

CSX granted approved status by London Stock Exchange

On 12th July 1999 the Cayman Islands Stock Exchange (“CSX”) was admitted to the London Stock Exchange’s list of approved organizations.

This is the first time an offshore stock exchange has been added to the list. The CSX now joins such institutions as the New York Stock Exchange, NASDAQ and all official stock exchanges in Europe and Japan.

The key benefit for the CSX is that its listed securities are now eligible for trading in the London Stock Exchange’s international equity market and for a quotation on the SEAQ International trading system.

The London Stock Exchange is renowned for the strength of its international markets, with over two-thirds of all trades in London involving either an international client or equity. In 1998, international equity turnover reached a high of £2,183.2 billion, up 51.3 % on the previous year’s total of £1,443.2 billion.

The London Stock Exchange’s electronic price quotation system for international equities, SEAQ International, provides a price dissemination facility. Over 1,025 international securities are quoted on SEAQ International.

The criteria set out by the London authorities required the CSX to demonstrate, amongst other things, that:

- it has appropriate levels of

regulatory powers;

- applicants for listing are properly vetted;
- listed issuers make full, timely and accurate disclosure of financial results and other information that is material to investors’ decisions;
- it employs effective methods of dissemination of price sensitive information; and
- accounting and auditing standards imposed on listed issuers are of a high and internationally acceptable quality.

The Chairman of the CSX, Anthony Travers O.B.E., said “We are pleased that the London Stock Exchange has recognised the quality of the CSX’s operations and our commitment to high standards of regulation. This approval now gives us a platform to further our

objective of attracting the highest quality international listings.” The Cayman Islands Financial Secretary, the Hon. George McCarthy, noted that he was “delighted that the CSX has qualified for this recognition. The Government of the Cayman Islands will continue to support the progress of the Exchange as an integral part of our financial services sector, and to ensure that it continues to fit within our objective of maintaining high regulatory standards.”



Anthony Travers O.B.E.

NUMBER OF LISTINGS CONTINUES TO INCREASE

The CSX now has a total of 180 listed issuers with a combined market capitalisation of over \$15 billion. The figures represent a total increase of 40% in new business since the beginning of 1999.

The CSX recently admitted a further 17 specialist debt securities to listing. The issues were arranged by Merrill Lynch International and issued under their SIREs-STAR Limited US\$2,500,000,000 limited recourse secured debt issuance programme.

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CSX READY FOR Y2K

As the world knows, unless modifications are made, at midnight on December 31, 1999, business computer systems may either stop working or produce incorrect results.

The CSX recognizes the implications of the Year 2000 problem and implemented a business wide project early last year. This project has the highest priority and the CSX is taking all necessary steps to ensure that it is not adversely affected by the 'millennium bug'.

In May, Corporate Integrity, a UK based business continuity planning and management specialist, performed an independent audit of the CSX's preparedness for Year 2000. Jim Burtles, Di-

rector of Corporate Integrity and a Fellow and Standards Officer of the Business Continuity Institute said "Our investigations lead us to conclude that the Cayman Islands Stock Exchange is well placed to meet the millennium without fear of a severe business interruption due to their own, or others', negligence or oversight."

Corporate Integrity also worked with the CSX to develop a plan to ensure continuation of the Exchange's business activities in the event of an emergency situation occurring. One of the key elements of the plan is that it is flexible enough to cope with any level of emergency from a hurricane to a water leak in the building. Making the plan effective means eliminating the confu-

sion which frequently occurs in an organisation following a disaster. To achieve this and put the plan to the test, all CSX staff took part in a simulated exercise which followed the events before, during and after the occurrence of a hurricane striking Cayman.

Richard Crawshaw, Deputy Head of Listing said "We were very pleased with the results of the test and now feel comfortable in the knowledge that our key business services will continue under even the most trying of circumstances."

Visit our web site
<http://www.csx.com.ky>

RBC DOMINION JOINS CSX

RBC Dominion Securities Global Limited has become the latest financial institution to be admitted for broker membership of the Cayman Islands Stock Exchange.

RBC Dominion's Regional Director, Jim Wilkinson, said: "It is important for us, as the Islands' largest full service Investment Dealer, to support the Cayman Islands Stock Exchange."

RBC Dominion Securities Global Limited, a business unit of the Royal Bank of Canada, offers all facets of corporate and government finance, mergers and acquisitions, sales and trading of equities, bonds, money market instruments, futures and options, research and investment management to local and international clients.

RBC Dominion Securities Global Limited is the sixth broker member of the CSX, joining Butterfield Asset Management (Cayman) Ltd., Caledonian Securities Ltd., Cayman National Securities, Deutsche Bank (Cayman) Ltd., and GH Securities Ltd.

The CSX's Head of Markets Development, Lee Hodgkinson said: "The furtherance of our broker membership is an important step in the development of the Exchange and we very much welcome such a prestigious institution as RBC Dominion."

WORKING PARTY FOR NEW MEMBERSHIP RULES

The review project to ensure that the rules governing broker members of the CSX are fully compliant with internationally accepted regulatory standards has moved into the first phase of public consultation.

In June, the CSX established an industry working party to advise on the application and implementation of the new membership rules. The group is chaired by Lee Hodgkinson, Head of Markets Development at the CSX.

