



TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION

WE PROTECT. EVERYONE BENEFITS!

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TTSEC Launches Investor Education Website and Mobile Application

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FOREWORD



Dear Valued Stakeholder,

It is my distinct pleasure to welcome you to another issue of the Commission's external communiqué which is intended to inform you, our stakeholder about the many developments taking place in the securities industry, the work of the Commission and other related matters.

In issue #12, we have an update from our Chief Executive Officer Mr. C. Wainwright Iton which includes our activities in the international fora, information on Technical Assistance initiatives, an outline of the significant changes that the implementation of the By-laws will have for registrants, information on a Pilot project regarding Micro and Macro Prudential Frameworks, an article on building a culture of compliance as well as our activities, as they relate to investor education and empowerment.

Thank you once again for taking the time to read this communiqué and I do hope that you enjoy reading the information presented herein.

Patrick K. Watson
Chairman



Mr. C. Wainwright Iton
Chief Executive Officer

Report of the Chief Executive Officer

There have been a number of significant developments at the Commission since the publication of Issue 11, none more so that the coming into force of the Securities (General) By-Laws 2015 (2015 By-Laws), on April 28, 2015, which replaced and repealed the 1997 By-Laws and afford greater regulatory certainty for the securities industry.

Immediately following the introduction of the 2015 By-Laws, the Commission embarked on the regularisation of registrants pursuant to section 51 (1) of the Securities Act, 2012 (SA 2012). Registrants were given until June 29, 2015 to submit their regularisation applications. All registrants who were desirous of continuing to operate in the industry availed themselves of the opportunity to do so, and the Commission is presently reviewing these applications.

Other important developments include:

- a. A visit by a team from the USSEC to do an Assessment and make Recommendations on Organisational Efficiency and Effectiveness. The team visited between May 12 - 19, 2015, and met with a number of key stakeholders, including members of the TTSEC Board, a member of the Judiciary, representatives of the TTSEC, as well as representatives from the Trinidad & Tobago Stock Exchange, the Mutual Funds Association of Trinidad & Tobago, the Bankers Association of Trinidad & Tobago and the Securities Dealers Association of Trinidad & Tobago.
- b. Launch of the TTSEC's Investor Education Website and Mobile Application on May 26, 2015. A report on this initiative is included in this newsletter, however, it further underscores the importance the Commission places on investor education.
- c. IOSCO's Annual Meeting in London June 14-18, 2015.

Chairman Patrick Watson and I represented the TTSEC at the IOSCO Board meeting and the Annual Conference in London. A highlight of the conference was the adoption of the new Strategic Direction IOSCO 2020. IOSCO's goal to 2020 is to reinforce IOSCO's position as the key global reference point for market regulation and to accomplish its mission by focussing on the following priorities.

- i. Research and Risk Identification
- ii. Standard Setting and Developing Guidance
- iii. Implementation Monitoring
- iv. Capacity Building
- v. Cooperation and Information Exchange
- vi. Collaboration and Engagement with other International Organisations

Each priority is supported by definitive action plans - 43 in total.

On a related note, IOSCO's Assessment Committee (AC) will be sending a Review Team to the TTSEC on September 21-25, 2015 to do a Country Review. The AC is responsible for developing and delivering programmes to identify and assess implementation of IOSCO's Principles and Standards. The objective of these programmes is to encourage full, effective and consistent implementation of Principles and Standards across IOSCO membership.

The TTSEC's Country Review would be the second Country Review to be conducted by the AC. The first was Pakistan's.

d. Micro and Macro Prudential Framework:

The Caribbean Regional Technical Assistance Centre (CARTAC) provided technical assistance to the Commission to help develop a reporting framework in support of its mandate "to assess, measure and evaluate risk exposure in the securities industry." The Commission launched a pilot project on August 5, 2015 to begin to collect/collate critical operating information from registrants. The Commission appreciates the support which registrants have given this initiative to date.

e. Conclusion

As the calendar year races to an end, the Commission would continue its pursuit of the three (3) overarching objectives of its 2014-2018 Strategic Plan, viz:

To improve the operational efficiency and effectiveness of the Commission.
To develop a positive Corporate Identity.
To foster the development of the Securities Industry.

The Office of the Chief Executive Officer

Technical Assistance Initiatives



Ms. Lystra Lucillis
Deputy Chief Executive Officer

The Securities Act 2012 provided the Trinidad and Tobago Securities and Exchange Commission (TTSEC) with additional powers, to improve market regulation and reduce systemic risk. In tandem with these increased abilities and the implementation of the Strategic Plan 2014-2018, the TTSEC reexamined its mandate to promote greater efficiency and financial soundness in the capital markets in Trinidad and Tobago. To better align the TTSEC's operational and informational processes to support these critical requirements, the TTSEC sought the help of the Caribbean Regional Technical Assistance Centre (CARTAC). CARTAC is one of eight global International Monetary Fund (IMF) Regional Technical Assistance Centers, created to assist countries strengthen "institutional capacity to design and implement sound macroeconomic policies that promote growth and reduce poverty."

