



Trinidad & Tobago
Stock Exchange
Creating Opportunities

STATEMENT OF SUBSTANCE AND PURPOSE

Amendments to the TTSE Rule 224 Trading
Sessions

June 17, 2024

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BACKGROUND

In accordance with Section 35 of the Securities Act Ch 83:02, the Trinidad and Tobago Stock Exchange Limited (TTSE) hereby proposes the amendment of Rule 224 Trading Sessions for approval by the Trinidad and Tobago Securities and Exchange Commission (TTSEC). As a self-regulatory organisation operating the only securities exchange in the Republic of Trinidad and Tobago, the TTSE has been exploring ways to modernise and expand the capital markets of the country. In particular, the TTSE proposes to have more flexible and extended hours of trading on the Exchange in order for more opportunity for retail investors to participate in the capital markets.

Trading on the Exchange in 2023/2024 has been declining and retail participation has been limited. In 2023, there was a significant decrease in trade value from 2022's activity in the first-tier market by approximately 35%. From January 2024 to May 2024 the trade value is trending lower than in 2023 as trade activity continues to diminish.

In a survey of Caribbean Capital Markets published in January 2023 by the CFA Jamaica, entitled "THE EVOLVING CAPITAL MARKETS OF THE CARIBBEAN Local Capital Markets in the English-speaking Caribbean: Challenges and Opportunities", the Trinidad and Tobago Capital Market is characterised as

"Development of adequate liquidity in the market has been a major challenge for the TTSE, given T&T's "low volume" environment. While facilitation of trades among institutional investors has been common in the past, such a facilitation, on a large scale, has not been afforded to individual investors."

The TTSE has been engaged in several initiatives to increase the number of retail investors. This has involved investments in infrastructure development with the introduction of the TOP platform for investors to have real time access to trading as well as access to market information to assist in informed decisions on investments and the status of their investments. The TTSE has also targeted several organisations including unions, professional associations and chambers of commerce by providing webinars to explain investing to potential retail investors. From these initiatives, the TTSE is aware that flexibility and agility in providing hours of operations to allow greater participation is essential for the development of the capital market.

Regulatory Framework

In addressing the appropriate regulatory framework, Rule 224 Trading Sessions which sets out limited hours of operation from 9:00 a.m. to 12:00 p.m. for the Exchange has been identified as the appropriate area for improvement. The proposed new Rule 224 will allow the Exchange to prescribe its hours of operation by publication on its website.

Other self-regulatory organisations such as the Jamaica Stock Exchange have established rules of operation which provides a similar ability for the Exchange to expand its hours of operation. As a regional example, the Jamaica Stock Exchange has expanded its hours of trading to 9:00 am to 2:00 p.m. as of May 27, 2024:

Dealings in listed securities shall commence at such time as the Exchange may decide and this time will be published on the JSE's website. Extension or retraction of this time is at the absolute discretion of the officer of the Exchange presiding over the session, subject to concurrence of the majority of member/dealers and attorneys in the trading session. Any change, extension or retraction of the trading time shall be notified to Member/Dealers and published on the JSE's Website.

The advantages of this change in Rule 224 would include:

- Extension of hours by notice of the Exchange – this will lengthen the period for changes in hours of operations, allowing the Exchange to provide investors with more accommodating hours of trading. For example, the traditional lunch period can potentially be available for investors to trade when they have more free time.
- Liquidity – Assuming more trades occur in expanded hours, liquidity will be improved.
- Comparable Hours of Operations – the Exchange needs to be comparable regionally, so that investors are able to invest during convenient hours.

After consideration of the foregoing and in the interest of expanding and developing the capital markets of the Republic of Trinidad and Tobago, the TTSE proposes to amend Rule 224 to allow the Exchange to expand its hours in response to investor needs in a shorter and more agile manner.

Note

The existing TTSE Rules are currently being revised. As a result, the number for the proposed amendment to Rule 224 and references made to same within the Proposed TTSE Body of Rules will be subject to change.

