

The Stock Exchange Corner

Capital Requirements for a Securities Company

by George Edwards

A securities company is a company that carries on the business of trading in securities on behalf of others and as the Securities Industry Act Section 3 (2) (p) states:

“includes a company which carries on business as –

- i. A broker;
- ii. A dealer;
- iii. An underwriter;
- iv. An investment adviser; or
- v. Any combination of two or more of the foregoing”.

Any company seeking to trade in securities on the Guyana Stock Exchange must first be registered by the Guyana Securities Council. A company applying for registration must satisfy the Council that “it is a fit and proper body to be registered as a securities company” [Regulation No. 4 of 2002 Section 3 (3) (k)]. This includes having adequate capital and qualified personnel of good character who will conduct themselves in the market with integrity. An application must be submitted to the Council in the format set out in the Regulations (Form 1), as seen last week, accompanied by the appropriate fee as set out in the Second Schedule.

The table below sets out the paid-up capital required for the different types of business that a securities company may engage in, as well as the appropriate fees to be paid to the Council.

Type of Business	Paid-up Capital Required	Fees
Broker registered to deal in equity securities only	\$1,500,000	\$100,000
Broker registered to deal in equity securities and other securities or other securities only	\$150,000,000	\$100,000
Dealer registered to deal in equity securities only	\$30,000,000	\$100,000

Dealer registered to deal in equity securities and other securities or other securities only	\$150,000,000	\$100,000
Underwriter	\$150,000,000	\$200,000
Investment adviser	\$1,500,000	\$150,000
Securities company	\$200,000,000	As per the categories above

Securities Industry Act 1998 definitions are given below:

Broker: A person engaged in the business of effecting transactions in securities for the account of others.

Dealer: A person engaged in the business of buying and selling securities for his own account who holds himself out, at all normal times, as willing to buy and sell securities at prices specified by him.

Underwriter: A person who –

- (i) as principal, agrees to purchase a security for the purpose of a distribution,
- (ii) as agent, offers for sale or sells a security in connection with a distribution; or
- (iii) participates directly or indirectly in a distribution described in paragraph (i) or (ii) for consideration, but does not include –
- (iv) a person whose interest in the transaction is limited to receiving the usual and customary distribution or sales commission payable by an underwriter or issuer; or
- (v) a company that purchases shares of its own issue and resells them.

Investment adviser: A person engaging in, or holding himself out as engaging in, the business of advising another with respect to investment in, or the purchase or sale of, securities.

It should be noted that a securities company must also comply with the indemnity insurance requirement under section 55 of the Act which states:

“Every securities company registered under this Part shall obtain policies of insurance on terms prescribed by the Council for the purpose of indemnifying such registrant against any liability that may be incurred as a result of any act or omission of the registrant or any of its officers or employees”

Next week: A look at the performance of the Guyana stock market for 2005.

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