

**STATEMENT OF
SUBSTANCE AND PURPOSE**

**PROPOSED SMALL & MEDIUM ENTERPRISES
(SME) MENTORSHIP RULES**

&

**PROPOSED SPECIAL MARKET LISTING
REQUIREMENT- SME MARKET RULE**



**Trinidad & Tobago
Stock Exchange**
Creating Opportunities

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BACKGROUND

The Trinidad and Tobago Stock Exchange (TTSE) is seeking to introduce the SME Mentorship Rules (Rules) which are aimed at capacity building for SMEs prior to listing on the SME Market. The purpose of these proposed Rules is therefore to provide a framework to guide the selection of a Mentor and to outline the role and responsibilities of same.

It is envisioned that all Mentors must firstly be approved by the TTSE before their appointment becomes effective with the SME. This is to ensure that the Mentor has the capacity to guide the SME in the envisioned direction. As such, the process places the TTSE as an independent body approving the Mentor which adds consistency to the process and seeks to ensure that a suitable person or Entity is selected for the role.

It should be noted that the following announcement was made by the Minister of Finance in the 2021 Budget with respect to the development of the TTSE SME Market:

- (I) A full-tax holiday granted (Corporation Tax, Business Levy and Green Fund Levy) for the first 5-year period and 50% for the second 5-year period to new SMEs listing on the TTSE; and
- (II) The Ministry of Finance to provide assistance to the TTSE to operationalise and integrate the SME Mentorship Programme into the broader set of services currently provided to SMEs by various government agencies. This includes but is not limited to:
 - (a) supporting the re-drafting of the Listing Rules to include the SME Mentor and the subsequent approval process;
 - (b) assisting in identifying, assessing and maintaining a stable list of 'highly competent and experienced' SME Appointed Mentors; and
 - (c) integrating the SME Mentorship Programme into the government's existing support infrastructure for SMEs.

Since this announcement, discussions have been ongoing among the TTSE, representatives of the Central Bank of Trinidad and Tobago (CBTT) and the Ministry of Finance (MoF) with respect to this initiative, with a keen interest in ensuring that the appointment of a Mentor is coherently incorporated into the TTSE Rule Book to safe guard the regime and facilitate capacity building for SMEs. The TTSE therefore acknowledges that government's intervention is critical in assisting SMEs prior to listing to adapt in the face of challenging economic times.

Accordingly, these proposed Rules are drafted with the aim of setting the stage for SMEs to become partners or investors to sustain long term growth. It is also anticipated that these proposed Rules will act as a catalyst to provide the required support to SMEs to accomplish this objective.

In addition to the aforesaid, The Finance (No. 2) Act, 2021 (Act) was assented to on 17 December, 2021 in the Parliament of Trinidad and Tobago. The Act implements several measures announced by the Government of Trinidad and Tobago during the 2022 financial year's budget presentation including, *inter alia*, variations and introduction to fiscal provisions to the Corporation Tax Act in respect of the requirements for SMEs listed on the TTSE. This will include provisions for issued share capital, the raising of capital through the issuance of initial public offering and public distribution requirements.

In light of the aforesaid, the Listing Rules of TTSE existing Rule Book must be updated in respect of the Special Market Listing Requirements for SME Market to incorporate these said legislative amendments.

It must be noted that the TTSE previously submitted applications to the Trinidad and Tobago Securities and Exchange Commission (the Commission) in late 2019 and early 2020 proposing changes to Rules 200-229 –Trading and Settlement Rules, Rules 300-305 – Operations of Member Firms and Rules 400-408 – Listing Rules of the TTSE's Rules Book (collectively referred to as the proposed Rules).

Despite the ongoing review of the proposed Amended Rules 400's (Listing Rules) of the TTSE's Rule Book, the TTSE has now deemed it imperative for the reasons set out in this Statement of Substance and Purpose, to extract the subsection of the proposed Rule in respect of *Special Market Listing Requirements - Small and Medium Enterprise Market* from the body of the Proposed Rules and request that the Commission expeditiously approves same.

Please note that this requested approval will not involve the repeal and replacement of any Rule of the existing Rule Book as the said proposed *Special Market Listing Requirements* section is not currently incorporated as a provision in the existing Rule Book.

