



Securities Market Bulletin

A publication by the Trinidad and Tobago Securities
and Exchange Commission

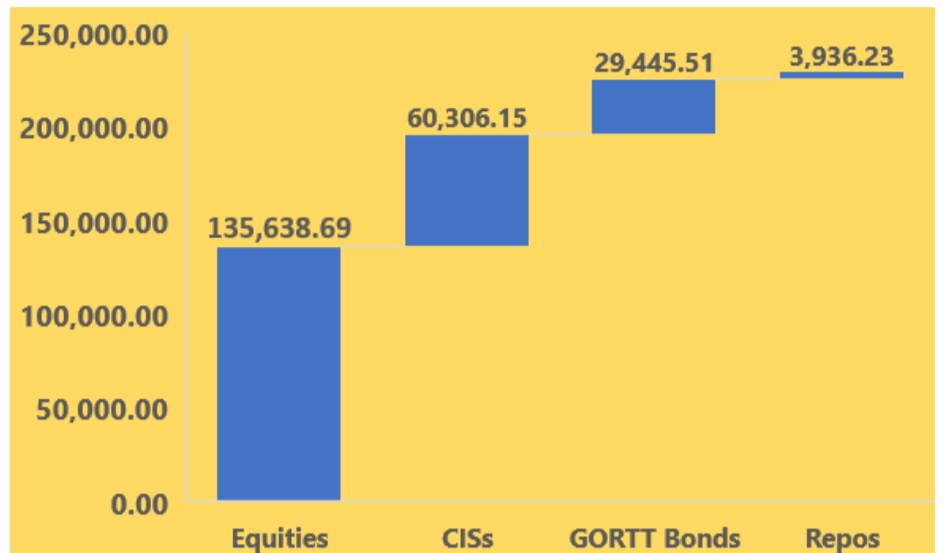
An overview of the securities market for the period
December 2019 - December 2020

November 2021- Issue #7

KEY PERFORMANCE INDICATORS

MAIN SEGMENTS OF THE SECURITIES MARKET (TT\$Mn)

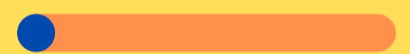
As at December 2020



Equities

Market Capitalisation decreased by approximately 9.85 percent (TT\$14.82Bn) from December 2019

-9.9%



Collective Investment Schemes

Assets under Management grew by 7.7% approximately (TT\$4.35Bn) from December 2019

7.7%



Government Bonds

The nominal value of the Government bonds in issue declined by approximately 7.14 percent (TT\$2.26Bn) December 2019

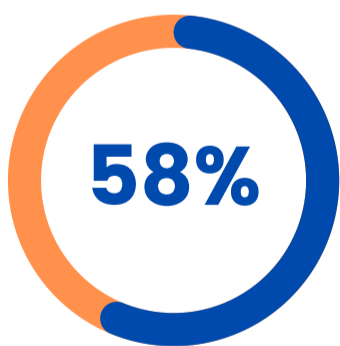
-7.1%



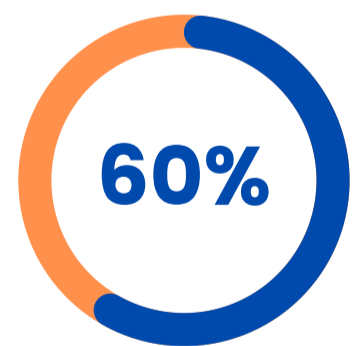
Repurchase Agreements

The value of the Total Repo Liabilities declined by 8.76 percent (TT\$377.88Mn) from December 2019

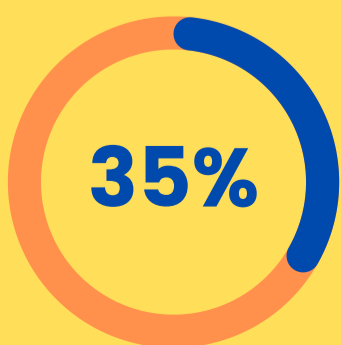
-8.8%



Fixed NAV CISs accounted for 58 percent of the CIS market's AUM at the end of 2020.



Both fixed income and equity funds collectively accounted for over 60 percent of the CISs registered with the TTSEC.



In December 2020, registered entities with the TTSEC increased substantially by 35.03 percent when compared to December 2019.

Market Overview

The end of 2020 marked approximately one (1) year since the first case of the Novel Coronavirus (“COVID-19”) was discovered in Wuhan China. The COVID-19 outbreak was declared a global pandemic in March 2020 by the World Health Organization, bringing about rapid changes in global economies and compelling countries to adapt to the ‘new normal’ at an accelerated rate. In order to limit the spread of infection, governments implemented social distancing and restriction measures across the globe. In light of this, financial institutions, similar to other businesses, had to digitise certain aspects of their operations for business continuity. While the pandemic encouraged the growth within global financial markets in terms of technological transformations, it has also presented more risks associated with the innovative product offerings and services. In addition, the unanticipated COVID-19 pandemic has caused increased uncertainty among investors, resulting in financial market fluctuations. Notably, stock markets of leading economies experienced unprecedented declines in March 2020, but have since showed signs of recovery. For instance, March 23, 2020

marked the most recent bear market since World War II when the Standard and Poor’s 500 Index (“S&P 500”) hit bottom after the COVID-19 crisis sent the equity benchmark tumbling **30 percent** in **22** days; the biggest decline in such a short period. However, the decline was short-lived as it ended in August 2020 when stocks closed at record highs.¹

Trinidad and Tobago’s resilience during this pandemic was bolstered by a number of existing structural factors and its prudent fiscal management. Despite the fall in commodity prices in 2014 to 2016, the local economy has been on the road to recovery due to a number of new energy projects in the latter half of the previous decade. However, worldwide lockdowns to contain the spread of COVID-19 has presented challenges with stimulating economic growth and generating revenue. Notwithstanding the increased uncertainty and other difficulties brought about by the pandemic, the local securities market has remained resilient while adapting to ‘the new normal’ and continued to contribute significantly to the country’s Gross Domestic Product (“GDP”).

¹ Li, Yun. "After a Big First Year, Expect Smaller and Choppier Gains from the Rest of This Bull Market." CNBC. March 23, 2021. Accessed May

27, 2021. <https://www.cnbc.com/2021/03/23/after-a-big-first-year-expect-smaller-and-choppier-gains-from-the-rest-of-this-bull-market.html>.

The Trinidad and Tobago Securities and Exchange Commission (“TTSEC”), as the regulator of the securities industry aims to protect investors; promote and enable the growth and development of the securities industry by nurturing fair, efficient and transparent securities markets; cooperating with other regulators and mitigating systemic risk. The TTSEC conducts surveillance of the local securities market and monitors potential risks of its Registrants, which may impact investors or the stability of the financial market. One such tool utilised for macro-prudential oversight of the securities market in Trinidad and Tobago is the Micro and Macro-Prudential Reporting Framework (“MMRF”). It allows the TTSEC to keep under surveillance, key vulnerabilities or risks of Registrants and Self-Regulatory Organisations (“SROs”) and take proactive steps to protect investors, clients, stakeholders and the securities industry as a whole. The essential data collected from Registrants, SROs, Collective Investment Schemes (“CISs”) and the Central Bank of Trinidad and Tobago, assist the TTSEC in measuring and analysing potential risks; and monitoring changes and developments in the segments of the securities market in Trinidad and Tobago with a focus on some

of their interconnections. The segments include:

- Equity;
- Collective Investment Scheme (“CIS”);
- Government Bond;
- Repurchase Agreement (“Repo”); and
- Over-the-Counter (“OTC”) trading.²

The TTSEC publishes this information and makes the report available to the market via its Securities Market Bulletin. Generally, the Securities Market Bulletin presents an overview of the securities market on a semi-annual basis. In light of the COVID-19 pandemic, the seventh issue of the Securities Market Bulletin provides an analysis of the local securities market from the initial COVID-19 outbreak (December 2019) to the end of 2020. The data utilised in this report was collected on a quarterly basis and is subject to revisions. **Appendix II** provides a summary of indicators for the quarters within the years 2019 and 2020.

As at December 2020, registered entities with the TTSEC (as defined in **Appendix I**) increased substantially by **35.03 percent** when compared to December 2019 (**Table 1**). This is mainly attributed to a significant

² The listed terms are defined in **Appendix I**.

increase of **146** in the number of Registered Representatives, the majority of which were employees of a newly registered Broker-Dealer. In relation to Registrants though, the growth in the registration categories of Investment Advisers, Broker-Dealers and Underwriters was minimal, collectively only accounting for **1.32 percent** of the total change.

