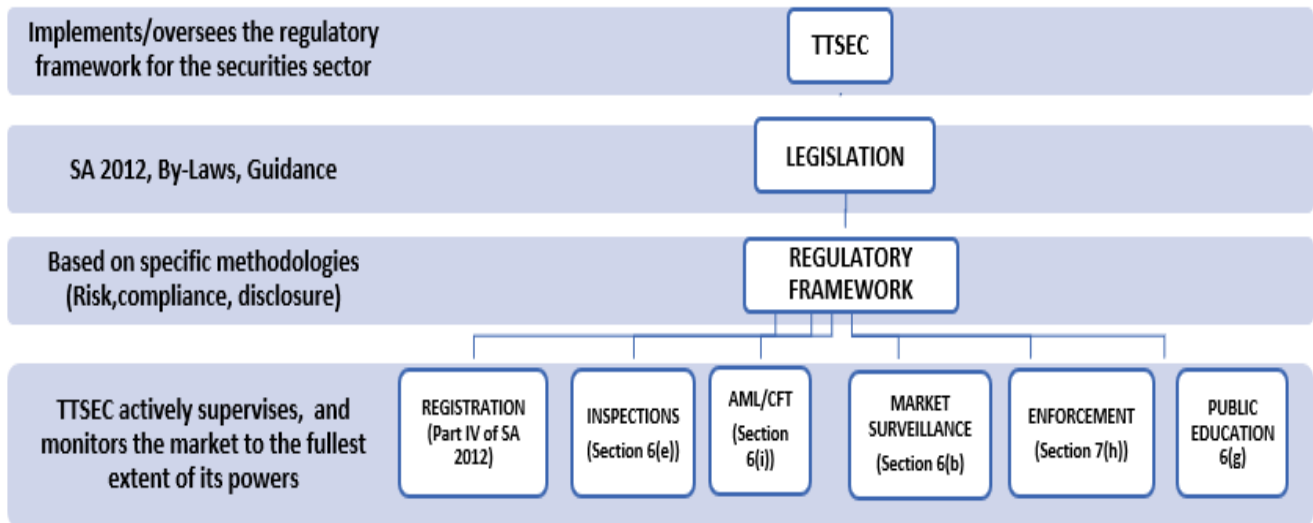




Functions of the Trinidad and Tobago Securities and Exchange Commission

The Trinidad and Tobago Securities and Exchange Commission (“TTSEC”) was established under the Securities Industry Act 1995 (SIA 1995) which was repealed and replaced by the Securities Act 2012 (SA 2012). The SA 2012 prescribes the legal framework for the functioning of the TTSEC. This article outlines the regulatory framework for Trinidad and Tobago’s securities industry, as depicted in **Figure 1**, and gives a brief narrative of the TTSEC’s powers and functions, as carried out by the various divisions. Public education is inserted in Figure 1 for the sole purpose of highlighting its importance.

Figure 1



Legislation and Regulatory Framework

The SA 2012 establishes the TTSEC as a body corporate that regulates the securities market and outlines its powers and functions¹. The SA 2012 gives the TTSEC the power to enforce policies and procedures to ensure the efficient operations of the market and mitigate against systemic risk². In addition, some of the TTSEC's main functions, as outlined in Section 6 of the SA, 2012 are as follows:

- Advise the Minister of Finance on matters related 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 SA, 2012, Self-Regulatory Organisations (“SRO’s”), Broker-Dealers (“BDs”), Registered Representatives (RR’s), Underwriters, Issuers and Investment Advisers (“IAs”) and control and supervise with a view to proper standards of conduct, and professionalism in the securities business;
- Conduct inspections, reviews and examinations of SROs, BDs, RRs, Underwriters, Issuers and IAs as may be necessary for giving full effect to the SA 2012;
- Protect the integrity of the securities market against any abuses arising from the practice of insider trading;
- Educate and promote an understanding by the public of the securities industry and the benefits, risks, and liabilities associated with investing in securities;
- Ensure compliance with the Proceeds of Crime Act (“POCA”), any other written law in relation to the prevention of money laundering and combating the financing of terrorism or any other written law that is administered or supervised by the Commission;
- Create and promote such conditions in the securities industry as may seem to it necessary, advisable or appropriate to ensure the orderly growth and development of the capital market.