NOTE: The numbering of this proposed Rule will now be included as the proposed Rule 400(2) of the existing TTSE Rule Book which will be subject to change to include other categories of Special Market Listing Requirements upon the approval and finalization of the proposed Rules.

SUMMARY OF THE PROPOSED SME MENTORSHIP RULES

Overview:

The proposed Rules 700s cover the following areas:

- Definitions
- Rule 700 - Mentor Requirements
- Rule 701 - Mentor Functions and Responsibilities
- Rule 702 - Application Process
- Rule 703 - Appointed Mentor and SME to Enter into A Mentorship Agreement
- Rule 704 - Mentor Reporting Requirements
- Rule 705 - SME Reporting Requirements
- Rule 706 - Existing Listed SME's
- Rule 707 - Remuneration
- Rule 708 - Liability
- Rule 709 - Declaration
- Rule 710 - Applicable Laws
- Rule 711- Notices and Communication of Information

The following gives an overview of the proposed Mentorship Rules and their intended purpose:

Definitions

Some definitions were introduced in accordance with applicable laws and will be further incorporated into the *Definitions Section* of the TTSE Rule Book once approved by the TTSEC: "Act" "Admission", "Approved Mentor", "Appointed Mentor", "Associate", "Audit Committee", "Eligible SME", "Independent Director", "Initial Admission", "Initial Public Offer" or "IPO", "Mentorship Agreement", "Prospectus", "Proposed Mentor", "Participating voting share", "Participating voting share capital", "Participating voting shareholder(s)", "Senior Officer", "SME", "SME Market Rule(s)", "SME Market" and "SME".

Rule 700(1) – Minimum Requirements

This proposed rule stipulates the minimum requirements that an Appointed Mentor is required to meet. The minimum requirements to be an Appointed Mentor are as follows:

- (i) Hold a valid Fit and Proper Certificate or Letter of No Objection issued by a local or foreign financial regulator; or

- (ii) Assessed and approved as Fit and Proper by the TTSE.

Rule 700(2) – Appointment

Rule 700(2)(i)

This proposed rule stipulates that before an Eligible SME is admitted to the SME Market, it must engage the services of an Appointed Mentor, who will act for a period of no more than five years. The rule further requires that the TTSE must be satisfied that a Mentorship Agreement is entered into between the SME and the Appointed Mentor, in accordance with Rule 703.

Rule 700(2)(ii)

This proposed rule provides the opportunity for the SME to appoint an Independent Director or Senior Officer for a period of no less than two (2) years, once the originally Appointed Mentor has acted as such for at least three (3) years.

Rule 700(2)(iii)

This proposed rule gives the Appointed Mentor the right to act as an Appointed Mentor for as many as two (2) SMEs at the same time.

Rule 700(2)(iv)

This proposed rule stipulates that where an Entity is acting in the capacity of a Appointed Mentor, in accordance with this proposed rule 702 (i), it is required to appoint a Senior Officer within the Entity to act as an Appointed Mentor. Such individual may be appointed for up to two (2) SMEs at any one time.

Rule 700(2)(v)

This proposed rule sets out the requirements for individuals who would be keen on becoming an Appointed Mentor.

Rule 700(2)(vi)

This proposed rule sets out the requirements that a Senior Officer desirous of being appointed pursuant to Rule 700(2)(iv), as an Appointed Mentor, by an Entity shall:

- a. Meet the minimum requirements in accordance with Rule 700(1); and
- b. Apply to the TTSE following the application process.

Rule 700(2)(vii)

This proposed rule imposes requirements that an Entity desirous of becoming an Appointed Mentor must meet.

Rule 700 (3) - List of Approved and Appointed Mentors

Rule 700(3)(i)

This proposed rule requires the TTSE to maintain a list of Approved Mentors for consideration purposes

only, who have satisfied the minimum requirements set out in Rule 700(1) and a list of Appointed Mentors appointed by an Eligible SME having entered into a Mentorship Agreement pursuant to Rule 703.

Rule 700(3)(ii)

This proposed rule gives the TTSE the discretion to update the list of Approved Mentors at Rule 700(3)(i)(a) from time to time.

