



## The Role of Compliance and Inspections in Enforcing the Securities Law



The Securities Act, Chapter 83:02 (SA), provides the Trinidad and Tobago Securities and Exchange Commission (TTSEC) with the power to take enforcement action against any registrant for failing to comply with the SA. Where, during the course of a compliance review (or inspection) in accordance with section 89 of the SA, a registrant is found to be in contravention of (or contravening) the relevant legislation, the matter may be referred for enforcement action. Under Section 7 (1) (h) and (j), of the SA, the TTSEC has the power to take “*enforcement action against any person for failing to comply with the Act*”; and to “*formulate, prepare and publish notices, guidelines, bulletins and policies describing the views of the Commission regarding the interpretation, application, or enforcement of this Act*”.

Section 89 provides for the conduct of a compliance review of any registrant. This process involves a determination of a registrant’s adherence to the provisions of the SA, the Securities (General) By-laws 2015, the Proceeds of Crime Act (POCA) and any other written law in relation to the prevention of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT).

The following is a list of statutes and regulatory guidelines used by the TTSEC in its compliance reviews.

<b>Legislation/Guidelines</b>	<b>Description</b>
<b>Securities Act (SA)</b>	An Act to provide protection to investors from unfair, improper or fraudulent practices; foster fair and efficient securities markets and confidence in the securities industry in Trinidad and Tobago; to reduce systemic risk, to repeal and replace the Securities Industry Act, Chap. 83:02 and for other related matters.
<b>Securities (General) By-laws, 2015</b>	Rules used in conjunction with the SA.
<b>Proceeds of Crime Act (POCA)</b>	Legislation that establishes the procedure for criminalising of money laundering and confiscation of the proceeds of certain offences. The POCA contains the Financial Obligations Regulations (FORs) which are the regulations for AML/CFT.
<b>The Anti-Terrorism Act</b>	Legislation that criminalises terrorism and provides for detection, prevention, prosecution, conviction and punishment of terrorist activities and confiscation, forfeiture and seizure of terrorists' assets.
<b>Anti-Money Laundering-Combating the Financing of Terrorism (AML-CFT) Guidelines</b>	TTSEC issued Guidelines to registrants to support the implementation of AML/CFT requirements.
<b>Collective Investment Schemes (CIS) Guidelines</b>	TTSEC issued Guidelines that set out the regulatory requirements that apply to a CIS (Mutual Fund) operated and distributed within Trinidad and Tobago.
<b>Repurchase Agreements (Repo) Guidelines</b>	TTSEC issued Guidelines to govern all Repo sellers operating within Trinidad and Tobago.

Section 90, of the SA, provides for issuance of a Compliance Direction (CD) to the registrant where, following the conduct of a compliance review, a registrant is found to be pursuing a course of conduct that may be unsafe/unsound, is directly/indirectly prejudicial to the interests of investors or is contravening other provisions of the SA, its By-laws or other written laws for which the TTSEC has a supervisory role. The CD will direct a registrant to take all measures that are necessary to remedy the deficiencies identified in its business conduct or operations.

A CD may be issued for the following reasons:

- A registrant is pursuing, or is about to pursue, any course of conduct that is an unsafe or unsound<sup>1</sup> practice in conducting the business of securities;
- A registrant is committing, or is about to commit, an act or is pursuing, or is about to pursue, a course of conduct that may directly or indirectly be prejudicial to the interest of investors;
- A registrant is contravening, or is about to contravene, any of the provisions of this Act or By-laws or Guidelines made thereunder or the POCA, any other written law in relation to the prevention of AML/CFT or any other written law that is administered by the TTSEC.

During a compliance review, relevant information will be sourced and gathered through interviews and examination of relevant documents. The compliance review focuses on a registrant's significant activities and assesses the adequacy of risk-management systems, internal controls, legislative and regulatory compliance and implementation of relevant AML/CFT legislative requirements. All deficiencies arising out of a compliance review are communicated to registrants for consideration and corrective action by a specified date, including all highlighted contraventions or potential contraventions. The TTSEC also monitors a registrant's implementation of remedial actions to ensure compliance. While all deficiencies are communicated to registrants, the TTSEC will determine if those practices constitute a breach/contravention of the relevant laws and whether there is further need to initiate enforcement action.

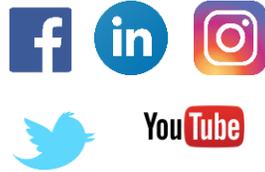
All issues relating to non-compliance by registrants are referred for appropriate remedial action or enforcement if a registrant fails to comply with relevant CDs. The conduct of its compliance reviews is therefore one of the mechanisms by which the TTSEC maintains confidence in the Trinidad and Tobago securities market.

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<sup>1</sup> "unsafe or unsound practices" includes without limitation, any action or lack of action that is contrary to generally accepted standards or prudent operation and behaviour, the possible consequences of which, if continued, would be a risk of loss or damage to a registrant or self-regulatory organisation, its investors or the general public.

**END**

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