



# Bi-Annual Market Newsletter

JULY - DECEMBER 2020, ISSUE #26



“Get-rich-quick”  
Scams – Ponzi  
and Pyramid  
Schemes

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*Message from the*  
**Chief Executive  
Officer (Ag.)**  
▶ **Lystra Lucillio**

Dear Valued Stakeholder,

*Season's Greetings!*

We are pleased to present you with the 26th Issue of our Market Newsletter. As we close-off what has been an eventful 2020, we acknowledge your continued support and cooperation as well as remain resolute in our commitment to developing a fair and orderly securities market. Together, we adeptly manoeuvred the challenges of 2020, adapted where possible and re-imagined our approach to aspects of our business operations.

The COVID-19 pandemic has made us, and indeed the entire sector, more resilient and agile; necessitating that operations become more responsive to the market's needs and condition. In this new normal, market players have had to pivot from institutionalised and entrenched practices to incorporating simpler systems and increased utilisation of technology to allow for the continuity of services despite physical restrictions. Challenging times may be here for the foreseeable future; therefore, we must task ourselves to refocus, recharge, reimagine

and deep dive into repositioning our businesses to become more robust and nimble entities, capable of weathering any storm.

In this latest issue of our Market Newsletter, the following topics are covered:

- The 'new normal' and what it means for regulation and surveillance;
- "Get-rich-quick" schemes - Ponzi and Pyramid schemes;
- The importance of Notifications;
- The Role of the CO/ACO in anti-money laundering/countering financing of terrorism/countering proliferation financing, compliance; and
- Strategic collaborations.

We hope that you find this SEC Market Newsletter informative and instructive and as always, we welcome your feedback via [ccei@ttsec.org.tt](mailto:ccei@ttsec.org.tt), as we seek to continuously improve this publication and our communication with you.

*Lystra Lucillio*

# THE 'new normal' AND WHAT IT MEANS FOR REGULATION AND SURVEILLANCE

It goes without saying that we live and work in unprecedented times. The spread of the Novel Coronavirus ("COVID-19") has resulted in a global pandemic, causing sharp reductions in economic activities worldwide and forcing many countries to close their borders. Organisations of all sizes have taken decisive action to adjust their operations in response to this new reality, while adopting the necessary health protocols meant to slow the spread of the virus.

COVID-19 has led to the classification of workers across organisations as essential and non-essential. Essential workers were identified as those providing a necessary service or product, as well as those whose jobs required them to be on the 'frontline' in the fight against the virus, while other categories of workers were classed as non-essential. Non-essential workers, while still important to the functionality of organisations, were required to work remotely from the comforts of their homes, where possible.

Given the above changes, organisations implemented unique measures to direct the way in which daily work operations were to continue. The securities industry stakeholders, including market participants and regulators also had to arrive at measures to guide their operations. From the onset of the pandemic, the Trinidad and Tobago Securities and Exchange Commission (SEC) has been committed to adhering to all health protocols introduced to mitigate the risks of the virus. In so doing, the SEC has also taken specific actions to find a balance between the new normal created by the pandemic and the SEC's obligation to continue the effective discharge of its mandate.

Notwithstanding the uncertainty, instability and various other challenges brought about by COVID-19, the SEC in its capacity as regulator of the securities industry was required to demonstrate steadfastness in carrying out its mandate to protect investors, ensure fair and efficient securities markets; and to foster confidence in the securities industry as a whole.

## The 'new normal'


In an environment of heightened volatility, new innovations and the extended use of technology in the home space, organizations were forced to increase digital security measures as well as implement policies to guide activities. The 'new normal', a term that followed closely behind COVID-19, refers to the measures and adaptations to guide a population while operating in the midst of the global pandemic.

The SEC has been steadfast in its approach to dealing with these adaptations. In consideration of the guidelines set

out by the government of the Republic of Trinidad and Tobago, the SEC implemented various policies and procedures to ensure the fulfillment of its role and functions through the continuation of its various work programmes.

## The emerging importance of digitisation in regulation

The COVID-19 pandemic has placed various pressures and restrictions on the operations of organizations and livelihoods. It has also raised concerns regarding the future of the securities markets and protection of the investing public going forward. Securities markets worldwide have



*While the submission of filings via electronic mail did help in that it made delivery easier and non-physical, the benefits of digitisation goes much further.*

been taking a hit as they combat panic responses and declining business performance in general. While the role of the SEC remains certain during these uncertain times, there has been an increasing reliance on digitisation and the use of technology to regulate in the same space with COVID-19.

Throughout the pandemic to date, teams within the organisation have had to find new and different ways to efficiently and effectively complete day-to-day tasks in order to fulfill the responsibilities and objectives of the SEC. Many of these changes involve some element of technology usage. There has been a thrust towards digitising everyday tasks. Three major areas in the SEC's regulatory function, where digitisation is expected to have a significant impact owing to the COVID-19 pandemic are filings, surveillance and communications. Certain processes in these areas have been digitised or are earmarked to be digitised, thereby facilitating a seamless experience in the completion of tasks where Staff and/or external stakeholders work remotely.

### Digital Filings

There are a number of statutory filings incumbent upon the SEC's registrants that are imperative to sustaining the regulatory equilibrium of the securities industry. Traditionally, these filings have been satisfied by registrants through the delivery of physical documentation.

Over time, there has been a gradual shift from paper - based filings to electronic filings via electronic mail. As the effects of the pandemic took root earlier in the year and it became increasingly difficult to deliver physical filings, the SEC encouraged the use of electronic mail for the submission of filings by registrants.

While the submission of filings via electronic mail did help in that it made delivery easier and non-physical, the benefits of digitisation goes much further.

At the start of the pandemic, the SEC was preparing to launch an electronic platform for digital filings. Through the use of digitisation, the Electronically Advanced Submission interface or EASi platform is expected to significantly improve the SEC's operations. A key aspect of this platform is the digital submission and management of filings from registrants.

This venture, which is a strategic initiative on the part of the SEC, has come to fruition at the opportune time. As the SEC and its registrants made some degree of transition to remote work as a result of COVID-19, this new system, which allows for registrants to make all their obligatory filings electronically, was in the process of being tested by market participants.

With EASi, Staff of the SEC will have instant access to filings once they are submitted by registrants using the platform. During a time where contactless interaction and social distancing are paramount to public health and safety, this adaptation provides for a seamless and contactless form of completing filing obligations.

