



ISSUE 4
January - March 2013

TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION

INVEST WITH CONFIDENCE!



TTSEC continues to
Engage The Youth

www.ttsec.org.tt



FOREWORD

It is my pleasure to welcome you to the fourth issue of the Commission's quarterly newsletter. As I reiterate in each *Foreword*, this communiqué is designed to keep you au courant with all the activities and noteworthy information related to the securities sector. 2012 was quite a dynamic and active year for the Commission. For the majority of last year, the Commission worked closely with various arms of the state and government to finalise the Securities Bill which in December 2012 became the Securities Act 2012. **Now, that the Act has been passed, the journey to implementation in all its forms, has begun and the Commission once more, will be focusing on all the operational and administrative issues that are a key part of the new legislation. These included the formalisation of By-Laws, appointment of additional Commissioners and the recruitment of additional team members which will allow the Commission to pursue its new mandate.**

This year, the Commission welcomed two new *Commissioners*; a new *Director, Legal Advisory and Enforcement/Corporate Secretary*; a new *Director, Market Regulation and Surveillance* and two new *Legal Counsels*. **These appointments will redound to the benefit of the Commission as we embrace our new roles and mandate especially in the area of enforcement.** In this calendar year, the Commission also intends to continue its investor education initiatives and improve its relations with you, our valued stakeholder.

In this issue, you will find articles on:

- ***New Provisions in the SA 2012***
- ***A Guide to the Market: Promotion of CIS***
- ***The Enforcement regime under the SA 2012***
- ***An update on Investor Education***
- ***TTSEC's 2013 Investor Education Competition***

We look forward to your feedback and suggestions so that we can continue to make this publication, a meaningful one.



Norton Jack
General Counsel/General Manager (Ag.)

Cover Story TTSEC ENGAGES THE YOUTH IN ITS 2013 INVESTOR EDUCATION COMPETITION



SEC Competition Winners Row

On Wednesday March 27, at the Trinidad Hilton and Conference Centre, winners gathered to receive their prizes for participating in the **TTSEC's 2013 Investor Education Competition**. This competition, which is the TTSEC's second competition of this nature, was held in partnership with the **Trinidad and Tobago Stock Exchange Limited (TTSE)** and targeted the youth of Trinidad and Tobago between the ages of 18 to 25 years. From February 18 to March 08, more than 50 persons registered for this competition and after reviewing the submissions, six winners were selected. Three winners were selected for Category A: 18 to 21 years old and three winners for Category B: 22 to 25 years old.

These are the winners:

Category A: 18 to 21 Years Old

- ***First Prize:*** Julian Ellis (*A Form Six Student of Fatima College*)
- ***Second Prize:*** Deirdre Z. Subran-Ganesh (*A Form Six student of Holy Faith Convent, Couva*)
- ***Third Prize:*** Kirmeil Hackshaw (*A Form Six student of St. Joseph's Convent, San Fernando*)

Category B: 22 to 25 Years Old

- ***First Prize:*** Colin Denoon (*a former student of the University of the West Indies*)
- ***Second Prize:*** Jarod Mohess (*a student of the Arthur Lok Jack Graduate School of Business*)
- ***Third Prize:*** Fahren Ramjit (*a student of the Arthur Lok Jack Graduate School of Business*)

TTSEC ENGAGES THE YOUTH IN ITS 2013 INVESTOR EDUCATION COMPETITION (Cont'd)



Wainwright Iton, Chief Executive Officer of the Trinidad and Tobago Stock Exchange Limited delivers remarks at the Prize Distribution Ceremony for the 2013 Investor Education Competition.

Winners in the 18 to 21 year old category received Samsung Galaxy tablets and cash prizes. Winners in the 22 to 25 year old category received cheques from the Trinidad and Tobago Stock Exchange Limited who will introduce the winners of this group to its brokerage firms. Winners will in turn select the firm which they will engage for guidance and assistance regarding their investments.

The TTSEC believes that this option will teach the winners the importance of analyzing and researching investment products before they invest and the risk that is sometimes associated with any long term investment. These cash prizes ranged from \$3,500.00 to \$7,000.00.

To participate in this competition, interested persons were required to select a question according to their age group. These questions required participants to analyse actual securities products on the market, prepare proposals on ways to educate and empower young people to invest in securities products, as well as research debt vs equity financing, company operations and price movements.

