



Protecting the Integrity of the Securities Market

//Trinidad and Tobago Securities and Exchange Commission

A key responsibility of the Trinidad and Tobago Securities and Exchange Commission (TTSEC), under the Securities Act Chapter 83:02 (SA), is to protect the integrity of the securities market against any abuses arising from market manipulating practices, insider trading, conflicts of interest and other unfair and improper practices. This is accomplished through a variety of ways, with one of the most important being through the registration of market participants.

The TTSEC is responsible for the registration of all self-regulatory organisations (for example the Trinidad and Tobago Stock Exchange); market intermediaries such as broker-dealers, investment advisers, underwriters; and reporting issuers, as well as the securities that are issued by the reporting issuers. The registration process involves the completion of forms which ask a series of questions. In the case of market intermediaries, the registration process is designed to (among other things) assess the financial responsibility, integrity and competence of the applicant. The documents submitted in the registration application are reviewed to determine whether the applicant meets the criteria to be registered to operate in their respective roles. The application is approved once the criteria are satisfied.



Apart from the securities legislation and related by-laws, the TTSEC is also guided by the International Organisation of Securities Commissions (IOSCO), which is the global standard setting body of securities regulators. IOSCO's Objectives and Principles of Securities Regulation outlines requirements of market participants as a guide for securities' regulators. IOSCO established 38 principles based on the following three (3) objectives: the protection of investors; ensuring that markets are fair, efficient and transparent; and the reduction of systemic risk. As it relates to the conduct of businesses to act in the best interest of their clients, Principle 31 specifically states that:

“Market intermediaries should be required to establish an internal function that delivers compliance with standards for internal organization and operational conduct, with the aim of protecting the interests of clients and their assets and ensuring proper management of risk, through which management of the intermediary accepts primary responsibility for these matters.”

Principle 31 places the responsibility on the management of market intermediaries to establish, maintain and ensure adherence to standards of conduct within their internal processes to protect their clients' best interests. As such, market intermediaries should not solely rely on the law to guide their operations, but establish internal guidelines and procedures that ensures, promotes and supports ethical conduct.

Under IOSCO's Objectives and Principles, ***“The fairness of markets is closely linked to investor protection and, in particular, to the prevention of improper trading practices. Market structures should not unduly favour some market users over others....The reduction of systemic risk is closely linked to investor protection; however, risk taking is essential to an active market and regulation should not unnecessarily stifle legitimate risk taking. Rather regulators, should promote and allow for the effective management of risk; and ensure that capital and other prudential requirements are sufficient to address appropriate risk taking, allow the absorption of some losses and check excessive risk taking.”***¹

Registrants are continuously assessed in order to ensure that they meet the statutory requirements to be registered in their capacities with the TTSEC. In the event that a registrant no longer meets these requirements, the TTSEC has the power to issue a warning, reprimand or suspend the registration of the registrant; if it is of the opinion that it is in the public's interest, so to do. This process seeks to ensure that only players who meet the registration requirements outlined in the law are in the market, which will thereby provide investors with the knowledge and comfort to invest with confidence.

The laws and rules that govern the securities market are derived from a simple concept: all investors should have access to certain basic facts about an investment prior to its purchase. To achieve this, the TTSEC requires registrants disclose meaningful financial and other information to the public, which provides a common pool of knowledge for all investors to use to make

¹ International Organization of Securities Commissions. (May 2017). *Objectives and Principles of Securities Regulation*. <https://www.iosco.org/library/resolutions/pdf/IOSCORES63.pdf>

informed investment decisions. These disclosures consist of, but are not limited to, financial statements, revised registration statements, material changes and offering documents.

The TTSEC works to ensure that registrants are complying with the requirements of the SA in meeting their disclosure obligations through the review process. Further, the disclosures are reviewed and assessed for accuracy and adequacy. As it relates to market intermediaries, the TTSEC also reviews the financial solvency of these registrants. Registrants, who fail to meet the continuous disclosure requirements, would have contravened the SA and would accordingly be subject to the relevant sanction/s.

Only through the steady flow of timely, comprehensive and accurate information, can investors make sound investment decisions. Therefore, the TTSEC aims to ensure that registrants comply with the disclosure requirements of the SA, so that the investing public of Trinidad and Tobago would be well equipped with the knowledge to confidently invest in the securities being offered by companies.

For more information on the securities market and the role and functions of the TTSEC, please visit our corporate website at www.ttsec.org.tt. To become a smart investor, check out our investor education website, www.investucatett.com and download our Investor Protection Mobile Application via the Google Play and Apple Store. You can also take the online course, and test your knowledge in our interactive investing game InvestorQuestTT at www.investorquest-tt.com, and remember, to connect with us via Facebook; Twitter, Instagram, LinkedIn or You Tube.

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