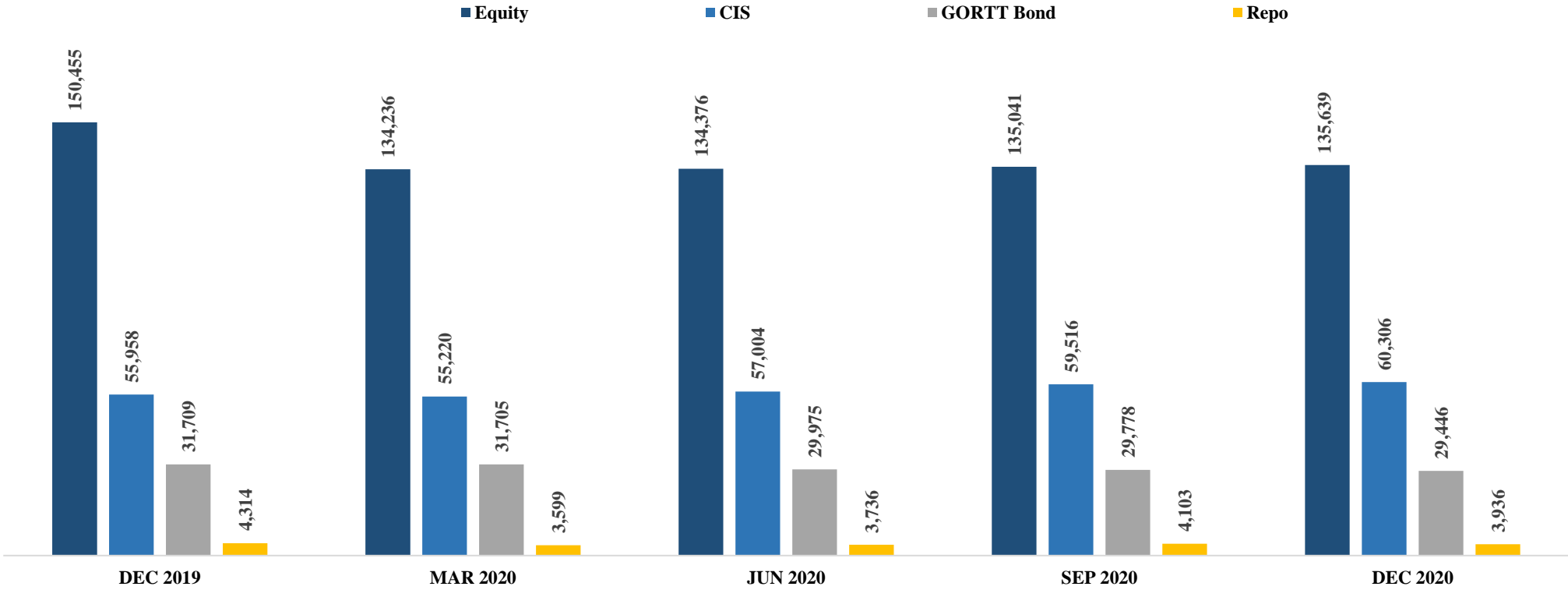
Table 1: Categories of Registration

Category Registration	Dec 2019	Dec 2020
Reporting Issuers	89	90
Broker-Dealers	35	40
Investment Advisers	15	12
Underwriters	1	1
Registered Representatives	283	429
Sponsored Broker-Dealers	5	6
Sponsored Investment Advisers	1	2
Self-Regulatory Organisations	2	2
Total	431	582

Figure 1 overleaf displays the values of the **four (4)** main segments in the local securities market. The values in these segments showed declines from quarters ended December 2019 to March 2020, with the Equity market recording the largest decrease in value of **TT\$16.22Bn (10.78 percent)**. The Repo market however recorded the largest percentage change of **16.57 percent**, a decrease in value by **TT\$714.91Mn**. Following the quarter ended March 2020, the values in the Equity market and the CIS market steadily

increased with a quarterly average growth rate of **0.35 percent** and **2.98 percent**, respectively. The value of the Government Bond market though, continued to decline by an average of **2.43 percent** per quarter. The Repo portfolio values of the TTSEC's registered Broker-Dealers who engage in Repo selling fluctuated throughout 2020. While the value of the Repo portfolios increased in the second and third quarters of 2020, there was a decline in the last quarter. From December 2019 to December 2020, the only segment which had a positive growth in value was the CIS market, recording an increase of **7.77 percent**. The values in the other segments: Equity, Government Bond and Repo declined by **9.85 percent**, **7.14 percent** and **8.76 percent**, respectively. Even though those segments recorded negative changes when compared to the previous year, it should be noted that the Equity and CIS market segments showed consistent signs of recovery.

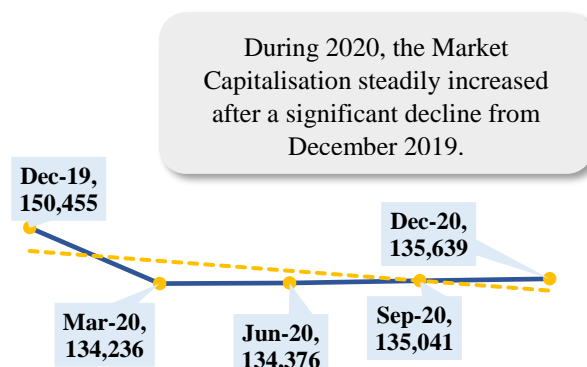
Figure 1: Market Size by Segment, (TT\$Million)



Equity Market

As at the quarter ended December 2020, there were **33** listed companies on the Trinidad and Tobago Stock Exchange (“TTSE”) with a total of **37³** securities listed. The Market Capitalisation of the securities listed on the Trinidad and Tobago Dollar (“TTD”) markets⁴ amounted to **TT\$135.64Bn**, a decrease of approximately **9.85 percent (TT\$14.82Bn)** from **TT\$150.46Bn** as at December 2019. It should be noted that a similar decline of **10.78 percent (TT\$16.22Bn)** was initially reported at the end of the first quarter of 2020. Since then, the Market Capitalisation in the TTD markets has steadily increased. In spite of these increases, the Market Capitalisation has not returned to the levels experienced in the quarter ended December 2019 (**Figure 2**).

Figure 2: Market Capitalisation of the TTSE Listed Securities, (TT\$Million)



At the end of 2020, the Market Capitalisation of the security listed on the United States Dollar (“USD”) market amounted to **US\$21.67Mn**, an increase of approximately **89.66 percent (US\$10.24Mn)** from **US\$11.42Mn** as at December 2019. Unlike the TTD markets, the USD market recorded new issues during 2020 of **US\$10.24Mn** in the quarter ended March 2020.

Notably, a review of quarters ended December 2019 to March 2020 revealed a growth in activity within the TTD Equity markets, recording increases of **29.73 percent (876)** in trades, **25.05 percent (4.76Mn)** in volume traded and **40.91 percent (TT\$122.83Mn)** in value traded. However, following the quarter ended March

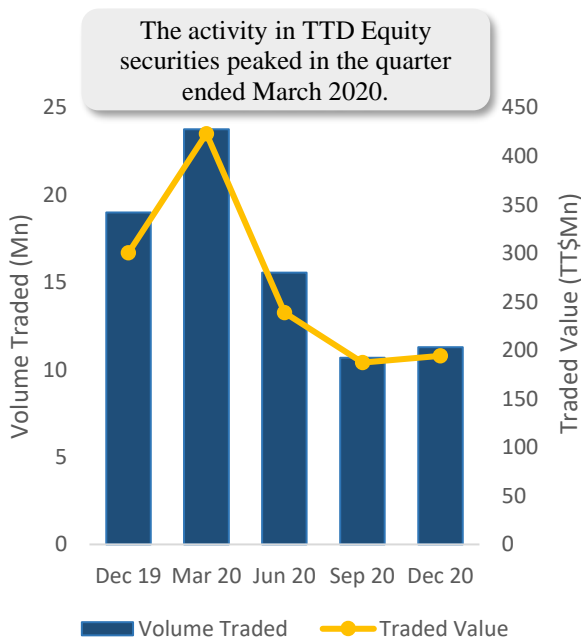
³ Of the total securities listed on the TTSE, 36 are listed on TTD markets and one (1) is listed on the USD market. Of the 37 securities, 32 are equities and 5 are mutual funds.

