

# **THE EASTERN CARIBBEAN SECURITIES EXCHANGE (ECSE) COMPLETES ITS SECOND YEAR OF OPERATIONS:**

## **Accomplishments and the Way Forward**

*By*

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### ***Introduction***

The ECSE is now in the second year of its operations. Established on 19<sup>th</sup> October 2001, the ECSE is a regional electronic securities exchange designed to facilitate the buying and selling of financial products, including corporate stocks and bonds and government securities—for the eight member territories of Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Unlike traditional exchanges that only provide a secondary-trading platform, the ECSE offers both primary and secondary trading platforms, creating a single focal point for all securities activities. The derived benefits of this design include greater efficiencies and economies of scale as well as an innovative way of raising capital. The ECSE is the first regional securities market in the Western Hemisphere.

The central vision of the ECSE is to employ its unparalleled technological resources to link pools of liquidity for its corporate sector and government issuers. The logic of this vision leads to regional linkage. The benefits are significant for all market participants:

- Regional listing provides vastly enhanced exposure and interest for issuers and enlarges the investor base;
- Investors are provided with far broader choices; and
- The value of the ECSE network increases as the network enlarges.

The ECSE aims to be the pivotal institution driving the creation of a single securities market in the CARICOM region.

### **Accomplishments in the Second Year**

#### ***Primary Market Development***

In November 2002, the ECSE reached yet another milestone in its short history. The ECCB and the 8 host-country governments' used the ECSE to create an integrated regional market for issuance and trading of government securities in the ECCB area. The Regional Government Securities Market (RGSM) made a successful start with the Government of St. Kitts and Nevis being the first to issue a EC\$75 million 10-year bond offering through the ECSE's primary market platform. A total of EC\$212 Million has now been successfully raised by governments on the RGSM since its launch on the ECSE market platform. Several new issues of T-bills and bonds are planned by participating governments in the coming months.

The ECSE also recently served as the primary market platform for the first initial public offering (IPO) undertaken by Anguilla Electricity Company (ANGLEC). The Government of Anguilla raised over EC\$15 million by selling shares to Anguillian nationals. The issue was oversubscribed by 30%. This capital raising exercise was orchestrated by a syndicate of ECSE member firms led by the Bank of St. Lucia Ltd.

### ***Listings***

There are now 10 securities listed on the ECSE. These include 5 corporate (equities) and 5 government securities (T-bills and bonds). Equities include: 1) Bank of Nevis, St. Kitts and Nevis, 2) East Caribbean Financial Holdings, St. Lucia, 3) St. Lucia Electricity Services (SLES), St. Lucia, 4) St. Kitts Nevis Anguilla Trading and Development Company (TDC), St. Kitts and Nevis and 5) Dominica Electricity Services Ltd., Dominica. Government securities include: a) St. Kitts-Nevis 10-year bond, 2) St. Vincent and Grenadines T-Bills and 3) Grenada Treasury Bills.

The ECSE is in discussion with 8 other companies regarding their listing. These include: 1) St. Kitts Nevis Anguilla National Bank (SKNANB), 2) National Commercial Bank, Grenada (NCBG), 3) Carib Breweries, St. Kitts and Nevis, 4) East Caribbean Home Mortgage Bank (ECHMB), 5) Grenada Breweries, 6) RBTT Grenada, 7) SL Horsfords, St. Kitts and Nevis and 8) Anguilla Electricity Company (ANGLEC).

### ***Listing of Foreign Securities and Admitting of Foreign Members***

The ECSE is working closely with the Eastern Caribbean Securities Regulatory Commission (ECSRC) to formalise a regime for listing foreign securities for trading and accepting foreign brokers as ECSE intermediaries. The same is likely to commence in the beginning of 2004. The listing of foreign securities and admitting of foreign members is part of the ECSE's efforts to expand its scope beyond the OECS region.

### ***Corporate Action Processing***

The Eastern Caribbean Central Securities Registry (ECCSR), a subsidiary of the ECSE, has been working seamlessly to maintain and service security holder records for 10 securities. It has processed interest payments for 3 issues of government securities to the tune of EC\$4,674,900 and maturity payments of EC\$30,137,600. It has processed over 7,000 initial investor ID letters and semi-annual summary position statements to security holders of all ECSE listed securities that have been dispatched throughout the OECS region and beyond. The ECCSR has also successfully handled over 8,000 shareholder updates that have ranged from name and address changes, joint ownership positions, inheritance, trust, death and probate related issues.

