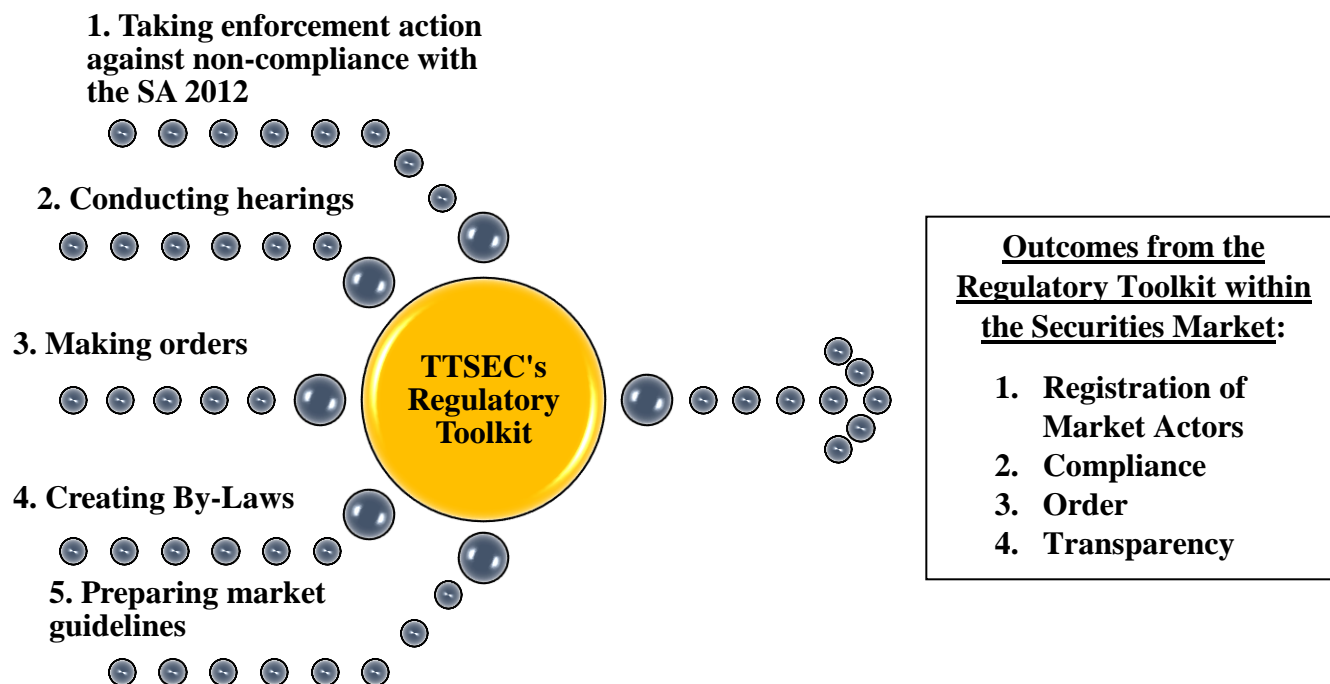




HOW THE SECURITIES INDUSTRY IS REGULATED (PART 2)

In our previous article, we discussed the regulatory frameworks that are available to the TTSEC in regulating the local securities market. The Securities Act, 2012 as amended (“SA 2012”) and its Securities General By-Laws, 2015 are two (2) major lynchpins through which the securities market and its market actors are effectively regulated. This week, we focus on the major components of the TTSEC’s regulatory toolkit and the expected outcomes, which are illustrated in **Figure 1**.

Figure 1 – Major Components of the Regulatory Toolkit of the TTSEC



The Regulatory Toolkit

TAKING ENFORCEMENT ACTION AGAINST NON-COMPLIANCE WITH THE SA 2012:

The SA 2012 provides guidance, under Part VII (“Market Conduct and Regulation”), on areas of regulation that require compliance from, as well as the taking of enforcement action against, market actors. In particular, the major sources of market misconduct are **Market Manipulation** and **Insider Trading**.