This competition was one of the many initiatives that the TTSEC employs to achieve its vision for a better informed, more educated and confident citizenry, which is able to take greater responsibility for its financial affairs and thus play a more active role in the market. The TTSEC targeted this age group (18 to 25 years old) because it comprises young adults who

are still students, who may be getting their first real job or are aiming to do so. As they move into adulthood, they will need to accept greater responsibility for their own personal finances and therefore, must be informed how to achieve this.



Professor Patrick Watson, Chairman, TTSEC addresses guests and winners.

In his remarks at the Prize Distribution event, TTSEC Chairman, Professor Patrick Watson, told the winners and their families **“it is important for you to use the knowledge gained to help empower your family, your peers and your community. It is also important for you to continue deepening your knowledge and improving your understanding of the securities market and investments.”**

Wainwright Iton, Chief Executive Officer of the Trinidad and Tobago Stock Exchange Limited, advised the youth that **“investor education is fundamental to the development of the capital market therefore it is important for you to be knowledgeable about the securities market and how it works.”**

TTSEC’s General Manager (Ag.), Norton Jack closed the short presentation ceremony by thanking the Trinidad and Tobago Stock Exchange Limited for their cooperation and partnership and reiterating the TTSEC’s commitment to investor education and the protection of the investors.



KEEPING YOU INFORMED ABOUT THE NEW PROVISIONS IN THE SA 2012 (Division of Disclosure, Registration and Corporate Finance)

The recent passage of the Securities Act, 2012 ("SA 2012") has brought with it, many changes in the modus operandi of the Division of Disclosure, Registration and Corporate Finance and by extension, the Commission. The new provisions of the SA 2012, provide us with a more robust framework that is aligned to international best practices for securities regulators.

In this article, we discuss some of the new concepts that have been included in the SA 2012.

Market Actors vs Registrants

In the SA 2012, there has been a complete revamp of these two terms. Now, *Market Actors*, according to section 4(1) of the SA 2012 include registrants as well as those who participate in the market in an indirect way (but who may not be registered with the Commission). *Market Actors* include, among other things, self-regulatory organisations, registrants, trustees, designated rating organisations, registrars, clearing agencies and custodians.

Registrants, however, are persons who are required to be registered under Part IV of the SA 2012 and include Broker-Dealers, Investment Advisers, Underwriters, Registered Representatives, Sponsored Broker-Dealers, Sponsored Investment Advisers and Reporting Issuers. Under the Securities Industry Act, 1995 ("SIA 1995") *Registrants* referred to all registered persons and entities, including self-regulatory organisations whereas *Market Actors* referred to securities companies, brokers, traders, dealers, investment advisers and underwriters.

We believe that the revision of these terms in the SA 2012 provides the Commission with the jurisdiction to oversee all persons that are involved in the securities market both directly and indirectly.

Registered Representatives

Individuals conducting business on behalf of a Broker-Dealer, Investment Adviser, or Underwriter, registered under section 51(1) of the SA 2012, will be required to be registered with the Commission as

Registered Representatives. In order to obtain registration, such applicants must satisfy, among other things, certain fit and proper requirements which are currently being refined. *Registered Representatives* will only be permitted to conduct business in the areas of activity that their employers are authorised to conduct. Such registrations will be valid for a period of one year. Where a *Registered Representative* is no longer in the employ of a registered *Broker-Dealer*, *Investment Adviser* or *Underwriter*, that individual's registration as a *Registered Representative* will be terminated.

Sponsored Broker-Dealers and Sponsored Investment Advisers

Sponsored Broker-Dealers and *Sponsored Investment Advisers* have been introduced in the SA 2012 to cater for those foreign-based individuals who wish to conduct business in Trinidad and Tobago from time to time. Such persons can register with the Commission as *Sponsored Broker-Dealers* or *Sponsored Investment Advisers*. However, section 51(5) of the SA 2012, imposes a limit of thirty (30) days as the maximum time in any one calendar year that such *Sponsored Broker-Dealers* and *Sponsored Investment Advisers* can conduct business in Trinidad and Tobago.

Branch Offices

Any Broker-Dealer, Investment Adviser or Underwriter who intends to open a branch office or offices where they intend to conduct securities business, must first register each branch office with the Commission.