⁴ TTD markets include: First Tier market, Mutual Fund market, Second Tier market and the Small and Medium Enterprises (SME) market.

2020, the activity in the TTD Equity markets declined. A comparison of the quarters ended December 2019 and December 2020 revealed that the activity in the TTD Equity markets decreased, recording declines of **6.92 percent (204)** in trades, **18.17 percent (3.45Mn)** in volume traded and **20.52 percent (TT\$61.60Mn)** in value traded (Figure 3).

trades, total volume traded and total value traded declined by **3.27 percent (396)**, **20.35 percent (15.65Mn)** and **5.39 percent (TT\$59.39Mn)**, respectively.

Figure 3: Volume and Value Traded of TTD Equity Securities



During the year 2020, the TTD Equity markets⁵ recorded total trades of **11,713** with a total volume traded of **61.281Mn**. The total value of these shares traded were **TT\$1.04Bn**. From 2019 to 2020, the total

⁵ This relates to the analysis of local equities listed on the TTSE.

Collective Investment Scheme (CIS)

The CIS industry has grown from **64** funds collectively managing **TT\$55.96Bn** to **68** funds valued at **TT\$60.31Bn** in December 2020, an increase of **7.77 percent** (approximately **TT\$4.35Bn**) from December 2019. In the first quarter of 2020 there was a decline in the Assets Under Management (“AUM”)⁶ by **1.32 percent (TT\$0.74Bn)**; however, over the remaining 9 months the AUM grew at a quarterly average rate of **2.98 percent**. (Figure 4).

Figure 4: Assets Under Management (TT\$Million)

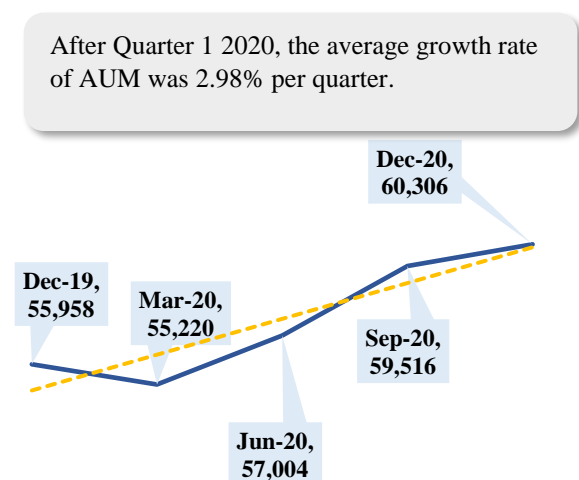
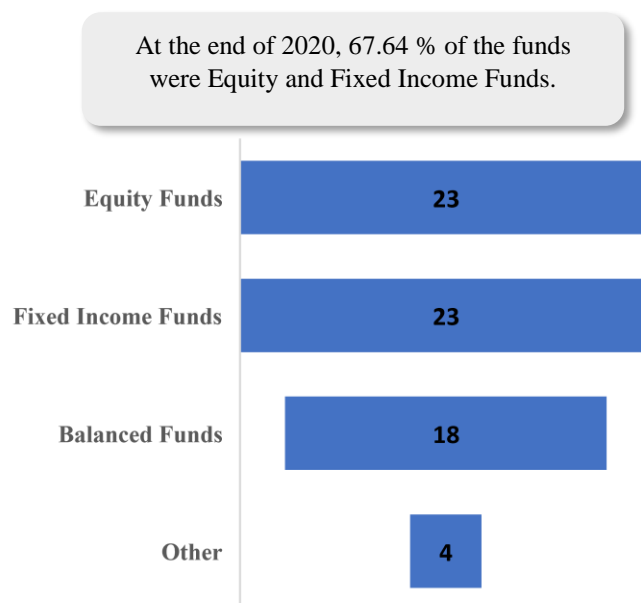


Figure 5 depicts the **four (4)** main categories of CISs in the local securities market. These include: Fixed Income funds (bond funds), Equity funds (stock funds), Balanced funds (a

combination of Fixed Income and Equity funds) and Other⁷. Equity and Fixed Income funds collectively accounted for **46 funds (67.64 percent)** of the total CISs as at December 2020.

Figure 5: Main categories and Number of CISs



Fixed Income funds continue to be favoured by investors as seen in the quarter ended December 2020; accounting for the largest share of the AUM (**65.56 percent** or **TT\$39.54Bn**) (Figure 6). These funds provide a steady stream of income as they primarily comprise of both short term and long-term debt instruments such as government securities and Treasury Bills.

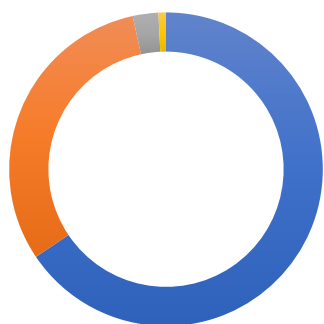
⁶ Please refer to **Appendix 1** for the definition.

⁷ This comprises of all other funds not classified as Fixed Income and Equity.

The Balanced, Equity and Other funds recorded AUM allocations of **31.03 percent (TT\$18.73Bn)**, **2.64 percent (TT\$1.59Bn)** and **0.77 percent (TT\$0.47Bn)**, respectively.

Figure 6 : Market Share by Composition

At the end of 2020, Fixed Income funds accounted for 65.56% of the Market's AUM.



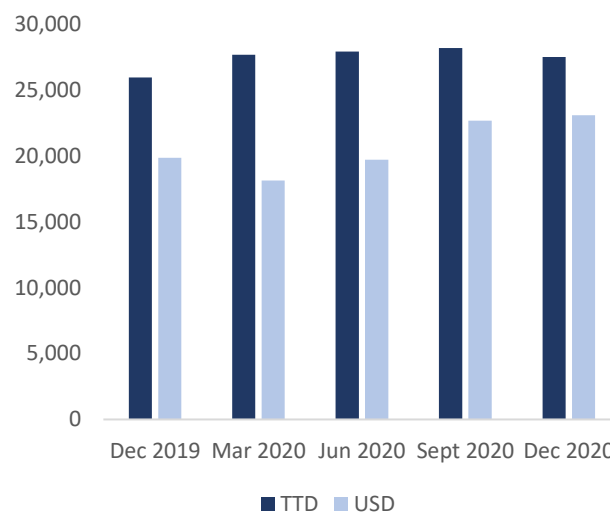
- Fixed Income Funds 65.56%
- Balanced Funds 31.03%
- Equity Funds 2.64%
- Others 0.77%

The TTSEC continues to analyse the currency composition of the portfolios to monitor the impact of currency fluctuations. The CIS investments were mainly denominated in TTD and USD currencies as illustrated in **Figure 7**. The data shows that the majority of CIS investments continues to be denominated in TTD, accounting for approximately **54 percent** of the portfolio in December 2020. At the same time, investments denominated in USD continued to grow throughout 2020. When compared to December 2019, CIS investments in USD

increased by **16.30 percent (TT\$3.24Bn)** in December 2020.

Figure 7 : Denomination of investments held by CISs, (TT\$Million)

CIS investments were mainly held in TTD and USD securities.



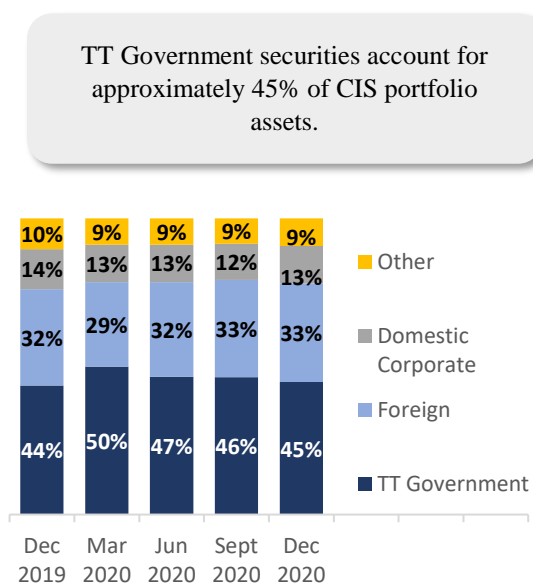
CIS Portfolio Composition

CISs allow for the pooling of investor resources to create a more diversified portfolio. Investments are spread across a wide range of companies or industry sectors which can help lower risk to investors if a company or sector collapses. The main categories of investments by CISs are:

- TT Government Securities;
- Foreign Securities;
- Domestic Corporate Securities; and

- Other

Figure 8 CIS Portfolio Composition by category of security



TT Government Securities

Throughout 2020, investments in Local Government Securities and State Agencies were approximately **47 percent** of the CIS market’s portfolio composition (**Figure 8**). The value of these investments fluctuated throughout the period but increased over the year by **14 percent**.

