



## How the Securities Industry is Regulated

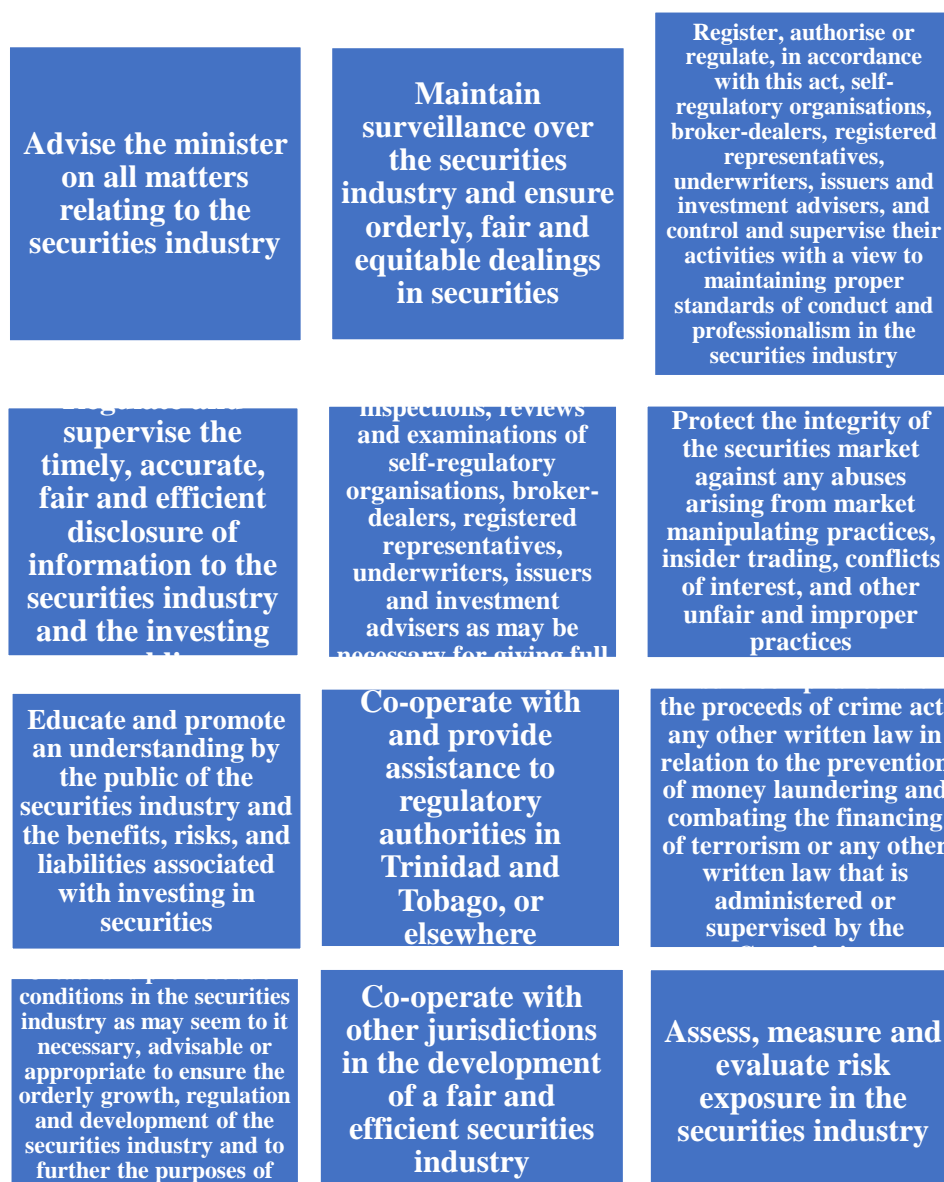
The formalisation of the local securities industry began as a policy decision by the Government in the 1970s, which sought to localise the foreign-owned commercial banking and manufacturing sectors of the economy. The primary policy objective, at the time, was to encourage these businesses to divest and sell a majority of their shareholding to nationals. This resulted in the formation of the Capital Issues Committee, in July 1970, to oversee the primary market and the Call Exchange (which was established as a branch of the Central Bank in 1965). In 1981 the Stock Exchange was established under the provisions of the Securities Industry Act 1981. **Figure 1** shows the evolution of the Securities Industry Act throughout the years. Since 1981, there has been three (3) revisions to the initial Securities Industry Act; the first of which (“**The Securities Industry Act, 1995**”) established the Trinidad and Tobago Securities and Exchange Commission (“TTSEC”) as the securities industry’s regulator.

