



## Micro and Macro Prudential Reporting

The ability to capture, maintain and monitor key financial stability/macro-prudential indicators is essential in the analysis and evaluation of the securities market. This article will discuss the Micro and Macro Prudential Reporting Framework (MMRF), which is the tool utilised by the Trinidad and Tobago Securities and Exchange Commission (TTSEC) to capture key metrics and is used to conduct analysis that evaluates the health, soundness and vulnerabilities of the local securities market.

As per Section 6(1) of Securities Act, 2012 (SA 2012), the TTSEC is required to assess, measure and evaluate the risk exposure in the securities industry. The administration of the MMRF also ensures that the TTSEC complies with the Principles prescribed by the International Organization of Securities Commissions (IOSCO). IOSCO is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. The utilisation of the MMRF ensures that the TTSEC complies with Principle 6 as prescribed by IOSCO.

### IOSCO PRINCIPLE 6

The regulator should have or contribute to a process to monitor, mitigate and manage systemic risk, appropriate to its mandate.

As a result of the global financial crisis of 2008-2009, Principle 6 was incorporated into IOSCO's regulation, since at the time of the crisis, the traditional regulatory functions of securities regulators were not tailored to mitigate the emerging systemic risk, which threatened the stability of the evolving global financial system. As such, this Principle seeks to address the need for securities regulators to play a role in addressing systemic risks and maintaining financial stability.

On September 16<sup>th</sup>, 2016, an Order was issued by the TTSEC, which requires registrants to complete and submit the applicable forms in the timeframe

specified. This data is supplied via eleven (11) forms. The forms are required to be submitted 30 days after the end of each calendar quarter. Each form captures specific information based on the business activities of registrants and are listed in the table below.

MMRF FORMS	
Form Number	Name of Form
SEC-MMRF01	Balance Sheet and Client Assets
SEC-MMRF02	Income and Expenditure
SEC-MMRF03	CIS Portfolio Composition
SEC-MMRF04	Securities Held by Firm Not Assigned to Repos
SEC-MMRF05	Broker-Dealers Repo Portfolio Composition – Assets and Liabilities
SEC-MMRF06	Broker-Dealers Repo Activity Summary
SEC-MMRF07	Broker-Dealers Repo Transactions
SEC-MMRF08	Broker-Dealers Transactions - OTC / Margin Trading
SEC-MMRF09	CIS Investor Breakdown
SEC-MMRF10	CIS Portfolio Transactions
SEC-MMRF11	Broker-Dealers Private Placement (Primary Issues)

Failure to submit the relevant MMRF forms is a breach of the Commission's Order. As such, Registrants can be charged with administrative fines up to a maximum of five hundred thousand dollars (TT\$500,000.00) in accordance with Sections 156(1) and 165(2) of the SA 2012.

The MMRF continues to be one of the most critical tools utilised to analyse the securities market. The data supplied is used to produce reports containing aggregate market information, such as the Securities Market Bulletin which is produced biannually. To date the Commission has received quarterly data from July 2016 and through analysis of this information have produced 5 issues of the Securities Market Bulletin. Data collected from the MMRF are related to the following business activities of registrants:

- Collective Investment Schemes (CISs)
- Repurchase Agreements (Repos)

- Private Placements/Limited Offerings
- Over the Counter (OTC) Trading

Through the analysis of the MMRF data, changes and developments in the major segments of the securities market can be monitored. Observations are also made on the interconnections which refer to relationships and/or dependencies among market participants to facilitate financial transactions. The table below highlight some key statistics collected from the MMRF on the securities market over an 18-month period (March 2019 to June 2020).

Description	March 2019	June 2019	September 2019	December 2019	March 2020	June 2020
CIS AUM (TT\$Mn)	53,339	54,362	54,499	55,868	55,220	57,004
% CIS AUM Fixed NAV	59	59	59	58	59	58
% CIS AUM Floating NAV	41	41	41	42	41	42
Number of CISs	64	64	64	64	68	68
Number of CIS Managers	12	12	12	12	15	15
CIS Net Sales/(Redemptions) (TT\$Mn)	575	513	133	733	(55)	1,084
Repo Assets (TT\$Mn)	5,223	5,252	5,219	4,763	3,722	3,990
Repo Liabilities (TT\$Mn)	4,921	4,833	4,832	4,317	3,599	3,736
No. of Repo Contracts in issue	1,504	1,490	1,498	1,463	1,348	1,458
No. of Repo Dealers	11	11	11	12	12	12
Average Repo Maturity (mths)	41	43	11	12	12	10
Average Repo Return (%)	3.14	3.18	3.29	3.11	3.02	2.95
Value of GORTT Bond Issues, (TT\$Mn)	32,323	32,319	31,714	31,709	31,705	29,975
TTSE Market Capitalisation (TT\$Mn)	134,325	141,219	141,833	150,533	134,394	134,523
Value of OTC Transactions, (TT\$Mn)	4,756	4,771	799	842	2,595	1,943
Number of OTC Transactions	443	494	703	682	710	778

The MMRF data is also being used in the development and implementation of the TTSEC's Stress Testing Framework, which forms an integral part of its Risk-Based Supervisory (RBS) Framework. The Stress Testing Framework is an important tool that applies numerical techniques to simulate specific and hypothetical scenarios which gauge the vulnerabilities of individual registrants and the market as a whole to potential risks.

**END**

For more information on the MMRF and the securities industry, please visit our corporate website, [www.ttsec.org.tt](http://www.ttsec.org.tt).

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



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