



15th

ANNIVERSARY

1997-2012

15 YEARS OF REGULATING THE SECURITIES INDUSTRY IN TRINIDAD AND TOBAGO



Fifteen years ago on May 02, the **Trinidad and Tobago Securities and Exchange Commission** (the Commission) was established by an Act of Parliament entitled the Securities Industry Act 1995 (SIA '95). The Commission is an autonomous body whose role is to regulate the securities market in the twin-island Republic of Trinidad and Tobago. As an entity, the Commission is committed to ensuring that investor confidence is restored in the local financial system.

This year, the Commission will host a number of Public Consultations on the draft Securities Bill 2012, which is expected to facilitate a stronger enforcement and regulatory regime which accords with international standards. After consultation, the Bill will be amended as necessary and submitted to Parliament for debate. In this year, the Commission has enhanced its communications and public awareness efforts in order to ensure that you are more aware of our role and function and the ways which we protect you, the investor.

PROFESSOR PATRICK K WATSON
CHAIRMAN

I hope this pullout helps to inform you of some of our actions and achievements over the last 15 years and to assist in making you more aware of the securities market in Trinidad and Tobago.

TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION

The SIA '95 has mandated the Commission to:-

- **ADVISE** the Honourable Minister of Finance on all matters relating to the securities industry;
- **MAINTAIN** surveillance over the securities market and ensure orderly, fair and equitable dealings in securities;
- **REGISTER, AUTHORISE** or **REGULATE** (in accordance with the Act) self regulatory organisations, securities companies, brokers, dealers, traders, underwriters, issuers and investment advisers and consequently control and supervise their activities with the aim of maintaining proper standards of conduct and professionalism in the securities business;
- **PROTECT** the integrity of the securities market against any abuses arising from the practice of insider trading; and
- **CREATE** and **PROMOTE** such conditions in the securities market (as may seem to it necessary, advisable or appropriate) to ensure the orderly growth and development of the capital market.

In order to carry out its functions, the Commission has the power, under section 6 of the Act, to among other things:

- Formulate principles for the guidance of the securities industry;
- Review, approve and regulate take-overs and amalgamations; and
- Take action against registrants for failing to comply with the Act.

Following the proclamation of its governing legislation, the President of the Republic of Trinidad and Tobago appointed the following Chairman and Commissioners for a period of three (3) years with effect from April 29, 1997:

- Mr. Carlton Robinson - Chairman**
- Mr. Ian Bertrand - Commissioner**
- Ms. Monica Clement - Commissioner**
- Mr. Fyard Hosein - Commissioner**

After the appointment of the Board of Commissioners, in April 1997, the Commission officially opened its doors to the market on May 2, 1997 with a total staff complement of only two (2) including the Chairman. Today, the staff complement has expanded significantly to sixty (60) employees who contribute to the following Divisions and Units: **Legal Advisory and Enforcement; Market Regulation and Surveillance; Disclosure,**

Registration and Corporate Finance; Policy Research and Planning; Corporate Services; Human Resource Management; Communications; and Information Management.

Over the period April 29, 1997 to present, the Commission has had a total of four (4) Chairmen and fifteen (15) Commissioners who were appointed to serve on the Board. There were:

Chairmen: Carlton Robinson, Osborne Nurse, Deborah Thomas-Felix and Professor Patrick Watson.

Commissioners: Ian Bertrand, Fyard Hosein S.C., Monica Clement, Amoy Chang Fong, Shelley Collymore, Alison Lewis, Bridgid Annisette-George, Vishnu Dhanpaul, Janice Clarence-Quamina, Francis Lewis, Dr. Shelton Nicholls, Marsha King, Ravi Rajcoomar, Uchenna Ogbue and Horace Mahara.

The present Board consists of **five Commissioners (inclusive of the Chairman)**. They are:-

- **Professor Patrick K. Watson, Chairman**
- **Dr. Shelton Nicholls, Commissioner**
- **Ms. Marsha King, Commissioner**
- **Mr. Horace Mahara, Commissioner**
- **Mr. Ravi Rajcoomar, Commissioner**

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CAPITAL MARKETS

A **capital market** is any market in which securities are traded. Capital markets include the stock market (equity securities) and the bond market (debt). Companies and governments use capital markets to raise long-term funds for their operations. Investors purchase securities in the capital markets in order to extract a return and earn a profit on the securities.

Capital markets may be classified as primary markets and secondary markets. In primary markets, new stock or bond issues are sold to investors via a mechanism known as underwriting. In the secondary markets, existing securities are sold and bought among investors or traders, usually on a securities exchange.

