

ISSUE 1



TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION

INVEST WITH CONFIDENCE!



Quarterly  
**NEWSLETTER**

January - March 2012

[www.ttsec.org.tt](http://www.ttsec.org.tt)



## FOREWORD

*"Building stakeholders' confidence in the local capital market"*

**The Trinidad and Tobago Securities and Exchange Commission is the regulator of the securities industry in Trinidad and Tobago. Consequently, our stakeholders include all market participants and their clients and potential clients.**

In its continued role of an effective regulator of the securities market, it is imperative that the Commission evolves with the market it regulates. While collaboration with market players is a goal of the Commission, our primary duty is to ensure that the Securities Industry Act (SIA 95) is not contravened. Additionally, our role is to help individuals make more informed investment choices in a market that is fair and transparent.

**The Commission will have five specific areas of focus during the next three years. These will include:**

1. Streamlining the way that the Commission carries out its business
2. Developing Regional Regulatory Standards
3. Ensuring compliance with international regulatory principles
4. Engaging in Regulatory Reform
5. Implementing diverse Investor education strategies

**In light of the specific focal areas listed above, this inaugural newsletter will provide:**

- A review of Market Activity and Mutual Fund Performance
- An explanation of the categories of registration and permissible activity
- A summary of the continuous disclosure obligations of reporting issuers and market actors
- An explanation of Insider Trading
- A summary of the CXN initiative
- An overview of the Commission's recent compliance initiatives

We hope to use this newsletter as a forum to continue our open dialogue with you, 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.

Happy reading!

**Norton Jack**

*General Counsel / General Manager (Ag.)*





## NEW CHAIRMAN OF THE TTSEC



**Professor Patrick K. Watson**

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) announces the appointment of **Professor Patrick K. Watson** as its Chairman after the resignation of Ms. Deborah Thomas-Felix who was recently appointed President of the Industrial Court of the Republic of Trinidad and Tobago.

Professor Watson is no stranger to the citizens of Trinidad and Tobago as he has been the University of the West Indies Director of the Sir Arthur Lewis Institute of Social & Economic Studies (SALISES) and Professor of Applied Economics at the University of the West Indies, St. Augustine Campus for a number of years. Additionally, he previously served as Dean of the Faculty of Social Sciences from 1995 to 2003.

The new Chairman is the holder of a Master's and a Doctoral degree in Mathematical Economics and Econometrics from the Université de Paris I (Panthéon-Sorbonne) and a Bachelor of Commerce degree from the University of Leeds. Professor Watson has served on the board of other state entities and was a Government Senator from June 2010-June 2011.

The Board of Commissioners, management and staff of the TTSEC look forward to the strategic direction of Professor Watson as the TTSEC continues its mandate of protecting and empowering the investor, promoting integrity and transparency and fostering the development of the capital market.

The TTSEC also takes this opportunity to thank its former Chairman, Ms. Deborah Thomas-Felix for her vision, dedication and strategic direction over the past two years and wishes her all success in her new position.



## TTSEC ELECTED AS THIRD REPRESENTATIVE TO THE IARC/IOSCO



At a recently concluded meeting of regional and international securities regulators in Buenos Aires - Argentina, Trinidad and Tobago, through the Trinidad and Tobago Securities and Exchange Commission (TTSEC), was elected as the third representative of the Inter-American Regional Committee of the International Organisation of Securities Commissions (IOSCO) for the period 2012-2014. In this new role, the TTSEC is expected to work closely with the newly elected Chair and Vice Chair of the Council of Securities Regulators of the Americas (COSRA) in order to bring to the attention of the IOSCO Board, the interests, needs and opinions of the region.

The Inter-American Regional Committee (IARC) is comprised of member organisations from the Caribbean, United States of America, Canada, Central America and South America which all share unique issues and interests as a result of their historical, socio-cultural and legislative characteristics. Additionally, the IARC is the organism through which IOSCO seeks to give representatives of the Americas, the opportunity to jointly bring to the fore, issues that may have particular relevance to the region or to members within the region.

