



## FINANCIAL SERVICES COMMISSION

### FORM C 1, EXPLANATORY NOTES

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#### GENERAL INSTRUCTIONS

- 1) This form constitutes the basic requirements as stipulated under Regulations 13 (3) and 14 (3)(b) of The Securities (Conduct of Business) Regulations, 1999.
- 2) The notes are to be used as a guide in the completion of the form. However, the form is not all inclusive and licensees are expected to insert additional lines if required to allow the Commission to understand its financial status and condition.
- 3) Explanatory notes are only provided for items where it is considered that ambiguities may arise in interpretation and classification.
- 4) This form is to be filed with the Commission along with the unaudited quarterly financial statements and Management Discussion and Analysis (MD&A) within forty-five (45) days after the end of the quarter. Additionally, the form is to be submitted along with the audited financial statements and management discussion within ninety (90) days after the financial year end.
- 5) All relevant sections should be appropriately completed and the accuracy of the information submitted should be verified by at least two authorized signatories. In cases where the Responsible Officer and the Financial Controller are one and the same, the Chief Executive Officer may be the co-signatory.
- 6) All figures should be stated in Jamaican dollars. The exchange rate used for conversion must be the BOJ weighted average buying rate as at the reporting date.
- 7) The form should be submitted with accompanying notes where the additional information provided in such notes is important in order for a reader of the form to come to an understanding of the licensee's financial condition.
- 8) Financial instruments are required to be reported on this form at fair value.

## 1.0 LIQUID FUNDS

The term liquid funds refers to cash or readily convertible securities owned by the proprietor. This includes notes and coins, commercial bank deposits, deposits with other deposit-taking institutions and government securities. For the purposes of this form shares or unit trust investments are not regarded as liquid funds.

### 1.1.0 Notes and Coins

These include all domestic and foreign currencies in the form of bank notes and coins held by the licensee as at the reporting date.

### 1.2.0 Commercial Bank Deposits

This refers to amounts due from commercial banks in both domestic and foreign currencies

### 1.3.0 Deposits with Other Deposit-Taking Institutions

This subsection should include balances with deposit-taking institutions other than commercial banks, in both domestic and foreign currencies. Deposit-taking institutions refer only to financial institutions licensed to accept deposits under the Financial Institutions Act.

### 1.4.0 Cash Deposits with Bank of Jamaica

Represents cash reserve balances held at the Bank of Jamaica or to the account of Bank of Jamaica against prescribed liabilities in accordance with Section 14 of The Financial Institutions Act, 1992. Other funds deposited with the Bank of Jamaica but are not free to be utilized by the licensee should also be reported here.

### 1.5.0 Government of Jamaica Securities

This comprises all securities issued by the Government of Jamaica and includes, but is not limited to treasury bills, local registered stock, bonds and debentures.

### 1.6.0 BOJ Securities

This comprises all securities issued by the Bank of Jamaica

### 1.7.0 Other Public Sector Securities

This includes securities with less than 1 year to maturity issued by Local Government and other Public Entities.

**1.7.1 GOJ Guaranteed**

This includes securities issued by Other Public Sector Entities, which are guaranteed by the Government of Jamaica.

**1.8.0 Other Liquid Investments**

Any other liquid investment not included in sections (1.1.0 - 1.7.0) may be reported here. However, shares and unit trust investments are not considered as liquid for the purpose of this form and should not be included under this heading.

**1.9.0 Total Liquid Funds**

This is the sum total of all sections from (1.1.0 to 1.8.0). The value of securities which have been pledged or are otherwise encumbered, and cash and securities meeting BOJ Reserves should be deducted from total liquid funds to arrive at Net Free Assets (1.10.0)

**MANAGED FUNDS**

For the purposes of this form, Managed Funds activities may be defined as all situations where customers provide a dealer with cash, securities, financial instruments or contracts for the purpose of investing/dealing in investments or other assets in a manner as may be agreed between the parties; or in a pool of investments or any variation or combination of these. This includes the following situations:

- a) where the terms of agreement or arrangement allow the dealer full, partial or no discretion with regards to the investment activity to be carried out on behalf of investors; or
- b) where the funds are invested together with the funds of other investors in a collective manner or are to be invested in a segregated manner; or
- c) where investment activities are undertaken directly by the dealer or through the use of an intermediary. In this case, managed funds activities also include cases where a dealer either gives advice or takes decisions regarding the investment of client funds even if the execution of such decisions are carried out by another party.

