



CSX Crossing Market Procedures

CSX Overview

The CSX was formed in 1997 to provide a listing facility for Cayman Islands specialist products; mutual funds and debt securities. Since then the CSX has expanded its facilities to accommodate listing of derivative warrants, depository receipts and, more recently eurobonds. The Exchange also lists traditional equity companies.

The CSX provides a secondary listing facility and an alternative-trading venue in the North American time zone for companies listed and traded on other recognised exchanges.

The CSX adheres to international standards and its rules in the area of listing and trading are tailored to meet the needs of its customers, accommodating the latest sophisticated structures and products.

Crossing transactions on the CSX

Introduction

The CSX has created a crossing facility, which is open to crossings in securities listed on a CSX recognised stock exchange. For CSX recognised exchanges please refer to Chapter 1 (Definitions) of the CSX Membership Rules. These rules can be accessed on the CSX website under CSX Documentation/Broker Membership.

Traditionally, crossing transactions have been executed on exchanges outside the US after US trading hours (see SEC Market 2000 Report).

Under the US regulatory scheme, regulation for the reporting of off-exchange transactions in securities listed on a US Exchange is the responsibility of the National Association of Securities Dealers (“NASD”). The NASD excludes from reporting trades that are executed on certain non-US exchanges.

Some crossings occur in trades with one single security, but more often a basket of securities are crossed in a single transaction. The basket typically constitutes all stocks in an index such as the Standard and Poor 500.

There is no restriction on price at which crosses are executed but the CSX has rules for the price parameters which state that a cross transaction (at any time of the day) must be crossed at a price equal to or better than any outstanding bid or offer on the CSX (prior reference price).

Advantages

The CSX is uniquely positioned to accommodate trades that broker-dealers might seek to cross on a different market. The CSX time zone gives it natural advantages for the crossing of US transactions. The Cayman Islands does not change its time and is either on the same time as New York or one hour behind (depending on when the US switches to daylight savings time). Crossing activity can take place at any time during the opening hours of the CSX (Monday-Friday from 8 am until 5 pm). Where other exchanges might operate limited hours in which this activity may take place, the CSX offers an alternative to the crossing of transactions. Fees may also be more competitive (see below under fees).

System Requirements

The CSX operates a web-based system for crossing transactions. The broker member, usually a remote broker member, can access this system at any time of the day. The interface allows the broker member to enter all required data for the cross transaction and a report of the transaction is submitted to the public area of the CSX website. At the same time, the required transaction reporting data (see Broker Membership Rules, Chapter 7) is transmitted to the CSX surveillance system. A full audit trail of the activity is generated. This data is monitored by the CSX surveillance staff and will be shared with the primary exchange upon request.

For enhanced transparency, the cross-market activity that takes place on the CSX is also submitted to Bloomberg in the daily feed (overnight). The data can be viewed on Bloomberg at CSX <GO>.

Fees

Any participant of the CSX crossing market will need to be specifically approved for access (see Access to the crossing facility, below). The actual transaction fee for doing the cross on the CSX is:

Cross of single stock	US\$ 1
Cross of basket trade constituent amount of shares in the basket)	Max US\$ 500 (depending on

The crossing fee is levied as a single charge per crossing and is not payable by both sides of the cross. If the cross includes securities listed on the CSX, the crossing fee remains the same.

CSX Crossing Rules

The rules for the CSX crossing market can be found in Chapter 7 of the Membership Rules. These can be accessed on the CSX website under CSX Membership: Documentation (www.csx.com.ky) .

Access to the crossing facility

A member that wishes to conduct crossing activity on the CSX must be specifically authorised to do so. The CSX only authorised members that are duly regulated by a recognised regulatory body in the home jurisdiction. An additional requirement is that the security crossed must be listed on a CSX recognised exchange. Firms that wish to execute crossings on the CSX can take two routes:

- Join the CSX as a remote broker member
- Access the system through an already authorised broker member that has been approved to the crossing market

For further information on access to the system: please contact the CSX on CSX@CSX.COM.KY.

International firms with large crossing activity are encouraged to join the CSX as a remote broker member. The requirements and application forms can be found on the website under Documentation: Broker Membership. The forms are located in appendix A and B. The rules that cover application to become a broker member of the CSX are located in chapters 2 and 3 of the Membership Rules.

All authorised traders on the CSX system need to be authorised as registered representatives. The fee is US\$ 500 per registered representative. This person will receive a unique password to access the system.

Membership		Joining Fee*	Annual Fee	Capital Requirement
Broker Member	US\$	10,000	8,000	100,000
Remote Broker Member	US\$	10,000	8,000	100,000
Registered Representative	US\$	500	500	

* An additional US\$ 500 application-processing fee is levied at the time of the initial application. This fee is not refundable should the application be declined.

Trading

Crosses take place through a web-based interface as described above. A unique password will be allocated to each broker member that is authorised do crosses on the CSX. The transaction details will be submitted at the time of the trade. System issues will be discussed bilaterally between a new applicant and the CSX systems department. The trades will be displayed on Bloomberg at T+1.

Settlement

The settlement for international crosses on the CSX will take place in the primary market. The procedures for clearing and settlement will follow those of the primary market.

Legal issues

A broker member must be incorporated in the Cayman Islands in order to conduct business on the CSX. However, international members who wish merely to use the crossing facility of the Exchange do not need a physical presence in the Cayman Islands. Any application for membership to the Exchange can be made directly to the Exchange. The application does not need to be passed to the CSX through a listing agent or other sponsor. The application process is swift provided all documentation is provided. Any new application will be passed to the Membership Committee for approval. The process usually takes under one week.