In championing the causes of corporate governance and investor protection in the region, the ECCSR has single-handedly taken on the role of apprising issuers and shareholders in the region of implications of joint ownership as well as ownership of shares in conjunction with minors. In processing corporate action it has endeavored to apprise company management of their fiduciary responsibilities and obligations towards their shareholders.

### ***Development of Intermediaries***

There are 7 licensed firms operating as certified broker-dealers on the ECSE. These include: 1) Antigua Commercial Bank (ACB), 2) Antigua Barbuda Investment Bank (ABIB), 3) Bank of Nevis (BON), 4) St. Kitts Nevis Anguilla National Bank (SKNANB), 5) Bank of St. Lucia (BOSL), 6) National Mortgage Finance Company (NMFC), Dominica and 7) National Commercial Bank, St. Vincent and the Grenadines. FINCOR Grenada will shortly become the 8<sup>th</sup> intermediary to operate on the ECSE. With the addition of FINCOR, there will be intermediary presence in 7 out of the 8 countries that form part of the currency union.

The ECSE played an important role this year in promoting investment-banking capability within its member firms. It positioned its intermediaries to take on the role of underwriters for governments and corporate issuers. Working under the auspices of a syndicate relationship championed by the ECSE, the intermediaries collectively began offering a full array of services leading up to the successful placement of debt- and equity- offerings for issuers. The ECSE also began assisting its intermediaries to develop the capability to put together effective packages and investment/research reports for governments and corporate issuers.

The ECSE is presently engaged with 3 additional institutions in Anguilla, St. Lucia and St. Kitts and Nevis to facilitate their inclusion as intermediaries. The ECSE expects to have intermediary presence in 7 countries of the currency union at the end of its financial year in March 2004.

### ***Improvement in Telecommunications Infrastructure***

The ECSE installed a self-managed IP/Virtual Private Network (VPN) that now provides low-cost connectivity to all its intermediaries and issuers over the internet. Connectivity to these systems is also available via- a direct dial up networking connection using a dedicated telephone line.

### ***Marketing, Education and Awareness (MEA) Program***

The ECSE's Investor Marketing, Education and Awareness (MEA) Programs are being implemented in a strategic partnership with its intermediaries and the regional media to apprise the public of the workings of our market. ECSE's creative communication tools outlining the workings of the ECSE, investing in stocks and bonds, the process of buying and selling of shares, dematerialization, etc. are being used by the intermediary and media to reach the broader investor audience.

Initiatives include targeted infomercials on TV and radio and newspaper advertisements in prominent papers within the region. Daily- and weekly- trading activity is reported by prominent media-houses in the region. The ECSE web site ([www.ecseonline.com](http://www.ecseonline.com)) continues to see increase in viewer-ship. Additionally, the ECSE began voicing a summary of trading and other related activities each Friday on the OECS "NewsLink" program which covers 9 radio stations in the region. The ECSE has also finalized a relationship with Bloomberg News, wherein Bloomberg carries end-of-day market information on ECSE trading activity on its worldwide terminals.

## **Going Forward**

As it was for much of our region and the rest of the world, this past year was challenging for ECSE's business. Despite the difficulties this year, ECSE delivered. It took its market structure and technology to a new level with the launch of the RGSM and improved telecom connectivity. It broadened its reach in the region through new intermediary presence, it did a lot of the groundwork on company listings; the results of which will be seen in the coming months, it introduced the first set of bonds and T-Bills on our platform, it enhanced its self-regulatory capacity, and established several strategic alliances. It also assisted in the development of investment banking capability in its member firms.

The ECSE intends to build on the progress it has made. In the year ahead, it will continue to pursue its goal to provide issuers and the investor community with the fairest, fastest and most open and efficient market environment. The ECSE is a uniquely powerful engine of change and innovation that will contribute to the economic prosperity in the region. The ECSE is not only a better idea but also an integral ally to the region's economies and businesses as they move towards this difficult period of transformation.