



Securities Market Bulletin

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TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION



SECURITIES MARKET BULLETIN

September 2020

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CEO's Message

The Novel Coronavirus (“COVID-19”) pandemic continues to affect various sectors of the world’s economies causing downturns across the globe. While global leaders implement fiscal and monetary stimulus packages, the economic development and outlook of many countries remain uncertain.

The International Monetary Fund’s World Economic Outlook Update (June 2020) projected a **4.9 percent** contraction of the global economy. In 2020, the World Economic Outlook Update (June 2020) also expects Advanced Economies to decline by as much as **8 percent** with Emerging Markets and Developing Economies declining by **3 percent**.

The global benchmark, the S&P 500, lost approximately **30 percent** of its market value between December 31st, 2019 and March 23rd, 2020. While the market has rallied in recent months, the index still posted a loss of **4 percent** as at June 30th, 2020.

Trinidad and Tobago face an uncertain future as its economic growth is tied to the energy sector whose demand hinges on a resuscitation of global demand and an increase in energy prices in the short and

medium term. It is under this context, that the Commission presents its Sixth Issue of the Securities Market Bulletin.

The Commission’s Micro-Macro Prudential Reporting Framework (“MMRF”) makes possible the macro-prudential oversight of the securities market in Trinidad and Tobago. It allows the Commission to keep under surveillance, key vulnerabilities or risks of Registrants and Self-Regulatory Organisations and take proactive steps to protect investors, clients, members and the securities industry. By way of the collection of essential financial data of Registrants, Self-Regulatory Organisations and CISs, the Commission monitors the state of the financial health, soundness and stability of the securities sector.

The MMRF data is used to calculate key micro and macro prudential indicators, which assist in the analysis related to risks, changes and developments in the major segments of the securities market in Trinidad and Tobago and highlights some of their interconnections. The Commission publishes this information and makes the report available to the market via its Securities Market Bulletin. The Securities Market Bulletin presents an overview of the securities market on a semi-annual basis.

Analysis of the local securities industry within this sixth issue of the Securities Market Bulletin focuses mainly on the first two quarters of 2020 (as at March and June 2020).

It should be noted that between January 2020 and March 2020, the Assets Under Management (“AUM”) of Fixed NAV CISs fell by approximately **TT\$2Bn**. Further analysis into the portfolios of the major Fixed NAV Collective Investment Schemes (‘CISs’) suggest that there were significant reductions in both local and foreign equity values, by **14 percent** and **12 percent**, respectively. However, the local CIS industry showed resilience in the following three (3) months as its total AUM reaching **TT\$55.92Bn** as at June 30th, 2020 at an average growth of **TT\$646Mn (1.2 percent) per month**.

There was also a marginal increase of **1.8 percent** in the number of Registrants during the first half of 2020. The value of Repo Liabilities decreased by **13.4 percent (TT\$577.94Mn)** from December 2019 to June 2020, while Market Capitalisation of the equity market fell by approximately **10.6 percent (TT\$16.01Bn)** during the first half of 2020.

The Commission is appreciative of the continuous support and commitment

demonstrated by Registrants towards improvement of the quality of the data submitted under the Micro and Macro-Prudential Reporting Framework (“MMRF”). This increased effort from the market has produced a richer data set and a more reliable overview of the industry despite current data consolidation challenges.

As we seek to improve our processes, especially considering the current financial climate, the Commission is pleased to announce that our electronic registration platform, EASi, was launched on the 22nd September, 2020. This online platform will significantly improve the reporting requirements of registrants as well as improve the overall ease of doing business.

The Commission is also working assiduously towards our aim of creating personalised assessments of registrant’s risks and vulnerabilities which can be used as a mitigation tool by registrants. Substantial work has since been completed on this project. We invite you to stay tuned for future announcements on this development.

Securities Market

Performance Overview

The Trinidad and Tobago securities market maintained its status as one of the largest in the Caribbean at the end of the second quarter 2020. As at June 2020, it was valued at **TT\$331.2Bn**, with CIS, Repos, Equities and Bonds, reporting a total value of **TT\$225.1Bn**. Loan notes, commercial paper, treasury bills and other securitized instruments accounted for the remainder TT\$106.1Bn. The following depicts the main performance highlights over the period of review.

- As at June 2020, there were **448** registrants, an increase of 2.8 percent when compared to the same period last year.
- At the end of June 2020, the value of AUM¹ within the CIS market was **TT\$57Bn**, a **3.2 percent (TT\$1.78Bn)** increase from March 2020. The CIS market also experienced a year on year growth in net sales by **111.2 percent**. A year-on-year review during the same period revealed an increase in the Fixed NAV AUM by **3.7 percent (TT\$1.11Bnn)** from June 2019.
- The value of Repo Liabilities increased by **3.8 percent (TT\$136.95Mn)** from March to June 2020, while the value of Repo Assets also grew by **7.2 percent (TT\$268.57Mn)**.
- As at June 2020 there were **38** TTD denominated Government Bonds issued by the Central Bank of Trinidad and Tobago at a nominal value of **TT\$30BnMn**, representing a year on year decrease by **7.3 percent (TT\$2.34Bn)**.
- There were **37** securities listed on the Trinidad and Tobago Stock Exchange (“TTSE”) as at June 2020. A year on year review shows that the total value of these securities, as measured by market capitalization, declined by approximately **4.8 percent (TT\$6.77Bn)**. For the quarter ended June 2020, there were **5,486** trades with approximately **TT\$31.09Mn** in volume traded.
- For the period March 2020 to June 2020, the number of OTC transactions increased by **9.6 percent (68)** and their value declined by **25.1 percent (TT\$652.53Mn)**.

