



FINANCIAL SERVICES  
COMMISSION

## **GUIDELINE NO. 3**

### **INSIDER TRADING GUIDELINE**

**This guideline is issued on March 1, 2013 pursuant to section 53 of the Financial Services Commission Act, 2010-21**

#### **INSIDER TRADING GUIDELINES FOR UNLISTED PUBLIC COMPANIES**

#### **INTRODUCTION**

Improper trading by insiders undermines investor confidence in the fairness and integrity of the securities markets.

The purpose of these guidelines is to among other things:

- establish a requirement for reporting issuers to put policies and procedures in place to address insider trading activities
- assist reporting issuers in understanding their obligations as it relates to insiders' holdings and transactions in securities of public companies.
- promote consistency in disclosures to ensure that reporting issuers understand and enforce the obligations of insiders, including their obligations to report ownership of, and transactions in, securities of public companies, both listed and unlisted.

The insider reporting requirements outlined herein are intended to *inter alia*, deter improper trading by insiders i.e. trading based on material undisclosed information. They are also designed to improve market efficiency by ensuring that investors are provided with information concerning the trading activities of insiders of an issuer in a timely manner, thereby enabling investors to make inferences into an insider's views of a reporting issuer's prospects.

## **Applicability**

This guideline applies to all unlisted public companies registered as reporting issuers with the Commission.

*In addition to this guideline reporting issuers should reference other relevant materials on insider trading, including those published by the International Organisation of Securities Commissions (“IOSCO”).*

## **INTERPRETATION**

**Commission** means the Financial Services Commission

**Insider** means insider as defined by the Securities Act, Cap. 318A

**Financial Services Commission Act** means the Financial Services Commission Act, 2010-21

**Reporting Issuer** means reporting issuer as defined by the Securities Act, Cap. 318A

**Securities Act** means the Securities Act, Cap. 318A and any amendments thereto

## **1. REPORTING ISSUER OBLIGATIONS**

### **Each reporting issuer is required to:**

- 1.1 Develop policies and procedures related to insider trading which must include among other things provisions related to transactions planned prior to the acquisition of material information.
- 1.2 Identify appropriate personnel responsible for the monitoring and approving trading activities of insiders; and, for the development and administration of a compliance policy on insider trading within the company.
- 1.3 Identify insiders and advise them of the policies and procedures which underlie their trading in the company's securities, including reporting requirements and restrictions on trading.
- 1.4 Provide the Board of Directors with information on insider dealings in the company's securities at regular Board meetings.
- 1.5 Maintain an up to date list of insiders.
- 1.6 Maintain a record of violations of the company's insider trading policies and procedures.
- 1.7 Ensure that the company's policies and procedures on insider trading are enforced.

### **Public Disclosures**

- 1.8 Ensure that corporate communications are disseminated to the investing public in a timely manner.
- 1.9 Make public disclosure of material changes in accordance with the Securities Act.
- 1.10 Make public disclosures of acquisitions, disposals and trades by insiders in such manner as the Commission may from time to time require.

### **Reporting to the Commission**

- 1.11 Report acquisitions, disposals and trades by insiders to the Commission in such manner as the Commission may require.

### **Black-out Periods**

- 1.12 Implement blackout periods at a minimum:
  - eight weeks before the end of the financial year until the public disclosure of the annual financial results;

- four weeks before the end of the half year until the public disclosure of the half yearly financial results;
- four weeks before the end of each quarter until the public disclosure of the quarterly financial results; or
- such other period as advised by the Corporate Secretary of the company or the person delegated to oversee insider trading activity.

1.13 Provide advance notice of the commencement and termination of a blackout period to insiders along with the contact person who can respond to queries which may arise regarding this period.

The following information should also be provided in written or electronic format upon the notice of a pending black out period:

- The reason for the blackout period;
- The rights or investment vehicles affected;
- Advice that the insider should evaluate their investment decisions in light of the constraints faced during blackout periods when they are prohibited from trading in a company's securities.

## 2 OBLIGATIONS RELATED TO INSIDERS

**2.1 The policies and procedures of Reporting Issuer must ensure that insiders are advised of and are required to fulfil the following obligations.**

- A. An insider should not trade in a company's securities under the following circumstances:
- if they are in possession of material information which has not been publicly disclosed;
  - if their expected trading period occurs within any blackout periods prescribed by the reporting issuer's policies.
- B. An insider should advise the person responsible for monitoring insider trading of his or her intention to trade in the company's securities. The responsible person should also consult with the company's legal counsel, executive management or Board to obtain approval of such transactions.
- C. An insider must refrain from providing inside information to third parties including family, friends, colleagues, and suppliers.

### 2.1.1 Third Party Relationships

1. Any securities which are held by a third party e.g. an investment adviser on behalf of the insider are subject to the

same restrictions as if the insider was dealing in the securities himself.

2. Any insider who performs the role of a trustee of a trust should advise his co-trustees or the beneficiary of the trust of his relationship with the company in order to alleviate any conflicts of interest in this regard.
3. Any insider who is a sole beneficiary of a trust which deals with securities must ensure that the trustee advises him prior to any dealings in the company's securities.

## **2.2 Exceptions**

**A reporting issuer's policies and procedures may permit Insiders to:**

1. purchase securities in a company's stock purchase plans during a blackout period. (However the concurrent sale of company securities to fund the transaction should not be permitted). Any shares so acquired must be held until the termination of the blackout period.
2. make purchases or sales in a company's securities in accordance with a pre-existing written arrangement; where such transactions are approved in advance by the Board and would not represent a violation of these guidelines.

## **2.3 Considerations**

**In examining whether trading activity by an insider may constitute a violation of the company's policies and procedures a Reporting Issuer may consider:**

1. whether or not it can be proven that there was an expectation by an insider that the dealing in securities or encouraging someone else to deal in securities would result in a profit or saving from losses attributable to the fact that the information was price sensitive;
2. whether it can be proven that the information had been disclosed widely enough or that the deal would have been done even if the information was not known; and
3. whether or not it can be shown that a person who discloses information and is able to show he did not at the time expect that any person, because of disclosure, would deal in securities or that the dealing would result in a profit attributable to the fact that the information was price-sensitive information in relation to the securities, although he had such an expectation at the time.

### **3 Part IX Securities Act – Dealing By Persons Connected with Issuers**

- 3.1 In developing its insider trading policies and procedures a reporting issuer is required to take into consideration those provisions of Part IX of the Securities Act related to dealing by persons connected with issuers.