

and results of each session are reported widely to the media, regulators, members, market participants, institutional investors and other interested parties.

### **Can my Broker change my order?**

Your broker must follow your instructions strictly. If it does not, you don't have to pay for the shares or deliver the shares as the case may be. If you have placed a "discretionary" order with your broker which gives the broker the right to change the quantity of shares or prices at which you want to buy or sell, then your broker can change your order within the limits that you set. However, the broker must still try to get you the best deal possible.

### **When do I have to pay for the Shares?**

After the trade is done, your broker must send you a contract note confirming the details of the trade including the name and quantity of shares purchased, the price and the commission's payable. Payment for the shares and the delivery of share certificate by the seller's broker is done on

the 3rd day after the trade. This is typically called the settlement date. If you have not paid a deposit or already delivered the share certificate, you will be required to do so on the settlement day. Settlement of transactions takes place at the SPSE between 11.30am and 12.00pm. This involves the buying and selling brokers exchanging the payment and share certificates and signing transfer forms that formalize the transfer of ownership of the shares and the payment. This is done under the presence of a SPSE Settlement Officer.

### **How much does a Share cost?**

The price of a company's share depends on its value and the number of shares it has issued. For example, shares traded on the stock exchange can range in price from less than a dollar to more than \$20. The value of a company's shares reflects the tangible and intangible assets of the company including its future dividends. This is why it is important to think about the company's future profits, not its past profits, when buying or selling shares.

### **DISCLAIMER**

The contents of this leaflet are believed to be correct at the date of issue. They are intended for general purposes only and are not to be considered as providing securities recommendations or advice. The SPSE does not give any warranty or accept any liability (whether arising from negligence or otherwise) for any error or omission, or for any loss arising from acting on the information in this publication, except where law liability cannot be excluded.

All investments are subject to some degree of risk, including possible delays in repayments and loss of income and principal invested. The SPSE does not guarantee investment performance or return of capital invested.



# South Pacific Stock Exchange

## **HOW TO INVEST IN SHARES?**

### **How do I buy shares in the SPSE listed securities?**

If you want to buy the shares of a company listed on the SPSE, you must use the services of a licensed broker. The broker will ask you to complete a buy order form clearly identifying the shares you want to buy, the quantity and price. The broker will then place your buy order on the Electronic Trading Platform of the stock exchange and will match your order with a seller of those shares. You must pay the broker a commission for performing this function for you. The Reserve Bank of Fiji (RBF) licenses brokers taking into account their integrity and financial standing. Brokers must observe strict codes of conduct in dealing with their customers.

The broker may require you to pay a full deposit for the shares. If your order is filled, the settlement i.e. payment will take place three business days later. The share certificate should be delivered five days

after the settlement.

Before seeing a broker, ensure that you know what your investment objectives are. If you take advice from a broker, be aware that the final decision is yours. The SPSE can provide you with the names of the licensed brokers that can assist you. The contacts of all these licensed brokers can also be viewed and obtained from the SPSE website under "Investor Education".

If you want to buy shares in a public offering (sometimes called an "IPO" or "initial public offering") you must complete the application form in the prospectus or offer document and send it with your money to the persons identified in the prospectus or offer document. The SPSE, the Stockbrokers and the Investment Advisers always keep the public informed on any new IPOs in the market through published brochures, their websites and through coverage in newspapers and television.

## How do I place my order?

If you are interested in buying or selling securities such as shares, convertible notes and bonds, you should contact one of the licensed brokers. The broker must ask you to complete a client agreement clearly setting out your personal details and also set out the terms of your relationship and how you intend to place your orders (e.g. by telephone, by fax or by personal visits). If you choose not to provide this information, the broker or Investment Adviser will not be able to give you advice.

Give your broker an order by completing a buy or sell order form. An order must clearly show the name of the company shares, the quantity to be bought or sold, the price and the length of time you want the order to last. Your signed buy or sell order is a legally binding contract, which makes the broker your agent and authorizes it to execute the trade and sign settlement and transfer forms on your behalf. Remember that once the order is executed on the stock exchange, you must pay your broker for the shares bought, or deliver the share certificate for the shares sold. If you don't, your broker can sue you for breach of contract.

When placing your order, you can either accept the current market price for the share or you can wait for the price you think is right. When you place your order to buy, inform the broker of the price or price range acceptable to you. You can place a "limit order" which will show the broker the highest price you are willing to pay.

When giving a sell order, you can also indicate a limit on the lowest price you are willing to accept.

Your broker may require you to pay a full or a partial deposit when placing your order. With a sell order you may be asked to deliver your share certificate to your broker when you give them the order.

## Who is a Stockbroker?

Brokers buy and sell securities (including equity and debt) for clients and are paid a commission for doing this.

A broker must hold a valid licence from the Reserve Bank of Fiji (RBF). It can either be a company or an individual. Where the broker is a company, the individuals who provide brokerage services to clients for the company are called broker representatives and they too must hold a valid licence from the RBF.

## Who is an Investment Adviser?

If you need investment advice then you can also use the services of a licensed Investment Adviser. Investment Advisers offer a range of services from managing a portfolio of securities for you to giving investment advice on shares and other securities.

An Investment Adviser must also hold a valid licence from the RBF.

## When should I use a Broker?

To buy or sell shares, bonds and convertible notes on the SPSE you must place an order with a

licensed broker. Some brokers can also provide research on the listed companies and give investment advice on which securities you should buy or sell. Some however, may only offer a "transaction service" i.e. they will only buy and sell shares, bonds or convertible notes for you. It is important to remember that even if a broker gives you advice, it cannot make the investment decision for you. You must make the final decision to invest.

Before consulting a broker, you should be clear about what your investment objectives are.

Remember that the final decision is always yours.

Your broker cannot make the decision for you.

## Can I get advice?

A broker or an Investment Adviser may give you investment advice in relation to specific securities upon request. When giving advice, Stockbrokers and Investment Advisers must be diligent and careful at all times so they do not misinform you. They are not allowed to make recommendations that are not suited to your financial conditions or your investment objectives. This requirement, sometimes referred to as the "know your client rule", basically means that when providing investment advice, the broker or Investment Adviser must always first take the time to understand your investment objectives before forming an opinion. Brokers and Investment Advisers must also thoroughly understand the investment products they are recommending to you. This

is commonly called the "know your product rule". You must make sure that they do this.

## Can my Broker use my money?

Brokers and Investment Advisers must keep clients money separate from their own money. These funds are deposited into a trust account with a local bank. Brokers and Investment Advisers are not permitted to use client's funds at all unless they have the written permission of the client to do so.

## What happens to my order?

Your broker will place your order and those of other clients on the SPSE Electronic Trading Platform, which is accessible by the brokers from their own offices. With the electronic system of trading, the price time priority is still maintained but there are two sessions of normal trading hours (This is when the actual matching of orders takes place). The first one is from 10.30am to 11.30am and the second normal session of trading happens from 2.30pm to 3.30pm. This is when the orders may be entered, amended or withdrawn and are also matched on entry. There are "Pre-Open" sessions where brokers can enter, amend or withdraw orders for their clients. The platform goes into enquiry mode after 3.30pm and is only accessible for viewing purposes. Unmatched orders at the end of the day that remain unexecuted are reloaded in the trading platform for the next day. Transactions are immediate and transparent