DISCLOSURE-BASED REGULATION

As in many Commissions around the world, the Commission operates a Disclosure-Based Regulatory System. This means that it makes no determination on the **suitability** or **quality** of the product for which the application for registration has been made. The regulator, which is the TTSEC, is only concerned with whether or not the application fulfills all the necessary requirements of **disclosing** the proper information.

Disclosure-Based Regulation is based on the premise that full and accurate disclosure will provide investors and potential investors with the information necessary to make **informed investment decisions**.

The **issuer** is responsible for providing full and accurate information regarding the issuer, pertinent aspects of its business, finances, future prospects and the terms of the offering so that every investor has sufficient information at the same time in order to make an informed decision. The issuer also has the responsibility to disclose any adverse information and risks regarding the issuer or the offering and to provide on-going relevant information as it becomes available or changes to information already disclosed.

The Commission's structure has been designed to facilitate the efficient and effective execution of its three primary functions of **Disclosure, Market regulation and Enforcement**.

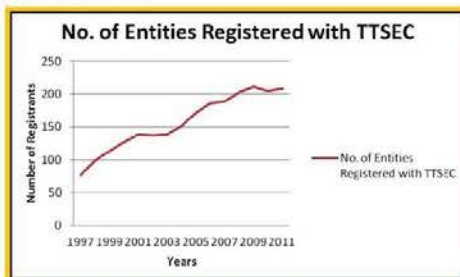
DISCLOSURE

The Division of Disclosure, Registration and Corporate Finance ensures the registration of all self regulatory organizations, securities companies, brokers, dealers, traders, underwriters, issuers and investment advisers as well as the securities that they provide. This office:

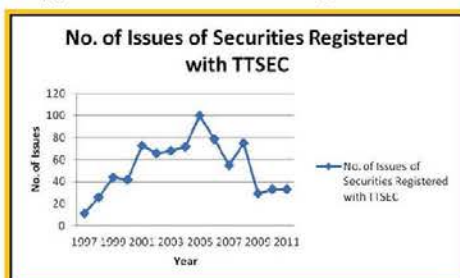
- Reviews and processes applications of market actors and reporting issuers;
- Reviews documentation to ensure compliance with the law and best practice;
- Approves the contents of prospectuses, offering circulars or any form of solicitation, advertisement or announcement by which securities are offered for sale to the public;

- Reviews filings by all registrants and assesses among other things the financial solvency of registrants;
- Maintains a register of securities approved by the Commission;
- Makes recommendations to the Commission for the suspension/revocation of registration when persons no longer satisfy the registration requirements;
- Identifies trends and issues that are likely to have an impact on the securities industry and makes appropriate policy recommendations.

At the conclusion of the Commission's first year of operations, 77 entities were registered. This figure more than doubled over the last 15 years, with over 200 entities being registered as at September 30, 2011.



The number of securities registered also grew significantly from 11 in 1997 to 100 in 2005. Since then there has been a downward trend in the number of securities registered by the division, with only 33 securities being registered in 2011. This however appears to be related to the vagaries of the market.



The value of securities registered with the Commission has also grown significantly since its inception, rising from approximately **TT\$320 million** to about **TT\$22 billion** in 2007. As the global economy constricted in the last four years or so this value has fluctuated considerably, with about **TT\$10.9 billion** in securities being registered in 2011.

MARKET REGULATION AND SURVEILLANCE

The Commission officially established the Market Regulation and Surveillance Division (MR&S) in January 1999 to facilitate surveillance of the capital market. Since then, increasingly sophisticated financial products have been brought to the securities market and it is within this changing environment that MR&S has sought to improve its services to the public. MR&S' major functions and responsibilities are to:

- Conduct regular surveillance of the securities market in order to ensure compliance by market actors with the Securities Industry Act, 1995 (SIA) and the related By-Laws;
- Oversee the operations of the Self Regulatory Organisations (SROs) which are registered with the Commission, particularly in respect of the rules of the SRO;

- Ensure that reporting issuers file with the Commission any material changes in relation to the operations of those entities; and
- Receive complaints from investors about alleged abuse by market actors.

ONGOING MARKET SURVEILLANCE

The Division's ability to conduct surveillance of trading activities on the market has improved with technological advances through the use of surveillance applications that provide automated real-time alerts to warn of exceptional trading activity in the local market.