(4) Suspension and Investigation

Rule 700(4)(i)

This proposed rule provides that where there is failure of an Appointed Mentor to comply with Rule 704(1) or (2) or where the Appointed Mentor has been subject to Rule 704(3), the TTSE shall suspend the Appointed Mentor with immediate effect from the list of Mentors at Rule 700(3) (i)(a) or (b).

Rule 700(4)(ii)

This proposed Rule sets out the period for notifying the Approved or Appointed Mentor in the event of suspension.

Rule 700(4)(iii)

This proposed rule sets out what must take place where an Appointed Mentor is suspended by the TTSE or SME.

Rule 700(4)(iv)

The proposed rule restricts the investigation period. The investigation shall normally cover a period of not more than three (3) calendar months from the date of the initiation of the investigation.

Rule 700(4)(v)

This proposed rule stipulates that where the TTSE or SME conducts an investigation, the TTSE or SME shall give the suspended Appointed Mentor an opportunity to make, orally or in writing as the TTSE or SME thinks fit, representations which are relevant to the matter in question and the TTSE or SME shall not, as a result of such an investigation, make any report or recommendation which may adversely affect any suspended Appointed Mentor without his having had an opportunity to make such representations.

Rule 700(4)(vi)

This proposed rule speaks to the simultaneous removal of the Approved and Appointed Mentor from the List pending an investigation.

Rule 700(4)(vii)

This proposed rule seeks to protect the suspended Appointed Mentor and provides that any information provided to the TTSE or SME on a confidential basis by any person or Entity during the course of an investigation.

Rule 700(4)(viii)

This proposed rule stipulates that where, during or after any investigation, the TTSE is satisfied that the

Approved Mentor has failed to comply with Rule 704(1) or (2) or where the Approved Mentor has been subject to Rule 704(3)(i)(a), the TTSE shall conduct an investigation in accordance with the provisions of Rule 700(4).

Rule 700(4)(ix)

This proposed rule allows for the appointment of an Independent Director within an SME to act for a period of no more than three (3) months in respect of pending investigations of an Approved or Appointed Mentor.

Rule 700(4)(x)

This proposed rule specifies that the minimum requirements set out in Rule 700(1) must be met.

Rule 700(4)(xi)

This proposed rule sets out the requirement for notification to the TTSE regarding the Independent Director's interim appointment.

Rule 700(4)(xii)

This proposed rule gives the TTSE the right to immediately remove an Approved or Appointed Mentor from the list of Approved or Appointed Mentors at Rule 700(3)(i).

Rule 700(4)(xiii)

The proposed rule requires the TTSE to give such notification to the SME on the results of an investigation.

Rule 700(4)(xiv)

This proposed rule stipulates that where the TTSE or SME is satisfied that the suspended Appointed Mentor is in compliance with Rule 704(1) or (2) or where the suspended Mentor has not been subject to Rule 704(3), the TTSE shall immediately reinstate the suspended Appointed Mentor's name on the list of Mentors and give notice to the Mentor of such reinstatement.

Rule 701 - Mentor Functions and Responsibilities

Rule 701(1)(i)

This proposed rule specifies that the Appointed Mentor's functions and responsibilities shall be primarily, but are not limited to, advising the Board of Directors of the SME on the establishment of adequate procedures, systems and controls for the purposes of the SME compliance with good corporate governance standards.

Rule 701(1)(ii)

This proposed rule states that the Appointed Mentor must comply with the requirements when carrying out his or her functions and responsibilities in accordance with the Mentorship Agreement.

Rule 701(1)(iii)

This proposed rule deals with disclosure requirements of the Appointed Mentor.

Rule 701(1)(iv)

This proposed rule restricts the Appointed Mentor from disclosing or communicating any material non-public information.

Rule 702 - Application Process

This proposed rule directs any individual or Entity who would like to become an Appointed Mentor to submit all the documents and information in accordance with Rules 700(2).

Rule 703 - Appointed Mentor and SME to Enter into a Mentorship Agreement

Rule 703(1)

This proposed rule requires that prior to listing on the SME Market, the Appointed Mentor and the SME shall enter into a Mentorship Agreement.

Rule 703(2)

This proposed rule stipulates that the TTSE shall provide the SME with a template of the Mentorship Agreement for further input.

Rule 703(3)

This proposed rule requires the SME to submit a duplicate of the duly executed Mentorship agreement to the TTSE.