The EASi platform has since been launched to the market and its full implementation in the coming months will not only mitigate the effects of the pandemic in respect of registrant filings, but also improve the overall efficiency and effectiveness of the SEC's operations.

### **Digital Surveillance**

Surveillance of the securities markets takes on a myriad of forms in the SEC and such activities are key to policing the regulatory landscape with a view to ensuring adherence to the securities legislation. While it may come as no surprise that a large part of the surveillance of securities trading activity is done digitally, the SEC does have a paper based element to its surveillance operations. One facet of this paper-based element is the review of the three daily newspapers of general circulation in Trinidad and Tobago. Through this surveillance activity, the relevant Staff of the SEC optimised the use of digital newspapers to execute its duties which include: taking note of any articles surrounding registrants' activities, business developments, Notices published in respect of material changes, publication of financials and even complaints that investors may have taken to the print media.

With this shift, the mechanism for review was quickly adapted and incorporated as part of its daily operations. The use of digital copies allows for surveillance to be done wherever officers are physically present. With this new standard operating procedure, articles of interest are easily shared and accessed across the organisation without the need to make scans or take pictures of the articles.

Surveillance of newspapers is only one of the ways the SEC retrieves important registrant and market information. Staff of the SEC also access information such as annual reports, financial statements, press releases and corporate information from other digital sources. Most of these types of information are posted online via various fora. The SEC has found these to be a great resource for surveillance.

### **Digital Communication**

Apart from finding ways to monitor and regulate using digital means, there is the need to overcome challenges brought about by the pandemic in relation to communication. As events continue to unravel throughout economies impacting securities markets, registrants and regulators must continue to communicate with the investing public and all other stakeholders. Due to changes in office hours, rotational working arrangements or in some instances Staff being out of office for multiple days, electronic mail has become the main source of communication.

In addition to electronic mail, communication using website notices and the use of social media platforms have proven to be effective in these times of COVID-19. Like many organisations, the SEC has used its increased social media presence to disseminate information in a time where more people are looking toward these platforms to stay updated. Through advertisements and regular postings, the SEC continues its market education mandate, as well as informing the public of material changes and other important notifications.

In our continued efforts to navigate this challenging time, the regulatory and surveillance arm of the SEC has adapted and continues to adapt its daily activities to effectively meet the challenges. In the circumstances, stakeholders can rest assured that adherence to the health protocols and the increasing necessity to work remotely have not affected the important regulatory and surveillance functions of the SEC.

# SEC Repositions Investor Education in T&T

A negative fallout of COVID-19, was its impact on the SEC's Investor Education (IE) Outreach programme, which had to be suspended due to the public health restrictions on gatherings. This, however, afforded us the opportunity to be innovative and creative in the development of a new IE strategy; the effect of which, saw the SEC leading in the introduction of novel investor education programmes, among regulators of the financial sector, both at home and across the region.

## Ask the TTSEC Live Stream Series

The 'Ask the TTSEC' series was introduced in June and addressed topical issues and questions about the securities industry including: **Know Your Rights (as an Investor)**, **Players in the Securities Market and Investment Instruments** and **Fintech** which ran for two sessions.

The Fintech sessions involved partnering with the other regulators. Lystra Lucillio, Chief Executive Officer (Ag.), led our discussions on the topic, while the stakeholder representatives were: Leslie Ann Des Vignes - Central Bank of Trinidad and Tobago (CBTT), Kylene Dowden – Financial Intelligence Unit of Trinidad and Tobago (FIUTT) and Chandradath Maharaj - Trinidad and Tobago International Financial Centre (TTIFC).

This series not only opened the SEC to a more diverse audience, and extended the reach of Investor Education, but also exposed Staff to a new area of professional growth. On average, since the first programme was streamed in June, the SEC saw a 9% increase in audience share and a 34% increase in our engagement rate, on Facebook; Instagram followers grew by 30%; Twitter followers went up by 68%; YouTube also received 18 new subscribers and LinkedIn saw an increase of 337 new followers. A special thank you to all of you who tuned in to make this initiative a success. You can look forward to more of these virtual discussions in 2021.

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## ASK THE TTSEC

### Fintech

Live Stream Panel Discussion   

**Friday 28, August 2020**  
**2pm to 3pm**

Meet the panellists, who will be joining us to discuss Fintech in Trinidad and Tobago.

Ms. Lystra Lucillio  
Chief Executive Officer (Ag.)  
TTSEC

Ms. Leslie Ann Des Vignes  
Asst. Manager,  
Payment Systems  
CBTT

It's a Financial Regulators Panel. Join us for our live discussion!

Mrs. Kylene Dowden  
Director, Legal Services  
FIUTT

Mr. Chandradath Maharaj  
Vice President  
Financial Markets Development  
TTIFC

Visit our corporate website @ [www.ttsec.org.tt](http://www.ttsec.org.tt)

**'ASK THE TTSEC'**  
JOIN US LIVE!  
**Friday 31, July**  
**2pm to 3pm**  
Facebook   
YouTube   
LinkedIn   
Twitter 

Topic: "Players in the Securities Market and Investment Instruments"

### Financial System Regulators

There were other opportunities for collaboration between the SEC, and fellow regulators and key stakeholders. The SEC formed part of a communication team that included the Ministry of Finance, CBTT, FIU and TTIFC, tasked with developing a communication strategy for the launch of the E-Money Issuer (EMI) Order, Regulatory Sandbox and Regulatory Innovation Hub. The EMI Order came into effect on August 4th while the Hub went live to the public on October 2nd. The Sandbox has not yet been implemented.