CARTAC agreed to assist the TTSEC via the facilitation of three (3) Technical Assistance (TA) Missions:

1. The design of a comprehensive reporting regime for micro-prudential and macro-prudential oversight of the securities market and for the generation of financial soundness indicators;
2. The development of a stress-testing framework and methodology, as well as, the implementation of stress-tests; and
3. The development of a risk-based supervisory framework for the TTSEC.

All three (3) missions were facilitated via onsite visits to the TTSEC by CARTAC consultants supervised by CARTAC Financial Sector Supervision Advisers. These TA Missions were completed by June 2015. The specific outputs included:

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TA Mission 1 -

Financial Reporting Regime and Indicators:

- The creation of a technical Report on a Comprehensive Reporting Regime;
- Proposals for the development of financial soundness indicators for all aspects of the securities market business in conformity with standards specified in the Handbook of Securities Statistics;
- The development of a list of key financial stability/macro-prudential indicators and relevant reporting forms as well as the methodology for computing the indicators.

TA Mission 2 -

Stress-Testing Framework, Methodology and Implementation

- The development of a Stress-Testing Framework and Methodology and the Implementation of Stress-tests for both systemically important market participants and for the securities market as a whole.

TA Mission 3 -

Risk-based Supervisory Framework

- The design and implementation of a risk-based supervisory/regulatory model;
- The enhancement of the On-Site risk-based supervisory framework.

These onsite TA Missions all required the engagement of the key stakeholders of the TTSEC to gather the perspectives and allow for collaboration in the identification of critical requirements. Stakeholders included fellow financial markets regulators, self-regulatory

organizations, market/industry associations and representatives as well as the staff of the Commission. The candor, active participation and passionate resolve from all participants was the catalyst for the success of these TA missions.

As a result of these TA Missions the TTSEC initiated the review and revision of operational policies and processes and on August 5th, 2015 launched a pilot project consisting of five (5) Macro and Micro prudential Reporting Forms (MMFR) with a small subset of registrants under Section 51(1) of the Securities Act 2012, to test the collection and collation of data, namely:

1. MMRF01 - Balance Sheet and Client Assets
2. MMRF02 - Income and Expenditure
3. MMRF03 - Collective Investment Schemes (CIS) Portfolio Composition
4. MMRF04 - Securities Held by Firm - Not Assigned to Repos
5. MMRF05 - Repo Portfolio Composition - Assets and Liabilities

Additional forms will be tested and rolled out within the next fiscal year with the aim of the formal operationalization of these reporting forms to aid the TTSEC in fulfilling its mandate and to form the basis for the availability of summary market information via market bulletins. The TTSEC looks forward to the continued collaboration and support of all stakeholders as it will ultimately redound to the overall health and stability of the capital market.

***“You Invest, We Protect,
Everyone Benefits!”***

Office of the Deputy Chief Executive Officer



DIVISION OF LEGAL, ADVISORY AND ENFORCEMENT

TTSEC hosts By-Laws Market Outreach Session

The Trinidad and Tobago Securities and Exchange Commission ("the Commission") was established by the Securities Industry Act (SIA 1995) which was proclaimed in 1997.

In December 2012, the SIA 1995 was repealed and replaced by the Securities Act (SA 2012) which was proclaimed on December 28, 2012 and came into force on December 31, 2012. The SA 2012 was defined as "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 and for other related matters".

The SA 2012 was amended and the amendment came into force in September 2014. The Securities (General) By-laws 2015 were gazetted on March 18, 2015 and subject to 40 days' negative resolution which expired on April 28, 2015.

The Securities Industry By-laws, 1997 were made by the Minister pursuant to section 131(7) of the SIA 1995. These By-laws remained in force until they were repealed and replaced by the 2015 By-laws.

The By-laws are interpretive tools that outline the application of the primary legislation. The By-laws outline the obligations of market actors and contain prescribed forms and provides guidance that will allow them to meet their obligations.

When the SA 2012 came into force, there was a need for a revision of the 1997 By-laws in order to provide guidance that would expand upon the requirements and procedures applicable to provisions of the SA 2012. The Commission is pleased to have issued the revised By-laws which in addition to providing the aforementioned guidance, provide clarification of certain obligations and standards of conduct applicable to registrants and self-regulatory

organizations under the SA 2012.

On June 10, 2015 the Commission hosted a market outreach session on its By- Laws, 2015 at the Hyatt Regency, Port of Spain, Trinidad at which registrants were officially informed of the enactment of the By-Laws, and the consequent changes to their obligations were highlighted.