Trading by persons with knowledge of non-public information is unfair to investors who do not have that information and can therefore damage investor confidence in a market's ability to be orderly, fair and equitable. Consequently, the staff of the Division of Market Regulation and Surveillance also:-

- Monitors major announcements from companies;
- Reviews trading in shares of those companies immediately **prior to** and **after** such announcements to ascertain whether there might be instances of illegal insider trading, market manipulation and other types of market abuse;
- Monitors any announcement of a take-over attempt of a listed company by another, in order to ensure that not only is such a transaction executed within the relevant securities law, but also that investors are not disadvantaged by the take-over.

Some takeovers which were closely monitored by the Commission include, **Mora Ven Holdings, Life of Barbados, Trinidad Cement Limited (2002)** as well as **Royal Bank of Canada's amalgamation with the Royal Bank of Trinidad and Tobago Limited, and Neal and Massy Holdings Limited's take-over of the Barbados Shipping and Trading Company Limited (2008)**. It was important to monitor these transactions to ensure that they were orderly and all investors were treated fairly.

OVERSIGHT OF SRO OPERATIONS

An SRO has the power to create and enforce industry regulations and standards. In 1997, the Trinidad and Tobago Stock Exchange Limited (TTSE) was the only SRO registered with the Commission. Subsequently, in 2000, the Trinidad and Tobago Central Depository (TTCD) was registered and commenced operations in 2003.

The TTSE is responsible for trading all local securities whereas the TTCD, which is a subsidiary of the TTSE, facilitates the safekeeping of security certificates and allows investors trading shares on the TTSE to settle those trades electronically. **As a result, the Commission has real time access to monitoring trades, making it the only Commission in the region with such a feature.**

The Commission also has the mandate to approve de-listings from the TTSE and any general rule changes.

MATERIAL CHANGES AND OTHER BREACHES

In the course of its routine surveillance activities, MR&S monitors instances where registered entities fail to comply with the requirements of the SIA. For instance, when a business entity that offers their shares to the public (an issuer) changes their business operations, assets or ownership (which changes are likely to affect the market price or value of the security), these changes must be reported to the Commission.

Other breaches include:



- Failure to file or late filing of financial statements;
- Improper conduct by brokerages and other registrants, offering unregistered securities or making misrepresentations to investors;
- Failure to report changes in shareholdings of directors and substantial shareholders of an issuer.

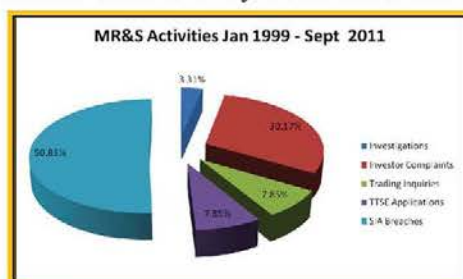
INVESTOR COMPLAINTS

Within recent times, complaints have been steadily rising as more people have become aware of the functions of the Commission through its public awareness and communications initiatives. Some complaints have initiated the launch of formal investigations and others have resulted in the closure of entities in order to protect investors. In 2011, 15 persons reported possible market abuses to the Commission.

Although not all enforcement actions result in investors regaining their lost investments, investors will agree that having unscrupulous, fraudulent abusers removed from the market is success in itself.

In some instances, complaints have been received against unregistered entities, and this requires staff to determine whether the issue falls within the SIA and can therefore be addressed by the Commission or whether the matter should be referred to another regulatory authority or a private attorney. The Commission is committed to protecting unsuspecting investors from becoming victims of securities schemes by providing them with adequate knowledge on protecting themselves.

All these actions are done to ensure that market players act in accordance with the SIA 1995 and a fair and transparent environment is created so that you can invest with confidence.



LEGISLATION

Developments in the global as well as regional capital markets over the last few years have highlighted the need for us to reassess our regulatory framework in order to ensure that it remains current, relevant and effective.

- In 2004, the Commission embarked on a review of the SIA '95 and presented recommendations to the Government for a new Securities Act in 2006;
- In 2007, a review of the Act and the Commission's recommendations were submitted to the Legislative Review Committee of the Ministry of the Attorney General;
- In 2008, Public Consultations were held in both Trinidad and Tobago with key stakeholders. The comments were taken into account and further amendments to the proposed Legislation were made;
- On July 10, 2009, the Bill was eventually laid in Parliament and passed in the House of Representatives;
- On December 14, 2009, the Commission submitted an application to the International Organisation of Securities Commissions ("IOSCO") to become a signatory to the

IOSCO Multilateral Memorandum of Understanding ("MMoU") to facilitate cross border enforcement cooperation (among other things);