**Figure 1 – The Evolution of the Securities Act in Trinidad and Tobago**



The 1995 iteration vested authority with the TTSEC, to effectively regulate and maintain surveillance of the securities market. This iteration was repealed and replaced by the Securities Act, 2012 on December 31<sup>st</sup>, 2012 and subsequently amended in 2014. The current iteration of the Securities Act is comprised of twelve (12) major Parts that treat with a wide range of industry issues such as registration matters (Part IV) to general provisions and enforcement mechanisms (Part XI). Section 6 of the Securities Act, 2012, as amended (“SA 2012”) can be found under Part II and outlines the functions of the TTSEC as illustrated in **Figure 2** below:

**Figure 2 – Functions of the TTSEC under Section 6 of the SA 2012, as amended:**



The TTSEC discharges its functions by conducting:

- Compliance and Inspection reviews which ensure that registrants are adhering to relevant legislative requirements and issued guidance. This is one of the mechanisms used by the TTSEC to encourage confidence in the local securities market. As such, investors can be assured that firms within the securities industry have robust policies/procedures and practices that mitigate against the risks that they face, in doing business;
- Registration and ensuring Disclosure, through which the TTSEC nurtures a fair, efficient and transparent securities market. Disclosure can be considered as the act of releasing relevant information pertaining to a company that may influence an investment decision. The TTSEC ensures the disclosure of important market-related information, in order to maintain transparent dealings and protect against fraud;
- Legal, Advisory and Enforcement, which include (but are not limited to) the review of legal documents submitted in securities applications, the interpretation of and advising on securities legislation; reviewing and proposing amendments to securities laws, as well as the conducting of investigations, enforcement actions and appearing before courts and administrative hearing panels;
- Market Regulation and Surveillance, which seeks to protect the integrity of the market. Its core activities include surveillance (Trading and Market), ensuring adherence to continuous disclosure requirements, complaints processing, conducting inquiries into unregistered persons/entities, conducting investigations as well as the processing of de-listing applications and
- Investor Education (IE) outreach sessions, via its IE programme – InvestucateTT. The programme includes an IE hub [www.investucateTT.com](http://www.investucateTT.com); an investing game – [www.investorquest-tt.com](http://www.investorquest-tt.com) and the dissemination of information via its many social media handles – all aimed at educating the public and promoting an understanding of the securities industry - the benefits, risks and liabilities associated with investing in securities;

The TTSEC is currently developing its stress testing framework which seeks to measure and assess risks within the local capital markets. This will be important in the identification of potential market weaknesses whereby the TTSEC can then provide guidance to the respective entities on taking the appropriate corrective/preventative measures.

Section 7 of the SA 2012, outlines the powers held by the TTSEC to ensure that its functions are carried out effectively. These include:

- (a) Formulating principles for the guidance of the securities industry;
- (b) Treating with such matters as may be referred to it by any person from time to time;
- (c) Registering and regulating market actors in accordance with the SA 2012;
- (d) Monitoring the solvency of registrants that are entities, securities markets and self-regulatory organisations and take measures to protect the interest of investors where the solvency of any such person is in doubt;
- (e) Adopting measures to supervise and minimise any conflict of interest that may arise in the case of registrants or self-regulatory organisations and where appropriate other market actors;

- (f) Reviewing, approving and regulating takeovers, amalgamations and all forms of business combinations in accordance with this act or any other written law in all cases in which it considers it expedient or appropriate to do so;
- (g) Reviewing the contents of prospectuses and issue receipts therefore, and review any form of solicitation, advertisement or announcement by which securities are proposed to be distributed;
- (h) Taking enforcement action against any person for failing to comply with the SA 2012;
- (i) Recommending bye-laws to the minister;
- (j) Formulating, preparing and publishing notices, guidelines, bulletins and policies describing the views of the TTSEC regarding the interpretation, application, or enforcement of the SA 2012;
- (k) Making orders;
- (l) Monitoring the risk exposure of registrants and self-regulatory organisations and taking measures to protect the interest of investors, clients, members and the securities industry;
- (m) Undertaking such other activities as are necessary or expedient for giving full effect to the SA 2012; and
- (n) Doing all things, and taking all actions, which may be necessary, expedient, incidental or conducive to the discharge of any of its functions and the exercise of its powers under the SA 2012.

These regulatory powers ensure a fair, transparent and orderly securities market and allow the TTSEC to:

- (i) Take enforcement action against non-compliance with the SA 2012;
- (ii) Create By-Laws;
- (iii) Prepare Market Guidelines;
- (iv) Conduct Hearings; and
- (v) Make Orders.

Next week's article will address the major tools used by the TTSEC in order to effectively regulate registered entities within our jurisdiction. For more information on the local securities market visit us @ [www.ttsec.org.tt](http://www.ttsec.org.tt) You may also visit our Investor Education website at [www.investucattt.com](http://www.investucattt.com) or connect with us via any of our social media handles:



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