Foreign Securities

Investments in Foreign Securities held the second largest share of the market’s portfolio. This category comprised of:

- Foreign Government Securities;
- Foreign Non-Government Securities;
- Foreign Equities; and

- Foreign CISs

On average, investments in Foreign Securities accounted for **33 percent** of the market’s portfolio as at December 2020, an increase of **13.80 percent** from December 2019. Following the quarter ended March 2020, Foreign Securities continued to grow, recording an increase by **28.59 percent** in December 2020 which was mainly attributable to a **262.99 percent** growth in Foreign CISs. There were also increases in Foreign Non-Government and Foreign Government Securities by **19.18 percent** and **9.11 percent**, respectively. The only category that experienced a decline when compared to March 2020 was Foreign Equity which decreased by **11.21 percent**. According to research published by Yardeni Research Inc in May 2021, data has shown that since 1928, there is often a late-year boost around the Christmas holiday. The month of December has been observed as one of the strongest months for the stock market, with the S&P 500 posting average gains of **1.3 percent**. Nevertheless, in spite of the negative impacts related to the COVID-19 pandemic, there was an overall positive performance of Foreign Securities in December 2020.

Domestic Corporate Securities

On average, investments in Domestic Corporate Securities accounted for **13 percent** of the CIS market's portfolio as at December 2020. These securities comprised of:

- TT Equity;
- TT Bonds Financial Sector;
- TT Other Corporate Bonds; and
- TT CISs.

A review of quarters ended December 2019 to March 2020 revealed a decline in these investments by **5.67 percent (TT\$0.35Bn)**. However, following this decline in March 2020, the investments in this category grew by **10.52 percent** in December 2020. This increase was bolstered by the growth recorded in all segments of the local securities.

In **Figure 8 above**, the category of "Other" includes investments in Repos, Mortgages, Promissory Notes and Other Assets. These investments were valued at approximately **9 percent** of the market's portfolio.

Fixed and Floating NAV CISs⁸

The per-share value of the mutual fund's assets minus its liabilities is called the Net Asset Value ("NAV"). In most cases, this value is calculated every business day and must be done in accordance with the methodology communicated to investors in the CIS's prospectus.

Within the local securities market, CISs or mutual funds are generally classified as having a Fixed NAV or Floating NAV. For Fixed NAV mutual funds, as the name suggests, the NAV remains constant. It is usually the responsibility of the mutual fund manager to maintain the value of a unit for both subscriptions and redemptions. For Floating NAV mutual funds, the value of a unit changes, based on the performance of the pool of securities. Essentially, the value of a unit on the subscription date can differ from the value of the unit on the redemption date.

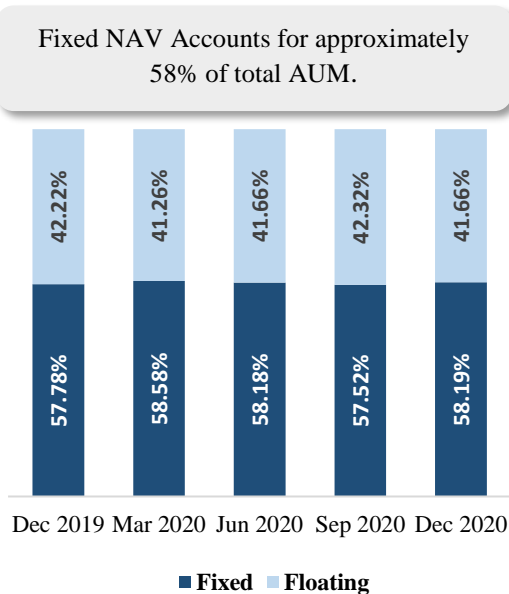
Fourteen (14) of the **68** CISs carry Fixed NAVs and accounted for approximately **58 percent** of the CIS market's AUM as at December 2020; an increase of **9.23 percent** from the quarter ended March 2020 (**Figure**

⁸ This data is representative of 67 funds; as one of the funds is a retirement fund that is not classified as a Fixed or Floating NAV fund.

9). Despite this increase in the AUM, the market share of the Fixed NAV funds decreased by **0.38 percent** from the first quarter of 2020. A year-on-year review at December 2020 also revealed an increase in AUM of **7.61 percent (TT\$4.26Bn)**.

It should be noted that **nine (9)** Fixed NAV CISs were denominated in TTD and accounted for **76.07 percent** of the total TTD denominated investments within the portfolios. Furthermore, approximately **90 percent** of the Fixed NAV funds denominated in TTD currency held investments in local fixed income securities.

Figure 9: Total AUM (Fixed vs. Floating NAV)

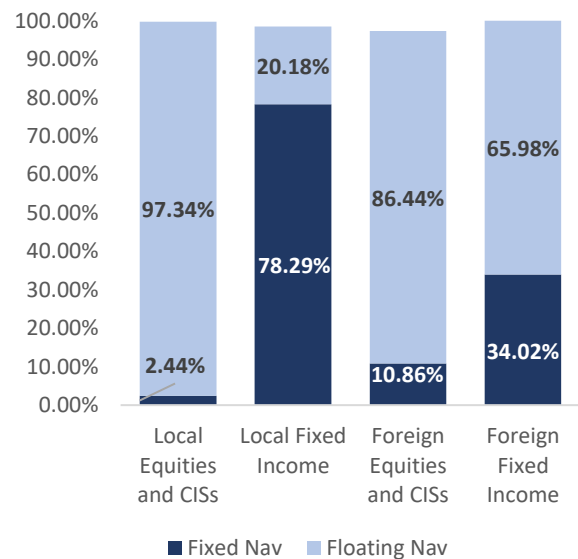


Fixed NAV funds are mostly composed of local Fixed Income securities where expected

returns are relatively consistent (**Figure 10**). The securities in these portfolios would typically be medium to long-term issued Government bonds, which may be classified as relatively lower risk; dependent on the Government’s ability to repay the bonds. However, it should be noted that as a response to the COVID-19 pandemic, international economies have been lowering interest rates which can place pressure on bond yields.

Figure 10: Fixed and Floating NAV CISs portfolio composition

Investments in Local Equities and CISs accounted for approximately 97% of Floating NAVs CIS portfolio assets.



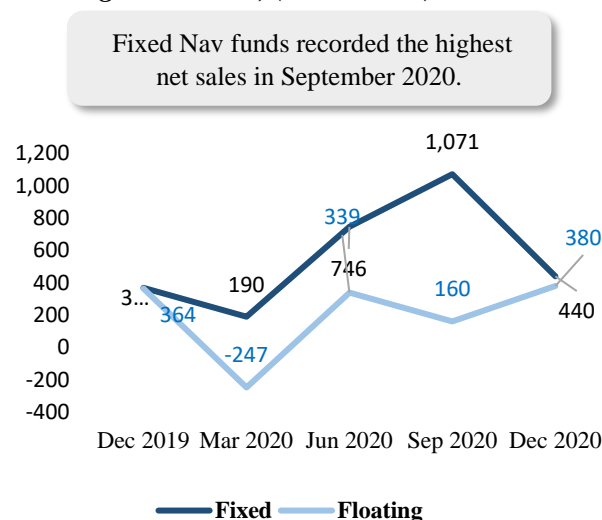
In light of this, the TTSEC has temporarily increased its monitoring and surveillance of

the major Fixed NAV funds since March 2020. This monitoring is also associated with the potential impacts of COVID-19 on the major Fixed NAV funds.

Conversely, Floating NAV funds are generally comprised of investments in securities that are easily tradeable on a recognised stock exchange but may be classified as higher risk. This is evidenced by its composition of approximately **97 percent** of its assets invested in Local Equities and CISs which are easily tradeable but more prone to market swings.

