



Quarterly
NEWSLETTER

April - June 2012

TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION

INVEST WITH CONFIDENCE!



THE PROPOSED
SECURITIES BILL
& YOU!



15 YEARS OF REGULATING THE SECURITIES INDUSTRY IN TRINIDAD AND TOBAGO



Professor Patrick K. Watson

Fifteen years ago on May 02, the Trinidad and Tobago Securities and Exchange Commission (the Commission) was established by an Act of Parliament entitled the Securities Industry Act 1995. As you are aware, the Commission is an autonomous body whose role is to regulate the securities market in the twin-island Republic of Trinidad and Tobago. As an entity, the Commission is committed to ensuring that investor confidence is restored in the local financial system.

Following the proclamation of its governing legislation, the President of the Republic of Trinidad and Tobago appointed a Chairman and three Commissioners for a period of three (3) years with effect from April 29, 1997. After the appointment of the Board of Commissioners, in April, 1997, the Commission officially opened its doors to the market on May 2, 1997 with a total staff complement of only two (2) employees including the Chairman. Today, the staff complement has expanded significantly to fifty-seven (57) employees who contribute to the following Divisions and Units: Legal Advisory and Enforcement; Market Regulation and Surveillance; Disclosure, Registration and Corporate Finance; Policy Research and Planning; Corporate Services; Human Resource Management; Communications; and Information Management.

Over the period April 29, 1997 to July 16, 2012, the Commission had a total of four (4) Chairmen and fifteen (15) Commissioners who were appointed to serve on the Board.

There were: Chairmen: Carlton Robinson, Osborne Nurse, Deborah Thomas-Felix and Professor Patrick Watson.

Commissioners: Ian Bertrand, Fyard Hosein S.C., Monica Clement, Amoy Chang Fong, Shelley Collymore, Alison Lewis, Bridgid Annisette-George, Vishnu Dhanpaul, Janice Clarence-Quamina, Francis Lewis, Dr. Shelton Nicholls, Marsha King, Uchenna Ogbue, Ravi Rajcoomar and Horace Mahara.

The present Board consists of five Commissioners (inclusive of the Chairman). They are:-

- Professor Patrick K. Watson, Chairman
- Dr. Shelton Nicholls, Commissioner
- Ms. Marsha King, Commissioner
- Mr. Horace Mahara, Commissioner
- Mr. Ravi Rajcoomar, Commissioner

On behalf of the Commissioners and Management of the Commission, I pledge our commitment to continue protecting the investor, promoting integrity and transparency and fostering the development of the capital market in Trinidad and Tobago. I look forward to commemorating more milestones with you, our stakeholders.

FOREWORD

It is my pleasure to welcome you to the second issue of the **TTSEC's Quarterly Newsletter**. This newsletter is primarily geared toward you, our market actors in order to update you on issues that we believe are relevant to the market in which you operate.

In this issue, we focus on the **Draft Securities Bill** and how this Bill impacts you. As you are aware, the Commission, as the regulator of the securities market has paid particular attention to the on-going changes occurring in the global financial landscape, and the regulatory responses to the various crises. Consequently, we at the TTSEC embraced the opportunity to identify and examine gaps in our regulatory framework.

Over the last few months, the Commission has been working arduously with a consultant and a technical team in order to provide a Bill that will be most apt for our local scenario while taking into consideration the international requirements.

This issue will also provide additional information on our Investor Education programme and the Commission's efforts to engage you and the general citizenry. It is our intention to use this newsletter as a forum to continue our open dialogue with you, boost our Investor Education programme, foster a collaborative approach to the development of our market and explain regulations or guidelines that are being introduced to ensure the continued fair and transparent operations of our securities market.

Ladies and gentlemen, I hope you find this newsletter informative and I encourage you to provide your feedback and comments so that we can be aware of your thoughts on this initiative. Let us continue **Building stakeholders' confidence in the local capital market.**

Norton Jack

General Counsel / General Manager (Ag.)



AN INTRODUCTION TO THE PROPOSED SECURITIES BILL 2012 (By Legal Advisory and Enforcement Division)

With the advent of the international financial crisis, regulators, central banks and governments around the world, have all been forced to re-examine their approach to the regulation and future development of various industries within the broader financial markets.