### But what are these facilities?

#### E-Money Issuer Order

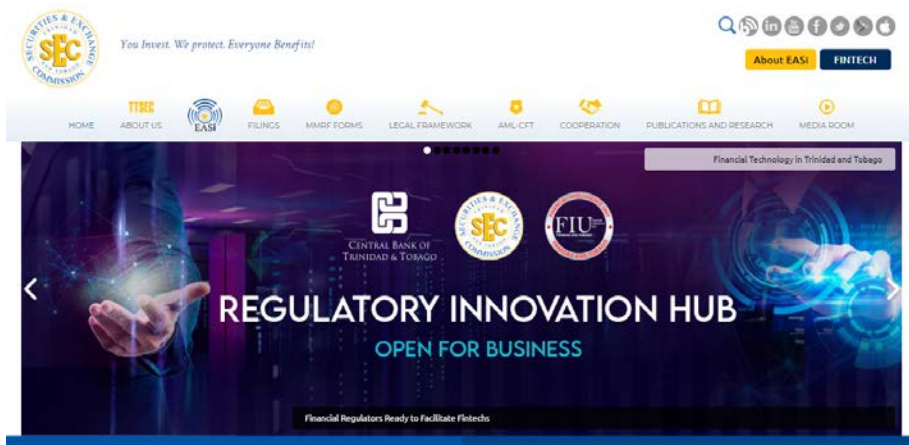
E-money is defined under the Financial Institutions Acts 2008, as monetary value represented by a claim on the issuer. The issuance of the order now provides for entities, other than licensees to issue e-money, such as authorised mobile network operators.

#### Regulatory Innovation Hub

The Regulatory Innovation Hub is a portal that will allow entities to seek guidance on the regulatory requirements for their proposed financial technology products and services.

#### Regulatory Sandbox

The Regulatory Sandbox, is an arrangement established by the Regulators, to provide entities with the facility to test innovative financial products or services; business models, and/or delivery mechanisms, in order to determine the readiness of the product/ service for public consumption. Entities entering the Sandbox, must have already been assessed via the Hub; and their products or services determined acceptable for testing in the Sandbox.



With the growing public concern over the rise in investment scams, in particular Pyramid Schemes, on August 20th, the Financial System Regulators issued a joint advisory and media statement cautioning the public about this type of scam. The media statement was widely reported on across all forms of media.

As we look towards a new financial year, CCE looks forward to more opportunities for collaboration with fellow regulators and key stakeholders.

Click [here](https://www.central-bank.org.tt/fintech) <https://www.central-bank.org.tt/fintech> to link the Fintech Regulatory Innovation Hub.

### IOSCO’s World Investor Week – Financial Resiliency

The SEC is a member of the International Forum for Investor Education, Caribbean Working Group. The group meets once a month to discuss matters related to Investor Education, including World Investor Week (WIW), for regional updates and to share ideas and focus on opportunities/areas for training. In terms of WIW which was celebrated for the entire month of October for the first time this year, the SEC would have developed the templates that were adopted by the region’s regulators in their own observances. The theme was financial resiliency. Here are the concepts below.





# NOTIFICATIONS:

## What to tell us and why

Disclosure is integral to effective securities market regulation. In keeping with the SEC's mandate to regulate and supervise the local securities industry, registered entities that make up the local securities market, are required to report certain important information to the SEC.

One way that the SEC facilitates registrants' capture and reporting of such important information is through the Form 6 – Notification of Change, which was created in accordance with section 56(4) of the Securities Act, 2012 ("the Act") and By-law 53 of the Securities (General) By-Laws, 2015 ("the By-laws"). This form can be accessed on the SEC's website via the following URL: <https://www.ttsec.org.tt/wp-content/uploads/Form-6-Notifications-2020.pdf>, and once Registrants are onboarded, can be accessed and submitted via the SEC's recently launched Electronically Advanced Submission Interface ("EASI") online platform.

Section 56(4) of the Act states, "*subject to the By-laws, an applicant under this Part or a registrant shall provide the Commission notice in writing of the occurrence of any prescribed event within the prescribed period.*" Further, By-law 53 of the By-laws states, *inter alia*, that "*for the purposes of section 56(4) of the Act, the prescribed events are those set forth in Schedule 3*". By-law 53 also specifies the timeframes for notifications to be sent to the SEC, but more on that later on.

The Form 6 – Notification of Change captures certain changes or actions taken by, or affecting registrants, and which are required to be reported to the SEC. The specific events which are required to be reported to the SEC under Section 56(4) of the Act are outlined in Schedule 3 of the By-laws. List A of Schedule 3 relates to registrants registered under section 51(1) of the Act which are Broker-Dealers, Investment Advisers, and Underwriters. List B of Schedule 3 relates to registrants registered under Section 61(1) of the Act, which are Reporting Issuers.

The following are a few events that frequently occur and are required to be disclosed to the Commission using the Form 6:

#### List A – *Broker-Dealers, Investment Advisers, and Underwriters*

1. any hiring, resignation, dismissal, or retirement of a senior officer, designated person, registered representative or an individual in charge of the operations of any branch office of the registrant, by, or from the registrant and in the case of a dismissal, the reason therefor;
2. where the registrant becomes aware that any of its senior officers or registered representatives has been charged or convicted of fraud or any other offence involving dishonesty;
3. any material breakdown of administrative or control procedures, including breakdowns of computer systems or other problems resulting or likely to result in failure to maintain proper records, and the steps that the registrant proposes to take to correct the problem;
4. the date on which the registrant proposes to cease to carry on business for which registration is required under the Act and the reasons for the cessation;

5. a breach by the registrant of the requirements regarding financial resources, maintenance of any prescribed capital requirement under the Act and these By-laws, books and records and risk management and internal controls, together with details of the steps that it is taking to remedy the breach;
6. any change made to the ending date of the financial year of the registrant;
7. where the registrant has reason to believe that it may be unable to submit financial statements required under the Act and these By-laws within the time specified in the Act or these By-laws;
8. where the registrant has reason to believe that it may be unable to pay its annual renewal fees to the SEC;
9. the failure of any bank or other entity with which the registrant has deposited or to which it has passed client money, and for these purposes' "failure" means the appointment of a liquidator, receiver, administrator or trustee in bankruptcy or any equivalent procedure in the relevant jurisdiction;
10. where the registrant is party to any legal proceeding in Trinidad and Tobago or elsewhere, and the actual or contingent claim, or any amount claimed or disputed by, or against the registrant in relation to its business is likely to exceed ten percent of its financial resources;
11. the opening and closing of any branch office in Trinidad and Tobago, of a person registered under Section 51(1) of the Act, and the name of the most senior person responsible for the operations thereof;
12. any change in the registered name, registered address or contact information of the registrant; or
13. any development that poses material risk to the operation of the registrant registered under Section 51(1) of the Act.