- In May 2010, the proposed Legislation had been submitted to a Joint Select Committee of the Senate, when Parliament was dissolved and General Elections were called;
- On October 18, 2010, IOSCO informed the Commission that its application to become a signatory to the MMoU was reviewed and the Commission was accepted to be listed on Appendix 'B'.
- In November 2010, the Bill was re-laid before the Joint Select Committee of the Senate.
- In May 2011, at the annual International Organisation of Securities Commissions (IOSCO) Conference, members were informed that IOSCO will no longer allow the two-tiered 'A List' / 'B List' system of membership which currently exists. Effective January 01, 2013, IOSCO's membership will be strictly based on the country's capacity to meet the requirements associated with being on what is currently IOSCO's 'A' list.
- In June 2011, a decision was made to allow the Bill to lapse in order to provide the Commission with an opportunity to amend parts of the Legislation to become compliant with the requirements of IOSCO.

The proposed Legislation has been made available for public comments. Public Consultations and consultations with special stakeholders will be held in June 2012, following which the necessary amendments will be made and submitted to Cabinet for approval. The ultimate intention is to have the Legislation passed by the end of November 2012 in order to provide the Commission with sufficient time to submit an application for Appendix 'A' membership in accordance with IOSCO's January 01, 2013 deadline.

INVESTIGATIONS

Since 2004, the Commission has initiated major investigations into at least 30 matters for various breaches of the SIA 95. These range from:-

- Insider trading;
- Failure to disclose substantial shareholding;
- Market manipulation;
- Soliciting investments without due registration with the Commission; and
- The unauthorized holding of clients' cash.

While some of these matters are still under investigation, the outcome of the majority of these matters include:-

- Orders for penalties being levied against the transgressors and being filed in the High Court;
- Winding up of entities;
- High Court decisions ordering the appointment of a Receiver to wind up and attend to disgorgement and restitution; and
- Issuance of Cease and Desist warnings.

Other matters were closed after having been referred to the Deputy Public Prosecutions and/or the Fraud Squad.

CONTRAVENTIONS AND COMPLIANCE

- The Commission functions as a quasi-judicial body and conducts hearings into matters related to the securities

market for which it can issue penalties and make orders conditionally or otherwise;

- The Commission can make orders cancelling the registration of a market actor or requiring the resignation of company directors or senior officers of a reporting issuer where it considers it to be in the public interest;
- The Commission can also seek an Order of the High Court requiring restitution or disgorgement of profits or seek sanctions in the criminal courts.

Before 2003, registrants viewed the filing requirements stipulated under the SIA 95 as a minor administrative matter, and consequently, required documents were filed late or not at all. In October 2003, the Commission published a Public Notice exhorting the market to adhere to the filing obligations. In 2004, the Commission introduced a regime for enforcement, which (by June 30, 2004) found that 60% of all registrants were in contravention of Section 66 of the SIA 95 and By-Laws 28, 55 and 56.

In light of this, the Commission instituted enforcement proceedings against 82 registrants and imposed penalties of \$1,200, 000.00 on 62 of them, pursuant to Section 143 of the SIA.

In 2009, the Staff of the Commission initiated enforcement proceedings against approximately **80 Reporting Issuers** who were delinquent in meeting their financial and other filing obligations to the Commission. This initiative began in April of that year and continued to the end of September 2010.

During this period, there were approximately **249 contraventions** by Reporting Issuers who had either failed to file particular financial statements or had filed late. Offenders in approximately 20 of these contraventions were reprimanded by the Commission and 3 of the matters were determined by way of a Written Hearing in accordance with the Securities Industry (Hearings and Settlements) Practice Rules, 2008. **171 of these contraventions were settled with an approximate sum of \$3,110,086.50 in penalties being ordered by the Commission.**

During the period October 1, 2010 to September 30, 2011 the Board of Commissioners issued 33 Orders from 73 contravention matters resulting in penalty payments amounting to \$1,976,750.00.

The majority of outstanding contraventions are being resolved by settlement while a very small number is awaiting Written Hearings.

Enforcement action was also taken in 4 matters involving the issuance of securities to the public prior to registering same with the Commission, contrary to Section 65 (1) of the Act. Additionally, the Commission treated with 6 contraventions of Section 66 (3) of the Act where several Reporting Issuers failed to file and issue press releases disclosing material changes in the affairs of their business.

Since the establishment of the Commission in 1997 to present, the Commission has imposed fines in the amount of approximately \$6,286,836.50.