CIS Subscriptions and Redemptions⁹

Figure 11: Net Sales/Redemptions of Fixed vs. Floating NAVs CISs, (TT\$Million)



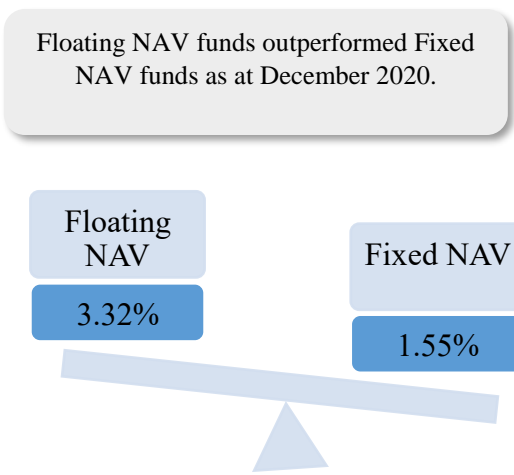
As at December 2020, subscriptions and redemptions for both the Fixed and Floating

⁹ Please see **Appendix 1** for definition of Subscriptions and Redemptions.

NAV CISs amounted to **TT\$4.57Bn** and **TT\$3.75Bn**, respectively. This resulted in Net Sales of approximately **TT\$819.81Mn** with Fixed NAV funds accounting for **TT\$439.68Mn** and Floating NAV funds **TT\$380.13Mn** (See **Figure 11**). After recording Net Redemptions of **TT\$57.39Mn** in March 2020, there were Net Sales of **TT\$104.52Mn** over the remaining **9 months** in 2020. Despite recording Net Sales after March 2020, there was an overall decline in the market's subscriptions and redemptions by **3.54 percent** and **10.03 percent** over the remaining **9 months** of 2020. Noting the large decline in redemptions, a further review indicated that Floating NAV funds recorded the greatest decrease in redemptions by **43.23 percent (TT\$0.93Bn)** from March to December 2020.

CIS Average Yield

Figure 12: Average yields of Fixed and Floating NAV CISs



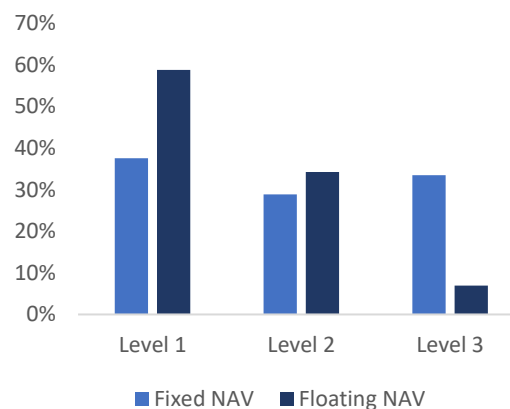
Throughout the reporting period, it was observed that Floating NAV funds provided a higher yield for their investors. In December 2020, Floating NAV funds recorded average yields of **3.32 percent** whereas Fixed NAV CISs recorded average yields of **1.55 percent (Figure 12)**. A year on year review as at December 2020 revealed that Floating NAV CISs decreased by approximately **2.66 percent** from an average yield of **3.41 percent** while Fixed NAV CISs decreased by approximately **10.50 percent** from an average yield of **1.74 percent**.

It is interesting to note that the average yields of Fixed NAV funds with implicit guarantees actually declined more than Floating NAV funds which may be more susceptible to market swings.

CIS Asset/Securities Liquidity

The TTSEC monitors the assets/securities managed by the CIS market. Securities are categorised as Level 1, Level 2 and Level 3.

Figure 13: CIS Asset Categorisation as at December 2020



The following is a brief description of the categories:

Level 1 - securities within the portfolio which are valued by quoted prices on an organised exchange.

Level 2 - securities whose fair value requires the use of valuation techniques, using inputs that are directly observable in the market which are not included within Level 1. Examples of observable market inputs include: quoted prices for similar assets, interest rates, yield curves, credit spreads, etc.

Level 3 - securities within the portfolio which are valued using techniques that are based on unobservable market inputs and necessitates the use of internal information, assumptions and estimates to determine the fair value of a security.

In **Figure 13** above it was observed that as at December 2020, the majority of assets contained in Floating NAV CISs were categorised as Level 1, that is, they can be easily sold on an organised exchange close to their fair value. In fact, Floating NAV CISs invest more heavily in local and foreign equities while Fixed NAV CISs predominantly invest more heavily in local fixed income securities.

Maturities of CIS Fixed Income Securities

Table 2: Weighted Average Maturities as at December 2020

Fixed Income Type	Fixed NAV CISs	Floating NAV CISs
Local	2.88 years	2.98 years
Foreign	2.69 years	6.52 years

The TTSEC monitors the weighted average maturities of local and foreign fixed income securities held by both Fixed and Floating NAV CISs. As of December 2020, it was observed that Local Fixed Income securities had a shorter time to maturity for Fixed NAV CISs as the weighted average maturity of local fixed income securities were **2.88 years** for Fixed NAV CISs and **2.98 years** for Floating NAV CISs. When compared to the quarter ended December 2019, the time to maturity of Local Fixed Income securities for Fixed NAV CISs, reduced by approximately

5 months. This decrease can perhaps be associated with measures taken by CIS Managers to decrease the overall duration of their portfolios. Foreign fixed income securities on the other hand recorded averages of **2.69 years** and **6.52 years** for Fixed and Floating NAV CISs, respectively (**Table 2**).

CIS Investor Type

Table 3: CIS Investor Breakdown

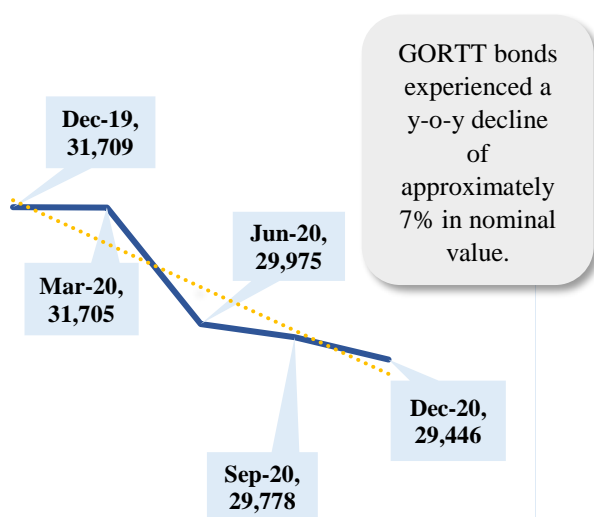
Investor Category	Dec 2019	Dec 2020
TT Individuals	72.58%	70.94%
TT Other Corporations	16.05%	16.87%
Foreign Investors	6.01%	6.87%
TT Credit Unions	1.56%	1.60%
TT Pensions	1.51%	1.53%
TT Insurance Companies	1.32%	1.42%
TT Government Agencies	0.38%	0.25%
TT Banks	0.43%	0.39%
TT Securities Intermediaries	0.08%	0.07%
TT CIS	0.07%	0.06%

For the quarters in 2020, TT Individuals accounted for **71.78 percent** on average, of the CIS market's investor base whilst other investors accounted for the remaining **28.22 percent**. Despite increases in the number of units and value of units of TT Individuals by **0.03Bn** and **TT\$2.12Bn** respectively, during the year 2020, the proportion of this investor base declined by **1.64 percent**, as other investor types experienced growth in market share by over **15 percent**.

In relation to all other investors, “TT Other Corporations” accounted for the majority, recording **16.87 percent** whilst Foreign Investors recorded **6.87 percent** in December 2020. Of all investors, TT Government Agencies, TT Banks, TT Securities Intermediaries and TT CIS had the least investments in the CIS market of under **5 percent** (Table 3 above).

Government Bond Market

Figure 14: Value of GORTT Bond Issues, (TT\$Million)



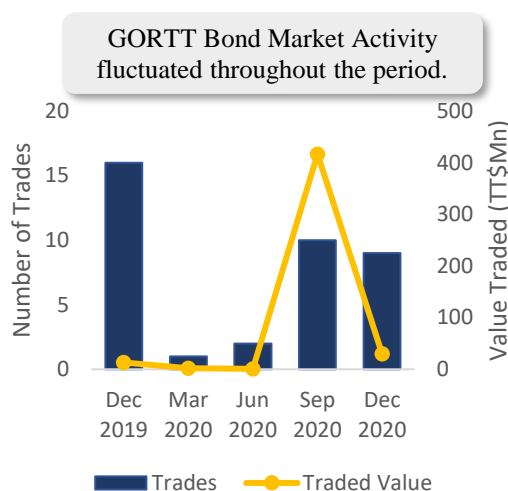
As at December 2020, there were **35** Government bonds in issue with a nominal value of **TT\$29.45Bn**. There were no new Government bond issues since the year 2017 but 2020 saw the maturity of **6** bonds from a total of **41** Government bonds in issue at December 2019. The nominal value of these Government bonds in issue declined by

approximately **7.14 percent (TT\$2.26Bn)** from 2019 to 2020 (Figure 14).