#### List B – *Reporting Issuers*

1. any hiring, resignation, dismissal or retirement of a senior officer or designated person by, or from the reporting issuer and in the case of a dismissal, the reason therefor;
2. the repayment or maturity of, or default of payment on, any security issued by the reporting issuer other than a reporting issuer that is a collective investment scheme;
3. any change made to the ending date of the financial year of the reporting issuer;
4. where the reporting issuer has reason to believe that it may be unable to submit financial statements required under the Act and these By-laws within the time specified in the Act or these By-laws;
5. where the reporting issuer is party to any legal proceeding, in Trinidad and Tobago or elsewhere, and the actual or contingent claim, or any amount claimed or disputed by, or against the reporting issuer in relation to its business is likely to exceed ten per cent of its financial resources;
6. any change in the registered name, registered address or contact information of the reporting issuer; or
7. any change in the constituent documents of the reporting issuer.

The comprehensive lists of changes which are required to be reported can be found at Schedule 3 of the By-laws. A copy of the By-laws can be accessed on the SEC's website at the following URL: <https://www.ttsec.org.tt/wp-content/uploads/Securities-By-Laws-2015.pdf>.

In terms of the timeframe for these notifications, as stated at By-law 53 of the By-laws, for registrants registered under Section 51(1) of the Act, the prescribed time for notifications to be sent to the SEC is seven (7) days from the date of the occurrence of the prescribed event.

For registrants registered under Section 61(1) of the Act, the timeframe within which notifications are to be sent to the SEC is fourteen (14) days from the date of the occurrence of the prescribed event, unless the SEC specifies otherwise.

Clearly outlined disclosure requirements, such as those mentioned above and captured using the Form 6 – Notification of Change, provides the SEC with important information in a timely manner, enabling it to better regulate the local securities market.

# “Get-rich-quick” Scams - Ponzi and Pyramid Schemes

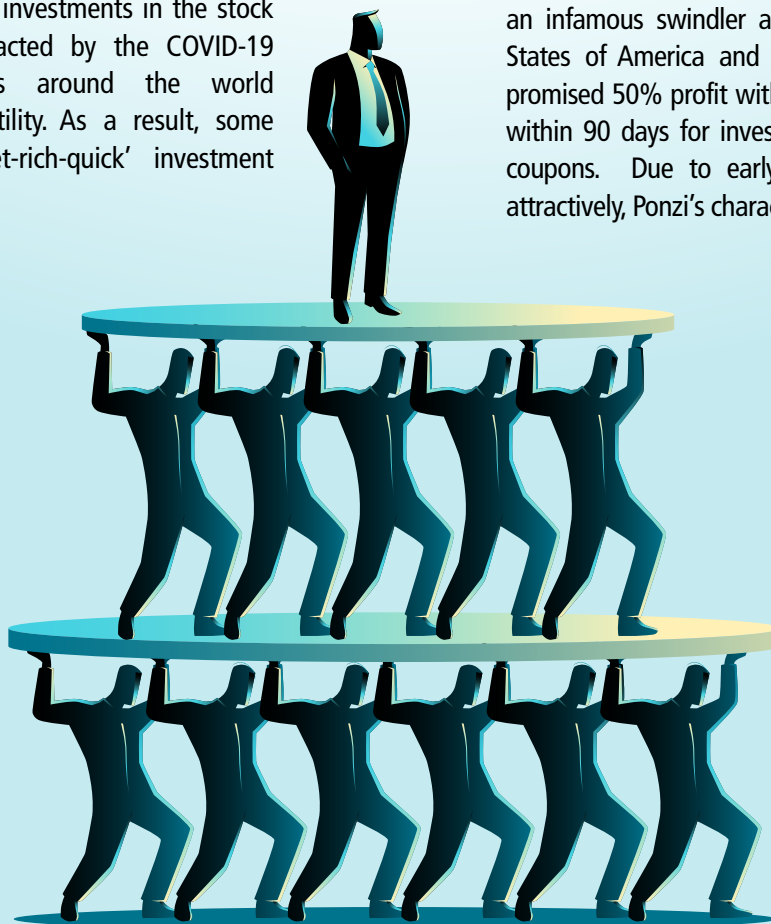
**S**imilar to Trinidad and Tobago, governments around the world imposed restrictive measures to curb the spread of the COVID-19 virus, in which, social distancing and the wearing of masks were critical. Restrictive measures, such as those placed on businesses affecting opening/closing hours and the types of transactions that can be conducted, significantly impacted their operations. As a result, persons lost their jobs, or had the number of days allowed to work reduced or hours cut.. The income levels of many citizens were negatively affected; and to ‘make ends meet’, persons relied on their savings and/or explored investment opportunities. However, the traditional investments in the stock market were also impacted by the COVID-19 pandemic as markets around the world experienced sharp volatility. As a result, some persons turned to ‘get-rich-quick’ investment schemes.

Since the early 20th century, the term ‘get-rich-quick’ has been used to describe schemes which utilises little investment, risk, and effort to obtain high rates of returns. However, investors who are presented with such ‘*return-risk trade-offs*’ should be apprehensive since one of the underpinnings of financial theory is that the relationship between return and risk is positively correlated. To further explain, to earn higher returns, the investor has to tolerate higher risks. Two popular ‘get-rich-quick’ schemes include: Ponzi and pyramid schemes.

## Ponzi and pyramid schemes

Charles Ponzi, the namesake for the Ponzi Scheme was an infamous swindler and con artist in the United States of America and Canada who in the 1920s promised 50% profit within 45 days and 100% profit within 90 days for investments in international mail coupons. Due to early investors being rewarded attractively, Ponzi’s character appeared to be credible

*cont'd pg. 11*



and his investment opportunity seemed to be trustworthy and successful, which attracted even more investors. However, the mathematics of the investment did not work. Ponzi claimed that to keep his competitive advantage, he refused to provide details of the investment strategy. It was later revealed that Ponzi was only able to pay out such returns from new investors' money. Ponzi was arrested and charged with 86 counts of mail fraud. As derived from above, a Ponzi scheme is an investment fraud which pays existing investors with funds collected from new investors which is somewhat different from a pyramid scheme.