Offers to the Public, Distributions, and Limited Offerings

The concept of an "offer to the public" which was in the SIA 1995 is not in the SA 2012. This term has now been replaced with the concept of a "*Distribution*". Similar to the SIA 1995, the SA 2012



KEEPING YOU INFORMED ABOUT THE NEW PROVISIONS IN THE SA 2012 (Division of Disclosure, Registration and Corporate Finance) (Cont'd)

provides that any distribution of a security must be registered with the Commission and that any person who proposes to distribute a security must be registered as a reporting issuer. The SA 2012, introduced the requirement for the filing of a *Post Distribution Statement*. Issuers of securities that are registered with the Commission must submit a *Post Distribution Statement* within ten days of the completion of the distribution in accordance with section 81 of the SA 2012.

The SA 2012 also introduced the concept of a "limited offering" by a "private issuer". These two terms are defined in section 4(1) of the SA 2012 and are meant to replace what was unofficially referred to as "private placements" under the SIA 1995. Under the SA 2012, any "limited offering" of a security by a "private issuer" will qualify for an exemption from the requirement to be registered. Sections 61(4) and 62(9) of the SA 2012 however, requires certain issuers who claim this exemption, to file a Post Distribution Statement with the Commission as prescribed under section 84 of the SA 2012.

Continuous Reporting Requirements of Reporting Issuers

- 1. Revised Registration Statements** (formerly called Amended Registration Statements) are now due within 14 days of the end of a Reporting Issuer's financial year end.
- 2. Annual Reports and Comparative Financial Statements** are still required to be filed with the Commission. The time frame for submission will be prescribed in the General By-Laws. In the absence of these General By-Laws, the *Securities Industry By-Laws, 1997* remain in force, and as such:
 - a. Annual Reports must be filed with the Commission within 4 months of the end of the reporting issuers' financial year.*
 - b. Comparative Financial Statements must be filed with the Commission within 90 days of*

the end of the reporting issuers' financial year end.

- 3. Interim Financial Statements** are now required within 60 days of the end of each quarter under section 66 of the SA 2012.
- 4. Material Changes** - Reporting Issuers are still required to notify the public of material changes in their business, operations, assets, or ownership. The following are the material change requirements under section 64 of the SA 2012 (which are slightly different from what was required under the SIA 1995):

- a. The filing of a report with the Commission within three days of the occurrence of the change.*
- b. The publication of a notice of the change in two daily newspapers and the filing of this notice with the Commission.*

Interim Measures

The forms, fees and other requirements for registration under the SA 2012 will be prescribed in the General By-Laws. These General By-Laws were released for comment on March 20, 2013; the deadline for feedback is April 26, 2013. We hope that they will be enacted by the third quarter of 2013.

In the absence of the General By-Laws and in order to facilitate the registration of persons or companies as well as securities under the SA 2012, the fees and forms that were prescribed under the Securities Industry By-Laws, 1997 are being utilised (as far as is reasonably practicable) to process applications under the SA 2012. Please note that during this time, applications for registration may be subject to additional conditions as the Commission may require, in order to ensure compliance with the SA 2012.

For further information or clarification on any of the provisions of the Securities Act, 2012, please contact us at sa2012@ttsec.org.tt.



TTSEC REGULATING THE SECURITIES MARKET (Understanding Enforcement under the Securities Act, 2012)

The new *Securities Act No. 17/2012 ("SA 2012")* bears many enhancements that will assist the Trinidad and Tobago Securities and Exchange Commission ("**the Commission**") in attaining its ultimate goal of creating an efficient and fair financial market in the Republic of Trinidad and Tobago ("**TT**") so that citizens can invest with confidence. This article will focus on the areas of enhancement that may generally give rise to a high degree of interest among market actors, other stakeholders and the investing public.

New provisions in the SA 2012 with enhanced disclosure obligations, intended towards the promotion of greater transparency, **shift the focus from the perspective of the issuer to the impact of the activity on the investor**. Provisions have also been included to allow the Commission to engage in regulatory cooperation by facilitating information sharing with other regulatory and law enforcement agencies. The significant increase in administrative penalties and other avenues for prosecuting market misconduct and manipulation offences, are expected to encourage greater compliance on one end of the scale and serve as a deterrent on the other. This increase, combined with the Commission's ability to conduct on-site inspections and the emergency By-Law making power, are major additions to the Commission's armoury to fulfill its mandate of providing a fair, efficient and transparent securities market in Trinidad and Tobago.