**IOSCO's overall objectives are to assist its members to:**

- ***Cooperate together to promote high standards of regulation in order to maintain just, efficient and sound markets;***
- ***Exchange information on their respective experiences in order to promote the development of domestic markets;***
- ***Unite their efforts to establish standards and an effective surveillance of international securities transactions; and***
- ***Provide mutual assistance to promote the integrity of the markets by a rigorous application of the standards and by effective enforcement against offense.***

In addition to being the third representative of the IARC, the TTSEC is also a member of COSRA and is expected to host the next COSRA meeting which is scheduled for November 2012 in Port of Spain.





## CATEGORIES OF REGISTRATION AND PERMISSIBLE ACTIVITY

From time to time, the Staff of the Commission fields questions from various members of the public as well as its own registrants about the types of activities that certain registrants are allowed to conduct given the registration(s) held. There are three primary categories of registrants under the Securities Industry Act, 1995 ("the SIA 1995"):

1. Reporting Issuers
2. Market Actors
3. Self-Regulatory Organizations

**Reporting Issuers** are companies that are registered with the Commission pursuant to Section 64 of the SIA 1995, and have registered securities to be issued to the public. The Reporting Issuer if it so desires may attempt to list the securities that it has issued (and which are registered with the Commission) on the Trinidad and Tobago Stock Exchange Limited.

**Market Actors** include the following types of persons/registrants:

- i. **Brokers** - persons engaged in the business of effecting transactions in securities for the account of others. Essentially, a Broker will act as a middle man in a transaction in securities by bringing buyers and sellers of securities together;
- ii. **Dealers** - persons or companies engaged in the business of buying and selling securities for his own account. A Dealer essentially acts as a Broker but without the need for a third party. In the event that someone has a security to sell, a Dealer will buy the security from the seller for his own account. Alternatively, an investor looking for a security to buy can purchase the security directly from the dealer;
- iii. **Investment Advisers** - persons or companies engaged in, or holding themselves out as engaging in the business of advising another with respect to investment in, or the purchase or sale of, securities. While Investment Advisers

can charge a fee for the advice they provide, their registration does not allow them to:

- a. Accept cash from their clients to purchase securities for the clients; and/or
- b. Take delivery of securities from clients in order to effect the sale of the securities on behalf of their clients.

iv. **Securities Companies** - companies that carry on the business of trading in securities on behalf of others and include companies which carry on business as a:

- a. Broker
- b. Dealer
- c. Underwriter
- d. Adviser
- e. or any combination of two or more of the foregoing

v. **Traders** - individuals employed by brokers to participate in any securities transactions

vi. **Underwriters** - persons or companies who:

- a. As principals, agree to purchase securities for the purpose of a distribution;
- b. As agents, offer for sale or sell securities in connection with the distribution; or
- c. Participate directly or indirectly in the distribution described above.

**Self Regulatory Organization** - an association of securities companies, a clearing agency or a securities exchange. Currently there are two self regulatory organizations registered with the Commission:

- i. The Trinidad and Tobago Stock Exchange
- ii. The Trinidad and Tobago Central Depository

Self regulatory organizations are established for a particular purpose and have a body of rules that govern their members. These rules and any amendment thereto must be approved by the Commission.





## CONTINUOUS DISCLOSURE OBLIGATIONS OF REPORTING ISSUERS AND MARKET ACTORS

**Reporting Issuers** should note the following continuous disclosure obligations that they are required to observe under the Securities Industry Act, 1995 ("the Act") and its related By-Laws:

- **The Amended Registration Statement** - The Act requires a Reporting Issuer to submit an *Amended Registration Statement* (Form No. 4) and a filing fee of TT\$5,100.00 **on or before the anniversary date of its registration as a reporting issuer**. The information contained on the Amended Registration Statement should refer to its 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. The statement shall be signed by the Chief Executive Officer and at least two (2) directors.
- **Annual Report Submission** - Section 66 (1) of the Act provides that reporting issuers must file a copy of their annual report with the Commission within four months of the end of their financial year and send copies to each of their security holders.
- **Material Change Notices and Press Releases** - Section 66(3) of the Act stipulates that where a material change in the affairs of the reporting issuer occurs, it is required to file a notice of the change with the Commission and issue a press release as soon as practicable **but no later than seven days after the change occurs**. A material change where used in relation to the affairs of an issuer, means a change in the **business operations, assets or ownership of the issuer** that will reasonably be expected to have a significant effect on the value of the securities of the issuer and includes a decision to implement such a change made by directors of the issuer.
- **Interim Financial Statements** - By-law 55 of the Securities Industry By-Laws states that reporting issuers must file a copy of their interim financial statement with the Commission. By-Law 55 also indicates that **these interim financial statements must be filed with the Commission on a semi-annual basis and within 60 days of the end of a reporting issuer's half year period**. While the By-Laws do not stipulate that reporting issuers must