A pyramid scheme uses funds received from new members to pay initial investors; existing participants are required to recruit new members to receive higher returns. At each level of the scheme, the number of investors increases. The initial participants at the top require a large base at the bottom comprising of other members in order to provide returns to earlier participants. The pictorial view resembles a pyramid, in which, the scheme derives its name. Some schemes claim to sell a product; however, the promoter uses this product to hide the pyramid structure. Two main signs that a product is being used to disguise a pyramid scheme include:

- Inventory loading – This occurs where an incentive is offered for recruits to buy more products than they could ever sell, often at inflated prices. Where this type of distribution continues, persons at the top tend to gain large profits; and
- Lack of retail sales – There may be a claim that there is a high demand for the product; however, there is no proof of sales to the general public outside of the pyramid.

Diagram 1 illustrates the operations of the schemes and Table 1 outlines the main features of the schemes.

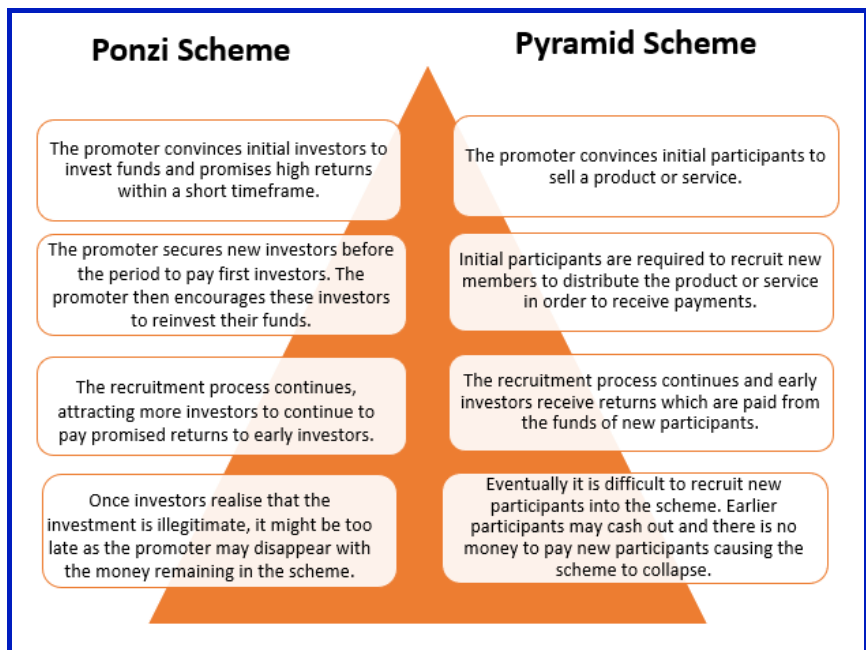


Table 1: Main Features of the Ponzi and Pyramid schemes

Diagram 1: Operations of Ponzi and Pyramid schemes

CHARACTERISTICS	PONZI SCHEME	PYRAMID SCHEME
<b>Operations</b>	Funds from new investors are used to pay alleged returns to earlier investors.	Funds from new participants are used to pay earlier participants.
<b>Tactics</b>	High returns with little or no risks by paying a sum of money; no investment exists.	High returns by making an initial payment and finding others to become distributors of a product; no product exists.
<b>Requirements</b>	No recruitment is necessary to receive payments.	Recruitment of new distributors of the product is required to receive payments.
<b>Interaction</b>	The promoter has direct interaction with participants.	The promoter is not required to interact with new participants. Participants recruit new members.
<b>Collapse</b>	Relatively slow once existing participants reinvest money.	Fast as a large number of participants are required at each level.



*regulators have warned consumers that such schemes are fraudulent and can result in the loss of their hard-earned money*

The Ponzi and pyramid schemes are quite similar, in which, both:

- are forms of investment/ financial fraud that promise victims attractive returns; there is no genuine product or service.
- require a consistent inflow of new investors to remain active; and
- collapse or fail eventually.

The main difference is that the investor in a Ponzi scheme believes the return is from a legitimate investment and is not required to recruit new investors to be paid. However, the investor in the pyramid scheme is required to recruit new members in order to earn money.

### Warning Signs

The following are some warning signs to help recognise such schemes:

- Invitation to join an unsolicited opportunity.
- Unregistered investments and unlicensed sellers.
- Promise of high returns with little or no risks to be received in a short timeframe.
- High pressure sales tactics, including statements that, 'you must get involved quickly' or 'you will miss a once in a lifetime opportunity'.
- Guarantees that you will not lose money or that you will make a substantial amount.
- Promoters who fail to explain how the money will be invested. Potential investors are often misled by plausible-sounding, but highly complex, descriptions of investments in which the funds will be invested. Financial terminology is bandied about and the average investor is unable to comprehend.
- Recommendation to invest based on secret or inside information.
- Statements from persons who claim to have made great

gains from an investment scheme which is currently being offered to you. It should be noted that persons may have been paid by the promoter to make these statements, or they may be persons who invested earlier in such schemes and who need new investors to recover their money.

### Investor Protection

The Trinidad and Tobago Securities and Exchange Commission's ("SEC's") mission is 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. To help us protect you, we ask citizens to:

- research all potential investment opportunities before investing. No security can be distributed in Trinidad and Tobago without being registered with the SEC;
- investigate the seller of the investment opportunity. Companies which offer securities must be registered with the SEC;
- understand the investment and ask questions. The seller should be able to explain how the investment operates; and
- report cases of fraudulent schemes to the regulatory authorities to help protect future investors from losing their hard-earned money.

Like other regulators around the world, regulators in Trinidad and Tobago: the Central Bank of Trinidad and Tobago, the Financial Intelligence Unit and the SEC, have warned consumers that such schemes are fraudulent and can result in the loss of their hard-earned money. A joint statement issued by the Financial System Regulators on Pyramid Schemes **can be accessed via the url:** <https://www.ttsec.org.tt/joint-media-release-financial-sector-regulators-on-pyramid-schemes/>