Statement of Substance and Purpose – Amendment to TTSE Rule 224 Trading Session

We now outline the proposed amendment to Rule 224 Trading Session, whereby the existing Rule 224 will be deleted and replaced by the proposed amendment to Rule 224 Trading Sessions:

We propose to delete the existing Rule 224 Trading Session:

Rule - 224 Trading Sessions

Each Valid Trading Session will have the following trading sessions with the corresponding operational times:

<u>Trading Sessions</u>	<u>Start Time</u>	<u>End Time</u>
Pre-Open	8.00 a.m.	9.30 a.m.
Open	9.30 a.m.	12.00 p.m.
Pre-close	12.00p.m.	2.00p.m.
Close	2.00 p.m.	Not Applicable

The proposed Rule 224 Trading Sessions is as follows:

Rule 224 – Trading Sessions

(1) Established Trading Sessions

Trading sessions shall be prescribed by the Exchange from time to time, in its discretion, and published on the Exchange’s website.

(2) Alteration/Interruption of the Trading Session

In the event the Exchange determines that the existing Trading sessions should be altered, or the trading session interrupted in response to a market event or an emergency (including a technical problem with the trading system), the Exchange shall give Member Firms and the market written notice.

In the case of a permanent alteration of the Trading session, three (3) months’ written notice shall be given, confirming:

- a. that the alteration is permanent; and*
- b. the length of the new Trading session;*

and such notice shall be given to its Member Firms via electronic mail and the market notified of the altered trading session by placing a notice on its website,

and/or placing a notice on the Exchange's website.

In the case of an interruption of the Trading session, same day notice shall be given to the Member Firms via electronic mail and on the online trading platforms indicating that trading is currently unavailable due to a market event or an emergency.

Statement of Substance and Purpose

The TTSE has considered the risks relating to the expansion of the hours of operation and for full transparency, outlines the following:

1. **Market Risk** - this risk of loss due to changes in the market due to unforeseen events such as political instability, economic data releases, and natural disasters., is part of the systemic risk of capital markets. The proposed change in hours of operations would have no negative effect and does not increase market risk.
2. **Liquidity Risk** – by having longer hours of operations, liquidity risk is mitigated by enabling more investors to participate in the market. This is also part of the systemic risk of capital markets.
3. **Operational Risk** - operational risk is the risk of loss due to errors or failures in the trading process. This can include errors in trades, system failures, and human error. TTSE has minimized this risk by using a reliable trading platform and implementing robust risk management procedures.
4. **Regulatory Risk** - regulatory risk is the risk of loss due to changes or delays in changes in regulations. By implementing hours of operation managed by the self-regulatory organization closest to the market, and enabling quicker change processes, TTSE is mitigating this risk.

As a self-regulatory organization, the TTSE is cognizant of its public interest role with the impact of the capital markets in economic growth, systemic financial stability and investor protection. In relation to the investor protection, the implementation of this proposal for the TTSE to set the hours of operation will be continue to be supported by investor education initiatives by the TTSE and in conjunction with other stakeholders with initiatives on improving financial literacy of the population of Trinidad and Tobago.

The TTSE therefore recommends the amendment to the TTSE Rule 224 – Trading Sessions in support of growth and development of capital markets in Trinidad and

Tobago.

**APPENDIX 1
PROPOSED AMENDED RULE 224 TRADING SESSION**

The following proposed amended Rule 224 Trading Session will replace the existing Rule 224 Trading Session in its entirety:

Rule 224 – Trading Sessions

(1) Established Trading Sessions

Trading sessions shall be prescribed by the Exchange from time to time, in its discretion, and published on the Exchange's website.

(2) Alteration/Interruption of the Trading Session

In the event the Exchange determines that the existing Trading sessions should be altered, or the trading session interrupted in response to a market event or an emergency (including a technical problem with the trading system), the Exchange shall give Member Firms and the market written notice.

In the case of a permanent alteration of the Trading session, three (3) months' written notice shall be given, confirming:

- a. that the alteration is permanent; and*
- b. the length of the new Trading session;*

and such notice shall be given to its Member Firms via electronic mail and the market notified of the altered trading session by placing a notice on its website, and/or placing a notice on the Exchange's website.

In the case of an interruption of the Trading session, same day notice shall be given to the Member Firms via electronic mail and on the online trading platform indicating that trading is currently unavailable due to a market event or an emergency.