¹ Assets under Management is defined as the total value of financial instruments held on the portfolio of a CIS and includes the gains from interest

payments/dividends of these instruments as well as cash held by the CISs.

Introduction

COVID-19 has disrupted the global economy and financial markets. The securities sector was severely impacted and global markets faced trading challenges due to abnormally high volume of transactions of persons selling their security holdings. The most noticeable impact of the COVID-19 pandemic was in the equity markets, where trading activity increased during the period December 2019 to June 2020, however, the market capitalisation of the securities listed on the Trinidad and Tobago Stock Exchange (“TTSE”) declined.

On March 12, 2020, Trinidad and Tobago recorded its first COVID-19 case. While certain segments of the securities market of Trinidad and Tobago remain steady the equity market, which is the largest segment in Trinidad and Tobago, had the most visible impact. Throughout previous years, the market capitalisation steadily increased; however, from December 2019 to June 2020, market capitalisation declined by approximately **11 percent (TT\$16.1Bn)**. During this period, trading activity in the equity market significantly increased by **86.2 percent (2,539)** in trades, **63.7 percent (12.1Mn)** in volume traded and **60 percent (TT\$177.1Mn)** in traded value. The Commission continues to monitor the vulnerabilities within the equities market

and by extension the entire securities market.

This bulletin presents the analysis of data collected for the first two (2) quarters of 2020 (quarters ended March 2020 and June 2020), inclusive of notable periodic comparisons.

As at March 2020, **443** persons were registered with the Commission to conduct business activities within the securities market. This represents a **2.3 percent** increase in the number of persons registered by the Commission when compared to the same period in 2019 (**Table 1**). This increase of persons registered with the Commission was primarily attributed to an increase in the Reporting Issuer category by **7.1 percent**.

Table 1: Category of Registrants

Category	Number of Registrants			
	March 31, 2019	March 31, 2020	June 30, 2019	June 30, 2020
Reporting Issuers	84	90	85	85
Broker-Dealers	35	35	35	38
Investment Advisers	15	13	15	13
Underwriters	1	1	1	1
Registered Representatives	290	294	292	301
Sponsored Broker-Dealers	5	6	5	6
Sponsored Investment Advisers	1	2	1	2
Self-Regulatory Organizations	2	2	2	2
Total	433	443	436	448

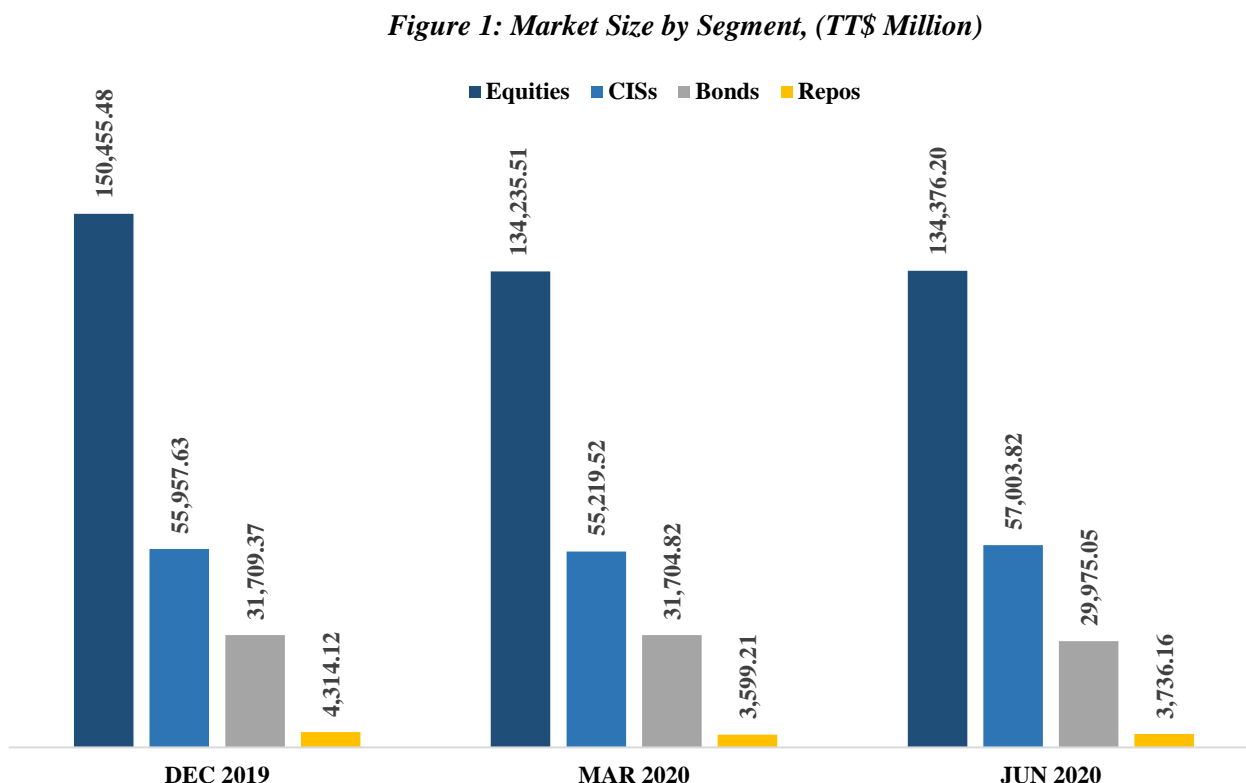
As at June 2020, **448** persons were registered with the Commission to conduct business activities within the securities market, representing a **2.8 percent** increase in the number of persons registered by the Commission when compared to June 2019 (**Table 1**), and a **1.8 percent** increase when compared to December 2019. The year on year increase in persons registered as at June 2020, was primarily attributed to an increase in the Registered Representatives category by **3.1 percent**.