As at December 2020, there were **17** Government bonds listed on the TTSE. In 2020, **22** Government bonds were traded in the market with a total face value of **TT\$448.66Mn** and a total traded value of **TT\$476.25Mn**. In comparison, the market recorded **55** trades in 2019 with a total face value and traded value of **TT\$182.02Mn** and **TT\$193.62Mn**, respectively. Even though trades declined by **60 percent (33)**, the total face value and total traded value improved significantly by **146.50 percent (TT\$266.65Mn)** and **145.98 percent (TT\$282.64Mn)**, respectively.

The activity in the Government Bond market was subdued in the first half of 2020, recording a total of **3** trades at a traded value of approximately **TT\$3Mn**. Trading, nevertheless improved over the second half of 2020, recording a total of **19** trades with a face value and traded value of **TT\$445.81Mn** and **TT\$473.25Mn**, respectively. (Figure 15).

Figure 15: Trades and Value Traded of GORTT Bonds



while the remaining **11.25 percent** accounted for foreign contracts.

During 2020 there was a quarterly average of **1,487** Repo contracts outstanding. As at December 2020, there were **1,600** Repo contracts outstanding, **97.31 percent (1557)** were local and **2.69 percent (43)** were foreign. A year on year review as at December 2020, showed an increase in the number of contracts by **9.22 percent (135)** (Table 4).

Repurchase Agreement (“Repo”) Market

Of the **40** Broker-Dealers registered with the TTSEC, **11** participated in the Repo market at the quarter ended December 2020. As at December 2020, the value of the Total Repo Liabilities of these Repo Dealers’ portfolios amounted to **TT\$3.94Bn**, a decrease of **8.76 percent (TT\$377.88Mn)** from **TT\$4.31Bn** in December 2019 (Table 4). During 2020, Repo Liabilities fluctuated, recording the highest value of **TT\$4.1Bn** in the quarter ended September 2020. It should be noted that Repo Dealers have both foreign and local contracts. As at December 2020, approximately **88.75 percent** of Repo Liabilities accounted for local contracts,

Table 4: Repo Market Overview

Indicators	Dec 2019	Dec 2020
Assets (TT\$Mn)	4,762.83	4,375.88
Liabilities (TT\$Mn)	4,314.12	3,936.23
No. of Repo Contracts	1,465	1,600
No. of Repo Dealers	12	11
Average Repo Return (%)	3.11	2.91
Average Repo Maturity (mths)	12	9

As at December 2020, the average Repo maturity of a Repo contract was **9 months**, recording a reduction by **3 months** and resulted in shorter Repo contracts when compared to the quarter ended December 2019 of **12 months**. Throughout the quarters of 2019 and 2020, the average return of Repo portfolios were approximately **3 percent**. However, in comparison to the quarters

ended December 2019 and December 2020, the average return of Repo portfolios declined by **20 basis points** to **2.91 percent** (Table 4). This decline may be attributed to the excess liquidity conditions in the economy. According to the monetary policy stance, the reduction of the Repo rate by **150 basis points** to **3.50 percent**, improved liquidity in the economy but caused downward pressure on short term rates.¹⁰

Repo Portfolio Composition

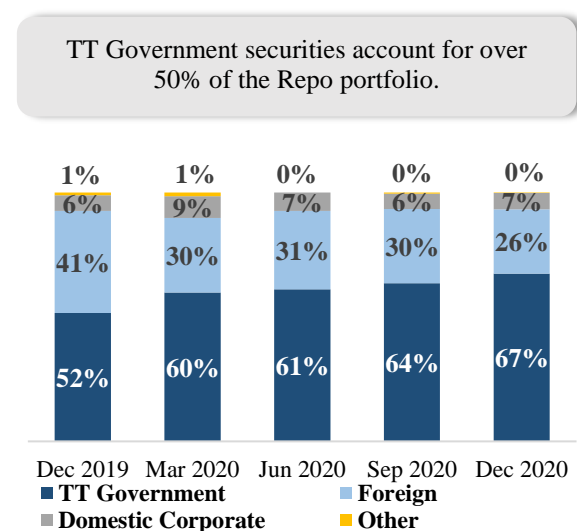
The Repo portfolio asset composition comprised of the following main groupings:

- **TT Government** – all investments in securities issued by the Government of Trinidad and Tobago and State Agencies.
- **Domestic Corporate** – all investments in securities issued by local companies in Trinidad and Tobago.
- **Foreign** – all investments in securities issued by foreign governments and companies not domiciled in Trinidad and Tobago.
- **Other** – all investments in assets not categorised within the groupings: TT

Government, Domestic Corporate and Foreign.

Throughout 2020, Repo portfolios showed that most investments were in the TT Government grouping, accounting for approximately **63 percent** of Repo Assets, (Figure 16).

Figure 16: Repo Portfolio Asset Composition



As at December 2020, the **four (4)** largest categories of assets underlying Repos were:

- Local Government;
- Foreign Non-Government;
- TT Non-Financial State Agencies; and
- TT Government Eurobonds.

Three (3) of these categories were within the TT Government grouping (Local

¹⁰ The Central Bank of Trinidad and Tobago. Economic Bulletin Volume XXIII No. 1. January

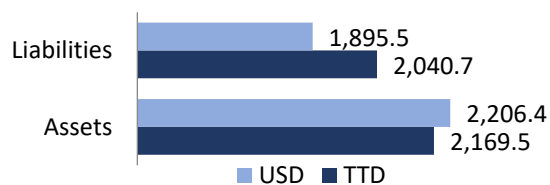
2021. <https://www.central-bank.org.tt/latest-reports/economic-bulletin>

Government, TT Non-Financial State Agencies and TT Government Eurobonds) while the Foreign Non-Government was within the Foreign grouping.

As at December 2020, approximately **50.42 percent** and **48.16 percent** of Repo Assets and Repo Liabilities, respectively were denominated in USD currency. (Figure 17).

Figure 17: Total Repo Assets and Liabilities by Currency as at December 2020, (TT\$Million)

Repo Liabilities were mostly denominated in TTD, accounting for approximately 52% of the portfolio.



Repo Investor Type

Repos are utilised by both Institutional and Retail investors. The Institutional category consists of investors such as Domestic Banks, Credit Unions, Insurance Companies and Other Corporate and Financial Institutions, with a small number of Pension Funds utilising the instrument as a form of investment.

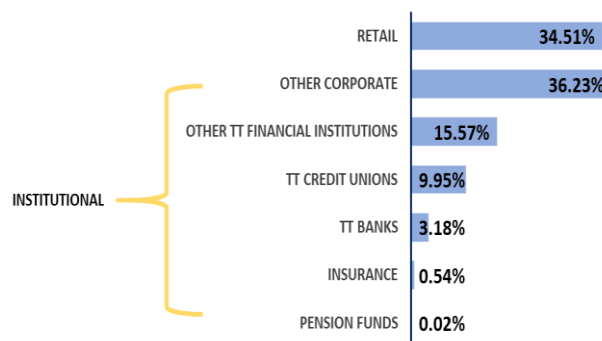
For the quarters in 2020, Institutional investors accounted for **66.79 percent**, on

average, of the Repo market’s investor base and Retail investors accounted for the remaining **33.21 percent**.

As at December 2020, Institutional investors accounted for **65.49 percent (TT\$2.58Bn)** and Retail investors accounted for the remaining **34.51 percent (TT\$1.36Bn)** (Figure 18).

Figure 18: Repo Investor Breakdown by Category as at December 2020

Institutional Investors account for approximately 65% of the Repo market’s investor base



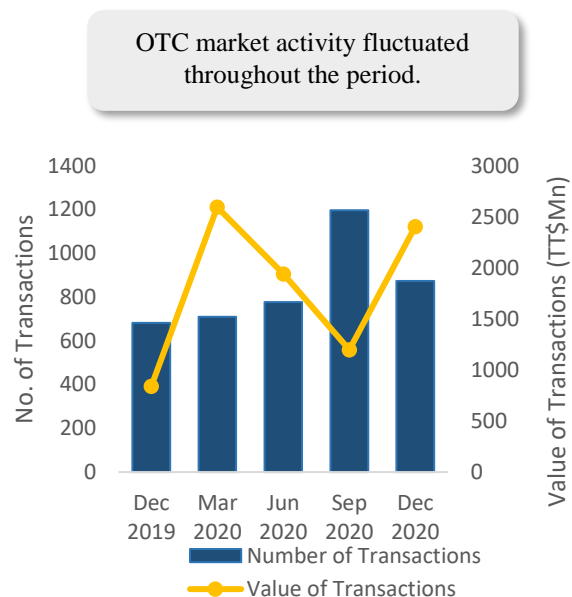
In relation to all investors, as at December 2020, companies classified as “Other Corporate” accounted for the majority, recording **36.23 percent (TT\$1.43Bn)**, the Pension Funds, Insurance Companies and TT Banks had the least investments in the Repo market of under **5 percent (TT\$147.15Mn)** (Figure 18).