The Trinidad and Tobago Securities and Exchange Commission as the regulator of the securities industry has, in the wake of the recent financial crisis, paid particular attention to the on-going changes occurring in the global financial landscape, the regulatory responses to the various crises and the measures needed to avoid a repetition and safe guard against contagion effects. *Each of the factors identified here (erosion of market discipline; excessive risk-taking accompanied by weaknesses in risk management practices of financial institutions; poor investor due diligence; inadequate disclosure standards; inadequate prudential framework in the face of the emergence of largely interconnected firms and gaps in the regulatory framework), on its own could not have had such a significant impact as the confluence of them all.* Most regulators embraced the opportunity to identify and examine gaps in their regulatory framework.

The Canadian firm of Stikeman Elliott was commissioned in 2002 to review the Securities Industry Act, 1995. A report was produced in 2004 proposing amendments to the Act. Public consultations were held in 2004 in support of these proposed amendments and again in 2008. In 2009, a draft Bill was laid in Parliament and debated but lapsed in May 2010 when Parliament was prorogued before the general elections of that year.

During the period 2008 to 2010, regulators throughout the region and indeed internationally, were grappling with their individual and collective regulatory response to the global crisis. Guidance for the TTSEC has come from the International Organisation of Securities Commissions (IOSCO) a global body of which the TTSEC has been a member since 1998. IOSCO is the leading international grouping of securities market regulators and plays a significant role in maintaining and improving the international regulatory framework for securities markets by setting international standards, identifying and addressing systemic risks, advancing

implementation of the IOSCO Objectives and Principles of Securities Regulation and pursuing full implementation of IOSCO's Multilateral Memorandum of Understanding (MMoU).

In the past ten years, IOSCO has made a co-ordinated effort to identify and address weaknesses in the regulatory framework of global securities markets. This has been so regardless of the size of the market or the strength of the economy. With the financial crisis which occurred four years ago, the stakes became higher and IOSCO sought to enhance its global effort to strengthen the regulatory framework of its members.

Regulators across the globe are being guided by IOSCO and at present, many of the policies and guidelines produced by the TTSEC, are informed by IOSCO's standards. Being an Ordinary Member of this international organization, Trinidad and Tobago has access to comprehensive technical assistance on the regulation of securities markets.

The MMoU focuses on consultation, cooperation and the exchange of information and sets an international benchmark for cross-border cooperation, which is critical to combating violations of securities laws. This MMoU sets out the specific requirements for what information can be exchanged and how it is to be exchanged, the legal ability to demand information, types of information which can be requested, the legal ability to share information and permissible uses of information. Additionally, it specifies the requirements regarding the confidentiality of the information exchanged and ensures that domestic banking secrecy and regulations, do not prevent regulators from sharing information with their counterparts in other jurisdictions.

IOSCO's current membership comprises regulatory bodies from over 100 jurisdictions that have day-to-day responsibility for securities regulation and the administration of securities laws. Following this country's application to become a full signatory to the IOSCO MMoU, Trinidad and Tobago was listed as an Appendix B member based on the conclusions of a report by the IOSCO Verification Team in 2010.





AN INTRODUCTION TO THE PROPOSED SECURITIES BILL 2012 (Cont'd)

The Report highlighted 4 main areas of deficiency within the existing Securities Industry Act 1995. These areas were:

- **Access to records** - The TTSEC should have the legislative power to access bank and brokerage records and beneficial ownership information without a Court Order;
- **Information sharing** - The TTSEC should be able to provide assistance to other member jurisdictions or entities in circumstances where there was no similar written law;
- **Record Keeping** - The time period for which records of unexecuted orders, instructions and confirmations are stored should be increased from the present two (2) years to a minimum of five (5) years;
- **Confidentiality** - Confidentiality requirements should extend not just to present employees of the Commission but also to former employees and anyone with whom confidential information is shared.

The Commission took advantage of the lapsing of the Bill to update its provisions to comply with the IOSCO's requirements for Signatory A status to the MMoU.

With this in mind, the staff of the Commission undertook a comprehensive review of the 2010 Bill after which it was forwarded to consultants for a further revision. The revised Bill was then further reviewed by a Cabinet appointed Technical Committee. The result is the draft Securities Bill 2012, which seeks to strengthen the existing regulatory framework in order to provide greater protection for investors and other market participants through improved disclosure and transparency procedures, enhanced market surveillance, more effective enforcement and the promotion of regulatory cooperation at all levels, in addition to meeting the criteria to be an A List signatory.