Managed funds activities exclude the following:

- a) Broker transactions - where a security or financial instrument is purchased and delivered to the investor and the transaction has been completed in all respects as at the reporting date.

- b) Custody arrangements – where the dealer has the responsibility for the safekeeping of a security or financial instrument on behalf of its investors, pursuant to a safekeeping agreement.

## **2.0 Managed Funds-Securities Acquired (Held on Behalf of Investors)**

Managed Funds-Securities Acquired (Held on Behalf of Investors) provide the Commission with detailed information on the type of securities in which client funds have been invested.

### **2.1.0 Short-term Deposits (including Current Account)**

This includes deposits payable in 1 year or less and current account balance in both domestic and foreign currencies.

### **2.3.0 Foreign Government Securities**

This reflects all securities issued by the government of countries other than Jamaica.

#### **2.3.1 Foreign Govt. Issues**

Dealers should submit details on the country of issue, currency denomination, maturity date, market value and cost of the debt security. This should be reported in the prescribed format. (See attachment 1).

Licenses are required to disclose in notes to the report, the general accounting policy that has been adopted in accounting for these investments including commentary on the approach to provisioning for loss and whether any portion of these securities have been purchased on margin.

### **2.6.0 Repurchase Agreements**

A repurchase agreement is an agreement between a seller and a buyer where the seller agrees to repurchase the underlying security at an agreed price and at a stated future date. Where the seller is a company, it should be reported under Repurchase Agreement with corporate entities (2.6.1)

### **2.7.0 Commercial Paper**

Commercial Paper is defined in The Securities (Disclosure of Interest) Regulations 1999 as “securities comprising or evidencing a debt obligation repayable within a year of the date of issue, whether or not secured or guaranteed, but does not include payment obligations arising out of the sale of goods or services.”

**2.8.0 Promissory Notes (Domestic Currency)**

This refers to a debt obligation repayable in one year or more from the date of issue and for which interest is only paid at maturity. This may be secured or unsecured and issued by different entities. When a company issues the promissory note and takes responsibility for payment of the debt, this may be classified as a corporate-guaranteed promissory note (2.8.1). When issued by a non-corporate entity, it is referred to as a non-corporate promissory note (2.8.3). A non-corporate entity means a sole trader, partnership, fund, trust, an unincorporated association or organization.

**2.9.0 Promissory Notes (Foreign Currency-Jamaican Issue)**

Promissory Notes issued in foreign currency by Jamaican companies.

**2.10.0 Promissory Notes (Foreign Currency-Non-Jamaican Issue)**

Promissory Notes issued in foreign currency by Non-Jamaican companies.

**2.11.0 Corporate Bonds**

Corporate Bonds issued by Jamaican companies should be reported under Corporate Bonds (Jamaican Issue) (2.11.1) and those issued by foreign companies should be reported under Corporate Bonds (Non-Jamaican Issue) (2.11.2).

**2.12.0 Equity Investments**

This refers to ownership interest in a corporate entity. Values reported should be the market value (last sale price) as at the reporting date. Stocks listed on the Jamaica Stock Exchange are reported as Listed (local exchange) (2.12.1) and stocks listed on an exchange other than the JSE are classified as Listed (overseas exchange) (2.12.2). Investments in stocks that are not listed and traded on an organized exchange are classified as over-the-counter.