When the SA 2012 came into force on December 31, 2012 brokers, investment advisers, securities companies, traders and underwriters who were registered under the SIA 1995, ("the pre-existing registrants") were provided with a transitional period during which they could continue operations in the securities market until the passage of the By-Laws. When the 2015 by-laws came into effect these pre-existing registrants were afforded a period in which to apply for the regularization of their registration status under the new By-Laws. This period expired on June 29, 2015

All investment advisers, broker-dealers and underwriters who were registered under the SA 2012 were given until **April 28, 2016** to regularize their registration status under the new By-Laws.

The Commission again wishes to express thanks to all participants in the consultation process on the Securities Bill (which subsequently became the Securities Act 2012 ("the SA 2012").

Stakeholders are asked to note that all relevant notices, new forms, the new fee schedule and a Frequently Asked Questions segment are on the corporate website www.ttsec.org.tt to assist in making the transition.

Any queries can be submitted to sa2012@ttsec.org.tt for further assistance.

Development of a Micro and Macro Prudential Reporting Framework

One of the critical functions of the Trinidad and Tobago Securities and Exchange Commission (“the Commission”) under Section 6 of the Securities Act, 2012 (“the Act”) is “to assess, measure and evaluate risk exposure in the securities industry”. In this regard, and in keeping with one of our 2014-2018 strategic goals (to foster the development of the securities market), the Commission has embarked upon a Pilot Project to develop a Micro and Macro Prudential Reporting Framework (MMPRF) for the securities industry.

The MMPRF framework will be used to identify trends, assess systemic risk and vulnerabilities stemming from firm, sector and industry level perspectives. In practical terms, the MMPRF Pilot Project entails the collection of financial and statistical data from persons registered under:

- Section 51 (1) - broker-dealers, investment advisers and underwriters;
- Section 61 - reporting issuers; and
- Section 36 (1) - self-regulatory organizations

Implementation of the MMPRF is supported by Sections 6, 7 and 151 of the Securities Act, 2012 which allow the Commission to request information from registrants that it deems necessary for the conduct of its functions.

As part of the Pilot Project, on August 5, 2015 the Commission met with selected registrants who were required to complete 5 introductory forms. This meeting was a precursor to the ultimate roll out of these forms to the remaining registrants and was aimed at ensuring: (1) that the forms are easily and clearly understood; and (2) the identification and resolution of problems encountered in completing the forms. An additional set of 6 forms are to be released in the same manner as the first. The intention is to incorporate these forms into the Commission’s reporting requirements framework.

Implementation of this framework, which incorporates both micro and macro prudential policy instruments, is integral to the Commission’s ability to publish a summary of key indicators to



monitor potential vulnerabilities and dependencies within the securities market. This approach focuses on the system as a whole and calibrates standards with respect to both the systemic footprint of individual institutions and the evolution of system-wide risk. A two pronged approach such as this, enables securities regulators to monitor and assess markets for systemic risks.

The International Organization of Securities Commissions (“IOSCO”) has long since identified the reduction of systemic risk as one of three main objectives of securities regulation. As a signatory to IOSCO’s Multilateral Memorandum of Understanding (“IOSCO MMoU”), the Commission has adopted these objectives in the Securities Act 2012.

In the coming months, the Commission will be engaging its stakeholders to actively participate in this Project. Since we each have a responsibility to promote the integrity of the market, your participation is critical to the successful implementation of this Framework. We urge you therefore, to work with us to ensure that the systems that we are implementing are effective in promoting financial stability.



Schedule 3 – Securities (General) By-Laws, 2015: Changes Requiring Notification

Overview

As of April 28, 2015, the Securities General By-Laws, 2015 (“the By-Laws”) became law. This piece of legislation prescribes certain additional reporting requirements for registrants of the Trinidad and Tobago Securities and Exchange Commission (“the Commission”). In this article, we take the opportunity to remind registrants of one such reporting requirement brought about by the passage of the By-Laws.

More specifically, we aim to discuss the reporting obligations under Section 56(4) of the Securities Act, 2012 (“the Act”) and By-Law 53(1), which have now been prescribed in Schedule 3 of the By-Laws.

Under the above-referenced Section, registrants are required to inform the Commission of the occurrence of specific prescribed events. The specific events which trigger this obligation to report are contained in two lists that make up Schedule 3 of the By-Laws: List A – Changes Requiring Notification by Registrants Registered under Section 51(1) of the Act and List B – Changes Requiring Notification by Reporting Issuers Registered under Section 61(1) of the Act.

Legislative Provisions

There are various categories of registrants under the Act and the reporting responsibilities of each category differ. The categories of registration to which the requirements of Schedule 3 apply are identified under Section 51(1) and Section 61(1) of the Act.

Section 51(1) of the Act states that:

“Subject to this Act, no person shall carry on business or hold himself out as,

or engage in any act, action or course of conduct in connection with, or incidental to, the business activities of—

(a) a broker-dealer;

(b) an investment adviser; or

(c) an underwriter,

unless the person is registered, or deemed to be registered, as such, in accordance with this Act, and except for persons deemed registered, the person has received written notice of the registration from the Commission”.

