

The Stock Exchange Corner

Glossary of Terms used in the Securities Industry - continued

by George Edwards

Last week's article initiated some queries on a few of the terms listed, so some clarifications are offered today.

GLOSSARY - continued

Person

In laws and regulations, and in this Glossary, "person" means both a natural human being and a legal person such as a company.

A person in this context refers to both a human being and a company. A company is treated in law as a legal person, separate and distinct from its owners, the shareholders. It can sue and be sued and enter into contracts in its own right. The potential loss to the shareholders is the amount they have paid for their shares. Where shareholders have paid only a part of the price for their shares, they will be liable for any amount left unpaid on the shares.

Private companies are not traded on the stock exchange. Public companies that satisfy the requirements of both the Guyana Securities Council and the Guyana Stock Exchange may have their shares traded on the Exchange.

Scrip issue

A capitalisation issue.

If we refer to the Stabroek Business issue of December 9, 2005, under 'Capitalisation Issue', the following explanation was given:

"The issuance of bonus shares to shareholders; such an issue does not change the value of the company, it simply increases the number of shares outstanding."

This refers to shares given to existing shareholders as a bonus. No new capital is gained by the company as the shareholders do not pay for the shares. They are issued on a *pro rata* basis, hence the percentage of shares owned by an individual remains the same.

Securities Exchange

A stock exchange.

Quoting from the Securities Industry Act section 3 (2)(q) will expand on the explanation given above:

“securities exchange means a person who maintains or provides -

- (i) physical facilities where persons may meet to execute trades in securities; or
- (ii) a mechanical, electronic or other system that facilitates execution of trades in securities by matching offers of purchase and sale;”

The Guyana Stock Exchange provides option(i).

Having given that explanation for **Securities Exchange**, it may be instructive to also quote the Act’s definition for **Security**. Section 3 (2)(t) gives the following definition:

“security means any document or record evidencing ownership or any interest in the capital or debt, property, profits, earning or royalties of any enterprise or proposed enterprise and, without limiting the generality of the foregoing, includes any –

- (i) bond, debenture, note or other evidence of indebtedness;
- (ii) share, stock, unit, unit certificate, participation certificate or certificate interest;
- (iii) instrument commonly known as a security;
- (iv) instrument or document constituting evidence of or any interest or participation in -
 - (A) a profit sharing agreement;
 - (B) a trust; or
 - (C) an oil, natural gas or mining lease, claim or royalty or other mineral right,
- (v) units in collective investment schemes, including shares in or securities of an open-ended investment company; or
- (vi) the right to acquire or dispose of anything Specified in paragraphs (i) to (v),”

The above does not include currency, cheques, bills of exchange, bank letters of credit, certificates/documents evidencing deposits with financial institutions, credit unions, insurance companies or contracts of insurance

Share

Fractional ownership of a company, entitling the holder to vote at general

meetings, to receive dividends approved at general meeting, to participate in distribution of capital, and to participate in liquidation.

This simply means that each shareholder owns a fraction or a piece of the company, which gives him/her the right as listed immediately above.

Next week: Listing

N.B. – More information may be accessed on our website: www.gasci.com