Market manipulation refers to artificially inflating or deflating the price of a security, or otherwise influencing the behavior of the market, for personal gain. It is variously called price manipulation, stock manipulation, and market manipulation.

Sections 91 – 99 of the SA 2012 outline the associated offences that contravene the spirit of a fair, effective and transparent securities market, and are listed as follows:

- **Section 91** - False trading and the setting of artificial prices;
- **Section 92** - Price rigging;
- **Section 93** - Misrepresentation of securities-related information;
- **Section 94** - Securities market manipulation;
- **Section 95** - Fraudulent or deceptive devices; and
- **Section 96** - Excessive trading.

Insider Trading involves trading in a public company's stock by someone who has non-public material information about that stock. **Sections 100 – 106** of the SA 2012 outline the provisions used to treat with insider trading. **Sections 100-102** are briefly listed as follows:

- **Section 100** - prohibition on use of material non-public information;
- **Section 101** - prohibition on the disclosure of material non-public information;
- **Section 102** - contraventions of sections 100 or 101 is an offence and is liable on summary conviction to a fine of TT\$10M and to imprisonment for ten years;

The TTSEC is empowered to take enforcement action and a major tool at the TTSEC's disposal is the conducting of investigation as prescribed under **Sections 150 – 153** of the SA 2012.

CONDUCTING HEARINGS: Under **Section 159**, the TTSEC shall, before making an order, provide a reasonable opportunity for a hearing to each person directly affected and shall give reasonable notice to each such person and to any interested market actor including :

- statement of the time, place and purpose of the hearing;
- reference to the authority under which the hearing is to be held;
- concise statement of the allegations of fact and law; and
- statement that if the person fails to attend at the hearing, the TTSEC may proceed without giving him further notice.

MAKING ORDERS: This is prescribed under **Sections 154 – 157** of the SA 2012. In particular, **Section 154** states, “Where the Commission considers that—

(a) a security is being traded in connection with a distribution contrary to this Act;

(b) a prospectus contains a misrepresentation;

(c) any of the circumstances specified under this Act as the basis for a refusal to issue a receipt for a prospectus exists; or

(d) an issuer, selling security holder or registrant fails to provide information, including financial statements relating to the issuer or the distribution, that is reasonably requested by the Commission,

the Commission may order, subject to such conditions as it considers appropriate, that all trading in connection with the distribution, cease at the time and for the period specified by the Commission.”

CREATING BY-LAWS: The creation of By-Laws is a fundamental aspect of how the TTSEC goes about its regulatory mandate. **Section 148** of the SA 2012 outlines the conditions under which the Minister of Finance, on the recommendation of the TTSEC, may make By-Laws. Once completed, the TTSEC must publish a copy of the proposed By-Laws and a concise statement of substance and purpose.

PREPARING MARKET GUIDELINES: The TTSEC may issue **Guidelines** as prescribed under **Section 146** of the SA 2012 on any matter it considers necessary that will ensure compliance with the aforementioned legislation and enable the TTSEC to perform its functions effectively. Guidelines are also used to regulate the market conduct of market actors and to aid compliance with the Proceeds of Crime Act or any other law related to the prevention of money laundering and the combating of terrorism financing.

The TTSEC utilises all of the tools within its regulatory toolkit with the expressed purpose of ensuring that all market actors are registered appropriately; there is compliance with all relevant legislation; the securities market operates in an orderly manner, and there is full transparency in the securities market.

Once these objectives are met, there should be a high level of confidence in the securities market. These tools will be continuously utilised by the TTSEC to ensure there is protection to investors from unfair, improper or fraudulent practices and to foster a fair and efficient securities market.

In our next article, we will shift focus to developing good investing habits given the upcoming Christmas season. For more information on the local securities market visit us @ 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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