Not being a signatory can lead to:

- **Reputational issues** *inter alia*, a perception of a lack of transparency or a signal that this country is not committed to ensuring sound securities regulation;
- **Attraction of unscrupulous market participants** which could lead to the eventual destabilization of the economy;
- **The country's reputation being adversely affected** when the G20 and Financial Stability Board recognize that Trinidad and Tobago has not met the international best practice standards; and
- **International isolation**, as signatories to the MMOU would not be willing to cooperate with non signatories.

Securities markets are vital to the growth, development and strength of market economies. They support corporate initiatives, finance the exploitation of new ideas and facilitate the management of financial risk. Moreover, since retail investors are placing an increasing proportion of their money in mutual funds and other collective investments, securities markets have become central to individual wealth and retirement planning. Sound and effective regulation and in turn, the confidence it brings, is important for the integrity, growth and development of securities markets.

To this end, we as a Commission have charted a "**Way Forward**" to address "areas of weakness" within our current regulatory framework and securities market. This "**Way Forward**" had to include focusing our efforts on building our regulatory capacity and enforcement mechanisms, which entail:

- **Expanding supervision into previously 'unregulated' markets;**
- **Strengthening prudential regulation for financial institutions especially those of 'systemic' importance;**
- **Enhancing disclosure and reporting regimes; and**
- **Improving regulatory co-operation and co-ordination, locally, regionally and internationally.**

The revised Securities Bill 2012 seeks to provide that legislative back-drop against which the Commission shall execute this planned approach to strengthening and safeguarding T&T's securities markets.

REGISTRATION AND DISCLOSURE ISSUES TO NOTE

(By Disclosure, Registration and Corporate Finance Division)

Over the last few weeks, the Commission invited comments from the public, registrants and stakeholders on its Draft Securities Bill 2012 (the Bill). This package of legislation (the Bill and subsidiary legislation in the form of By-Laws or regulations) is intended to provide the Commission with greater powers to effectively discharge its mandate of regulating the securities industry in Trinidad and Tobago. The existing categories of registrants as well as the registration and disclosure regime that exists under the Securities Industry Act 1995 (The SIA 95) are expected to change substantially. Listed hereunder are the main differences in both the registration and disclosure regimes that are contemplated in the Bill:

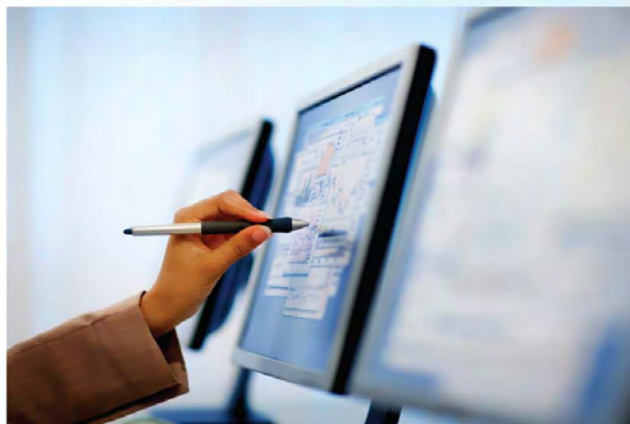
1. Registration

The Registration regime as it relates to securities is expected to remain the same. However, the framework in place to facilitate the registration of persons who participate in the securities market will change substantially. The current SIA 95 provides for the registration of:

- **Self Regulatory Organizations**
- **Market Actors:-**
 - Brokers
 - Dealers
 - Investment Advisers
 - Securities Companies
 - Traders
 - Underwriters
- **Reporting Issuers**

The proposed Bill contemplates that any person registered with the Commission will be a "registrant", as listed below:

- **Broker-Dealers** - will replace the existing category of securities companies. Broker-Dealers will now be defined as companies that effect transactions on behalf of others or for their own account. The Bill also contemplates that Broker-Dealers can act as Underwriters and Investment Advisers.
- **Investment Advisers** - This concept is retained from the existing SIA 95. Investment Advisers can be either companies or individuals that provide advice as it relates to securities.