A synopsis of the areas of enforcement that have been changed and/or enhanced are as follows –

By-Law Making Powers

Under the former act, the *Securities Industries Act, 1995 ("SIA 1995")*, the Minister of Finance ("**Minister**") had limited powers to make By-Laws. Further, there were only twenty (20) areas under which the Minister could make By-Laws (*S131, SIA 1995*). However, pursuant to *S148* of the *SA 2012*, there are now 46 main areas of By-Law making authority available to the Minister. Further, by virtue of *S149 (6)*, the Minister is vested with emergency by-law making powers in order to allow the Commission to respond as a matter of urgency to matters that may negatively affect the market conditions. **(By-Laws made under this provision would be valid for ninety days in the first instance).**

Cease Trading Orders

Under *S141* of the *SIA 1995*, the Commission was able to issue a Cease Trade Order in connection with a particular distribution for material non disclosure, or other specified infractions including circumstances where the Commission considered it in the public interest to do so. There was no explicit power to order a cease trade for non compliance with the *SIA 1995* or the By-Laws generally. *S154 & 155* of the *SA 2012*, however, allow the Commission to issue Cease Trade Orders for general non compliance with the Act or the By-Laws.

Order for Penalty

Formerly, the Commission was limited to ordering a person who had contravened the provisions of the *SIA 1995*, **the By-Laws or an Order of Commission to pay** a penalty of up to \$50,000 (*S143 (1), SIA 1995*). The SA, 2012 has increased the maximum administrative penalty to **\$500,000 per contravention** and persons who contravene solely by reason of failure to file or publish a document or instrument on time, are liable **to a penalty of (\$1,000 per day) for each day the document remains outstanding until the instrument is filed** *S156 (2), SA 2012*.



TTSEC REGULATING THE SECURITIES MARKET (Cont'd)

(Understanding Enforcement under the Securities Act, 2012)



Investigations

Previously *S138, SIA 1995* allowed the Commission to appoint a person to investigate any contravention of its provisions. However, this did not include the ability to examine and make copies of the records and financial affairs of the person in respect of which the investigation was being conducted. *S150* of the *SA 2012* has expanded the Commission's investigative powers in relation to the appointed person. **(The investigator now has the power to examine, make copies or remove from the premises all such books and records in pursuance of the investigation).**

Compliance Examinations

S89 of the *SA 2012* introduced the area of compliance inspections by staff of the Commission. The staff now has the ability to actively engage market actors to ensure compliance with both the securities laws and anti-money laundering and combating financing of terrorism laws and guidelines. Should an entity or individual be found to be deficient in any regard, the Commission will have the authority to take remedial steps that range from the issuance of compliance directions to the pursuance of enforcement action.

Whistle Blowing Protection

S153 of the *SA 2012* provides protection/indemnification to persons who supply information to the Commission in good faith. The *SIA 1995* contained no similar provision.

General Offences

Under the *SIA 1995*, the maximum penalty upon summary conviction was \$100,000 and three (3) months imprisonment (*S148 (2)*). **The maximum penalty upon indictment is now \$2,000,000 and two (2) years imprisonment (S165 (1), SA 2012).** These enhanced enforcement provisions (as well as the other provisions of the *SA 2012*) are being implemented in order to protect the investor, promote integrity and transparency and foster the development of the capital market in our twin island Republic. It is our expectation that all these measures will also encourage investors to continue investing with confidence and consequently build market confidence which is very important for the integrity, growth and development of TT's securities market.



CIS DISCLOSURES : A GUIDE TO THE MARKET (DIVISION OF MARKET REGULATION AND SURVEILLANCE)

In order to keep market actors abreast of regulatory issues, the *Division of Market Regulation and Surveillance* takes this opportunity to provide guidance on public announcements and promotional material released by Collective Investment Schemes (CIS).

Collective Investment Schemes are an important component of Trinidad and Tobago's capital market, accounting for TT\$39.5bn (or 15%) in funds under management (FUM) out of a total capital market value of TT\$263.4bn (as at January 31, 2013).

Within recent times, the Division found it necessary to remind various CIS issuers of the Commission's Guidelines in respect of statements contained in media releases and advertisements. Our guidelines on "Promotion Presentation Standards for Collective Investment Schemes" have been published since 2005 and promoters of CIS are encouraged to adhere to the standards established for the publication of media releases, advertisements and promotional material exhibiting performance, which are the key marketing tools in the promotion of securities issued by CIS.

