



THE JUNIOR MARKET – A STIMULUS FOR YOUR BUSINESS

The Ministry of Finance and Public Service and the Jamaica Stock Exchange are well advanced in their efforts to launch a Junior Market in Jamaica. The aim behind the creation of this Junior Market is to enable small and medium sized enterprises to raise capital from the public.

The proposed rules for the operation of the Junior Market are presently in the draft stage and can be downloaded free of cost from the Jamaica Stock Exchange website.

The criteria for listing on the Junior Market contemplated under the draft rules include: an intention to raise no less than \$50million and no more than \$500 million; that the entity is neither wholly or partially a subsidiary of a registered entity on a recognized stock exchange; that the entity itself is not listed on the main board of the Jamaica Stock Exchange; payment of a listing fee (expected to be up to 50% lower than comparable fees on the main board of the Jamaica Stock Exchange); and an agreement with a mentor, acceptable to the JSE Board who will provide guidance regarding compliance issues such as good standards of corporate governance.

The draft rules contemplate a number of benefits for persons listed on the Junior Market, these include:-

- a full income tax holiday for the first 5 years after listing;
- a half income tax holiday for the second 5 years after listing;
- an exemption from tax on dividends or other distributions; and
- an exemption from transfer tax and stamp duty on transfers of shares in companies listed on the Junior Market.

It is expected that a company listed on the Junior Market will graduate to the main exchange within ten years and will remain on the combined exchanges for at least 15 years. If the company delists within 15 years it will be required to repay to the government the tax benefits enjoyed during the period of listing. Although it has not been expressly so stated in the draft rules, it is presumed that this requirement for repayment of tax will apply only to income tax benefits received since any relief on transfer tax, stamp duties, dividends or other distributions will enure to the benefit of the investor and not the company itself.

An entity is not required to list all its equity on the Junior Market and may limit its listing to not less than 20% of the participating voting share capital. However, this 20% must be held by no less than 25 shareholders in the first 5 years and no less than 50 shareholders during the next 5 years. The existing principals of the company may therefore retain control of the company while taking advantage of the benefits noted above.

The JSE plans to considerably simplify the process for listing on the Junior Market, through the use of standard form documents, and publication of the approved prospectus by electronic submission to the JSE which will be uploaded to the JSE's website.

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