file quarterly interim financial statements, the Commission encourages reporting issuers to do so.

- **Comparative Financial Statements** - By-Law 56 of the Securities Industry By-Laws, 1997 ("the By-Laws") stipulates that reporting issuers must file a copy of their comparative financial statements within 90 days of the end of their financial year.
- **On-going Registration of Issues** - Section 3(1) of the Act defines the term "offer to the public" as follows:

*"... "offer to the public", in relation to any security, means any offer to the public at large or to any section of the public, whether selected as clients of persons issuing the prospectus or in any other manner by way of advertisement or other form of solicitation, but does not include an offer by an offeror who is not a registered issuer under this Act where the offer is made to fewer than thirty-five persons and the offer can be regarded as not being calculated to result directly or indirectly in the securities becoming available for subscription or purchase by persons other than those receiving the offer or invitation, or otherwise as being a matter of domestic concern of the persons making and receiving it ..."*

Given the excerpt above, the Act does not require the registration of issues where the offer is made by an issuer not registered by the Commission and where that offer is made to fewer than thirty-five persons. Such issues are termed "private placements". **The relief from the requirement for registration does not extend to an offeror who is a registered issuer of securities.** Reporting issuers are therefore required to register all issues of securities with the Commission.

- Registered **Market Actors** are required to: Maintain certain records prescribed in By-Laws 18 – 27 of the Securities Industry By-Laws 1997
- File Audited Financial Statements with the Commission in accordance with By-Law 28 of the aforementioned By-Laws. Where the market actor is a company, the audited financial statement must be filed with the Commission within 90 days of the market actor's financial year end. Where however the market actor is an individual, the audited financial statements must be filed with the Commission by April 01 each year. Please note that traders are not required to file audited financial statements with the Commission.



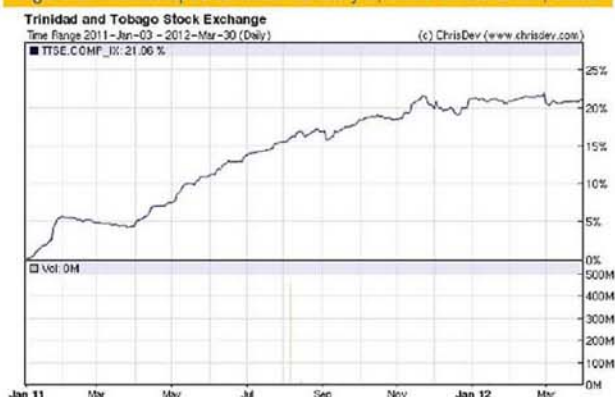


# MARKET ACTIVITY & MUTUAL FUND PERFORMANCE: January 2011 – March 2012

## Stock Market Performance

The domestic stock market, as measured by the TTSE Composite Index, increased by 21.06 percent during the fifteen-month period January 3rd 2011 to March 29th, 2012 (**Figure 1**). This was a more positive performance than occurred during the same period the previous year that is, January 2010 to March 2011, when the market increased 13.95 percent. During the first quarter of 2012, last three months of the period under review, however, the Index declined 0.13 percent.

**Figure 1: TTSE Composite Index: January 3, 2011 to March 30, 2012**



Over the fifteen-month period, local companies led the increase, as indicated by the 26.86 percent increase of the All T&T Index.