**2.13.0 Collective Investment Schemes (CIS)**

Collective Investment Schemes refer to all types of arrangements where money is managed for individuals on a collective basis. The arrangement allows the holder of a security to receive on demand, or within a fixed or specified period after demand, or on a fixed or pre-determinable date, an amount computed by reference to the value of a proportionate share in the net assets represented by the security, or where permitted by regulation, by reference to a fixed value. This scheme includes the following:

- a) Unit Trusts
- b) All other variable rate funds other than variable rate insurance contracts and pension funds
- c) All fixed or guaranteed income money market funds

Open Ended CIS (2.13.1) trade directly with investors and can issue additional shares or units upon demand and eliminate shares when they are redeemed. The shares of Close Ended CIS (2.13.2) are traded on a stock market rather than between the fund and investors.

**2.14.0 Derivatives**

Where a dealer deals in derivative products on behalf of clients, the aggregate outlay and or proceeds (buyer or writer) should be reported here. (See Management Discussion and Analysis (MD&A) for detailed disclosure requirements.

**2.15.0 Other Investments**

All investments not reported above (2.2.0 – 2.14.0) should be reported here.

**2.16.0 Interest Receivable**

Includes interest earned and accrued but not collected on deposits, investments and loans. This should be reported in both domestic and foreign currencies.

**2.17.0 Other Receivables**

All other receivables should be reported here. A detailed breakdown of this subsection including an ageing analysis should be provided.

**2.18.0 Total Managed Funds-Securities Acquired (Held on Behalf of Clients)**

This is the sum total of sections (2.1.0 to 2.17.0)

**3.0 MANAGED FUNDS (FORM OF OBLIGATIONS TO INVESTORS)**

This section of the report discloses contracts or documentation issued to investors, in addition to other obligations to these investors such as interest accrued, funds held in trust or awaiting placement.

**3.1.0 Certificates of Participation**

Documentation evidencing an investor's participation in a security. Certificates of participation contain information such as the amount of funds invested, rate of return, maturity date and the underlying asset.

**3.2.0 CIS Contract Note**

Aggregate value of contract notes issued to investors who have participated in Collective Investment Schemes (See subsection 2.13.0)

**3.3.0 Portfolio Management Certificate**

Aggregate value of certificates issued to investors evidencing that the dealer manages the investor's portfolio. This excludes funds invested in pooled fund arrangements.

**3.5.0 Funds held in trust**

This represents funds that the licensee manages and for which he acts as trustee, fiduciary or agent for the investors. The licensee usually has full discretion in relation to management of these funds.

**3.6.0 Funds not yet placed**

This represents investors' funds that have been received by the licensee but have not yet been invested.

**3.7.0 Interest Payable**

Includes interest due and payable. This should be reported in both domestic and foreign currencies.

**3.8.0 Other Payables**

Include all other payables. A detailed breakdown of the composition of the payables should be provided in the accompanying notes.

**3.9.0 Total Managed Funds (Documents Issued to Investors)**

This is the sum total of sections (3.1.0 to 3.8.0)

**4.0 INVESTMENTS DEALING WITH ASSOCIATED COMPANIES**

Associated companies are defined in Section 3 of the Securities Act. The value of investments dealing with associated companies should be reported in the prescribed format shown on pages 6 and 7. Associated companies of the reporting licensee that are licensed under the Securities Act should be reported under Licensees (page 6) while those that are not licensed by the Commission will be reported under Non-Licensees (page 7).

Where any one entity is both a borrowing and lending client the gross amounts should be shown, that is there should be no netting. Securities of the same type should be aggregated and reported under the 'due to'/'due from' headings.

**ATTACHMENTS**

**Attachment 1 - Detailed Analysis of Foreign Govt. Issues**

**Attachment 2 - Currency Exposure and Trading Schedules**

Currency Exposure Schedule details all types of investments held in foreign currency as reported on the form. Therefore, all foreign currency items that were reported on the form should now be reported in the appropriate currency. The types of currency denomination reported include US Dollars, Pound Sterling and Canadian Dollars. If the licensee has investments in other currencies then it should be reported under 'Other' and the type(s) of currency should be specified.

Trading Schedule provides information on the total trading value for each licensee. Total trading value is the sum of the value of broker transactions (as defined on page 3 of the explanatory notes) and managed funds.