A description of the activities conducted by each category of registered persons is contained in **Appendix I**.

The local securities market mainly comprises of the following segments

- Equities;
- CISs;
- Bonds; and
- Repos.

The values of each segment for the period December 2019 to June 2020 are presented in **Figure 1**.



Collective Investment Scheme (CIS) Market

There were **68** CISs managed by **14** CIS Managers² registered with the Commission as at June 2020 – the end of Quarter 2, 2020 (**Table 2**).

Table 1: Number of CISs

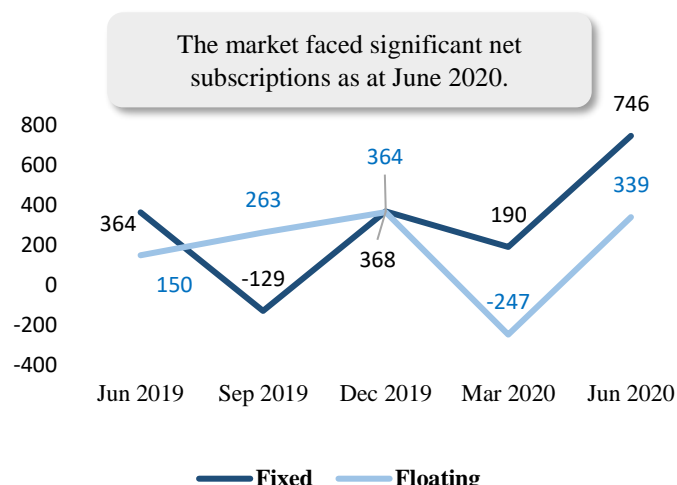
Indicators	March 2020	June 2020
Number of CISs	68	68
Number of CIS Managers	14	14

Analysis of the data submitted by these CIS Managers indicates that the total value of AUM as at June 2020 was **TT\$57Bn**. This represents an increase of **3.2** percent in AUM (approximately **TT\$1.78Bn**) from March 2020 (**Figure 1**).

As at June 2020, the fixed and floating CIS market recorded net sales of **TT\$1.08Bn**, an enormous **1989.6 percent** increase from March 2020, perhaps due to overall net redemptions of **TT\$57.4Mn** at the end of quarter 1 2020. When compared to June 2019, there was a **111.2 percent** increase in net sales in June 2020 (**Figure 2**).

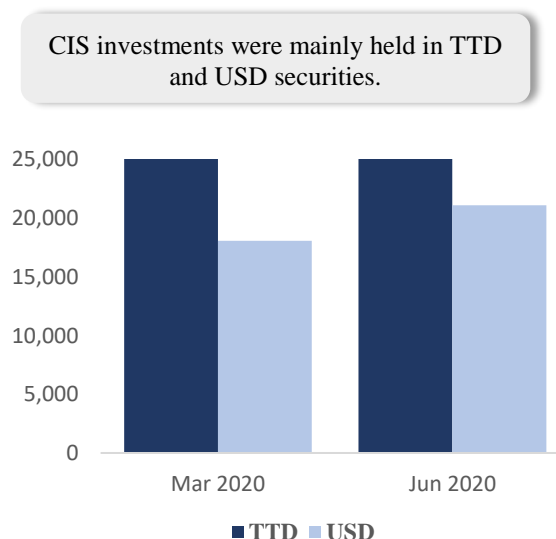
² CIS Managers are Broker-Dealers registered with the Commission.

Figure 2: Net Encashment of Fixed vs. Floating NAVs CISs, (TT\$Million)



CIS investments were mainly denominated in TTD and USD currencies. **Figure 3** below illustrates the currency composition of the market’s investments. Hence, there will be exposure to fluctuations in USD denominated investments.

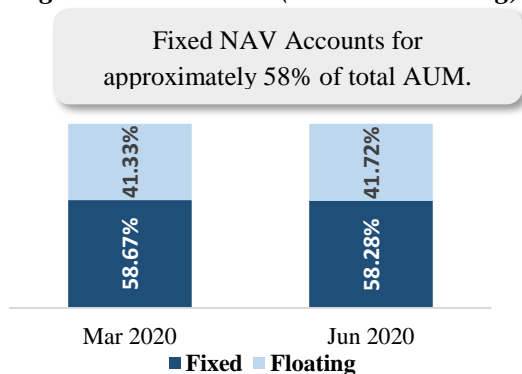
Figure 3: Denomination of investments held by CISs, (TT\$Million)



Fourteen (14) of the **68** CISs carry Fixed Net Asset Values (“NAVs”) accounted for approximately **58 percent** of the CIS

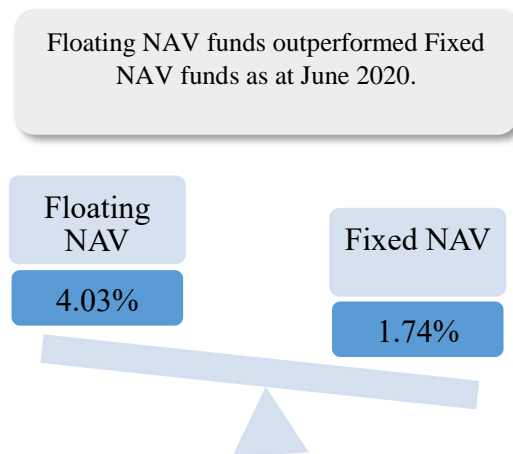
market's AUM as at June 2020 (**Figure 4**). The AUM of these CISs also increased by approximately **TT\$821.09Mn, 2.5 percent** from March 2020 to June 2020. A year-on-year review also revealed an increase of **3.7 percent (TT\$1.11Bn)** increase from June 2019 to June 2020.