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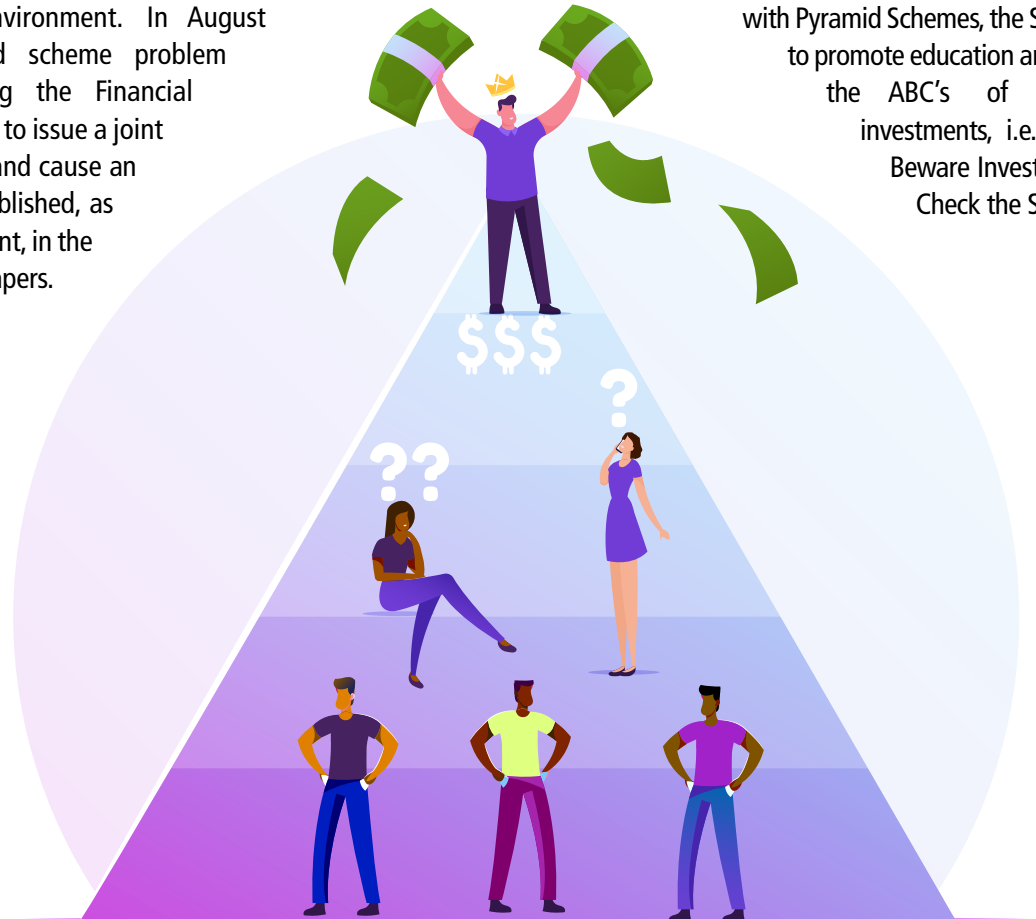
# SEC COLLABORATES WITH REGULATORS AND TTPS ON PYRAMID SCHEMES

**M**ore often than not, you will find that fraudsters and scam artists will thrive during challenging financial times. They know all too well that people are searching for quick and easy money to meet their daily needs and will grasp at seemingly 'fantastic opportunities' to make ends meet. Globally, COVID-19 brought with it an added financial burden and consequently exposed citizens to COVID-19 related scams. Regulators around the world responded to this threat and the Trinidad and Tobago Securities and Exchange Commission (SEC) followed suit, adapting its messaging and preparing for this by alerting the public, via its social media pages and on national television, about the possibility of these scams in the local environment. In August 2020, the pyramid scheme problem peaked prompting the Financial System Regulators to issue a joint media statement and cause an advisory to be published, as a paid advertisement, in the three main newspapers.

The statement by the SEC, the Central Bank of Trinidad and Tobago and the Financial Intelligence Unit of Trinidad and Tobago urged the public to be cautious with their hard-earned money and to not confuse the traditional 'sou sou' with pyramid schemes.

The SEC also collaborated with the Trinidad and Tobago Police Service (TTPS) on the challenge posed by Pyramid Schemes. There was agreement on the need for deeper collaboration in the areas of information sharing on financial fraud and get-rich quick money scams and public education.

In the absence of adequate legislation to treat with Pyramid Schemes, the SEC will continue to promote education and awareness on the ABC's of making wise investments, i.e., Ask Questions, Beware Investment Fraud and Check the SEC First.





## JOINT PUBLIC ADVISORY

### BY THE TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION, THE FINANCIAL INTELLIGENCE UNIT OF TRINIDAD AND TOBAGO AND THE CENTRAL BANK OF TRINIDAD AND TOBAGO ON "PYRAMID SCHEMES" MARKETED IN TRINIDAD AND TOBAGO

The Financial System Regulatory Authorities: the Trinidad and Tobago Securities and Exchange Commission (TTSEC), the Financial Intelligence Unit of Trinidad and Tobago (FIU) and the Central Bank of Trinidad and Tobago (CBTT) are jointly issuing this Advisory to the public to be cautious about entering into ventures commonly referred to as "pyramid schemes".

These schemes are currently being heavily marketed to nationals through online chat groups, via virtual meeting platforms and by direct face-to-face contact. **Pyramid schemes may take many forms and are often falsely presented as new investments including different types of securities, foreign currency trades and even traditional "sou-sou" arrangements.**

#### How can you recognise a Pyramid Scheme?

- They require persons to join groups and make an initial contribution of money with **the promise of a significant pay-out or "return"** on their contribution at a later date.
- They rely on the recruitment of new members in order to ensure high pay-outs – this is very **different from "sou-sou" arrangements, for example, which do not require recruitment of new members and are not profit-making ventures.**
- Early contributors to the scheme are paid from the money contributed by newer members. Existing members are encouraged to recruit new persons so that they can move to a different "level" or "circle" which promises higher

returns on their contribution. The overall intention is to get to the "highest level" or to the top of the pyramid which will produce the highest pay-outs, while the newest members, those at the bottom of the pyramid, receive the lowest returns on their contributions. **When fewer or no new members join the scheme, it collapses and disappears along with the payment platform and the money that was invested.**

Schemes outside of regulated financial facilities, such as pyramid schemes, promising exorbitant cash pay-outs pose a serious risk to those participating including loss of their hard-earned money. In addition, recipients of these funds may not be able to determine their true origins, which may be from illicit sources. **You should therefore avoid pyramid schemes.**

**Please note that ANY individual or entity promoting investment opportunities must be registered with the TTSEC.** Reporting Entities should pay special attention to any unusual activity/transaction and if it is suspicious, report to the FIU.