In fact, any disclosures made in these publications, ought to be fair and accurate and persons who invest in these products should be provided with all the necessary information that will enable them to make investment decisions that are suitable to their individual needs.

An investor's search for information on an investment product may be impacted by:

- The significant amount of time and money required in information gathering;
- A lack of sophistication necessary to perform an analysis; and
- A difficulty in understanding the technical jargon in a product offering.

An investor will more than likely rely on performance information provided in advertisements and promotional material provided by CIS. Therefore, incomplete, inaccurate or misleading statements provided in such promotional material can mean dire consequences for investors and clients of CIS. In some cases, information provided may not be deliberately misleading, but may be construed as such if other critical information is not provided in order for proper interpretation of the returns used to evaluate performance.

The Commission's Guidelines are consistent with international best practice and have the following main objectives:

- **To develop rules for media and other releases that will prohibit the publication of advertisements that mislead potential and existing investors and/or omit relevant information; and**
- **To encourage the standardization of calculation of performance of CISs to facilitate a more meaningful comparison and assessment of CISs across the country.**

Our expectation is that the adoption of those standards will provide potential and existing investors in CIS with an assurance that the disclosures in advertisements and promotional material concerning scheme performance should be fair and accurate. The Commission uses 7 general standards, developed by the International Organization of Securities Commissions (IOSCO) as a basis, but also draws upon standards of other jurisdictions and regulatory bodies.

Summarized on the following page are the general standards required by the Commission **(though promoters are not precluded from exceeding those prescribed):**



CIS DISCLOSURES : A GUIDE TO THE MARKET

(DIVISION OF MARKET REGULATION AND SURVEILLANCE) (Cont'd)

1. Fundamental Principles

These principles relate to the content of statements issued by promoters of CIS, where the material must be fair, accurate and complete and there should be no misrepresentation of investment performance. Promoters should also give due regard to their audience and ensure the suitability of promotion to that particular audience.

2. Disclaimers and Location of a Prospectus

Media releases and promotional material should contain a statement regarding the need to refer to a CIS prospectus, which contains important investment information and where it can be found. Additionally, present performance data should contain a disclaimer regarding the likelihood of variation in performance of the fund over time.

3. Fees and Expenses

Investment scheme performance information should be net of all fees and expenses (e.g. management fees) paid directly or indirectly by each investor and should be disclosed in presentation information.

4. Calculation of Returns

Information is provided in the guidelines on performance (general, annualized and cumulative) returns that are acceptable to be published and the form of such publication. There is a requirement for consistency in the calculation of the net asset value (which must be in accordance with what is set out in the prospectus and the same accounting principles used in determination of asset and liability values in calculation of net asset values), the use of standardised formulae (returns calculated with use of methodology set out in the Prospectus) and the need for disclosure should there be any changes.

5. Relevance of Performance Data

In a situation where releases of performance information are provided to users, it should include such information to the end of the most recently completed calendar quarter.

6. Consistency of Promotions

Information presented in media releases and other promotions should be consistent with that of the prospectus filed with the Commission and should include the inception date of the scheme.

7. Benchmarking

Investors should be able to determine/evaluate the performance and risks of the CIS through the use of benchmark market index consistent with the scheme's investment policies and objectives. Should there be no benchmark information available, advertisements may include information on the performance of the market sector consistent with the CIS' investment policies and objectives.

The Implication of the Securities Act 2012

In accordance with section 90(1) of the recently passed Securities Act 2012, if a compliance review (under section 89) reveals that a registrant or self-regulatory organisation, is committing/contravening or about to commit/contravene any provision of the Act, by-laws or guidelines, the Commission may direct a person to take such measures necessary to remedy the situation.

Where the Commission is of the view that adherence to the guideline is in the public interest, a person failing to take measures so directed commits an offence and is liable on conviction on indictment to **(a fine of five hundred thousand dollars (\$500,000.00) and to imprisonment for two years)**. This applies to persons who fail to comply with issued Guidelines of the Commission and **does not apply to draft Guidelines**.

The Commission will continue to provide registrants with relevant updates on aspects of the new Act and their responsibilities under the legislation. We will also take the opportunity via this medium and other public information channels to remind registrants of existing provisions and guidelines to ensure that adequate disclosure is made to investors to enable them to make informed decisions.