Rule 704 - Mentor Reporting Requirements

Rule 704(1)

This proposed rule requires an individual appointed as a Mentor to submit the stipulated documents to the TTSE on the third anniversary of their appointment to maintain their approved status.

Rule 704(2)

This proposed rule requires a Senior Officer acting as an Appointed Mentor within an Entity to submit stipulated documents to the TTSE on the third anniversary of their appointment to maintain their approved status.

Rule 704(3)

This proposed rule sets out the matters whereby all Appointed Mentors are under an obligation to immediately inform the SME in respect thereof.

Rule 704(4)

This proposed rule provides that with respect to Rule 704(3), the TTSE or SME shall be entitled to suspend an Approved or Appointed Mentor in accordance with the process outlined at Rule 700(3) and the TTSE shall immediately remove an Approved or Appointed Mentor from the List of Mentors.

Rule 704(5)

This proposed rule places an obligation on the Appointed Mentor to advise the TTSE when he or she has ceased providing the services of an Appointed Mentor to an SME listed on the SME Market and/or where he or she is no longer interested in being on the list of Approved Mentors.

Rule 705- SME Reporting Requirements

Rule 705(1) – Change in Appointed Mentor

Rule 705(1)(i)

This proposed rule allows a SME to change its Appointed Mentor within the first five (5) years of listing on the SME Market. The following subsections set the parameters for effecting this change.

Rule 705(1)(ii)

This proposed rule provides that pursuant to Rule 705(1)(i), in the event that an Appointed Mentor is changed:

- (a) within the first three (3) years of his or her appointment, the Appointed Mentor shall comply with the requirements of Rule 700(2)(v) or (vi).
- (b) after the first three (3) years of his or her appointment, an Independent Director may be appointed in accordance with Rule 700(2) (v).

Rule 705(1)(iii)

This proposed rule provides that where a decision has been taken to terminate the Mentorship arrangement by the SME, or the Appointed Mentor has informed the SME of his or her cessation of the Mentorship Agreement the SME shall notify the TTSE within five (5) business days of the cessation or decision, whichever is earlier.

Rule 705(1)(iv)

This proposed rule sets out the minimum requirements for notification prescribed in Rule 705 (1)(ii).

Rule 705(1)(v)

This proposed rule stipulates that the SME shall have ninety (90) calendar days to select a new Appointed Mentor and inform the TTSE of the commencement date of the new Appointed Mentor and provide a duplicate of the executed Mentorship Agreement for its records.

Rule 705(1)(vi)

This proposed rule prescribes that if the SME is unable to simultaneously appoint a new Appointed Mentor as a result of special circumstances, the SME shall concurrently notify the TTSE.

Rule 705(vii)

This proposed rule stipulates that if the SME is unable to appoint a new Appointed Mentor, the SME may appoint a Senior Officer within the SME to act for a period of not more than six (6) months.

Rule 705(viii)

This proposed rule sets out the criteria of the Senior Officer referred to at Rule 705(1)(vii).

(2) Change in Independent Director

Rule 705(2)(i)

This proposed rule provides that following the TTSE's approval, the SME shall inform the TTSE of the occurrence when the individual ceased to be an Independent Director or Senior Officer of the SME and whether or not the individual will continue as an Appointed Mentor to the SME.

(3) Other Requirements

Rule 705(3)(i)

This proposed rule stipulates that the SME shall deal at all times with the TTSE in an open and co-operative way, and disclose to the TTSE such information concerning non-compliance with the TTSE SME Listing Requirements or TTSE SME Listing Agreement.

Rule 706 – Existing Listed SME's

Rule 706 (1)

This proposed rule allows SMEs listed prior to the introduction of the new SME Mentorship requirement, a period of twelve (12) months from the date these SME Rules becomes effective to propose a Mentor.

Rule 706(2)

This proposed rule stipulates that SMEs listed pursuant to Rule 706(1) shall comply with the requirements of Rule 700(2)(v) or (vi).

Rule 706(3)

This proposed rule sets out the requirements that the existing SMEs must fulfil in listing according to 706(1).

Rule 707 – Remuneration

This proposed rule gives the responsibility regarding remuneration of the Appointed Mentor solely to the SME.