Over-the-Counter (“OTC”) Market

Over the twelve-month period to December 2020, a total of **3,559** transactions valued at **TT\$8.14Bn** was observed in the local OTC market. A review from 2019 to 2020 revealed that the total number of OTC transactions increased by **53.27 percent (1,237)** while their value decreased by **27.08 percent (TT\$3.02Bn)**.

A review of the quarterly periods from December 2019 to December 2020 showed that transactions and their values fluctuated. Even though the largest number of transactions, **1,197**, were recorded in the quarter ended September 2020, their value was the lowest in 2020 at **TT\$1.20Bn**. The comparative quarterly periods of December 2019 and December 2020 showed that the number of OTC transactions and their value increased by **28.15 percent (192)** and **185.91 percent (TT\$1.56Bn)**, respectively. (Figure 19).

Figure 19: Value of OTC Transactions, (TT\$Million) and Number of OTC Transactions



In 2020, on average, there were **11** Broker-Dealers participating in the OTC market. The average number of Broker-Dealers participating in OTC market decreased by **1 (10.53 percent)** in relation to the comparative year of 2019. In the majority of transactions, Broker-Dealers who participated in the market, acted as Agents (arranging a trade between third party buyers and sellers). For the quarter ended December 2020, **83.36 percent** of transactions were executed by Broker-Dealers acting as Agents while the remaining **10.64 percent** of transactions were executed by Broker-Dealers acting as Principals (purchasing or selling for its proprietary book or clients).

In 2020, fixed income securities remained the most traded security via the OTC market. As at the quarter ended December 2020, **98.40 percent** of securities traded were fixed income. This can be attributed to investors seeking liquidity through the sale of bonds before maturity or portfolio restructuring.

Approximately **86.16 percent** of OTC transactions were denominated in TTD at the end of 2020 while the remaining **13.84 percent** were denominated in USD.

Interconnections

The financial system of Trinidad and Tobago, like other countries, comprises of institutions such as banks, insurance companies and clearing agencies that collectively work together to transfer capital or funds between financial market participants. The system is mainly dependent on interconnections of these institutions to facilitate financial transactions. While many benefits exist within these interconnections, it is important to note that disruptions within the system which are not properly managed can be detrimental to a country's economic well-being.

The 2008 global financial crisis triggered regulatory reform in the financial system. Regulators and Supervisory Authorities play a critical role in safeguarding the stability of a financial system. According to the International Monetary Fund ("IMF") (2021), instability can increase uncertainty, dampen investment, impede economic growth and hurt living standards.¹¹ As such, financial stability remains on the agenda of regulators on both a national and global level.

The securities market is also part of the financial system and as the securities regulator in Trinidad and Tobago, the TTSEC monitors the risk exposure of its Registrants and SROs; and takes measures to protect investors, clients, and members by nurturing a fair, efficient and transparent securities market. The TTSEC is cognizant that while monitoring the individual business of an entity, particular attention must be given to understanding their relationships and dependencies within the domestic, regional and international markets.

As the securities market evolves in terms of products and services, complex interconnections between market participants develop. The financial institutions within Trinidad and Tobago are often divided into subsidiaries within their group of companies that are engaged either directly, or through affiliates, in banking, securities, and insurance operations. The Non-Banking entities are often linked to Banks through credit and liquidity enhancement mechanisms. The markets are also highly correlated and interconnected through asset

¹¹ International Monetary Fund ("IMF"). "How the IMF Promotes Global Economic Stability." March 8, 2021. Accessed May 28, 2021. <https://www.imf.org/en/About/Factsheets/Sheets/201>

[6/07/27/15/22/How-the-IMF-Promotes-Global-Economic-Stability.](https://www.imf.org/en/About/Factsheets/Sheets/201)

and liability management strategies and counterparties such as Broker-Dealers. Additionally, central to the link between the Banking and Non-Banking entities is the role of the Financial Institutions in the creation, registration, management of CISs and provision of custodial services.¹²

In the securities market of Trinidad and Tobago, for the quarter ended December 2020, approximately, **65 percent** of Registrants were either associated with or dependent on Financial or Banking entities. The remaining **35 percent** were independent. These Registrants conduct business within the **three (3)** main categories of Investment Advisers, Broker-Dealers and Underwriters. Such business activities may include, but are not limited to, investment advising, trading, wealth management, portfolio management and Repo selling. These Registrants operate within the major segments in the securities market.

The Equity Market is the largest segment of the securities market of Trinidad and Tobago. Of the companies listed on the TTSE, the Banking Sector accounted for the largest

share of the Market Capitalisation with only **5** out of the **37** securities listed on the TTSE. The Banking Sector accounted for **54.73 percent** of Market Capitalisation as at December 2020.

The CIS market was the second largest segment of the securities market. As at December 2020, there were **68** registered mutual funds managed by **15** CIS managers of which **86.67 percent** of the AUM was managed by institutions associated with Financial and Banking entities. **Three (3)** companies held the largest market share which accounted for a total **73.76 percent** of the AUM. An institution which is associated with a Financial Group held the largest market share of **38.09 percent**.

Nine (9) of the **11** Repo Dealers were associated with Financial and Banking Groups as at December 2020. The top 3 Repo Dealers are associated with Financial Groups, accounting for **77.46 percent** of Repo Liabilities. As it relates to the OTC market, there were **10** companies which participated in the market, of which, **60**

¹² Strategy, Policy, and Review Department and the Monetary and Capital Markets Department, in Collaboration with the Statistics Department and in

Consultation with Other Departments. "Understanding Financial Interconnectedness." INTERNATIONAL MONETARY FUND. October 4, 2010. Accessed May 26, 2021.

percent were associated with Financial or Banking Groups.

The patterns of investments in various markets are also interconnected. The portfolios in the CIS and Repo markets were quite similar where the largest investments were made in fixed income securities issued by the Government of Trinidad and Tobago and State Agencies. As at December 2020, these investments accounted for approximately **45 percent** and **67 percent** of the CIS and Repos portfolios, respectively. Investments in the Local Equities market accounted for approximately **5 percent** for CIS portfolios and less than **1 percent** for Repo portfolios. CIS portfolios invested **0.63 percent** in Repos while Repo portfolios invested **0.38 percent** in Local CISs.

Since financial markets across the globe are also interconnected, factors affecting international markets can also impact the local securities market. Due to the negative impacts of COVID-19, the United States (“US”) Fed reduced rates in April 2020 in an attempt to stimulate economic development. Reduced economic activity in the US along with changes in both the exchange and inflation rates have impacted the local securities market.

As at December 2020, investments of approximately **33.27 percent** and **25.78 percent** were made in Foreign Securities for CIS and Repo portfolios, respectively.

At the end of 2020, segment leaders associated with Financial or Banking groups continue to maintain similar market positions. It is important that while the TTSEC monitors all business operations of registered market actors, particular attention is also given to such leaders. The TTSEC continues to monitor the vulnerabilities of market actors’ business operations, products and services offered while also keeping under its purview, the potential risks in the local and international markets. The COVID-19 pandemic triggered the TTSEC to implement stricter surveillance/ monitoring measures to ensure that Registrants were taking the necessary precautions to mitigate any possible risks that may affect their businesses or portfolios managed.

Conclusion

The COVID-19 pandemic has caused major volatility in financial markets around the world. Trinidad and Tobago was no exception as it was observed that the main segments recorded negative changes when compared to December 2019. However, the Equity and CIS markets showed consistent signs of recovery after their decline in the first quarter of 2020.

The largest decline amongst the segments was recorded in the local Equity market from December 2019 to March 2020. While the value of the local Equity market declined between these quarters, the activity within this period increased significantly. It should be noted that the Market Capitalisation increased steadily while the activity in the market declined after March 2020.