The top three (3) performers for the January 2011 to March 2012 period were Jamaica Money Market Brokers Limited, registering a 215.38 percent increase in its price, Prestige Holdings Limited and Capital and Credit Financial Group, increasing 87.35 percent 66.67 percent respectively. The top three declining stocks over the period were Trinidad Cement Limited, which decreased 39.29 percent, LJ Williams Limited (37.04%) and National Flour Mills (29.35%).

A total of 11,276 transactions took place on the stock exchange over the period January 2011 to March 2012. The total volume of stocks traded during this period amounted to 577,994,967 representing a value of TT\$1.2 billion. This represented an increase of 4.75 percent over the January 2010 to March 2011 period with respect to total transactions, a 527.02 percent increase in volume and a 13.73 percent increase in value, further evidencing the continued recovery of the market from its slump during the crisis.

## Bond Market

Over the period January – November 2011 fourteen (14) bonds were registered with the Commission, representing approximately \$5.6 billion. For the same period in the previous year, ten (10) bonds were registered with the Commission, representing \$7.5 billion. Of the fourteen (14) registered, eight (8) were private sector bonds, five (5) were state enterprises and one (1) was central government, the second largest bond registered at \$1.0 billion. The Water And Sewerage Authority registered the largest bond of just over \$1.3 billion. There was one (1) USD registration, that of Urban Development Corporation of Trinidad & Tobago Limited, which registered a US\$88,000,000 million bond in August 2011.

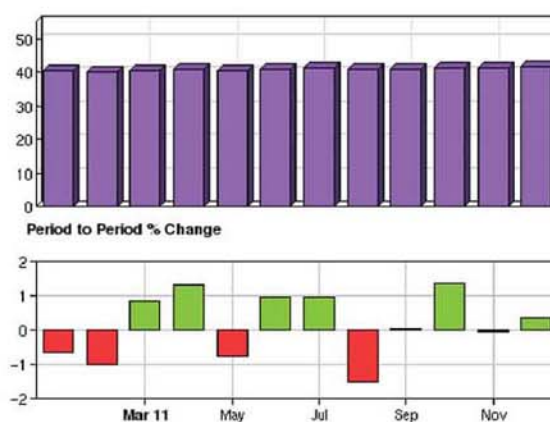
There were forty-six (46) transactions taking place on the secondary bond market for government bonds over the period January – November 2011. Volume traded totaled 176,899, valued at TT\$194.2 million. When compared to the same period the previous year, this represents an 89 percent decrease, for both volume and value.

## Mutual Fund Performance

As at December 2011, funds under management in the mutual fund industry stood at TT\$41,629.78 million, a 2.54 percent increase over the January figure of TT\$40,597.46 million. Sales increased 17.31 percent over the period January – December 2011, and totaled TT\$58,796.22 over the twelve (12) months. Redemptions increased 15.52 percent over this period, but were still lower than total sales for the period, measuring TT\$46,671.71, suggesting that mutual funds remain a favored form of saving.

**Figure 2:**

**Funds Under Management (\$TT Billion) (2011-Jan - 2011-Dec)**







## UNDERSTANDING INSIDER TRADING

Part IX of the Securities Industry Act, 1995 ("the Act") addresses "Dealing by Persons Connected with Issuers." This practice is commonly referred to as Insider Trading.

**Insider trading is the purchasing or selling of a security by persons who are connected to the issuer of the security and who have knowledge of price sensitive information by virtue of said connection.** Section 120 (1) of the Act defines price sensitive information as *"specific unpublished information which, if generally known, might reasonably be expected to affect materially the price or value of [a security]."* Section 120 (2) goes on to provide the circumstances under which a person is considered to be connected with an issuer of securities. Section 121 lists specific persons and the situations under which they are prohibited from trading and exceptions can be found under Section 124.

There are many forms of insider trading and **it is important to note that you do not have to make a trade yourself to be held liable for insider trading.** Once you share price sensitive information which is not publically available with someone who makes a trade based on the information you have provided, **both you and the person who actually makes the trade, may be found guilty of insider trading.** This is commonly referred to as **Tipping**. The connected party is referred to as "tipper" and the recipient of the information is referred to as the "tippee".