Section 61(1) of the Act states that:

“A person, who is not a reporting issuer, and who proposes to make a distribution shall first apply to the Commission to be registered as a reporting issuer by filing a registration statement in the prescribed form and paying the prescribed fee”.

All registrants that fall under the purview of Sections 51(1) and 61(1) of the Act (broker-dealers, investment advisers, underwriters and reporting issuers) are required to make the necessary disclosures to the Commission and this obligation is specified in Section 56(4) of the Act.

Section 56(4) states:

‘Subject to the By-laws, an applicant under this Part or a registrant shall provide the Commission notice in writing of the occurrence of any prescribed event within the prescribed period”.

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This is further supported by Section 53(1) of the By-Laws, which states:

“For the purposes of section 56(4) of the Act, the prescribed events are those set forth in Schedule 3”.

Schedule 3

The following is a summarized list of prescribed events identified in List A and List B of Schedule 3, for which notification to the Commission is required.

Event	Applicable to Registrants Registered under Section 51(1) of the Act	Applicable to Reporting Issuers Registered under Section 61(1) of the Act
The presentation of a petition for the winding up of the registrant or the summoning of any meeting to consider such a winding up.	✓	
The application by another person for the appointment of a receiver, administrator or trustee of the registrant.	✓	
The appointment of inspectors by a domestic or foreign regulatory authority to investigate the affairs of the registrant.	✓	
Any claims on, or material changes to the indemnity insurance arrangements of the registrant.	✓	
Change to the senior officer, designated person, registered representative or an individual in charge of the operations of any branch office of the registrant.	✓	✓
Where the registrant becomes aware that any of its senior officers or registered representatives has been charged or convicted of fraud or any other offence involving dishonesty.	✓	
Any material breakdown resulting or likely to result in failure to maintain proper records, and the steps that the registrant proposes to take to correct the problem.	✓	
The date on which the registrant proposes to cease to carry on business for which registration is required under the Act and the reasons for the cessation.	✓	
A breach by the registrant of the requirements regarding financial resources, maintenance of any prescribed capital requirement, books and records and risk management and internal controls, together with details of the steps that it is taking to remedy the breach.	✓	
Any change made to the ending date of the financial year of the registrant.	✓	✓
Where the registrant has reason to believe that it may be unable to submit financial statements required under the Act and these By-laws within the time specified in the Act or these By-laws.	✓	✓
Where the registrant has reason to believe that it may be unable to pay its annual renewal fees to the Commission.	✓	
The failure of any bank or other entity with which the registrant has deposited or to which it has passed client money or any equivalent procedure in the relevant jurisdiction.	✓	
Where the registrant is party to any legal proceeding in Trinidad and Tobago or elsewhere, and the actual or contingent claim, or any amount claimed or disputed by, or against the reporting issuer in relation to its business is likely to exceed ten per cent of its financial resources.*	✓	✓
The opening and closing of any branch office in Trinidad and Tobago, of a person registered under section 51(1) of the Act, and the name of the most senior person responsible for the operations thereof.	✓	
Any change in the registered name, registered address or contact information of the reporting issuer.	✓	✓

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Any development that poses material risk to the operation of the registrant registered under section 51(1) of the Act.	✓	
The repayment or maturity of, or default of payment on, any security issued by the reporting issuer other than a reporting issuer that is a collective investment scheme.		✓
Any change in the constituent documents of the reporting issuer.		✓

***Quarterly Submissions are required for those registered under Section 61(1)**

It is important to note that certain changes that must be reported by reporting issuers pursuant to Section 56(4) of the Act and By-Law 53(1) may also constitute a material change in the affairs of the reporting issuer. If this is the case, then the reporting issuer must also comply with Section 64 of the Act, which provides for the reporting of material changes. Whether a change under Schedule 3 also qualifies as a material change for the purposes of Section 64 is determined on a case by case basis. If in doubt, reporting issuers are encouraged to seek guidance from the Market Regulation and Surveillance Division of the Commission.

Filing

The timeframe for reporting these prescribed events are set out in the By-Laws under Sections 53(2) and (3).

Sections 53(2) and (3) of the By-Laws state:

“(2) For registrants registered under section 51(1) of the Act, the prescribed time for notifications to be sent to the Commission in accordance with section 56(4) of the Act shall be seven days from the date of the occurrence of the prescribed event.

(3) For registrants registered under section 61(1) of the Act, the prescribed time for notifications to be sent to the Commission in accordance with section 56(4) of the Act shall be fourteen days from the date of the occurrence of the prescribed event, unless the Commission specifies otherwise”.

