



Trinidad & Tobago
Stock Exchange
Creating Opportunities

STATEMENT OF SUBSTANCE AND PURPOSE

Amendment to TTSE Rule 203
Ex-Condition dealing

September 2022

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BACKGROUND

Pursuant to Section 40 (2) of the Securities Act Chap 83:02 (the Act), the Trinidad and Tobago Stock Exchange Limited (TTSE) hereby proposes to amend its rules with respect to the Ex-Condition Dealing.

It must be noted that the TTSE submitted applications to the Trinidad and Tobago Securities and Exchange Commission (“the Commission”) in late 2019 and early 2020 proposing changes to Rules 100-114 [General Rules], Rules 200-229 – [Trading and Settlement Rules], Rules 300-305 [Operations of Member Firms], Rules 400-408 – [Listing Rules] and Rules 600-610 [Listed Companies’ Disclosure Regime] of the TTSE’s Rules Book. By several correspondences, the Commission responded setting out its findings and recommendations on the proposed said Rules.

For background purposes, included in the proposed changes to Rules 200s, the TTSE proposed to amend the current dealing and account period from a three (3) day settlement period (T+3) to a two (2) day settlement period (T+2) for its Equity and Mutual Fund Securities. In order to effect this proposed amendment, the TTSE requested to extract the previously submitted proposed Trading and Settlement Period Rule from the body of the Proposed TTSE’s Rule Book and requested that the Commission expeditiously approve the amendment of the current Rule 212 (Dealing and account periods) of the TTSE’s Rule Book. A concise Statement of Substance and Purpose in respect of the amendment of the said current Rule 212 was submitted to the Commission who had cause to publish same in the Trinidad Express and the Newsday Newspaper on 1st, 6th, 12th and 15th April 2022 respectively whereby interested persons were invited to submit written comments on the amendment. The Commission did not receive any comments requiring the attention of the TTSE and therefore arrangements are being made by the Commission to convene Hearings in respect of, *inter alia*, the proposed amendment to Rule 212.

After consideration, the TTSE has now deemed it imperative for the reasons set out in this Statement of Substance and Purpose that the rule in respect of the Ex-Condition Dealing namely, the current TTSE Rule 203 of the TTSE Rule Book should be simultaneously and expeditiously updated to be in line with the proposed update of TTSE Rule 212. For clarification purposes, the amended Rule 203 will be titled, *Ex-Condition Trading* in lieu of *Ex-Condition dealing*.

For ease of reference, we now enclose at “**Appendix 1**” the marked up version showing the said proposed changes.

Note

The existing TTSE Rules are currently being revised. As a result, the number for the proposed Ex-Condition Trading Rule and references made to same within the Proposed TTSE Body of Rules is subject to change.

We now outline the following:

1. Existing Rule 203 – Ex-Condition dealing – to be amended and replaced.
2. Proposed amended Rule 203.

EXISTING RULE 203

The existing rule of the TTSE Rule Book which outlines the Ex-Condition dealing is presented below.

Rule – 203 - Ex-Condition dealing

- i. Securities included in the Official List shall be made ex-dividend for the two (2) business days immediately preceding the record date or the date of the closing of the register/transfer books.
- ii. Registered debentures or bonds shall trade in accordance with the Rules and Regulations of the Stock Exchange.
- iii. On receipt of official information canceling the declaration of a dividend any notice posted making the security ex-dividend under this rule shall automatically be cancelled and be deemed to have been void and of no effect. In the event of such information the Stock Exchange shall immediately publish a notice in the Official List. Bargains made ex-dividend shall not be adjusted, but any deduction from the purchase price of securities in respect of a dividend that has been cancelled should be refunded.

PROPOSED AMENDED RULE 203

The proposed amended Rule 203 is outlined below for review and approval.

Proposed Amended Rule 203- Ex-Condition Trading

(1) Equities and Mutual Funds

- (i) Equities and Mutual Funds listed on the Exchange shall Trade in accordance with the Rules of the Exchange.
- (ii) Trades in Securities included in the Official List shall be executed ex-dividend in the case of equity Securities, or ex-distribution in the case of mutual funds, on any Trading day which has a settlement period which falls after the record date.