The CIS market was the only market that recorded positive growth in value at the end of December 2020. Fixed NAV funds continued to dominate the market and accounted for approximately **58.12 percent** of the market's AUM in 2020. The average yield for the Fixed and Floating NAV funds were approximately **2 percent** and **3 percent**, respectively whilst the majority of investors

continue to comprise of TT Individuals, accounting for over **70 percent**.

It was observed that both fixed income and equity funds were the most preferred CISs by investors, collectively accounting for over **60 percent** of the CISs registered with the TTSEC. However, fixed income funds accounted for the largest share in the AUM, managing **65.56 percent** of the market. Similarly, when examining the CIS market's portfolio composition, investments in local fixed income securities within the TT Government grouping accounted for approximately **45 percent**; the largest share within the market. Likewise, this investment strategy was also similar for Broker-Dealers conducting Repo activities, in which investments in the TT Government grouping accounted for **67 percent** of their Repo portfolios. Moreover, in December 2020, fixed income securities remained the most traded security via the OTC market as **98 percent** of securities traded were fixed income.

The value of the Repo market fluctuated during the review period. At the end of 2020, the largest number of transactions were recorded, representing an increase from December 2019. Generally, the average Repo

return of these transactions on a quarterly basis was approximately **3 percent** with the average duration of Repos being **9 months**. In relation to the investor base, Institutional investors remain the largest group, accounting for over **60 percent**, a stark difference when compared to CIS investors. As it relates to the Government Bond market, there were no new Government bond issues since 2017 and **6** bonds matured in 2020. The Government Bond market value declined throughout December 2019 to December 2020, while the activity in the market fluctuated.

The OTC market remains the smallest segment with its value fluctuating throughout the December 2019 to December 2020. The activity of the market progressively increased from December 2019 to September 2020 but declined in the last quarter of 2020.

The Way Forward

The TTSEC, as the regulator of the securities market, remains committed to promoting the market's growth through its consistent efforts to boost the confidence of investors while providing a fair, efficient and transparent environment. We also continue to cooperate

with other regulators to mitigate systemic risk.

As the securities market evolves, the TTSEC remains consistent in implementing and improving the requisite tools needed to efficiently perform its functions. In particular, the TTSEC intends to automate its MMRF process to improve the ease and quality of users' submissions.

The TTSEC is also appreciative of the continuous support and commitment demonstrated by Registrants towards improvement of the quality of the MMRF data. This increased effort from the market has produced a richer data set and a more reliable overview of the industry.

Appendix I

Definition of Registration Categories

Broker-Dealer

A firm acting as an intermediary between a buyer and a seller of securities, usually for a fee or a commission. When acting as a broker, a Broker-Dealer executes orders on behalf of his/her client. When acting as a dealer, a Broker-Dealer executes trades for his/her firm's own account.

Investment Adviser

An individual or firm that advises clients on investment in, or the purchase or sale of securities on a professional basis.

Registered Representative

An employee or officer of a registered Broker-Dealer, Investment Adviser or Underwriter who liaises with members of the public on behalf of their employers further to the offering, distribution or sale of securities.

Reporting Issuer

A corporation that has issued or proposes to distribute securities to the public and is subject to the continuous disclosure requirements of the TTSEC.

Self-Regulatory Organisation (SRO)

A non-governmental organisation that has the power to create and enforce industry regulations and standards. The priority is to protect investors through the establishment of rules that promote ethics and equality.

Sponsored Broker-Dealer

An individual who is employed by a Brokerage firm from a foreign jurisdiction. This individual aligns himself/herself with a local Broker-Dealer who sponsors his/her registration with the TTSEC. A Sponsored Broker-Dealer that is registered with the TTSEC can conduct securities business in Trinidad and Tobago for a maximum of 90 days in a calendar year.

Sponsored Investment Adviser

An individual who is employed by an Investment Advising or Brokerage firm from a foreign jurisdiction. This individual aligns himself/herself with a local Investment Adviser or Broker-Dealer who sponsors his/her registration with the TTSEC. A Sponsored Investment Adviser that is registered with the TTSEC can conduct securities business in Trinidad and Tobago for a maximum of 90 days in a calendar year.

Underwriter

A company that arranges for the issuance or distribution of securities and/or agrees to purchase any unsold securities thereby guaranteeing full subscription.

Types of Securities/ Segments

Collective Investment Scheme (“CIS”)

A CIS is an investment instrument that pools shareholders’/unit holders’ cash contributions and invests in a diversified securities portfolio with a specified objective.

Section 4 of the SA 2012 states inter alia that

a CIS is, *“any arrangement with respect to property of any description including money*

– (a) the purpose or effect of which is to enable persons taking part in the arrangement, whether by becoming owners of the property or any part of it, or otherwise to participate in or receive profits of income arising from the acquisition, holding, management or disposal of the property or sums paid out of such profits or income...”

CIS - related terms

The Assets under management (“AUM”)

sometimes called funds under management, measures the total market value of all the financial assets which a financial institution,

such as a CIS, manages on behalf of their investors.

Subscriptions and Redemptions – In the CIS industry, a measurement that describes the difference between money that is flowing into mutual funds is called the subscriptions and money that is withdrawn is called the redemptions. If the outflows are more than the inflows then net redemptions occur however if there are more inflows this results in net sales. The difference between subscriptions and redemptions is known as Net Encashments.

Equity

An equity is an ownership in an entity and is traded on the stock exchange. The two main types of equity securities are common shares (also called common stock or ordinary shares) and preferred shares (also known as preferred stock or preference shares).

Government Bond

A Government Bond is a debt instrument issued by the government which pays a fixed rate of return over a specific timeframe. The government issues bonds to raise funds to finance projects or day to day operations.

Over-the-counter (“OTC”)

The OTC market transactions typically occur “off exchange”; that is, they are private trades in securities, which occur between two (2) parties. Information on these transactions, such as the traded prices of securities is not required to be published. Therefore, to increase the level of transparency within this market, Registrants who facilitate OTC transactions are required to submit data under the MMRF.

Repurchase Agreement (Repo)

According to the TTSEC’s Repurchase Agreement Guidelines 2018, a Repo is defined as, *“a financial agreement in which a dealer of securities transfers ownership of securities to another person, or creates a beneficial interest (whether whole or fractional) in securities in favour of another person, with or without provisions allowing for –*

- (a) The substitution of the underlying securities by the dealer or*
- (b) the entitlement of the dealer to the coupon rate on the underlying securities.*

In which the parties agree that an agreed future date the securities will be repurchased by the dealer in the terms and conditions specified in the agreement.”

Appendix II

Summary of Indicators

Description	March 2019	June 2019	September 2019	December 2019	March 2020	June 2020	September 2020	December 2020
CIS AUM (TT\$Mn)	53,433	54,457	54,594	55,958	55,220	57,004	59,516	60,306
% CIS AUM Fixed NAV	59	59	58	58	59	58	58	58
% CIS AUM Floating NAV	41	41	41	42	41	42	42	42
CIS Net Sales/(Redemptions) (TT\$Mn)	575	513	133	733	(57)	1,084	1231	820
Number of CISs	64	64	64	64	68	68	68	68
Number of CIS Managers	12	12	12	12	14	14	15 ¹³	15
Repo Assets (TT\$Mn)	4,921	5,252	5,219	4,763	3,722	3,990	4,366	4,376
Repo Liabilities (TT\$Mn)	4,917	4,833	4,832	4,314	3,599	3,736	4,103	3,936
No. of Repo Contracts in issue	1,504	1,490	1,498	1,465	1,348	1,458	1,541	1,600
No. of Repo Dealers	11	11	11	12	12	12	11	11
Average Repo Maturity (mths)	13	12	12	12	12	9	11	9
Average Repo Return (%)	3.14	3.18	3.29	3.11	3.02	2.95	2.65	2.91
Value of GORTT Bond Issues, (TT\$Mn)	32,323	32,319	31,714	31,709	31,705	29,975	29,778	29,446
Market Capitalisation (TTD market) (TT\$Mn)	134,248	141,142	141,756	150,455	134,236	134,376	135,041	135,639
Market Capitalisation (USD market) (US\$Mn)	11	11	11	11	23	22	22	22
Value of OTC Transactions, (TT\$Mn)	4,756	4,771	799	842	2,595	1,943	1,197	2,407
Number of OTC Transactions	443	494	703	682	710	778	1197	874

¹³ The change in CIS Managers was due to Reporting Adjustments.