All registrants under the Act are required to provide the Commission with written notice of

the occurrence of the prescribed events within the prescribed period. Registrants under Section 51(1) are required to file within seven (7) days from the date of the occurrence of the prescribed event while registrants under Section 61(1) are required to file within fourteen (14) days from the occurrence of the event. There is an exception for reporting issuers who are party to legal proceedings where the amount in dispute exceeds ten percent (10%) of its financial resources. In this instance, quarterly submissions are accepted.

These disclosures should be done through the use of Form 6 – [Notifications Pursuant to section 56(4) of the Securities Act, 2012 and By-law 53 of the Securities (General) By-Laws, 2015], which is available on the Commission’s website. The Form 6 must be filed with the Commission in hard copy format or soft copy format via electronic mail, within the

timeframes stipulated above. If the submission is made via electronic mail, the hard copy must follow.

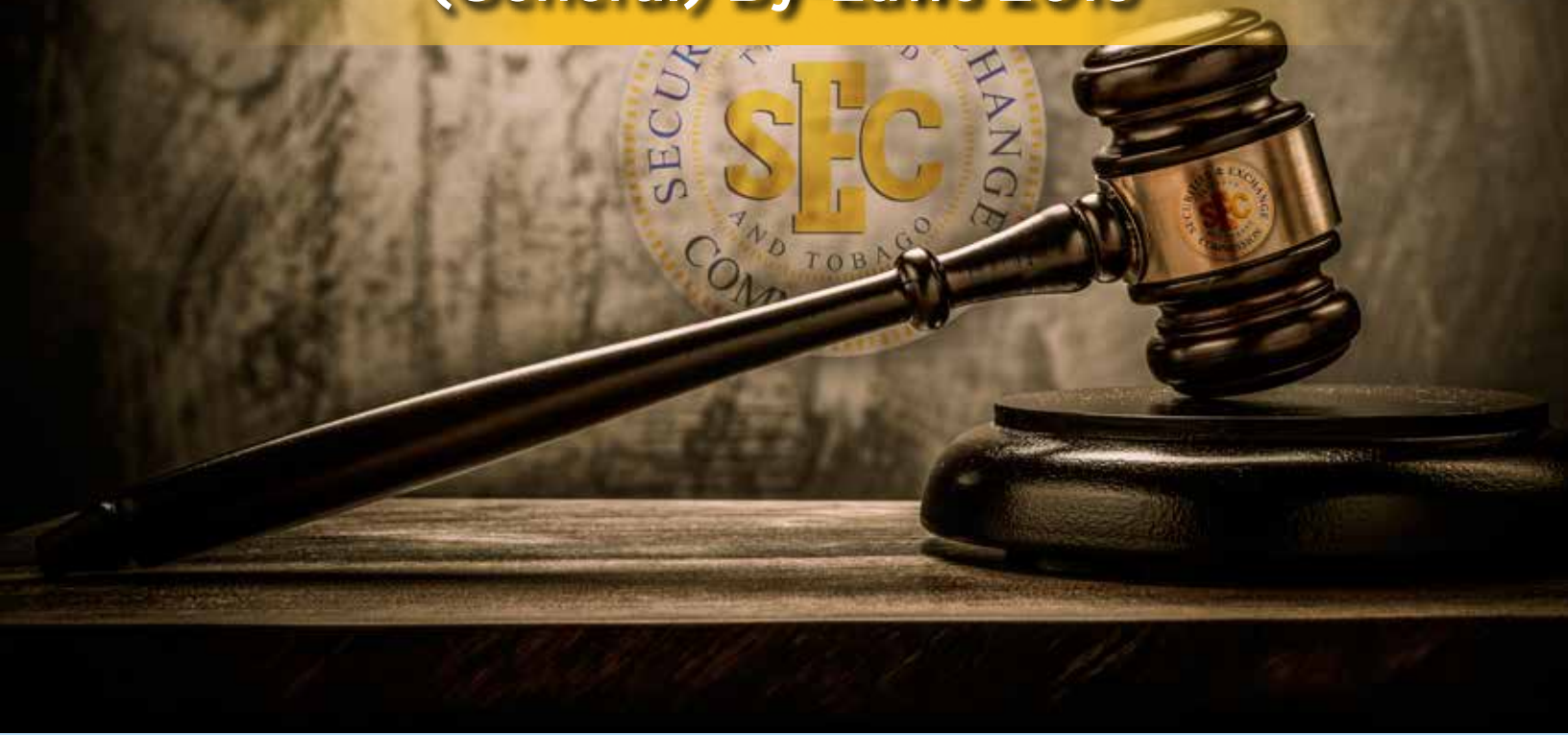
Penalty for Non-compliance

Failure by a registrant to comply with this new requirement of the By-Laws can result in the Commission imposing an administrative fine of one thousand dollars per day for each day that the filing remains outstanding, after the expiration of the time prescribed.

Registrants are therefore encouraged to put mechanisms in place to ensure compliance with the requirements of Section 56(4) of the Act and By-Law 53(1) for changes prescribed in Schedule 3 of the By-Laws. Staff of the Commission remains available to provide guidance and to answer any further questions on this topic.