OTHER PUBLIC HEARINGS

In 2004, the Commission implemented a regime of public hearings which was new to the Trinidad and Tobago securities market.

The first hearings other than enforcement hearings were conducted in 2004. There were two hearings regarding matters with the Trinidad and Tobago Stock Exchange Limited ("TTSE"). Based on a request from the TTSE on December 15, 2006, the Commission ordered that BWIA be de-listed from trading on the Stock Exchange effective December 22, 2006. On February 04, 2009 a hearing for the de-listing of Furness (Trinidad) Limited and Valpark Shopping Plaza Limited also based on the request of the TTSE was held at the Commission. The de-listings were subsequently approved by order of the Commission.

Four (4) more matters were determined via Hearings from 2009 to 2010. These arose from Reporting Issuers who negated to comply with the financial filing obligations of the legislation. One of these matters went to Settlement and the other three were ruled in favour of the Commission resulting in penalties being ordered against the Respondents.

Updated legislation coupled with timely enforcement are paramount in promoting confidence, fairness and the orderly growth of the securities market.

POLICY, RESEARCH AND PLANNING

The Commission conducts market studies to determine trends and changes in the financial market in order to effectively regulate the market and inform and protect investors. Studies which have been conducted on different segments of the market include (1) a Baseline Study on the Collective Investment Vehicles Industry, (2) a Capital Markets Study and (3) a Baseline Study on the Repurchase Agreement Market. These can be found on our website : www.ttsec.org.tt

In 1997, the size of the regulated capital market stood at **TT\$23 billion**; this represented **65 percent of GDP** at that time. At March 2012, the value of the regulated market was **TT\$255 billion**, representing approximately **177 percent of GDP**. Tables 1 and 2 highlight the asset classes of the capital market.

Table 1: Securities Market: 1997

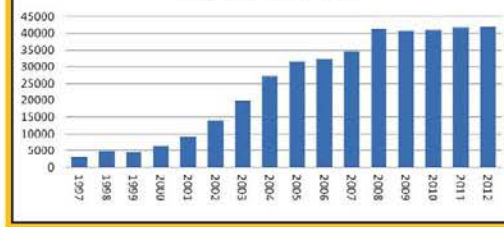
ASSET CLASS	Value Outstanding (TT\$ bn)	Market Share (%)	% of GDP (nominal)
Equity (market capitalisation)	19.7	83.74	54.87
Debt Securities	0.075	0.32	0.21
Mutual Funds (Funds Under Management)	3.3	14.03	9.19
Securitized Instruments	0.45	1.91	1.25
	23.53	100.00	65.52

Table 2: Securities Market: March 2012

ASSET CLASS	Value Outstanding (TT\$ bn)	Market Share (%)	% of GDP (nominal)
Equity (market capitalisation)	94.38	37.04	65.60
Debt Securities	67.94	26.66	47.22
Mutual Funds (Funds Under Management)	41.96	16.47	29.16
Securitized Instruments	50.55	19.84	35.13
	254.83	100.00	177.11

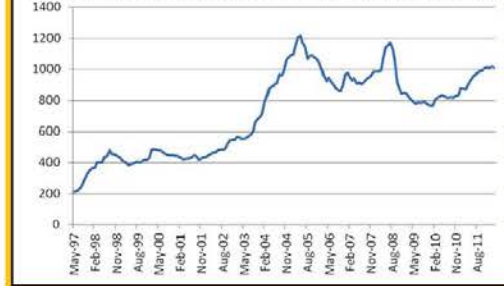
It is important to note that mutual funds registered the largest increase in the securities market during the period 1997 to 2012. **In 1997, funds under management amounted to TT\$3.3 billion, and by March 2012, this figure had grown to TT\$41.9 billion; an increase of approximately 1170 percent (See Figure 1).** Taken together with commercial bank deposits, which stood at TT\$14.2 billion in 1997, funds under management accounted for 7.5 percent of total savings in that year. By March 2012, it accounted for 34.2 percent of total savings, with total deposits measuring TT\$80.5 billion. Moreover, there were only three (3) mutual funds registered with the Commission in 1997. This figure stood at sixty-two (62) in March 2012.