Figure 4: Total AUM (Fixed vs. Floating)



Fixed NAV CISs outperformed Floating NAV CISs in the period ended March 2020, recording average yields of **2.01%** whereas Floating NAV CISs recorded average yields of **-3.1%**. In June 2020, however, this trend changed with Floating NAV CISs increasing by approximately **228.5 percent** from the previous quarter, to an average yield of **4.0%** while Fixed NAV CISs decreased by approximately **13.1 percent** to an average yield of **1.7%** (**Figure 5**).

Figure 5: Average yields of Fixed and Floating NAV CISs



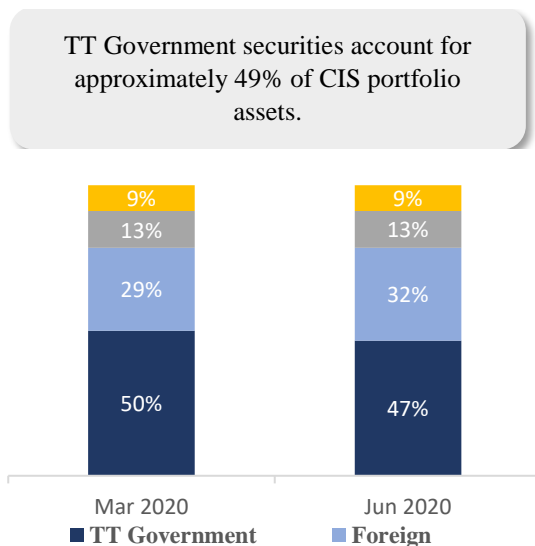
Nine (9) Fixed NAV CISs were denominated in TTD. These were estimated to account for over **71.7 percent** of TTD denominated investments held within these CIS portfolios. The dominance of Fixed NAV CISs in the market highlights the need to manage their inherent risks, which include exposure to movements in:

- foreign currency;
- domestic interest rates;
- domestic equity prices;
- the price of international securities; and
- liquidity risks.

The data highlighted that the CIS market was and may continue to be exposed to risks associated with investing in the following categories of securities:

- TT Government (“GORTT”) Securities;
- Foreign Securities; and
- Domestic Corporate Securities.

Figure 6: CIS Portfolio Composition by category of security



TT Government Securities

On average, investments in Local Government Securities and State Agencies were approximately **49 percent** of the CIS market’s portfolio composition (**Figure 6**). The value of these investments declined by **3.1 percent** from March to June 2020, which can be attributed to the economic fallout of the global pandemic, Covid-19.

Foreign Securities

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

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

On average, investments in Foreign Securities accounted for **32 percent** of the

market’s portfolio as at June 2020. When compared to March 2020, these investments increased by **16.3 percent** with Foreign Equities recording the largest movement, increasing by **132.1 percent**, followed by Foreign CISs, which increased by **92.9 percent**. One possible reason for these large increases may be due to a rise in confidence bolstered by US\$2.3 trillion bailout made by the Federal Reserve in April 2020, to support the economy and stabilise the financial system. On the other hand, Foreign Non-Government Securities and Foreign Government Securities decreased by **14.5 percent** and **1 percent** respectively from March to June 2020.

Domestic Corporate Securities

On average, investments in Domestic Corporate Securities accounted for **13 percent** of the market’s portfolio as at June 2020. These securities comprise of:

- TT Equity
- TT Other Corporate Bonds
- TT CISs
- TT Bonds Financial Sector

There was a marginal **3.6 percent** increase in Domestic Corporate Securities from March to June 2020. While a year-on-year review of June 2020 showed a decrease of **1.7 percent**, which was mainly attributable to a **12.2 percent** decrease in TT Equities.

In **Figure 6 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.

CIS Investor Type

Analysis of the AUM held by various investor types within the CIS market shows that as at June 2020, TT Individuals accounted for **71.8 percent** of investors, followed by TT Other Corporations (**15.8 percent**) and then by Foreign Investors (**7.3 percent**) (Table 3). TT CISs invested the least in the CIS market, accounting for less than **0.1 percent** of total investments on average for the reviewed period.

Table 3: CIS Investor Breakdown

Investor Category	March 2020	June 2020
TT Individuals	72.11%	71.79%
TT Other Corporations	16.28%	15.81%
Foreign Investors	6.54%	7.32%
TT Credit Unions	1.63%	1.61%
TT Pensions	1.26%	1.48%
TT Insurance Companies	1.14%	1.18%
TT Government Agencies	0.52%	0.29%
TT Banks	0.40%	0.41%
TT Securities Intermediaries	0.08%	0.08%
TT CIS	0.04%	0.04%

CIS Asset/Securities Quality

The Commission monitors the quality of assets/securities managed by the CIS market. Securities are categorised as Level 1, Level 2 and Level 3. The following is a brief description of the categories:

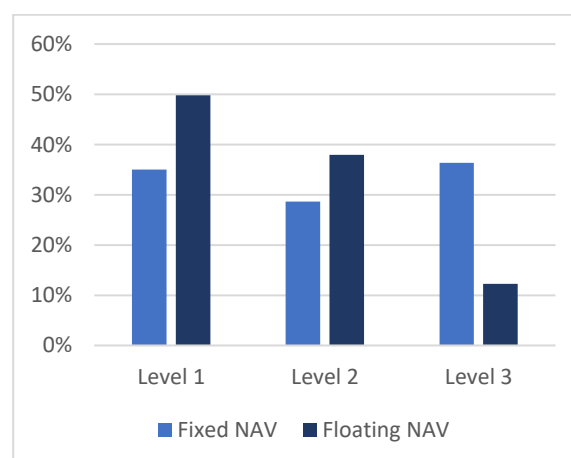
Level 1 - securities within the portfolio which are valued by quoted prices on an organised exchange.

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 7** it was observed that as at June 2020, based on the categorisation outlined above, Floating NAV CISs contained higher quality assets than Fixed NAV CISs. This can be attributable to the fact that Floating NAV CISs invest more heavily in local and foreign equities while Fixed NAV CISs predominantly invest more heavily in local fixed income securities.

Figure 7: CIS Asset Quality as at June 2020



Maturities of CIS Fixed Income Securities

The Commission monitors the weighted average maturities of local and foreign fixed income securities held by both Fixed and Floating NAV CISs. As at June 2020, the weighted average of local fixed income securities recorded averages of **3.11 years** for Fixed NAV CISs and **2.67 years** for Floating NAV CISs. Foreign fixed income securities on the other hand recorded averages of **2.42 years** and **5.58 years** for Fixed and Floating NAV CISs respectively (Table 4).

Table 4: Weighted Average Maturities as at June 2020

Fixed Income Type	Fixed NAV CISs	Floating NAV CISs
Local	3.11 years	2.67 years
Foreign	2.42 years	5.58 years

Repurchase Agreements (“Repo”) Market

Of the **38** Broker-Dealers registered with the Commission as at June 2020, **12** participated in the Repo market at the end of both reviewed quarters (Table 5).

The value of Repo Liabilities increased by **3.8 percent (TT\$136.95Mn)** from March to June 2020, while the value of Repo

Assets also grew by **7.2 percent (TT\$268.57Mn)** (Table 5).

There was an average of **1403** outstanding Repo contracts between the quarters ending March and June 2020 (Table 5). During the period, there was an increase of **8.2 percent** in the number of outstanding Repo contracts. When compared to June 2019, average Repo contracts decreased by approximately **6.3 percent**.

Table 5: 2020 Repo Market Overview

Indicators	March 2020	June 2020
Assets ³ (TT\$Mn)	3,721.50	3,990.07
Liabilities (TT\$Mn)	3,599.21	3,736.16
No. of Repo Contracts	1,348	1,458
No. of Repo Dealers	12	12
Average Repo Return (%)	3.02	2.95
Average Repo Maturity Return (mths)	12	10

Based on quarterly repo transactions in March 2020 and June 2020, repo contracts had an average maturity date of **12 months** and **10 months** respectively. During these quarters, repos also attracted an average return of **3.0 percent** in March 2020 and June 2020.

The **four (4)** largest categories of assets underlying Repos in the first two quarters of 2020 were:

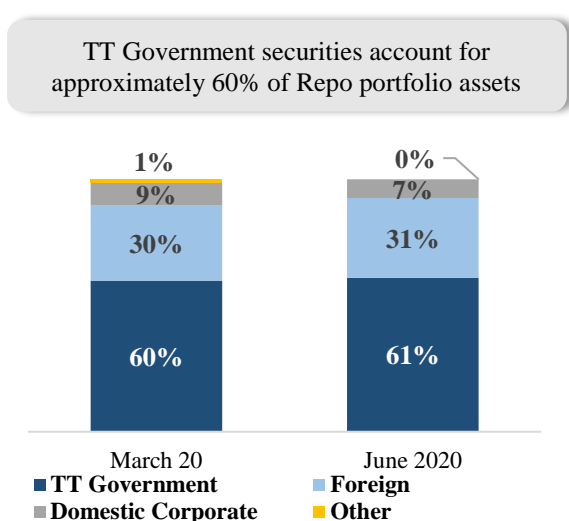
- TT Government Securities;
- Foreign Government Securities

³ Repo Assets refer to collateral used within the Repo transaction.

- TT Non-Financial State Agencies; and
- Foreign Non-Government Securities.

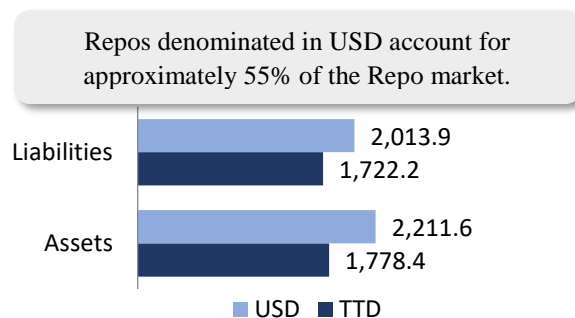
For the periods ending March and June 2020, TT Government Securities was, on average, **60 percent** of total Repo Assets (Figure 8).

Figure 8: Repo Portfolio Asset Composition



As at June 2020, approximately **55.4 percent** of Repo Assets were denominated in USD. It should be noted that, **53.9 percent** of Repo Liabilities were also denominated in USD which highlights the vulnerabilities of Repo Liabilities to fluctuations in the value of the USD (Figure 9).