- **Underwriters** - This concept is also retained from the existing SIA 95. However, under the revised Bill, only companies can act as Underwriters. As mentioned before, Broker-Dealers will be automatically allowed to conduct business as Underwriters.
- **Directors, Senior Officers, Registered Representatives** - The concept of Broker and Trader from the existing SIA'95 will be removed in the Bill. Instead, these individuals will be required to be registered as Directors, Senior Officers or Registered Representatives of companies that are Broker-Dealers, Investment Advisers or Underwriters.
- **Reporting Issuers** - This concept is also retained from the existing Act. However, Reporting Issuers will now be persons who have issued securities which have been the subject of a Distribution registered with the Commission.
- **Self Regulatory Organizations** - this concept is retained from the existing SIA 95.

The Bill also provides a **one year transitional period** to facilitate the operation of existing registrants under the SIA 95 while these persons seek to ensure that their affairs are in compliance with the provisions of the revised Bill. During this transitional period:

- Brokers, Dealers and Securities Companies under the SIA 95 will be deemed to be Broker-Dealers;
- Traders under the SIA 95 will be deemed to be Registered Representatives;
- Underwriters and Investment Advisers will remain as Underwriters and Investment Advisers respectively.

REGISTRATION AND DISCLOSURE ISSUES TO NOTE (Cont'd)



2. Disclosure

Some of the changes that are contemplated in the proposed legislation as it relates to disclosure obligations of issuers of securities include:

- a. **A move to quarterly reporting of financial performance** – Under the existing SIA 95 registrants are required to prepare and file audited financial statements with the Commission on an annual basis. Only reporting issuers are required to file interim financial statements (which cover a period of less than one year) with the Commission on a semi-annual basis. This requirement of the Act does not extend to entities registered with the Commission in a capacity other than that of a reporting issuer.

The provisions of the Draft Securities Bill contemplate that all companies registered with the Commission must file interim financial statements with the Commission on a quarterly basis. This ensures that investors are provided with information on both issuers of securities as well as firms who conduct transactions in securities on a more frequent basis. It is hoped that this additional disclosure will provide investors with more information when making decisions with respect to these issuers .

- b. **Dissemination of Financial Results** – The current SIA 95 does not specify whether financial statements (apart from the annual report that

Reporting Issuers are required to prepare) must be sent to securities holders. The Bill therefore seeks to ensure that all security holders of an issuer receive not just the issuer's annual report, but also the issuer's audited financial statements and interim financial statements.

- c. **Standards for Preparation of Financial Statements** – Another important provision of the Bill relates to the accounting standards used in the preparation of financial statements. The Bill makes explicit provisions that all financial statements that are required to be prepared by companies registered with the Commission, must be prepared in accordance with International Financial Reporting Standards or in cases where the company is domiciled in another jurisdiction, the accounting standards of that jurisdiction provided that the foreign jurisdiction is an approved foreign jurisdiction. This requirement seeks to ensure that the financial statements are prepared in accordance with international best practice, are of a high quality and are comparable over time and across different companies.

The Commission believes that this revised Bill provides for a more robust regulatory framework which will benefit not just investors but the entire market place. The Commission through all of its communication channels, intends to provide further information and guidance as we endeavour to have the Bill fully enacted.



MARKET MANIPULATION AND OFFENCES

(By Market Regulation and Surveillance Division)

Market manipulation consists of activities that have the effect of:

- *creating false trading volumes;*
- *creating, stabilizing or setting artificial prices for securities; and*
- *fraud.*

However, two things effectively deter market manipulation: robust and unambiguous legislation and appropriate penalties for breaches of the relevant provisions of the legislation.

Consequently, the proposed Securities Bill 2012 seeks to expand the existing market manipulation prohibitions under the SIA 95 by amending the prohibitions against the creation of artificial prices for securities and making misrepresentations to induce a purchase or sale of a security. Additionally, there has been the creation of a number of new market manipulation offences which prohibit price rigging and the manipulation of prices on a securities exchange. Below are some of the more salient changes:-