The Regulatory Authorities are advising the public to remain vigilant and report any fraudulent activity to the **Fraud Squad of the Trinidad and Tobago Police Service (TTPS) at Telephone numbers: 1(868) 625-2310 or 1(868) 623-2644 or; Fraud Squad South office at 1(868) 652-8594; or by Email: fraud@ttps.gov.tt.**

**Dated: August 20, 2020**



# AML/CFT

## - FOCUS ON COMPLIANCE OFFICER/ALTERNATE COMPLIANCE OFFICER

In this Issue of our market newsletter, we focus on AML/CFT/CPF (anti-money laundering/countering financing of terrorism/countering proliferation financing). The Trinidad and Tobago Securities and Exchange Commission (SEC), as well as the Central Bank of Trinidad and Tobago ("CBTT") and the Financial Intelligence Unit of Trinidad and Tobago (FIU) are Supervisory Authorities (SAs) for purposes of AML/CFT. As a SA; and as part of its regulatory function in accordance with the Securities Act, Chapter 83:02 (2012), the SEC issued guidance to registered Broker-Dealers, Underwriters and Investment Advisers by way of Anti-Money Laundering and Counter Financing of Terrorism Guidelines for the Securities Sector ("the Guidelines").

### Role of the CO/ACO in AML/CFT/CPF compliance

Compliance Officers (CO) are pivotal in ensuring that registrants understand and implement their AML/CFT/CPF obligations and create and maintain effective AML/CFT/CPF systems, controls and policies (through the Compliance Programme). Registrants therefore need to ensure that the CO has the required authority to update and amend policies, implement systems and give directives to staff about compliance practices. Additionally, the CO should have unfettered access to, and direct communications with senior management and the Board of Directors, as well as timely and uninhibited access to client identification, transaction records and other relevant information throughout the entity.

COs should be adequately and continually trained and in turn should ensure that directors and all members of staff are also equipped to perform their obligations under the AML/CFT legislation, and understand the techniques for identifying any suspicious activities/transactions.

cont'd pg. 16



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The alternate Compliance Officer (ACO) is so delegated as a person who shall perform the functions of the CO in their absence, ensuring continuity of the CO functions and the registrant's reporting obligations. The identities of persons holding such positions should be held confidential by members of staff of the entity.

#### **Requirements for approval of CO/ACO**

Applications for approval of COs are made to the SEC and should be accompanied by the following documents:

1. The SEC's Application Form for Approval of Compliance Officers (which can be found on the SEC's website);
2. Certified copies of all academic certificates (Bachelor's Degree or higher) of the Applicant;
3. Certified copies of all professional qualifications or certifications (membership certificates, AML/CFT training Certificates etc.) of the Applicant;
4. A current Curriculum Vitae detailing the employment history of the Applicant;
5. Certified copies of two (2) valid forms of identification for the Applicant;
6. Two (2) Passport size photos of the Applicant; and
7. A recent Police Certificate of Character for the Applicant.

Registrants are required to inform the SEC of the selection/identification of a designated ACO, and in the event that this person is required to perform the functions of the CO, for a period greater than 30 days, the SEC's approval is required and the same information submitted as in the case of the CO. It is important to note that the designated ACO should be just as suitably trained and able to perform the functions of the CO. In instances of dually registered registrants (registered with both the SEC and the CBTT), the registrant must simultaneously submit applications to both SAs for approval.

#### **Approval process**

Once applications and the necessary documentation are received, the SEC assesses the applicant's suitability for the position of CO, considering the applicant's:

- Character and reputation;
- Competency, capability, qualifications and experience;
- Financial integrity;
- Conflicts of interest; and
- Reporting lines

Where necessary, the SAs collaborate in their assessment of an applicant's suitability and a decision communicated to the respective registrant.



# INCREASES ONLINE PRESENCE

The impacts of COVID-19 have veered the SEC towards fully utilizing its online platforms, specifically its social media pages – Facebook, LinkedIn, Instagram, Twitter, YouTube – to continue its Investor Education Programme. The following outlines some of the major online activities and social media (SM) campaigns that were executed during this fiscal year, along with the impact of those campaigns based on overall reach and public engagement.

## SM Campaigns 2020 ( FY 19/20)

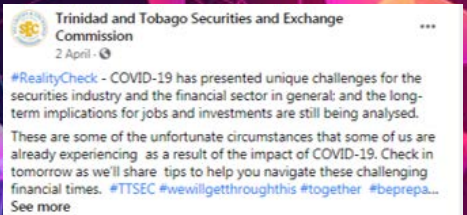
1. Launch of Investor Quest TT (IQTT)
2. IQTT Competition
3. National online Survey
4. World Investor Week 2019 Fintech Pledge Campaign
5. Christmas Scam Campaign
6. Get to know the TTSEC Series
7. Financial Health during Challenging Times Series
8. COVID-19 SCAM Campaign
9. Know Your Rights
10. Ask the TTSEC (4 online events)
11. Red Flags of a Scam
12. Launch of EASI
13. Pyramid Schemes vs Sou Sou Campaigns

As at September 30, 2020:

- Facebook 'Likes' increased by approximately 12%. Engagement rate increased from 8% in October 2019, to 62% at the end of September 2020.
- LinkedIn 'Followers' increased by approximately 145% with an engagement rate of 6%.
- YouTube's 'Lifetime Views' increased by approximately 76%, while the number of subscribers increased by 66%.
- Instagram – Launched in August 2019. As at September 2020, Followers grew to 178 - 19% increase from June 2020.
- Twitter – Launched in December 2020. As at September 2020, the number of Twitter Followers grew to 269.

Total reach on Facebook, peaked in April 2020 at 201, 311 – which is over 700% (176, 162) more than in fiscal 2019 which was at 25,149.

The SEC will continue to reach and engage the public via social media and will be developing new and interactive activities going forward.



# TTSEC

## HOSTS

# 9th US SEC Technical Assistance Programme

**T**rinidad and Tobago Securities and Exchange Commission (TTSEC) hosted the 9th Technical Assistance Programme for financial sector regulators in the Caribbean, which was facilitated by the United States Securities and Exchange Commission (US SEC). This year, as a result of COVID-19, the programme was carried out virtually over an eight-day non-consecutive period, from October 19th - November 16th, 2020.

The TTSEC – US SEC collaboration on training and development dates back to 2006, when specialised training opportunities were offered for regulators within the financial services industry in the Caribbean.