Figure 1: Funds Under Management: 1997 to March 2012



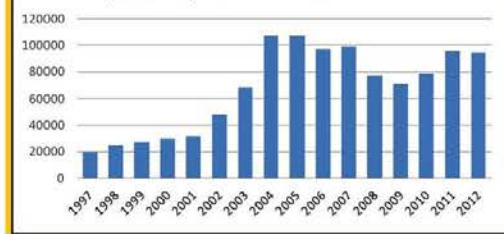
On establishment of the Commission, in May 1997, the stock market TTSE Composite Index was 213.3. **At March 30, 2012, it was 1011.60, an increase of 374.26 percent (Figure 2).** While the financial crisis of 2008 had a deleterious effect on the market, the Index remained higher than levels seen in the first few years of the Commission - **the stock market fell approximately 35 percent over the period July 2008 (the beginning of the crisis) to January 2010;** the period when the stock market began to show signs of recovery.

Figure 2: TTSE Composite Index May 1997- March 2012



Market capitalisation stood at TT\$19.5 billion in 1997, increasing by 387 percent to TT\$94.4 billion as at March 2012 (See Figure 3). There were both new listings, including cross listings of companies already listed in other regional exchanges, and de-listings over this period.

Figure 3: Market Capitalisation (TT\$Mn): 1997 to March 2012



MEMBERSHIPS

The Commission is an ordinary member of the International Organisation of Securities Commissions (IOSCO), which is an international organisation responsible for promulgating principles and guidelines for the efficient and effective regulation of the global securities industry. **Membership in this organisation comprises financial regulators from both developed and emerging markets, and has caused the TTSEC to bring its regulatory regime to the level of best international practice.** The Commission lends its voice to decisions made, providing comments and reviews on various consultation papers and reports produced. The Commission also responds to requests for information on the domestic market, serving both domestic and international agencies. The Commission is also an ordinary member of the Council of Securities Regulators of the Americas (COSRA) and belongs to the regional association of the Caribbean Group of Securities Regulators (CGSR), of which it is the 2011-2012 Chair. In addition to being ordinary members of the above-mentioned associations, the TTSEC is also the third representative of the Inter-American Regional Committee (IARC) of IOSCO for the period 2012-2014.

Memberships in these associations redound to the benefit of the TTSEC in that we are able to cooperate with other regulatory entities, learn best practices, promote high standards of regulation and develop the highest quality and most compatible regulatory structures.

INVESTOR EDUCATION

Under a disclosure system, it is the investor who determines whether or not a security is a good investment based upon his or her own evaluation of the potential risks and rewards given the information disclosed by the issuer.

One of the Commission's strategic goals is to promote informed investor decisions and boost investor confidence in the regulation of the securities market. Our Investor Education programme aims to:-

- Give investors a better understanding of the operations of the nation's securities markets;
- Explain to investors the role of the TTSEC in regulating those markets; and
- Provide information designed to help them to make informed financial decisions.

In its ongoing efforts to ensure that the investor is protected, the Commission continues to conduct investor education programmes with the private/public sector, professional groups, NGOs/CBOs and FBOs and educational institutions. Our Investor Education programme over the years, has generally focused on developing a more literate financial consumer who can make informed and suitable personal investment decisions while avoiding the pitfalls and dangers that can arise in the form of unregistered financial products as well as other fraudulent investment schemes.

Our mission, in this regard, is to inform, educate and empower you so that you can make more informed choices and thus be able to Invest with Confidence. Some of the methods adopted include:-

- **Print and Electronic Media;**
- **Website;**
- **Digital media (sign boards);**
- **New media (Facebook, Blogging);**
- **Special/community publications (Catholic News, TTCSI Quarterly, TTCIC's Contact, Eastern Times, TTARP's OSOQ);**
- **Outreach sessions (Tertiary level institutions, private sector entities, public sector agencies, NGOs);**
- **Competitions;**
- **Public meetings and stakeholder engagements.**

While the Commission's education initiative focuses on a broad spectrum of investors and potential investors, we have specifically targeted the secondary school-aged students and students at the tertiary level since the youth of today will be the adults of tomorrow. We must therefore educate and empower them to be responsible and take action regarding their financial future.

ENGAGING YOU!

Over the past 15 years, the Commission has conducted a number of successful stakeholder meetings and engagements and has used traditional media initiatives to engage and inform you. As all forward thinking organizations the Commission is adapting to the times and is incorporating the use of new media (Facebook, blogs) and digital media (signboards) to enhance its communications efforts. Over the next year, the public will continue to be exposed to the Commission and its initiatives via the print and electronic media, new and digital media and through interactive sessions with you, the public.

THE COMMISSION LOOKS FORWARD TO CONTINUE REGULATING THE SECURITIES INDUSTRY SO THAT YOU ARE ABLE TO INVEST WITH CONFIDENCE!



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