Rule 708 – Liability

Rule 708(3)(i)

This proposed rule absolves the TTSE and any of its shareholders, directors, officers or employees or any other person assisting them in their duties or any agent or employee thereof, from responsibility or liability for any losses due to its wilful misconduct or gross negligence, error, act, omission, or delay of any kind occurring in the application process and post application process for SME Market Listing and

Mentorship.

Rule 708(3)(ii)

This proposed rule provides that the SME shall indemnify the TTSE from any liability for any gross negligence, misconduct, error or omission of the Appointed Mentor in the performance of his duties.

Rule 709 - Declaration

This proposed rule requires the SME to submit to the TTSE annually, on the anniversary date of appointment, the completed SME Declaration of Appointed Mentor's Performance of Functions.

Rule 710 - Applicable Laws

This proposed rule sets out the laws and guidelines which shall be applicable to the SME Market Listing on the TTSE.

Rule 711 - Notices and Communication of Information

This proposed rule directs that any notice or communication between the TTSE and SME shall be in electronic format and/or other methods of communication as prescribed by the TTSE from time to time.

Proposed Special Market Listing Requirement Rule in respect of the Small and Medium Enterprise Market

Rule – 400

(2) Special Market Listing Requirements

(i) Small and Medium Enterprise Market

Any company, trust, entity or body in order to have its Securities listed on the Small and Medium Enterprise Market shall:

- (a) be a limited liability company incorporated, registered or established under the laws of Trinidad and Tobago or in any CARICOM country;
- (b) not have or have had its Securities listed with the Exchange or with any other securities exchange;
- (c) not be associated or affiliated with any company listed with the Exchange or with any other securities exchange;
- (d) raise capital from the public through an initial public offering subject to an approved prospectus seeking a minimum or maximum subscription of new shares or sale of existing shares in such amounts as the Exchange may, from time to time, prescribe.
- (e) The stipulated minimum or maximum subscription of new shares or sale of existing shares referred to in subsection (d) shall be communicated by the Exchange to the TTSEC and to Member Firms via electronic mail and to the market via a notice posted on the website of the Exchange;
- (f) ensure that in the case of newly issued shares and by way of the offer of sale of existing shares, a minimum of TT\$5 million or, in the case of a combined offering, a minimum of 50% of the funds raised shall be directed for the benefit of the eligible Company.
- (g) have a minimum of twenty-five unconnected shareholders owning a total of at

least thirty per cent of the total issued share capital of the company;

- (h) list all Securities of a particular class (inclusive of previously issued Securities) with the Exchange;
- (i) have a minimum number of shareholders or unitholders holding their issued Securities as the Exchange shall, from time to time, determine and such information shall be communicated in writing to the TTSEC, to Member Firms via electronic mail and to the market via a notice posted on the website of the Exchange; and
- (j) have a board of Directors which consists of no fewer than three (3) Directors, at least two (2) of which shall be independent non-executive Directors.

STATEMENT OF SUBSTANCE AND PURPOSE

As aforesaid, the SME Mentorship Rules evolved as a result of ongoing dialogue between the TTSE, CBTT and MoF with the aim of solidifying the promotion of investment opportunities for SMEs whilst acknowledging the difficulties such Companies face with respect to access to finance, regulatory hurdles, and workforce gaps. In this light, it has been deemed imperative by the CBTT and MoF to support this initiative and ensure that SMEs are therefore provided with the tools to secure continuity and transparent business operations.

Accordingly, these proposed Rules including the proposed Listing Rule are drafted with the aim of setting the stage for SMEs to become partners or investors to sustain long term growth with the guidance of a Mentor to provide deep business development and advisory support. It is also anticipated that these proposed Rules will act as a catalyst to provide the required support to SMEs to accomplish this objective.

In this regard, some of the benefits of the establishment of these Mentorship Rules and the incorporation of the proposed Rule 400(2) into the existing TTSE Rule Book, in line with the government's recent budgetary announcement, are as follows:

1. The increase of capacity building as SMEs will have the capability to manage the challenges of increased globalization;
2. Mentorship of SMEs will assist in the growth and the survival of such enterprises as acquiring Mentors in the early stages prior to listing can lead to higher probabilities of success;
3. Mentorship of SMEs will enhance continuous productivity and play a crucial role in maintaining business stability; and
4. The Mentorship of SMEs will assist in the long term improvement of the economic landscape of the country.

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