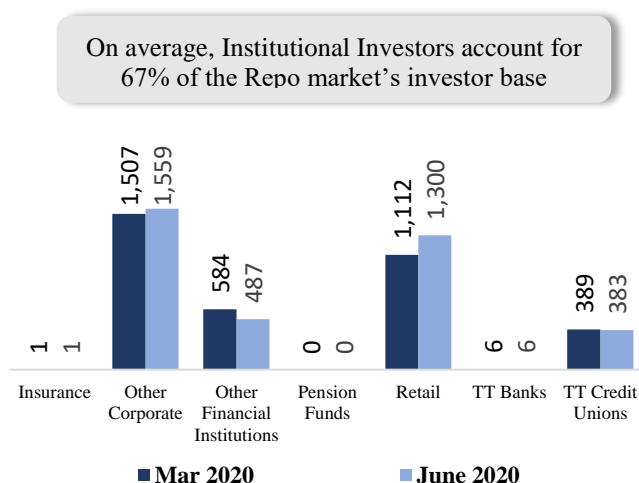
Figure 9: Total Repo Assets and Liabilities by Currency as at June 2020, (TT\$Million)



REPO Investor Type

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

Figure 10: Repo Investor Breakdown by Category (TT\$Million)



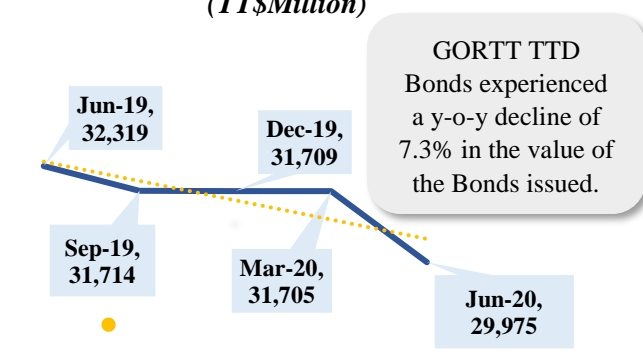
For the reporting period, on average, Institutional investors accounted for **67 percent** of the Repo market's investor base and Retail investors accounted for the

remaining **33 percent**. Companies classified as “Other Corporate” accounted for approximately **40 percent** of all investors, the Pension Funds, Insurance Companies and TT Banks had the least investments in the Repo market.

Government Bond Market

At the end of June, 2020, there were no new issues of Government TTD bonds. The last issue of government bonds through the Central Bank of Trinidad and Tobago was in 2017. It is estimated that **18 GORTT TTD bonds** will mature within 5 years with an average value of **TT\$579.1Mn**. As at June 2020, there were **38 TTD** denominated Government bonds in issue with a nominal value of **TT\$30Bn** (Figure 11). For the twelve-month period, June 2019 to June 2020, the value of the bonds issued declined by **7.3 percent** (TT\$2.3Bn).

Figure 11: Value of GORTT Bond Issues, (TT\$Million)

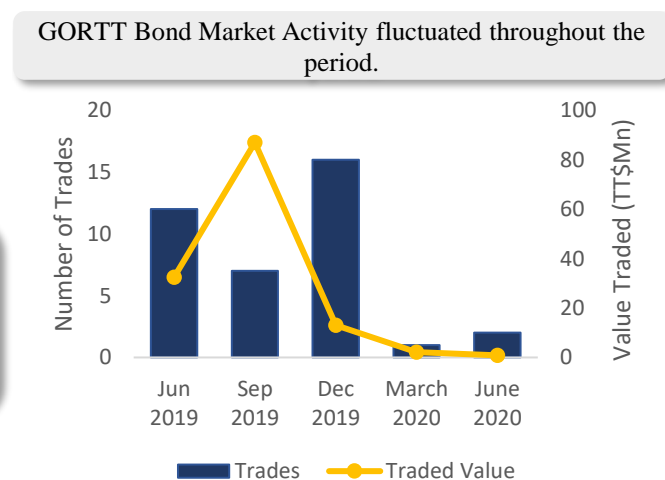


At the end of Quarter 2 2020, there were **17** Government Bonds listed on the TTSE.

Although activity in the Government Bond Market fluctuated throughout the period. As at March 2020, there was **one (1)** trade and at the end of June 2020, the number of trades increased by **one (1)**, ending the first half of 2020 with **two (2)** trades. The respective traded values also decreased by **60.3 percent** from March to June 2020 (Figure 12).

A year on year review shows an overall decrease in activity in June 2020. For the quarter ended June 2020, there were only **two (2)** trades, **83.3 percent** less than the number of trades when compared to same period in 2019. When compared to June 2019, there was also a substantial decrease in the value traded by **97.4 percent in June 2020**, a decline of **TT\$31.62Mn**.

Figure 12: Trades and Value Traded of GORTT Bonds

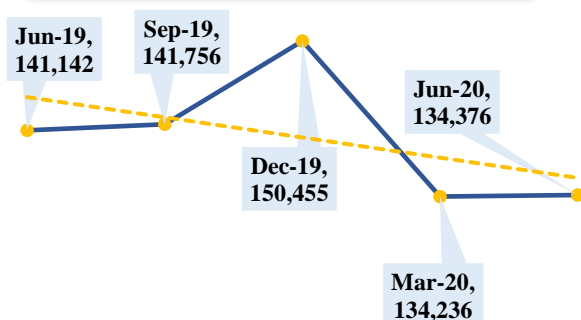


Equity Market

There were **37** securities listed on the Trinidad and Tobago Stock Exchange (“TTSE”) as at June 2020. The total value of these securities⁴, as measured by market capitalisation, rose by approximately **0.1 percent (TT\$140.69Mn)** from the quarter ended March 2020 to June 2020. However, periods December 2019 to June 2020 and June 2019 to June 2020, market capitalisation of securities listed on the TTSE decreased by **10.7 percent (TT\$16.1Bn)** and **4.8 percent (TT\$6.77Bn)**, respectively (**Figure 13**).