Market Manipulation Provisions

Proposed Securities Bill (2012)	Securities Industry Act (SIA'95)
The proposed Section 91 (false trading and artificial prices) develops the current Section 80 (prohibition on market rigging) by including a prohibition against the creation or maintenance of artificial prices on a securities exchange.	The current Section 80 only prohibits the creation of "apparent trading activity". However, it does not address artificial prices.
The proposed Section 92 seeks to prohibit price rigging.	Not specifically captured under the existing provisions of SIA 95.
The proposed Section 93 (dissemination of information containing a misrepresentation) expands upon the current Section 81 (prohibition on inducement to trade in securities by the dissemination of certain information) in that it prohibits any misrepresentation to induce a purchase or sale of a security.	The current Section 81 only prohibits one type of misrepresentation, mainly information to the effect that the price of the security is likely to rise or fall.
The proposed Section 98 (restriction on recommendation) now clearly prohibits any registrant from recommending any trade in a security to any customer unless: • the security is suitable for the client; and • he discloses in writing <u>all</u> conflicts of interest, <u>and potential conflicts of interest</u> which he may have in respect of the security of the issuer.	
However, registrants will, be exempt from this prohibition in cases where they publish research reports not for the benefit of a specific customer provided they make the same conflict of interest disclosure.	

The purpose of these disclosures is to ensure that investors are provided with all the necessary information to make an informed investment decision. A breach of this prohibition has the potential to give rise to civil liability. Accordingly, the provision is intended to encourage market actors to take all the appropriate steps to "know their client" before recommending a trade and thus discourage market actors from intentionally withholding any potential conflict of interest when they recommend a trade to a specific client.

Market Misconduct Offences: Concurrent with the creation of explicit market manipulation prohibitions, the Securities Bill creates offences for market manipulation activities which can be prosecuted either on a civil basis before the Commission or on a criminal basis before the courts.

Under a hearing at the Commission, the proposed standard of proof is the balance of probabilities. Where market misconduct is proven, the Commission may order that the person identified as having engaged in the market misconduct, be subject to:

- *the payment of a penalty to the State;*
- *censure through written publication;*
- *disgorgement of profits arising from the market misconduct or any other form of unjust enrichment;*
- *the payment of restitution;*
- *cessation of activity;*
- *being banned from holding specific positions within reporting issuers and /or;*
- *any other act or thing that the Commission deems necessary.*

Although the Commission will soon have the power to apply one or more of the aforementioned penalties, the Commission will not have the power to impose criminal sanctions.

In cases where the offence is serious enough to warrant criminal sanctions and there is sufficient evidence to prove the case to a criminal standard of proof, the matter may be referred to the Director of Public Prosecutions and the offender can be subject to a fine of two (2) million dollars (TT\$2,000,000) and imprisonment for two (2) years on conviction on indictment.



MARKET MANIPULATION AND OFFENCES (Cont'd)

Insider Dealings and Insider Reporting

The new insider dealings and insider reporting provisions of the Securities Bill seek to clarify the prohibition on insider dealing, permit fair and effective enforcement of violations, foster investor confidence in the securities marketplace and increase transparency by enhancing the quality and timeliness of information on securities dealings by directors and substantial shareholders.

Insider Dealing: Insider dealing/trading with knowledge of undisclosed price sensitive information is considered a prohibited conduct in all major financial markets for inter alia the desire for fairness in financial markets, the need to enhance investor confidence and encourage timely disclosure of price sensitive information while deterring conduct on the part of insiders which often involves a breach of trust or duty. For the market to operate successfully, investors must have confidence that there is a level playing field and that insiders are not benefiting to the detriment of public investors through access to inside information.

The current Section 124 provides a number of defences to the current Section 121. Under the current paragraph 124(1)(a), an insider is not prohibited from trading with knowledge of price sensitive information where he can demonstrate that making a profit or avoiding a loss by use of inside information, was not his primary motivation in trading. Moreover, under the current paragraph 124(1)(d), a director or employee with knowledge of price sensitive information is permitted to acquire shares of up to one half of one percent of the issued share capital of the issuer over a period of one year.

These defences are not consistent with the objectives of regulating insider trading since they permit insiders to trade with knowledge of material non-public information. International regulatory best practice will require that the reporting issuer discloses the material non-public information to the market so that there is a level playing field. If the issuer is not in a position to make the disclosures, then insiders who have knowledge of the inside information should be strictly prohibited from trading.

