



**FINANCIAL SERVICES COMMISSION
SECURITIES INDUSTRY ADVISORY: BULLETIN ON LICENSING RESTRICTIONS FOR
SECURITIES DEALERS**

2010 February 18

1.0 Definitions

1.1 For the purposes of this advisory, the following definitions are used:

"financial institution" means a person licensed and/or registered pursuant to the Banking Act, the Financial Institutions Act, the Building Societies Act or a prescribed financial institution within the meaning of the Financial Services Commissions Act;

"securities dealer" means a person who carries on the business of dealing in securities whether as principal or agent, within the meaning of section 2 of the Securities Act;

"repurchase agreement" or *"repo"* is as defined in section 3.1 of the FSC's Guidelines For Margin Requirements For Repurchase Agreements (SR-GUID-04/07-0010).

2.0 Implementation of Restrictions on New Licenses Issued to Securities Dealers

2.1 The Government of Jamaica ("GOJ") has embarked on a comprehensive policy programme aimed at restoring macroeconomic stability and creating the conditions for strong and sustained growth, with support from the International Monetary Fund ("IMF") and other multilateral financial institutions. The GOJ's policy programme rests on three interrelated pillars, namely (i) a fiscal consolidation strategy focused on streamlining expenditure and reforming the public sector, including the divestment of non-core public bodies (ii) a comprehensive debt management strategy to address the debt overhang and (iii) reforms to further strengthen the financial system.

2.2 Among the financial sector reforms to be implemented are measures to strengthen the regulation and supervision of securities dealers. These measures include reforms to enhance capitalization requirements and margin requirements for client-dealer repurchase transactions ("repos"), to be fully implemented by March 2012.

- 2.3 In light of the structural changes that are expected to accompany the GOJ's comprehensive package of economic and financial policies and the impending changes to capitalization and margin requirements, the Financial Services Commission announces a freeze on the issuance of new licenses for securities dealers whose business models are based on the issuance of repos and other short-term liabilities to non-financial institution clients.
- 2.4 Section 9(4) of the Securities Act ("the Act") provides that, in respect of applications for a licence under sections 7 or 8 of the Act, the FSC may grant a licence subject to such terms and conditions as the FSC may specify. Pursuant to its powers under section 9(4) of the Act, the FSC hereby advises that until further notice, applications for a dealer's licence under section 7 of the Act will only be approved subject to the condition that the applicant does not engage in any repo transactions with non-financial institution clients.
- 2.5 The restriction in paragraph 2.4 does not apply to applications for licensing arising from a merger and/or acquisition of existing firms, at least one of which is a licensed securities dealer. Further, this restriction is in addition to the general requirements to be satisfied under section 9(3) of the Act in respect of the approval of licences, as well as any other terms and conditions that the FSC may specify from time to time, based on the specific circumstances of an applicant.
- 2.6 The restriction in paragraph 2.4 is effective immediately and will remain in place until further notice by the FSC. For further information, kindly direct queries in writing to:

The Senior Director, Securities
Financial Services Commission
39-43 Barbados Avenue
Kingston 5, Jamaica, W.I.

Inquires may also be submitted by email to:

inquiry@fscjamaica.org