Figure 13: Market Capitalisation of the TTSE Listed Securities, (TT\$Million)

After December 2019, market capitalisation of securities decreased by over 10 percent.



Of the total securities listed on the TTSE, **one (1)** is a USD equity security valued at **US\$21.67Mn** as at June 2020. During the

period January to March 2020, this security issued new shares valued at **US\$10.24**.

Notably, activity in the equity market significantly increased, for the period December 2019 to March 2020. The number of trades rose by **159.5 percent (4,669)**, volume traded increased by **150.1 percent (28.5Mn)**, and the value traded increased by **181.8 percent (TT\$545.93Mn)**.

However, from March 2020 to June 2020, the activity in the equity market declined, recording decreases of **28.3 percent** in trades, **34.6 percent** in volume traded and **43.6 percent** in value traded.

For the quarter ended June 2020, there were **5,486** trades with approximately **31.09Mn** in volume traded at a traded value of **TT\$477.34Mn**.

When compared to the previous year, there was an increase in activity in June 2020 and as a result there were increases of **75.5 percent** in trades and equally **90.3 percent** in traded volume and value traded (**Figure 14 overleaf**).

⁴ These securities only relate to the value of Equities.

Figure 14: Volume Traded and Value Traded of TT Equity Securities

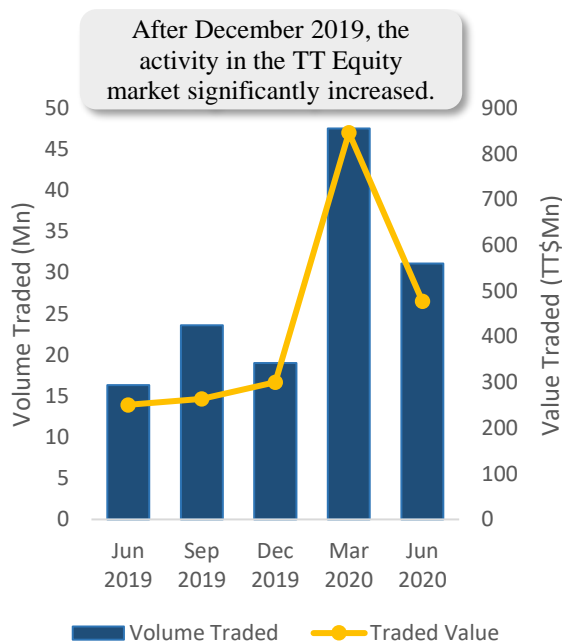
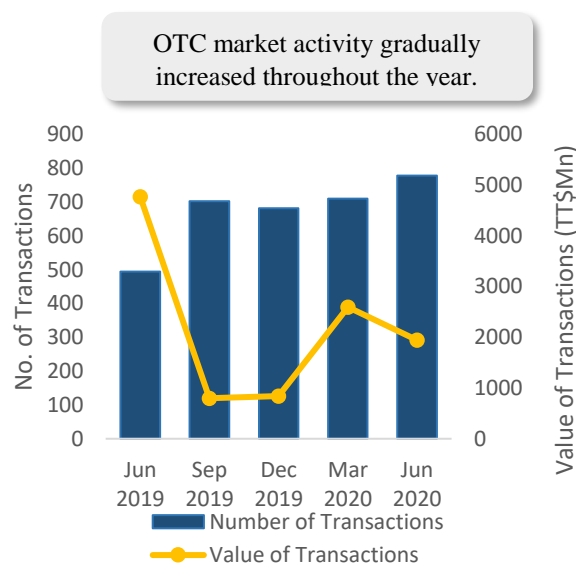


Figure 15: Value of OTC Transactions, (TT\$Million) and Number of OTC Transactions



Over-the-Counter (“OTC”) Market

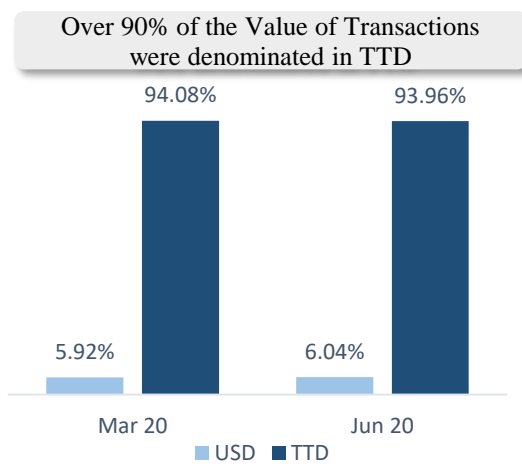
Over the twelve-month period ending June 2020, activity in the OTC market was observed with **778** transactions occurring at a value of **TT\$1.94Bn**. A year on year review reveals that the number of OTC transactions increased by **57.5 percent (284)**, while their value declined by **59.3 percent (TT\$2.83Bn)**. Similar patterns were observed for the period March 2020 to June 2020, where the number of OTC transactions increased by **9.6 percent (68)** and their value declined by **25.1 percent (TT\$652.53Mn)** (Figure 15).