Reporting Issuers: Things To Note Regarding the Securities (General) By-Laws 2015



Most of our registrants would be aware by now that the Securities (General) By-laws 2015 (“the 2015 By-laws”) came into force on 28th April 2015. The 2015 By-laws operationalized several provisions of the amended Securities Act, 2012 (“the SA 2012”). As such registrants will need to familiarize themselves with the provisions of the 2015 By-laws as well as the SA 2012 to ensure that they are aware of and comply with the provisions of both the SA 2012 and the 2015 By-laws. In an effort to assist with this process, the rest of this article has been devoted to identifying certain reporting and disclosure obligations that Reporting Issuers will be required to meet under the SA 2012 and the 2015 By-laws. These include:

1. Financial Statements

- a. **Interim Financial Statements** - Section 66 of the SA 2012 states that Reporting Issuers must file their Interim Financial Statements with the Commission within

60 days of the end of the financial period to which they relate. These Interim Financial Statements must be prepared on a quarterly basis for the Reporting Issuer’s first three financial quarters, each year.

- b. **Audited Comparative Financial Statements**

- Section 65 of the SA 2012 requires that Reporting Issuers file their Audited Comparative Financial Statements with the Commission on an annual basis. By-law 48 of the 2015 By-laws stipulates that these Audited Comparative Financial Statements must be filed with the Commission within 90 days of the Reporting Issuer’s financial year end.

- c. **Annual Report** - Section 63 of the SA 2012 requires that a Reporting Issuer shall file a copy of its Annual Report with the Commission. By-Law 47 of the 2015

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By-laws states that Reporting Issuers are required to file their Annual Reports within 120 days of their financial year end. By-law 47 also stipulates that at minimum the Annual Report must contain the Reporting Issuer's Comparative Financial Statements and a Management Discussion and Analysis. Please take note also that By-law 50 identifies what ought to be included in the Management Discussion and Analysis.

Please be advised that Items (a) - (c) above must be accompanied by the Commission's Form 11 - Financial Statement Certification. Further these statements must be sent to the Reporting Issuer's security holders. Section 67(2) of the SA 2012 outlines various mechanisms that Reporting Issuers can use to satisfy their obligations of sending these statements to their securities holders.

2. **Material Change Notices** - Section 4(1) of the SA 2012 defines what is a "material change" and/or "material fact". Section 64(1) of the SA 2012 identifies timeframes for filing a material change report, publication of a notice for a material change and filing a copy of a published notice with the Commission.
3. **The Revised Registration Statement** - Section 61(2) of the SA 2012 requires the submission of a Revised Registration Statement within fourteen days of the end of the Reporting Issuer's financial year. The information contained in this statement shall refer to the Reporting Issuer's most recently completed financial year end and shall include, inter alia, a list of all outstanding securities of the Reporting Issuer and a listing of the entity's directors as at the most recently completed financial year. Please note that Reporting Issuers are now required to use **Form 8** to satisfy this requirement and that the fee that must accompany this filing is **TT\$8,000.00**. Copies of the Form 8 as well as all other Forms used by the Commission are available on the Commission's website via this URL: <http://www.ttsec.org.tt/registration.php?mid=62>.
4. **New Registration Form for Securities** - With the enactment of the 2015 By-laws, the requirements for registration of securities with

the Commission are now slightly different to what existed previously. The 2015 By-laws provide for variations from, as well as additions to the previous requirements. As such, Reporting Issuers will be required to comply with the requirements of the 2015 By-laws in the submission of applications for registration of new issues of securities. Please note that checklists outlining the new requirements for registration of securities may be accessed on our website via the following URL: <http://www.ttsec.org.tt/registration.php?mid=57>.

5. **Notification of Changes** - Section 56(4) of the SA 2012 requires that Reporting Issuers notify the Commission of certain changes in their affairs. List B of Schedule 3 of the 2015 By-laws identifies what these changes are, while By-law 53 specifies the timeframes within which Reporting Issuers must notify the Commission of these changes. We therefore encourage you to familiarize yourself with the provisions of this By-law to ensure that you are aware of what changes you need to report to the Commission, and that you put mechanisms in place to satisfy this requirement of the By-laws.
6. **Designated Officer** - By-Law 17(1) of the 2015 By-Laws requires that Reporting Issuers have a designated person who shall be the primary contact with respect to all matters related to the Commission. Reporting Issuers are reminded that they must also notify the Commission of the person selected as the Designated Officer in accordance with By-Law 17(2) of the 2015 By-Laws.

Please note that failure to file the documents outlined at items (1) - (5) above within the specified timeframe may constitute a contravention of the SA 2012 in respect of which the Commission may impose a penalty for such failure in accordance with section 156(2) of the SA 2012. Given the provisions of section 156(2), registrants may be liable to pay an administrative fine of TT\$1,000.00 for each day that a document referred to above is not filed with the Commission within the specified timeframe.