In the Securities Bill 2012, the recommended approach is that persons commonly known as

“insiders”, who have access to “material non-public information” must refrain from trading until the reporting issuer has disclosed and disseminated that information to the market. This prohibition will therefore apply to all trading regardless of whether the trading is on a securities exchange or off-exchange. An insider who has **material non-public information** acquired as a result of his connection to the issuer must not disclose that information to other persons (known as “tipping”) except in the necessary course of business. Outsiders who learn information from an insider are similarly prohibited from trading.

Finally, the proposed Section 106 presumes that any person who trades with “knowledge” or “possession” of **material non-public information**, has traded the security (of a reporting issuer to whom the person is connected) as a result of his knowledge or possession unless shown to the contrary by him. This rebuttable presumption puts the onus on the individual with the “knowledge” or “possession” of the material non-public information to show that they did not use such information contrary to Division 5, which sets out the prohibitions on insider trading.

Insider Dealing Offences: A person who commits a breach of the prohibitions on insider trading or tipping will be subject to increased sanctions under the proposed Securities Bill 2012. Insider trading may be prosecuted on a civil basis before the Commission or on a criminal basis before the courts.

Insider dealing/trading is considered a form of market misconduct under the proposed Securities Bill (more specifically Section 153) and as such, the civil sanctions which can be administered for breaches of the insider dealing provisions, are identical to those administered for other forms of market misconduct identified above.

In the event of criminal prosecutions, the proposed Securities Bill recommends that the financial penalty on conviction on indictment will be no less than the profit made or loss avoided (and potentially as high as the greater of two million dollars and double the profit made or loss avoided). The potential prison term on indictment will therefore remain at two (2) years.

MARKET MANIPULATION AND OFFENCES (Cont'd)



Insider Reporting: The Securities Bill now requires that insiders report their ownership of and transactions in securities of issuers of which they are insiders. This change aims to increase the information available to the marketplace about the activities of insiders and to ensure that information is publicly disseminated in a timely manner.

Under the amendments, persons who are connected to the reporting issuer ("insiders") because they are:-

- (i) a director or senior officer of a reporting issuer (or of an affiliate) or
- (ii) a person that beneficially owns securities carrying more than 10% of the votes attached to all outstanding voting securities of the reporting issuer,

will have to report their holdings in any securities of the reporting issuer. Such a report must be filed with the Commission within five (5) business days of first becoming connected to a reporting issuer and thereafter within five business days of a trade in securities of the reporting issuer. Information on trading by insiders would be made publicly available by the Commission on a timely basis.

The proposed Section 138 imposes a penalty for failure to report or file a false report under Part IX of the Securities Bill of five hundred thousand dollars (\$500,000) and six (6) months imprisonment on conviction on indictment.



Compliance Reviews

Section 89 was introduced in the Securities Bill and extends the Commission's oversight powers to the conduct of compliance reviews (otherwise known as routine inspections) of the books, records and documents of market actors. Regular compliance reviews of market actors (both off-site monitoring and on-site inspections) are a standard feature of regulatory systems worldwide. These examinations are to ensure compliance with the Act and are part of a move toward a more proactive approach to regulation of the Trinidad and Tobago's securities market.



Compliance Directions

The proposed Section 90 of the Securities Bill provides for the issuance of remedial directives, by the General Manager of the Commission, to a market actor found to be in contravention of the Act or any anti-money laundering/terrorist financing legislation. The failure to take such measures as directed is an offence.

Under proposed Section 146 the Commission may also issue compliance directions for contravention of a guideline issued under this Bill.

The Commission remains committed to fair and transparent regulation of our securities market and believes that these changes and amendments will redound to the benefit of not only the investor but to the economy of Trinidad and Tobago.



A PERSPECTIVE ON THE SECURITIES BILL BY THE DIVISION OF POLICY, RESEARCH AND PLANNING (PR&P)

Since the establishment of the Commission in 1997, the capital market has experienced significant growth. This increase may be attributed to greater access to the market by investors, a better understanding of the risk and returns of investing and an increase in the use of the capital market as a source of financing by the business sector. The value of the different types of investment instruments in the market has also grown tremendously over the period. For example, the value of securitized instruments registered with the Commission rose from TT\$846 million in 1998 to TT\$94.38 billion as at March 2012 (see Table 1). The number of market actors registered and authorized by the Commission to conduct business in the capital market also doubled; with 208 market actors and reporting issuers registered with the Commission at the end of the fiscal year 2010/2011. As at March 2012, the capital market was estimated at TT\$251.4 billion; an increase of over 3000 percent since the inception of the Commission. It is important to note that the capital market is estimated to be 175 percent of GDP, thus demonstrating that a negative shock to the securities market can have a disastrous effect on the health of both the financial system and by extension the entire economy.