The number of Broker-Dealers participating in OTC increased by **22.2** percent when compared to the previous year ended June 2019. However, for the period March 2020 to June 2020, the number of Broker-Dealers participating in the OTC market decreased by **8.3 percent**. The majority of the Broker-Dealers who participated in the market, acted as Agents (arranging a trade between third party buyers and sellers). For the quarter June 2020, **81.7 percent** of Registrants acted as Agents in the transactions while the remaining **18.3 percent** acted as Principals (purchasing or selling for its proprietary book or clients).

As at June 2020, over **99 percent** of securities traded via the OTC market were in fixed income securities which can be attributed to investors' seeking liquidity through the sale of bonds before maturity or portfolio restructuring.

Approximately **94 percent** of OTC transactions, were denominated in TTD for both quarters ended March 2020 and June 2020 (**Figure 16**).

Figure 16: OTC Transactions by Currency Composition



Conclusion/Interconnections

Interconnections refer to relationships and/or dependencies among market participants to facilitate financial transactions. Due to the most recent global financial crisis (2007-2009), regulators within financial markets across the globe have placed greater emphasis on identifying and monitoring interconnections in order to mitigate systemic risk. While interconnections have many benefits, there are also several vulnerabilities. It is through understanding these relationships and dependencies among participants that the Commission will recognize how risks to the financial market are transmitted and how to mitigate any potential threats to the market's stability.

As the securities market evolves in terms of products and services, complex interconnections between market participants develop. In the Trinidad and Tobago market, for the quarter ended June 2020, approximately, **65 percent** of registrants were either associated with or dependent on Financial or Banking entities.

The Equity market is the largest segment of the securities market. The data showed that

securities listed by the Banking Sector comprises a major chunk of this segment and that only five (**5**) out of the thirty-seven (**37**) securities listed on the TTSE accounted for **56.9 percent** of market capitalisation as at June 2020.

Eleven (**11**) of the twelve (**12**) Repo Dealers were associated with Financial and Banking Groups as at June 2020. One Repo Dealer associated with a Banking Group accounted for approximately **50 percent** of Repo Liabilities. Nine (**9**) out of eleven (**11**) companies which participated in the OTC market were part of a Financial or Banking Group.

Of the total reporting entities, **25.6 percent** manage CISs. The CIS market was the second largest segment of the securities market. Within this segment the AUM of three (**3**) companies accounted for approximately **78 percent** of the total market AUM as at June 2020.

Fixed NAV CISs continue to dominate the market, accounting for an average of **58 percent** of the AUM for the quarter ended June 2020. The Commission is aware of the inherent risks of Fixed NAV CISs and will be

working with other regulatory authorities and the market to mitigate the associated risks.

The patterns of investments in these CISs also result in various interconnections among various segments in the market. Investments in Government issued fixed income securities comprise a substantial portion of CIS portfolios (**47 percent**). Investments in Local Equity accounted for **5 percent** of CIS investments and local Repos accounted for **0.7 percent** of CIS investments. While it is important to focus on local interconnections, it should be noted that **32 percent** of CIS investments were in Foreign securities.

There was an increase of **132.1 percent** in the investments in foreign equities within the CIS market, during the period of March-June 2020. Therefore, due to international interconnections, foreign fiscal policies, such as the US Federal Reserve's decision to release stimulus packages can bolster investor confidence and may impact our local securities market.

Notwithstanding the risk to specific investments, the Commission continues to monitor the risk exposures to each segment of the securities market. Noting that the majority of these market participants who operate in each segment are associated with

Banking and Financial Groups, it is important to assess, measure and monitor the vulnerabilities of these entities to mitigate systemic risks.

The Commission hopes that with registrants' continued support that the risks in the securities market can continue to be monitored and further analysis of the interconnections within can be undertaken.

Appendix I

Definition of Registrant 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.

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...”*

Investment Adviser

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

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.

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.

Repurchase Agreement (Repos)

According to the Commission'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.”

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 Commission.

Self-Regulatory Organization

A non-governmental organization 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 Commission. A Sponsored Broker-Dealer that is registered with the Commission 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.

Appendix II

Summary of Indicators

Description	March 2019	June 2019	September 2019	December 2019	March 2020	June 2020
CIS AUM (TT\$Mn)	53,339	54,362	54,499	55,868	55,220	57,004
% CIS AUM Fixed NAV	59	59	59	58	59	58
% CIS AUM Floating NAV	41	41	41	42	41	42
CIS Net Sales/(Redemptions) (TT\$Mn)	575	513	133	733	(55)	1,084
Number of CISs	64	64	64	64	68	68
Number of CIS Managers	12	12	12	12	15	15
Repo Assets (TT\$Mn)	5,223	5,252	5,219	4,763	3,722	3,990
Repo Liabilities (TT\$Mn)	4,921	4,833	4,832	4,314	3,599	3,736
No. of Repo Contracts in issue	1,504	1,490	1,498	1,463	1,348	1,458
No. of Repo Dealers	11	11	11	12	12	12
Average Repo Maturity (mths)	41	43	11	12	12	10
Average Repo Return (%)	3.14	3.18	3.29	3.11	3.02	2.95
Value of GORTT Bond Issues, (TT\$Mn)	32,323	32,319	31,714	31,709	31,705	29,975
Market Capitalisation (TT\$Mn)	134,325	141,219	141,833	150,533	134,394	134,523
Value of OTC Transactions, (TT\$Mn)	4,756	4,771	799	842	2,595	1,943
Number of OTC Transactions	443	494	703	682	710	778