Division of Disclosure, Registration and Corporate Finance

Building a Culture of Compliance

The compliance function is essential to the operations of the securities market, establishing effective policies and operational procedures and controls in relation to day-to-day business activities. Building a culture of compliance into an organisation's work environment will foster greater efficiency and long term success.

Culture is normally considered to be the ideas, customs and social behaviour of a particular people or society. In a business context, it is influenced by the organisation's Board of Directors through a framework of approved policies and procedures or otherwise loosely defined as "setting the tone at the top".

The International Organisation of Securities Commissions (IOSCO) defines compliance as a function that, on an on-going basis, identifies, assesses, advises on, monitors and reports on a market intermediary's compliance with securities regulatory requirements, including whether there are appropriate supervisory procedures in place.

By-Law 64 of the Securities (General) By-Laws, 2014 requires that entities establish, maintain and apply a system of controls and supervision sufficient to ensure that they comply with the Act, its By-laws, laws dealing with AML/CFT and manage risks associated with their respective business in conformity with prudent business practices. It states further that these systems of controls should be documented in the form of written policies and procedures.

Registrants should therefore foster a strong culture of compliance. But what does that really mean? Beyond developing written policies and procedures, entities should always strive to do what is right, primarily because it is in their clients' and the market's best interests.

HOW TO BUILD COMPLIANCE INTO YOUR ORGANISATION

Compliance requires a proactive, consistent and realistic approach to achieving a system of transparent risk management. A culture of compliance should

put strong emphasis on people, since most errors are as a result of human activity. From its onsite inspection programme, the Commission notes that though compliance policies and procedures exist, inadequate attention is paid to adopting them fully.

Commitment to a culture of compliance should be clearly articulated in an entity's mission statement and policy and procedure manuals, bringing employees into an understanding of "how they fit into the picture". Those responsible for compliance should have detailed knowledge of the industry and necessary regulatory requirements.

Some practical ways of embedding compliance:

Corporate Governance is the most important aspect of creating a culture of compliance, by establishing proper control and direction. A culture of compliance can only exist within an organisation if the board of directors and senior management recognise its importance.

Internal Policies and Procedures create the framework in which registrants carry out their daily business activities and are linked to the strategic plan. These are implemented, monitored, evaluated and reviewed on an ongoing basis.

Following Best Practice – A recent survey done by the Commission revealed that most practices adopted by registrants are those supported by legislation (e.g. Anti-Money laundering and Combating the Financing of Terrorism (AML/CFT)). However, other areas of importance which are normally governed by best practice, include:

- Portfolio Management Procedures;
- Working Capital Procedures;
- Trading and Brokerage Procedures;
- Capital and Insurance requirements Procedures; and
- Procedures for preparing, reviewing and disclosing performance returns to clients.

Firms therefore need to go beyond legislative

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requirements and focus as well on implementing recognised best practices that are relevant to the nature of their operations. These benchmark practices will enhance the operations within the organisation and mitigate the inherent risks associated. The Commission will be issuing guidance in some of these areas in the future.

Training places emphasis on development of the entity's human resources; the quality of training received is directly correlated with the quality of the compliance being adopted. Appropriate training should be available to all levels (from board of directors to all other members of staff).

POSSIBLE CHALLENGES

The Commission acknowledges that there are challenges for maintaining a culture of compliance, some of which include:

Regulatory Risk - Changes in laws and regulations can materially impact an entity's operations and the entire securities market. These changes can increase the costs of compliance and reduce profitability. The Commission seeks to maintain stability by ensuring that registrants are supported by robust regulatory and legal requirements while maintaining a competitive market.

Financial Cost - The cost of compliance in the U.S. securities industry reached more than \$25 billion in 2005, up from \$13 billion in 2002¹. Costs include:

- Developing systems to meet reporting requirements;
- Personnel cost (compliance officer, data management staff);
- Revising and improving policies and procedures;
- Annual training for all staff; and
- Internal and external reviews.

Though at this time unquantified, the cost of compliance locally is no doubt increasing, but it is paramount in maintaining the integrity of the financial market.

BENEFITS OF COMPLIANCE

Notwithstanding the foregoing, it can be argued that

the benefits of compliance can still outweigh the challenges:

Risk Mitigation reduces an organisation's exposure to various risks and/or the likelihood of its occurrence. It leads to enhanced reputation and greater levels of security and stability for customers and entities alike. The Commission's Risk Based Supervisory (RBS) approach to its compliance reviews shifts the primary responsibility for risk management and internal control to the entities and changes the regulator's role from one of verifying compliance with rules to one of evaluating whether the firm's risk management and internal controls are adequate, being followed and updated as needed.

Legal and Reputational Status can sometimes be quantified and recognised as an asset to an organisation through goodwill, which further enhances its asset base. Having a good reputation reduces the cost of compliance, including penalties and fees due to breaches of legal requirements.