(2) Bonds and Debentures

- (i) Bonds or Debentures listed on the Exchange shall Trade in accordance with the Rules of the Exchange.
- (ii) Further to this Rule 203(2) (i), Bonds or Debentures listed on the Exchange shall be executed ex-coupon which has a settlement period which falls after the record date.

(3) Reporting of Ex-Condition Trading

- (i) The Exchange shall report all Ex-condition Trading on the Official List.
- (ii) In addition to any obligations that a Listed Company may have under the Act, Regulations and Guidelines issued under the Act, the Companies Act, Disclosure Rules of the Exchange or all applicable laws, subsidiary and subordinate legislation having the force of law in Trinidad and Tobago, a Listed Company shall immediately notify the Exchange in writing with respect to the cancellation of the declaration of a dividend, distribution or coupon.
- (iii) Upon receipt of the notice required by this Rule 203(3)(ii), the Exchange shall immediately cancel the notice which shall be deemed to be void and of no effect.
- (iv) Upon the immediate cancellation of the notice referred to at this Rule 203(3)(iii), the Exchange shall immediately publish an amending notice on the Official List in relation to the cancellation of the ex-condition Trading status of the Listed Company's Security.
- (v) Notwithstanding the above **sub-rule 203 (3)(ii)**, Trades made ex-condition in accordance with this **Rule 203** shall not be adjusted.

Statement of Substance and Purpose – Ex-Condition Trading

(4) **Other Ex-Condition Trading**

- (i) All Listed Securities which are the subject of a rights or capitalization issue, or any other distribution, rights issue or privilege not referenced in **sub-rules 203 (1) and (2)** above, shall be made “ex-condition” on any Trading day which has a settlement period which falls after the record date.
- (ii) No ex-condition Trading shall be permitted other than within the period specified in this **Rule 203** or otherwise as may from time to time be determined by the Exchange in its discretion.

SUMMARY OF CHANGES

The following is a summary of the material amendments made.

(1) Equities and Mutual Funds

Proposed Rule 203 (1) provides for Trades in Securities included in the Official List to be executed ex-dividend in the case of equity Securities, or ex-distribution in the case of mutual funds, on any Trading day which has a settlement period which falls after the record date.

(2) Bonds and Debentures

Proposed Rule 203 (2) provides for Debentures or bonds listed on the Exchange to Trade in accordance with the Rules of the Exchange and any such Trades must be executed ex-coupon which has a settlement period which falls after the record date.

(3) Reporting of Ex-Condition Trading

Proposed Rule 203 (3) requires the Exchange to report all Ex-condition Trading on the Official List. The Proposed Rule 203 (3) further provides that a Listed Company following any obligations pursuant to the relevant Acts, has an obligation to notify the Exchange regarding the cancellation of the declaration of a dividend, distribution or coupon. This Rule also requires that the Exchange shall immediately cancel any such received notice which shall be deemed to have been void and of no effect and also publish an amending notice on the Official List in relation to the cancellation of the ex-condition Trading status of the Listed Company's Security.

(4) Other Ex-Condition Trading

Proposed Rule 203 (4) provides for all Listed Securities which are the subject of a rights or capitalization issue, or any other distribution, rights issue or privilege not referenced in the previous sub-rule to be made "ex-condition" on any Trading day which has a settlement period which falls after the record date.

STATEMENT OF SUBSTANCE AND PURPOSE

The TTSE is in the process of making operative a proposed change to its existing Rule 212 related to shortening the settlement cycle for equity Securities and mutual fund Securities from trade date plus three business days (“T+3”) to T+2.

Among the rules and processes impacted by this change is the existing Rule 203, which establishes the “ex-condition dealing” for most distributions of cash, stock or warrants. The ex-dividend date is the date on which a security is first traded without the right to receive that distribution. Whilst currently, the ex-dividend period is two (2) business days before the record date, it is proposed that the ex-condition dealing under T+2 shall now be executed ex-dividend in the case of equity Securities, or ex-distribution in the case of mutual funds, on any Trading day which has a settlement period which falls after the record date as set out by the proposed Rule 203(1). In this regard, the TTSE has deemed it necessary to decrease the number of ex-condition days to any Trading day, which has a settlement period which falls after the record date to allow such a trade to settle after the record date without limitation or hindrance. Additionally, this proposed change will facilitate any future proposed changes to the settlement period, if required.