Table 1

Percentage Change in the Value of Investment Instruments Registered with the Commission during the Period 1998-2012

<i>Investment Instrument</i>	<i>Time Period</i>		<i>Percentage Change (%)</i>
	1998	2012	
Equities	TT\$846 Mn	TT\$94.38 Bn	11056
Debt Securities	TT\$2 Bn	TT\$67.94 Bn	3297
Mutual Funds	TT\$4 Bn	TT\$41.96 Bn	949
Securitized Instruments	TT\$636 Mn	TT\$50.55 Bn	7848

In addition to the significant increases in value, the capital market also saw significant institutional developments with the introduction of electronic trading on the Stock Exchange in 2005, the increase in trading days from 3 days to 5 days, the launch of the secondary bond market in 2007 as well as the launch of the US Dollar securities market in 2011. As a result of these developments and the market's significant size in relation to GDP, it is evident that there is a need for a more efficient and effective securities regulatory framework to protect the wider financial system and economy from systemic risks. This need was further underscored in 2008 when the global financial system was plunged into crisis as major financial institutions collapsed, thus triggering a wave of instability in global markets. Today, the effects of the crisis are still being felt in many of the world's financial markets.

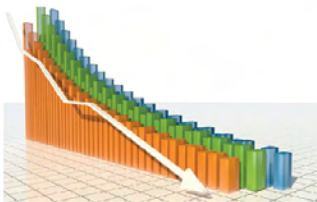
Inevitably, the crisis resulted in severe losses of wealth and confidence as well as market failures. One lesson learnt is that markets do not operate in isolation as they are all affected by both positive and negative shocks within global financial markets. **It is also clear to all regulators that the creation of a strong and robust capital market cannot be accomplished without considering the soundness of the reporting mechanisms, the reliability of the regulatory regime in which it operates, the effectiveness of corporate governance in the market as well as the degree of the transparency and fairness.**



PR&P'S PERSPECTIVE (Cont'd)

The crisis which started in the financial markets quickly spread into the economic systems of both developed and developing countries. Governments across the globe launched staggering bailout plans in an effort to support their economies. However, despite their efforts, recovery has been slow. A lack of adequate regulation has also been cited as one of the main causes of the financial crisis. Consequently, international bodies such as the G20 have placed greater emphasis on the promotion of financial regulations that reduce risks and prevent future financial crises. To this end, they have mandated the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB) to develop guidance and standards for their member countries that, inter alia:

- 1. Promote and improve market transparency, efficiency and integrity;**
- 2. Improve investor protection;**
- 3. Strengthen the regulation of credit rating agencies and promote the reduction of dependency on ratings;**
- 4. Assist them in the regulation of:**
 - a. Commodity markets*
 - b. Over the counter (OTC) derivative markets*
 - c. Shadow Banking*
- 5. Assist them in the supervision of Hedge Funds**



However, long before the financial crisis in 2008, the Commission recognized the changing landscape of the local capital market and the need for stronger, more effective regulation and as such, started the process of revising the Act in 2001 in conjunction with consultants. From 2004-2012, the Commission with assistance from its consultants and technical team, sporadically engaged and consulted its stakeholders in order to chart the way forward. The Bill is expected to be laid in Parliament by the end of 2012 and passed in order to meet the criteria established by IOSCO to become a full member of the IOSCO MMoU.

This amended Bill can potentially position Trinidad & Tobago as a financial centre where investors, both local and foreign, can access the local capital market with confidence. The Commission will also have the necessary legislative authority to regulate the market more efficiently since effective securities regulation will ultimately lead to an efficient capital market which encourages foreign investment, deters capital flight and reduces TT's exposure to currency fluctuations; all of which will eventually contribute to economic growth.

The Commission remains dedicated to the promotion of investor confidence, fairness and the orderly growth of the local capital market. This is primarily achieved through the ongoing development of a regulatory system that is geared towards ensuring a high degree of information dissemination and investor protection as well as building its enforcement capacity to ensure the preservation of market integrity. The Commission will also continue to work with IOSCO to ensure that our securities regulatory system is in line with international best practice.

