other activities carried out by the Member/Participant.

7.8.2.3. Proper accounts shall be maintained by the BGSD as well as the Members/Participants in respect of the operations of the BGSD in accordance with the software provided by the BGSD.

7.8.2.4. The books of accounts and records of the Member/Participant relating to the operations of the BGSD shall be open for inspection and audit by the officers of the BGSD or their representatives. Such books of accounts and records shall be subjected to annual audit.

- 7.8.2.5. Every Member/Participant shall allow persons authorised by the BGSD to enter its premises during normal office hours and inspect its records relating to the operations of the BGSD.
- 7.8.2.6. Every Member/Participant shall submit periodic reports to the BGSD in the format specified by the Management Committee or the Business Rules, as the case may be.
- 7.8.2.7. Every Member/Participant shall maintain the following records and documents, namely:
 - (a) records of all the transactions entered into with a Member/Participant and with a Client;
 - (b) records of instructions received from Clients and statements of account provided to Clients; and
 - (c) records of approval, notice, entry and cancellation of third party rights or hold on Government Securities, as the case may be.
- 7.8.2.8. Every Member/Participant shall notify the BGSD of the place where its records and documents are maintained.
- 7.8.2.9. Subject to the provisions of Applicable Law, a Member/Participant shall preserve records and documents for a minimum period of 10 (ten) years in physical mode and perpetually in electronic mode.
- 7.8.3. Audit
 - 7.8.3.1. Every Member/Participant shall ensure that an internal audit in respect of its depository operations is conducted at such intervals as may be prescribed by the BGSD, from time to time.
 - 7.8.3.2. The scope of such audit shall cover the existence, scope and efficiency of the internal control system, compliance with the provisions of the relevant laws, these Guidelines, Business Rules, and systems security in the office of the Member/Participant in respect of the operations of the BGSD.
 - 7.8.3.3. In addition, the BGSD may, if it feels it is in the interests of the investors to do so, direct that an audit of the records of a Member/Participant shall be conducted by such auditor as may be appointed by the BGSD in this regard so far as the records relate to the operations of the BGSD.
 - 7.8.3.4. The persons who are engaged in internal audit or inspection of the Member/Participant in respect of its depository operations, should not have any conflict of interest with the said Member/Participant.

**CHAPTER VIII: THIRD-PARTY RIGHTS/ENCUMBRANCE ON GOVERNMENT
SECURITIES AND REPO AGREEMENT**

8.1. Creation, invocation and cancellation of third-party rights / encumbrance on Government Securities

- 8.1.1. If the holder of Government Securities intends to create any third-party rights over the Government Securities, including in the nature of pledge, charge, lien, mortgage, etc., such holder shall make an application in this regard in such form as may be specified by the BGSD, from time to time.
- 8.1.2. The holder of the Government Securities and the Encumbrance Holder must have an account in the BGSD to create third party rights. However, the holder and the Encumbrance Holder may hold an account with different Member/Participants.
- 8.1.3. The Encumbrance Holder may at any time invoke third party rights by making an application in this regard in such form as may be specified by the BGSD, from time to time.
- 8.1.4. The Encumbrance Holder shall have a right to cancel third party rights by making an application in this regard in such form as may be specified by the BGSD, from time to time, and the BGSD shall record the cancellation and confirm the same to the Member/Participant.

8.2. Redemption or repo

- 8.2.1. In case the Issuer gives an option to the Client for repo or redemption of Government Securities held in dematerialised form, the Client on exercising his option, shall submit a request to the Member/Participant in the format prescribed by the BGSD from time to time.
- 8.2.2. A Member/Participant shall ensure that the Client submits a separate request for each Government Security and for each account maintained by the Client with the Member/Participant.

CHAPTER IX: MANAGEMENT OF RISKS

9.1. Protection of data

- 9.1.1. The BGSD shall take necessary steps to protect the transmission and storage of data under the BGSD System. The data shall be protected from unauthorised access, manipulation and destruction. The transmission of data shall be in encrypted form and will have to be decrypted at the Member/Participant's end so as to eliminate the possibility of unauthorised interception of data. The backup of data stored under the BGSD System by the BGSD and the Members/Participants shall be kept by the BGSD and the Members/Participants respectively.
- 9.1.2. The BGSD shall ensure sufficient security measures, to prevent the access of unauthorised persons to the data of BGSD operations, as may be specified by the BGSD from time to time.
- 9.1.3. The BGSD may provide or disclose such details, particulars, data or information relating to any Beneficial Owner and/or Member/Participant and/or Client/Constituent and/or its account as may be required or directed in writing by the Government of The Bahamas and/or relevant authority as provided under the PDMA and/or competent court/tribunal or any other competent authority empowered by law in that behalf or for compliance with any obligations in law or for enforcement of any of its rights. Save and except as aforesaid, the BGSD shall not divulge or permit or suffer to be disclosed any such details, particulars, data or information to any party or person and shall hold such details, particulars, data and information in strict confidence.