INVESTOR EDUCATION UPDATE

EDUCATING OUR CITIZENS SO THAT THEY CAN INVEST WITH CONFIDENCE



Rosalind King, Senior Financial Research Officer (left) and Arlene Stephen, Director, Corporate Communication, Education and Information, TTSEC before the start of an investor education outreach session. Both are the two main members of the Commission's outreach team.

In October 2012, the Commission conducted a survey across the islands (including our own). The results of this survey revealed that investors are generally “risk averse”, have a strong preference for using the commercial banks as their options for deposits and that there is low retail investor participation in the stock market across all jurisdictions.

We, as a Commission, are also aware that investors in 2013 have less disposable income, are more susceptible to risk, must be more prudent in their financial decision-making, and must become financially literate in order to participate meaningfully in the capital market. Investors also believe that they must have confidence in the regulation of the market and its players.

It is against this backdrop that the Commission has aggressively pursued its Investor Education

Outreach Programme with schools, private and public sector entities and Non Governmental Organisations (NGOs). Since the start of the year, the Commission has conducted dynamic sessions with the Office of the Parliament, Ministry of Labour and Small and Micro Enterprise Development and the UWI Alumni Association.



In the upcoming months, we intend to hold discussions with the Ministry of Education to begin to inculcate the importance of a sound financial education in young minds via the school system. Similar discussions will also be held with the Ministry of Tertiary Education and Skills Training for the tertiary education sector.

Moreover, our investor education strategies will continue incorporating digital media and print media. Coupled with these local partnerships, we do hope to continue partnering with our fellow regulators across the region and the world to continue enhancing our programmes and learning best practices.

- As we enhance our investor education initiatives, we hope to see:**
- More participation in the capital market which will ultimately redound to the benefit of our economy
 - More knowledgeable investors
 - Increased levels of investment
 - Fewer persons falling victim to scams
 - Wealth creation for our people.

In a few months, the Commission will introduce the use of Webinars and an Investor Education Game to enhance our strategies. This is just another step forward for us as we incorporate technology and digital media in our activities.



TTSEC ATTENDS IOSCO BOARD MEETING IN SYDNEY, AUSTRALIA



From March 21-22, the Trinidad and Tobago Securities and Exchange Commission attended the International Organization of Securities Commissions (IOSCO) Board Meeting held in Sydney, Australia. Representing the Commission were Professor Patrick Watson, Chairman and Mr. Norton Jack, General Counsel/General Manager (Ag.). On return from this very important meeting, both Professor Watson and Mr Jack reiterated the point that attendance at these meetings is mandatory for the TTSEC since the TTSEC sits on the IOSCO Board until 2014 and is also the third representative of the Inter-American Regional Committee. Here are some of the highlights from the meeting:

New IOSCO Chairman of the Board

Mr. Greg Medcraft, Chair of the Australian Securities and Investments Commission, took over as Chair of the International Organization of Securities Commissions (IOSCO) Board at the March 21-22 Meeting. He succeeds Mr. Masamichi Kono of the Japan FSA. The Board also elected Ontario Securities Commission Chairman, Mr. Howard I. Wetston as IOSCO Vice Chair following the retirement of Mr. Ethiopis Tafara. In his first statement as Chairman, Mr. Medcraft said "I am delighted to be appointed Chair of IOSCO and I salute and thank Masa Kono for his leadership of IOSCO. Under my stewardship, I want to build on Mr. Kono's work and ensure IOSCO is proactive and forward-looking in delivering three objectives – working to ensure that globally investors are confident and informed, markets are fair and efficient and reducing systemic risk." Mr. Medcraft said that during his term as chair IOSCO will work toward these objectives through:

- *Engagement with members and stakeholders;*
- *Co-operation across its membership and with industry; and*
- *Standard-setting.*

The Sydney IOSCO Board meeting also covered the following areas:

Engagement

The Board meeting underscored IOSCO's commitment to improving its engagement with industry and the broader IOSCO membership.