HELPING OUR STAKEHOLDERS TO - **INVEST WITH CONFIDENCE!**



A key part of the mandate of the Trinidad and Tobago Securities and Exchange Commission is the protection of investors and the creation of a fair and proper environment which can favour investments. It is against this backdrop that the Commission embarked on an investor education programme: a programme geared toward present and potential investors.

As global markets become more complex and at times equally volatile, the Commission has realised that investors must have access to more reliable information in order to guide their investment decisions. As such, the Commission's Investor Education programme focuses on developing a more literate financial consumer who can make informed and suitable personal investment decisions, while avoiding the pitfalls and dangers that can arise in the form of unregistered financial products as well as various scams and fraudulent investment schemes.

In its Investor Education programme, the Commission focuses on providing information on the role and function of the TTSEC, the rights and responsibilities of investors, a guide to making wise investment decisions and much more. This initiative aims to demystify financial concepts and is designed to equip ordinary investors with the tools they need to understand and evaluate the risks and benefits of various financial products and to recognize, avoid and report illegal investment schemes.

We, at the Commission, firmly believe that investors and potential investors hold the key to and even more importantly, bear the responsibility for their own financial futures. Our vision is for a better informed, educated and more confident citizenry, able to accept greater responsibility for their investment and financial affairs, with the ability to play a more active role in the market for financial services.

Our Investor Education Outreach programmes are conducted by staff of the Commission (officers from the Communications Unit; Market Regulation and Surveillance Division and the Policy Research and Planning Division comprise the IE Team) and take place throughout Trinidad and Tobago. The focus of the programmes will be on investors' rights and responsibilities through discussions and presentations on:

1. The importance of saving and investing;
2. Understanding investment vehicles;
3. How to manage investment risk;
4. How to avoid investment fraud; and
5. How to make investment decisions given a range of criteria.

OUR TARGET AUDIENCES INCLUDE:

Young adults (16-25)

Who are pursuing or have completed higher education or training and are in the process of starting their first real job or aiming to do so. As they move into adulthood, they will take on more responsibility for their own personal finances. Moreover, the Commission believes that this group is normally one of the most difficult groups to target because of the fact that appealing and novel ways must be adopted to attract them and keep them interested. Since the youth of today will be the adults of tomorrow, we must educate and empower them to take action and be responsible for their future actions. Therefore, by educating our youth and young adults from an early age, it is expected that they can become investor literate and make wise financial decisions when the opportunity presents itself.

Adults in the workplace.

Recruitment, promotion, relocation, parental leave, flexible working hours, redundancy and retirement all have an impact on one's finances and ought to be the trigger for a review of one's financial arrangements. The workplace is therefore a natural channel for reaching people with specific investor education needs

Persons preparing for Retirement.

Retirement is one of those activities that should be carefully planned for, but attention to this is often postponed. More complex financial solutions and a greater emphasis on people taking personal responsibility for their finances make retirees a priority target group.

Outreach 2012

In 2012, the Commission has conducted sessions with 8 arms of the Judiciary of Trinidad and Tobago (Supreme Courts and Magistracy) and the formations of the Trinidad and Tobago Defence Force (TT Regiment, TT Air Guard and TT Coast Guard).

The Commission will be expanding these sessions to include entities in the private sector, public sector, professional groups and tertiary level institutions. If you are interested in having an outreach session for your entity or for a special group to which you belong, feel free to contact the Commission's Communications Unit at 624-2991 ext.1275 or 1259.

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COMMENTS OR SUGGESTIONS CAN BE FORWARDED TO:

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

Associate Editors: Dike Noel - diken@ttsec.org.tt

Rachael Rampersad - rachaelr@ttsec.org.tt

If you will prefer to receive this magazine via email,
please send your email address to

rachaelr@ttsec.org.tt or call 624-2991 Ext# 1259.



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Trinidad and Tobago Securities and Exchange Commission

57-59 Dundonald Street, Port of Spain, Trinidad, W.I.

Phone: (868)-624-2991; 624-3017; 624-6708; 625-8508 Fax: (868)-624-2995

E-mail: ttsec@ttsec.org.tt Website: www.ttsec.org.tt

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