9.2. Protection of accounts of Clients

- 9.2.1. The Clients have an option to freeze their accounts with the Members/Participants so as to render such accounts inoperable for a limited period of time. On the Client opting to freeze the account, the Member/Participant of such Client shall not affect any debit entry or any such other transaction unless the instruction for freezing the account has been withdrawn or modified by the Client.

9.3. Provision of daily transactions to the Clients on dispute

- 9.3.1. In case of a dispute between a Client and a Member/Participant with whom the Client had maintained his/her account, and the Member/Participant's unwillingness to give transaction statement to the Client, the BGSD shall provide or cause the Member/Participant to provide such details about daily transactions as might be required by the Client.

9.4. Data Sharing

- 9.4.1. Subject to Applicable Law, the BGSD shall be entitled to generate, analyse, create, store, process publish, display and share data in the manner as decided by the BGSD for research, analysis, commercial, non-commercial or any other purposes. In the event the CBOB, the Government of The Bahamas, any regulator, statutory authority, government authority, court, or judicial authority issues any request, instruction, direction, order for providing any data by the BGSD to such authority or any other person, then the BGSD shall provide the requested data (including any confidential or personal data) without requiring to obtain any consent or approval from the concerned person.

CHAPTER X: MARKET BREADTH

10.1. Investor Protection Fund

- 10.1.1. The BGSD may establish and maintain an Investor Protection Fund (“IPF”) for the protection of the interest of Clients in the event that Clients suffer pecuniary losses arising from the negligence of the BGSD or by the Members/Participants while carrying out the instructions of the Client or for such other purpose as may be prescribed by the BGSD, from time to time.
- 10.1.2. The contribution to and utilization of the IPF shall be in accordance with the norms as may be specified by the BGSD in this behalf, from time to time.

CHAPTER XI: PARTICIPATION STANDARDS

The code of conduct for Members/Participants shall be as prescribed by the BGSD, including under the Business Rules, from time to time.

CHAPTER XII: MISCELLANEOUS

- 12.1. All claims, disputes, differences, arising between Members/Participants and Clients or between Members/Participants inter se or between such other parties as specified by the Management Committee, arising out of or related to any dealings on the BGSD System shall be referred to and decided by arbitration as stipulated by the Arbitration Act, 2009 if no resolution is decided after a period of time as prescribed by the Management Committee.
- 12.2. The BGSD shall be empowered to impose such restrictions or conditions for carrying out the transactions by the Client/s if in the opinion of the BGSD, it is just and equitable for the fair and orderly functioning of the BGSD System or if it otherwise deems advisable in the interest of trade and public interest. During the effectiveness of such restrictions, no Member/Participant shall, for any account in which it has an interest or for the account of any Client, engage in any transaction in contravention of such restrictions.
- 12.3. Save as otherwise specifically provided in the Guidelines and/or Business Rules or specified by the BGSD, in promoting, facilitating, assisting, regulating, managing and operating the BGSD, the BGSD should not be deemed to have incurred any liability, and accordingly no claim or recourse in respect of or in relation to any dealing of Clients on the BGSD System or any matter connected therewith shall lie against the BGSD or any authorized person(s) acting for the BGSD.
- 12.4. Any failure to observe or comply with any requirement of these Guidelines and/or Business Rules, where applicable, may be dealt with by the Management Committee as a violation of such Guidelines and/or Business Rules.
- 12.5. No claim, suit, prosecution or other legal proceedings shall lie against the BGSD and/or any authorized person(s) acting for the BGSD, in respect of anything which is in good faith done or intended to be done in pursuance of any order or other binding directive issued to the BGSD under any law or delegated legislation for the time being in force.
- 12.6. All the records, correspondence, data, information, proceedings, minutes, decisions of the BGSD shall be confidential and the BGSD shall not be required to disclose the same to any party or person, save and except when called upon to do so by a regulatory authority or by under an order of any competent court/tribunal or pursuant to any written law.
- 12.7. In case of any difficulty in implementing the provisions of the Guidelines and/or Business Rules or in case of a conflict, the has the power to provide clarification, if the circumstances demand and such clarification shall be final and binding on all persons.
- 12.8. The Guidelines and/or Business Rules made or prescribed by the Management Committee, including all alterations, amendments and modifications thereto, shall be subject to the rules/ regulations/ directives/ notifications/ circulars issued by the Government of The Bahamas, the Central Bank or any other relevant authority from time to time and all such rules/ regulations/ directives/ notifications/ circulars that are issued by the Government of The Bahamas, the Central Bank or any other relevant authority for or in relation to the BGSD shall be deemed to be incorporated in these Guidelines and/or Business Rules prescribed by Management Committee and the Guidelines and/or Business Rules prescribed by the Management Committee shall deemed to be altered/ amended/ modified to that extent, which amendment/ modification/ alteration shall be effective from the date notified by the Government of The Bahamas, the Central Bank or any other relevant authority in that behalf.