At this year's programme, there was participation from several Caribbean Group of Securities Regulators (CGSR) member countries, including: the Barbados Financial Services Commission, Bermuda Monetary Authority, BVI Financial Services Commission, Eastern Caribbean Securities Regulatory Commission; and locally, the Financial Intelligence Unit, Trinidad and Tobago Stock Exchange Limited, Trinidad and Tobago Police Service's - Financial Investigations Branch and the Fraud Squad and Staff of the TTSEC.

The Technical Assistance Programme exposed participants to training on a wide range of topics with bearing on the financial services industry such as: Compliance Inspections and Examinations; Developing a Corporation Finance Function; Oversight of FINRA and Building an Effective Self-Regulatory Programme; FinTech, Digital Assets and Initial Coin Offerings and Financing Small and Medium Sized-Enterprises.

The programme focused on challenges currently facing regulators locally and regionally and covered best practices within capital markets, to maximise both investor protection and market development.

At the opening, Lystra Lucillio, Chief Executive Officer (Ag.) of the TTSEC stated, *"The COVID-19 pandemic has indeed impacted on, and continues to, shape the way in which we interact and conduct business. Transitioning from physical and direct contact to virtual and contactless delivery of services - this virtual training has now expanded the opportunity for learning to many more participants locally as well as regionally; and we are pleased to be a part of engendering growth and development, across our financial sectors."*

Kester Guy, Chairman of CGSR and Chief Executive Officer of the Financial Services Commission, acknowledged the relevance of the



# TRAINING

*We must familiarize ourselves with global perspectives and integrate learnings and best practices into our local context so that we can effectively and efficiently oversee our securities markets*

– Lystra Lucillio

areas of focus to the growing demands across various landscapes. He stressed, “the benefits to be derived will yield exponential returns, not just for our individual jurisdiction, but for the region as a whole. The circumstances of this year may have physically separated us, but technology enables us to gather virtually, thus allowing continued access to the expertise and technical assistance to enabling us to confront head on the myriad issues we face.”

Kurt Gresenz, Senior Assistant Director in the US SEC’s Office of International Affairs, noted, “We are pleased to be part of this program hosted by the TTSEC, as we have a long history of cooperation with authorities across the Caribbean and around the world. By discussing our experiences and best practices, we can learn from each other on how best to address any challenges and further our shared investor protection goals.”

Participants from across the region were particularly grateful

to the TTSEC and US SEC for the opportunity to be part of this programme, indicating that the core areas presented on and discussed throughout were very relevant and informative, and the overall experience productive and transformative.

In closing the training, Ms. Lucillio pointed out, “Through this programme, we have created opportunities for increased information-sharing among regulators, from legislative amendments and financial technologies to enhancing our enforcement procedures and adequately addressing investment fraud. We have encouraged cross-jurisdictional participation and involvement, of which we are certain will continue going forward.”

She urged fellow regulators, “We must familiarize ourselves with global perspectives and integrate learnings and best practices into our local context so that we can effectively and efficiently oversee our securities markets.

# TTSEC INTRODUCES ONLINE SUBMISSION PLATFORM



On Tuesday 22nd September, 2020, the Trinidad and Tobago Securities and Exchange Commission (TTSEC), launched its online business solution (EASi) to the securities market. This e-solution is expected to revolutionise the way in which the local securities industry is regulated. The **Electronically Advanced Submission interface or EASi platform** enables market players to navigate the system, from submission and renewal of applications, to disclosure filings among other mandatory services.

In her address at the virtual launch, which was streamed live via the TTSEC's social media pages, Lystra Lucillio, Chief Executive Officer (Ag.), noted that *"The securities market has, and continues to, contribute significantly to our economy's GDP. To date, we have over 570 registrants. Our data also indicates that as at July 31st, 2020 the securities market was valued at over TT\$325 billion – approximately twice the size of Trinidad and Tobago's GDP for 2018."*

The EASi platform aims to improve the TTSEC's current process by enabling users to conveniently conduct their business and meet necessary requirements: at any time or from any place.

For the TTSEC, the launch of this e-business solution represents the culmination of an involved organisation-wide ICT project, and the delivery on a core strategic goal to,

'improve operational efficiency and effectiveness, by developing an organisation-wide information and communications technology infrastructure to support the data collection, dissemination and decision-making capabilities of our key functions'.

EASi facilitates faster review and turnaround time for submissions and grants the user the privilege to track the status. The EASi interface is accessible via the TTSEC's corporate website: [www.ttsec.org.tt](http://www.ttsec.org.tt), offering a secure, convenient and cost-effective method of doing business with the TTSEC. The integrated system also allows for a greater degree of transparency in the regulatory process and will strengthen confidence in the local securities market.

According to market representative, Christine Sa Gomes, *"If I had to highlight one feature of the interface that would receive my highest praise it is the validation factor. Many times, when submitting documents, a typographical error, missing check mark or an incorrectly written date can stall a submission by as much as 2 to 3 weeks. With the validation requirement written into the program you are alerted immediately that a line item is incorrect or missing... This operational efficiency translates through the entire process... Moving us forward to a digitized economy and a paperless system."*

The TTSEC's EASi platform also aligns well with the national strategy for the digitalisation of public sector services and expansion in the use of financial technology providing user access to most required forms, and business intelligence systems that link and pre-populates smart forms. The EASi interface enhances the TTSEC's control systems by integrating registration, continuous disclosure, contravention, monitoring, surveillance and other data stores, to boost accessibility, reporting and decision-making.

The application of EASi is illustrative of the fact that the TTSEC is moving the securities industry of Trinidad and Tobago forward on the ease of doing business index and is in step with the country's digital transformation.

The Commission has since started the Registrant onboarding process and is working closely with entities to ensure timely and accurate submissions and proper use of the interface. At the launch Ms. Lucillio stated that, "As with any new technology or system, there will be the usual teething issues, however we are confident that we will soon be able to fully integrate the system and introduce Phase two of EASi."

*"We are leveraging advancing technology, to execute our mandate to better serve the securities market and by extension our country. The SEC is bridging the gap between regulation and economic development, and making it easier and more efficient to do business in Trinidad and Tobago. As such we look forward to working with all registrants and ask for your patience, as we transition to this new way of regulation", she concluded.*

Visit our corporate website [www.ttsec.org.tt](http://www.ttsec.org.tt) to learn more about EASi.



*We are leveraging advancing technology, to execute our mandate to better serve the securities market and by extension our country*



