



Know Your Rights as an Investor -Pt.1



The growing use of social media platforms such as Facebook, Instagram and LinkedIn, has significantly altered the way in which individuals and businesses communicate and transact business. Investment providers have taken advantage of this opportunity and have utilised online forum to advertise their products to a wider audience. As a result, consumers are exposed to a wide array of attractively packaged investment offerings targeting their money. It is important for consumers to be aware of their rights and responsibilities as investors, in order to protect themselves from becoming victims of fraudulent investments schemes. In part one of this two-part feature, titled '**Know Your Rights as an Investor**', we focus on the personal role of the investor in making informed decisions, and some of the ways in which the Trinidad and Tobago Securities and Exchange Commission (TTSEC) can assist, through the provision of information and access to learning resources.

Sample Scam Advertisement

Do you need extra cash? Are you looking for ways to earn substantial profits? We at **XYZ Financial Limited** offers professional financial advice on trading in the local and international stock market. It is as simple and easy as XYZ! Our financial experts are here to guide you into making huge profits on your investment. Call us and sign up today! Visit our website at, www.xyzeasymoney.com to view testimonials from our clients! Earn up to US\$6,000 in PROFITS!

The above Sample Scam Advertisement, or variations of such, are prevalent in the public domain and therefore investors should possess relevant information to make an informed investment decision. As an investor, you are a consumer of financial services and therefore have the right to receive full, accurate and timely information regarding any investment product in which you have already invested or intend to invest.

Investors should review the prospectus¹ of every investment in which they intend to participate, to ensure that they are fully knowledgeable of the parameters concerning the investment product.

Section 73(1) of the Securities Act, 2012 (SA 2012) states that no person shall trade in a security that is required to be registered, unless a prospectus has been filed and issued with the TTSEC.

It is also the responsibility of all investors to ensure that they obtain as much information about the investment in which they are about to participate. For details on some of the key questions that you should ask before you invest visit the TTSEC's Investor Blogs on Investing 101 Parts 1 and 2: <https://investucatett.com/2020/10/15/investing-101-in-tt-part-1/>.

With reference to the Sample Scam Advertisement, in order for consumers to protect themselves against falling victim to fraudulent investment activities, investors should determine whether the company, XYZ Financial Limited, is registered with the TTSEC to transact business in the respective capacity. Sections 51 and 61 of the SA2012 state that no person or business shall act on or carry out any business for which it is not registered. The registration categories for individuals and institutions authorised to conduct business of a securities nature fall within one of the following: reporting issuer, broker-dealer, investment adviser, underwriter or registered representative. The list of registrants can be accessed via the following link : www.ttsec.org.tt/easi/registered-companies-individuals-and-securities . From the example given, we see that XYZ Financial Limited is “offering professional advice on trading in the local and international stock market”. This suggests that the company provides investment advice as well as engages in securities transactions on behalf of its clients.

In view of what is being represented in the example provided, a prospective investor should ensure that XYZ Financial Limited is registered with the TTSEC as a broker-dealer before transacting

¹A prospectus is a formal legal document that is required by and filed with the Securities and Exchange Commission that provides details about an investment offering for sale to the public.

business with the company. This is an essential step in determining whether the company is authorised to issue advice or conduct transactions on behalf of its clients.

It is also the investor's responsibility to be aware that with all investments there are intrinsic risks and to understand the risk related to the particular investment. More often, advertisements and promotional material utilise persuasive techniques rather than providing information that is useful and objective in nature. In instances such as this, investors are often unaware of the risks of the investment and fall victim to high-pressured sales tactics.

Whilst it is incumbent upon investors to "know their investment", under the SA 2012 various guidelines and policies allow for a range of actions/measures to be taken by the TTSEC with the protection of the investor in mind. One such action, is that the TTSEC monitors advertisements and other marketing material that investment providers publish regarding their products or services to ensure pertinent information is disclosed in order to assist an investor in making an informed decision.

The TTSEC also monitors the advertisements of Collective Investment Schemes (CISs), which are guided by the Promotion Presentation Standards for Collective Investments Schemes², in an effort to ensure the complete and accurate disclosure of the performance information of CISs.

The TTSEC also ensures the timely, accurate, fair and efficient disclosure of pertinent information by registrants, to the investing public. This is guided by, Part V of the SA2012 which speaks to the timely disclosure of material changes³, financial statements, annual reports and other items relating to the registrant, which investors can access when making decisions regarding their investment. More specifically, Section 63 of the SA2012 requires the investment provider to make available its annual report, to each of its stockholders at the end of its financial year. In addition, Section 65 and Section 66 of the SA2012, seek to ensure that reporting issuers file their annual and interim financial statement with the TTSEC within a specified timeframe. Material events such as acquisitions and mergers, resignations and appointment of senior officers, impact the investment decisions of a reasonable investor and are required to be disclosed in two newspapers, of national circulation, and also filed with the TTSEC. These *material changes* are also posted our website⁴.

In addition to an investor's right to information, there is also the right to submit a complaint in instances where they have been the victim of a scam or any other fraudulent activity of a securities nature. In instances such as these, there are two avenues for seeking recourse with regard to the complaint. First, the investor should, where possible and according to the nature of the complaint,

² <https://www.ttsec.org.tt/wp-content/uploads/reg050627-4.pdf>

³ According to Section 4 of the Securities Act 2012 a material change is "a change in the business operations, assets, ownership or affairs of an issuer, the disclosure of which would be considered important to a reasonable investor in making an investment decision and includes a decision to implement such a change made by the board of directors of an issuer".

⁴ www.ttsec.org.tt

lodge the complaint directly with the investment provider or seek to resolve the matter with the subject(s) of the complaint. Registrants are required to establish an effective complaint handling procedure to ensure that all complaints received from their clients are investigated and a response provided in writing within a reasonable timeframe, as outlined in By-law 65 of the Securities (General) By-laws 2015. The second option available to the investor is to lodge a complaint ***directly with the TTSEC.***

There are several options open to the investor to lodge a complaint with the TTSEC, this can be done via our website: www.ttsec.org.tt/investor-protection/investor-complaints/; by email: marketcomplaints@ttsec.org.tt; written correspondence to the TTSEC's office; via telephone and, very soon, via a new mobile application.

It is expected that an average investor should be able to gather and analyse all the information available regarding the particular entity and/or security prior to making an investment decision. Next week, we will expand on the 'Rights of Investors' in Part 2.

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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:



Published Article – Business Express Newspaper
June 30th, 2021