

EASTERN CARIBBEAN CENTRAL BANK



INVESTMENT INSIGHTS

2. Securities Markets and the Development of the Eastern Caribbean Securities market.

A securities market is an important part of any modern economy. It is the link between companies or governments needing funds and persons with money to invest.

A company wishing to create more jobs, generate additional revenue or build new factories to expand its operations sells pieces of ownership in the company, called stocks or shares, to the public. The people who buy these instruments, called securities, become part owners and are able to participate in the growth and development of those companies.

Similarly, Governments needing to pay off maturing debts or find financing for capital expenditure go to the market to borrow money. They are able to raise funds by offering securities in the form of treasury bills, notes and bonds to the public. The purchasers of these securities provide loans to the governments, who commit to repay them, with interest, over time. Some companies also borrow money from the public by issuing corporate bonds.

When securities are offered to the public for sale the first time, that is, at the initial public offering (IPO), they are sold in the primary market. The original purchasers of these instruments are able to resell them in a secondary market, by listing them at a central point, the securities exchange, where trading takes place.

THE EASTERN CARIBBEAN SECURITIES MARKET

In October 2001, after years of discussion and careful deliberation, the Eastern Caribbean Central Bank established the **Eastern Caribbean Securities Market**, the ECSM, to enable investors in each of the eight member countries of the Bank (Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines) to sell their financial products in all ECCU countries. Market activities in all eight countries are governed by the Securities Act, while the Eastern Caribbean Securities Regulatory Commission, the ECSRC, comprised of five commissioners is the body responsible for ensuring that the market operates safely and soundly, and that investors are protected.

Trading in the Eastern Caribbean Securities Market takes place on the **Eastern Caribbean Securities Exchange**, which became operational in October 2001, when two companies, the Bank of Nevis and the East Caribbean Financial Holding Company Limited in St Lucia listed their shares. These are still the only two companies listed on the ECSE. But the shareholders of several companies - the St Kitts Nevis Anguilla Trading Company (TDC Limited), the St Kitts Nevis Anguilla National Bank, CARIB

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Breweries St Kitts, S L Horsford and Company Limited St Kitts, LUCILEC St Lucia Electricity Services (LUCILEC),- have given approval to their respective Boards to list the companies on the Exchange. The companies are in the process of completing the listing formalities.

The shares of companies listed on the Exchange are available to investors throughout the ECCU region. But how do investors in Grenada or St Lucia, for example, buy shares in a company in St Kitts and Nevis.

All investors must access the market through financial intermediaries, who have been licensed by the ECSRC to operate in the market on behalf of buyers and sellers. There are currently seven licensed broker dealer firms operating in the market. These are Antigua Commercial Bank, the Antigua and Barbuda Investment Bank; National Mortgage Finance Company in Dominica, the St Kitts Nevis Anguilla National Bank; Bank of Nevis, Bank of St Lucia and National Commercial Bank (SVG) Limited. Republic Finance and Merchant Bank Limited (FINCOR), a Trinidad based company recently also received a licence from the ECSRC. FINCOR will operate through its branch in Grenada. Investors in countries where there are no licensed intermediaries will need to contact the intermediary closest to them for assistance.

The ECSE's electronic trading platform allows intermediaries throughout the ECCU to connect directly to the central trading system, and to see all the current prices (buys and sells) for securities that have been placed in the system. Investors wishing to buy or sell listed securities should instruct their broker or broker dealer to submit an order on their behalf at a stated price. A trade is made when there is a match between the requirements of the seller and buyer.

THE REGIONAL GOVERNMENT SECURITIES MARKET

Following a decision by the eight ECCB member countries to establish a regional market for their government securities, the Regional Government Securities Market (RGSM) became operational in November 2002, with an EC \$75 million bond issue from the government of St Kitts and Nevis. Investors from throughout the region purchased the bonds that were auctioned on the Eastern Caribbean Securities Exchange. Since these bonds were being issued for the first time, trading took place in the primary market.

In March 2003, the Government of St Vincent and the Grenadines took an issue of \$16 Million treasury bills to market. Potential investors can now purchase these instruments in the secondary market by contacting the nearest licensed intermediary. Other regional governments are expected to issue securities in the market over the next few months.

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BENEFITS

We all can contribute significantly to the development of our national economies by investing in the securities market. Companies will be able to increase employment as they purchase more raw materials and expand their operations. As shareholders in these companies the citizens and residents of the ECCU member countries will be able to share in the profits.

Our regional governments having access to debt financing, will be able to provide better services and finance the development of our countries infrastructure.