Additionally insider trading does not only apply to people who work directly for a company. In a nutshell, once an individual has access to material, non-public information, he/she cannot make a trade based on that information. This means that nearly anybody, including brokers, family, friends and employees, can be considered an insider. A clear example is the CEO of a company telling his daughter to sell her shares of his company's stock knowing that the imminent release of certain information will cause the value of the stock to drop. In such a case, although the CEO himself did not actually make a trade, he might nevertheless be found guilty of insider trading. Furthermore, although not an employee of the company, his daughter might also be found guilty of insider trading.

The Securities Industry Act is currently being reviewed and upgraded and as such, the Commission will make recommendations for the new Act to address the issue of insider trading in greater detail and impose harsher penalties on those who are found guilty. The essence of timely disclosure is one of equal opportunity since investors must be allowed to be privy to all price sensitive information in order to reach an informed investment decision. In light of the potential liability and adverse publicity that may accompany insider trading allegations, it is imperative that companies establish, enforce and constantly review their policies and procedures to prevent and detect insider trading.

It is evident that insider trading undermines investor confidence in so far as it affects the fairness and integrity of the securities markets. The Commission has issued "Guidelines for the disclosure of Price Sensitive Information" as well as "Policy Guidelines for Listed Companies' handling of Price Sensitive Information." These documents are available on the TTSEC website [www.ttsec.org.tt](http://www.ttsec.org.tt).





## SUMMARY OF THE CXN INITIATIVE

The Caribbean Exchanges Network ("CXN") is a market integration initiative of the Stock Exchanges and Central Depositories of Barbados, Jamaica and Trinidad and Tobago (the Exchanges and Depositories") and is regarded as a strategic alliance between the Exchanges and Depositories. Essentially it enables any eligible broker doing business in any Caribbean territory to access the trading network of the respective exchanges/depositories for the purpose of trading in securities on behalf of any resident of the broker's home territory i.e. the original territory in which such broker was established and carries on business. The CXN Agreement was signed on June 20, 2011 and formally established the requirements for participation by eligible brokerages, including conditions for access rights, expenses and fees, criteria for the termination of a brokerage from CXN and the withdrawal from and/or admission of a stock exchange or depository in this initiative.

Due to legal restrictions among the jurisdictions, the securities laws and the stock exchange rules of the respective jurisdictions are to be maintained. That is, brokers who wish to participate in the CXN Agreement are required to be registered with the respective regulator and subsequently obtain a stock exchange licence from the relevant exchange. It must also be noted that each regulator is expected to place a level of reliance on the other jurisdictions' 'fit and proper' procedures to streamline the registration process of a broker.

It is anticipated that this preliminary undertaking, toward the formation of a regional exchange, will provide the opportunity for the respective investors of Barbados, Jamaica and Trinidad and Tobago to buy and sell securities on the exchanges of these respective countries. It is anticipated that other exchanges in the region will be included as the initiative evolves. The following are some of the benefits that would redound to the three main participants of the CXN:

PARTICIPANT	BENEFITS OF CXN
<b>Investors</b>	No need for an investor to become a client of a Barbados or Jamaica or Trinidad and Tobago brokerage house to trade on the respective exchanges.
	Access to a range of investment opportunities with the region.
<b>Brokerages</b>	Participating brokerages will be subject to a streamlined registration process in the jurisdictions of Barbados, Jamaica and Trinidad and Tobago.
<b>Stock Exchanges</b>	An increase in trading activity due to a broader investor base.

## COMPLIANCE INITIATIVES

Given the Commission's objective to provide a level and transparent playing field in the securities market, we aim to ensure that material information is made available to investors in the marketplace in a timely manner. To this end, the Commission has undertaken an aggressive approach in the enforcement of compliance with its disclosure and registration regime as it relates to the filing of prospectuses, financial statements and material change publications.

A contravention of any of the provisions of the Securities Industry Act or the by-laws, attracts a penalty of not more than \$50,000.00 for each offence. Fines imposed by the Commission are payable to the state and are deposited to the Comptroller of Accounts. Over the period January, 2010 to present, the Commission has imposed fines for contraventions of the Act and its by-laws in sums amounting to approximately TT\$5,061,884.

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