As part of its legal framework, the TTSEC also releases guidelines to the market which provides guidance on various market activities. The guidelines also outline standards of behaviour expected of registrants as they conduct their business. Here are some examples:

- Guidelines on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT);
- Repurchase Agreement (Repo) Guidelines; and
- Collective Investment Scheme (CIS) Guidelines.

¹ As noted in Sections 5-8 of the SA 2012

² Systemic risk refers to the risk associated with the entire market or market segment.

Registration

Section 62 (1) of the SA 2012 empowers the TTSEC with the responsibility to ensure that “no security shall be distributed or listed unless it is registered with the TTSEC.” Section 51 (1) of the SA 2012, states:

(1) Subject to this Act, no person shall carry on business or hold himself out as, or engage in any act, action or course of conduct in connection with, or incidental to, the business activities of—

(a) A broker-dealer;

(b) An investment adviser; or

(c) An underwriter,

Unless the person is registered, or deemed to be registered, as such, in accordance with this Act, and except for persons deemed registered, the person has received written notice of the registration from the Commission.

The division of Disclosure, Registration and Corporate Finance is responsible for the registration of all SROs, BDs, RRs, Underwriters, Issuers and IAs, as well as the securities that they provide. This means that entities seeking to engage in these activities must obtain approval from the TTSEC before operating in the securities market. The registration process allows for the review of offering documents to ensure that they meet regulatory and legislative requirements before products and services are released onto the market.

Compliance and Inspections

The SA 2012 gives the TTSEC the power to perform on-site inspections of Registrants to ensure that they are in compliance with the provisions of enforceable legislation (SA 2012, POCA, and The Financial Obligations Regulations 2010, as amended (the FORs)). Ideally, inspections and their frequency should be executed using a risk-based approach.

A risk-based approach allows for the profiling of Registrants according to the risks associated with their business and its operations. The division of Compliance and Inspections, was established in 2014 as a result of the passage of the SA 2012. Its main responsibilities include conducting on-site inspections of Registrants, issuing compliance direction and referring matters for legal enforcement..

Market Surveillance

The activities of the Market Regulation and Surveillance division are geared towards monitoring and evaluating the actions of registered or non-registered entities/persons with a view to determining whether such actions contravened, is contravening or may contravene the SA 2012, any By-Laws or other guidance issued by the TTSEC. The TTSEC predominately has a disclosure-based approach to regulation. This means that Reporting Issuers are required to disclose to the TTSEC, at specific periods, details about their business operations. An example of this would be

the disclosure of material changes. A change is considered material where the change is reasonably expected to impact the investment decision of a reasonable investor. Another aspect of market surveillance would be the handling and processing of investor complaints from members of the public, on matters pertaining to the securities industry.

Enforcement

Where Registrants are non-compliant with the rules outlined in the legislation, the TTSEC has the power to apply sanctions or penalties through a court of law. The Legal Division has responsibility for the TTSEC's legal, advisory and enforcement mandate and conducts investigations into instances of non-compliance among other actions

Anti -Money Laundering and Combating the Financing of Terrorism (AML/CFT)

The TTSEC also plays a role in ensuring compliance with Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) legislation. This legislation includes the POCA and FORs. As a supervisory authority for the securities sector, the TTSEC is mandated to ensure compliance with POCA and any other written law administered or supervised by the TTSEC in relation to the prevention of money laundering and combating the financing of terrorism.

Public Education

The TTSEC aims to educate and promote an understanding by the public of the securities industry and the benefits, risks, and liabilities associated with investing in securities. The public education mandate focuses heavily on investor protection.

END

The TTSEC has a dedicated website for investor education – www.investucatett.com.

For more information, please visit our corporate website, www.ttsec.org.tt.

You may also visit our Investor Education website at www.investucatett.com or connect with us via any of our social media handles:



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