The working party is due to report its findings to the CSX Council in September, following which the rules will be issued for consultation to all broker

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NEW MEMBERSHIP RULES

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members and other interested parties.

Andrew Smith, Partner of KPMG FIRST, the team of regulatory consultants who performed the initial analysis and review of the new rules, said "It is clear that the Exchange is committed to introducing a regulatory regime that is at the leading edge of global stock exchange development."

Consultation

If your organisation is not a broker member of the CSX, but is still interested in commenting on the new rules when they are issued for consultation, send an e-mail to csx@csx.com.ky or alternatively fax us on (345) 945 6061.

APPOINTMENTS

The CSX is pleased to announce the addition of three new members of staff.

Valia Theodoraki will be joining the CSX in September as Head of Listings from the Legal Department of Tokyo-Mitsubishi International in London. Previously, Valia spent six years in the Capital Markets Group of the London Stock Exchange.

Sandy McFarlane joined the CSX in April as Executive Assistant to the CEO. In this role Sandy also provides organisational and administrative support for the entire CSX management.

The new friendly voice answering the telephone at the CSX is Denise Chambers. Denise became our receptionist in June.

WWW.CSX.COM.KY

July saw the first stage in implementation of the new CSX Website. The site can be found at the same address www.csx.com.ky and it brings a whole host of new features that make it easier to access information about the activities of the CSX.

Developed in conjunction with the UK based Fdk Design Consultants and Fusive.com, a Florida software provider, the website provides a wealth of information for CSX customers, investors and others interested in the services which the CSX has to offer.

Of particular interest is the registration feature, which enables users to indicate their interest in obtaining more detailed and specialist information such as the CSX Listing and Membership rules.

Additionally, links can be found to many listed issuers, listing agents and broker members as well as a special world news page on www.FT.com, the Financial Times Group daily news web site.

Stefan Twinn, Senior Systems Engineer said: "Our objective was to provide a new look site that is easy to find your way around and to get information from the source to the investor as quickly as possible."

LISTINGS INCREASE

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The securities are all floating rate credit-linked notes which mature between 2002 and 2005 and are secured on Merrill Lynch bonds. Payments under the notes will depend upon the credit performance of the reference entities, and a credit event in relation to the reference obligations of the reference entity could affect the performance of the securities.

Because of their nature these securities are normally purchased and traded by a limited number of investors who are particularly knowledgeable in investment matters.

The Exchange's Acting Chief Executive Officer, Mrs. Diane Palmer, said: "We are extremely pleased to have listed another 17 issues for Merrill Lynch, a major player in the asset-backed securities market. Our facility for specialist securities is attracting considerable attention from institutional arrangers."

Other recent listings include four classes of CIBC's Private Client Fund and a sixth WIDGIT listed by Crédit Agricole Indosuez.

NEW SERVICE FOR DIRECT REPORTING OF NAV'S

The CSX has recently announced a new service for mutual fund administrators whose funds are listed on the CSX.

The service enables administrators to post Net Asset Valuations ("NAV's") onto the CSX via a secure Internet page. As soon as the information is input by a fund administrator, the prices are immediately published on the mutual fund listings page on the CSX Internet web site, www.csx.com.ky, and are sent to Bloomberg for posting to the CSX <GO> trading and information pages on Bloomberg.

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WIDGITs go from strength to strength

In the April edition of this newsletter, we reported that the W.I.Carr Developing Markets Growth Index Tracker (“WIDGIT”) Programme, a derivative warrant programme arranged by Crédit Agricole Indosuez, had been approved for instruments (known as WIDGITs) issued pursuant to the Programme to be listed on the CSX. Since then, six WIDGITs have been accepted for listing and the trading volume in these products has been in excess of US\$150 million. Since issue, the worst performing WIDGIT is up 22% and the best by 90%.

In this issue, Alistair Candlish, Managing Director of W.I.Carr Structured Products in London, gives the follow-

ing insight into why the products were created and why they have been an immediate success:

“WIDGITs were created by Crédit Agricole Indosuez to allow foreign investors the opportunity to invest in markets where there are barriers to entry. For example, in Singapore, Korea, the Philippines and Thailand, the set percentage of total shareholding allotted to foreign shareholders means that the foreign tranche of shares trade at a premium to the local tranche. There can also be restrictions due to administration, nationalist protected businesses, or for tax issues in being a ‘qualified investor’. This includes India, Taiwan and the Philippines.

Additionally, WIDGITs have a second role, which is to facilitate index and index/stock-basket tracking. This was well demonstrated during last year’s Asian crisis, when it was possible to pass on the benefits of discounted futures markets in Asia and the lack of stock lending. WIDGITs were issued at discounts to current index or stock levels; the holders of the WIDGITs were then able to redeem the WIDGITs at maturity at the then market price. The index tracking investor thus earned the discount and the performance of the index. Therefore it was possible for the holder to automatically outperform his or her benchmark.”

CSX Council



(Standing L-R): Barry Smith, Nick Freeland, Daniel Scott, Bryan Bothwell
(Seated L-R): Sheree Ebanks, Deborah Drummond Absent: Roy McTaggart, Diane Palmer, Anthony Travers O.B.E.

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