Industry Round Table on Emerging Risks

The meeting was preceded by a Round Table which included members of the Board and seven financial services executives from Australia, Asia, Europe and North America to discuss emerging risks. The discussions underscored IOSCO's determination to engage with industry in developing early and forward-looking responses to the challenges that securities markets face in a rapidly evolving environment. Participants exchanged views on emerging risks in global financial markets and the possible unintended consequences of securities regulation and other policy measures, particularly on emerging markets. Some of the potential risks discussed included the global imbalances caused by capital flows, weaknesses in financial market infrastructure, high-frequency trading, market fragmentation and cyber-attacks. Board members expressed concern over the potential risks of the current low interest rate environment. Members generally agreed to the search for yield could fuel the creation of new asset bubbles, particularly in emerging markets with largely undiversified economies. They noted that a sudden upward spike in interest rates could damage global economic growth.

The Emerging Markets Committee (EMC)

The Board discussed measures to enhance the inclusiveness of EMC members in IOSCO policy and implementation work. The EMC accounts for 75% of IOSCO membership, which gives it significant responsibility for the development and implementation of IOSCO standards on a global level. Board members agreed that the emerging markets would play an increasingly important role as a source of financing for the global economy.

Board Membership And Working Procedures

The Meeting held preliminary discussions on changes to the composition of the IOSCO Board and its working procedures. The aim of these changes is to ensure the Board is as inclusive and representative as possible of the IOSCO membership. The Board was established in May 2012 through the merger of the Executive Committee, the Technical Committee and the Emerging Market Committee Advisory Board. The aim is to have in place a permanent basis for determining Board membership by the time of the Annual meeting in Rio de Janeiro in September 2014.



TTSEC ATTENDS IOSCO BOARD MEETING IN SYDNEY, AUSTRALIA (Cont'd)

New Iosco Members

The Board approved and welcomed the following institutions as affiliate members of IOSCO:

- **Union of Arab Securities Authorities (UASA)**
- **Johannesburg Stock Exchange (JSE)**
- **Nigeria Stock Exchange (NSE)**
- **The International Swaps and Derivatives Association (ISDA)**



IOSCO

Co-operation

IOSCO's ongoing commitment to enhancing constructive co-operation across its members was reflected in a number of new initiatives agreed at the meeting.

Establishing The Iosco Foundation

The Board discussed the governance framework for the Foundation and discussed the location of the Foundation. Board members supported physically locating the Foundation in Madrid, as efforts continue to secure funding commitments. A final decision on all aspects of the Foundation will be made and the next steps for formally filing the Foundation documents will be taken after completion of the pre-commitment phase and thorough examination of all legal issues.

Multilateral Memorandum of Understanding on the exchange of information

The Board considered additional measures to encourage non-signatory members to sign the IOSCO Multilateral Memorandum of Understanding on cooperation and exchange of information, the instrument used by securities regulators around the world to combat cross-border fraud and misconduct. It also reiterated IOSCO's commitment to provide technical assistance and political support to those non-signatories that require it in order to sign the MMoU. Earlier this month, the Reserve Bank of Malawi signed the MMoU, bringing to 94 the total number of IOSCO member signatories. Together these members regulate about 95% of the world's securities markets. However, 30 members have yet to become signatories. As long as these jurisdictions remain outside the international enforcement regime, they offer potential safe havens for wrong doers and create gaps in IOSCO's international enforcement network.

Financial Benchmarks

The Board discussed the draft principles on financial benchmarks developed by the Task Force on Financial Market Benchmarks. The principles include high level principles that are applicable to all benchmarks and additional principles that are applied under specific circumstances. The Board agreed to issue a second consultation paper focusing primarily on the additional, more detailed principles. The consultation paper is expected to be released for a four-week comment period during April. The final report is expected to be published in June.

G20/FSB Mandates To Repair The Financial System

The Board discussed progress in reform work mandated by the G20 Leaders and coordinated by the Financial Stability Board. The meeting heard updates on OTC derivatives reform initiatives and implementation issues, progress on joint IOSCO-BCBS (Basel Committee on Banking Supervision) work on Margin Requirements for non-centrally cleared derivatives, the need for further work on credit rating agencies and on credit default swaps.

Adapted from: http://lacartadelabolsa.com/leer/articulo/iosco_to_progress_reform_agenda_under_new_leadership

INVEST WITH CONFIDENCE!

Trinidad and Tobago Securities and Exchange Commission
57-59 Dunderdonald 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



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.

 **READ OUR BLOG**
<http://ttsec.wordpress.com>

 **Join Us On**
facebook

A PRODUCTION OF "CORPORATE COMMUNICATION, EDUCATION AND INFORMATION DIVISION

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

www.ttsec.org.tt