For coherency and consistency purposes, the proposed Rule 203(2) also provides for debentures or bonds listed on the Exchange to Trade in accordance with the Rules of the Exchange and that any such Trades must be executed ex-coupon which has a settlement period which falls after the record date. Further, the proposed Rule 203(4) also speaks to Other Ex-Condition Trading Listed Securities which are the subject of a rights or capitalization issue, or any other distribution, rights issue or privilege to be also made “ex-condition” which has a settlement period which falls after the record date.

The said amendments to the existing Rule 203 do not alter other requirements relating to dividends and distributions in accordance with the Companies Act Chap 81:01.

It is anticipated that the proposed amendment to Rule 203 will go into effect upon the implementation of the new T+2 settlement cycle or the proposed Rule 212. In light of the aforementioned, the TTSE is humbly seeking the expedited approval of the proposed amendments to Rule 203 by the Commission.

APPENDIX I

Rule – 203 - Ex-Condition dealing **Trading**

(1) Equities and Mutual Funds

- (i) Equities and Mutual Funds listed on the Exchange shall Trade in accordance with the Rules of the Exchange.
- (ii) Trades in Securities included in the Official List shall be ~~made~~ **executed** ex-dividend in the case of equity Securities, or ex-distribution in the case of mutual funds, on any Trading day which has a settlement period which falls after the record date. ~~for the two (2) business days immediately preceding the record date or the date of the closing of the register/transfer books.~~

(2) Bonds and Debentures

- ~~i. Registered~~ **Debentures or bonds**
 - (i) **Bonds or Debentures listed on the Exchange** shall trade in accordance with the Rules and Regulations of the Stock Exchange.
 - (ii) Further to this Rule 203(2)(i), **Bonds or Debentures listed on the Exchange shall be executed ex-coupon** which has a settlement period which falls after the record date.

(3) Reporting of Ex-Condition Trading

~~On receipt of official information canceling the declaration of a dividend any notice posted making the security ex-dividend under this rule shall automatically be cancelled and be deemed to have been void and of no effect. In the event of such information the Stock Exchange shall immediately publish a notice in the Official List. Bargains made ex-dividend shall not be adjusted, but any deduction from the purchase price of securities in respect of a dividend that has been cancelled should be refunded.~~

- (i) The Exchange shall report all Ex-condition Trading on the Official List.
- (ii) In addition to any obligations that a Listed Company may have under the Act, Regulations and Guidelines issued under the Act, the Companies Act, Disclosure Rules of the Exchange or all applicable laws, subsidiary and subordinate legislation having the force of law in Trinidad and Tobago, a Listed Company shall immediately notify the Exchange in writing with respect to the cancellation of the declaration of a dividend, distribution or coupon.
- (iii) Upon receipt of the notice required by this Rule 203(3)(ii) the Exchange shall immediately cancel the Notice of the Declaration of a Dividend, Distribution or Coupon which shall be deemed to be void and of no effect.
- (iv) Upon the immediate cancellation of the notice referred to at this Rule 203(3)(iii)

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the Exchange shall immediately publish an amending notice on the Official List in relation to the cancellation of the ex-condition Trading status of the Listed Company's Security.

- (v) Notwithstanding the above sub-rule 203 (3)(ii), Trades made ex-condition in accordance with this Rule 203 shall not be adjusted.

(4) Other Ex-Condition Trading

- (i) All Listed Securities which are the subject of a rights or capitalization issue, or any other distribution, rights issue or privilege not referenced in **sub-rules 203 (1) and (2)** above, shall be made "ex-condition" on any Trading day which has a settlement period which falls after the record date.
- (ii) No ex-condition Trading shall be permitted other than within the period specified in this **Rule 203** or otherwise as may from time to time be determined by the Exchange in its discretion.

END OF DOCUMENT