Ethical and Social Practices are normally guided by principles and standards that determine acceptable conduct in an organisation. Commitment to ethical values promotes:

- Greater profitability;
- Lower levels of corporate pressure to senior management and employees;
- Maintenance of a positive reputation; it wins the trust and respect of employees, customers, and society, and in the long run improves corporate legitimacy;
- Enhances leadership; and
- Reduces the cost of regulation.

Integrity of Financial Markets ultimately impacts a country's development. General compliance reduces criminal activity, corruption, illegal trade and laundering of the proceeds of crime. Illicit flows within a country undermines good governance, financial sector stability, and economic development and increases economic distortion and instability.

Division of Compliance and Inspections

¹ S. Carlson, "The Cost of Compliance in the U.S. Securities Industry: Survey Results," Securities Industry Association February 2006.
<http://www.sia.com/surveys/pdf/CostofComplianceSurveyReport.pdf>

Divisional Spotlight

The mandate of the Market Regulation & Surveillance Division is derived from the wider functions of the Commission as contained in Section 6 of the Securities Act, 2012, as amended ("the Act"). Primarily, the Division is mandated to, among other things:

- Maintain surveillance over the securities industry and ensure orderly, fair and equitable dealings in securities;
- Regulate and supervise the timely, accurate, fair and efficient disclosure of information to the securities industry and the investing public;
- 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.

In broad terms, the activities of the Division are geared towards monitoring and evaluating the actions of registered or non-registered entities/ persons with a view to determining whether such actions contravened, is contravening, or may contravene the Act, any By-laws or other guidance issued by the Commission.



INVESTOR EDUCATION

The Trinidad and Tobago Securities and Exchange Commission was invited to participate in Atlantic LNG's annual Point Fortin's Finest Programme (the programme) hosted at the Clifton Hill Manor in Point Fortin on July 23rd 2015 for approximately 35 persons who ranged from ages 14-18 years.

This programme targets the top placing SEA

students who reside in Point Fortin and its environs and includes a series of workshops. Each workshop is geared toward the sound development and moulding of these students both on a professional and personal level.

The TTSEC team shared information on investor rights and responsibilities, the importance of

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INVESTOR EDUCATION

financial goal setting, saving and investing, other information as it relates to the securities industry and the role of the Commission as the regulator of the Securities Industry. The information was well received by the students as well as the facilitators, who later went on to discuss a possible partnership with the Commission based on our common goal of education and empowerment of all members of the public.

Our next outreach/ investor education session was with the National Alcohol and Drug Abuse Prevention Programme (NADAPP), under the Ministry of Social Development of Trinidad and Tobago. This session was held at their Port of Spain office on August 25th, 2015 and was attended by approximately 15 employees who were predominantly female. The session was also very well received and the TTSEC team was pleasantly surprised to discover that the majority of employees knew about the Commission and its roles and functions.

Aside from our outreach sessions, we are in the process of partnering with the Kenson School of Production Technology to conduct a series of sessions. The school is based in South Trinidad and targets tertiary level students who are interested in careers in the Oil and Gas industry.

The Commission eagerly looks forward to developing partnerships / partnering opportunities with these and other organizations as we continue in our quest to educate the public in order to promote wise and informed investing decisions.

On Tuesday May 26, 2015, the TTSEC launched its new Investor Education Microsite, www.investucatett.com as part of its continued investor education thrust. The site will house all investor education content in one "go-to" portal and facilitate the inclusion of more dynamic media through the use of infographics, videos and games along with tools and calculators. The Commission will also tailor its investor education efforts to focus on different life stages such as teenaged years, working years, middle years, pre-retirement and retirement.

At the same time the Commission also launched a digital application for tablets and mobile devices, to push investor education messages to the technology driven publics. The app offers 'on the go' information curated by the TTSEC and includes relevant news and updates as well as promote investor education through the use of interactive elements. Key features of the application include the ability to download a fillable complaint form as well as reference the TTSEC's key contact information and submit queries. Users can select specific stocks to watch from those traded on the Trinidad and Tobago Stock Exchange and view the current price and any increase or decrease as well as see a graph of changes over time. They can also access a list of reporting issuers, broker-dealers, registered representatives, investment advisors, underwriters and self-regulatory organisations registered with the TTSEC.

**Division of Corporate Communications,
Education and Information**



Trinidad and Tobago Securities and Exchange Commission
57-59 Dundonald Street, Port of Spain, Trinidad, W.I.
Phone: (868)-624-2991 Fax: (868)-624-2995
E-mail: ttsec@ttsec.org.tt Website: www.ttsec.org.tt

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COMMENTS OR SUGGESTIONS CAN BE FORWARDED TO:

Editor: Arlene Stephen - arlenes@ttsec.org.tt

Associate Editor: Rachael Rampersad - rachaelr@ttsec.org.tt

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